CHAPTER III
THE SOCIO-ECONOMIC MATRIX IN SRI LANKA

As briefly outlined in the last chapter, the constitutional experience of Sri Lanka, like the other South Asian countries in the seventies, was determined by both the socio-economic factors and her politico-constitutional development in the preceding period.

As such, in this chapter, an attempt will be made to outline the relationship between the cultural and colonial experiences of her diverse groups as well as to appraise the impact of the differential development of each major component group on the others in ultimately prescribing the pattern of her development in the post-independence period. The evolving socio-economic matrix would provide the necessary underpinnings over which the fabric of constitutional change would be woven (the theme of the following chapter) to provide the backdrop for a more detailed investigation of the events that took place in the seventies.

THE HISTORICAL BACKGROUND

The Cultural Context

It is meaningful to note at the outset that Sri Lanka is a tropical, island state, separated by a narrow strait from the southern tip of India. Relative to its massive northern neighbour, Sri Lanka is a small country of approximately 25,332 square miles stretching 270 miles from north to south and
140 miles from east to west. ¹

Sri Lanka's close proximity to India determined and influenced the course of its history to a great extent till the sixteenth century. Migrations from North India 2,500 years ago brought the Sinhalese, the majority community, to the island. Their language, Sinhala, is related to the Aryan languages of North India and their religion, Buddhism, imported later from North India, is identified by them as having a symbiotic relationship with their culture and civilisation.

The ancestors of the second largest community, the Ceylon Tamils, migrated from South India at a date disputed by historians. ² In contrast, this community speaks the Tamil language, one of the major Dravidian languages of South India, and comprises mainly of Saivite Hindus. Of great importance to subsequent history is the fact that a large percentage of the Tamil population is concentrated on or near the Jaffna peninsula at the northern tip of the island and east coast in close proximity to Tamilnadu in India. Constituting a substantial majority in two out of the nine provinces, the Tamils account for 85 percent of the population in the Northern Province and 42 percent in the adjacent Eastern Province. The other area in which they are found in quite a large number is the capital, Colombo, where they constitute 24.5 percent of the population. ³

While both communities are organised along caste lines, the cumulative effects of differing languages, religion and regional concentration lead to a

² While the date of their first contact with the island may be as old as, if not older than that of the Sinhalese; there were incursions from South India at least by the first century A.D. and major Tamil invasions between 700 A.D. and 1300 A.D.
separate cultural identification which is strengthened by two facts. The first -- the historical legacy -- has been increasingly perceived in recent decades as one of conflict between the Sinhalese and Tamils (both of the island and the mainland) and the second is a consequent suspicion in each regarding the other community of the island as a majority with a potential for dominance. In the minds of the Sinhalese, their fate as a people is inextricably bound up with that of their language, their religion and the island, all together jealously safeguarded vis a vis the combination of the greater land mass of India, peopled at its closest proximity by the Tamils with their different cultural characteristics. Unquestionably dominant in number over the Tamils in Sri Lanka, the Sinhalese are only about a sixth of the size of the Tamil community of Sri Lanka and India together.

This threat perception is heightened by the fact that "Indian Tamils" or the up-country or estate Tamils as they are now called, form a substantial minority approximating 9 percent of the population according to the 1971 census. Concentrated in the Kandyan tea tracts, they form an insular Hindu Tamil-speaking populace.

The other important minority groups are that of the Moors and the Malays who as 7 percent of the population are dispersed in virtually all the provinces of the country. Out of a total of 9 lakhs in 1971; 620,000 of them resided in the predominantly Sinhalese areas of Sri Lanka. Despite the freedom with which they have intermingled with the Tamils (especially in the Eastern Province where they form 34 percent of the population), the unifying


influence of their religion, Islam, has enabled them to preserve a distinct cultural consciousness.

The composition of the plural society of Sri Lanka could perhaps be quickly and comprehensively understood with the help of the following tables regarding its ethnic, religious, ethnic-religious, and linguistic divisions.

**TABLE 3.1: POPULATION BY ETHNIC GROUPS, 1946-1981**

<table>
<thead>
<tr>
<th>Community</th>
<th>1946</th>
<th>1971</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinhalese</td>
<td>69.6</td>
<td>71.9</td>
<td>74.0</td>
</tr>
<tr>
<td>Low-country</td>
<td>43.6</td>
<td>42.3</td>
<td>n.a.</td>
</tr>
<tr>
<td>Kandyan</td>
<td>26.0</td>
<td>29.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sri Lankan Tamils</td>
<td>11.0</td>
<td>11.0</td>
<td>12.6</td>
</tr>
<tr>
<td>Indian Tamils</td>
<td>11.7</td>
<td>9.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Sri Lankan Moors</td>
<td>5.6</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Indian Moors</td>
<td>5.5</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Malays</td>
<td>0.5</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Others*</td>
<td>0.6</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* including Europeans and Veddahs
.. not available

Due to the use of the common statistical device of rounding percentages to a particular degree, an addition of the total may not necessarily tally at exactly 100 percent in these and later tables.


As can be seen in the above table, the Sinhalese community forms a majority approaching three-fourths of the population while the Tamils together constitute about one-fifth of the population. It is also relevant to note in passing, as a consequence of post-independence policies, that while the proportion of the Kandyan Sinhalese population has increased over the years, that of the estate Tamils shows a marked decline particularly in the seventies, chiefly as a result of their repatriation to India under the Sirimavo-Shastri Pact of 1964.
TABLE 3.2: RELIGIOUS AFFILIATION, 1946-1981
as percent of population

<table>
<thead>
<tr>
<th>Religion</th>
<th>1946</th>
<th>1971</th>
<th>1981</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buddhists</td>
<td>64.5</td>
<td>67.4</td>
<td>69.3</td>
</tr>
<tr>
<td>Hindus</td>
<td>19.8</td>
<td>17.6</td>
<td>15.5</td>
</tr>
<tr>
<td>Christians</td>
<td>9.1</td>
<td>7.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Muslims</td>
<td>6.6</td>
<td>7.1</td>
<td>7.6</td>
</tr>
<tr>
<td>Others</td>
<td>. .</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Religionwise, Buddhists form over two-thirds of the population while Hindus are just under one fifth of the population. Significantly again, in correlation to the governmental policies, in the post-independence period (as we shall see later) the proportion of Buddhists has been on the rise while that of Hindus has been declining due to the repatriation of a segment of the estate Tamils to India.

The statistics and trend of the religious affiliations of the population broadly coincide with those of the ethnic groups as can be seen in the table given below. While the Sinhalese are overwhelmingly Buddhist, the Tamils are Hindu and the Moors are followers of Islam.

TABLE 3.3: RELIGION OF ETHNIC COMMUNITIES, 1946
as percent of ethnic community

<table>
<thead>
<tr>
<th>Ethnic Community</th>
<th>Buddhist</th>
<th>Hindu</th>
<th>Muslim</th>
<th>Christian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinhalese</td>
<td>92</td>
<td>..</td>
<td>..</td>
<td>8</td>
</tr>
<tr>
<td>Ceylon Tamils</td>
<td>3</td>
<td>81</td>
<td>..</td>
<td>16</td>
</tr>
<tr>
<td>Indian Tamils</td>
<td>2</td>
<td>89</td>
<td>..</td>
<td>8</td>
</tr>
<tr>
<td>Ceylon Moors</td>
<td>1</td>
<td>..</td>
<td>99</td>
<td>..</td>
</tr>
</tbody>
</table>

Source: Ceylon, Department of Census and Statistics, Census of Ceylon, 1946 (Colombo, 1952), vol.4. Later censuses do not provide such a break-up.

As regards language, viewing Table 3.4 below in conjunction with the data on ethnic communities (Table 3.1) it becomes obvious that a large proportion of the Sinhalese speak only their own mother-tongue. A greater proportion of
Tamils in relation to their numbers in the overall population, have been conversant with English due to better educational facilities in the North. However, such a proportion has declined over the sixties and seventies as a result of the Center's language policies.

TABLE 3.4: LANGUAGES SPOKEN BY PERSONS THREE YEARS OF AGE AND OVER, 1953

<table>
<thead>
<tr>
<th>Language(s) spoken</th>
<th>Percent of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sinhalese only</td>
<td>58.9</td>
</tr>
<tr>
<td>Tamil only</td>
<td>21.6</td>
</tr>
<tr>
<td>English only</td>
<td>0.2</td>
</tr>
<tr>
<td>Sinhalese and Tamil</td>
<td>9.9</td>
</tr>
<tr>
<td>Sinhalese and English</td>
<td>4.2</td>
</tr>
<tr>
<td>Tamil and English</td>
<td>2.0</td>
</tr>
<tr>
<td>Sinhalese, Tamil and English</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: Census of Ceylon, 1953 (Colombo, 1960), vol.3.
Like Table 3.3, more recent data on these divisions is unavailable in later censuses.

The Colonial Impact

Another fact of vital importance to current history is that Ceylon underwent a longer historical experience of colonisation than any other country in Asia -- some four hundred and fifty years. The rule of 150 years each by first the Portuguese and then the Dutch, however, did not result in far-reaching changes. The Portuguese invaded the coastal lowlands of Ceylon, established an effective trading control for cinnamon and converted a high proportion of the Sinhalese population in the south-western coastal strip, centering on Colombo, to Catholicism. The Dutch in their turn organised the cinnamon economy on the plantation pattern, thus encouraging a shift from subsistence agriculture to production for the market and introduced Roman-Dutch law. In sum, these three hundred years of Portuguese-Dutch rule had the important effect of exposing the coastal areas to European influence -- an influence apparent even today in
the difference between the more cosmopolitan and urbanised low-country Sinhalese and relatively conservative, tradition-bound and feudal Kandyan Sinhalese society.

The conquest by the British of the whole of Ceylon in 1815, in contrast, had a far-reaching impact on the island for two major reasons.

For the first time the island was united under a single rule. This unification was further consolidated by the construction of a communications network to end the old inaccessibility of the hilly Kandyan area.

Secondly, with the introduction of plantation agriculture in the 1830s, the economy of the island underwent a massive and fundamental transmutation which dictates the dynamics of Sri Lankan society to a considerable extent till to-day. Huge tracts of uncultivated hill-land were claimed by the colonial government and sold to European planters. Great estates spread through the Kandyan highlands, initially cultivating coffee and then switching to tea in the latter part of the century.

This change was accompanied by far-reaching reforms at the legal-administrative plane. The Colebrooke-Cameron Reforms in 1833 abolished rajakariya (services to the state), and thereby undermined the feudal system of service obligations and land tenure. Thus, by allowing the creation of a land market and a free movement in labour, an environment "conducive to the growth of private enterprise" was created. Caste and communal equality in law was established, education in English language was promoted, and the island was brought under a uniform and centralised system of administration. The Legislative Council was established in 1833 on Colebrooke's recommendation. A truly remarkable feature for its time was not so much the existence of an official

majority within the Council as the presence of unofficial members. The judicial system as then constituted basically continued as such till 1970.

These "progressive" aspects of colonialism however percolated to benefit only a subordinate stratum of the local society. At the more fundamental level, peripheral capitalism penetrated the host society to have an altogether different impact. Understandably, despite all pressure exerted by the colonial state, the Kandyan villagers refused to abandon their traditional subsistence holdings to become wage labourers on the new estates. Herein, as Gunasinghe points out, lay the crucial distinction between the European enclosure movements and the expansion of the plantations in the Kandyan region. Lacking the revolutionary impact of the former in eradicating the earlier mode of production, the plantations instead encapsulated the villages.\(^7\)

Deriving their lesson from the peasant revolts of 1848 against colonial domination, the British found it strategically in their interest to rule indirectly, as it did elsewhere in the sub-continent, through a class of intermediary landowners. There was no interest in changing peasant production, only in extracting revenue. Archaic relations were thus perpetuated and some even deliberately reactivated, so that though feudalism as a mode of production was dismantled, a more pernicious "semi-feudal" construct was maintained which was cemented together as a bloc by Buddhist religious ideology. The peasantry in such circumstances was entrapped in progressively worsening conditions, with few other employment opportunities open to them.\(^8\)

\(^7\) See Newton Gunasinghe, "Agrarian Relations in the Kandyan Countryside in Relation to the Concept of Extreme Social Disintegration", Social Science Review (Colombo), no.1, September 1979, pp.13-22.

\(^8\) Ibid. For the role and impact of the colonial state in the consolidation of plantation agriculture in Sri Lanka, see Asoka Bandarage, "The Establishment and the Consolidation of the Plantation Economy in Sri Lanka", Bulletin of Concerned Asian Scholars (Berthoud), vol.14 no.3, July-September 1982, pp.2-22.
Meanwhile, a new community, that of the Indian Tamils, was introduced into Sri Lanka through the establishment of an infamous system of contract labour. Hundreds of thousands of Tamil "coolies" were transported from southern India into Sri Lanka to work on the coffee estates.

As a result of these and consequent changes, at the time of independence in 1948, in 133 years of British rule, Sri Lanka had been transformed into an "export" economy, 9 having significant implications for its society and polity.

The nature of this classical export economy was dictated by the linkages of dependence which had grown to penetrate virtually all aspects of Sri Lankan society and differentiate it into the "estate" and "non-estate" sectors. While the two were organically linked so that the development of the former implied the increasing under-development of the latter, 10 this differentiation was underlined by the disparities within the society as a whole and within each sector itself, the disparities within the modern estate sector, in the feudal non-estate agricultural sector and in the modern processing industries attached to the export crops vis a vis the traditional small-scale and cottage industries elsewhere. Due to the specificities of colonial penetration, this differentiation was further underlined by coinciding with broad ethnic divisions in a manner that had significant implications for the mode, the nature and the manner in which the social, political and constitutional development of Sri Lanka took place.

9. An export economy has been defined as "one with not merely a high ratio of imports and exports to national income, but one in which all the important macro-economic quantities -- government revenues and expenditures, private investment, imports and national income itself -- possess a strong functional dependence upon the level of export receipts": Donald R. Snodgrass, *Ceylon: An Export Economy in Transition* (Illinois, 1966), p.17.

Partially as an outcome of the dominance of the plantation sector in its economy, Sri Lanka, like other countries in South Asia, remained predominantly agricultural. As late as the onset of the seventies the manufacturing sector contributed only about 13 percent of the total value-added to the economy (including processing of agricultural export products) whereas the agricultural sector's contribution amounted to 33 percent. Approximately half the gainfully employed worked in agriculture and forestry. But unlike the other countries, the bulk of its agricultural activity was concentrated in producing three products for export -- tea, rubber and coconut. These three crops alone provided 16 percent of the country's total national income in 1970-74, and accounted for four-fifths of her merchandise export earnings, as is illustrated by the following table:

TABLE 3.5: COMPOSITION OF SRI LANKA'S EXPORTS, 1950-53 and 1971-74

<table>
<thead>
<tr>
<th>Commodity</th>
<th>as % of national income</th>
<th>as % of merchandise exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>17.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Natural rubber</td>
<td>9.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Coconut exports</td>
<td>6.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Minor exports (agricultural)</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Minor exports (industrial)</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Re-exports</td>
<td>1.5</td>
<td>0.3</td>
</tr>
</tbody>
</table>


   In the beginning of the fifties, it was estimated that roughly 55 percent of the gross national product was accounted for by growing, processing and transporting agricultural commodities. See Ceylon Planning Secretariat, Six-Year Program of Investment, 1954-55 to 1959-60 (Colombo, 1955), p.157.

12. See Table 3.9.
13. In 1950-53, this figure was significantly a much higher one of 32 percent of the total national income as is illustrated by Table 3.5.
14. As this chapter is primarily concerned with the backdrop of the seventies, the specific details of the seventies are discussed in later chapters.
The Dominance of British Metropolitan Capital

The important fact in the island's economic situation was that the most dynamic and developed capitalist sector of the economy -- the plantation sector -- on which the country could potentially depend for the generation of domestic resources for development was dominated for historical reasons by monopolistic, British interests till as late as 1975. This was especially true of the most important product -- tea, and to a lesser extent so, of rubber.

In terms of plantation ownership tea, alone contributing about half of Sri Lanka's export earnings, was owned largely -- some 28.3 percent of the acreage -- by British companies and 25.3 percent by companies registered locally where ownership was divided between Ceylonese and non-Ceylonese as can be seen in Table 3.6. Similarly in rubber, constituting some 19 percent of the total value of exports in 1971-74, 14 percent was under the direct control of British capital besides the proportion held in rupee-companies registered in Sri Lanka.

### Table 3.6: Pattern of Ownership: Plantation Agriculture*

<table>
<thead>
<tr>
<th>Type of Ownership</th>
<th>Tea</th>
<th>Rubber</th>
<th>Coconut+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling companies (i.e. registered in U.K.)</td>
<td>26.46</td>
<td>11.90</td>
<td>2.87</td>
</tr>
<tr>
<td>Rupee companies (i.e. registered in Sri Lanka)</td>
<td>25.25</td>
<td>13.30</td>
<td>7.42</td>
</tr>
<tr>
<td>Non-Sri Lankan individuals and partnerships</td>
<td>1.82</td>
<td>2.30</td>
<td>4.84</td>
</tr>
<tr>
<td>Sri Lankan individuals and partnerships</td>
<td>43.53</td>
<td>72.50</td>
<td>82.90</td>
</tr>
<tr>
<td>Sri Lankans and non-Sri Lankans jointly</td>
<td>0.68</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>State owned</td>
<td>2.26</td>
<td>..</td>
<td>0.85</td>
</tr>
<tr>
<td>Trusts</td>
<td>..</td>
<td>..</td>
<td>1.12</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* All public company estates, foreign as well as local, were nationalised under the Land Reform (Amendment) Act 1975.

+ This data refers only to coconut cultivation on estates, which in 1952 constituted approximately 30 percent of the total acreage under coconut. (The 1952 Census of Agriculture covered only 70 percent of the total acreage under estates). The total acreage under coconut given in the 1962 Census of Agriculture amounted to 1,152,428 -- which has changed very little over the years. It is estimated that of this, roughly two-thirds consist of small holdings -- of 20 acres and below -- almost all of which is under local ownership.

These crude ownership statistics understate foreign control since the management and supervision of the large estates in tea and rubber especially, and coconut occasionally, were vested in agency houses which were almost wholly British-owned.15

An indication of the degree of foreign monopoly domination is the fact that the four most important agency houses, all British, between them managed 55.7 percent of the tea, and 56.2 percent of the rubber acreage16 managed by all agency houses together.

Further, often through agency houses, British capital controlled virtually the entire financing, marketing, shipping and insurance of Ceylonese tea. In 1970, around 60 percent of the total lending by way of advances of British banks to all sectors of the economy was absorbed by the tea sector alone. Notably, as one investigation pointed out, in 1970 outside the operations of sterling plantation companies, 4 agency houses, 2 brokering firms and 2 big export firms could be said "to hold sway over the tea sector of the plantation economy".17

The changes in the nature of world capitalism in the direction of control by finance capital had other repercussions. These monopolies, in turn, formed part of the web of four giant British multinationals constituting the Big Four in the world of tea and having links through a system of interlocking directorates with international shipping, insurance, banks, investment trusts,


17. Ibid., pp.200-01.
financial trusts, commercial and industrial companies. Thus inspite of the local efforts towards Ceylonisation of ownership and personnel of the plantation sector and services in the late fifties, the exploitation of plantation industries in Sri Lanka continued principally to be effected through the influence exerted on the movement of prices of the export (and import) commodities. Through restrictive arrangements between buyers and sellers and by using various accounting devices, profits in Sri Lanka were kept low (so as to escape taxation) and pushed up at the metropolitan end. Also, inspite of attempts to diversify to purchasers in the Middle East and Pakistan, as late as 1970 over half the tea was exported to four countries: United Kingdom (34 percent), USA (7 percent), Australia and South Africa (approximately 6 percent each). Less than 2 percent was sold by Sri Lanka itself to foreign purchasers.

Likewise, the colonial policy of specialisation not only transformed Sri Lanka into a dual economy, but it also made her critically dependent on the import of her food requirements from available foreign exchange in the twentieth century.

18. Four British multinationals: Brooke Bond Liebig, Unilever (controlling Lipton), James Finlay and the House of Twining (controlling Harrison and Crossfield) are the "Big Four" in the world of tea. For further details see Edith M. Bond, The State of Tea (London, 1972), p.11.

19. For details see Report of the Commission on Agency Houses and Brokering Firms, n.16, conclusion, pp.510-11.

TABLE 3.7: COMPOSITION OF SRI LANKA'S IMPORTS, 1950-53 AND 1971-74

<table>
<thead>
<tr>
<th>Category of Imports</th>
<th>Percentage of total imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1950-53</td>
</tr>
<tr>
<td>Food and Drink, of which</td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>18.0</td>
</tr>
<tr>
<td>Wheat</td>
<td>8.0</td>
</tr>
<tr>
<td>Sugar</td>
<td>5.0</td>
</tr>
<tr>
<td>Textiles</td>
<td>10.8</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td></td>
</tr>
<tr>
<td>Capital goods</td>
<td>38.0</td>
</tr>
</tbody>
</table>

Source: Central Bank of Ceylon, Annual Reports.

As Table 3.7 shows, almost half the imports consisted of three main food items: rice, wheat flour and sugar. Rice amounted to 30 percent of total consumption in 1970-72, sugar to 94 percent in 1970-71 and wheat flour to 100 percent.21

The Sri Lankan Comprador Bourgeoisie

This economic dominance of metropolitan capital had a decisive influence on the Sri Lankan social structure. The new capitalist class, often referred to as the "middle class" came into existence in association with colonial economic activities. The low-country Sinhalese landowners who had undergone more exposure to European rule readily seized opportunities created by the commercialization of coastal agriculture by the British and participated on a significant scale in the development of the rubber sector and rapidly dominated the coconut-zone.

However, it is useful to keep in mind that the productive conditions in each of the three "estate" products varied widely. According to the census of 1962, 83.8 percent of tea, 58.5 percent of rubber and 26.7 percent of coconut


In fact, in 1953, nearly half the rice, the staple diet of Sri Lankans needed to be imported while 90 percent of curry stuffs, pulses and dried fish important for curries and 100 percent of wheat and sugar were purchased from abroad: International Bank of Reconstruction and Development, The Economic Development of Ceylon (Baltimore, 1953), p.209.

Due to efforts in the sixties, the import coefficient of rice fell from 46 to 25 percent in the period 1964-72: see Gunasekera, ibid.
plantations were in holdings of 50 acres or larger in size.\textsuperscript{22} By the fact that the larger and more productive estates in tea and to a lesser degree of rubber were held by British interests, the Sinhalese plantation owners of the smaller rubber and coconut estates remained subordinate partners to their metropolitan counterparts.

With the growth of overhead facilities to serve the plantations there grew a class of local entrepreneurs recruited largely from the karava caste engaged in trade, money lending, transport, construction and mining. A class of big traders, often Indian Muslims, was involved in import and export of food, luxury consumption items and engineering goods. While Colombo remained the local metropolis of all activities, a few of the business elite, along with members of minority communities made inroads into the Kandyan area.

Others found places in the colonial civil service. Due to a lack of opportunities in other sectors in their own areas, and an equally lengthy exposure to European influence, the dominant classes of the Ceylon Tamils readily accepted English and provided a disproportionate number of recruits to the island civil service till as late as 1956 as the table below shows.\textsuperscript{23}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
 & 1956 & 1965 & 1970 \\
\hline
1. Ceylon Administrative Service & 30 & 20 & 5 \\
2. Clerical Service (including postal, railway, hospital and customs) & 50 & 30 & 5 \\
3. Professions (engineers, doctors, lecturers) & 60 & 30 & 10 \\
4. Armed Forces & 40 & 20 & 1 \\
5. Labour Forces & 40 & 20 & 5 \\
\hline
\end{tabular}
\caption{Percentages of Employed Ceylon Tamils}
\end{table}

\textsuperscript{22} Census, 1962, vol.2, p.27.

\textsuperscript{23} Between 1921-1946, the Ceylon Tamils constituting roughly 11 percent of the population occupied approximately 20 percent of the administrative posts. For details regarding their representation in this and other
even entered the plantation and commercial sector. As a rule they settled down in Colombo although maintaining kinship links with the North.

As in other colonies, the higher rungs of officialdom were as a rule recruited from the propertied classes which in turn served as a link between the colonial rulers and the broader masses. The net result of the above factors was that the Ceylonese colonial bourgeoisie had a clear comprador character. The local capitalist class often referred to as the "middle class" emerged to perform functions essential for the stabilisation of the colonial political economy. By deriving its income from a link at some point with the plantation export sector, it tended in practice, to view its interests as synonymous to the metropolitan interests despite its subordinate relationship. This identification was so strong that this class continued to acquiesce in the reproduction of the colonial peripheral capitalist formation even after the British had handed over state-power to them.

It is important to keep in mind the location of the Ceylonese bourgeoisie in the social formation so as not to confuse its form for its content. By virtue of its more indigenous roots, its substantial political hegemony, and its attempts to expand its area of influence vis a vis the colonial power over a period of three decades before independence it seems to have a character substantially different from the stereotype commercial-industrial inter-


24. "Within this group are some who cannot think of the future of this country except within the political and socio-economic forms that have maintained the power and prestige of vested interest, both foreign and Ceylonese. As such, even while championing what they consider to be a Ceylonese interest in the field of commerce, they have become even indirectly and sometimes unknown to themselves, defenders of foreign interests in Sri Lanka. It is not surprising that quite a few of them are prone to see an alleged British point of view even before the British see it for themselves": Report of Commission on Agency Houses and Brokering Firms, n.16, p.29.
mediaries exercising a limited political influence that are so notorious in the present-day Latin American context.

This difference can be analysed at various levels. At the outset, one needs to differentiate between the mode of organisation of the older British colonial monopolies and the more advanced and concentrated forms of organisation of American capital following later on the capitalist world scene which critically did not depend on political control of the host state to mediate its interests. Rather, the Ceylonese landowning oligarchs are clearly comparable to those which dominated the Latin American social formations at an earlier period, the latter part of the last and first quarter of the present century, and sought to maximise their production for the world market.25

A differentiation also needs to be made between the requirements of mining as also plantation crops demanding intensive cultivation and those which demand less attention. The former constitute per se a more concentrated and organised form of capital and demand also a disciplined and subject labour force to undertake such work. Such labour would require a larger degree of coercion to keep it obedient. It is notable in the Sri Lankan context, that the most lucrative sector--of tea--was also the one which was dominated by the metropolitan interests, required the most intensive (and even specialised) skills and was the one worked by an alien labour force kept captive and segregated in extremely exploitative conditions. As a consequence of this, the impact of colonialism was felt indirectly in the Kandyan areas and the anger at the deteriorating conditions of the hemmed-in Sinhalese villagers could be channelled in popular conception against the "foreign Indian Tamils" who were perceived to live in more privileged, sheltered conditions.

Rubber and coconut, in contrast, required only casual maintenance and

25. For notes on the Latin American oligarchies see E. Laclau, Politics and Ideology in Marxist Theory (London, 1979), pp.177-8.
seasonal attention to tap the trees or collect the nuts. These estate crops directly dominated by the Sinhalese, demanded a less harsher form of exploitation of the labour force and thus did not disrupt the extant social fabric and the pre-capitalist ethos in the manner of the tea plantation. This was reinforced by the fact that the more substantial plantation-owners had, by and large, been the traditional landowners in the low-country. As a result, the traditional concepts based on religion and custom continued to mediate between the classes and thus consent based on "persuasion" rather than coercion remained dominant in the society. In a situation where nature was bountiful and the plantation economy expanding, deprivation was cushioned from the extremes observable elsewhere in the sub-continent as only too clearly manifest in the striking absence of peasant revolts or famine in Sri Lanka. Consequently, this control over men and means offered ample scope for political returns through organisation along vertical lines. In an essentially pre-capitalist ethos, at the mass level caste, kinship and patron-client relationships continued to attribute large importance to the position of "notables" -- so evident in the pre-independence period.

**The Oligarchic Power Bloc**

Consequently, the Sinhalese plantation oligarchs came to provide the main thrust behind the Ceylon National Congress in the pre-Independence period and the UNP thereafter. Though upholding the comprador character of these organisations, they provided the organisation with a wider indigenous base. At the same time, the vertical lines of mobilisation which directly benefitted the goyigama notables also constituted the broad support base for the continued domination of economically interlinked but politically narrowly-based interests. Thereby the financial-commercial bourgeoisie which was drawn

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substantially from the minority castes of karavas and salagamas and based in the urban centers like Colombo and Galle continued to exercise substantial influence horizontally at the national level. Similarly, the westernised bureaucratic and professional segments of the bourgeoisie, with a large proportion of Burghers and Tamils, reinforced the comprador order\textsuperscript{27} and were also accommodated within the ranks of the ruling power bloc. The landed interests in the Kandyan interior, who were in a virtually unchallenged position of dominance within their local strongholds and were valuable in reinforcing the power bloc, remained in a subsidiary position within it due to their peripheral position within the dominant plantation economy.

The Sri Lankan Working Class: The Ethnic Divide

Turning to the Sri Lankan working class, we find that the low-country Sinhalese labour inducted into the coconut and rubber plantations remained numerically far less than their Indian Tamil brethren in the tea sector till as late as 1971 -- as can be gauged from Table 3.9.

As the table indicates, a predominant section of low-country Sinhalese labour found employment as skilled or unskilled wage labour in the service sector. This sector was concentrated in the Colombo harbour, railways, road transport, agency houses, municipal services and by the end of the fifties, in the growing state sector.

In spite of the fact that the hill-country Tamils constituted roughly 78.4 percent of the population in the estate sector producing the bulk of the country's wealth, an overwhelming proportion of them remain to this day a

\textsuperscript{27} While Roberts admits that all these groups constituted members of a single class -- "in a Marxist sense of a shared position in the organisation of production and a cohesiveness arising from a consciousness of this shared position" as also finding a certain community of interest with the metropolitan British capitalist interests, he fights shy of calling the Ceylonese group a "compradore bourgeoisie". Instead, he uses this term for the "British ruling elite"! Unfortunately, in an otherwise valuable study, he fails to elucidate his position further. See Roberts, ibid., p.204.
TABLE 3.9: EMPLOYED POPULATION BY MAIN OCCUPATION: 1971

<table>
<thead>
<tr>
<th>Occupational Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Agricultural, Animal Husbandry, Forestry Workers, Fishermen and Hunters, of which:</td>
<td></td>
</tr>
<tr>
<td>Paddy cultivators</td>
<td>21.2</td>
</tr>
<tr>
<td>Rubber tappers &amp; rubber estate labourers</td>
<td>3.4</td>
</tr>
<tr>
<td>Tea pluckers &amp; tea estate labourers</td>
<td>14.2</td>
</tr>
<tr>
<td>Fishermen</td>
<td>1.5</td>
</tr>
<tr>
<td>II. Production and Related Workers, Transport Equipment Operators and Labourers</td>
<td>25.4</td>
</tr>
<tr>
<td>III. Professional, Technical and Related Workers, of which:</td>
<td>4.9</td>
</tr>
<tr>
<td>School teachers</td>
<td>2.9</td>
</tr>
<tr>
<td>Administrative and Managerial Workers</td>
<td>0.4</td>
</tr>
<tr>
<td>Clerical and Related Workers</td>
<td>5.1</td>
</tr>
<tr>
<td>Sales Workers, of which:</td>
<td></td>
</tr>
<tr>
<td>Working proprietors, retail traders</td>
<td>4.4</td>
</tr>
<tr>
<td>Service Workers</td>
<td>5.4</td>
</tr>
<tr>
<td>IV. Unclassified</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>


solid mass of captive and oppressed wage-workers in the central massif. 28

Not owning the instruments of production, their dwelling place, or even the land on which they worked, they were dependent for survival on their labour alone. However, although an integral part of the capitalist production process the limitations in selling their labour outside the plantations, or indeed even to a plantation outside the one to which each was born, detracted from their classic proletarian characteristics. The semi-feudal nature of their economic relationship of these plantation workers tying them to their employers, the kangany (or Indian Tamil work-gang supervisor), and the plantation

The median income for estate Tamils is half (emphasis added) of that for all other communities. See CBC, Survey of Sri Lanka's Consumer Finances, 1973 (Colombo, 1974), pp.83-85.
for livelihood and dwelling in an indifferent if not altogether hostile Sinhalese environment served to reproduce their subservient conditions. These in turn served to inhibit political or trade union organisational activity till the onset of the thirties and even thereafter. As Kumari Jayawardena notes, the process of unionization in the plantations developed in isolation from the very active urban labour movement. 29

The sharp deterioration of economic conditions during the Great Depression fractured the incipient attempts to create a common working-class movement by creating a greater appeal for a divisive racial ideology in the competition for wages and jobs. This trend was actively encouraged by the dominant comprador classes who feared the consequences of cohesive labour activity. 30

Although the estate labour force had become rooted in Ceylon by the late twenties, 31 urban politicians and even Sinhalese labour leaders (such as A.E. Goonesinha in the thirties) continued to label the Indian workers as transient aliens, thereby weakening their social basis for assertion to claim benefits and a more elevated status within the society.

The isolation of the Sinhalese working-class from the labour force of estate Tamils concentrated in the dominant capitalist sector -- in the very heart of the plantation economy -- created a fundamental weakness which the Sri Lankan working-class movement as a whole was subsequently never able to overcome. However, the freedom from feudal obligations of the Sinhalese working class and their growing concentration in urban areas in the south-west of the island, placed them in a position where any cohesive strike launched by


30. The estate Tamils were used to undercut wage demands made by Sinhalese workers in the urban sector and often used as "blacklegs" to break strikes: Jayawardena, ibid., pp.318 ff.

31. Ibid., p.332.
them increasingly acquired a threatening political character, leading to
greater concessions in their favour not only by their employers but also by
any government. Recent studies also make the important observation that the
consequent strengthening of their economic position allowed them to hold onto
their hereditary means of petty production in the villages. They could there­
by, maintain their traditional position and ties with their villages. 32

The above set of factors all worked to make the Sinhalese labour force
more prone to petty-bourgeois ideology. As such, they tended to demand not
only status positions and welfare services from the state but interpreted this
right in communal terms. 33 This also made large sections of them susceptible
to confining their struggles to trade-unionism and the legal-parliamentary
arena. Substantial sections of them remained thereby also open to economic
blandishments by the ruling power blocs in the post-independence period.

The Semi-Feudal Landed Classes

As a consequence of the penetration of capitalist exchange relations, the
old self-sufficiency of the village community had been disrupted. The new
consumption pattern, particularly in such essential items as rice, flour, oil,
sugar and cloth, became subject to variations in international trading
patterns.

As land became a commodity, land alienation and its ensuing concentration
in the hands of a few became perhaps the most serious socio-economic problem
of the village community.

A semi-feudal stratum of aristocratic and clerical landowners, of chief­
tains and monks, retained sizeable paddy holdings and dominated village

33. Ibid.
life particularly in the Kandyan areas. This stratum was recruited from the upper goyigama caste, and had integral links with each other by tradition. However, the absence of a powerful and widespread feudal class in the non-estate rural sector on the scale known in other parts of the subcontinent can be gauged from the following table:

**TABLE 3.10: DISTRIBUTION OF LAND DEVOTED TO PADDY, 1960**

<table>
<thead>
<tr>
<th>Size group in acres</th>
<th>Holdings</th>
<th>% of total</th>
<th>Area</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 1</td>
<td>43</td>
<td></td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>1 - 2 1/2</td>
<td>31</td>
<td></td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>2 1/2 - 5</td>
<td>20</td>
<td></td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>5 - 10</td>
<td>5</td>
<td></td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>10 and over</td>
<td>1</td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Total no. of holdings</td>
<td>570,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total acreage under paddy</td>
<td>1,135,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Census of Agriculture, 1962 (Colombo, 1965)*

As the table illustrates, only one percent of the total paddy holdings, covering 8 percent of the total area were above 10 acres.

Though distinctive as a class with close interrelationships amongst themselves, the major up-country landowning families tended to establish alliances of marriage with the prosperous low-country plantation families. Thus, as Jiggins' work illustrates, kin-groups functioned both as nationally integrated units to further their collective class interests, as well as regional factions competing against each other for power.35

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The Rural Petty-Bourgeoisie

Instead of a few huge landlords and a vast number of landless tenants as elsewhere in the sub-continent at independence, the tenurial structure of Sri Lanka was characterised by a more equitable distribution of land. This, it can be hypothesised, provided the basis for the emergence of a broad-based bourgeois political hegemony and an alternating two-party parliamentary-democratic system, distinctive of the Sri Lankan context in comparison to other South Asian and Third World states. Smaller landowners and the richer peasantry, which could for our purposes be delineated as those cultivating holdings of between five and fifty acres approximately, controlled about 6 percent of the holdings and 24 percent of the paddy land (Table 3.10).

TABLE 3.11: DISTRIBUTION OF FAMILIES BY PREDOMINANT OCCUPATIONAL ACTIVITIES

<table>
<thead>
<tr>
<th>Occupation</th>
<th>as % of rural families</th>
<th>Status of agricultural families</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>40.0</td>
<td>(Owner-cultivator)</td>
<td>35</td>
</tr>
<tr>
<td>Trade</td>
<td>7.0</td>
<td>(Tenant-cultivator)</td>
<td>18</td>
</tr>
<tr>
<td>Handicraft</td>
<td>5.0</td>
<td>(Agricultural labourer*)</td>
<td>45</td>
</tr>
<tr>
<td>Labour (non-agricultural)</td>
<td>17.0</td>
<td>(Landlord)</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>31.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

* agricultural labourers exclusive of "estate" labour (largely Tamil)


Interestingly, as Table 3.11 shows agriculturalists were a minority of all rural families (40 percent) and about one-third of the agriculturalists were peasant owner-cultivators. According to a survey of rural Ceylon in 1950-51, as against 42.8 percent of all agricultural families, 45.8 percent of all non-agricultural families owned holdings but overwhelmingly in small pieces of less than two acres each. These petty landowners apparently covered the range of rural occupations and illustrate clearly the advanced stage of commercialisation of the Ceylonese economy. As can be seen in Table 3.11, traders (and boutique-keepers) constituted a significant prop-

portion of rural families (7 percent), along with those labelled "other" which included occupations such as "teaching and subordinate government services" and village religious functionaries (31 percent). Concomitantly, the processes of proletarianisation of the peasantry created a strata of "proletarian landowners" who receive the major portion of their income from non-agricultural labour but owned unviable small holdings which they leased out or cultivated part-time. The important outcome of this situation in the realm of political economy would be, as in fact proved the case, a forceful resistance to radical land reform by heterogenous sections of the intermediate classes.

Due to the nature of peripheral capitalism, while no entrepreneurial class emerged within the village, in the second quarter of the twentieth century three important groups which benefitted by the spread of the colonial nexus came into prominence in the rural areas: the landowners who benefitted from the new land market, shopkeepers who benefitted from the commercial opportunities, and those who benefitted from the new employment opportunities. Most importantly, these three groups were interconnected economically and socially. They formed a broad social segment, the rural petty-bourgeoisie, whose economic base lay by and large in the ownership of small-scale means of production. As seen, the income from these, especially village land, was often supplemented with income from employment elsewhere. In being closely rooted in the village economy and the non-estate sector, they differed fundamentally from the more mobile and prosperous entrepreneurs drawn largely from the minority communities and castes who emerged to service the plantation sector.

At the social and political level, as Keeravella points out, the rural petty-bourgeoisie had the ability to make use of the new educational and

37. See Ronald J. Herring, Land to the Tiller: The Political Economy of Agrarian Reform in South Asia (New Haven, 1983), pp.57 ff. However, Herring inaccurately converts the "distribution of rural families by predominant occupational activities" into a "distribution of landowning families by occupation", though the Report on Rural Ceylon (n.36) nowhere clearly equates the two.

occupational opportunities and thus to raise their economic and social standing. With the political changes in the twentieth century, particularly with the introduction of universal suffrage, this group including within their fold the swabasha school teachers, ayurvedic physicians, Buddhist monks, and members of village committees became the most influential element in rural society. As a class that played a leading role in rural organisations and as the intermediaries promising blocs of votes to the local notables they came to exert a powerful influence in rural politics. This influence was reinforced by parliamentary politics, as Gunasinghe notes, by the fact that in line with the dominant conservative milieu such political blocs were often defined in caste terms. They tended, thereby, to blur class divisions and perpetuate vertical political alignments. At the ideological level, they reinforced the preceding religio-cultural consciousness when its logic of existence in the emerging capitalist relations of the rural sector would seem to have made it redundant.

The Indigent Peasantry, Tenantry and Landless Labourers

Despite the relatively more equal distribution of land, the dominant bulk of the Sinhalese, especially in the Kandyan areas, existed as indigent subsistence peasants, tenants and labourers cultivating paddy. Cumulatively, in a country where 50.3 percent of the population was dependent on domestic agriculture, 26.3 percent of all families dependent on subsistence agriculture owned no land at all, while 42.3 percent owned less than half an acre and 54.1

percent owned less than one acre. The fragmentation and parcellization of the holdings in ownership and tenancy was demonstrated by the fact that less than 94 percent of the total paddy holdings were under 5 acres while 43 percent were under 1 acre. The Agricultural Censuses of 1946 and 1962 recorded a declining trend in the average size of agricultural holdings from 3.31 acres in 1946 to 2.68 acres in 1962. As various studies indicate, the smaller the landlord's holding the greater was the degree of exploitation of the tenant to the extent that in monetary terms the tenant cultivator's income was often reduced to less than subsistence level. The problem of tenancy was (and is) especially acute in the south (Hambantota and Matara districts) and the Kandyan highlands (notably Kandy, Nuwara Eliya, Matale and Ratnapura districts). Here more than 40 percent of the holdings and 45 percent of the acreage was under the "ande" system.

With the population per acre of agricultural land rising from 1.56 in 1946 to 2.24 in 1962, the inevitable result was a deterioration in the situation leading to low levels of productivity for tenants and owner cultivators alike, heavy indebtedness and landlessness. In 1957, 54 percent of the rural families were in debt; and out of the total debt of Rs. 500 million, only 6.5 percent was owed to government-sponsored institutions. The remaining 93.5

42. Ceylon, Report on the Survey of Landlessness (Colombo, Sessional Papers No.13, 1952), p.5. There seems to be no information of a more recent nature along these lines.


Ande denotes the traditional system of share-cropping by which the equivalent of half-share of the produce is taken by the landlord. In the non-wet zone areas tenancy is not so widespread, the proportion of land under ande being less than 20 percent.

percent was owed to private individuals including landlords, traders, and boutique-keepers.\(^{46}\) That two or more of these activities were often combined in the same individual goes without saying.

Whatever the specificities of the position of the indigent rural worker, the net result of the above relations of production was to place the vast mass of the peasantry in a critically subject and dependent relationship to the landlord. The high worker-land ratio, unemployment and the significant pool of landless eager to obtain any secure opportunity created a situation in which as Herring says "tenants needed landlords more than landlords needed tenants."\(^{47}\) And since these dependent relationships were not impersonal contractual relationships but ones embedded in the complex socio-economic fabric of the village, the subordinate classes continued to function within a social construct mediated by custom and religion, and dominated by the larger landowning and/or petty-bourgeois classes.

The Emergence of the Sinhalese Intermediate Class Bloc

The position of importance occupied by the petty-bourgeoisie in rural society and its economic and status aspirations had a significant influence on post-colonial politics in Sri Lanka. Opportunities of advancement for these sections were proving difficult both due to the dominance of the compradors over the lucrative areas of the economy as also the economy's lack of diversification in new directions. Due to their class nature they had certain points of conflict in the early fifties with the main forces in Sri Lankan politics -- the UNP and the left. While they could not identify with the economic policies and cultural values of the Sri Lankan upper class represented by the


\(^{47}\) Herring, n.37, p.57.
UNP, neither were they entirely receptive to the radical programme espoused by the leftists. It was mainly within this class that S.W.R.D. Bandaranaike established his political base through the Sinhala Mahasabha, which remained in an uneasy subordinate relationship to the UNP till the end of the forties, and which he consolidated as Minister of Local Government while he was a member of the UNP. 48

The sharp deterioration in the terms of trade in the mid-fifties, discussed later in this chapter, directly affected the economic situation of this class and led to its assertion for the first time as a national force in the political arena. It formed the solid base of support bringing the SLFP to power in 1956. The SLFP was the main partner in the coalition of parties that Bandaranaike forged -- the Mahajana Eksath Peramuna (MEP) -- of which the other: W. Dahanayake's Basha Peramuna, K.M.P. Rajaratne's Jatika Vimukti Peramuna and I.M.R.A. Iriyagolle's Republican Party expressed the cultural values of the petty-bourgeoisie and Philip Gunawardena's Viplavkari Lanka Sama Samaja Party (VLSSP) was the most rural-based of the left parties at the time.

In its demands for a more "nationalist" and indigenous pattern of development, the rural petty-bourgeoisie found its natural allies in its counterparts in the urban areas. The alliance of the urban and rural petty-bourgeois classes had the net impact of breaking the vertical "agrarian bloc" 49 and thus undermining the political hegemony of the larger landed ruling classes. They got a more nationalist fraction based largely in paddy and coconut onto their side. In addition, this alliance succeeded in isolating the urban working class by winning the peasant masses to its side. The ideological control exercised by this new alliance consisted of "cultural rhetoric with


49. See Gunasinghe, n.40.
obvious shades of chauvinism, much talk of improving the lot of the village masses and anger expressed at the hedonism of the ruling clique." Thus this multi-class bloc of "intermediate classes" succeeded in presenting its populist ideology as an antagonistic option to the ideology of the ruling bloc and so succeeded in winning the large section of the peasant masses. The consequent socio-political isolation of the working class weakened it rendering it initially in the post-1956 period as an uneasy ally or an ineffective opponent of this alliance. Later due to the innate characteristics of organised urban labour, mentioned already, and its failure to bridge the communal divide vis a vis the Indian Tamil proletariat, the left could only search for an expanded role within the mainstream movement.

This alignment of forces heightening the identity of the majority community had a fateful impact on the developments of the minority community -- a minority which had, most importantly, a well-developed cultural-linguistic identity.

The Socio-economic Antecedents of the Tamils

Turning to this group, one finds that the Ceylon Tamils in the north formed a compact rural society organised along fairly rigid caste-class lines. As much as in the Sinhalese areas, the predominantly petty-bourgeois landowner and businessman maintained a tight social control over the population -- the degree of exploitation varying inversely with the extent of land owned by the landlord and alternative avenues for employment open to the population in an area. According to a sample survey conducted by the Central Bank in 1969, the share of yield received by the landlord varied from 18 percent in Trincomalee to 54 percent in Jaffna -- the latter being one of the most acutely over-

50. Ibid., p.30.

51. Quoted by Sanmugaratnam, n.43, p.76.
populated areas on the island.  

This problem of overpopulation and lack of alternative employment opportunities locally is dramatically illustrated by the low level of industrial activity in the North. Table 3.12 highlights the lopsidedness of this growth.

**TABLE 3.12: LOCATION OF THE MAJOR INDUSTRIES BY PROVINCES, 1974***

<table>
<thead>
<tr>
<th>INDUSTRIAL GROUP</th>
<th>Food Beverages</th>
<th>Textiles Garments</th>
<th>Chemicals Petro,Coal</th>
<th>Metal products Machinery,Trans</th>
<th>Rubber pdts port equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROVINCES</td>
<td>Tobacco</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western</td>
<td>No.</td>
<td>93</td>
<td>452</td>
<td>164</td>
<td>251</td>
<td>1103</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>25.9</td>
<td>16.3</td>
<td>39.3</td>
<td>9.7</td>
<td>89.2</td>
</tr>
<tr>
<td>Northern</td>
<td>No.</td>
<td>12</td>
<td>20</td>
<td>9</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>20.8</td>
<td>2.6</td>
<td>4.9</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Eastern</td>
<td>No.</td>
<td>3</td>
<td>9</td>
<td>5</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0.2</td>
<td>1.2</td>
<td>0.2</td>
<td>0.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Southern</td>
<td>No.</td>
<td>9</td>
<td>45</td>
<td>11</td>
<td>16</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>6.0</td>
<td>15.6</td>
<td>1.3</td>
<td>4.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Central</td>
<td>No.</td>
<td>17</td>
<td>71</td>
<td>13</td>
<td>8</td>
<td>116</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>39.4</td>
<td>39.7</td>
<td>13.8</td>
<td>11.8</td>
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<th>207</th>
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<td>TOTAL %</td>
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<td>15.3</td>
<td>35.4</td>
<td>9.3</td>
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<tr>
<td>Value (in Rs.)</td>
<td>921,208</td>
<td>571,057</td>
<td>1,323,448</td>
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* Only the top 4 of the 9 industrial groups are given. However, the totals include the others as well.

No.: number of firms
% : percentage of production
Source: Central Bank of Ceylon, Annual Report, 1974, pp.74-75, table II(c)40.

52. In 1946, the population density in the Jaffna peninsula was as high as 1,157 per square mile, a figure which was to increase further due to subsequent population growth: see Nimal Sanderatne, "The Political Economy of the Asian Agrarian Reform: A Comparative Analysis with Case-studies of the Phillipines and Sri Lanka" (Ph.D. Thesis: University of Wisconsin-Madison, 1974), p.272.
only too clearly. Partly due to natural resource endowments but in a large part due to the centripetal mode of colonial development centered around the plantation industry and its requirements, as already seen, the overwhelming proportion of economic activity came to be centered in the south-west quadrant of the island. The above trend continued to be perpetuated due both to the presence of economic overheads as also the political preponderance of this area; an aspect that shall be examined in the next chapter.

As a result, as mentioned earlier, the more privileged and better educated Tamils, chiefly from Jaffna turned to entrench themselves in important positions in the mercantile, bureaucratic and other professional sectors during the British period as well as in the decade following independence.

The Gathering Minority Challenge

The economic crisis in the mid-fifties affected the Tamil petty-bourgeoisie as acutely as it had their Sinhalese counterparts. Faced however with the "nationalist" assertion by the majority community in the political arena at the Center, the Tamil intermediate class took recourse to advocating a greater degree of decentralisation and autonomy by throwing their weight behind the Federal Party led by S.J.V. Chelvanayagam. Strategically, they sought thereby to also pressurise the Center into guaranteeing to the Tamil language a greater role in the central state apparatus and thereby protecting their opportunities for employment in the public services and professions. By highlighting language rather than religion in the "counter-values"53 being

53. The creation of value-consensus in the process of nation-building is central to Wertheim's analysis of human emancipation. Besides the dominant set of values, there could be contrary sets of values which could function as a kind of counterpoint. A counter value starts to threaten the established authority when it has grown into a more or less consistent set of values, openly professed by a social category -- a stage the Tamils were to reach in the seventies. While Wertheim prefers to call this latter stage a "social protest movement" -- it may be added the this could as well be termed a process of "nationality formation" which if reinforced by a common language, territory, economic life and culture (to accept
propogated, the intermediate classes of the minority community hoped to gather maximum strength by mobilising not only the Hindu Tamils of the north and east of whatever caste or class, but also the Tamil public servants based in Colombo, the numerically dominant but low-caste Hindu Indian Tamil labourers, as well as the Tamil-speaking Muslims on the eastern coast.

However, it may be added, each of the latter groups continued to pursue a course they considered best suited to their interests till the polarisation that took place between the two larger communities in the seventies moderated their postures in favour of the Federal Party. The minority (or the low-caste) Tamils in the north were more susceptible to the attempts by the Sinhalese (especially the left), embodying the more tolerant Buddhist ethos, wooing them. The Federal Party attempted to put a stop to these incursions by nominating "minority Tamil" (a euphemism for low-caste Tamils) candidates from 1970 onwards. The English-speaking Tamils based in Colombo and the more privileged in Jaffna continued, by and large, to support the more moderate Tamil Congress. In line with their class interests, they found the policy of co-operating with the Sinhalese conservative party -- the UNP -- at the national level more rational. Likewise, others based in Colombo and the Eastern Province joined hands with similarly resident Muslim traders and land-owners in becoming active members of the UNP. Other sections of Muslims probably drawn from the lower rungs of trade, agriculture and professions such as teaching in the Sinhalese dominated areas and in the Eastern Province grew to back the SLFP through the Islamic Socialist Front. 54

The movement for Tamil rights was thus one dominated by the Tamil petty-bourgeoisie in the north and to a limited extent the Tamil bourgeoisie. It

mobilised within its hegemonic fold the lower Tamil classes. There being no industrial working class in the north to speak of, the movement remained distinguished by its non-radical character.

THE 1956 WATERSHED

The Crisis of Dependency and of Upper Class Dominance

From the mid-fifties, the inherent weakness of the island's economy -- its dependence on its key exports and imports and therefore on world market conditions -- was amply demonstrated. Although the year 1954-55 had witnessed boom conditions, 1956 saw a sharp reversal of this trend which continued as seen in the Appendix, Tables A-1 and A-2. Sri Lanka's export price index of 134 in 1955 (note that 1967=100) registered a continuous decline till the year 1973, touching an all-time low of 100 in 1967. Between the period 1955 to 1971, the average price of tea and rubber, together accounting for 68 percent of merchandise exports till as late as 1971-74, fell by approximately 38 and 36 percent respectively. The balance of payments showed a constant deficit. To make matters worse, the import price index began to rise after 1962 from 77 in that year to 140 in 1970. Thus, the terms of trade index which was 162 in 1955 declined to half of what it was earlier, to 84 in 1970.\footnote{There was a basic surplus in payments only in the years 1965 and 1971-73 which was however only of a marginal nature and came about by the imposition of strict import controls: see CBC, \underline{Annual Reports} and Gunasekera, n.21, pp.174-82. Henceforth all tables in the Appendix will be numbered A-1, A-2 etc.}

Besides hitting the whole economy adversely, this development demonstrated more effectively than ever before, the need for a fundamental structural change in the economy. This need became all the more crucial in the face of the fact that the welfare measures in the spheres of health, education and
food introduced by the paternalistic, liberal Ceylonese leadership in the background of the prosperous plantation colony of the Donoughmore years, 1930-1946, had resulted in the rate of population growth shooting up to 2.5 percent in 1947 from 1.8 in the previous year, and remaining above the former level for the next two decades.\textsuperscript{56} The implication of its growth for the cost of consumer goods (largely imported) and, above all, its demand for employment stressed the need to also accelerate economic development. The increasing literacy of the people\textsuperscript{57} coupled with the dynamics of the parliamentary system in inducting the mass of the population into electoral participation and the growing influence of the LSSP and other left parties among the working class in raising their consciousness of their rights resulted in an accentuation of dissatisfaction with the prevailing system. The conjunction of these factors led to a militant assertion in the political arena of the sorely-affected intermediate petty-bourgeois strata who sought to safeguard their prospects for economic and status advancement.

The inability of the dependent economy to open new avenues for advance and employment commensurate to the numbers of these arrivistes implied in the acute convergence for the extant opportunities, an articulation and conflagration of social differences along primordial lines. More specifically, it would be true to say that while the questioning of the hitherto dominant colonial pattern of development resulted in an assertion of a more indigenous, "nationalist" alternative; the latter tended, in the context of restricted

\begin{footnotesize}
\begin{itemize}
\item[56.] Nimal Sanderatne, "Socio-economic Variables in Sri Lanka's Demographic Transition: An Analysis of Recent Trends", \textit{Staff Studies} (Colombo), vol.5 no.1, April 1975, table 1. This was one of the highest rates of population growth in the world. Only by the beginning of the seventies did it drop below 2 percent growth per annum.
\item[57.] The rate of literacy increased from 57.8 percent of the total population in 1946 to 71.9 percent 1963: \textit{Statistical Abstract of Ceylon, 1967-68} (Colombo, 1970), p.35, table 20.
\end{itemize}
\end{footnotesize}
resources and two well-defined communities of unequal strength, to be interpreted increasingly in terms and values acceptable to the majority Sinhalese community,\textsuperscript{58} as we shall see in the next chapter.

Therefore, in the post-1956 period, due to their numerical and ideological dominance, the Sinhalese urban commercial and rural petty-bourgeoisie henceforth exercised an important influence on the calculations of those in power. While the leadership of the major parties continued to be drawn primarily from the upper classes,\textsuperscript{59} it would be true to say that the above development served, due to its links, to effectively shift a greater degree of state power into the hands of the landed non-estate interests of the interior, who had found themselves at a disadvantage in the preceding colonial ethos, as indicated by the rise of the SLFP under the Bandaranaike family in the following period.

As noted by Jiggins, the leaders of the UNP -- the Senanayakes -- were a low-country family of good background who accumulated wealth and rose to the highest status under the British, while the Bandaranaike/Ratwatte family were of feudal descent related to the most powerful families of the traditional Kandyan aristocracy.

\textsuperscript{58} For details see Chapter Four.

\textsuperscript{59} Janice Jiggins, n.35, pp.8 ff.

Jiggins, however, crucially fails in her work to pin-point the reason for the division of the dominant classes into the two major parties. Based on the methodological premise that the "main social links (in Sri Lanka at independence) were not those of class, but of vertical relationships linking the village to the rural elite" (p.148), despite a wealth of empirical data, she fails to answer two key questions which such a study should have resolved to set the importance of caste in perspective in Sinhalese politics:

(i) In a situation where the two extended family groups (they are both from the same caste) are also closely inter-related what determines the political preference for one or the other party by units within each?

(ii) In a situation where both the major parties have a criss-crossing caste base, as she herself admits, what other factors are there which would/could provide the rallying points for local level groups/castes -- especially in the 1956 period when the "notable-dominant" framework broke down?
The Intermediate Bloc and State Capitalism

The SLFP-led coalition represented a heterogenous, reformist collection of interests drawn from lower-middle classes. As outlined by its leader, the party aimed to provide a democratic platform for those who wanted to work for change which was not revolutionary or extreme. In line with the "socialism" propogated in populist rhetoric in the next ten years, the two SLFP-dominated intermediate regimes legislated in several directions to encourage state capitalism. They sought therefore to reduce foreign ownership and to encourage the development of indigenous industrial capital and enterprise. To facilitate the latter, they demarcated an increasing role for the state at the economic level in the direction of providing infrastructural facilities and heavy investment through the public sector for capitalist development. They attempted also to restructure private economic relations, chiefly in land, so as to enable a more efficient allocation of resources as witnessed in the 1958 land reform seeking merely to "regulate" tenancy legislation (details in Chapter Four).

Consequently, the country moved in the direction of a mixed import-substitution economy with the state taking the lead in the mercantile and production sectors. Pressed by the need for capital for various public investments, it stepped up its use of taxation as an instrument to increase state revenue especially from the plantation sector. To encourage production, however, generous subsidies for replanting, fertiliser application and so on


The MEP was notably a coalition of the SLFP (formerly the Sinhala Maha Sabha under the same leader) with two groups -- the Viplavkari Lanka Sama Samaja Party (VLSSP - a splinter of LSSP) led by Philip Gunawardena and Bhasha Peramuna (Language Front). Some independents who championed "Sinhala Only" also joined the coalition.
continued to be given. To arrest a further fall in Sri Lanka's external assets, the freedom to repatriate capital was suspended in 1957. This again was directed at the plantation companies which had consistently been repatriating capital since before independence. Likewise, the nationalisation of the port of Colombo and bus transport in 1958 and later petroleum and insurance endangered the big mercantile and commercial interests affiliated to the UNP. The imposition of a rigid system of import and exchange controls to conserve precious foreign exchange after 1960 affected the big export-import traders.

The period 1958-63 witnessed the first phase of a rapid growth of several state industrial corporations. By 1963, there were 14 state industrial corporations engaged in production in such fields as cement, textiles, sugar, paper, chemicals, oils and fats, ceramics, mineral sands, plywood and leather. By the end of 1967 the number of public industrial corporations went up to 21.

With state encouragement, economic power grew to be increasingly dispersed among small industrialists who took advantage of the new opportunities offered by the domestic market in the sixties. Manufacturing output in real terms nearly doubled within the decade 1960-70. Tentative estimates by the ILO Mission Report on employment show that by 1968 public-sector industries accounted for 17 percent of the total value-added in the industrial sector, including mining and quarrying. Private large-scale industries (factories employing more than 20 persons) contributed 50 percent of the total value-

62. N. Balakrishnan, "Industrial Policy and Development since Independence", in de Silva, n.6, pp.197-98.
added, while private small-scale industries accounted for 33 percent of the total.63

In the agricultural field an attempt was made to regulate the traditional relations between landlord and the cultivator tenant in 1958. To provide security of tenure the Paddy Lands Act declared that tenancy rights were to be permanent, transferable and heritable. The rents fixed by the Act varied from region to region and aimed to provide an incentive to the cultivator to produce more. Thus every bushel of paddy which the cultivator produced in excess of the maximum payable rent was legally his. In 1957 a system of Multi-Purpose Co-operative Societies was introduced to serve the farmers by way of credit, agricultural marketing and supplies, crop insurance and community development. By 1965 in addition to paddy, about 18 other crops were included in the Guaranteed Price Scheme undertaken by these co-operatives.

The MEP coalition failed, however, due to its heterogenous and uncohesive character to carry through these policy thrusts towards the desired goals of gaining a measure of independence from private foreign capital, carrying out the necessary land reform and assuring sustained economic growth with the state performing the role of "mid-wife" to capitalism.

Compromises and Failures of the Intermediate Regimes

a. Neo-colonial links and dependency: Testifying to the strength of plantation-linked interests, despite popular demand, the commanding heights of the economy continued to remain in the hands of the big British and local combines. Instead, acting in anticipation of nationalisation of plantations, the foreign companies reacted harshly. There was an arrest of capital inflow to the plantation sector and considerable disinvestment by paying dividends out of capital. As Dawood points out, this was a process which had begun

considerably before independence — perhaps in anticipation of the transfer of power. Several plantations were sold to nationals and the proceeds repatriated out of Sri Lanka. After 1956 when a legal ban was placed on such repatriation, British companies changed their methods. On the one hand they increased the volume of profits by freezing wage levels of the estate workers and reducing expenditures on maintenance and fertilization of plantations. On the other hand, they used the vantage position of control they enjoyed over production and marketing to circumvent the taxation measures by deflating profits at the production stage and augmenting them heavily at the marketing stage. According to one calculation, for the eighteen-year period from 1952 to 1969, private capital transfers from Britain to Sri Lanka amounted to Rs.87.2 million while the amount transferred from Sri Lanka to Britain were Rs.315.7 million. Instead, many Sri Lanka-based sterling companies began to invest in plantations in East Africa and Malaysia during this period.

Faced with the deteriorating foreign exchange situation, the intermediate state was instrumental in covering up shortfalls in the local resource mobilization effort by negotiating for aid. In accordance with the classical neutralist "non-aligned" strategy increasing quantities of aid was sought from the Western capitalist as also the socialist blocs. This helped, critically, to smoothen out the sharpening contradictions between the contending classes in the political arena and thus to subsidise local capitalist growth on the one hand, both directly and indirectly. On the other hand, it served to "cushion" the parliamentary-democratic system by struggling to maintain the

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64. Dawood, n.61, pp.97-98.

65. These figures were prepared in 1975, by the Ministry of Planning: Dawood, ibid., p.104.

welfare system relevant to the masses within the sharply deteriorating economic framework.

Furthermore, as shall be seen below, the state-guided import-substitutionist pattern of development created other new neo-colonial ties with metropolitan countries.

b. The growth of national industry: dependent and restricted: Due to the weakness of the indigenous bourgeoisie, the state itself assumed responsibility for the commanding heights of the economy and the development of the socio-economic infrastructure. Medium-scale and light industry and a portion of the service sector was reserved for private capitalism fostered under the state. However, local industrial capital, particularly in the public sector, assumed monopoly forms early in its development due to a variety of factors. Chief among these were the broad context of the stage that world capitalist development had reached favouring large-scale industrial units as the most efficient and the narrower one of the small size of the local market.

The protectionist effects of the policy of import-substitution by the state were, moreover, steadily negated. While the import of finished goods was curtailed, the manufacture of the same involved machinery and raw materials themselves imported from the metropolitan countries and involved foreign technology and investment tie-ups with international monopoly capital. This heavy reliance on imported investment goods and raw materials made it difficult for Sri Lanka to maintain the desired pace of development in the context of the chronic foreign exchange crisis and deteriorating terms of trade that Sri Lanka faced in the sixties and seventies.

As a result, despite all-out government efforts and patronage, the share of the manufacturing sector which had been 11.9 percent of the Gross National Product (GNP) in 1953 and grown to 12.4 percent in 1963 thence failed to grow
remaining more or less stable at 12.6 percent till as late as 1978.67

The development of state capitalism was likewise, riddled with contradictions. In addition to the above, public sector enterprises which were considered the chief instruments to further social control of the economy, were often also (explicitly or implicitly) associated with "welfare" considerations. During the early years, political pressures contributed to their maintaining low-selling prices of goods bought by the emergent private sector concerns and thus of subsidising the latter's growth. As importantly, they grew to be increasingly overstaffed in an effort by the government to enhance employment outlets for the lower middle-class youth. The net result of these and other problems was that they could not demonstrate efficiency by conventional standards and came increasingly under attack in the late sixties after having served a limited purpose.

As in other Third World economies seeking to diversify their base through industrialisation, private sector investment in Sri Lanka tended to be concentrated in consumer goods, though in a feed-back process and as a result of state intervention this tendency was somewhat modified by the late sixties. The share of consumer goods, in the value of total production was 65 percent in the early sixties. It dropped to 50 percent by 1970. The food, beverage and tobacco group was dominant, accounting for 35 percent of the total value of industrial production. Coupled with textiles, wearing apparel and leather products; the two industries accounted for an average of 60 percent of the total production. The relative share of intermediate products increased from 26 percent in 1962-64 to about 35 percent in 1970 while the production of investment goods showed only a marginal increase from 8 to 12 percent of the production in the same period.68

67. CBC, Annual Reports.
68. Ibid.
However, the growth of the indigenous capitalist class -- the national bourgeoisie -- was distinguished by several other weaknesses. In the early stages, especially, not only was the quality of its products poor but in many cases production involved only a minimum conversion of imported inputs. As a consequence, several export-import traders got into the act by moving one stage backward in the production process and established subsidiary companies of multinational firms that they were often already connected with and merely assembled components imported from abroad. While this generated employment and a certain amount of value-added in production locally, it linked the emerging manufacturing class with new links abroad. This was made amply clear in the UNCTAD survey of 20 industries set up as foreign subsidiaries or affiliates in the sixties.69 Lacking careful planning and clearly defined priorities, in the initial period especially, the Government freely approved ventures without due consideration of the foreign exchange costs involved. The production of the very non-essentials and luxuries that were restricted or banned came to proliferate. An attempt to correct this feature after 1964 by discriminating in favour of the production of intermediate goods served a limited purpose as four major industrial groups -- basic metals; chemicals, petroleum, coal, rubber and plastic products; machinery and transport equipment; and certain other categories of manufactured products -- accounted for more than 80 percent in value of imported raw materials used in production till as late as 1972.70

Similarly, government policy of licensing production capacity sufficient to meet domestic demand in an attempt to conserve and diversify capital also

69. See the report prepared for UNCTAD by the Harga Institute, "Major Issues Arising from the Transfer of Technology: A Case-study of Sri Lanka" (mimeo). For a brief summary of the conclusions emerging from the analysis, see Economic Review (Colombo), vol.2 no.3, June 1976, p.16.

70. CBC, Annual Report, 1972, p.43. See also Balakrishanan, n.62, pp.200-206.
led to the establishment of a few large firms approaching monopoly positions in various industries.

In the process of the growth and stabilisation of local industry, some of the industrialists over a period of time attained a stature to join the ranks of the existing big bourgeoisie. Monopolistic firms came to be concentrated further into a handful of family groups which were inter-connected increasingly through a web of interlocking directorates and marriages with the older commercial-financial capital centering in Colombo. They were also closely connected to the state monopoly sector resulting in an even higher degree of monopoly. This convergence of interests sought actively to develop relations through collaboration agreements with foreign investors, to push for a policy of open collaboration with foreign capital and to produce for the foreign market from the late sixties onwards. The more numerous small industrialists, however, continued to display opposition to the import of foreign goods in their struggle to establish themselves. These, which can be referred to as the middle bourgeoisie, likewise vehemently opposed the establishment of foreign manufacturing ventures in Sri Lanka.

In this they were supported by the organised urban labour who saw a danger to its interests in the growing links of the big bourgeoisie with foreign interests. Indeed, the remark made by Poulantzas in a different context seems particularly appropriate to the relationship between the national bourgeoisie (or what he calls the domestic bourgeoisie) and organised labour in the post-1964 situation. Given the inability due to their historical economic and political weakness to subdue the already existent organised labour

concentrated in the leading sectors of the economy,

The domestic bourgeoisie is ever more inclined to accept trade-unionism as a fact of life, for the sake of acquiring genuinely representative spokesmen to negotiate with and thereby embarking on a process of resolving its conflicts with the working-class. 72

Faced with the constant strikes in the post-1956 period, and the threat from the emerging Left Front in 1963-64, Mrs. Bandaranaike co-opted the LSSP section of the Left Front into her government in 1964. In doing so, she strengthened her regime's hand and virtually neutralised the left as an independent force for the next decade.

c. Agrarian reform and agrarian capitalism: The MEP coalition failed crucially, due to its inherent character, to effect a change in the agrarian relations of production as was evident from the fate of the Paddy Lands Act of 1958. Although the bill did not even seek to abolish tenancy but merely regulate the conditions and thus loosen the stranglehold of the rentier landowners, it threw open the contradictions in policies and principles of the coalition government. While these will be analysed in greater length in the next chapter in connection with the Act, the outcome of the Act for the agrarian balance of power will be dealt with here in keeping with the main focus of the present chapter. Because of shortcomings in the law as well as lack of political will in carrying through the Act, events soon demonstrated that under the Act the tenant cultivator had neither security of tenure not the advantage of fixed rents. On the contrary, evictions became common. According to the Commissioner of Agrarian Services, a total of 40,069 cases of eviction were recorded by 1971 since the enforcement of the Act. 73 In a situation of high worker-land ratio, unemployment and a significant pool of landless people


73. Commissioner of Agrarian Services (henceforth CAR), Report 1969-70, in Herring, n.37, p.73.
eager to obtain any secure opportunity, the extreme degree of tenant dependence on owners was markedly manifested in the lack of popular pressure in favour of the land reform. As will be seen in the next chapter, the exit of Gunawardena personally from the Cabinet was a blow to the new Act. His eventual successor in the post-1960 period was Felix R. Dias Bandaranaike, whose views on land relations were quite different. Whereas the former spoke in terms of the Act "abolishing feudal relations", the latter considered the "sole object" to be to increase production of paddy in this country. This purpose was thenceforth sought to be accomplished by intensification of cultivation through new technology to increase agricultural productivity, a policy of capitalisation in agriculture put into practical effect by the UNP government in the following period.

Thus, we see that the intermediate classes which dominated the political scene after 1956 could not, due to their very nature as pointed out by Raj in his discussion of such regimes, carry through their programme to its logical conclusion. In the early phases of its evolution, the nationalist petty-bourgeoisie in alliance with the rural peasant classes had a limited progressive character. In a bid to seize the home-market, certain reformist steps were necessary against imperialism and its feudal coomprador allies. The statisation of wide spheres of the economy enabled the growth of a national capital. However, some scholars regard this early progressive phase of the national bourgeoisie to have essentially concluded with the nationalisation of oil companies in 1962. Thenceforth, the stature acquired by sections of

74. Ibid., p.91.
this bourgeoisie in the wake of import-substitution was used to strengthen its position through continued reliance on state intervention in its favour. It consolidated its alliance with the emerging rural capitalist interests to forestall a radical restructuring of the economy resulting thereby in an increasing reliance on foreign resources, markets and technology for further growth. In the course of this metamorphosis towards a neo-colonial pattern, it grew increasingly indistinguishable from its former opponents, the colonial commercial-financial compradors as has been discussed in a later chapter. The old comprador interests could, therefore, support their declining position with the assistance of these new classes and even stage a partial comeback through the UNP in the period 1965-1970.

The UNP Inter-regnum: 1965-1970

It was a partial comeback of the comprador bloc since, as noted by most observers, the changes in 1956 had set in motion a trend of development that was to dominate the Sri Lankan scene for the next two decades. However, within the parameters set by the SLFP-dominated regimes, the UNP inter-regnum in 1965-70 represented an important shift in emphasis in policy in favour of private and comprador capital resulting in further differentiation within the intermediate classes and the creation of new linkages of dependence with metropolitan capital.

The UNP-led National Front emphasised the adoption of the new agricultural technology packet based on better seeds, increased use of fertilisers, irrigation and mechanisation. This, theoretically, sought to increase local food production so as to release valuable foreign exchange to aid industrialization as also to "deepen" the local market. While succeeding in increasing overall paddy production, for instance by 16.5 percent over the five years, its success in achieving its stated purposes are open to doubt.
On the one hand this policy increased disparities in the country-side. It encouraged the emergence of a thin layer of rich farmers -- a peasant bourgeoisie producing food crops for the home-market -- while quickening the process of proletarianization through "distress sales" and evictions of the farmers operating micro-holdings. The Agricultural Census of 1973 recorded a further decline in the average size of agricultural holdings from 2.68 acres in 1962 to 2.36 acres. In the same period, there was an 85.6 percent increase in number of holdings below 1 acre. By 1973, 47 percent of the agricultural holdings were below 1 acre and 42 percent between 1 and 5 acres.77

The emerging peasant bourgeoisie was most evident in the irrigated paddy areas of the North-Central Province and certain parts of the Eastern and Northern provinces. The medium-sized landlords and the "gentlemen farmers" of the wet zone in the South-West of the island also took to the new technology package. Special efforts to diversify agricultural production encouraged, among other non-paddy cash crops, the cultivation of potatoes and other vegetables in the up-country areas and chillies and onions in the North -- notably in Jaffna district. It has been adequately demonstrated that the input supply programme and the Guaranteed Price Scheme (GPS) of the Government which helped to boost national food production served also to disproportionately benefit and enrich these richer farmers.78

The imperfect factor market with inter-regional and intra-regional variations in regard to size of holdings, access to capital and credit, other inputs and technology led to the growth of powerful intermediary groups consisting of private tractor owners, traders, money lenders, transport agents

77. For an excellent discussion see Sanmugaratnam, n.43, p.72.
and middle men. These accelerated the drain of surplus from the smaller producers whether owner-cultivators or tenants. The marginalisation of the economically weaker cultivators increased given the rising trends of profitability from capitalisation and mechanisation in agriculture along with the growing population pressure on land. Practices of fragmentation, share cropping, mortgage and even sale were notably identifiable in the government-sponsored colonisation schemes in the North-Central and Eastern Province.

On the other hand, the advent of the Ford-Rockefeller Foundation-inspired green revolution created new linkages of dependence between the production needs of the emerging class of rural influentials with the increasing import of fertilisers, pesticides, tractors and other items which such a technology package necessitated. Instead of using technology maximising the use of local factors of production between 1965 and 1970 alone, it is calculated the country imported Rs.100 million worth of fertilisers and Rs. 30 million worth of tractors. The rising incomes of the rural capitalist classes also led them to become increasingly consumerist with part of the profit being spent on local status items and imported consumer durables. Economically, this development placed limits to the spread and deepening of growth of capitalist production relations while simultaneously providing a limited new market for inessential goods. Politically, these groups grew to not only dominate the state-sponsored supportive institutions but the rural power structure as a whole.79

In the industrial field, the new Government emphasised measures to increase the overall efficiency of the public sector rather than expanding it. Instead, in keeping with the traditional biases of the UNP, all encouragement was given to private initiative and link-up with foreign capital.

Cumulatively, foreign capital continued to penetrate tourism, banking, shipping, the manufacture of agro-chemicals, textiles, pharmaceuticals, electrical appliances and consumer goods such as shoes, cigarettes, soap, tooth-paste, soft drinks and such like. Shortage of raw materials due to restricted imports and delays due to administrative controls leading to underutilisation of capacity in industries was sought to be done away with partial import-liberalisation and implementation of a dual exchange-rate policy.

Funds to underwrite these efforts were sought from Western capitalist powers and aid-giving agencies. In keeping with the wisdom of these donors, as necessary pre-requisites, not only was the economy relatively liberalised but the rice ration also halved from 4 lbs a week to 2 lbs per person free of charge. Likewise, the contentious and long-deferred question of compensation for the nationalised petroleum companies was settled by the payment of compensation soon after the installation of the new administration in the desire to create a favourable climate for the influx of foreign aid from the West. This reversal of the policy of the preceding SLFP regime was underlined by the strained ties with the socialist countries, notably China and the Soviet Union who had come to the aid of the SLFP-regimes at various junctures after 1956. 80

Most critically, these measures were sought to be put through by the UNP regime in a period of sharply deteriorating terms of trade, as can be seen in Table A-1 which worked contrary to the success of the proclaimed efforts.

As a result, while disparities increased in industry and trade as they did in agriculture, the whole corpus of UNP policies led to a large degree of inflation. While the cost of living index had increased from 103.5 in 1960 to 112 in 1965, it went up to 138.2 by 1970 thereby placing the burden of

80. See Vijay Samaranweera, "Foreign Policy", in de Silva, n.6, pp.342-347. See also Dawood, n.61, pp.133.
development on the economically weaker sections of society. Due to the fact that economic development had chiefly been confined to the South-West quadrant of the island as also the deliberate policy measures that had been taken by both the major parties in the center to promote the interests of the majority community, the burden of their economic policies had also been felt disproportionately by the minority Ceylon Tamil and vulnerable Indian Tamil community. As Lee, a Malaysian scholar, was to point out, in the period 1963 to 1973, the per capita income of the Kandyan and Low-country Sinhalese had increases by 24 and 18 percent respectively. For the Ceylon Tamils and Indian Tamils it had fallen by 28 percent and 1 percent respectively! In the case of the Ceylon Tamils, he observes, this fall probably represented a movement towards greater equity since their average income was slightly higher than that of the Kandyan Sinhalese and one-third higher than that of the Low-country Sinhalese soon after independence in 1953.81 Such a deterioration in their status with no prospects of arresting the trend however, was obviously not viewed with equanimity by them. It resulted in a loss of confidence within them of having a fair opportunity for personal advancement in such a system and reinforced their determination to barricade their position through formal institutional arrangements.

As seriously, growth during this period failed to solve the unemployment problem which acutely affected the educated middle and lower-class youth who aspired to white-collar jobs rather than to the more earthy or menial employment of their fathers in villages or towns. This had the impact of accentua-

81. Lee, n.28, p.163.

Lee disputes the findings and the basis of computation of the CBC, Survey of Sri Lanka's Consumer Finances 1973 that in the period 1955-1973 and particularly in the latter part 1963-1973, the movement was towards an equalisation of income distribution with the Gini coefficient declining from 0.50 in 1953 to 0.49 and 0.41 in 1963 and 1973 respectively.
ting the sense of deprivation of those from the majority community vis a vis the system as a whole. The Ceylon Tamil youth, in turn, perceived their deprivation along communal lines.

APPRAISAL

In brief, over four centuries of colonial rule had the net impact of turning Sri Lanka into a plantation export economy. Direct British rule encouraged the establishment and dominance of the British capitalist interests over the most productive and profitable areas within the plantation economy. The domestic bourgeoisie that emerged under the colonial aegis linked to the plantation economy, remained subordinate and complementary to metropolitan capitalist interests and thus comprador in character. Essentially emerging from low-country landed and monied interests, it drew within its hegemonic multi-ethnic fold, the colonial professional classes based in Colombo and the landed semi-feudal classes of the Kandyan interior. It was, in all, an oligarchic power bloc embodied by the UNP which emerged to assume and exercise substantially unchallenged state power on the basis of an expanding plantation economy in the first half of this century.

Viewing the developments in the latter part of the fifties in a historical perspective, while it is probable that the cumulation of various broad factors falling out from spreading capitalist relations and the emerging consciousness would have led to a similar trend as highlighted by cross-country comparisons, it is no coincidence that the militant rejection of the prevailing status quo and assertion by the indigenous intermediate classes in Sri Lankan society in the political arena followed closely on the heels of a sharp decline in the economic returns of Sri Lanka's foreign trade sector which severely hit the
economy as a whole. It highlighted the need for a more independent and diversified mode of development. In political terms, it shifted the locus of state power in favour of the "nationalist" landed and intermediate petty-bourgeois classes. 1956, in more than one sense therefore, constituted a watershed in the contemporary history of Sri Lanka.

More specifically, the crisis of dependency split the oligarchic power bloc and its hegemony leading dissident fractions of it to move closer to the rising classes. S.W.R.D. Bandaranaike successfully came to power in 1956 on the basis of a heterogenous collection of Sinhalese petty-bourgeois interests which had grown to occupy positions of subordinate importance in rural society in the preceding period. Consisting essentially of the smaller landowners, shopkeepers and those employed in subsidiary positions at the local level, their economic base lay primarily in the ownership of small-scale means of exchange, and they very well fulfill the definition of "intermediate classes" elaborated by Kalecki and Raj. As propounded by these authors and Laclau, the intermediate classes succeeded in winning the large section of peasant masses onto their side by presenting their populist ideology, tinged with obvious nationalist cultural rhetoric, as the antagonistic option to the ideology of the oligarchic bloc.

Examining the "socialist" measures favoured by the new bloc in the post-1956 period we discerned them to be composed of trends in the direction of nationalisation, of foreign ownership and comprador capital; indigenisation, through the active encouragement of national industrial capital; and most of all, socialisation, by increasing the role of the state in two major ways. The state was made responsible for the provision of basic and infrastructural facilities for capitalist development through the public sector and for

restricting private economic relations, chiefly in land, so as to enable a more efficient allocation of resources. Through these measures there was thus a definite promotion of "a pattern of amalgamation of the interests of the lower middle class with state capitalism."\(^{83}\)

However, precisely due to the heterogenous coalition of interests represented by the intermediate regimes in the post-1956 period they could not carry to a successful conclusion what was, in effect, a national-democratic revolution. While they succeeded in nationalising the narrower urban-based structures of metropolitan and comprador capital, due to the latter's strength they left the central base of the ownership of plantations and the dominant commercial-financial networks untouched. Neo-colonial forms of control by the international capitalist monopolies thence continued to be exercised through commercial-financial means by a manipulation of marketing and prices. The comprador interests, seeing the new opportunities, assumed the more advised "nationalist" forms and grew increasingly indistinguishable from the emergent protected national bourgeoisie. Likewise, the intermediate classes failed to provide effective support to the efforts at tenancy regulation due to the strength of the rich peasant and upper landed classes in the power bloc. For obvious reasons there was little effort to evoke popular struggles from the yet subservient rural labouring classes. The spread of agrarian capitalism and the resultant differentiation of the rural class structure, however, changed the latter factor in the late sixties and made agrarian reform an urgent item in the politicised milieu of the seventies.

The intermediate regimes of the SLFP were characterised by political weakness in the face of their heterogenous base of support. Not only did they have to mobilise surpluses to develop public capital but had to simultaneously

\(^{83}\) Kalecki, ibid., pp.31-32.
actively foster the growth of each of the constituent and contending petty-bourgeois interests in the power bloc. While producer subsidies and pricing policies were fixed to suit those in agriculture and industry, increased employment opportunities and welfare subsidies were offered to those in the services. Faced as they were by an organised and substantial urban working class which preceded them on the national political stage, they were compelled to make compromises and ultimately co-opt that too in deference to the economic and political weakness of the emergent national bourgeoisie.

From all this it may be hypothesised that while the weakness of the national bourgeoisie led to the widespread role the state played in the development of national and industrial capital, the political strength and economic aspirations of the petty-bourgeoisie ensured that big industry nationalised or developed by the state not only remained in the hands of the state but state policy was such as to allow the accrual of surplus in private hands. As such, state capitalism in Sri Lanka directly aided the development of private industrial capital which once entrenched, succeeded in resisting larger contributions (through taxes) to public surplus for further growth in the seventies.

The central problem, thus, which the intermediate regimes faced was a Raj points out in his discussion one of "generating the surpluses needed for sustained economic growth"84 — by which, it needs to be added, they could crucially maintain their political hegemony. Their inherent weaknesses discussed above, emerging from their class composition and the limited possibility of procuring aid adequate to their needs from socialist countries led them to compromise their programme in a variety of ways. Their compromises added up to restructure and diversify their dependence in neo-colonial guises

84. Raj, n.75, p.1195.
and worked to the detriment of the larger popular masses whose aspirations they purported to continually represent. The increasing dependence on metropolitan capital; whether in the disguised form of "aid" and official programmes or the more open private finance, investment or technology hook-ups; linked the emerging dominant classes whether of national monopoly capital or agrarian capital, to metropolitan capital.

In his seminal discussion of dependency, Santos specifies the third and, in his schema, the most advanced form of dependence which is characterised by "technological-industrial dependence based on multinational corporations in industries geared to the internal market of underdeveloped countries -- largely in the post-war period". While this essentially corresponds to the emerging dependence under the intermediate regimes of the different South Asian states around this time, in the context of Sri Lanka (and even more so of India) it needs to be modified to take into account the more indirect manner in which this dependency was exercised through the state and through local intermediaries due to the weight of the nationalist intermediate classes in the Sri Lankan social formation.

Consequently, the monopoly bourgeoisie and the agrarian capitalists, which included the richer peasants, came to exert a powerful influence within the SLFP as also within the modified comprador bloc of the UNP in 1965 to 1970. The latter specifically encouraged foreign aid, export-oriented production and capital-intensive technology with the result that the middle-level capitalists, organised labour and the poorer agricultural classes felt the pinch of the deteriorating economic situation and the precedence given to the more privileged interests. In the increasingly politicised milieu due to the politico-constitutional mechanics, which will be described in the next

chapter, they emerged to impress a greater content into the promises of structural change of the intermediate power bloc led by the SLFP in 1970 and deeply influenced events in the seventies.

The breaking of the oligarchic power bloc in the mid-fifties and the nationalist assertion of the Sinhalese intermediate classes, on the other hand, led the Tamil intermediate classes to throw their weight behind S.J.V. Chelvanayagam and his Federal Party. This intra-class competition for control of the state and for economic advantage led to a division between the intermediate classes along linguistic-cultural-territorial lines, a cleavage not primarily rooted in the production process, but related more to the differential development of the communities in Sri Lankan society. With the increasing centrality of the state in the economic realm, the state came more and more to assume the aspects of "an important prize". In the particularisation of benefits in favour of the Sinhalese intermediate classes, the Tamils were increasingly shut off from employment positions in the expanding state sector on which they had traditionally relied for advancement. Their marginalisation within the national social framework was experienced in the relatively greater deterioration of their economic situation which led them to seek formal arrangements to arrest the process. It is to an examination of this projection and institutionalisation of the conflicting interests in the politico-legal arena in Sri Lanka that we will now turn.

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