CHAPTER VI
DYNAMICS OF THE 1972 CONSTITUTION

The fact that the 1972 Constitution was so swiftly abrogated in 1977 leads one to search for reasons, both subjective and objective in the nature of developments since the promulgation of the former Constitution. While the vantage of hindsight may pose a danger of overdeterminism in the analysis, an attempt will however be made to discover the contradictions inherent in the situation in 1972 which developed over the tenure of the UF to result ultimately not only in the resounding overthrow of the ruling coalition but to the rejection of the Constitution it had promulgated as well. There will, by virtue of the schema outlined, be an elaboration of the economic, socio-economic and political factors at work during this juncture to understand their implications at the legal-constitutional plane.

As outlined in the last chapter, the 1972 Constitution was framed to fulfil the "objectives of a socialist democracy". To facilitate this process unhindered by obstacles and interests of a narrower or petty variety, a strong form of government was instituted which, with a two-thirds majority, had the power at its disposal to effect virtually any change in the society towards this direction without hindrance. Of primary relevance to any analysis of the operationalisation of this particular Constitution is the fact that the prevailing UF government had apparently more than the requisite two-thirds majority to effect such changes. This majority had constituted itself virtually into what could perhaps be best termed as a "parliamentary dictatorship". The reasons due to which the above resulted not in an increasingly socialist state but a state with a semi-permanent "constitutional

dictatorship"\(^2\) will therefore be investigated.

It is noteworthy that due to the strong government envisaged by the Constitution, the need for formal constitutional changes in the UF period were few and far between.\(^3\) However, as a concomitant of such an institutionalisation of powers, the heterogenous balance of social forces represented within the structures of state power will be focussed upon for their impact on the legislation enacted during this period as also on the actual institutions and processes of the state; the whole reflecting the changes being incorporated in terms of the spirit, meaning and validity of the Constitution in reality over time -- the "dynamics" of the Constitution.

"SOCIALIST DEMOCRACY": PRECEPT AND PRACTICE

From the various statements and pronouncements about policies and intentions made by various UF leaders, as a minimum, the broad "socialist" perspectives -- within the basic framework of parliamentary democratic processes and institutions -- could be delineated as the following:

1. Commitment to planned economic development within a mixed economy framework;

2. National control over important and crucial sectors of the economy currently in foreign hands;

3. Increased state ownership and participation and the development of collective or co-operative forms of ownership over wide areas of the country's


\(^3\) The first and only amendment made to the Constitution under the UF regime was in regard to a periodic delimitation of electoral constituencies in 1976, to be discussed later in the chapter.
4. Ceilings on land-ownership, incomes and ownership of urban property;
5. Reducing economic and social inequalities and improving the economic and social conditions of the poorer sections of the population through appropriate policies, including that of income redistribution; and
6. Increased popular participation in the development process through suitable organisational and institutional reforms.

All these, except the ceilings on landownership, had been the integral and minimum basis of the understanding reached by the centrist SLFP and the two left parties, as embodied in the "Common Programme" of 1968.

**Differences within the United Front Constituents**

However, in the very constitution of the coalition, due to its heterogeneous class character, there was a contradiction and a tension which was initially disguised by the ideological milieu.

The pragmatic, conservative sections of the SLFP reflecting the national bourgeois/petty-bourgeois point of view looked on these measures as limited to taking over enclaves of foreign control in the domestic economy, and using the structures of the state to better facilitate the process of national capital accumulation. However, ambiguously testifying to the weakness of the national bourgeoisie (discussed in Chapter Three) they sought to do this without offending foreign capital as far as possible. The equalising of extremes of property ownership were incidental to the process -- their acquiescence to the same being due to pressures of the SLFP's rural mass base. In contrast, the egalitarian provisions were an article of faith to the SLFP's leftist segment and allies representing, by and large, the organised urban labour. They hoped to effect a more broad-based democratic form of economic development and thereby to effect a shift in state power in favour of the lower classes. They
insistently advocated structural changes despite adverse economic circumstances and sometimes adverse reaction on production of the limited measures that they did succeed in pushing through.

This basic contradiction was reflected at the political level in ideological alignments and cleavages within the constituent parties which were often only obscurely related to their socio-economic base.

Specifically, on the conservative side of the UF spectrum, central SLFP figures such as the PM and her deputy Maithripala Senanayake expressed themselves early in the tenure of the UF as being in favour of a private sector which would play as important a role as the public sector, and indeed assured private enterprise a special role in the export of non-traditional goods. The government welcomed foreign investment and technology in export-oriented industries. While on the one hand, they criticised huge unearned incomes; on the other, they emphasised the need for wage increases of workers to be linked to increased productivity. At a later date, the PM's chief advisor, F.D. Bandaranaike, as the new Minister of Finance in late 1975 offered more concrete guarantees and incentives to private and foreign investment.

Closely backing them, and viewing leftist pressures with hostility, a large number of the SLFP MPs, drawn mainly from the semi-urban and rural intermediate classes, projected a Buddhist-chauvinist and conservative identity, alluded to in the last chapter. They favoured a joining of forces with the increasingly indistinguishable capitalist interests represented by the UNP. Voicing their inclinations, T.B. Tennekoon, Minister of Social Services, openly expressed himself whole-heartedly in favour of the "national

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4. See the reported "package plan" offered by the PM on November 9, 1971 (Tribune, vol.17 no.12-16, November-December 1971, p.7.) and Maithripala Senanayake's address to the Annual Meeting of the Ceylon Chamber of Commerce in May 1972 (Tribune, vol.17 no.28, 10 May 1972, p.16).

government" sought by J.R. Jayawardene through a merger of his group in the UNP with the UF.  

Also supporting the PM was a similar group of MPs, drawn from the rural upper and intermediate classes who projected a more radical, Kandyan identity. These were led by the Minister of Agriculture and Lands, Hector Kobbekaduwe, and focussed on cutting down the dominant plantation interests in their region.

Closely related to the latter and often drawn from the younger among them but tilted further to the left of the UF spectrum, was a group of some 20 to 40 SLFP MPs who acted as a powerful radical pressure group within the party. They found much in common with the perspectives of the leftist LSSP and CP. As leading, more elderly figures of this group, T.B. Subasinghe, Minister of Industries and T.B. Illangaratne, Minister of Foreign and Internal Trade "set the pace" in SLFP circles by pushing to expand the role of the public sector while trying to reassure the private sector.  

As a group, these MPs along with the two left parties opposed any truck with the J.R. faction in the UNP and instead looked towards the masses to provide the support and strength to move towards the fulfilment of the UF's socialist programme.  

The larger and more powerful left party in the coalition, the LSSP, univeriedly identified with the purposes of the UF. Envisaging themselves as


7. See Tribune, vol.17 nos 10 and 11, 30 October 1971, p.24. This group of MPs was responsible for scuttling suggestions in the 1972 Budget to cut subsidies and succeeded in maintaining a largely effective pressure in the next Budget too: see ibid., vol.12, nos 12-16, November-December 1971; and vol.17, no.47, 20 November 1972, p.7; vol.17 no.51, 30 December 1972, p.4.  

8. Attempts by them to radicalise the political milieu was abruptly discour-aged by the PM as early as 1970 when the MP for Ratnapura and 10 other MPs including two junior ministers held a rally at Ratnapura. For the full report see CDN, 13 August 1970.
inheriting the UF's radical mantle at a not too distant date, they sought to establish their hegemony over the radical forces in the coalition and to utilise the state structures to extend their power.

The smaller CP was, in contrast, riven with a difference in perspective. Its Pieter Keuneman-led wing advocated an LSSP-like strategy, to strengthen the progressive forces in the coalition. The S.A. Wickremasinghe-Sarath Muttetuwegama wing opposed the compromises of working-class interests involved in such a course since the CP specifically, and the working class in general, were in a subordinate position within the coalition.

Noteworthy and of increasing worry to the conservatives inside and outside the ruling coalition was the fact that despite formal and substantial differences between the parties and the leadership in the UF, the working class base of the three parties was evolving towards a greater unity in the post-1970 period. Organised for combined action under the preceding regime and during this period, the Joint Center for Trade Union Organisation (JCTUO) was dominated by the LSSP unions and leadership and used by the radicals to press for a speedy fulfilment of the UF's radical program.9

Critically, the JVP insurrection by its nature and extent served as an important catalyst in favour of radical change. By sharply reflecting the disillusionment of the rural youth with the extant system and the government, it accentuated the differences within each party especially the SLFP and CP. While the former conceived of the necessity of carrying through a land reform affecting some of its most influential supporters, the latter was sharply divided on the wisdom of continuing within the UF and even split temporarily on a related issue.

While all parties thereafter gave greater importance to their youth wings and attempted to woo the youth, younger leaders of all three UF parties emerged to challenge the older leadership and present a combined, more independent force leading the JCTUO and pressing for radical change.10 Perceiving the threat posed by their own youth and working-class base, the conservatives within the SLFP actively promoted the emergence of the offspring and close relatives of the Prime Minister as youth leaders within the party.11 Simultaneously, it must also be noted that the UNP in opposition also attempted to mobilise important sections of the Buddhist clergy against the ruling coalition, its programme and its austerity measures.12

Consequently, strengthened by its massive majority in Parliament, the new political concentration of powers, the backing and pressures of organised urban labour,13 as also the rural masses; the nationalist UF coalition

10. As manifested in the formation of the Vama Sama Samajaya in July 1974, led by youth leaders from each of the constituents; Vasudeva Nanayakkara (LSSP), Sarath Muttetuwegama (CP) and Ratna Deshpriya (SLFP): see Tribune, vol.19 no.11, 20 July 1974, p.5.

11. Her son, Anura Bandaranaike became the President of the SLFP Youth League and maintained close links with the most conservative and powerful sections of the party while her son-in-law, Kumar Rupasinghe and two daughters Sunethra Rupasinghe and Chandrika Bandaranaike (now Kumaranatunge), who were more leftist by inclination, maintained closer links with the radical, rural-based Kobbekaduwe faction of the SLFP. Kumar Rupasinghe became the Working Director to the National Youth Council; Sunethra became the PM's Co-ordinating Secretary; and Chandrika became the Director of the LRC (1975) and then Chairman of the Janawasas. While initially the latter three functioned to undercut the hold of the leftists in the coalition, by late-1973 they themselves came under increasing attack from the J.R. faction of the UNP and conservatives within their party (led by Anura) in the attack by the latter against the LSSP in particular.

12. See for instance Tribune, vol.18 no.35, 22 December 1973, p.7; vol.18 no.40, 26 January 1974, p.8; vol.18 no.45, 2 March 1974, p.3. Interestingly, this was also the time when attempts were being made by the UF to offer new concessions to Tamils: see Sun, 2, 5 and 6 October 1973.

13. While the working-class formed the most important and threatening pressure group to national and petty-bourgeois interests, as long as they remained in alliance with the above, they also formed their chief economic and political strength in their fight against foreign and entrenched comprador interests.
attempted deeper and more wide-ranging changes in the post-1970 period than had been attempted by earlier SLFP-led regimes. However, as highlighted by Raj in his discussion of intermediate regimes, the critical question of who wielded effective power within the regime proved important in determining the specifics and effectiveness of the regime's efforts to foster development through the instrument of the state. Initially the broader milieu and mass pressure in favour of change, served to strengthen the more radical forces within the coalition and contribute to their success in pushing for measures even hurtful to the more influential supporters in commerce, industry and agriculture of the SLFP. Despite their reservations, the conservatives in the coalition were compelled to maintain a low profile and, rather, went along in an attempt to resolve conflicts between the contending classes. The momentum towards the necessary structural change was however stymied by late 1974 and thereafter slowly and surely reversed, by the realignment of forces, which will be examined below, and the forced expulsion of the LSSP from the UF in August 1975.

In sum, at the level of the state, the SLFP emerged to protect and even propagote the interests of the new bourgeoisie, often monopolistic, and the rural intermediate classes on which it rested for support and which wielded effective state power. Despite factional alignments and cleavages within the parties at the ideological level, in concrete terms, the formal party boundaries continued to be respected and the respective party weightages in the structure of state power continued to dictate the compromises arrived at and the limits imposed to the scope of any measure. As a fall-out of their minority position within the government, the leftists could alter this position but marginally. Rather, it also needs to be emphasised, by virtue of their

presence in the UF, they understood and accepted the compulsions of working within an essentially capitalist government and so functioned more as reformist social-democratic rather than strictly revolutionary parties.

Dilemmas of Development and Dependence

In accordance to Raj's theoretical discussion, not only did the critical balance of interests within the UF have a particular relevance to the specifics of the policies adopted but they also had an impact on the overall success of the regime in mobilising investible surpluses to maintain the momentum of public and private sector growth.

It is conceivable that given the pressures from the left on and within the UF and in view of the determination exhibited initially, the regime could have effected major gains in favour of a more nationalist pattern of development. However, a sharply deteriorating economic situation early in the tenure of the UF created a serious resource constraint which affected all sections of society. Critically, it depleted the possibilities of accommodation between the heterogeneous forces backing the UF and brought their conflict of interests into the open.

The deteriorating economic situation came about as a result of several factors. A debilitating blow was served by international economic developments over which the regime had little control. The international capitalist monetary and trade fluctuations in 1971-72, the oil price hike in 1973, followed closely by a world-wide shortage of food and fertilisers continued to have an impact domestically till 1975. The high prices of oil and fertiliser, coupled with inclement weather conditions and dislocations ensuing from the UF's own radical policy measures contributed to the continued failure of the domestic paddy and agricultural export crops between 1972-75. These internal factors further accentuated what was, in essence, an imported crisis.
The impact of the external factors can be gauged from the fact that in the post-1970 period, the terms of trade indice of Sri Lanka was virtually halved from 84 in 1970 to 46 in 1975 and then improved only to reach 81 by 1977 (see Tables A-1 and A-2; base year 1967=100). Import prices rose from 140 to 471 on the index scale in the same period. The index for food and drink more than quadrupled between 1970 and 1975 from 130 to 563 while the prices of petroleum and fertiliser increased by approximately five times over the UF tenure. Meanwhile export prices rose slowly in the initial years from 102 in 1970 to 137 in 1973 and then fluctuated to reach 239 in 1976 and 382 in 1977. Accompanied by a decline in the volume of exports from 102 to 89 period, the volume of imports had to be cut by nearly 45 percent between 1970 to 1974 and remained below their 1970 level even till as late as 1977.

These developments had a deep impact on the actual functioning of the economy. Despite government-sponsored rationing and cuts in consumption (particularly of those items considered inessential/luxury goods), there were limits to the extent to which this could be done. Costly cuts were made in the volume of food imports, to the maximum of 40 percent in 1975 over the 1970 figure! As costly to a developing economy were the cuts in the volume of intermediate goods and investment goods which reached over 25 percent and 55 percent respectively of the 1970 volume in 1974. The situation eased gradually in the following years. Despite this, the category of food and drink continued to consume over 40 percent of the import budget\(^\text{15}\) and the weighty intermediate goods more than doubled to consume 45 percent of the budget at the

\(^{15}\) It was as much as 48% in 1975!

Unless otherwise stated the following discussion and figures relating to socio-economic indicators is based on Central Bank of Ceylon (CBC), Annual Reports and Review(s) of the Economy (after 1975); as also the Department of Census and Statistics, National Accounts of Sri Lanka, 1971-1979 (Colombo, 1980).
expense of the investment goods category (refer to Table A-3).

The severe shortages of inputs hit both the industrial and the agricultural sectors of the economy. The GNP at constant (1970) factor cost prices increased by an average of 3.5 percent per annum between 1972-77. Adjusted for terms of trade effect it averages to 2.1 percent per annum, a figure substantially inflated by the dramatic improvement in 1977 itself (as can be seen in Table A-4). Though the rate of growth of population declined markedly after 1973, the real rate of growth of income per capita under the UF was a mere 1.1 percent.

The critical need for foreign exchange led the government to modify its nationalist aspirations, to provide generous incentives to export-oriented manufacture and accommodate foreign capital both in the form of investment and aid. The critical economic situation limited the opportunities for further growth and employment so critical to the viability of an intermediate regime. Instead, in contrast to its socialist promises, due to the shortage of resources the government was forced to ration and then cut-back on the welfare measures important to the lower classes which provided it mass support.

In brief, the broader thrust of the UF coalition was defined in its specific measures by the balance of intra- and extra-regime interests and contradictions at different points of time. Subject to the compulsions of Sri Lanka's dependent context, it resulted in the interplay and emergence of new weightages and alignments, as shall be seen below.

"SOCIALIST" POLICY MEASURES: IMPLICATIONS AND IMPACT

Industry and Services

In accordance with its proclaimed objective of introducing a "socialist democracy" the Government moved in several directions in the socio-economic
arena. On the one hand, to increase investible surpluses within the economy, it expanded the state's right to order or intervene in delineated areas of economic activity it saw as detrimental to domestic productive activity. Accordingly, at different times it took over the private export-import trade, gem trade, domestic wholesale trade, import and distribution of pharmaceutical products and later the agency banks. Separate state trading corporations were created and placed in charge of these activities. Politically, these measures served to undermine, in the main, foreign and UWP-linked commercial-financial interests especially active in these areas.

Forgoing the option of a wholesale dependence on foreign funds for development despite the prevailing constricted economic context, in line with its nationalist outlook the UF chose to domestically mobilise revenue for development. The Trotskyist Minister of Finance, N.H. Perera, actively sought to use the fiscal structure to raise the level of savings and influence the quantum and direction of the investment and expenditure flows in the economy. The National Assembly passed numerous legislation to give effect to his recommendations.16

Particularly worrying to the affluent, influential interests primarily affected by these measures was the strengthening and streamlining of the machinery for such collections. This was done through amendments to the Finance Act No.11 of 1963 and Inland Revenue Act No.4 of 1963 and through the

16. The Compulsory Savings Act No.6 of 1971, the Employees' Provident Fund (Amendment) Act No.8 of 1971, National Savings Bank Act No.30 of 1971, Estate Duty (Amendment) Act No.34 of 1971, Capital Levy Act No.51 of 1971, Ceiling on Incomes and Compulsory Savings Law No.15 of 1971, Paddy Producers' Savings Law No.9 of 1973, State Mortgage and Investment Bank Law No.13 of 1975 and several such others along with their amendments served, as their names imply, to increase the proportion of savings and often revenues generated. The Ceilings on Income and Compulsory Savings Law No.15 of 1972 placed a ceiling on incomes exceeding Rs.24,000 per annum which would be rendered to compulsory savings deposits on terms resting on the discretion of the Minister of Finance.
Exchange Control (Amendment) Law No.14 of 1972. The last in particular served as complementary legislation to the efforts of the Criminal Justice Commissions (Amendment) Act No.14 of 1972 directed against foreign exchange offenders with suspected links to the 1971 insurgency.

Following its socialist proclamations, early in its tenure the government set the tone by promulgating the Business Undertakings (Acquisition) Act No.35 of 1971 which provided for the acquisition by agreement or compulsorily of any property or business undertaking it considered necessary for the purposes of that undertaking. In so doing, the government seemed to depart from the principle accepted till then of the validity of private ownership and activity within the legally defined norms. In view of the leftist orientation of the government, it predictably raised the worst fears of private capitalists and in conjunction with the other measures served as a serious deterrent to enthusiastic economic participation by the private sector.

More directly, to lop off inequalities in income and wealth, the fiscal structure was designed on a progressive basis to fall more heavily on the affluent and propertied interests and became prohibitive in the higher brackets of estate duty and capital levy payments. The Ceiling on Housing Property Law No.1 of 1973 regulated the ownership and construction of houses and limited the permissible number to two per individual or two plus the number of

17. The last conferred special powers on police officers to arrest and take into custody suspected persons without a prior warrant of magistrate in case of offences above Rs.10,000. Such suspects could be detained up to a period of three months with a magistrate’s consent and their passports impounded and accounts blocked.

18. The fact that the LSSP Finance Minister, in introducing the Bill in Parliament, had proclaimed the necessity for such government action in cases of sick undertakings, industrial strife, lock-out, or short-changing of employees by the concerned employer did not serve to assuage capitalist fears.

24 enterprises were acquired under this law by 1976: CBC, Review of the Economy, 1976, p.48.
dependent children in the family. As such, while it protected middle-class houseowners, it sharply hit the real-estate owners and contractors particularly powerful in the UNP.

On the other hand, the UF government gave renewed importance to the public sector as the vehicle for growth. The public sector was made responsible for heavy and capital goods industries, or those considered vital to the national interest. The government established new state corporations and boards to provide critical services of transport, marketing, shipping, research, information, development, regulation and so on to develop and diversify economic and export capability.

The Government encouraged the regulated participation of the private sector in light consumer goods and non-basic intermediate goods industries. In seeking to manage the tight foreign exchange situation, it offered particular encouragement to the expansion and diversification towards non-traditional agricultural exports, industrial exports and tourism through tax exemptions on profits made in such fields. Foreign participation was welcome in fields such as tourism, specified manufactures geared towards export and using local raw materials or for areas in which technical skills were not locally available.

Concentration of Industrial Capital: The policy measures of the government had certain noteworthy repercussions.

The dual impact of government policies and scarcity of industrial imports served to sharply increase the rate of savings in the private corporate sector particularly in the period 1970-74. The threat of nationalisation and possibly more rigorous taxation in future stood in the way of the private sector investing readily in the domestic field. The measures to rationalise the price structure and promote the efficiency of the public sector resulted in a sharp increase in general government income from public enterprises, an increase of
139 percent per annum till 1974 and a rate of 20.8 percent thereafter.19

These liquid resources mobilised by the government were channelled actively to finance public sector growth. Along with preferential treatment in allocation of import quotas and foreign exchange, in real terms the public sector grew at the average annual rate of 8.8 percent20 in contrast to the private sector's rate of 3.1 percent per annum (as Table A-6 demonstrates). The latter actually disinvested in the uncertain years of 1974 and 1975, perhaps in fear of the increasing call for nationalisation being launched by the left.21

Shortages of imported raw materials and essential consumption goods along with their rising prices created lucrative possibilities of profiteering, black-marketing, corruption and graft. In response, the state assumed further responsibilities in the areas of production and distribution such as in agriculture, domestic distribution, pricing and other controls which had not been envisaged by the Common Programme signatories.22

But, in absolute terms, despite all efforts the public sector grew to contribute only 22 percent of annual investment in 1977 from 20 percent in 1971. The private sector continued to be responsible for 78 percent of the

19. See Table A-5.

20. This was despite the steep drop of 19.4 percent in 1973 when it cut its capital expenditure to fund direly-needed food imports.

21. See Table A-6.

22. According to one source, by 1977 almost 61 percent of total capital investment in the entire economy belonged to the state: rail and road transport, shipping and airlines, almost 50 percent of the import-export trade and a large percentage of the banking sector, most basic industries, 80 percent of textile production along with over half a million acres of plantation and agricultural lands were in state hands: Dayan Jayatilleke, "The SLFP and Capitalist Development", Lanka Guardian (Colombo), vol.4 no.6, 15 July 1981, p.20.
total invested as late as 1977\(^{23}\) and therefore remained the most important factor in any economic calculations.

The UF policies and the economic crisis had a differential impact on various sections of the private capitalist sector. While the liquidity of the corporate interests increased; income from property, as such, declined to negative proportions (Table A-5).\(^{24}\) In contrast, the income from unincorporated enterprises exhibited the interesting increase of 31 percent per annum till 1974 and 14 percent thereafter! From this it would seem that the chief beneficiaries of the UF policy, in line with its deliberate policy thrusts was the rich peasantry and the lower petty-bourgeoisie: the smaller trader, manufacturer and landholder benefitting from state-sponsored credit and subsidy facilities on concessional terms and feeling the brunt of the tax-policy more lightly.\(^{25}\)

A study of industry done by Karunaratne, an economist, asserts that though industrial firms were variously affected, neither their growth nor propensity to make profits was seriously impaired. But, they were forced by the various constraints to organise themselves along more efficient lines. The differential impact of the crisis was, however, felt in that the smaller and medium-scale industrialists were hurt most by exogenous factors like lack of foreign exchange, lack of power, transport, the generally stringent credit and financial situation while bigger industrialists felt most acutely the voluntaryist

\(^{23}\) Refer to Table A-6.

\(^{24}\) This covered income from rent, interest and dividend which declined to -0.2 percent per annum. This situation improved in the later years of the UF tenure to a positive increase of just under 6 percent by 1977.

\(^{25}\) See Table A-5.

Handloom and other small industries benefitted from these policies and even played a significant role in the export expansion of the garment industry. There were over 4,000 such industrial units registered in the private sector: see Budget Speech, 1975, p.41.
thrusts of government action; the higher taxes, the raising of interest rates, the imposition of credit controls and price regulations.\textsuperscript{26}

Consequently it can be argued that in political terms, while the latter had powerful reasons to oppose the continued presence of the left within the structures of the state, the industrial capitalist sector in general exerted pressure against the policy's nationalist orientation and favoured a greater induction of foreign funds to facilitate the needed imports and finance for production.

Despite the attempted thrust of UF policy, as data gathered by the Central Bank and Karunaratne's analysis indicate, there was an increasing differentiation and concentration of capital in the hands of the larger firms.\textsuperscript{27} The holidays and reliefs offered by the UF promoted high profits and concentration in the designated fields -- a fact the Finance Minister highlighted somewhat belatedly in November 1974.\textsuperscript{28} Survey of the 40 largest industrial firms with


\textsuperscript{27} The Central Bank of Ceylon reported in regard to just two years, 1974 and 1975, that 92 percent of the output was produced by 15 percent of the firms that responded to its questionnaire out of the total number. The number of smaller firms whose output was less than Rs.250,000 dropped along with their share in total output in 1975. Although the number of medium-sized firms whose value of output was between Rs.250,000 and Rs.2 million increased in 1975, their share of the total output showed a decline also, both signifying a trend towards higher output concentration in larger firms: CBC, Review of the Economy, 1975, pp.47-49. Though not strictly comparable, Central Bank data regarding the situation in 1970 further substantiates this. The trend towards concentration remains as true for the four most weighty industrial categories, as for all the others: CBC, Annual Report, 1970, p.46. However, these trends can be taken only as broad approximation since the computations were based on a varying number of responses in the relevant years to the survey questionnaire sent by the Bank to the registered industrial firms.

\textsuperscript{28} As N.M. Perera pointed out, a random sample of 12 companies which enjoyed the five-year tax holiday granted to industrial enterprises demonstrated a very high rate of profit earned by such companies in relation to their equity capital. In all but one the profits of five years exceeded the capital investment, in some cases amounting to between 300 and 500 percent
capitalisation in undertakings exceeding Rs. 1 million revealed that of the total investment of Rs.275 million as much as Rs.205 million was held by only 11 family groups of which the two predominant ones were foreign.29

TABLE 6.1: TOP TEN INDUSTRIAL FAMILY FIRMS, 1974

<table>
<thead>
<tr>
<th>Firms</th>
<th>Products</th>
<th>Assets (in Rs.millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>British-American Tobacco Co.</td>
<td>Cigarettes a naval products</td>
<td>56.2</td>
</tr>
<tr>
<td>Lever Brothers</td>
<td>Toiletries</td>
<td>43.7</td>
</tr>
<tr>
<td>L.M.S. Uvals a Rasdi</td>
<td>Consumer items</td>
<td>18.6</td>
</tr>
<tr>
<td>Kundanmals</td>
<td>Synthetic textiles a consumer durables</td>
<td>18.1</td>
</tr>
<tr>
<td>Jafferjeees</td>
<td>Synthetic textiles, wood chests, etc.</td>
<td>16.2</td>
</tr>
<tr>
<td>A.Y.S. Gnanam</td>
<td>Synthetic textiles, intermediate goods</td>
<td>15.6</td>
</tr>
<tr>
<td>Ruskin Fernando Commercial Co.</td>
<td>Apparel a textiles</td>
<td>12.0</td>
</tr>
<tr>
<td>Cyril de Zoysa a family</td>
<td>Tea machinery a engineering goods</td>
<td>7.5</td>
</tr>
<tr>
<td>K.G. Hinni Appuhamy a family</td>
<td>Rubber products a consumer durables</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>Intermediate goods a food items</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Journal, 29 November 1974.

In the face of the above evidence, it is noteworthy that the influence of the national industrial bourgeoisie within the SLFP resulted in no major measures being taken against domestic industrial interests despite their growing monopoly character. Instead, the attempt by N.M. Perera in the 1975 Budget to limit this concentration through heavier taxation was first delayed for nine months and then scuttled by the virtual expulsion of the LSSP from the government.

   See Table 6.1
Agricultural policies and land reform

Because of agriculture's importance, despite severe financial constraints in the years of the food crisis, the government incurred increasing expenditures in institutionalised credit, subsidised inputs, incentive paddy prices and overheads such as irrigation. At the same time, in order to ensure the necessary distribution of paddy to all sections of the population in the constricted context, it took active recourse to policies of price control, monopoly purchase and distribution of paddy and other grains through the Paddy Marketing Board between the years 1972 to 1975.

To release agricultural productive potential and in line with the various radical pressures, the government legislated to effect structural changes in the agrarian set-up.

The Paddy Lands (Special Provisions) Act No.2 of 1970, the fifth in the series of amendments made to the Paddy Lands Act 1958, sought to strengthen tenancy rights and to free the Department of Agrarian Services from legal difficulties hindering its effectiveness. It made the Assistant Commissioners and National Board of Review the final authority for decisions, which could not be challenged in any court.

In response to the insistent radical pressure within the UF in the aftermath of the JVP insurrection, the government passed the Agricultural Produc-

30. For instance, in the years 1970-1974, the government increased its allocations to agriculture from 16.4 percent of the capital budget to 20.3 percent and to communications from 18.9 percent to 19.7 percent: see Table A-7.
tivity Law No. 2 of 1972 and the Agricultural Lands Law No. 42 of 1973. These laws replaced the Paddy Lands Act and were provided with a better institutional framework to achieve the same purposes. The Lands Law widened the scope of tenancy regulations to cover non-paddy agricultural lands also. To overcome the paralysing impact of bitter political factionalism and conflict at the village level on the working of Cultivation Committees (CCs), the elective principle for the constitution of the Committees was replaced by the nominative one. These committees were placed under the direct control of the Agricultural Productivity Committees (APCs) formed by the Productivity Law. Both the APCs and CCs were to be appointed by the Minister of Agriculture and Lands, on the recommendation of the area MP. By this it was expected that the requisite wider representation to farmer interests would be provided and a better co-ordination with development activities at the national level achieved. The Agricultural Tribunal was given final authority to decide disputed cases while the Minister of Agriculture retained discretionary authority to reverse decisions he considered necessary. The Supreme Court could only be appealed to on a matter of law.

31. Significantly, the domination by the petty-bourgeois rural interests in the political arena, had not resulted in the espousal of land reform as an electoral issue. The key UF government documents on objectives and priorities -- the Common Program, the Election Manifesto, the Throne Speech and the Budget Speech of 1970-71 made no mention of land reform. However, the agrarian question was implicit in the insurrection and the propertied groups which were not prepared to allow a radical tenancy reform in 1958, were compelled to take notice of the threatening reality in 1971. The Minister of Agriculture admitted in Parliament in 1972, that the land reform was enacted as a response to the insurgency of April 1971: NSA, Debates, 10 October 1975.

It was also contended by Colvin R. de Silva, then Minister of Plantation Industries, that the land reform demand, with a ceiling above 100 acres, was proposed by the SLFP Ministers to counter and stymie the nationalisation demand of the LSSP: in conversation with author, 14 July 1981.

The UF Minister of Industries, T.B. Subasinghe, however discounts this as also the insurrection as being the major cause leading to land reform. He asserts instead that it was due to agitation and pressure on the part of about 20 MPs from the government parliamentary party which pushed for this measure: in conversation, 3 August 1981.
Likewise, due to both intra- and extra-UF pressures a ceiling was placed on private landholdings. The immediate goals as set out by the government for the Land Reform Law No.1 of 1972 was to distribute land to the landless, solve the unemployment problem, increase agricultural output and also integrate the estate and the village. The ceiling of 50 acres was fixed within which a maximum of 25 acres was allowed for paddy, on lands owned by private individuals and companies.

The foreign-owned estates were however only nationalised belatedly. Despite the insistence of the two left parties, and the promise for this popular measure in the Common Programme, the SLFP advocated a deferment of the issue because of the adverse repercussions such a measure would have on foreign capital. The convergence of British as well as Sinhalese public interests on the one hand, along with the interests of the British private plantationowners on the other, led to a negotiated settlement of compensation for the estates taken over and made the whole measure possible.32

32. It was reported that over 60 percent of the British-owned plantations were managed by agency houses and that less than half of these plantations were run on sound agricultural principles. The perpetual threat of nationalisation since 1956, declining profits from low international prices and high rate of taxation (about 80% of the revenues went in taxes) led many British planters to disinvest: Sri Lanka, NSA, Report of the Commission of Inquiry on Agency Houses and Brokering Firms (Colombo, Sessional Paper No.12, 1974).

The Committee, chaired by the LSSP Secretary and MP, Bernard Soysa, recommended that agency houses be replaced by a public plantation services and management board. The government had already bought 30 British-owned estates since 1972. Meanwhile, the discovery of gems in a number of plantations attracted buyers who were not interested in the tea crops per se. A report by an independent organisation (see Edith M. Bond, The State of Tea, London, 1972) and a television documentary in England showing the miseries and destitution of the tea plantation workers led to discussions in the British public and Parliament. On both diplomatic and economic grounds the British Labour government and British tea interests thought it better to let the plantations pass to the Sri Lankan government to take what action it considered appropriate. For details see The Times (London), 26 March 1975, p.14; and 19 May 1975, p.2; Far Eastern Economic Review (henceforth FEER), vol.89 no.31, 1 August 1975, pp.41-43; and Business Asia (Hong Kong), 16 April 1976, p.126; and R.J. Herring, Land to the Tillr (New Haven, 1983), p.145.
Under the Land Reform (Amendment) Law No. 39 of 1975, all estate lands owned or possessed by public companies, both sterling and rupee, passed to the LRC. To tide over the transitional period, the former management was obliged to continue as statutory trustees of the estates for a year or till further notice by the government. As a sequel to this, the agency houses managing most of the estates were taken over in 1976.

The national apex body in charge of implementation of both the phases of land reform was the Land Reform Commission (LRC) which functioned directly under the Minister of Agriculture, who in turn was assisted by the Cabinet Sub-Committee on Land Reform. So as to decentralize implementation, the District Land Reform Authority (or DLRC) headed by a District Director would carry out such powers and duties as were delegated to it by the LRC. With the assistance of the revenue administration, the takeover process in Phase I (1972) was completed within the period of two years, and Phase II (1973) was accomplished in a matter of days. Agriculture Minister Kobbekaduwe's determination to implement the law seems to have been an important factor for the effectiveness and speed of the whole operation.

**Stabilisation of the Rural Intermediate Classes**

Despite the various pressures and proclaimed intentions, the specifics of the measures for agrarian reform were governed by the intermediate landholding classes, particularly entrenched in the SLFP power structure. In the absence of a genuine organisation representing the interests of the rural depressed classes, the above measures worked cumulatively to stabilise the rural status quo in favour of the richer peasant or landholder owning more than 5 acres of paddy land (or its equivalent in regard to other crops).

They emerged to dominate the participatory rural institutions created to aid the implementation of the agrarian measures because of the representation provided to them. Accordingly, most of the C.C.S. under the Paddy Lands Act 1970
were illegally constituted and became "representative more of the owner-cultivator and indirect landlord class." In the words of the Deputy Commissioner of Agrarian Services, any obligations and penalties on landlords constituted a "dead letter". Consequently, the number of recorded evictions rose to reach 46,635 by June 1973 from some 38,898 cases reported by early 1970. According to one calculation, 51.4 percent of the cases decided went against the tenant while restoration remained an uncertain and delay-strewn process. Because of uncertainty in enforcement tenants continued to pay illegal rents and even modest or absentee landowners circumvented the law.

The situation essentially continued even after the Agricultural Productivity Law 1972 and Lands Law 1973 were promulgated. As a study by the Agrarian Research and Training Institute (ARTI) points out, the recruitment procedure through nomination by the area SLFP branch organisation and resulted in the fact that at the APC level, the underprivileged cultivator groups like small-holders, tenants and agricultural labourers were not represented.

Political nomination of membership resulted in the infiltration of powerful political (party) affiliates in the region who in addition drew on traditional sources of power such as ownership of large extents of land, family status and connections, large business and commercial interests, and caste. Many of them also had tenants and agricultural labourers working for them. The interests represented at the APC thus were to a large extent


34. Ibid.

35. Herring, n.32, pp.73, 74.

36. However, as Sanderatne observes, it was the resident landowners who were most likely to be effective: 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.367.
diametrically opposed to the interests of the potential beneficiaires for whom this organisation was created. 37

Even though there was better representation of the less affluent groups at the CC level, they remained exposed to traditional controls by vested interests within the village and weak outside it when faced by the privileged sections dominating the APCs.

These privileged local interests dominating rural institutions exploited the opening avenues of state patronage to their own advantage. Though beneficiaires of land alienated or jobs given were indeed needy, as a rule, the governing principle for their selection over numerous contenders was their affiliation to the ruling party and its key local agencies. 38

As a result, the APC-CC system was unable to prevent the moves by landlords to violate tenancy law. A somewhat contradictory result is reported in this regard which becomes only reconcilable in light of the growing capitalisation of agriculture. Along with the increase in evictions and resumption of owner-cultivation, there was a significant increase in tenancy registrations between 1972-77. 39 The trend was strongest in land with absentee owners. It strengthened the position of the tenants and opened opportunities to them to become recipients of subsidised fertilisers, agro-loans on soft repayment condition and such other benefits. It could not, however, prevent their unauthorised exploitation. The combined impact of increasing rural unemployment and spread of new technology and potentially greater profits increased competition for tenancy rights even to small plots of land.

Consequently, the great majority of tenants continued to pay half-share or


38. Ibid., pp.8-9.

39. Wanigaratne et al discovered this in their study of some villages in the Wet-zone: ibid., p.5.
more of total produce to the landlord while the stipulated rent was only a quarter of the produce. The tenants invariably met the additional costs incurred in adoption of NHYVs while the landlord became the major beneficiary of increased yields. Tenancy assured the landlord not only of a steady supply of labour but, in fact, attached labour to the land while also enabling him to transfer part of the loss of crop failure, greater now, to the tenant.

The ineffectiveness of the implementation structure allowed the negation of other legal obligations too by the landlord -- so that the position of the tenant was undermined through, for instance, the strategy of tenant rotation. A significant decline was reported in the average duration of tenancy from around seven years in the 1958-1964 period to two years in the 1972-77 period. Often the legally established categories and status was difficult to fix as they did not reveal the system as it worked on the ground.

To top it all, the Agricultural Tribunals which came into operation in 1975 ruled that all tenancy appeals for legal redress made before one year of its coming into operation were invalid in terms of the law. As a result only a part of the complaints made in the period actually were heard by the Tribunals.

Similarly, loopholes in the law and shortcomings in the implementation machinery blunted the edge of the land ceiling imposed in 1972. Indeed, if redistribution and productivity had been the aim, a ceiling approximating 5-8 acres, as advocated by the left parties, would have been more appropriate. The

40. This was reported even in areas where the APCs functioned actively to settle disputes: ibid., pp.5-6 ff.

41. For instances of variations see Herring, n.32, p. 75.

42. In the period 1972-74, these complaints had been regularised and retained for the Tribunals by the Assistant Director, Rural I a PL Div. Wanigaratne et al, n.37, pp.46-47.
ceiling of 50 acres with 25 acres for paddy arrived at as a compromise was too high given the situation and so had a limited impact. The land excluded public companies initially and land owned by religious bodies completely and so left monastic landlordism untouched.

In addition, due to other provisions, a large land-owning family often changed ownership in only a formal sense. Parents of owners and children over 18 could in approved cases hold or be transferred land within three months of the enactment. Further, after excess land had been expropriated, the LRC could sell such land to children of the original owners when they attained 18 years of age. Meanwhile, affected interests were given compensation with an annual interest of 7 percent for land taken over, often the most unproductive. This capital could then be invested in more lucrative avenues.

43. In the debate over the units to be fixed as the land ceiling, the LSSP and CP wanted a ceiling of 5 acres while the right wing demanded an area of 250 acres. The 50-acre unit finally enacted was the compromise arrived at by the two wings of the UF. Even in regard to this ceiling the issue at debate became the specifics of the compensation to be awarded: from discussions with various UF leaders. This led the leftists to launch a scathing attack of the PM’s "fifty-acre socialism": Tribune (Chandigarh), 4 September 1974. Indeed, the Seers’ report had made a case that while major estates might be left untouched for reasons of productivity, Phase I of the reform should impose lower ceilings (of not more than 10 acres of paddy or 25 acres of coconut land: pp.94-95) to provide greater employment and redistribution: see ILO, Matching Employment Opportunities and Expectations: A Programme of Action For Ceylon (Geneva, 1971), pp. 92-98.

Of interest to note in regard to the estimated optimum size of paddy holdings, purely on the basis of size and yield at the existing technology was that of 2-6 acres by Wimal A. Abeygunawardana, "Optimum Size in Farm Holdings in Agriculture in Sri Lanka with Special Reference to Paddy Cultivation," Staff Studies, vol.6 no.2, September 1976, pp.155-8.

44. Such inter-family transfers were permitted at the discretion of the LRC which was expected to act on the recommendations of the DLRC on such matters.

45. This was to be computed by the chief valuer taking into consideration the condition of the estate, the dividends and profits declared by the owner in the five years preceding October 1975 as also the market value of similar locally-situated estate lands in the preceding three years: Ariya Abeysinghe, Ancient Land Tenure to Modern Land Reform in Sri Lanka, vol.2 (Colombo, 1979), pp.74-75.
Since the operation of the Law relied heavily on administrative action it laid itself open to allegations of bribery, corruption, nepotism and political patronage though, judged as a whole, these remained muted because of the known integrity of Minister Kobbekaduwe.\textsuperscript{46}

As a result, according to one calculation the average post-land reform size of affected holdings (largely plantation) was reduced to around 70 acres. However, the average parcel size remaining varied considerably between districts, as shown in Table 6.2, which suggests a possible discriminatory application of the provisions of the law on intra-family transfers.\textsuperscript{47} Studying the data, it seems reasonable to contend that the continuation of such large holdings on the average in the majority of the overpopulated Wet-zone districts suggests a more substantial impact of the powerful landed interests in these areas on the land administration machinery.

Considered together, the two phases of the land reform did not alter the structural bimodality between the plantation and peasant sectors, but instead sharpened it even more. It served mainly to nationalise ownership of land from large private and foreign interests to the state which then emerged as the biggest plantation owner in the country. At best, the reforms modified the size of the largest private holdings and thereby compelled a reorganisation along more capital-intensive methods of surplus extraction.

\textsuperscript{46} The date chosen for several clauses of the law with respect to ceilings and land transfers as 29 May 1971 was one which could be taken advantage of by elements with knowledge of the impending reforms. A no-confidence motion, supported by the LSSP, was moved by the Opposition against the PM in 1975 over her land transactions reported to have been made prior to and on the eve of the Land Reform Law 1972. It was defeated by the SLFP-CP majority in Parliament.

\textsuperscript{47} P. Richards and W. Gooneratne, Basic Needs, Poverty and Government Policies in Sri Lanka (Geneva, 1980), pp.93-95. While Galle and Badulla have the exceptional average size of 190 acres, the rest vary between 70-130 acres. The calculation is apparently made on the family -- previously in one holding -- basis. For the specificities of the calculation, see ibid.
<table>
<thead>
<tr>
<th>District</th>
<th>Unemployment</th>
<th>State</th>
<th>Land taken-over:</th>
<th>Land allocated:</th>
<th>Scheduled Land</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>av.size of holding</td>
<td>before</td>
<td>after</td>
<td>size of Planta.</td>
<td>Paddy</td>
</tr>
<tr>
<td></td>
<td>Parcel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>II+</td>
<td>III+</td>
<td>IV+</td>
<td>V*</td>
</tr>
<tr>
<td>Kandy</td>
<td>81,181</td>
<td>327</td>
<td>100</td>
<td>66</td>
<td>63.5</td>
</tr>
<tr>
<td>Matale</td>
<td>12,105</td>
<td>294</td>
<td>49</td>
<td>130</td>
<td>24.7</td>
</tr>
<tr>
<td>Nuwara Eliya</td>
<td>21,207</td>
<td>383</td>
<td>134</td>
<td>364</td>
<td>18.4</td>
</tr>
<tr>
<td>Badulla</td>
<td>32,473</td>
<td>337</td>
<td>188</td>
<td>129</td>
<td>13.1</td>
</tr>
<tr>
<td>Ratnapura</td>
<td>42,921</td>
<td>216</td>
<td>107</td>
<td>44</td>
<td>29.6</td>
</tr>
<tr>
<td>Kegalle</td>
<td>52,440</td>
<td>303</td>
<td>118</td>
<td>63</td>
<td>34.4</td>
</tr>
<tr>
<td>Colombo</td>
<td>259,315</td>
<td>178</td>
<td>108</td>
<td>3</td>
<td>20.0</td>
</tr>
<tr>
<td>Kalutara</td>
<td>69,502</td>
<td>297</td>
<td>116</td>
<td>71</td>
<td>27.3</td>
</tr>
<tr>
<td>Galle</td>
<td>68,539</td>
<td>307</td>
<td>190</td>
<td>41</td>
<td>13.0</td>
</tr>
<tr>
<td>Matara</td>
<td>41,079</td>
<td>249</td>
<td>110</td>
<td>28</td>
<td>15.6</td>
</tr>
<tr>
<td>Kurunegala</td>
<td>50,143</td>
<td>190</td>
<td>78</td>
<td>71</td>
<td>59.4</td>
</tr>
<tr>
<td>Puttalam</td>
<td>18,756</td>
<td>180</td>
<td>77</td>
<td>55</td>
<td>26.4</td>
</tr>
<tr>
<td>Hambantota</td>
<td>16,890</td>
<td>74</td>
<td>23</td>
<td>27</td>
<td>1.6</td>
</tr>
<tr>
<td>Moneragala</td>
<td>6,442</td>
<td>554</td>
<td>105</td>
<td>9</td>
<td>7.2</td>
</tr>
<tr>
<td>Jaffna</td>
<td>23,715</td>
<td>120</td>
<td>70</td>
<td>26</td>
<td>3.2</td>
</tr>
<tr>
<td>Batticaloa</td>
<td>6,352</td>
<td>131</td>
<td>43</td>
<td>15</td>
<td>3.2</td>
</tr>
<tr>
<td>Amparai</td>
<td>8,722</td>
<td>155</td>
<td>98</td>
<td>23</td>
<td>1.2</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>211</td>
<td>70</td>
<td>23</td>
<td>364.0</td>
<td>18.4</td>
</tr>
</tbody>
</table>

* excluding Mannar, Vavuniya, Trincomalee, Anuradhapura and Polonnaruwa

@ refers to affected holdings (largely plantation) and therefore, above 50 acres.

The extent and nature of the land acquired influenced the manner in which it was subsequently disposed. As Table 6.3 shows paddy, coconut and to a lesser extent rubber lands were practically unaffected by the reform. The greatest impact of the reform was on the private ownership of tea land.

**TABLE 6.3: LAND TAKEN OVER AS PERCENTAGE OF TOTAL LAND UNDER EACH CROP**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Total Area (acres)</th>
<th>Percentage taken over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>597,691</td>
<td>63.1</td>
</tr>
<tr>
<td>Rubber</td>
<td>562,494</td>
<td>31.5</td>
</tr>
<tr>
<td>Coconut</td>
<td>1,152,428</td>
<td>10.3</td>
</tr>
<tr>
<td>Paddy</td>
<td>1,439,874</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Central Bank of Ceylon and Land Reform Commission

However, the large number of disparate parcels of varying size, nature of production and organisation called for a wide range of administrative responses for which the government and state machinery was ill-prepared. Faced with the conflicting needs between land for redistribution to tackle unemployment and landlessness as also to politicise the land reform on the one hand and the need to least disturb the estates for maintaining productivity on the other, the UF regime opted mainly for the latter. As a combination of the two alternatives, it also attempted to develop co-operative and collective farming to provide employment to educated youths and local faithfuls under the supervision of the party MPs.

Consequently, as Table 6.4 demonstrates, the largest and most efficient estates were handed over to either the State Plantation Corporation (SPC) of the Plantation Ministry or the Janatha Estate Development Board (JEDB) of the Agricultural Ministry which ran them profitably on commercial lines. While serious attempts to upgrade lands, diversify and run the co-operative youth farms on a viable basis were made, as a whole in the considered opinion of one observer, they proved to be a costly experiment based on "islets of collective
TABLE 6.4: INSTITUTION-WISE CLASSIFICATION OF LAND-REFORM LANDS (by mid-1976)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Extents (acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Janatha Estate Development Board (JANAWASAMA)</td>
<td>230473</td>
</tr>
<tr>
<td>State Plantation Corporation (SPC)</td>
<td>196531</td>
</tr>
<tr>
<td>Electorate-level Land Reforms Co-operatives (ELRCs)</td>
<td>184677</td>
</tr>
<tr>
<td>Land Commissioners Department</td>
<td>70722</td>
</tr>
<tr>
<td>Up-country Estates Development Board (USAWASAMA)</td>
<td>67548</td>
</tr>
<tr>
<td>Distributed among villagers</td>
<td>52215</td>
</tr>
<tr>
<td>Youth and village co-operative farms (Samupakara Janawasa)</td>
<td>49651</td>
</tr>
<tr>
<td>Other organisations</td>
<td>125951</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>981368</strong></td>
</tr>
</tbody>
</table>


* Though the total given above is as in the sources quoted, addition of the given data gives the total of 977,768 acres.

ownership in a sea of private holdings". More than anything else they demanded a sustained committment to their cause not available in the two dominant parties, the SLFP and later the UNP, or the frustrated youth looking for white-collar jobs. Other medium-sized properties handed to the Up-Country Co-operative Estates Development Board (Usawasama) and the Electorate Land Reform Co-operatives (ELRC) formed with the local MP as Chairman, were to be run on a politically-guided and popular-participatory basis. Due to the domination of the co-operatives by the more privileged interests, such estates fell prey to party politics, nepotism and mismanagement such that they were wound up in 1977 with the change in government.

Though the Land Reform Law in 1975 was introduced with the appeal to


49. It is noteworthy that the LRC recommended the closure of the ELRCs as early as 1975 but the powers of the politicians overrode the LRC decision: Abeysinghe, n.45, p.118.
"rectify an historical injustice" perpetrated by colonialism on the peasantry, it had little effect on the extension or consolidation of peasant farming. In conjunction with the other measures, it did not as a result succeed in mobilising widespread peasant support in favour of the UF.

Though the main option for alienation of land to the landless depended on the extent of paddy land acquired (18,407 acres), the LRC allocated a much larger area (some 70,154 acres) or roughly 14 percent of land taken-over, to the landless. The extent of land allocated to each recipient, ranging from one-eighth of an acre to an acre, was hardly sufficient even to yield a bare subsistence and only served to increase the problem of fragmentation. Often the land distributed was uncultivated and so required an investment for its development too considerable for the meagre resources of the poor beneficiary.

While the amount of land distributed to villagers varied considerably between districts, it remains somewhat unclear why this is so. As shown on Table 6.2 in Kandy some 20,000 acres were scheduled for distribution, while in Galle only 2,200 acres. If land in Kandy, Kurunegala, Puttalam, Moneragala, Jaffna and Amparai seems to have been distributed more speedily, it could partly have been for reasons of political expediency, as non-UF parties had retained influence here in the 1970 elections. The lowest rates of redistribution is observable in precisely those overpopulated areas such as Colombo, Kalutara, Galle, Matara and Kegalle where it would have seemed most

52. Jaffna district had been swept by Tamil parties in 1970, Kandy and Amparai had notably remained UNP strongholds in the same elections, while the others had strong bases of support for the UNP (and the left).
desirable due to their more radicalised populace and the large number of very small parcels acquired there. In view of the overpopulation, unemployment and fragmentation rampant in these areas, it would seem that the ELRCs and Janawasas were deemed as more amenable to diversification and enlightened techniques of management as also more suitable to woo back the electorates and disillusioned youth therein.

Most importantly, the agrarian reforms of the UF did not include viable measures at improving the situation of the marginal farmers vis à vis availability of input facilities and credit.

Instead, reinforced by the new institutions, the richer landholders and peasants continued to absorb a high proportion of benefits offered by the state to the peasant sector to increase national food production. In fact, it is reported that often not only did they benefit directly but also indirectly. By avoiding repayment of institutional credit (despite a higher capacity to do so), they re-lent it as credit in cash or kind (as in form of fertiliser to tenants) to poorer farmers at high rates of interest. The uneven use of the imported technology further accentuated the inequalities in the agrarian class structure so that cumulatively there developed a close association, if not an identity, between the interests of the richer farmers, the moneylenders and the "marketing agents" of the new technology vis a vis the economically-weak operator of micro-holdings.

53. Richards and Gooneratne, n.47, p.95.

54 A.A. Khan and J.M. Gunadasa, "Small Farmer Credit" (ARTI, Colombo, 1973). One study had recently shown that "...of the 5 areas studied institutional credit channelled through co-operatives is important only in Polonnaruwa and Hambantota...." and even here "...In comparison to institutional sources, private lenders play an equal or perhaps more dominant role as creditors to paddy farmers in both these districts" : A.S. Ranatunga and W.A.T. Abeysekera quoted by Richards and Gooneratne, n.47, p.117. The other areas studied were Kandy, Kegalle and Colombo.
Having been nurtured on imported technology and state-sponsored incentives, the agricultural bourgeoisie remained dependent on and expectant of the same. There was little attempt to adapt the process of agricultural production to the local factors of production. Attempts by the UF government to control the resource crisis and commodity shortages by removal of fertiliser subsidies, controlled paddy prices and monopoly purchase and distribution of surplus paddy in the face of rising prices aroused sharp hostility within the above sections and an adverse reaction on production. Instead, as a penetrating analysis by Sanmugaratnam points out, given the nature of the economy, the agrarian bourgeoisie revealed a dual character representing the contradictory forces of industrial and merchant capital. The stagnancy and lack of opportunity in industry and the consequently increasing degree of overpopulation, fragmentation and marginalisation in the rural peasant sector, all served to augment the lucrativeness of investing the surplus extracted from the peasantry in the commercial-financial sphere. To the proletarianising effect of evolving capitalism in peasant agriculture was added the pauperising effect of a reaffirmation and perpetuation of parasitic institutions tying the masses of the peasantry to the land.

Consequently, in a situation where little effort was made to adapt methods of production to local conditions and with the accumulation of liquid capital, on the one hand there evolved political pressures from the influential rural interests to liberalise the economy to provide for greater quantities of imported inputs for agriculture; on the other, there also developed objections against legal constraints inhibiting expanded agricultural reproduction. Juridical relations springing out of the legal prohibition of fragmentation, transfer, sale of allotments in the colonisation areas, the limitations on

55. Sanmugaratnam, n.48, pp.77.
rents extracted and the ceiling on size of holdings introduced to the benefit of the emerging capitalist forces in the countryside now appeared as fetters to productive reinvestment in agriculture.

The Emerging Structure of Dependence

Characteristically, in line with its nationalist posture the UF regime sought on its ascent to power to make up for the weakness of its national bourgeoisie by guarding the national economic area from incursions by foreign capital. The state attempted to critically monitor and regulate the flow of foreign aid, loans and investment.

However, the extent of the foreign exchange crisis in the early seventies compelled a modification of the UF's independent posture vis a vis foreign capital.\(^56\) As a result, the foreign debt of Sri Lanka as a percentage of her public debt grew from 20 percent in 1970 to over 28 percent in 1977. Despite all declamations, the IMF continued to provide critically needed standby and compensatory finance over the years. Unpredictable international largesse in the form of grants helped tide Sri Lanka over this period. Grants grew to constitute 22 percent of capital receipts in 1974 from the modest 5 percent in 1970 (refer to Table A-8).

Likewise, though diversification in Sri Lanka's ties of dependence continued apace throughout this period, such changes were limited by possible items of export and import, the predominant role of certain foreign countries, possible markets, and financing available in the different countries. The importance of western metropolitan countries declined in trade while China, Pakistan and Iraq emerged as major trading partners (as Table A-9 shows).\(^57\)

\(^56\). Largely due to the insistence of the Minister of Finance, the UF had notably succeeded in halving the weight of net receipts of foreign assistance as a percentage of capital expenditure by 1973.

\(^57\). China, Pakistan and Iraq emerged as rubber and tea importers while they exported chiefly oil, rice and wheat/rice respectively to Sri Lanka.
As regards loans and grants while the USSR and GDR cut down on rupee loans, China was sporadically generous with grants. The amounts coming from the developed capitalist countries and the World Bank declined or remained uncertain at best till 1974 (see Table A-10). The sharp increase in the contributions of the World Bank and its affiliated consortium members in the year 1975 appear, by all accounts, to be clearly linked to politico-economic calculations impending and following the LSSP's exit from the UF.\(^5\)\(^8\)

Indeed, on close analysis, the UF's commitment to anti-imperialism seems to need qualification. In sum, it seems to have constituted the culmination of the process of the "renegotiation of the terms of dependence" by a national government with imperialism\(^5\)\(^9\) -- of the change-over from the old colonial form of dependence and exploitation through primary (in this case, plantation) exports to the neo-colonial pattern of industrial/processed exports.

As mentioned above, the much publicised nationalisations of the British plantation companies was effected through a negotiated settlement of the issue. The generous compensation paid to the sterling companies could be reinvested in the emerging and more lucrative tourist and industrial sectors which were being given all incentives and concessions by the government.\(^6\)\(^0\)

The emerging new capitalist sectors in both industry and agriculture, as

\(^5\)\(^8\). Interestingly, the contributions declined somewhat in the following year.

\(^5\)\(^9\). Quijano uses this term in his analysis of the Peruvian nationalisations. See Anibal Quijano, *Nationalism and Capitalism in Peru* (New York, 1971).

\(^6\)\(^0\). The compensation to the sterling companies was calculated to be £3 million plus interest on it over 5 years so that in total (£10 million) it was equal to the annual aid received by Sri Lanka from the British government. The annual payments were equal to the amount remitted by companies abroad as dividends and expenses at the head office in the previous three years of rising prices: *Business Asia*, 16 April 1976, p.126. As such, the compensation was inflated even by conventional standards. This action was sought to be justified by the government in view of the captive nature of the tea market and Sri Lanka's heavy dependence on the same.
already seen, continued to be dependent on foreign sources for raw materials, technology and, indirectly, finance. Indeed, while the shortage of foreign exchange in this period led to renewed dependence on foreign funds to finance imports and development, on the other hand it led to the encouragement of production for the export market. The most dynamic sectors of industry encouraged by the government -- garment exports, gemming and tourism (hotel industry) emerged to critically change the nature of the new Sri Lankan industrial bourgeoisie, from one producing primarily for the home market and pushing towards self-reliance to one producing primarily for exports and dependent on the foreign link. Public sector industries were as involved in this development for export. 61

To overcome the paucity of technological skills as also the uncertainty of foreign markets, a large number of industries established in the seventies, especially those for export, took the form of joint ventures in which the foreign technology suppliers had an effective if not majority share in equity capital to exercise control. Japanese monopoly capital, often linked to interests in Singapore and Hong-Kong stepped in to play a major role in these emerging spheres, especially in garments and ceramics. The goods thus manufactured were exported for the most part to the EEC countries, thus reaffirming Sri Lanka's economic dependence on the metropole.

The General Situation

The adverse impact of the economic crisis was felt, in concrete terms, most keenly by the fixed income earners and the economically weaker sections of the society, including the very small property-owners, wage-earners, and the unemployed youth.

61. Exports by state industrial corporations as a percentage of total production increased from 10 percent in 1970 to 20 percent in 1975.
Due to the inflation, the cost of living index registered a rise from 120.4 in 1970 to 161.8 in 1974 and to around 177 by 1977 (see Table A-11: base year 1967=100). Shortages of essential commodities rendered more acute by the flourishing growth of hoarding, speculation, black marketing and corruption at all levels of society led to increasing disillusionment and resentment against the regime.62

Despite the presence of working class parties in the UF coalition, the organised labour suffered an absolute deterioration in their situation in the first half of the UF tenure, partly because of an early agreement in 1970 to freeze wage levels and forgo strikes for the next three years so as to facilitate the coalition's efforts to usher in "socialism"63. Though the situation improved after 1975 due to the easing economic milieu, the pressure of the trade-union base and open strike in 1976 after the exit of the LSSP from government; only certain sections of the working class were able to make good their losses even by the end of the UF tenure.64

The most affected were the unorganised labour, both urban and rural; the deficit paddy producers markedly concentrated in the populated areas in the south-west Wet-zone and the Jaffna peninsula; and the unemployed youth -- all of whom were severely hit by the cut in the rice ration and other subsidies

62. For an account of the growing unrest see International Herald Tribune, 27 November 1976.
63. CDN, 1 August 1971.
64. As indicated by Table A-12. In this period the proportion of national income distributed to employees fell from around 51 percent to 47 percent between 1970-74 and rose only slightly thereafter: see Table A-5. The better-paid technical and clerical grades in the government and the (less well-paid) government school teachers were entirely unable to do so even by 1977. While sections of the former group struck work during 1972-73, the latter developed increasing sympathies with the JVP.
along with the rise in the price of food and other essentials. 65

In the stagnant economic situation unemployment rose sharply. Of the labour force of approximately 5 million about one-fifth of it was unemployed by late 1977 66. The attempts of the government only led to a much criticised over-staffing of the public sector. 67

Particularisation of Interests: Marginalisation of the Minorities

The "socialism" encouraged by the UF in effect emerged to have two faces. In consonance with the broad-based alliance of nationalist classes, to the extent that it suited their collective interests at promoting an integrated self-reliant pattern of capitalist development, the UF keenly utilised the opportunity to do so -- well aware of the political dividends from such measures. But to the extent the Sinhalese nationalist bourgeois and petty-bourgeois classes were the dominant force within the ruling bloc, the government proved responsive to their demands. These were all the more compulsive in a competitive parliamentary context.

This dualism in the character of the UF had a particularly fateful impact on its policies towards the other major community -- the Tamil minority.

65. The price of the second measure (1 measure = almost 2 lbs) of rice which had been reintroduced according to election promises, was raised on two occasions till it was ultimately withdrawn altogether from the rationing system. By December 1973, the other measure was halved for everyone. However, a family-allowance scheme was set up in 1973 on a selective and flexible criteria. The control prices of sugar, flour and later oil were raised. The prices of public services such as transport and posts and telegraphs were revised while several public corporations were permitted to even allow for a reasonable profit margin.

66. CBC, Annual Report, 1977, p.20 and appendix, table 19. Sector-wise, unemployment during the years 1975-76 was reportedly as follows: agriculture - 37% approximately, manufacturing and construction - 28% and services - 35%: Deccan Chronicle (Hyderabad), 17 August 1977.

67. It was estimated, for instance, that 30 percent of those employed by the Ceylon Transport Board (CTB) and the railways were "excess": Tribune, vol.18 no.42, 9 February 1974, p.3.
a. The Tamil minority: Within the push towards self-reliant development, substantial state aid was given to the agricultural producers in the North and Eastern provinces. As the Table 6.5 shows each district of these two provinces availed of a fair share of paddy loans in this period, surpassed in magnitude only by Anuradhapura and Polonnaruwa districts; Amparai and Trincomalee notably so. Jaffna district received a disproportionate amount of loans given for cultivation of subsidiary food crops. The ban on import of subsidiary food items which raised their prices particularly benefitted the Jaffna farmer -- the chief producer of chillies and onions. These two crops registered sharp increases in production, especially in the early years of the UF tenure.68

### TABLE 6.5: DISTRIBUTION OF AGRICULTURAL LOANS IN SELECTED DISTRICTS

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<tr>
<td>Amparai</td>
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<td>16</td>
<td>15</td>
<td>16</td>
<td>11</td>
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<tr>
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<td>3</td>
<td>6</td>
<td>6</td>
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<td>1</td>
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<tr>
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<td>9</td>
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<td>5</td>
<td>2</td>
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<tr>
<td>Vavuniya</td>
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<td>7</td>
<td>4</td>
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<td>15</td>
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<td>6</td>
<td>5</td>
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<tr>
<td><strong>b. Chillies</strong></td>
<td></td>
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<tr>
<td>Jaffna</td>
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<td>55</td>
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<td>89</td>
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<tr>
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<td>Batticaloa</td>
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<td><strong>c. Red Onions</strong></td>
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<td>91</td>
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</tr>
<tr>
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<tr>
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<td>Vavuniya</td>
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- negligible or nil

Source: Compiled from Central Bank of Ceylon data.

68. As the following data highlights:

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<tbody>
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<td>0</td>
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<td>-22</td>
<td>9</td>
<td>38</td>
</tr>
<tr>
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<td>64</td>
<td>62</td>
<td>-12</td>
<td>-5</td>
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<td>4</td>
<td>3</td>
<td>7</td>
<td>14</td>
</tr>
</tbody>
</table>

* Years of drought

Source: Computed from data from CBC, Review of the Economy, 1979, and Department of Census and Stastics, National Accounts of Sri Lanka, 1977-79.
Loans given to Jaffna formed a respectable 12 and 10 percent of the total given to the non-plantation agricultural sector in 1973-74 and 1976-77 respectively.69

However, while government apologists do not fail to point to the agricultural loans as a measure of the Center's benevolence to the Tamils,70 what remains obscure in all such discussion is what magnitude such sums constituted in the totality of funds channelled by the government for productive purposes. Though notable in themselves, when weighted against other items of state expenditure in plantations, industry and the service sectors, the receipts of the North and Eastern provinces would in all probability not be so noteworthy. This point would normally not be worthy of mention71 were it not for the other biases in state policy which acquired a particularly sharp edge in the context of the sharp increase in population in the Tamil areas, particularly in Jaffna -- a factor which has been overlooked in all analyses of the Tamil situation.

Though the density of Colombo far surpassed all other districts, Jaffna was the eighth most densely populated district of Sri Lanka. However, it critically registered a very high increase of population growth of 2.03 percent per annum and by far the highest increase in density of population, 4.8 percent per annum over the decade (as the Table A-13 demonstrates). The other northern and eastern districts also registered some of the highest growth rates of population in the decade: Batticaloa - 2.5%, Amparai and Vavuniya -

69. My calculations based on the CBC, Annual Report, 1974, appendix, tables 62 and 63; and Review of the Economy, 1979, appendix, tables 14 and 15. The loans for paddy and subsidiary crops going to Jaffna were calculated as a proportion of the total loans in the respective years.


71. Normally, allocations of state funds are judged efficient against considerations of local economic potential and/or the size of the recipient population.
2.4% each, Mannar - 1.6% Trincomalee led on an all-island basis with the growth rate of 2.9% per annum. Lacking recent data regarding an age-wise breakdown of this growth, it is difficult to say how much of this growth is due to an increase in infant population. However, with certainty a large part of this increase must have been a result of the contracting opportunities for employment elsewhere in the island and restrictions on migration abroad under the UF. While the population growth in the more sparsely populated districts of Trincomalee, Amparai, Vavuniya and Mannar could conceivably have been absorbed by the quickening pace of development in agriculture in these areas, such an option was impossible for an already overpopulated Jaffna peninsula resulting in the pernicious impact of the central policies of Sinhalisation and standardisation on the aspirant urban petty-bourgeois youth of Jaffna.

The more vigorous implementation of Sinhala as the official language directly hit the North's major "industry" -- the public services. It led to a further deterioration in the employment prospects of the Tamils in the state services. For instance, in 1973 out of 100 people selected in the Administrative service examinations; only 4 were Tamils, 2 Muslims and the rest Sinhalese. This bias was even more apparent in the burgeoning state industrial and plantation sector, located largely in the Sinhalese areas. The evolving mode of gaining new employment through the behest of the concerned

72. See Table A-13.

For the clerical and lower grades less dependent on skills or educational qualifications and more subject to political pressure, the communal bias seems to have been more clearly at work. Data presented by Nihal Jayawickrama, Secretary in the Ministry of Justice and Public Administration, shows the proportion of Tamils in staff jobs to be 1:2 while at the clerical level it approximates 1:5: Jayawickrama, n.70, p.50 ff.
Minister or through the good offices of the local MP, especially one belonging to the ruling coalition left the Tamil youth at a severe, if not outright, disadvantage.\textsuperscript{74}

Instead, the balance of socio-economic power and the related unitary structures of the government centering on Colombo worked with particularly vicious effect in the reverse direction. It frustrated attempts of the Tamil youth to get jobs or derive benefit from opportunities available locally. Special mention may be made of central projects like the Pesalai oil prospecting in the North and Prima Flour Mills in the East which were supposed to enhance the development of these areas.\textsuperscript{75} State-sponsored colonisation schemes in the Eastern province again benefitted Sinhalese settlers selected from the overcrowded south-west quadrant of the island. In contrast, no similar efforts were made to relieve the overcrowded Jaffna peninsula or settle, under official auspices, Indian estate labour displaced due to the land reform policies. Tamils alleged that in contrast to the ejection of estate Tamil squatters under emergency regulations, the government regularised the illegal settlement of thousands of Sinhala squatters in the North and East.\textsuperscript{76} Disregard for extant communal ratios in local population and of the sensitivities of the local populace to this question was regionally perceived as an outright instance of oppression and attempt at subjugation of the Tamils by the Sinhalese-dominated Center.


\textsuperscript{75} For instance, when oil prospecting with Soviet aid was started at Pesalai in the North according to the Petroleum Corporation sources jobs were given on an electoral quota based on the whole island. As a result to the 80 Tamils and Muslims, there were 120 odd Sinhalese employed at Pesalai: Tribune, vol.20 no.4, 31 May 1975, p.16.

Thus, along with feeling the general impact of the socio-economic crisis the Tamil bourgeoisie and petty-bourgeoisie felt the cutting edge of competition for limited resources as members of the minority community. Within these parameters, the act that provided the match to the kindling frustrations of Tamil youth and which alienated all ranks of Tamil opinion were, however, the controversial measures for standardisation that formed the basis of admission to university after 1971. They were introduced in successive stages with increasing rigour over 1973 to 1975, in response to Sinhalese pressure. They resulted in progressively restricting the admission of Sri Lankan Tamil students to the attractive science-based faculties. They struck sharp blows at the very basis for the "development" of the Tamils in the North by limiting their channel (through education) for economic mobility. In consonance with the balance of political power within the UF, the scheme for standardisation raised the representation of Kandyan Sinhalese in particular. The Sinhala-speaking Moors and Malays of the Eastern province also benefitted. Instead of the promised benefits to the underprivileged, children of affluent families in the above areas acquired increased access to university admissions. It is significant that though the scheme was modified

77. Standardisation based on language was introduced in 1973, coupled with district quotas in 1974, and applied without modification in 1975. For details see Chandra R. de Silva, "The Impact of Nationalism on Education: The Schools Take-over(1961) and the University Admissions Crisis, 1970-75", in Michael Roberts, ed., Collective Identities, Nationalisms and Protest in Modern Sri Lanka (Colombo, 1979), p.486. District quotas met with the approval of the left parties as they would purportedly provide more placement for economically-backward areas, which included some of the Tamil populated areas too.

78. The percentage of Tamil students admitted for Engineering courses fell from 48.3 percent of the total in 1969 to 24.4 percent in 1973 and 14.2 percent in 1975. The percentage losses in medicine, dental surgery and agriculture were as substantial: C.R. de Silva, in Roberts, ibid., p.494.

79. The introduction of "district quotas" bloated the admission of Kandyan Sinhalese out of all proportion to their numbers due to the inclusion of the ill-educated plantation Tamils in the population count: ibid., p.490-1.
later to provide more benefit to Sinhalese low-country candidates no attempt was made to alleviate its impact on Tamils.80

Tellingly, in the subsequent period it was the Tamil petty-bourgeois youth of Jaffna, the most seriously affected by the Center's policy of employment and educational admissions which provided the forceful momentum and cadres to the movement for Tamil rights. Their vitriolic composure forced the middle-aged bourgeois Tamil leadership to change its demands from one of equality through non-violent means to one of separation in 1976.81 Their lower petty-bourgeois character contained radical overtones which modified the Tamil political program to include an ambiguous degree of "socialism".82

Their entente with the leadership however remained imperfect. The latter's differing class character and support base made them more moderate and cautious. They recognised that Tamils employed in government and private services in Sinhala-dominated areas, particularly Colombo, were fearful of an outright confrontation with the Center. The peasantry of Vavuniya and Mannar districts had experienced some benefits from co-operation with Colombo and thus were more muted also in their opposition to the Center.

Opposition to the Center was yet more diffused in the Eastern province. The benefits of the central colonisation, educational admissions and agricul-

80. The difference of impact between low-country and Kandyan areas subsequently became a political liability and led to an examination of the whole question by a sectoral committee of the National Planning Council. The suggestions of the committee relating to the limiting of district quotas to 30 percent of the total admissions were accepted but its recommendation to end media-wise standardisation was not: ibid., pp.495-6.


82. TULF Manifesto, 1977. It contains a degree of radicalism comparable to the UF Manifesto, 1970. However, lacking the working class base of the UF it retained provisions safeguarding limited private property.
tural policies were experienced by the substantial and growing Muslims and Sinhalese sections of the population. It is noteworthy that Tamil-speaking sections of the Muslim community were ambivalent about, if not clearly opposed to, the demand for Eelam since they would be in a minority within the potential state. The trading and the landed elements among them remained suspicious of the thrust of the militant and radical Tamil youth. They saw greater advantage in maintaining a cohesive Muslim identity which could project itself to draw concessions from the two major Sinhalese parties dominating the Center.63

b. The plantation Tamils: The consecration of the sectional interests of the intermediate classes in the structures of state power made itself felt in another direction. Like the Sri Lankan Tamils, the estate Tamils also found themselves suffering the butt of Sinhalese pressure for employment in the virtually stagnant economic situation. From the point of view of the Sinhalese ruling bloc, the situation could be relieved by simply removing the greatest numbers possible of estate Tamils back to the country of their origin and vacating the corresponding jobs for the rural Sinhalese youth. In consonance with the non-plantation interests represented, the impact such a measure would have on production was given lower priority.

Accordingly, an amendment to the Indo-Ceylon Agreement (Implementation) Act of 1967 passed in June 1971 relinked the process of repatriation to Sri Lankan registration of Tamil labour. Repatriation was speeded up from 8,733 Tamils in 1970 to the maximum of 33,172 in 1973.

63. The advantages that had already accrued to the Muslims from such a course were latent reason for the major communal tensions and clashes that occurred under the UF: between the Sinhalese and the Muslims. For details see Urmila Phadnis, "Political Profile of the Muslim Minority of Sri Lanka," International Studies (New Delhi), vol.18 no.1, January-March 1979, p.47; and issue on "Race Relations in Sri Lanka", Lonoś, vol.16 no.3, September 1977, p.20.
However, the situation of acute foreign exchange crisis put limits to the numbers of Tamils that the government in Colombo could enthusiastically repatriate with their earnings. The element of compulsion inherent in the negotiated numbers made itself manifest in the disproportionate applications for Sri Lankan citizenship\(^{84}\) as also the attempt to often evade speedy repatriation by those granted Indian citizenship. Implicitly recognising this, the consequent agreement signed in 1974 between Indira Gandhi and Sirimavo Bandaranaike settled on a modified proportion of half to each country of the 150,000 Tamils on whose political status agreement had not been reached in 1964.

The intolerance of the sectionalist Sinhalese interests made themselves apparent in numerous related ways. The distinction between "citizens by birth" and "citizens by registration" in the Constitution provided the sinecure for the harassment of plantation Tamils in the search and eviction of "illicit immigrant" workers from the estates.\(^{85}\) The deprivations wrought to particularly the position of the "stateless" category of estate Tamils led their leader, Thondaman, to lend support to the TULF, even while specifically disassociating himself from its separatist demand. Due both to the class location of him and his dependent following,\(^{86}\) he found it more compatible

\(^{84}\) Some 700,000 people had applied for Sri Lankan citizenship by the end of 1974 while only 400,000 had applied for Indian citizenship in contrast to its quota of 525,000 under the 1964 Agreement.

\(^{85}\) Kobbekaduwe asserts that no "registered" worker was deliberately removed. It was the "illicit immigrants" who worked ad hoc for wages lower than the fixed rates who were sought to be replaced: in interview with author, 18 September 1981.

The two left-wing parties which espoused the cause of the plantation workers for a long time revealed their incapacity to prevent the deprivations suffered by these workers in this period.

\(^{86}\) The leader of the CWC was himself a wealthy estate owner. He had been critically affected by the government acquisition of portions of his estate land for public purposes as early as 1972. "Dependent": here is used in terms of the protected "patron-client" relationship to which the Indian workers were subject vis à vis the estate owners.
to remain firmly within the Sinhalese-dominated system by joining forces with the UNP in the period after 1973. By their support, the Tamil labourers lent to the UNP's "satyagraha" efforts (against the UF continuing in power after mid-1975) a trade union muscle which it had critically lacked earlier.

Contradictions of an Intermediate Regime

Thus, as seen, the specifics of the measures attempted by the UF and manner of their implementation was closely influenced by the balance of class interests represented within the coalition. The outcome, in turn, had important repercussions at the political level.

In line with radical pressures within and outside the regime, its collective nationalist aspirations and the severe socio-economic crisis; the UF attempted to conjointly promulgate numerous measures of a nationalist and/or egalitarian nature. It moved extensively to lop off inequalities in wealth, income and landholdings. It nationalised or restricted comprador and commercial forms of property and gain while expanding the role of the state to generate a more broad-based and balanced growth of the economy.

However, the representation of the interests of the monopoly bourgeoisie in the highest rungs of the SLFP and the rural upper and intermediate classes within the broader power structure of the SLFP at the national and the local level ensured that no measures were taken vitally affecting them. Instead, as seen, in the case of the latter the attempted agrarian reforms were carried out firmly under their auspices so that control over the agrarian labouring population continued to be effectively maintained. The radical pressures placed by organised urban labour and youth were effective only to a certain extent.
Thus, on the one hand, the options exercised and outcome of the policy measures followed closely accorded with the possibilities and problems inherent in heterogenously-based intermediate regimes. On the other hand, the serious economic crisis of the early seventies accentuated the conflict of interests within the regime. As seen, in accordance to Raj's central contention about intermediate regimes, while there were no direct political/legal constraints on the growth of state capitalism under the UF, the serious and effective economic constraint of a lack of adequate surpluses to extend the public sector and extend benefits to the interests represented within the regime affected its political viability. The crisis sharply affected all sections of society and threw into prominence the question of a yet more deep-ranging mobilisation of resources than had possibly been envisaged by the constituents of the UF. Due to the extent of the shortage of resources there could be no management of the conflicting demands by the methods "normal" to intermediate regimes: namely, through a distribution of calculated benefits to the contending classes an effort bolstered by foreign aid and borrowings.

Instead, the effort to mobilise resources through taxation hit a broad strata of affluent classes and aroused their opposition. The shortage of raw materials and financial resources hit important sections of the capitalist class. The big industrialists, in addition, felt constantly threatened by the spectre of nationalisations and take-over of their firms. The land-reforms affected the biggest landowners and plantation companies. The now dominant middle-rung of land-owners and rich peasants grew increasingly hostile to the government efforts to maintain the terms of trade in favour of industry by controlling food prices.

While the regime thus aroused the hostility of the affluent, influential classes in its attempts to resolve the contradictions to the growth of
national capital; it could not due to its inherent nature and economic constraints retain the support of the broader masses. It failed signally to resolve the problems of the marginal farmers, tenants, landless labourers, and the unemployed. The government was, moreover, compelled to cut welfare expenditure and subsidies important to them. Since such austerity measures were rationalised as necessary to bring in the self-reliant, "socialist democracy" promised by the UF, pressures increased from the working-class for further measures against the existing and emerging vested interests in industry. Failing this, on the one hand pressures towards and disillusionment with further radical changes grew in the minds of the lower classes. On the other hand, the propertied classes supporting the UF, perceived the continual threat to their position and pressed for a liberalisation of the economy to ease the situation. In this, they took a position closer to the classes traditionally supporting the UNP. They moved away from the compromise of their interests involved in an alliance with the working-class in return for its support. Instead they supported manoeuvres to limit and then exclude the representatives of the organised working-class active at the level of the state.

The increase in state power of the Sinhalese and Muslim intermediate classes represented by the SLFP had a particularly fateful impact for both sections of the Tamil minority; pushing the Ceylon Tamils to advocate separatism and the estate Tamils to support the rightist comprador bloc.

The crisis and gathering disillusionment which had been formerly utilised by the leftist sections of the UF to buttress their arguments for radical structural change were increasingly appropriated by 1974 and thereafter by the rightist factions of the SLFP to stem the tide of change. Where earlier the conservatives in the SLFP had couched their objections in terms of technicalities or matters of detail as patent in the discussions over the land reform
legislation, these objections were later expressed as differences of policy and tactics. As against the radical perspectives which advocated an acceleration of the socialist programme, the contrary perspective led by the PM espoused a temporary halt and consolidation of the structural changes effected. Indeed, they could thenceforth in view of the austerity, inflation and serious dislocations emerging from the external and internal contexts and affecting all sections of society, with increasing credibility argue the need for a liberalisation of the economy and greater incentives to the capitalists, both domestic and foreign.87

In this process of realignment of forces, the forces of private capitalism gained strength and used the apparatus of the state, especially its executive wing, like the instrument of state capitalism itself, to shift the balance of power further in their favour -- as contended by K.N. Raj in his concluding observations in his essay on intermediate regimes.88 It is to an examination of this process as reflected in the organization of the state to which we will now turn.

REFLECTIONS ON THE ORGANISATION OF STATE POWER

Reinforced by the new constitution, the two-thirds majority of the UF in the Assembly legislated on various and far-reaching aspects of the society -- the most important "socialist" measures of which have already been examined. However, due to its narrow and unstable margin of advantage over the comprador bloc in terms of mass support, threatened by the radical youth and faced with the unfavourable socio-economic situation the regime relied on increasing

central powers to effect and implement the envisaged structural changes and to maintain its control over the society.

Supremacy of the Legislature and Erosion of the Judiciary

The UF reaffirmed the supremacy of the legislature in a number of incidents, all of which served to emphasise the centralized character of the state.

a. Special laws: The UF majority moved even before the Constitution was formally promulgated, to pass special laws to deal with threats to the regime.

In contrast to the Soulbury period, Section 40(1) in the new Constitution allowing laws to be enacted with retroactive effect was used to formalise the Criminal Justice Commission through an act of Parliament on the first anniversary of the insurgency.89 The new Bill established two courts -- one to specifically deal with persons suspected of insurgent activity and the second to speedily dispose of cases involving currency malpractices. Linked to the former, the latter involved some affluent hard-core UNP supporters who aided in financially greasing the wheels of the UNP political machinery, and were suspected strongly of clandestinely financing the insurgency. The Bill was supported unanimously by the Cabinet90 and acquired a majority of 112:8 in the National Assembly in its second reading. However, it raised the fears of leftist fractions within the UF for its possible implications for the working class in future and led to a split in the CP. The hard-line Wickremasinghe-Muttetuwegama group objected sharply to its validity for the long period of eight years after which it could be extended with specific parliamentary sanction. As importantly criticism was directed to this stringent provisions which modified the common law in regard to confessions


90. It seems to have been equally the work of the Minister of Justice as of the Minister of Constitutional Affairs - "the doyen of the criminal bar": Tribune, vol.17 no.25, 10 April 1972.
and admissibility of certain kinds of evidence.  

Consequently, a year later, the politically-influential Lakes-House Group of Newspapers was taken-over by another special law which could not be challenged in courts. Confirming the supremacy of the legislature the Constitutional Court declared in this case that the "Doctrine of Separation of Powers has no place in our Constitution." By also emphasising that the fundamental rights ennumerated in Section 18(1) were not guaranteed specifically as in the Indian Constitution, they reaffirmed the worst fears of the Tamils regarding the inadequacy of the new Constitution.

b. Subordination of the Constitutional Court: The only conceivable check on the powers of the Assembly in the 1972 Constitution, the Constitutional Court, was rendered ineffective at an early juncture. While the immediate cause of the crisis was the lapse of the fourteen-day period given to the Constitutional Court for its opinion on the Press Council Bill, but at issue was the question whether the Court had the right to be the sole interpretive authority of the Constitution and the Judiciary to be independent of the Legislature or whether, as the government upheld, the NSA was the residual source of all power and authority since the Constitution did not recognise the theory of the separation of powers. According to the latter contention, the Court could not claim independence but had to serve and assist the NSA. Notably, this constitutional deadlock was resolved by non-legal factors. Two-thirds of the judges directly concerned with testing the Press Council Bill for repugnancy resigned. Others were appointed in their place through a drawing of lots of the names of the Judges on the Supreme Court. The new Bench


ruled in favour of the Government's view so that the will of the Legislature prevailed. 93

C. Further erosion of the Judiciary: Thereafter, the dominance of the legislature and derived from it, the executive was asserted in a number of rulings given by the courts.

Under the new system of justice set up through the Administration of Justice Law of 1973, as directed by Section 22(1) of the Constitution the Cabinet, and therefore the Minister of Justice had delegated powers of constituting courts and of considering final appeals. To simplify the costs of seeking justice; four types of courts were created in which, to avoid duplication of functions, the Supreme Court was given appellate jurisdiction while the High Courts had original jurisdiction and the power to issue writs. 94 To the challenge by the Leader of the Opposition of these changes on numerous grounds, the Constitutional Court reaffirmed the supremacy of the legislature. It also continued to adhere to the narrower view taken in its decision on the Bribery (Special Jurisdiction) Bill that "the power of nominating a particular judge is not the exercise of judicial power." 95 Notably, this view directly opposed that taken by the Supreme Court a decade earlier.

With the Interpretation Ordinance (Amendment) Bill of 1974 the executive and legislature even encroached upon a sphere of activity -- the interpretation of legislation -- which had traditionally been the prerogative of the


94. The Court of Appeal, Court of Criminal Appeal, Court of Requests and Rural Courts ceased to exist as a result of the Law while certain existing written laws relating to criminal appeal, legal practitioners and Criminal Procedure Code were repealed.

judiciary. In this incident in September 1974 the Supreme Court upheld by a majority of five to four, the rights of the High Courts of Kandy, Badulla and Ratnapura (as well as some district courts) to entertain applications for injunctions against the Minister of Agriculture and Lands for malafide acquisition of property. Within two days the government rushed an amending bill through the NSA to the effect that injunctions could not be given against the State. In justification, two ministers maintained in the NSA that the law must be held to say what the legislature had intended to say. Felix Dias Bandaranaike pointed out that the amending bill, while ensuring the independence of the judiciary, would delineate the principle of sovereignty of the Assembly in the process of law-making.

Dominance of the Executive

a. Overriding ministerial authority: While on the one hand, the UF majority eroded the role of the judiciary and established its own dominance, on the other hand it reinforced the power of the executive to implement various measures. General laws provided a wide area of discretion to the political executive, as already seen in the powers given to the Minister of Justice under the Administration of Justice Law of 1973 to appoint judges, constitute courts and consider final appeals. To ensure speedy and effective implementation, other laws often carried some coercive content. For instance, while the Land Reforms Act provided that decisions by the Minister on contentious cases of land acquisition was final and binding, the Business Undertakings (Acquisi-
tion) Act and the Co-operative Societies (Special Provisions) Act could be invoked to deal with recalcitrants by taking over their premises.

However, in accordance to the balance of socio-economic forces represented within the UF, on the one hand, the concentration of power in the legislature and derived from it, the executive was used to overcome the entrenched status quo. On the other hand, the tilt in the balance of power was jealously maintained in favour of the more conservative interests of the majority party in the ruling coalition, an aspect heightened by the position of increasing dominance accorded to the Prime Minister.

b. The supremacy of the Prime Minister: The position of strength of the PM within the coalition reinforced the freedom allowed to her as the leader of a two-thirds majority in legislature and the powerful executive under the Constitution. As such, she was strategically well-placed to protect and even promote desired interests and policies against any threats perceived from her smaller leftist allies backed by leftist sections within her party.

Concessions made to the smaller parties, such as ministries given and areas of responsibility demarcated were eroded through a direct narrowing down of the sphere being delegated.99 Along with each concession to her leftist Ministers she placed her own men as strategic counterweights in the administration. These acted to not only neutralise or negate any extension of influence which her leftist Ministers certainly tried to cultivate but also kept

99 The Finance portfolio conceded ultimately was one from which responsibilities for the important departments relating to external resources and public administration were removed and taken responsibility of by the PM and F.D. Bandaranaike respectively. Likewise, the Bill for the take-over of plantations was strategically introduced as the second stage of the land reform and thus coming within the jurisdiction of the SLFP Minister of Lands rather than the LSSP-held Ministry of Plantation Industries: from a highly placed pro-SLFP official involved in the drafting of the land reform bill.
her actively informed and protected her influence within such spheres of state authority -- thus checking the penetration by the left of the administration. The face of burgeoning unemployment due to a stagnant economy, these tensions between the UF constituents were characteristically manifested also in the over-staffing of ministries and subordinate public departments with their respective party faithfuls. The discernible sibling rivalry extant between LSSP and CP as also the LSSP and SLFP left, often led to the CP and SLFP contingents siding to contain the LSSP influence and thus served to weaken the greater clout they could have wielded unitedly.

Weighing the balance of forces, one sees that, in effect, the centers of state authority remained in the hands of the more conservative section of the UF -- the SLFP right. The PM controlled the President, the army, the police and broadly the state bureaucracy; vital portfolios such as external affairs, defence, foreign resources and planning were controlled by her while others pertaining to the bureaucratic and judicial apparatus, local government, foreign and internal trade, tourism, shipping, agriculture and lands were held by party faithfuls. The numerous SLFP back-benchers in Parliament remained essentially Sinhalese chauvinist of an uncertain radical hue. By and large, the vast public sector and rural institutions became the preserve of the SLFP.

\footnote{Vociferous objections were voiced at this interference with this evolved prerogative of Ministers over their areas of jurisdiction, as evident from the correspondence between the Pi and Leslie Goonewarden, Minister of Transport and Communications, made public at the time of the exit of the LSSP in 1975. See his statement in Nation (Colombo), 10 October 1975.}

\footnote{As sharply manifested in the LSSP-controlled transport ministry staffing of the railways, and the Ceylon Transport Board -- a development viewed anxiously by other constituents: Goonewarden, ibid.}

\footnote{As ruefully admitted on separate occasions by both Hector Abhayawardhana of the LSSP and Pieter Keuneman, the CP leader, in interviews on 17 June 1981 and 30 July 1981 respectively. This was realised even at the time of the promulgation of the Constitution: see Tribune, vol.17 no.30, 30 May 1972, pp.2-3, 17-19.
where there was no counter pressure by powerful LSSP and CP trade unions.

**c. A constitutional dictatorship:** The dominance of the SLFP in the structures of the state, especially the executive, was accentuated by the insurrection and the ensuing declaration of emergency following the insurrection.

In contrast to its earlier promises of ushering in a "socialist democracy" and widespread participation, the innumerable controls placed on the process of political participation sought to contain the activities of the masses within prescribed narrow limits acceptable to the UF and even more so, to the SLFP leadership.

As a consequence, despite its massive majority in the NSA, sessions of the Assembly became perfunctory and emergency rule disciplined the discussion among the MPs and dictated the extent to which broader pressure could be created to influence central decision-making. Instead, the executive forces in the government -- the political executive and subordinate to it the administrative and military gained importance in the process of decision-making.

The Public Security Ordinance, the after thought clause of the new Constitution, became one of its most used provisions. In the words of the opposition it was a "Government by Gazette". Ministerial regulations were used for matters which should ordinarily have been subject for legislation. By the position provided in the Constitution, the PM became the focus of all power and authority. Decisions taken by the Cabinet became susceptible to the intervention of the Prime Minister while emergency regulations could be made.

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104 Mrs. Bandaranaike intervened for the first time, at the behest of the US Ambassador to reverse a gazetted decision of the Cabinet to take over immediately the two multinational drug companies, Reckitt a Coleman and Pfizer-Duruex.

Related by Hector Abhayavardhana in conversation, 17 June 1981.
by the President solely on her advice.

The constraints placed on the freedoms of expression and association prevented a ventilation of grievances and dissent and a negotiation of differences. As critically, it increased the reliance on the administrative machinery for intelligence and analysis according to which policy responses were framed at the highest levels. Needless to say, the process proved faulty. 105

In conformance with the traditional civilian milieu based on the long-rooted participation of the broad range of intermediate interests and the lower classes, the military remained subordinate to the civilian political leadership. However, the growth in its role was apparent not only in its extended use to round up insurgents, and the increased expenditure on defence, 106 but also in its contribution to the actual decision to continue emergency in subsequent years. The non-representative Defence Council continued to hold that splinter insurgent groups posed a security risk. Interestingly, the Council consisted of the four service chiefs appointed by the preceding UNP regime, the PM, her Junior Minister of Defence and faithful Lakshman Jayakody, and her chief advisor, F.D. Bandaranaike. 107

As a consequence of an undue concentration of arbitrary power in the hands of a few leading figures of the dominant party, close relatives and associates of the PM and Felix Bandaranaike, emerged as extra-constitutional loci of

105 For instance, in the constricted economic context of the years 1973-75, official estimates of the paddy crop governed the quantities arranged beforehand for imports at prices accounted and foreseen in the budget. Repeatedly, the official estimates proved over-optimistic resulting in frantic imports from available sources at more exhorbitant prices later.

106 In the years after the insurrection, the size of the armed forces tripled while that of the police doubled: J. Jupp, Sri Lanka: A Third World Democracy (London, 1978), p.19.

107 Hector Kobbekeaduwe, in conversation with the author, 16 September 1981.
power parallel to the state apparatus. 108

The emergency was directed at different times over the UF tenure at different groups threatening the regime's interests. In consonance with the conflicting interests represented within the UF, while its leading faction sought to maintain their political hegemony through these extraordinary constitutional means, the more radical forces sought to utilise it to usher in socio-economic change as also expand their influence. Fatefully, as they soon learned, the emergency powers they had consented in arrogating to the PM to control the right and extreme left was determinedly used to also contain the mass pressure they sought to build up to push for radical changes. 109

Emergency was declared first in October 1970 to successfully deal with financial and foreign exchange irregularities at the initiative of the LSSP. 110 It was redeclared in a rigorous form in March 1971 to deal with the insurrection -- a threat which was held by all constituents to continue till May 1972 when the new Constitution was promulgated. 111 It was thereafter


109 As pointed out retrospectively, the SLFP did not openly oppose any socialist measure and thus compromise itself, but threw LSSP out on a manufactured and trivial issue: Leslie Goonewardene, "Why it didn't work out as expected: A review of the UF with the SLFP", Socialist Nation, 7 May 1978.

110 In this period, the powers provided by the Public Security Ordinance and the two regulations; Emergency (Miscellaneous Provisions and Powers) Regulation and the Avoidance of Tax Regulation of 1970; were used exclusively to carry out demonetisation operations and detain foreign exchange miscreants.

For an excellent discussion of the Emergency rules and regulations, see Suriya Wickremasinghe, Emergency Rule: A Brief Survey (mimeo).

111 From the beginning of this period, emergency proclamations were made afresh every month. Numerous regulations allowing arrest without warrant, detention in police custody for up to 15 days, detention without trial, preventive detention, suspension of prison rules were passed. Confessions made in police custody were made permissible evidence. Disposal of dead bodies by the police without a coroner's report were permitted. Stringent
extended with the declining support of the left, largely on the advice of the Defence Council.

In the crisis-ridden years after 1972, emergency regulations were passed to deal with an extensive variety of challenges to the regime. Numerous regulations to control the attempts of the UNP to organise political rallies and mobilise popular disaffection against the regime were passed. 112 Regulations were extensively used also in an economic and administrative direction to deal with problems relating to local government authorities, offences against public property, ejection of squatters on state lands. For the first time they were also used to deal with economic problems -- to ensure the effective implementation of legislation framed to reorder food production and marketing and to ease the resource crisis through the mobilisation of compulsory savings, freezings wages and cost of living allowances.

By 1974, regulations were used to restrict the activities of the LSSP in its attempts to build up parallel structures of popular participation, which could emerge to pose a challenge to the domination of the conservatives in the

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112 To check the mounting popularity of the UNP, a ban on "satyagraha" planned by the UNP was imposed in January 1974. In April 1974, a twenty-four curfew was imposed to prevent UNP-organised rallies throughout the country. The Emergency (Prevention of Incitement) Regulation and an Emergency (Public Processions and Meetings) Order were enacted. The first introduced a new penalty, that of the confiscation of property, designed to be especially effective against the supporters of the UNP who particularly included the wealthier sections of the community. The second prohibited meetings unless an advance undertaking was given that there would be no incitement to break the law. In December 1974, the Emergency (Prevention of Subversion) Regulation was enacted to curb the UNP's demand for elections in 1975. The Regulation made it an offence for any person to deny, challenge or question the validity of the Constitution except in the NSA or in the proceedings in a court of law (CDN, 23 December 1974).
Facing the escalation of opposition after the break with the LSSP in late 1975, the government further tightened press censorship in February 1976. Bans were placed on moves towards secession in the following period in response to the formation of the TULF. Ultimately, facing serious agitations led by its former ally, the LSSP, curbs were placed on trade union rights to control urban worker unrest later in that year.\(^{114}\)

In concrete terms, the figure of Mrs. Bandaranaike emerged in the classical bonapartist manner based on the direct support of a broad section of the lower agrarian classes and was arrogated tremendous power by a combination of various conflicting forces. She sought to use these powers in effect in the initial period of the UF tenure to resolve conflicts between the contending classes and thereby to preside over the development of a viable national capitalist order. In this, she was like other contemporary leaders of intermediate regimes in the neighbouring South Asian states. However, like them, when faced with the exceptional resource crisis and the resultant irreconcilable interests between big capital and organised labour, she used the structures of state power to tilt the balance in favour of the embattled capitalist class. Simultaneously, populistically, the rhetoric of an adherence to "socialism" continued to be propagated, and the increase in suppression of all dissent was justified as necessary to counter "reactionary and anti-socialist forces".\(^{115}\)

\(^{113}\) The attempts of the LSSP to mobilise its trade union base along militant political lines were obstructed notably in December 1974 when the Emergency (Prevention of Paramilitary Exercises) Regulation was framed to curb the threat of the demonstration by the LSSP-dominated Ceylon Federation of Labour on its annual day.

\(^{114}\) For details see Wickremasinghe, n.110.

\(^{115}\) For instance see CDN, 22 November 1975.
Participation and Decentralisation

Keeping with its promises for a "socialist democracy" a variety of administrative and economic institutions, were created to effectuate the developmental and structural changes sought by the government. In the industrial urban sector elected Employees' Councils were initiated under the managers' auspices. Town and Urban Councils continued to perform local tasks. In the villages People's Committees and CCs were created to supplement the existing institutions -- the Rural Development Societies, the co-operatives and the Village Councils. At a higher level the APCs and Divisional Development Councils were set up. Through these it was hoped to link the smallest village to the national level and bring the national administrative machinery closer to the people over whom it was implicitly hoped the forces of the coalition would establish hegemony.

However, the internal balance of forces within the UF, the resource crisis at the economic level and the emergency rule at the political level worked to distort the proclaimed purposes of these institutions.

In keeping with the particularisation of interests within and by the SLFP, the new institutions provided for a kind of "guided" participation of the broader masses by making the nominative principle rather than the elective dominant in the Constitution of these structures. Under emergency auspices, the tenures of acceptable Village Councils and Town Councils were extended while the administration of other local government bodies, largely urban bodies with a majority of pro-UNP membership, were vested in appointed "Special Commissioners". Similarly, facing constant pressures and conflict of

\[116\] For a detailed analysis of the character and functions of these organisations see C. Narayanswamy et al, Rural Organisations and Rural Development in Selected Sri Lankan Villages (Kuala Lumpur, 1978).
the Employees' Councils with the management, the latter was delegated greater authority.

In the vast rural sector, after the reorganisation in 1972, the entire APCs and CCs, the co-operatives and the People's Committees came to be appointed by the relevant minister on the recommendations of the area MP.\(^{117}\) As a result, regardless of the lofty pronouncements of the government as seen in the case of the APCs and CCs already, the "new-wealthy groupings" and the "politico-bureaucratic organisations" continued to develop in a more firmly symbiotic manner as shown in a study by the ARTI on rural organisations.\(^{118}\) The consolidation of the intermediate bourgeoisie in the rural power structure was accompanied by a shift from attempts to inculcate village-level popular participation to an emphasis on electorate and district level administrative decentralisation. The village-level institutions at which domination was easily established became as stepping-stones for the actual bargaining for socio-economic benefits from the state and its intermediaries -- the MPs -- that took place at the district or divisional level. The attempts to bring the bureaucracy closer to the local community, in effect, brought the state to essentially service the needs of the local rural capitalists linked to the party in power.

a. The Divisional Development Councils: These were introduced as "an entirely new structure of planning",\(^{119}\) and were to be the focus for development planning and plan implementation with popular participation. However,\

\(^{117}\) In contrast to the other institutions mentioned, the state did not have a clear-cut policy to assist the RDSs in 1970-77, so that due to a lack of adequate recognition and assistance, they remained in a weak state in this period: Richards and Gooneratne, n.47, p.130 ff.


\(^{119}\) N.M. Perera, Budget Speech, 1970 in Richards and Gooneratne, n.47, p.132.
the elective principle was soon dispensed with, so that the actual degree of participation was severely blunted.

The PM, responsible for the Ministry of Planning and Economic Affairs, entrusted local MPs with the task of initiating local development plans on these Councils and supervising the decentralised administrative structures. The central role of the MP made no doubt for quicker decisions and less bureaucratic red-tape but it also had the consequence of making all decisions subject to the political considerations of the ruling SLFP. The projects were established by direct negotiation between the MPs and the Planning Ministry. A series of small-scale projects were set up on the funds released by the Ministry with no locally mobilised funds. Further, as G. Pieris points out in his early study of several Divisional Development Council agricultural projects in Kandy, the power to influence selection of project personnel was used extensively by most MPs to favour political loyalists. Many projects were criticised for poor initial choice of product, of area and for subsequent mismanagement. As in the case of the post-reform administration of lands under the ELRCs and Janawasas, while on the one hand corruption grew, on the other it created a large amount of disillusionment and alienation with the ruling party.

b. Political Authorities: An attempt was made to check these developments through the appointment of Political Authorities (PAs) from amongst the MPs in each of the twenty-two administrative districts in 1973. Appointed by the PM and functioning as her district level representatives, the PAs were delegated powers to establish political control and direction over all administra-


121 Seemingly, this was the idea of Felix D. Bandaranaike, who picked it up while in Zambia: Rose, n.103, p.415.
tive work within the district. A special Commissioner of Investigation was appointed in each division to check that public funds were not misappropriated. In 1974, the decentralised budget was begun with a certain access to allow for district level planning and expenditure to fulfill local needs. Though initially based on population size and "degree of underdevelopment" of a district, it degenerated by 1977 to a purely electoral allocation. The total sums allocated grew to equal Rs. 322 million in 1976 and Rs.300 million in 1977.

In Jiggins' view, the technical departments became more sensitive to popular pressure, the alliance of the Government Agent, the chief of the district civil service and the PA strengthened the degree of co-ordination and control of technical departments' work.122 While this may be true, Dawson is of the opinion that in practice

In most instances, by mid-1977, they [the PAs] were widely regarded as offering an important mode of political patronage in rural areas by virtue of the posts which they directly provided or the resources they were able to distribute.123

The strong hierarchical linkages from the center to the constituencies were also strengthened through other institutions of patronage. The UF institutionalised the practice of securing letters from government MPs --the "political certificates" -- with respect to appointment, transfer and disciplinary control of public servants.

As a result, not only did the numerous measures of the UF serve to bring the island's administrative structure under central political control exer-


cised by the elected representatives of the people but final decision-making in virtually all matters remained at a fairly high-level of popular responsibility -- with the MPs -- covering approximately 70,000 persons, 160 villages and 4 Village Councils. Richards and Gooneratne remark that

Indeed, one major conclusion of recent trends in decision-making seems to be that the introduction of the PAs or of DMs has not involved greater participation at local levels. The representatives' role has been magnified but the relation of the bureaucracy to the people at large and particularly to uninfluential groups of them, has not changed.

Participation and Representation

a. Tamil separatism: The clear domination by sectional Sinhalese interests of the central and peripheral state apparatus acquired an increasingly oppressive character after 1972 against which the Tamils had little redress. As seen, the institutionalisation of discrimination in the matter of university admissions against the Tamil community on untenable grounds emerged as the most flagrant instance of the insensitive attitude of the Sinhalese-dominated Center to the interests of its largest minority community. It provided a dramatic measure of the extent to which Tamils had become marginalised politically and constitutionally.

Two days after the Republican Constitution was promulgated, the Tamil United Front (TUF) was formed by leading Tamil figures in the Opposition around the Six-Point Plan in the latter they demanded constitutional guarantees for equality of language, citizenship, religions and caste, fundamental rights to all persons and a decentralised structure of government allowing for greater participation. These demands were, however, considered sectional and


125 Ibid. The DMs in the quotation refer to District Ministers appointed by the UNP in the post-1977 period to perform functions similar to the PAs.
incompatible with the designs for a unitary state by the beleagured Sinhalese-dominated Center. An emergency to which the Tamils had contributed little was used in the North to silence all protest by the Tamils. A Sinhalese-speaking bureaucracy and army took on the character of being forces of occupation to the Tamil populace. Reportedly, about 36 suspect youth were detained for considerable lengths of time under emergency regulations.126

Insult was added to injury by the attempt to derecognise and ignore issues agitating the Tamils by belittling their recognised leader, Chelvanayagam, as manifest in the long-delay in holding the issue-laden by-election of Kankesanthurai.127 The unwillingness of the UF to concede even a modicum of Tamil demands and attempts to brand the Tamils as traitors and separationists in the Kankesanthurai by-election, led the Tamils to appropriate the argument of the Sinhalese leadership and assert the demand of self-determination for themselves. This shift from the demand for fundamental rights to the assertion of self-determination was concretised in the Vaddukodai Resolution in 1976. In the same year, at the Trial-at-Bar of three TULF MPs and one ex- MP for sedition, a challenge was made regarding the validity of the Constitution. As Thiruchelvam points out, it sharpened the juridical and historical underpinnings for the new corporate identity of the Tamil people. They argued that sovereignty that passed to the British in 1621 reverted to them in 1972 by their boycott and non-acceptance of the new Constitution. This argument served as the basis for the TULF's refusal to participate in the Select Committee in

126 See the statement by Laxman Jayakody, Junior Minister of Defence and External Affairs: Tribune, vol.18 no.16, 11 August 1973, p.16.

127 He resigned this seat held by him in the NSA in 1973 to demonstrate the non-acceptance of the 1972 Constitution by the Tamils and to force a debate, in conditions of the prevailing emergency, on the issue. It was over 2 years before the election was held.
Indeed, due to ethnic concentration in the North and East, the Tamil autonomy movement could evolve into a secessionist one. The very development of the agricultural economy and the colonisation areas along with the possibilities for an export-processing zone in Trincomalee were cited as factors that made the concept of Eelam a viable one. Backing it and in contrast to the JVP youth, the urban-based "Liberation Tigers" evolved to rely on sporadic terrorist tactics to strike and weaken the Colombo government from their peripheral and minority position.

b. Electoral demarcation: The First Amendment: In view of the extant balance of socio-political power, it is interesting to analyse the implications of the First Amendment of the Constitution in 1976, concerned with the periodic delimitation of constituencies. The raising of the population of an electorate from 75,000 per seat to 90,000 worked to the disadvantage of the faster-growing areas of the South-West low-country which had traditionally voted UNP or for the left. It also placed the densely-populated Jaffna peninsula at a disadvantage. The area provisions worked to increase the representation of the Kandyan Sinhalese and the Muslims in the Eastern Province. The concentration of newly registered estate Tamils led to the creation of a three-member constituency in Nuwara Eliya from where they could return one Member.

An "Exceptional" Regime

Thus, faced with the unstable socio-economic situation, the UF sought to ensure the effective implementation of the nationalist and egalitarian


measures it put through. For this, it continued to strengthen the represent­
tive structures of the central state apparatus -- the legislature and the
political executive. The latter's powers were augmented sharply while those of
the judiciary underwent further erosion.

The extension and exercise of "exceptional" executive powers through
continuous "emergency rule" served to highlight the narrow margin of manœuvre­
ability open to the nationalist bloc in the constricted economic context. Even
more patently, it emphasised the precarious position of the more affluent
classes represented by the SLFP. Faced with the challenges from the right and
increasingly from the left, extraordinary executive powers were used by the
SLFP representatives to jealously dominate the structures of the state at all
levels down to the humblest CC. Indeed, the SLFP leadership actively used
state structures in a bonapartist manner to both control and channelise all
dissent whether from within or without the coalition. The dominant position of
the PM provided by the Constitution was used to maintain a check on the
activities of her leftist colleagues. Discretionary powers allowed to the PM
were augmented by the continuous emergency rule -- a situation upheld to exist
on the advice of the Defence Council, a non-representative body containing
personnel of the armed forces appointed by the preceding UNP regime! The
hierarchical ordering of power within the state became increasingly obvious in
the control of the PM over the SLFP majority in Parliament and the MPs' con­
trol (under ministerial or her personal supervision) over all bodies created
towards what amounted in effect to decentralised administration.

In the exceptional economic situation, the "prize" aspect of the inter­
mediate state was carried to its limits and virtually all jobs, funds, and
similar benefits allocated by the state were dispensed through the "winners"
of the moment -- the UF, and especially the SLFP, MPs.
This ordering of state authority highlighted also a duplication of real centers of power both in the party units at various levels vis-a-vis the corresponding state administrative structures at that level as also in the unconstitutional exercise of power by those related closely to powerful SLFP figures.

Though parliamentary by-elections continued to be held, emergency rule was used to exclude popular participation to local state bodies through elections. The control over the political freedoms of speech, expression and association of the people to conform to norms arbitrarily defined by the SLFP leadership was such that unacceptable activities of the political parties in the power bloc itself were suppressed. As a result, the dominant role shifted from the representative participatory institutions towards the repressive branches in the state apparatus. In the process, important demands such as those of the Tamil minority which could not be accommodated within the arbitrary authority structure remained unheeded and were exacerbated.

These features of exceptional capitalist regimes were, it is interesting to note, institutionalised in the succeeding constitutional framework in a more subtle manner.

CONTRADICTIONS OF A SOCIALIST-MOBILIST MODEL IN A PERIPHERAL CAPITALIST CONTEXT

At the Cross-roads

Thus the 1972 Constitution which was created to mobilise the society to achieve the objectives of "socialist democracy" in effect, facilitated the dominant classes setting up something quite different -- an exceptional capitalist regime.
As seen in the chapter, in the conjuncture of Sri Lankan social development after 1970, the intermediate bloc faced and also embodied a heterogenous, conflicting set of forces. These had at the beginning of the UF tenure already reached a considerable stage of maturity, only the momentum created by the shift in the balance of forces in 1956 had, due to various specificities of the local situation resulted in a relative autonomy of the ideological from the emerging realities in its economic base. While it is conceivable that the differences between the contending forces in the UF coalition could have remained subsumed by a reconciliation of their interests had the intermediate regime been more solvent economically, the severe world economic crisis of the early seventies disturbed all such calculations. Instead, by accentuating the shortage of resources chronic to intermediate regimes it sharpened the differences between the dominant and the subordinate classes represented within it, and ultimately resulted in a realignment of forces.

Consequently, the wide-ranging and deeper mobilisation of resources by the state had its logical corollary at the political level in continuing "the process of increasing concentration of powers in the state apparatus".129 in a manner which would not have been possible under the rationalist Soulbury system. The elected representatives of Parliament, having a two-thirds majority emerged to exercise untrammelled legislative power. If legislation was judged contrary to the Constitution by the Constitutional Court, a bill of law was passed with the two-thirds majority in Parliament without necessarily amending the Constitution. The PM leading such a majority in Parliament had powers over all branches and processes of the state which were thus, constitutionally, unchecked. In the subsequent period they were exercised in conjunction with the emergency powers provided in the Constitution to

strengthen her control over the administrative and coercive apparatus of the state. So armed, she could in a bonapartist manner deal with both intra and extra-regime conflict of interests, particularly vis a vis the increasingly radicalised lower classes.

However, the domination of the privileged Sinhalese intermediate classes over the coalition, carried the implication not only of their dominating structures of the state apparatus to protect their interests but had other repercussions which ran contrary to the socialist proclamations of the new Constitution. In the constricted economic context, the particularisation of their interests in the state was augmented by new organisations of the state linking the periphery to the Center through which acceptable local interests were implicitly linked to the national level.

The growth of a state clientele and of corruption led the state structures to be increasingly considered a private preserve to fulfil partial interests. Indeed, if such a forging of interests from the national to the local level signified the culmination of the populist political linkage of the major ruling party; by being so exclusive in character it also detracted from its broader universal appeal to susceptible sections of the population whose aspirations had to go unfulfilled because of the numerous constraints.

The widespread disillusionment and alienation became increasingly rampant in the lower classes of both town and country whose hopes had been raised by the socialist proclamations of the UF coalition and its Constitution but whose mobilisation of interests had been actively prevented by the dominant classes. While representatives of the organised working class were first contained and then expelled from all positions of influence within the state, the indigent rural classes who were becoming re-subordinated to the peripheral semi-capitalist agrarian relations of production and were, at best, offered weak palliatives for their emancipation by the local SLFP party machinery. They
were not actively organised or even encouraged to struggle for the socialist
directive Principles of the Constitution or even the Fundamental Rights
included in the document.

Instead, the particularisation of interests at the level of the state
especially by the Kandyan Sinhalese was consecrated by the First Amendment to
the Constitution through which in relative terms, the representation provided
to the Kandyans, in particular, increased while that of the Tamils declined.
The continued marginalisation of the Tamils to accommodate Sinhalese interests
led the Tamils not only to oppose the new Constitution but culminated in
their advocacy of a separate state as a solution to their problems.

Thus the central institutions signally failed to emerge as channels for
penetration and assimilation of the social periphery, whether of the lower
classes or the Tamil minorities. Gaps in the hegemony of the dominant classes
were obviously sought to be overcome by ad-hoc laws and regulations, informal
arrangements of power and patronage, and extensive use of arbitrary force.

The Turning Point

The paradox of rule through emergency, however, lay in the fact that
despite the extensive accumulation of power within its hands, the government
by the implicit logic of such rule had to move on to a more "normal" system --
whether democratic or authoritarian. Emergency rule by its very nature is a
"temporary phenomenon", though it could by prolongment be continued over a
relatively longer period as witnessed in the different South Asian states in
the seventies. In the political scientist J. Das Gupta's words

Being a half-way house between a regularly constituted constitutio

nal system that sanctions institutional curbs on arbitrary
rule and established authoritarian systems where such curbs are
boldly ruled out, emergency regimes remain poised on an insecure
platform of popular support."130

130 Jyotirindra Das Gupta, "A Season of Caesars: Emergency Regimes and Deve
lopment Politics in Asia", *Asian Survey*, vol.18 no.4, April 1978, p.320.
Like its counterpart in India at the same time, the failure in its mandate for emergency rule to effect sorely-needed structural changes or to maintain the socio-economic equilibrium indicted the emergency regime and led to its search for other alternatives.

An authoritarian rule based on the coercive apparatus of the state -- the police and military -- was in Sri Lanka not possible due to the traditional weakness and inefficiency of such as was highlighted by the 1971 insurrection. Despite moves in the following years to strengthen these forces, it would have provided a weak alternative.

In this context, the response of the vested ruling clique of the SLFP to the crucial question of retaining or returning to power in 1977 was significant. One trend of thought prevalent in both the right and the left of the SLFP was to demand postponement of elections in view of the "fascist" threat posed by the UNP and its hindrance to "progress", defined in their terms. However, this was legitimately impossible since the extension of the tenure of the Assembly would have required a constitutional amendment by a two-thirds majority in the Assembly. Such a majority was not available to the UF after the fall-out of a total of some 31 Members by the beginning of 1977, consisting chiefly of the LSSP and CP contingents and some committed leftist SLFP MPs.

The other allied, more interesting idea was floated by Felix Dias Bandaranaike, the "legal wizard" of the SLFP. Searching for an alternative means of marshalling an absolute majority and thus the means to continue in power, he expressed himself in favour of amending the Constitution in the

131 For arguments along this line of thought by two deputy-ministers of the SLFP, see the CDN, 1 February 1977.

direction of a presidential system, in which a popularly-elected President would select an executive on a non-party basis on the American or French model. Significantly, the UNP had already proposed such a system and therefore the purpose of such a suggestion can be justifiably seen as an effort to enlist its broad support so as to safeguard the interests of the SLFP. The effort to co-opt the rightist UNP to keep itself in power after splitting from its leftist allies underlined the conservative interests the SLFP had emerged to protect.

Surveying the crisis-ridden economy, the widespread unrest, the UF's programmatic thrust and record and the weakened situation of the SLFP in the face of its own rising popularity, however not surprisingly, the opposition UNP opted for fresh elections rather than support the sinking regime. With the nationalist bloc ridden with contradictions, the comprador bloc represented by the UNP regained the initiative in a historic reversal of fortunes.

The Paradox of the 1972 Constitution

In his suggestion to switch to a presidential system, Felix Dias had, in his inimitable manner arrived simultaneously, at the crux of the contradiction which the 1972 Constitution embodied and to its solution from a particular class perspective. That this along with his advocacy in earlier years for the need for emergency provisions and later foreign investment and free trade zones, coincided with what his implacable, though stylistically divergent opponent J.R. Jayawardene had been proposing is no coincidence. The paradox posed by emergency rule for the ruling classes reflected, in essence, a parallel paradox posed by the new Constitution.


134 The amendment moved by Jayawardene on the Basic Resolution No.14 in July 1971, pertaining to strengthening the powers of the President. See Chapter Five of the present work.
A socialist-mobilist constitution, such as that of 1972, with its wide-ranging subordination of the state structures to the political wing of the government so as to smoothly implement its declared objectives for structural change was successfully adopted in countries after capture of state power by the lower classes. But in Sri Lanka the failure of the radical forces in the coalition to shift state power in favour of the broader masses resulted in the state structures designed for such a utilisation of power being used quite differently by the conservatives in the coalition. Through their domination of the state they neutralized, if not negated, the influence of the radicals.

To put it somewhat differently, a constitution could be designed with two perspectives -- the rationalist one seeking to embody things as they are or the mobilist one laying out how as they ought to be. While the perspective adopted in this case had been the second, to the extent the broader conditions necessary for operationalising such a Constitution remained absent or were deliberately controlled the Constitution was given a different content and could only imperfectly reflect things as they were. Rather, to the extent that the 1972 Constitution overtly embodied a socialist stance, it flagrantly threatened propertied interests, private capitalist accumulation and the inflow of foreign capital. At the same time to the extent that its centralisation of powers was used by the right, it lost its credibility in the eyes of the larger masses sorely afflicted by the rampant external and internal economic crisis.

In view of the contradiction and the emerging shift that took place in favour of the right even at the ideological realm, the 1972 Constitution could not have been allowed to go into operation by the ruling classes to their ultimate disadvantage. More significantly, they realised the danger from its
electoral system over time which in the Sri Lankan context encouraged a polarisation of political forces. The electoral system coupled to the Constitution's promises of socialism would have compelled the major parties to not only adhere to the same but be compared against the same as well -- resulting in a further politicisation of the society.

In that sense, the only options open to the Sri Lankan ruling classes, particularly at the stage of development they had reached, were the interventionist ones: to either ignore the provisions for socialism and continue to operate through emergency mechanisms to control all challenge and dissent. Or they could change the Constitution to provide for a permanent emergency, so to say, through provision for greater discretion in the hands of the political executive as also to further channel and control the exercise of popular participation. Testifying to the more widespread bourgeois "civic culture" in Sri Lanka, the latter course was explicitly followed through the 1978 Constitution effecting the switch-over to the presidential executive and proportional system of representation, as we shall see in the next chapter. In closing, it is significant to note that the SLFP was in evident agreement to the essentials of these changes.

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