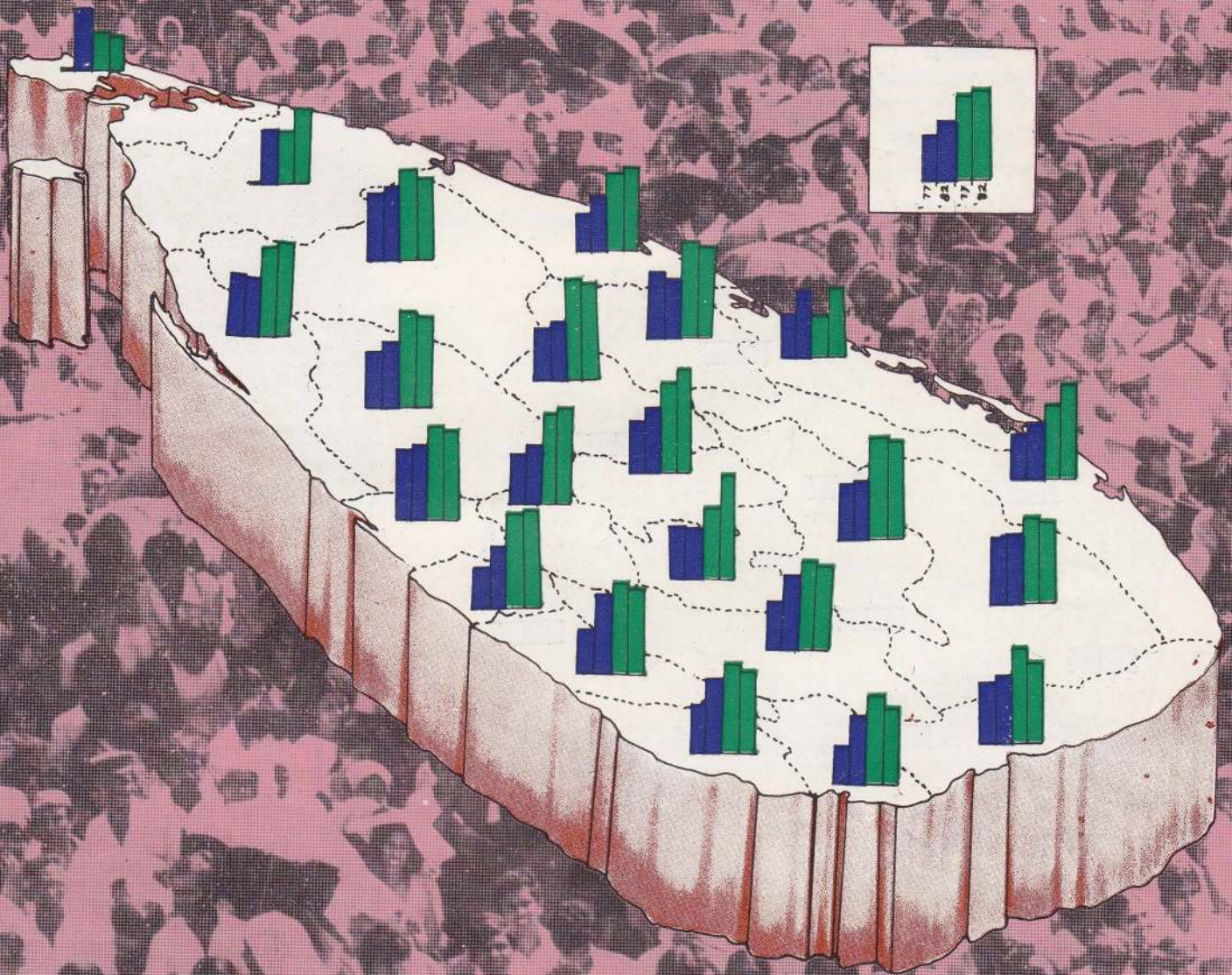


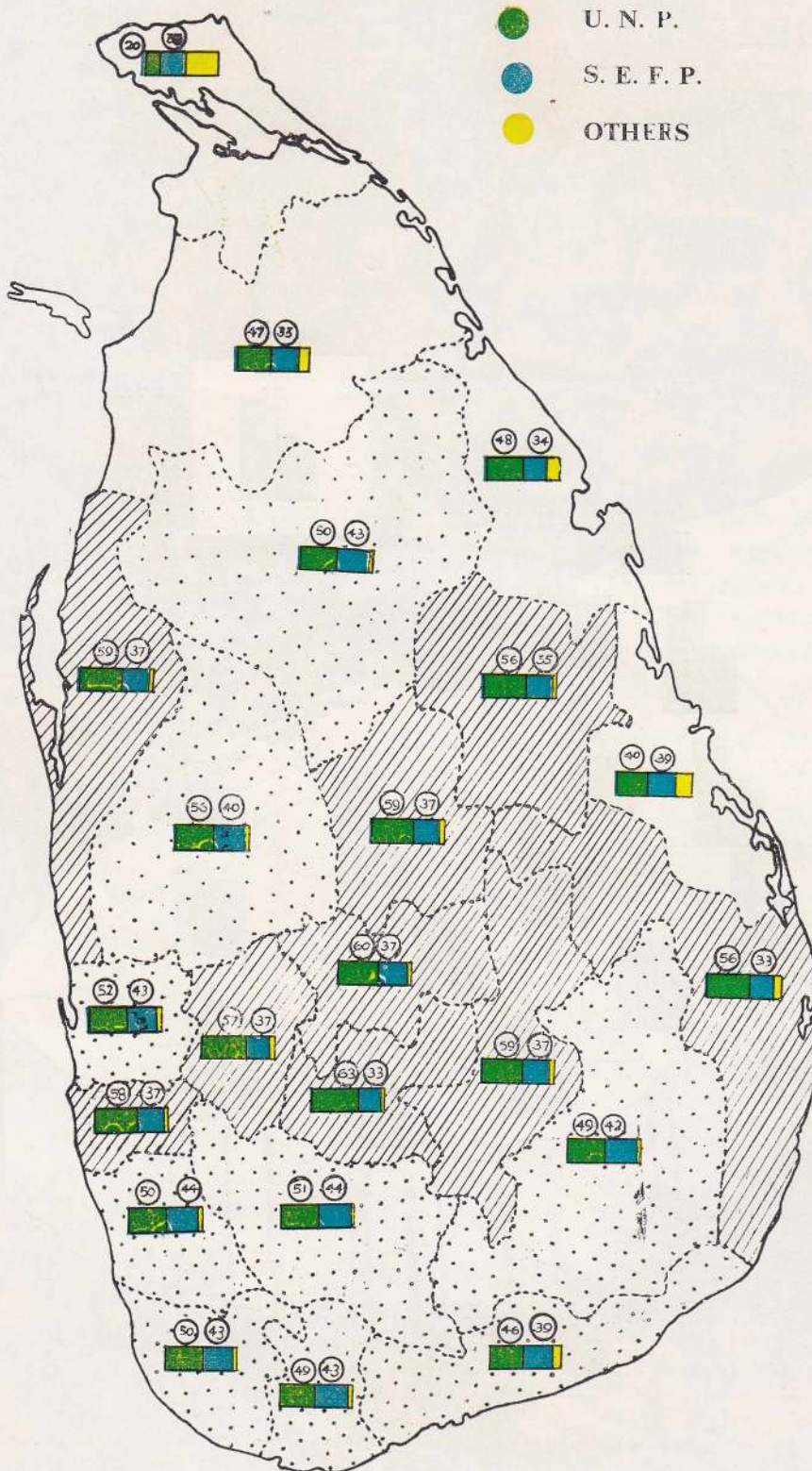
ECONOMIC REVIEW

Dec:
1982



ELECTIONS

VOTING PATTERNS AT PRESIDENTIAL ELECTIONS



At the Presidential Elections in October the ruling party's candidate received the highest majority of the votes in 21 of the 22 districts, the exception being Jaffna. In four of the districts, namely, Jaffna, Trincomalee, Batticaloa and Wannai the demarcation is thin between the votes of the UNP and SLFP and the picture is further distorted by the high number of abstentions and also the influence of the TULF in these districts.

In the other 18 districts there appears to be a pattern where the UNP obtained convincing majorities in half the number (the 9 denoted by stripes). In the other half (the 9 denoted by dots) also the UNP obtained a majority, but the SLFP minority vote was not as low in these as in 9 districts denoted by stripes. (Kurunegala which received almost a 56 percent UNP vote is a borderline case, but since the SLFP vote was 40 percent here it falls into the latter category).

Percentage of votes in 9 of the 18 districts where the UNP fared best.

District	UNP	SLFP
1. Nuwara Eliya	63.1	33.1
2. Kandy	59.8	36.9
3. Puttalam	59.1	36.7
4. Badulla	58.7	36.8
5. Matale	58.1	36.7
6. Colombo	57.7	36.6
7. Kegalle	57.0	36.9
8. Digamadulla	56.4	33.0
9. Polonnaruwa	56.3	35.3

Percentage of votes in 9 of the 18 districts where the SLFP fared best.

District	SLFP	UNP
1. Ratnapura	44.1	51.0
2. Kalutara	44.1	50.2
3. Anuradhapura	43.5	49.9
4. Gampaha	43.3	52.5
5. Matara	43.3	49.3
6. Galle	43.0	50.2
7. Monaragala	42.5	49.4
8. Kurunegala	40.1	55.8
9. Hambantota	38.7	46.0

In the nine districts denoted by stripes the UNP's candidate received over 56 percent of the votes, going up from 56.7 percent in Polonnaruwa to 63.1 percent in Nuwara Eliya. In all these nine districts the SLFP's candidate received less than 37 percent of the vote, ranging from 32.9 percent in Digamadulla to 36.9 percent in Kandy. The majorities in these nine districts were clear and the differences in voting strength very marked.

In the other nine districts, denoted by dots, the UNP once again received a majority of the votes, but the gap between the UNP vote and SLFP is not as marked. In these 9 districts the SLFP vote has varied between 38.7 percent at Hambantota to 44.1 percent at Ratnapura. Leaving out the 4 districts of the Northern and Eastern provinces, generally there is a clear pattern. Where the UNP received its largest number of votes the vote for the SLFP was considerably low. On the other hand, where the SLFP fared best (even though it did not receive majorities) the UNP vote was not as overwhelming, as in the case of the 9 where it received large majorities.

CONTENTS**FEATURES**

- Warnasena Rasaputram 14 The current world economic scene and its impact on developing countries
- K. N. Raj 18 The Global Slump and "Rules of the Game"
- Siri Gamage 24 The marriage pattern of Sri Lanka
- M. W. J. G. Mendis 27 Small and medium towns in Sri Lanka: a situational analysis and their planning significance

SPECIAL REPORT**3 NATIONAL ELECTIONS**

- W. G. S. Waidyanatha 6 The shift towards the UNP: a district-wise analysis
- H. L. Hemachandra 11 The vote in the Northern and Eastern Provinces

COLUMNS

Diary of Events 2 *October - November 1982*

Published by the People's Bank,
Research Department,
Head Office,
Sir Chittampalam A. Gardinar Mawatha,
Colombo 2
Sri Lanka.

THE ECONOMIC REVIEW is intended to promote knowledge of and interest in the economy and economic development process by a many sided presentation of views & reportage, facts and debate.

THE ECONOMIC REVIEW is a community service project of the People's Bank. Its contents, however, are the result of editorial considerations only and do not necessarily reflect Bank policies or the official viewpoint. Signed feature articles also are the personal views of the authors and do not represent the institutions to which they are attached.

Similar contributions as well as comments and viewpoints are welcome.

THE ECONOMIC REVIEW is published monthly and is available both on subscription and on direct sale.

NEXT ISSUE

- * Pesticides—how necessary and evil; a comprehensive survey of their uses and impact in Sri Lanka
- * Growth and expansion of multinational banking in Singapore
- * Possibilities in inland fisheries for developing the peasant economy of the dry zone

COVER: Sepalika Fernando and Palitha Kannangara

NEW PRICE: Readers please note that from the January 1983 issue there will be a nominal change in the price of the Economic Review. The new price is Rs. 3/50 per copy and Rs. 40/- for an annual subscription.

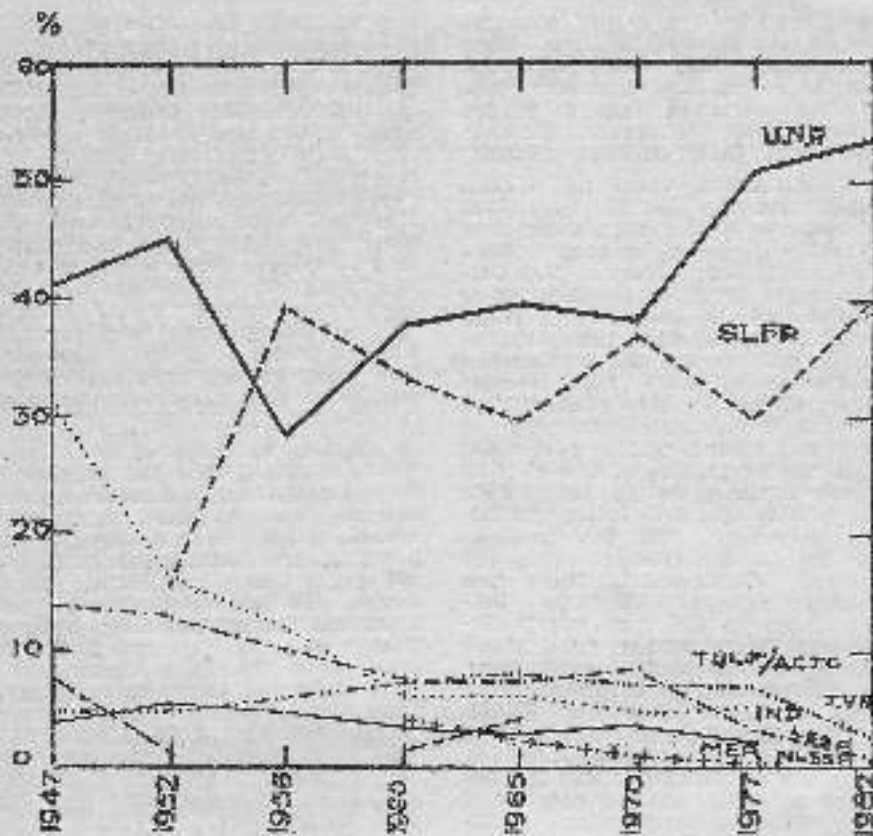
DIARY OF EVENTS

Oct.

- 1 An International Agreement on Jute Products was adopted in Geneva by the 50-nation UN Conference convened under UNCTAD auspices within the Integrated Programme for Commodities. The Agreement will come into force on 1 July 1983 if by that date three governments accounting for at least 85 per cent of net world exports and 20 governments representing at least 65 per cent of net world imports have signed the Agreement, declaring themselves to be bound by it, or have ratified it.
- 8 Turnover tax levied on the business of an architect or a consultant in respect of construction work was reduced from 10 per cent to 5 per cent, according to an announcement in the Gazette Extraordinary.
- 9 The risk of the banking crisis plunging the world into real depression is "undoubtedly higher than for many years past" stated the IMF's former Managing Director Witteveen, according to the Economist.
- 11 Experts from tea-producing and tea-consuming countries who met in Geneva to consider minimum export standards for black tea decided that they would need to convene again to continue their work.
- 14 An agreement was signed with the Asian Development Bank (ADB) for a loan of US Dollars \$ 16.1 million (Rs. 336.5 million approximately). The proceeds of the loan will be utilised for a Technical Education Project.
- 18 Four agreements were signed with the Government of Canada for a total grant of Canadian Dollars 15.6 million (Rs. 226 million approximately). The proceeds of these grants are to be utilised in the Maduru Oya Project, Technical Assistance (C\$ 1.8 mn); Water resources management project in the Mahaweli Development Area (C\$ 2.8 mn); Establishment of a planning and survey unit in the Mahaweli Authority (C\$ 1.0 mn); and the supply of wheat grain as food aid during the period of 1982/1983 (C\$ 10.0 mn).
- 28 The Government announced a downward revision in the retail prices of wheat flour and bread in view of the declining prices of wheat grain in the world market. Flour was reduced from Rs. 6/55 to Rs. 5/95 per kg. and bread from Rs. 2/70 to Rs. 2/50 per 450 gms.
- 29 An agreement was signed with the US Government for a loan of US Dollars 15 million (Rs. 313.5 million approximately) to be utilised for the purchase of about 90,000 metric tonnes of wheat grain under the PL 480 Title I Programme for the fiscal year 1983.
- 30 Brazil can finance its \$14 bn. current account deficit until the end of the year, Planning Minister Netto promised western bankers, reported the Economist. Meanwhile, Argentina agreed with the IMF for a \$1.5 bn. stand-by facility; while Chile was likely to get \$900 mn. from the IMF.

Nov.

- 2 The Vote on Account for 1983 intended to provide parliamentary approval for a certain amount of expenditure and advances out of the Consolidated Fund during the period commencing 1st January 1983, was approved by Parliament. The first vote on account presented in the country was in 1931; this was the fifth.
The Government raised the authorised limit on Treasury Bills from Rs. 18,000 million to Rs. 23,000 million. The previous increase in the limit from Rs. 13,000 million to Rs. 18,000 million was in November, 1981.
- 3 The Stamp Duty Act No. 43 of 1982 was enacted by Parliament. The Act provides for the imposition of Stamp Duty on instruments such as deeds, share certificates, etc. and documents such as affidavits, summonses etc. Two major features incorporated in the new Act are: firstly, the increased role of the Notary Public in the payment of stamp duty and the facility to accept cash in lieu of stamp duties in the court proceedings; secondly, the banks to pay stamp duties in cash, and enterprises with a large number of employees to pay stamp duties on salary receipts in cash.
- 4 The Food Commissioner announced reduction in the imported raw and par boiled rice from Rs. 6/00 to Rs. 5/60 per kg. The price of local par boiled rice was reduced four days later from Rs. 5/70 to Rs. 5/60 per kg.
The government withdrew the export duty on ground cinnamon in bulk or packed and cinnamon quills in cut pieces. This measure was intended to compensate for relatively higher expenses involved in processing, packing and marketing of such products for export.
- 6 Poland's Western Bankers agreed to the rescheduling of \$2.3 bn. of debts due this year, reported the Economist.
- 10 The Central Bank announced that its foreign exchange transactions with commercial banks operating in Sri Lanka will be done exclusively in United States Dollars. Under the new arrangements the Central Bank will buy and sell US Dollars for spot delivery at rates to be announced in the morning of every working day.
- 12 An Agreement was signed between the Government of Sri Lanka and K.C.P. Ltd., of India for the construction of a factory for the Sevanagala Sugar Development Project. The annual capacity of the new factory is expected to be around 27,000 tons of sugar. The estimated cost of the factory is US \$ 29.8 million including a foreign exchange cost of US \$ 21.3 million which will be funded by a loan from the Asian Development Bank.
- 17 Letters were exchanged between the Governments of Italy and Sri Lanka providing for a grant of US Dollars 1.1 million (approximately Rs. 23 million). The proceeds of this grant will be utilized for the import of 5,000 metric tons of soft wheat flour during 1983.
- 21 Construction work on the Randenigala Project, the final and the largest of the major reservoirs under the Accelerated Mahaweli Development Programme, was inaugurated.



ELECTORAL PREFERENCES

A major part of the country's electorate has always been with one of the two leading political parties, as seen in this diagram. With the exception of 1958, the ruling UNP appears to have enjoyed considerable popularity throughout and its upward swing is most marked in the recent elections of 1977 and 1982.

part substitution process. This new class rapidly rose to challenge the dominance of the old plantation class and began to compete with it, particularly around the 1970's in the economic sphere.

A significant aspect of the socio-economic changes in Sri Lanka from independence in 1948 upto the 1977 changes and after was the gradual erosion of the predominant position of the plantation elite. The latter were successfully challenged through the medium of the electoral process and associated patronage politics by the rural lower middle classes, some of whose members had risen to occupy as a group a predominant position. This new class reached market and other limits within the country and was actively engaged in a process of forming new linkages economically with countries in the "centre". It also began to forge strong links with the remnants of the earlier plantation elite (the plantations themselves were largely nationalised in the mid 70's, with compensation) which had now diversified into new activities.

A national election symptomatic of the new changes in the country was that of 1977. Here the United National Party, the old plantation allied party at independence, with a new refurbished image, won a resounding victory which was in many ways as significant an event as that of the 1958 election. As a watershed it signified in a sense the completion over a twenty-year period—1958 to 1977—of significant changes, and the partial amelioration of the strong cultural and social contradictions between the rural lower middle class and the Colombo based upper strata that existed at independence. Taking these

This Special Report on "National Elections" was prepared immediately after the Presidential Elections in October 1982, but eventually held in reserve for publication till after the Referendum in December. The analysis is therefore restricted to the October Elections.

NATIONAL ELECTIONS

The statistical analysis of election results in this issue is a straightforward matter. Yet the statistical trends that emerge and have been analysed, depend on actual human actions and motivations. These actions of voters have been influenced to a large extent by the social perceptions of the groups from which they come. It is those groups whose votes are expressed in the electioneering process and are consciously or unconsciously wooed by political parties. In our two issues on the election of 1977 (May 1977 and July 1977) we sketched what the groups were. We outline here some of those groupings together with the new social elements that have been introduced into the country since 1977 and which we believe have played a significant part in the 1982 elections.

The Sri Lankan social structure has been influenced in turn by its pre-colonial "feudal" past, a colonial economy and the post

colonial situation. Some remnants of the social strata corresponding to these stages still survive. Thus, from the feudal past, there are still pockets of a classical peasantry with life styles reminiscent of the feudal past. The colonial incursion brought with it a plantation economy and a new ruling strata together with a disruption of the local peasantry in the hill country and the introduction from South India of a large estate proletariat. The 18th century also saw the emergence of local entrepreneurs providing functions ancillary to the main colonial presence. Further, the introduction of a commercial economy made deep inroads into areas in the social structure untouched by the plantations and transformed their entire character.

In the post-independence era with the initial emphasis on import substitution there were new groups arising associated with the im-

changes to a "logical" conclusion the Government since 1977 has attempted a determined relinking of the economy with the world economy. It has invited transnational investment and liberalised imports, provided strong incentives to private entrepreneurs, combined with a curtailment of subsidies, and economic management of the country has been carried on under IMF and World Bank advice.

Since 1977 new social groups have emerged corresponding to the dramatic new changes in the economy. The economy has experienced an import led growth in the trade sector, based on liberalised imports (with at present a resulting massive trade gap). Apart from the trading, the other main sector of expansion was construction. A significant area of economic activity was the Mahaveli Development Programme, with its massive construction efforts, together with the housing construction programme. Further, the Free Trade Zone (though on some key criteria the FTZ has yet to prove itself) has had an impact on the country.

These new economic activities occurred without a related increase in export earnings or any dramatic increase in the sphere of local industrial production. The new dynamic sectors of the economy, however, gave rise to new powerful strata such as contractors and agents for foreign firms (who earned very high incomes), and those large commercial houses involved in imports. The corresponding spread of these activities which centred around these strata gave rise in the trading sector, for example, to a proliferation of shops throughout the country, as well as of sub-contractors throughout large sections of the country. The spread effects of these has resulted in a certain amelioration of unemployment, as well as a partial trickle down effect on incomes.

These then were among the social groups that were the hidden actors in the electoral drama. These social strata are largely the horizontal strata, but in addition there are also vertical strata that play a part in the consciousness of the people. These include "racial" groups such as Sinhalese, Tamils or Muslims, religious ones such as Buddhist, Hindu or Christian, caste groupings etc.

It is on this tapestry of vertical and horizontal divisions of society that the electorate articulates its will. It is in the manner that these groups perceive political reality that produces a particular election result. However, perceptions of reality are not autonomous will-ed acts of groups. The groups themselves are subject to pressures

and conditioning for example through the media, so that their consciousness may not represent their "true" objective situations. False consciousness could make groups perceive quite different perspectives from their objective needs.

A significant trend of social change over the last 25 years was the removal of the large social and cultural disparity between town and country and between the Colombo based English speaking upper stratum and the Sinhala and Tamil speaking countryside. The predominant process was the commercial penetration of the rural sectors which resulted in this amelioration. In short, the sharp dichotomies of a cultural nature which were the prime motive factors of the election of 1956 vanished by the late 1970's. The country was still being "culturally colonised", but the conduits now led to all corners of the country. Consequently there was no sharp cultural cleavage between those in Colombo upper circles and those outside, particularly with regard to their aspirations, hero figures and even perhaps core values. A writer from the Bank's Research Department commenting on the role of culture in the mechanics of social changes in Sri Lanka, in 1980, pointed out (at a Ceylon Studies Seminar on Post-War Economic Development).

"If we were to examine in retrospect the movement of cultural protest and its aftermath in post-Independence Sri Lanka; the cultural protest occurred in the late 50's when the rural lower middle class gained partial state power and acted against the anglicised Colombo groups. The ideology and culture of the lower middle class itself included pockets of colonial culture transmitted in the 19th century and since then internalised. The overt demand of the representatives of the rural lower class in obtaining state power was to emphasise a return to what it imagined was a traditional culture. Twenty years later with a deeper integration of the urban and rural sectors of the economy of Sri Lanka and the amelioration of the gross social and cultural cleavage between the town and countryside, exemplified by some elements of the rural middle class reaching upper class status, the overt cultural conflicts were minimised. In its place a new social formation, with the contemporary upper classes forging new links with the world economy, provides today a direct entry of cultural influences into the whole country. The country is now re-linked not only to the world economic system but also the social and cultural one."

"Although the cultural aspirations between town and countryside have got lessened over the last few decades, yet with the recent rising cost of living and widening income gaps, a new social strata having very high purchasing power has emerged. The ability to consume the new cultural symbols are today however, not necessarily uniform. Cultural aspirations across the nation may be largely uniform but the ability to acquire the cultural symbols are limited to only a few. Whether this widening social and economic scheme would lead to a new stratum using culture as a tool of protest is at this stage too premature to predict".

Clearly the election results indicate strongly that the schisms or their perceptions had not been sufficiently wide to create a different consciousness. Wide access to aspects of the import led boom — although with different strata having different access — meant that a strong subjectively felt differentiation had not emerged. This was true even though some studies have indicated that access to some basic items, such as food, among certain sections of the population, had very probably decreased (See for example Economic Review, March 1982, special issue on Food and Society).

Economic Background to the Election

The policy reforms since late 1977 were designed to move the economy away from the existing government intervention and controls. In keeping with this policy the exchange rate was unified and allowed to float, most import payment restrictions were relaxed and price controls dismantled. This resulted in a liberalization of the economy and marked changes in relative prices which were expected to boost production and stimulate exports. A significant result, however, was the import led trade boom which in turn led to a soaring import bill and a comparatively slower growth in export earnings and has resulted in a widening trade gap. While imports expanded by over 150 per cent exports have expanded by less than 40 per cent during this period. It is an unfortunate fact that this growth strategy had to be tried and tested in an entirely hostile international economic environment.

Further, the attention of the Government had to be engaged in cushioning the public from the effects of global and domestic inflation. There was a high rate of inflation, which was serious in the 1980/81 period. And when the exchange depreciation occurred against the background of this inflationary situation the entire position was

aggravated. In the Economic Review of February 1982 we drew attention to this situation when we stated that "the high inflation in the country (caused by factors other than exchange depreciation) leads to exchange depreciation which in turn becomes a further contributory factor to the inflation. The exchange depreciation is at once an adjustment to the already existing inflation in the country as well as a contributory factor in the inflation. Inflation and exchange rate depreciation has begun to operate in a cycle, one leading to the other".

After 1980 inflation accelerated sharply, the budgetary position began to grow unmanageable, and the increase in the current account deficit quickly outpaced the growth in available concessional aid and investment flows. The result was that for the first time since 1975 net foreign exchange reserves began to decline and Sri Lanka was forced to undertake short-term and commercial borrowings on a significant scale to finance the payments deficit.

Furthermore, government revenues did not come upto expectations while the import costs of essential commodities and inflationary pressures upset Government's expenditure programme. The weakening in the government's expenditure mechanisms also resulted in heavy bank borrowings in order to finance persistent budget deficits. All these factors posed a threat to the government's development strategy and its liberalised economy policy. In order to bring the situation under control major cuts were introduced in the public investment programme and attempts were made to redesign this programme in line with the new resource realities. A concerted effort was therefore made to stabilise domestic prices, reduce the external resource imbalance and switch composition of investment towards quick-rotation and less capital-intensive and energy-intensive projects.

The increase in the cost of living was also reaching dangerous levels. The government was left helpless to do anything except create employment opportunities to permit the people to earn adequate wages to meet these costs.

There were significant growth rates over the 1977/81 period, despite the problems of the economy. The period from 1982 however, appeared to be one of greater stability particularly for the price level. The deflationary measures adopted by the Government, aided by the world recession, helped to hold back the inflationary process which had caused considerable concern in the people and the government. Moreover, the paddy farming sector had

District	No. of seats	U.N.P.	S.L.F.P.	N.L.T.C.P.	J.V.P.
Colombo	21	1	13	7	
Gampaha	18	1	8	8	
Kelaniya	11	1	3	5	
Kandy	12	1	7	2	
Maradu	8	1	3	2	
Nuwara Eliya	6	1	3	2	
Galle	11	1	5	3	
Matara	9	1	4	4	
Hambantota	7	1	1	2	
Jaffna	11	1	3	4	1
Wanni	5	1	2	1	1
Batticaloa	4	1	1	1	1
Digamawalla	5	1	3	1	
Trincomalee	4	1	2	1	
Kurunegala	16	1	9	6	
Paalana	7	1	2	2	
Anuradhapura	7	1	3	3	
Polonnaruwa	4	1	2	1	
Badulla	8	1	4	3	
Muniragala	4	1	2	1	
Ratnapura	10	1	5	4	
Kegalle	11	1	7	3	
	186	21	95	70	1
D* Basic Seats		116		7	

contributed to sizeable increases in production during the five years from 1977 and this sector in turn, though having to pay more for its inputs, had reaped the benefits of the increasing price level. The farmers earned more and handled far more money than they ever did before. In the meantime the liberalised economy made available goods in plenty for those who now had more money in their hands. The tendency towards consumerism by large sections of the people, generated by the 'open country' policies and the desire to maintain this situation, was a significant psychological factor for the electorate. It was in such an environment that the economic issues were forced in the election, although the economic issues did not come in the fore since the personality factor was evidently more significant.

Extrapolating the Presidential Results to a General Election

The issues, personalities and the parties present at the Presidential Election were not identical to those in a general election. In the Presidential election it became quite often a clash ultimately between two personalities. And, as this election showed, the major economic factors were not discussed very much in detail, neither were local issues at the electoral level discussed. It is therefore, not correct to extrapolate the results of a Presidential election to a general election and then make predictions about what the results of a general election would have been were it held during the time of the Presidential election. Furthermore, parties such as the Communist Party which supported the S.L.F.P. and the U.T.T.F. which boycotted the election, would also probably

contest a general election and that the end result would be different.

However, taking into account these reservations, we have attempted in the table above to see what the major parties would have secured if a general election followed the pattern of the Presidential election. We have applied the provisions in the Constitution which define the process of elections according to Proportional Representation and have arrived at the figures. The figures indicate that on a popular vote the UNP would have won 85 seats and the S.L.F.P. 72 seats, the Tamil Congress 6 seats and J.V.P. 1 seat. However, the constitution allows also for an 'extra seat' for the party that has a majority in each particular district. The UNP won 21 of the districts and the Tamil Congress the remainder. On this basis, the UNP gets 31 bonus seats and the Tamil Congress one. This gives a final tally of UNP 116 seats, S.L.F.P. 72, T.C. 7 and J.V.P. 1.

The October Presidential Election was held two years before it was finally due. There were many reasons given for the advancement of this date. It was accepted that the ruling party had a positive advantage in its well-known organisation and elite leadership; though the President himself hinted (in a post-election interview with foreign correspondents) the search for political advantage when the opposition was in disarray as one of the main reasons for the advancement of the date. The significance of the ultimate result of the election can now be seen in a more clear perspective. President J. R. Jayewardene was given a fresh mandate to carry on till 1989, thus indicating the direction of the political situation till the end of the decade.

THE SHIFT TOWARDS THE UNP: A DISTRICT-WISE ANALYSIS

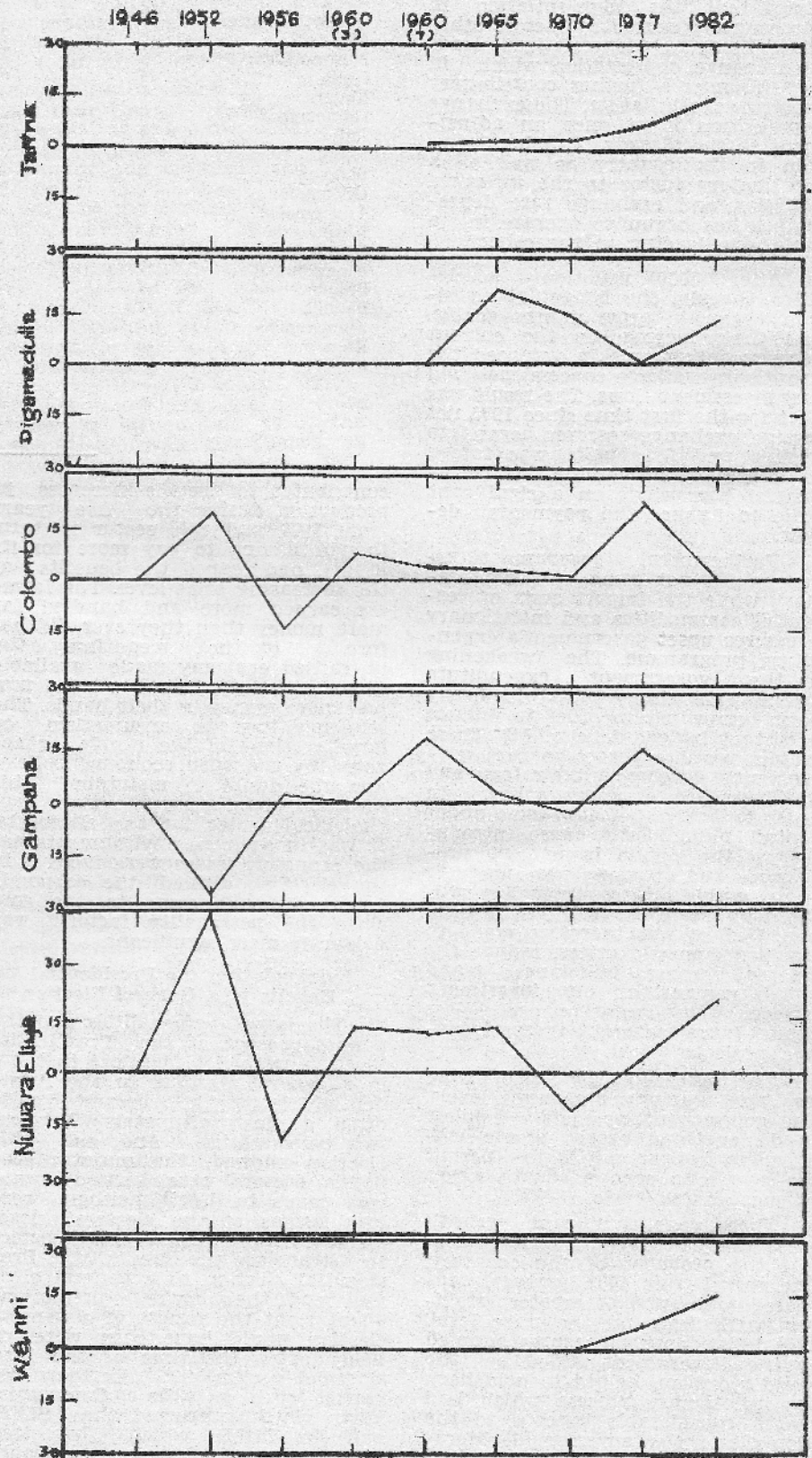
W. G. S. Waidyanatha

In the 1982 Presidential poll the United National Party gained majorities in 21 out of the 22 districts of the island. An attempt is made here to examine the percentage-wise change and pattern of votes polled by the UNP in each district in 1982 in relation to its performance in 1977. At times, however, in order to clarify the analysis, it is necessary to make reference to the number of votes of the Sri Lanka Freedom Party polled in this election. It should also be noted that at the Presidential Election the United National Party was supported by the Ceylon Workers Congress; while, the Sri Lanka Freedom Party was the Mahajana Eksath Peramuna, a section of the Lanka Sama Samaja Party and a few other left splinter groups.

In 1977, the party succeeded in obtaining over 50 percent of the votes cast in 16 out of 22 districts. In 9 of these 16 districts namely Colombo, Kurunegala, Matara, Badulla, Puttalam Hambantota, Matale and Polonnaruwa the UNP won over 55 percent of the total votes. This position was not reflected in the results of the 1982 Presidential Election when the number of districts in which the UNP obtained over 50 percent of the vote was reduced to 14. The districts where this majority was gained also changed somewhat from the 1977 position. Thus the Matara Hambantota, Anuradhapura and Moneragala districts where the UNP received over 50 percent of the vote in 1977 registered majorities of below 50 percent in 1982. On the other hand, the UNP's share of the votes cast in Colombo, Kurunegala, Kandy, Badulla, Kegalle, Puttalam, Digamaduwa, Nuwara-Eliya, Matale and Polonnaruwa districts even exceeded the 55 percent mark in 1982. Moreover, the share of the UNP votes cast in the Nuwara-Eliya District increased by 20.14 percent over its 1977 position.

Compared with the 1977 situation, in 1982 the UNP increased its vote in 10 districts, while it polled less than in 1977 in 12 districts (See table on page 9). However, with the exception of the Jaffna District the UNP had clear majorities in all other districts in 1982. The graphs on the following pages indicate the extent of change and behaviour patterns of the UNP vote over each preceding general election in each district. In order to gauge the tendencies in the UNP vote this year, it would be useful to examine the movement or change from the 1977 position to that of 1982.

This may be ascertained through a comparison of the votes cast in



favour of the UNP in each district in 1977 and in 1982. In the graphs reproduced on these pages the line indicating zero could be identified as the total of votes polled in the previous election year. The increase or decrease in the amount of votes received in a particular year was therefore measured with the zero line denoting the base year. Thus, the percentage change at any elec-

tion is the point away from this line. On this basis of all 22 electoral districts the highest rate of gains in 1982 is evident in the districts of Kandy, Nuwara-Eliya, Vavuni, Batticaloa, Jaffna and Dismal.

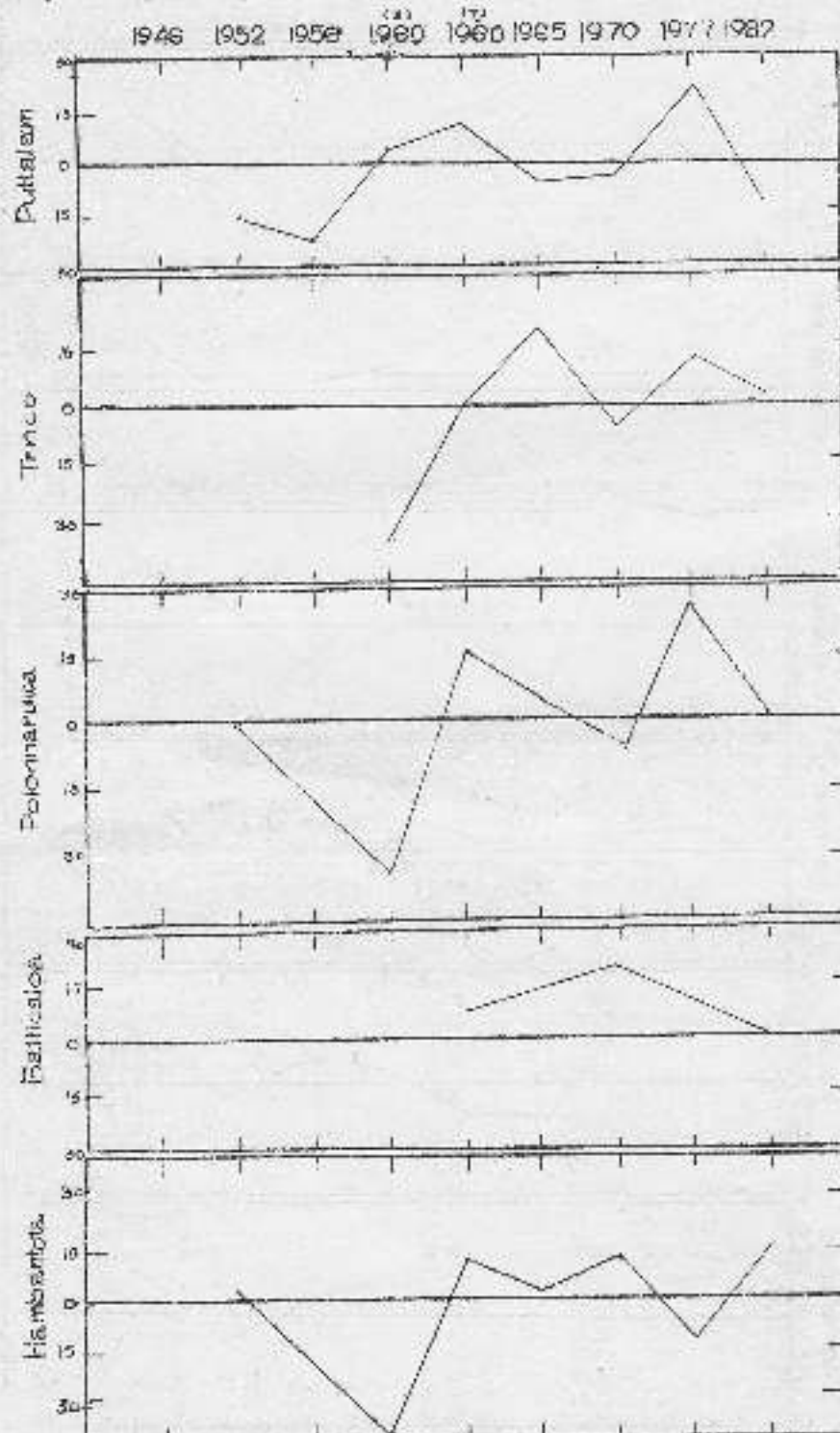
The increase in the UNP votes in the Kandy District is also probably related to a drop in the popularity of the Sri Lanka Freedom

Party that prevailed in 1977. (in 1981 38.9%, in 1977 32.7%) a heavier vote from the Estate Tamil Labour in the district in its favour. (Percentage of estate Indian Tamil Votes in Kandy was 1981) and the pro-government vote of the business minded Muslim community who have benefited from the liberalised economic policy of the government in such areas as Aturana, Udumawera and Gampaha.

A noteworthy feature of the poll in the Jaffna District is that the UNP vote at the Presidential election had gone up by 17.65 percent over 1977 figure, whilst SLFP gained 28.4% and Tamil Congress received 14% of the votes. The element of distortion due to the non-participation of the TULF is also to be noted. One interpretation of the heavy non TULF vote may be interpreted as a vote against violence. Despite of the TULF boycott, part of this vote was cast and could possibly have switched to the UNP though most of it went in favour of the Tamil Congress candidate. However, this UNP vote was much less than the votes received by the other rival party candidates from the All Ceylon Tamil Congress and Sri Lanka Freedom Party.

Comparing the number of votes polled in 1977 and 1982 it is observed that the number of votes polled by the UNP's Presidential candidate in the Nuwara-Eliya district was the highest polled by this party in the entire island. It amounted to 83.10 percent of the total votes polled in the district. Even though the UNP was generally strong in this district at the last Parliamentary elections, the UNP vote in 1977 was less than that of 1970, 1977 4.2% less than 1970. There are several reasons why the UNP was able to increase its share of the poll by so large a margin in 1982 over the 1977 figure.

A few percentage of the population and of the voters in this district (the Indian Tamil population in the Nuwara-Eliya district was 47.6% of its population in 1981, though all do not enjoy the franchise) are mainly estate workers of Indian origin. In the 1977 General Elections, they registered their vote in favour of the Ceylon Workers Congress and succeeded in electing an MP from one among them. Since 1948 this M.P., who opted to support the UNP which came to power in 1977, was also elevated to Cabinet rank and estate workers were probably able to obtain facilities earlier denied to them. Further, the process of enfranchisement of the estate population of Indian origin on the basis of the Sirima-Shastri Pact was accelerated. This M.P. who represented them renounced their vote in support of the UNP's candidate in 1982, which was very probably the principal factor that influenced the

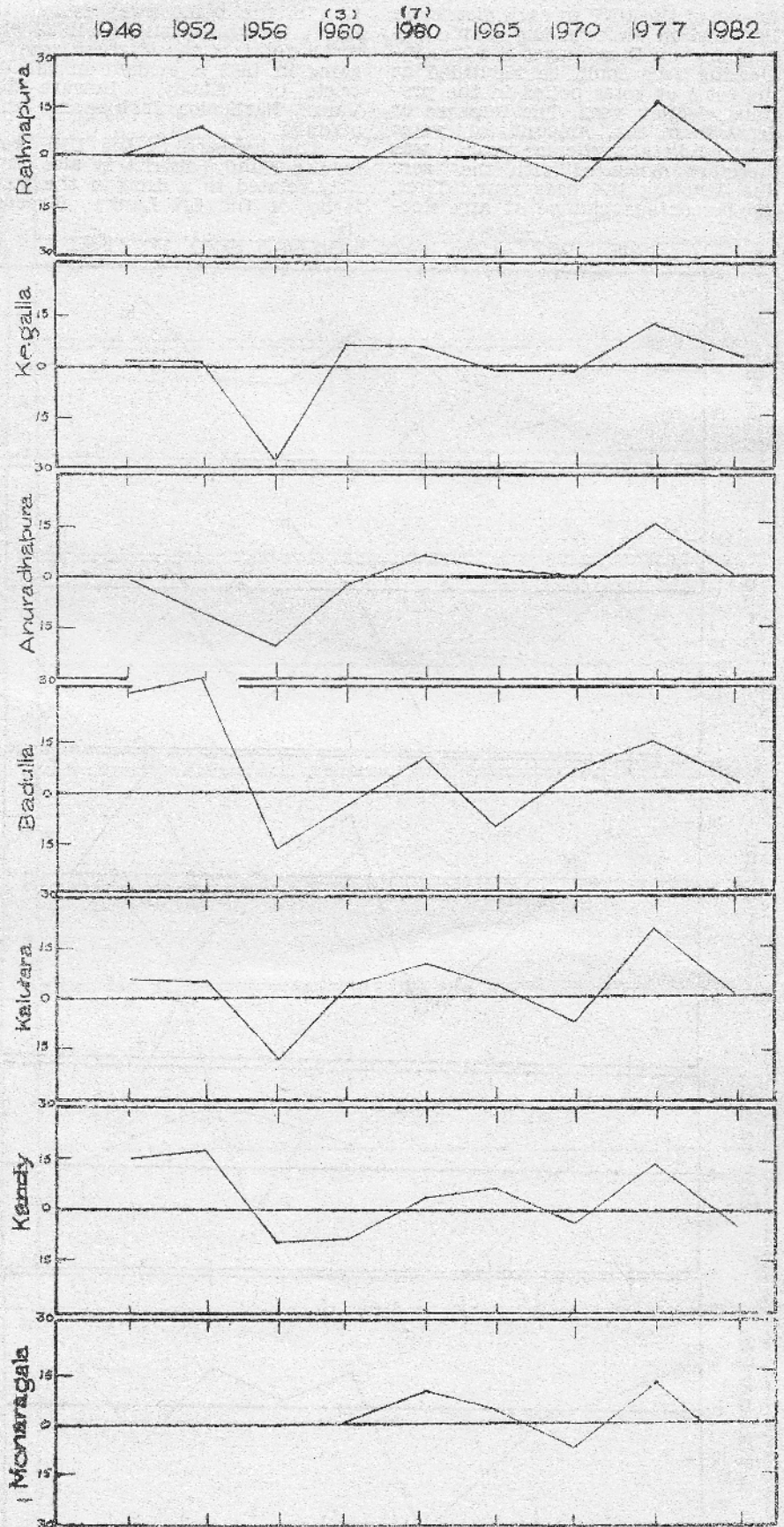


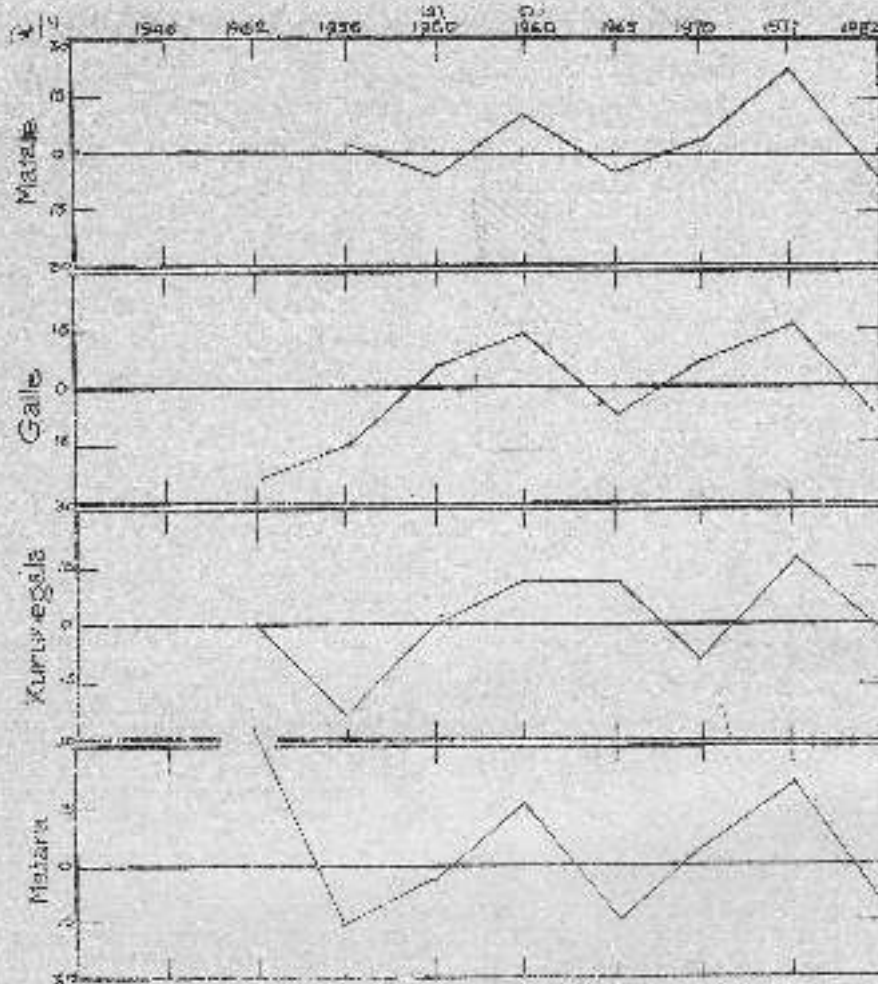
vote so heavily in favour of the UNP in the Nuwara-Eliya district.

In the case of the Batticaloa district, the UNP polled 14.59 percent more votes than in 1977. In this district, the number of votes polled by the UNP since 1960 July election had increased steadily till 1970; but in 1977 it dropped by 10.9 percent. The principal reason for the drop in 1977, was the presence of the TULF. Thus, the increase in the UNP vote in 1982 by 14.59 percent over the figure for 1977 surpassed even the majority it held in 1970. Here the TULF boycott was not as effective and the turnout was 71 percent as against a turnout of 46 percent in the Jaffna district. Besides, it also possibly shows that a section of the Tamil population had apparently rejected the terrorist activities resorted to in the Jaffna district. Also in this district, it appears that the Muslim community (where wealthier elements have always been traders) which had benefited from the liberalised trade policy of the present government had largely supported the UNP.

On the basis of an all-island percentage of votes polled by the UNP, it appears that the party was more popular in the central region than in the maritime provinces. Thus in the districts of the Southern province in particular the UNP's popularity appeared to drop somewhat from the position it held in 1977. For example, the UNP vote dropped by 4.26 percent in the Galle district, by 5.97 percent in the Matara district and by 9.72 percent in the Hambantota district. The presence of the Janatha Vimukthi Peramuna (a new political party in the contest) which depended for the support on the young voter, could be one of the causes for this drop in the UNP vote. In 1977 a large part of the anti-SLFP youth vote, was cast in favour of the UNP. Part of this vote may have been diverted to the JVP in 1982. On the other hand, in Galle and Matara districts the other traditional left party in the contest polled considerably less votes in 1982 than in 1977; while the SLFP with Communist Party support polled more votes in 1982 than in 1977; one interpretation being that the left vote had significantly shifted to the SLFP in 1982. Also, though it appears that the drop in popularity of the UNP in the Southern Province may have been the result of was mainly in Matara and Galle districts that the SLFP increased an increase in the SLFP vote; it its vote in the South. The Communist Party received 16 percent of the votes in the Matara district and 6 percent in the Galle district in 1977 and a large part of this vote could have gone to boost the SLFP vote.

While UNP popularity in the Hambantota district too has dropped





by 0.72 per cent, the increase in the SLFP's popularity in that District had been marginal. On the whole, the other candidates together have increased their total vote here from 1.38 percent in 1977 to 15.37 percent in 1982. The comparatively high

percentage of the poll for the JVP in this district makes one believe that the dissident voter would have swung over to the JVP.

Matara is another district in which the UNP has polled a lower percentage of votes in 1982 (ie

CHANGES IN THE UNP'S VOTE FROM 1977 TO 1982

District	% of votes polled 1977	1982	Change in 1982
1. Amunakaya	49.80	63.10	+ 20.10
2. Galle	2.50	10.64	+ 17.06
3. Wund	36.82	48.42	+ 16.80
4. Hettimale	28.18	40.70	+ 14.59
5. Rajamadam	34.48	48.26	+ 11.81
6. Hanga	72.72	79.80	+ 8.08
7. Paltakol	55.05	61.12	+ 3.40
8. Kigalle	55.19	67.46	+ 11.88
9. Tulucmalce	45.10	48.04	+ 1.84
10. Kolumba	44.15	57.71	+ 16.66
11. P. amunakaya	67.50	82.85	+ 15.35
12. Kuruvégala	56.81	65.77	+ 8.96
13. Bernetha	39.45	60.67	+ 21.22
14. Polonnaruwa	57.00	59.20	+ 2.20
15. Rastapaya	62.88	50.81	- 12.07
16. K. Lalata	58.05	50.15	- 7.90
17. Anuradhapura	59.29	57.01	- 2.28
18. Manaragala	50.36	40.20	- 10.16
19. Galle	54.09	44.82	- 9.27
20. Matara	62.84	58.11	- 4.73
21. Matara	55.29	49.32	- 5.97
22. Manabagala	49.02	45.91	- 3.11

47.80) than in 1977. The UNP has substantially increased its popularity in this district from 1963, showing an improvement of 5.4 percent in 1978 over 1963, and an improvement of 1.88 percent in 1977 over that of 1970 through at the 1982 poll it recorded a drop.

In the Kuruvégala district too the UNP's popularity dipped by about 4 percentage points compared to its 1977 position. Once again it appears that the current vote moved more to the JVP whose candidate obtained 6.9 percent of the vote in this district. The SLFP had a marginal increase of 1.5 percent over that of its 1977 position.

In the Amunakaya district too the UNP's popularity showed a drop of 3.48 percent over its 1977 position in this district and it was almost this same percentage (3.48%) that the SLFP gained here. However, the JVP too obtained a significant 3.8 percent of the votes in this district, which was polled by the two traditional left parties (CP and PSP) in 1977.

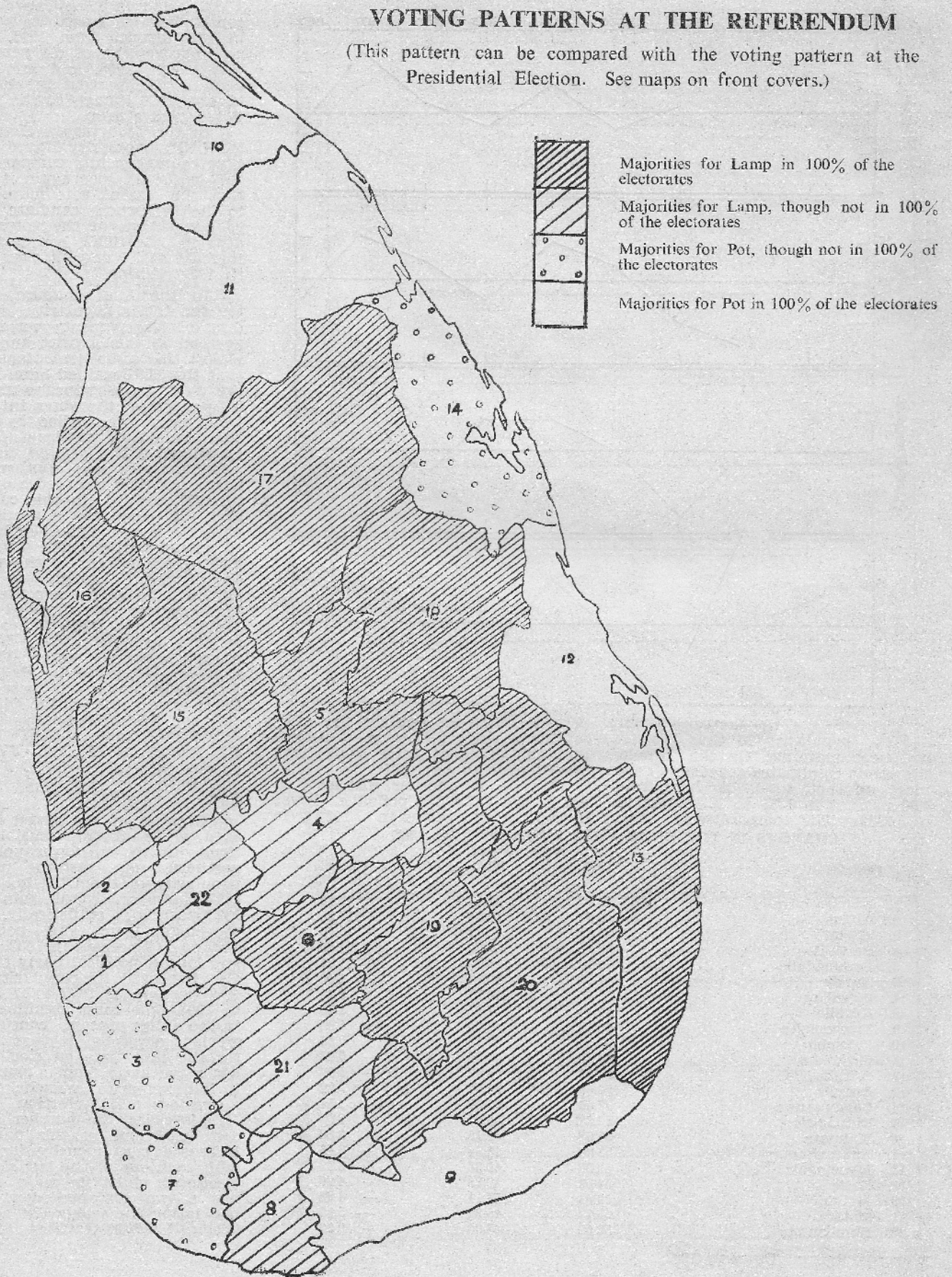
Polonnaruwa was another district where the UNP recorded a drop from its 1977 position. In this case, however, the drop was a marginal 1.5 percent. Here too the JVP had gained comparatively much ground obtaining 7.7 percent of the votes in the district, though it probably gained more at the expense of the SLFP whose vote dropped 3.8 percent over the UNP. The other five districts in which the UNP vote showed a drop were Gampaha, Kalamna, Kuruvégala, Badulla and Rastapaya and in all these districts there were votes by the SLFP and also the JVP. (Gampaha SLFP 5%, JVP 3.4%, Kuruvégala SLFP 20%, JVP 4%, Badulla SLFP 7%, JVP 3.3%, Kuruvégala SLFP 6.9%, JVP 3.5%, and Rastapaya SLFP 11.5%, JVP 3.2%.)

However, if the island is taken as a whole (disregarding possible distortions due to the lower poll in the northern and eastern provinces) popularity of the UNP in October 1982 shows an overall gain over its 1977 position: statistically, an improvement from 60.8 percent in 1977 to 51.9 percent in 1982. The second largest political party the SLFP also improved its popularity from 29.7 percent in 1977 to 38.5 percent in 1982. The most significant trend in the entire process, considering all previous elections, is that in 1982 for the first time an electorate did not move away from a party which it had voted in overwhelmingly in a previous (1977) election.

Moreover, the number of votes cast in favour of this party has increased continuously since 1959 with each one of the last six general elections, whilst its main contender has shown ups and downs with the latter increasing its share at this poll. (See graph on page 7.)

VOTING PATTERNS AT THE REFERENDUM

(This pattern can be compared with the voting pattern at the Presidential Election. See maps on front covers.)



The Vote in the Northern and Eastern Provinces

T. T. Ramachandra

A number of significant features may be observed in the results of the Presidential Elections held in 1982 October, in respect of the Northern and Eastern provinces. The number of voters who turned out in these two provinces was considerably low at this election, while a substantial number of the votes polled had been rejected. The two prominent national parties, namely, the UNP and the SLFP have both obtained a greater number of votes in these Provinces than they did in the 1977 general elections.

Before attempting to discuss these special features, it is necessary to analyse the composition of population of these two provinces and the various political parties that contested this election. According to the Census of 1981, 86.4 per cent of the total population of the Northern Province comprises Sri Lanka Tamils and 5.7 per cent are Tamils of Indian origin, with the total Tamil population in this province being 92.1 per cent. In the Jaffna district, which comes within the Northern province, these percentages are 95.3 per cent for Sri Lanka Tamils and 3.4 per cent for Indian Tamils, with the total percentage of Tamils being 98.7 per cent. In the newly

formed Warud (former district which comprises the former administrative districts of Mannar, Mullaitivu and Vavuniya) the population of Tamils is 75.3 per cent of the total population (59.8 per cent Sri Lanka Tamils and 15.5 per cent Indian Tamils).

The percentage of the Tamil population in the Eastern province which is 43.1 per cent, is considerably low compared to that of the entire Northern province. This comprises 40.9 per cent of Sri Lanka Tamils and 1.2 per cent of Indian Tamils. Of the three districts of the Eastern province, the Batticaloa district has the largest Tamil population, with 72.0 per cent of the total population being Tamils, (70.8 per cent Sri Lanka Tamils and 1.2 per cent Indian Tamils). The percentage of Tamils in the Trincomalee district is 36.4 per cent of the total population, which comprises 34.8 per cent Sri Lanka Tamils and 1.6 per cent Indian Tamils while in the Ampara district the respective percentages for Sri Lanka Tamils is 20.1 per cent and Indian Tamils 0.4 per cent bringing the total Tamil population in this district to 20.5 per cent. (See tables I and II).

It is therefore clear that the majority of the population inhabiting the Northern Province are Tamils. The distribution pattern of the various nationalities shows a difference in the Eastern province where, except for the Batticaloa District, the majority of the population does not constitute Tamils. It is also evident that the percentage of Tamils of Indian origin in these two provinces is comparatively low and that there is a greater weightage of Tamils of Sri Lankan origin. Furthermore, it is noteworthy that of the total Tamil population of Sri Lanka 37.9 per cent live in the Northern province whereas in the Eastern province this percentage is only 13.3 per cent. Considering only the Sri Lanka Tamil population it may be observed that 51.3 per cent inhabit the Northern province while 21.3 per cent of the Sri Lanka Tamil population is in the Eastern province. Considering the Indian Tamil population in Sri Lanka it is seen that 77 per cent live in the Northern province, whereas only 1.8 per cent live in the Eastern province. One evident feature from this population distribution is that the majority of Tamils of Sri Lankan origin (almost three-fourth) inhabit these two provinces, mainly the Northern, whereas the majority of the Indian Tamils live outside these two provinces; the majority of them, nearly 99.3 per cent living mainly in the plantation areas. It must be noted that while all Sri Lankan Tamils enjoy the right to vote, only a section of the Indian Tamils in Sri Lanka enjoy this privilege.

At the General Elections of 1977 the two major national parties, that is, the UNP and the SLFP, and also the TULF (which participated only on a regional basis), entered the contest. At the Presidential Election of 1982, however, the TULF withdrew completely from the contest though a representative of the Tamil Congress (which had allied with the TULF in the 1977 General Election) did contest.

In attempting to analyse the significant features of the October

Table I PERCENTAGE OF TAMILS IN THE NORTHERN AND THE EASTERN PROVINCES IN 1981, NUMBER OF VOTES POLLED AND REJECTED AT THE PRESIDENTIAL ELECTIONS OF OCTOBER 1982 ON A DISTRICT BASIS

Province/District	Sri Lanka Tamil %	Indian Tamil %	Total Tamil %	Votes Polled %	Votes Rejected %
Northern Province	86.4	5.7	92.1	49.3	4.3
Jaffna District	95.3	2.4	97.7	46.3	4.6
Vanni District	59.8	15.5	75.3	31.5	3.3
Eastern Province	40.9	1.2	42.1	71.7	1.8
Batticaloa Dist.	70.8	1.2	72.0	71.5	2.3
Trincomalee Dist.	34.8	2.6	36.4	71.4	1.9
Dianaidella Dist. (Ampara)	20.1	0.4	20.5	79.8	1.3

Table 2 PERCENTAGE OF TAMILS IN SRI LANKA IN 1981, THE NUMBER OF REGISTERED VOTERS AT THE PRESIDENTIAL ELECTIONS OF OCTOBER 1982, NO. OF VOTES POLLED, PERCENTAGE REJECTED, AND PERCENTAGE GAINED BY THE UNP AND SLFP ACCORDING TO THE PROVINCES

Province	Sri Lanka Tamil %	Indian Tamil %	Total Tamil %	No. of Votes Registered	Votes Polled %	Votes Rejected %	Votes Polled by UNP %	Votes Polled by SLFP %
Northern	86.4	5.7	92.1	612,768	49.3	4.3	26.9	34.8
Eastern	40.9	1.2	42.1	310,394	71.7	1.8	46.2	28.4
Western	5.6	1.6	7.2	2,905,676	82.1	1.0	54.1	40.8
Central	7.3	18.8	26.1	953,921	86.7	1.0	60.2	38.0
Southern	0.6	1.3	1.9	1,184,342	81.4	1.1	49.0	42.2
North Western	2.7	0.5	3.2	985,180	85.8	0.9	36.6	39.1
North Central	1.3	0.1	1.4	405,218	85.1	1.0	51.8	41.2
Uva	4.5	13.7	20.2	406,745	85.8	1.5	33.9	38.5
Sabaramalaya	2.2	8.9	11.1	808,750	86.1	1.1	54.0	40.5
Total	12.6	3.6	16.2	8,145,024	81.1	1.5	43.9	39.1

Presidential Election, in respect of the Northern and Eastern provinces only, it is necessary to consider specially the pattern of population distribution and the participation of particular political parties at this election.

Decline in Number of Votes Polled

The turnout of voters at the Presidential Election particularly in the Northern province was very low, while in the Eastern province too it was considerably low, the respective percentage turnout being 49.3 per cent and 74.7 per cent compared to 81.1 per cent for the whole island. This situation contrasts strongly with the percentage of votes polled in the other seven provinces of the island where the turnout varied between 82.1 per cent and 86.7 per cent (See table 2). The average percentage of votes polled for these 7 provinces is a high 84.3 per cent. (This is further interpreted from table 3). It is apparent that the low percentage of votes polled in these two particular provinces, namely the Northern and the Eastern, resulted in a general decline in the average national percentage as well.

Considered district-wise, it appears that (with the exception of the Colombo District) in all other Districts in the Island the percentages of the votes polled have exceeded those of all districts in the Northern and the Eastern province. Another evident feature is that a strong correlation appears to exist between the percentage of votes polled in the five electoral districts in the Northern and Eastern provinces and the strength of the Tamil population in these respective districts. (See Table 1). Considered percentage wise, it is observed that the lowest percentage of the votes polled (45.3%) was in the district where the highest percentage of Tamil population exist, namely the Jaffna district; and the highest percentage of votes polled (79.8%) was in the Amparar district which is inhabited by the lowest percentage of the Tamil population among these five districts.

According to this pattern the non-participation of the TULF in the Presidential Election of 1982, appears to have been the major reason for the decline in the number of votes polled in the Northern and Eastern provinces at this election; it has been an important factor in Election as much as 69.0 per cent of the valid votes in the Northern province and 32.9 per cent of votes of the Eastern province were won by the TULF adds support to this contention.

Rejected Votes

At the 1982 Presidential Election 4.3 percent and 1.8 percent of the total votes polled were rejected in Northern and Eastern Provinces res-

pectively. The percentages of rejected votes in other provinces ranged from 0.9 per cent to 1.3 per cent, the average percentage of total votes rejected in these other 7 provinces being 1.0 per cent. (The average percentage of rejected votes of all 9 provinces was 1.2 per cent). It shows that the number of votes rejected in the Northern and Eastern provinces had gone up. (A district-wise breakdown of the figures shows that the five districts in Northern and Eastern provinces have registered a higher percentage of rejected votes than all other districts except for two, namely Monaragala and Kegalle). It is evident therefore, that there has been a close link between the percentage of the Tamil population and the percentage of votes rejected as well as the percentage of votes not polled. (See Table 1).

It is difficult to trace any factor other than a political one, which has brought about this unprecedented increase of rejected votes. There is no evidence to suggest that the standard of education of the people of these two districts had any influence in this unprecedented increase in rejected votes. According to the 1981 Census the rate of literacy among the people of the Jaffna district recorded a very high percentage, being second only to that of the Colombo and Gampaha districts. But the Jaffna district registered the highest percentage of rejected votes. The conclusion that a large number of these votes were spoilt deliberately is thus strongly upheld. It is possible that such voters may have by this action intended to express either their dislike towards the Presidential poll or a feeling of dismay towards the existing political system of the country.

Performance of Two Major National Parties

At the end of the 1982 Presidential Election the UNP was able to obtain 26.9 per cent and 49.2 per cent of the total valid votes polled in the Northern and the Eastern provinces, respectively. On the other hand, the SLFP obtained 34.8 per cent and 28.4 per cent respectively, in these two provinces. But it would not be realistic to base our analysis on these percentages alone, obtained by these two major national parties. It is also necessary to consider two other factors; that the TULF, which is the leading regional political party, did not contest at this election; and the high rate of voter abstention at this election.

To assess the level of success at this poll by the UNP and the SLFP, factors such as the number of voters who abstained from voting under special circumstances, what political parties these voters supported, and also if the TULF actually contested the attitude they

would have adopted at this election must also be considered. However, we attempt to analyse this situation on the assumption that these voters, who abstained from voting under special circumstances, were mainly TULF supporters and if the TULF contested these votes would have gone to this party, the picture would be as follows: the UNP obtained 15.5 per cent and 43.6 per cent of the valid votes polled in the Northern and the Eastern provinces, respectively; while, the SLFP obtained 29.1 per cent and 25.2 per cent of the valid votes in these two provinces. At the 1977 General Election when all three parties contested the UNP gained only 7.7 per cent in the Northern province and 38.0 per cent in the Eastern province. The apparent trend is that this party has registered a clear percentage increase in votes in both these provinces compared to 1977. In the case of the SLFP it obtained 1.4 per cent and 26.8 per cent respectively from these two provinces in 1977. In 1982 this party showed a marked improvement in its performance in respect of the Northern province at the Presidential Election; but in the Eastern province although the votes gained by the SLFP were 12,000 more than in 1977 General Election, it seems that they have shown a slight decrease percentage wise. The number of votes obtained by the two major national parties could well have been lower if one were to consider a situation where the TULF actually contested the Presidential election. In such a situation some of the votes gained by these two parties could possibly have been received by the TULF.

One assumption that may be made is a situation where the TULF contested the Presidential elections of 1982, instead of the TC and the voters who abstained from voting in these two provinces as well as the votes polled by the TC were obtained by TULF. In such a situation the TULF could have registered 62.1 per cent and 26.9 per cent of the valid votes polled, in the Northern and the Eastern provinces, respectively. At the 1977 General Election the corresponding percentages registered by this party was 69.0 per cent from the Northern and 32.9 per cent from the Eastern provinces. Therefore on the above assumption the performance of the TULF on a percentage basis, would have been comparatively lower than in 1977, if this party in fact contested the 1982 Presidential Election. (This would have been the situation only if the TULF did not receive any of the votes obtained by the UNP and the SLFP).

On the other hand, if the TULF did contest the Presidential Election of 1982, and if this induced the voters (who abstained under

special circumstances) in the Northern and the Eastern provinces to vote for the TULF, the number of total valid votes polled at the Presidential election would have increased by another 231,000 votes. Thus the total valid votes polled could have increased from 8,522,000 to 8,753,000. In those circumstances the percentage of the total valid votes polled by the two major national parties could have declined and the UNP's percentage may have been reduced to 50.0 per cent, while the SLFP's percentage may have been 37.8 per cent instead of the 38.1 per cent that was registered by this party in October 1982.

At the December Referendum once again the lowest number of

votes polled in the Island was recorded in the Northern Province particularly in the two districts of Jaffna and Vanni. Also, the trend of a lower poll than in other provinces, seen in previous elections, was maintained here. For instance at the 1978 General Elections when the total registered votes polled for the entire Island average 86.1 per cent the figure for the Northern province was 82.2 per cent. Again, when the national average polled at the October Referendum 70.8 per cent the figure for the Northern province was 66.1 per cent. On the contrary at the December Referendum the poll for the Eastern province was comparatively high, with the three districts of Batticaloa, Digamadulla and Trincomalee re-

gistering an average poll of 70.3 per cent, 75.7 per cent and 68.7 per cent, respectively. Considered beside the national average poll at the December Referendum of 70.8 per cent, the level of voting in this province has not shown a significant decline at the Referendum. It must be noted that in December the national average poll dropped significantly from the October figure of 81.1 per cent to 70.8 per cent.

A significant factor was that a large number of voters in the Jaffna district who abstained from voting at the Presidential election exercised their franchise at the Referendum with the percentage of turnout going up to 60.1 per cent in December from only 49.8 per cent in October.

Table 3 NUMBER OF REGISTERED VOTERS, VOTES POLLED, ABSTENTIONS AND REJECTIONS IN NORTHERN AND EASTERN PROVINCES AT PRESIDENTIAL ELECTIONS OF OCTOBER 1982. VALID VOTES RECEIVED BY MAJOR PARTIES, AND ASSUMPTIONS ON ABSTENTIONS AND FULLY VOTE ON OTHER CIRCUMSTANCES

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Provinces/Districts	No. of Registered Votes	No. of Votes Polled	% Percentages of Voters presumed to have abstained under special circumstances	No. of Votes abstained (assumed) under special circumstances	After reducing 1% (an assumed voter of the total No. of voters assumed to have abstained under special circumstances)	No. of Valid votes received	UNP	SLFP	TC	No. of Valid Votes received by the other parties	% The Total no. of votes that all parties would have obtained
Northern Province	612,798	46.75	35.05	214,780	212,560	77,615 (15.48)	100,521 (39.05)	98,784 (19.70)	311,474 (62.13)	11,817 (2.36)	501,326 (100.00)
Jaffna Dist.	493,705	46.37	37.99	187,509	185,650	41,780 (11.05)	77,300 (19.15)	87,262 (21.82)	223,913 (67.61)	8,654 (2.18)	104,847 (100.00)
Vanni Dist.	119,095	61.45	23.35	29,220	26,940	22,831 (33.61)	31,220 (123.77)	11,521 (11.09)	38,461 (39.37)	2,168 (5.94)	97,679 (100.00)
Eastern Province	510,351	74.75	2.57	43,840	48,340	34,388 (43.59)	106,454 (25.18)	68,242 (15.42)	13,582 (25.82)	18,329 (6.28)	422,983 (100.00)
Batticaloa Dist.	172,480	71.29	13.61	23,440	22,210	48,684 (33.90)	21,688 (14.24)	17,093 (48.71)	69,302 (48.71)	3,200 (2.21)	142,297 (100.00)
Trincomalee Dist.	172,616	71.59	12.93	17,290	22,030	45,522 (41.15)	31,700 (28.64)	10,078 (10.00)	37,158 (24.51)	6,306 (5.70)	110,886 (100.00)
Digamadulla Dist. (Anepural)	209,768	79.83	4.47	9,130	4,040	50,772 (51.39)	51,056 (21.23)	8,079 (4.52)	17,119 (10.07)	9,053 (15.31)	170,614 (100.00)
All Island Position	8,145,074	81.49	9.24*	363,030*	300,010*	3,450,811 (80.87)	1,548,436 (17.57)	173,951 (2.56)	4,211,661 (65.11)	348,985 (15.14)	6,783,079 (100.00)

** The assumptions for abstentions (4) under special circumstances, and (12) total valid votes if parties would have received in the Northern and Eastern Provinces, are based on the national average poll at the Presidential Election of 84.3 per cent for the seven other provinces. It must be noted, however, that generally in the Northern province the poll has been slightly lower than the national average.

Table 4 COMPARATIVE POSITION OF VOTES POLLED AND REJECTED AT THE OCTOBER PRESIDENTIAL ELECTIONS AND THE DECEMBER REFERENDUM

Province	No. of Registered	% of Votes Polled Presidential Election (Oct.)	% of Votes Polled Referendum (Dec.)	% of Votes Rejected Presidential Election (Oct.)	% of Votes Rejected Referendum (Dec.)	% of Votes Polled P. Elec. (Oct.)	% of Votes Polled Ref. (Dec.)	% of Votes Polled P. Elec. (Oct.)	% of Votes Polled Ref. (Dec.)
Northern	612,798	49.3	60.1	4.3	0.0	26.0	14.8	29.1	85.0
Eastern	510,358	74.7	72.1	1.8	0.8	49.2	48.7	50.8	51.3
Western	2,306,676	82.1	87.4	1.8	0.2	54.1	53.9	45.4	46.1
Central	554,931	56.7	77.6	1.0	0.4	60.2	60.5	38.3	33.0
Southern	1,154,343	55.4	69.2	1.1	0.3	49.0	48.1	51.0	52.0
South Western	985,180	85.3	74.4	0.9	0.3	56.6	51.7	43.4	38.3
North Central	408,218	85.1	72.5	1.0	0.4	51.8	65.3	48.2	34.5
Uva	306,748	85.3	73.9	1.3	0.6	55.9	68.0	44.1	21.4
Sabaragamuwa	808,750	86.1	74.6	1.1	0.5	54.0	57.4	46.0	42.6
Total	8,145,074	81.1	70.8	1.2	0.4	52.9	54.7	47.1	45.3

In the Eastern province when comparing the overall average turnout for all districts in this province with the October situation, the number of votes polled at the December Referendum appears to have registered a decline; although when compared with the percentage of other provinces this decline seems negligible. There was a 2.6 per cent drop in the Eastern province, from 74.7 per cent in October to 72.1 per cent in December.

At the Referendum, however it is apparent that there was a strong vote against the proposal in both the Northern and Eastern Provinces; particularly in the Northern province which averaged only 14 per cent in favour of the proposal (Jaffna 8.7 per cent and Wannai 34.5 per cent). This low percentage for the proposal at the Referendum in the Jaffna district no doubt contributed to a substantial decline in the overall average percentage in respect of the whole island.

The percentage of votes received in favour of the proposal for the whole Island was 54.7 per cent. This figure when worked out for the other 21 districts (with the exception of the Jaffna district) would have amounted to 57.1 per cent. It was in the Batticaloa district where the lowest percentage of votes for the proposal recorded in the Eastern province. In this district the percentage of votes received for the Referendum was only 39.1 per cent. However, in the other two districts which comprise of the Eastern province, namely Trincomalee and Digamadulla, the percentage of votes received for the Referendum does not show a similar decline where the respective percentages recorded were 43.0 per cent and 58.9 per cent. As shown in the analysis of the Presidential election results the vote against the government was strongest in the districts of these two provinces where the concentration of the Tamil population was heaviest.

Spoilt Votes

A notable feature in the results at both the Presidential Election and the Referendum is that the number of spoilt or rejected votes in the Northern province was the highest for any province. In October it was as high as 4.3 per cent against a national average of 1.2 per cent; while at the Referendum it was 0.6 per cent against a national average of 0.4 per cent. At the 1977 General Elections, however, the number of spoilt votes was far below that of the national average, which has therefore given rise to the view that the high proportion of spoilt votes in the Northern province at the two 1982 polls was not due to negligence (or ignorance as appeared to be the case in the Uva province in December 1982) but a deliberate course of action.

FEATURES

The Current World Economic Scene and its Impact on Developing Countries

Warnasena Rasaputram

The impact of the recession in the Western world is being felt by every country, though in varying degrees. This paper and the following one discuss its effects particularly on the developing countries.

Dr. Warnasena Rasaputram, Governor of the Central Bank of Ceylon, analyses the situation in a wide ranging discussion of the world economic scene in this paper. What is required, he states, is a concerted and co-ordinated effort by all countries, by harmonising the conflicting objectives of the day, so that developing countries can work as partners in development. He maintains that the adjustment process itself has to be a global one and any attempt to go alone by any single country will only confuse the issues. This paper was presented by him at the Regent School of Economics, Kuala Lumpur, at the end of November 1982.

The world economic situation not only continues to be gloomy but also indicates that the prospects for early recovery are getting bleaker. There is an economic crisis in almost every sphere of economic activity. Growth rates of developed countries are not only low but are likely to remain low. There are no convincing signs that their average output rise of 1½ percent will improve significantly in the next year. The per capita output of the developing world declined. World trade was adversely affected by inflation, exchange rate and interest rate volatility, slow growth and stagnant demand. Stagnation in world trade may enter a third successive year. Deflation of commodity prices posed a serious threat to the stability of incomes of developing countries. Demand for primary products continues to remain weak. High levels of unemployment tend to encourage the building up of a wall of protectionism. In fact there was a decline in the volume of imports by the developed countries by nearly 2 percent each year for the last three years.

The present economic situation is plagued by two big problems—unemployment and inflation. OECD countries have nearly 28½ million people or 8 percent of the work force unemployed. In the United States the unemployment rate as a percent of work force reached 13½ percent while in France it reached nearly 15½ percent. There is however, one silver lining around these dark clouds. The inflation rate has slowed down. In the advanced countries the rate of inflation has been brought down to single digit figure. But the question arises whether this deceleration is merely a product of the recession or something more lasting.

The developing countries particularly of South East Asia showed satisfactory rates of growth despite stubborn economic difficulties. Their terms of trade however, deteriorated further by nearly 11 percent and a few countries experienced declines of as much as 30 percent in three years. Unemployment remains high, according to an estimate made by the UNCTAD. Growth rate of GDP must rise by more than 6 percent if the unemployment situation is not allowed to deteriorate from its current situation. Acute foreign exchange shortages continued to reduce the availability of goods and services causing severe hardship to all sectors of the economy. Projections of economic growth for developing economies for the next 3 years show a dismal picture. Sharp increases in oil prices coupled with recession in the developed countries had resulted in severe balance of payments difficulties for the Third World countries. In fact the high oil prices together with a weak demand for their exports and higher imports of capital goods particularly those connected with raising energy supplies caused a balance of deficit of nearly \$100 billion in each of the years since 1979. The current account deficits of most non oil developing countries are in the region of 11-13 percent of GDP. As we are aware, anything more than 5 percent of GDP will undoubtedly cause severe financing problems and debt service burdens. The debt burden of some countries had skyrocketed to levels that are unprecedented. The rising interest rates added a further burden. It is estimated that 1 percent rise in interest rates of Euro dollars would raise the debt servicing burden by \$2 billion. Take the case of Mexico. In 1981 it had a debt service ratio

of 60 percent followed closely by Brazil with 58 percent. Of the ASEAN countries the debt service ratio is highest for Philippines with 24 percent, followed by Thailand 17 percent, Indonesia 12 percent and Malaysia 5 percent. There was an urgent need to have more investments to raise supplies and reduce the heavy dependence on imported energy which ranged between 30 and 42 percent of exports in a few countries. There can, therefore, be a continuation of the deficits into 1984 while possibilities of financing these deficits over a long period within the context of the current economic scene appears to be limited.

The socialist countries have had their share of trouble. China moved to modernise its economy. Certain structural problems caused a reduction in the planned rate of increase in national income of the East European socialist block.

There was however, a determined effort by all the countries concerned to meet the current challenge in the context of ever changing needs and priorities. There is an awareness not confined to Third World countries alone, that the existing configuration of economic forces is unjust, inequitable and inefficient. The developing countries have only been able to let off their steam in international fora about the inertia and insensitivity of the developed countries to make concerted efforts to reach a solution to the existing problems despite their being aware of them. The disappointment about the inability to solve pressing economic issues has now gone beyond the stage of showing impatience.

Before I come to a discussion of world recovery through international economic co-operation, let me point out some of the effects that the current economic issues have on developing countries.

Despite bold attempts made by developing countries to adjust their economies they are obstructed by imported inflation. The control of inflation is given the highest priority by most countries of the world. However, the solutions attempted by them may not be well balanced. It is accepted that inflation cannot be tackled except through action over a broad range of economic policies including monetary policy, fiscal policy, balance of payments policies and other economic policies that will raise supplies. Under the influence of monetarism the developed countries have given too much of emphasis to monetary issues. Another reason that may have allowed an excessive burden to fall on monetary policy may be the fact that it is a vital instrument in the hands of the Central Bank alone which had taken timely collective action but not fully

supported by fiscal policies of the Government. The ultimate result is an increase in interest rates causing a higher debt servicing burden to the developing economies. It is recognised that larger budget deficits, low savings and inefficient financial management have nullified the efforts made by resolute restrictive monetary policies. The fiscal policies of most developed countries are expansionary. Fiscal deficit of developed countries in 1981 was nearly 4 percent of GDP. The general fear that reductions in budget deficits will reduce domestic activity seems to deter Governments from accepting bold policies. This type of thinking is found in all parts of the world. A temporary slow down of economic activity is unavoidable if pressures on inflation and balance of payments are to be reduced. Instead they react by trying to safeguard existing industries whilst maintaining the level of employment in export competing industries. Thus the protectionist tendencies in the developed countries had been on the increase.

During World War II, the developing countries were compelled to substitute a few imported items due to supply shortages. Some of these industries were started under inefficient conditions and could not stand the flood of goods from developed countries soon after the war. However, with the breakdown

among industrialised countries and such trade was mostly in competitive goods. According to estimates made by the Overseas Development Council barriers to exports of manufactured goods from developing countries are removed, they alone can raise export-earnings by as much as \$25 billion. But there is a significant rise in protectionism in recent years. Motivated by short term political considerations, the developed countries move towards increasing protectionism. This had serious adverse effects on the economies of the developing countries.

A rise in protectionism compounds the difficulty of finding long term solutions. Protectionist measures get entrenched and vested interests grow around them and prevent their removal, thus causing higher costs to the economy. Though imports from developing countries are insignificant and seemingly minor, the developed countries make a fuss about its influence due to regional and political factors. The developing countries, on the other hand, which still specialise over a narrow range of products, find their export incomes heavily eroded. This will naturally have a serious adverse effect on economic growth at home and on the budget through lower revenues. They are unable to expand their exports and export production. In an inter-

"There is an awareness, not confined to Third World countries, that the existing configuration of economic forces is unjust, inequitable and inefficient... The disappointment about the inability to solve pressing economic issues has now gone beyond the stage of showing impatience."

of the world economy and the emergence of an international economy with independent states trying to manage their economies, there developed a trend towards diversification of their exports. With the help of multinationals, some developing countries have made great strides in diversifying their exports, though this diversification is still not very significant. They have been able to break into a small and insignificant portion of the markets of the industrial world. There is no cause to get alarmed with increasing imports into developed countries, but the cry has been raised that such uncontrolled imports would ruin some of the industries in certain regions of these countries. The fear has arisen mainly because developing countries have been extending their manufactured exports to the developed countries at a very rapid rate of nearly 25 percent per annum. But when other western countries competed on equal terms, such a cry was not raised. On the other hand much of the increase in world trade in the past had been

dependent world their heavy dependence on exports has thus resulted in a lowering of real income as a consequence of direct action taken by the developed countries. Obviously exports of these products will not have the same growth momentum once they have been denied access or granted limited access to their products. They have to make further efforts in looking for new markets. But export promotion is an expensive item in the budgets of these countries. Some countries have even entered into long term debt based on export promotions. Once the markets are closed the prospecting of integrated markets like those in the United States will be most difficult and expensive.

Monopolistic practices can often depress prices of third world exports. The efficient functioning of a free market mechanism for Third World Commodities is often challenged. The liberalisation of essential commodities is dependent on export incomes. Serious disruption of export incomes will compel the

Third World countries to move their resources away from export products, a decision that may lead to the maldistribution of resources. The countries that import Third World Commodities have a responsibility to assist in the stabilisation of export incomes of the developing world, either individually, regionally or through multilateral institutions. Regional schemes such as STABEX for compensatory export shortfalls of developing countries are working well, but are inadequate. The

"Today the financial world is in disarray. Monetary crises have not been overcome, financial relationships are at a point of disruption and money in general has run into a maelstrom..."

need to compensate such export shortfalls is well recognised by the IMF and its facility is widely used. What is required is a more liberalised Compensatory Financing Facility to take into account real export losses, the condition of the most seriously affected countries, the size and nature of the loss due to protectionism and the need to compensate for the permanent loss of markets. Discussions on this subject at various forums such as the North South Dialogue had been inconclusive, but the Third World countries would expect some lead from a country like the United States towards the adoption of a more positive approach to assist the developing countries.

Lowering of real incomes both due to protectionism and recession has given rise to a huge debt problem for the developing countries. Interest rates, it was mentioned had gone up mainly because of the inability of the developed countries to control inflation. It is only now we see a breakthrough in the fight against inflation. However, inflationary expectations have not been reduced by the same degree. Whatever the outcome on economic activity this may have, it is necessary for the developed countries to pursue more restrictive budgetary policies so that the interest rates may decline to satisfactory levels without relaxing the tight monetary policies that are being pursued. This will not only help the developed countries themselves to come out of the present economic morass but also the developing countries to forge ahead with their development plans and a reduction in their debt servicing burden. The debt of the non oil developing countries can be further divided into debt of the middle income countries and debt of the low income countries. In 1974 the debt of the low income countries was nearly half that of middle income countries. It was earlier believed

that since the middle income countries have the potential for generating and maintaining continued economic growth, their debt problem was not likely to cause serious concern. But events have proved otherwise. The recycling of surplus funds by the banks was done little too well. Between 1976 and 1979 the medium and long term debt of all developing countries rose by 25 percent per year. Between 1979 and 1981 growth has been around 15 percent. But the total debt will grow further and it is projected to be in the region of \$954 billion in 1986. The debt service burden is however, expected to decline from 24 percent in 1982 to 20 percent in 1986. Even though there is a slower growth in the total debt, the low income countries will not be in a position to accelerate their growth and help the adjustment of the balance of payments position without outside help. These countries have experienced balance of payments deficits in the region of \$100 billion per year for the last three years. To restore economic health whilst achieving a satisfactory rate of growth, these countries must receive concessionary aid with longer terms of maturity. In several international forums these countries have demanded implementation of debt relief measures to get them out of the morass of an ever deepening debt situation. At the North South Dialogue and subsequently at UNCTAD, low income developing countries demanded immediate debt relief measures including the cancellation of that portion of the debt arising from official development assistance, rescheduling of all debts and the establishment of a consultative mechanism, that would lead more or less to automaticity in debt rescheduling. Though the middle income countries do not favour such drastic action for fear of adverse reaction from the private capital market, the present situation (where the debt rescheduling will help the bankers and the world economy) these suggestions should receive greater attention from the developed countries.

Today the financial world is in disarray. Monetary crises have not been overcome; financial relationships are at the point of disruption and money in general has run into a maelstrom. Some problems of development have been so aggravated that they are further away from being solved. The income gap instead of narrowing down is seen to be widening. The gap between the rich and poor countries will increase from \$4070 in 1965 to \$6540 in 1985 and to \$8812 in the year 2000. However, a series of bold initiatives that have taken place in the past, encourages us to believe that these economic events deeply marked by collective malaise in economic

relationships can be overcome through collective efforts.

It is well accepted that the growth rates of industrialised countries will have an impact on trade, income, output and the balance of payments of developing countries. However, there are certain disadvantages arising when high growth oriented developing countries are heavily dependent on developed economies. The demand for oil and capital goods by the developing countries will put them in the red with regard to balance of payments. If there is stagnation in growth of developed economies, this will cause balance of payments to deteriorate further and will be accompanied by a worsening of terms of trade. The expected aid flows will be adversely affected because of slow growth in industrialised countries. Obviously the financing requirements cannot be fully met and will pose severe problems in the context of imperfect capital markets that are heavily loaded against poor developing countries.

Thus, there does not seem to be any long term solution that is in sight except to increase intra-

".....there does not seem to be any long term solution that is in sight except to increase intra-regional trade on the basis of collective self-reliance."

regional trade on the basis of collective self-reliance.

In the short run there is no escape from being dependant on aid flows, capital flows and high growth rates of developed countries as it is not possible to reduce the propensity to import in the short run. On the other hand it is possible to effect substantial reduction in the collective import propensity of developing countries, in respect to developed country imports in the long run by a well designed scheme of trading among themselves.

Since the objective of achieving collective self reliance cannot be realised in the near term, there is a strong case for international assistance not only to help the developing countries but also to assist the developed countries. Apart from the reverse flow arising from aid to developing countries the industrial countries would increase the efficiency in the use of resources and in the allocation of resources on a global scale. The allocation of world capital stock will not only improve efficiency but also work towards minimising the effects and possibilities of world recession and or inflation. An UNCTAD study has indicated that if the Third World countries increase their growth rate

by 3 percentage points, it will lead to an increase in the growth rate of the developed economies by 1 percentage point. We are quite aware of the current global imbalances which if allowed to grow, will cause further imbalances of a serious structural nature. For the sake of efficiency and equity, there is an urgent need to encourage the transfer of resources to stimulate a more balanced and sustainable growth. Any recovery of the industrial countries and acceleration of their growth without an equal stimulus to the growth of the Third World countries would rekindle inflation and cause serious imbalances. Continuing colorization of the inequitable distribution of income will one day result in a situation where developed countries will be surrounded by a massive population of undernourished, underdeveloped peoples of the Third World just the same way South Africa is surrounded by Black Africa. It is therefore essential to take the initiative to transfer resources in a well meaning manner to reduce the existing inequalities, by raising the efficiency in the use of resources of the Third World. Structural bottlenecks that hamper the achievement of a higher level of economic activity will have to be removed by a well designed and timely programme of action. The Arusha Declaration of the Group of 77 is important and relevant in the context of today's economic scene. This declaration of 1979 observed that "the extent and persistence of considerable underutilization of resources leading to unemployment in the developed world should no longer be seen as an exceptionally prolonged through to the business cycle with a more or less automatic recovery to follow. This situation inhibits an effective international adjustment process. What would be required to restore full employment is a new impulse on a historic scale comparable for example with the transfer of resources to Europe for post-war reconstruction". The Pearson Committee emphasized this need and this was re-emphasized by the Brundt Committee. Despite these declarations and recommendations, the developed countries are hesitant to support a massive transfer of resources even in the short term. Except for the front runners like Netherlands, Sweden and Norway, the ratio of official development assistance (ODA) as percent of Gross National Product (GNP) has increased only slightly from 35 percent in 1979 to 0.887 percent in 1981. There was, how-

ever, a decline in the total resource flow from 1.17 percent of GNP in 1979 to 1.04 percent in 1980. The reluctance on the part of the developed countries, particularly at a time of recession is a result of a lack of political will and the reluctance on their part to increase any further assistance for fear of generating inflation. This same argument has been used against a fresh allocation of SDRs. There has been a decline in the share of SDRs in international liquidity in recent years. The inflation argument cannot be maintained under such a declining ratio. There is no evidence to suggest that economic expansion in developed countries prompted by expansion of domestic demand is less inflationary than a transfer of resources to developing countries either through SDR creation or development assistance. Such arguments are not only misleading but lead to misallocation of resources and building up of rigidities. The growth of unemployment in the developed countries had reached unprecedented levels and would create uncertainty about the id-

leness of the need to protect their interests. If one looks at the record of multi-lateral institutions engaged purely in reconstruction and development, one notes that during the first few years of the World Bank's existence, it loaned only to industrialised countries. It diverted its attention to the developing countries after the Korean boom but mainly to develop the infrastructure that would normally help the export oriented agricultural and mineral sectors. It is only very recently that it began to get interested in the development of rural areas and raising of the standard of living of the poorest of the poor. Assistance both from the World Bank and the IMF had risen substantially between 1979 and 1981. Past projections of World Bank lending indicate that it will not grow as fast as in the past. It is most unfortunate that at this time there is an unwillingness by the developed countries to raise the resources of multilateral organisations. This has not only restricted their flexibility of operations, but also reduced the

"The only way the Third World can hope for a greater share of the gains of their own production and trade is by widening their spheres of influence, particularly in the decision making process, rather than have decisions made for them"

come generation aspect in the future. Labour in their concern for security and a permanent income would push costs to a point that would enhance inflationary pressures.

All these merely indicate lack of concerted effort among the developed countries and even a strong political leadership to surmount the pressures of various lobbies of these countries and effectively respond to the call of the Third World. The efforts they have taken so far are only based on self interest and not an enlightened self interest. Why did the North so far accept the fact that the needs of the Third World have a major role to play to restore economic health of all the countries?

The industrialised countries began to take an interest in the economic development of the Third World countries only after the communist countries became an effective threat to the economic dominance of the North. The emergence of China as a superpower in Asia, and the Korean War, made the North con-

scious of the developing countries to make both short term and structural adjustments. The widening of the gap between developed and developing countries will ultimately lead to social and economic injustices that will threaten the security of the world. Revolutionary changes in the policies of the world are required to change the fortunes of the developing countries to levels that can be considered as tolerable, let alone to be satisfactory.

The phrase "time for action" has been often repeated at various international forums. But action taken so far has been insignificant compared to the magnitude of the problem. In a world of conflicting objectives, political factors must necessarily take precedence. However, care should be taken not to give rise to further complexities or to by-pass the deep rooted problems, or else the harmonisation of development policies towards the attainment of the desired goals not only becomes difficult and imperfect but also unattainable in the context of the existing political environment.

We are now looking for better instruments and better ways and means of overcoming the misery of

the poor countries. Collective self reliance alone cannot be considered a rapid way of developing the economies in an interdependent world. They have to be supported and assisted by the developed countries. We have seen the collapse of the mercantilist era and of the world economic order which existed since Bretton Woods. What is required now is the establishment of a new international economic order. Third World countries are demanding a comprehensive reform of the international monetary system. They are demanding a greater share in the decision making process. They feel frustrated when the decisions of development lending institutions like the World Bank are on a vote heavily weighted against the Third World. Similarly IMF is considered a rich mans club primarily to develop monetary relationships to give security and stability to developed countries. The IMF has not only hardened its conditionality clauses, but refused to increase the conditional liquidity position (SDR). The institutions that have been borne out of one set of circumstances are seldom capable of adapting themselves to a new set of attitudes and needs. The only way the Third World can hope for a greater share of the gains of their own production and trade is by widening their spheres of influence, particularly in the decision making process, rather than have decisions made for them.

The Non-alignment move arose from a desire for self-preservation and self-advancement. In recent years it has veered away from political issues into economic issues especially after the Lusaka meeting. Consistently economic declarations emphasised the need for collective self-reliance for the attainment and distribution of benefits arising out of economic development. The general dissatisfaction with the policies pursued by the developed countries in regulating the international monetary system, with only a scant respect for the ideas and aspirations of the developing countries, would make them move away into finding solutions in their own way. What is required is a concerted and co-ordinated effort by all countries, by harmonising the conflicting objectives of the day, so that developing countries can work as partners in development.

A solution must have a lasting impact on the attitudes and psychology of the people. It has to be worked not only within existing political and social conditions and the value system but also taken into the possible changes that can be foreseen. This requires a new approach and a new scenario towards global economic development. The ideals and aspi-

THE GLOBAL SLUMP AND "RULES OF THE GAME"

K. N. Raj

In this paper K. N. Raj, Director of the Centre for Development Studies in Trivandrum looks at the background to the current recession and discusses what he regards as crucial international relationships in this situation. Raj sees its implications for India, viewing it from the perspective of a dominant force in the global economy; more particularly, in a conflict of interests within the US and outside it with its other partners of the developed market economies. He maintains that the factors underlying the global slump seem unlikely to fade away in the near future. Concluding that it is in the interests of all nations to find some kind of resolution to these issues he suggests a broad line of action. K. N. Raj, a respected Indian economist who had close connections with Sri Lanka when worked with the Ceylon Daily News in the late 1940's, read this paper in early December 1982, at the Memorial Lecture in honour of Sir Purshothamdas Thakurdas (the late Indian banker and statesman), under auspices of the Indian Institute of Bankers.

rations of the younger generations will have to be given adequate weightage. Economic problems affect the youth of the developing countries most while in the developed countries they are faced with a different set of problems. But in all cases the youth are seeking to establish peace through methods that may be different. Youth does not tolerate extremes of wealth and poverty and openly favour have-nots against the haves. Equity in the distribution of income is one of the objectives through which they aim at increasing efficiency of workers, raising dignity of labour, preventing unfair competition, exploitation and all types of privileges. Youth are frustrated as employment opportunities are limited. What is therefore required is a new look at the strategies of development, and a new look at the methods of achieving the ultimate goal. Any exhibition in the form of "emperors new clothes" will not only alienate the younger generations but will make them lose confidence in the methods. Apart from pressing for timely corrective action to restore world economic health and stability, there should be an acceptance of the urgent need to reform the existing system on a time bound programme of action.

Let me conclude my remarks by saying that the world economic malaise may be on a Kondratieff 50 year cycle but the instruments available for correcting this can be applied successfully only within the context of an interdependent world. The adjustment process itself has to be a global one and any attempt to go alone by any single country will only confuse the issues. Concerted efforts on demand management policies together with supply policies need to be defined, evaluated, identified, discussed, accepted and implemented. The bleak economic future before us cannot be solved by resorting to abstract expressions of political and economic semantics.

Whether we call it a recession, a disorder or a slump does not really matter very much; what is important, and beyond dispute now, is that it is global in its reach and has assumed serious proportions. I propose to address myself therefore to two questions: first, what does this slump signify? and second, what are therefore the "rules of the game" in international economic relations today and the implications for the policies we follow in India?

If we go by the recorded trends in growth rates, the socialist countries have been evidently affected no less than the capitalist. According to a recent United Nations estimate, the average rate of growth of output in the middle of the 1960's was nearly 7½ per cent per annum in the former (i.e. in the so-called 'centrally planned economies') and 5½ per cent per annum in the latter (i.e. in both the 'developed market economies' and the 'developing economies'). By the latter half of the 1970's these rates had fallen in both to around 4 per cent per annum; in 1981 the increase in output was below 2 per cent in the socialist countries, less than 1½ per cent in the advanced capitalist countries, and just over ½ per cent in the developing countries.

The sharp decline in growth rates in socialist countries is certainly significant, and needs to be investigated and studied very carefully. It would however be a mistake to infer from the more or less parallel movement in the growth rates observed, that the reasons for the deceleration have been the same as those that have brought it about in the capitalist market economies. The available literature on the Soviet Union points to some of the possible reasons for deceleration such as shortage of manpower, obsolescent technology, shortfalls in agriculture, and insufficient motivation for raising labour productivity; but we do not still know enough to be able to offer any firm hypotheses with adequate empirical foundation.

ECONOMIC REVIEW, DECEMBER 1982

The economic response to such deceleration in growth rates could also be very different in socialist countries. For instance, while standards of consumption may be allowed to suffer, it is highly unlikely that either the levels of employment or rates of investment are cut down. In an effort to raise growth rates, the rates of investment may even be raised and imports increased to the extent necessary to explain them. What repercussions all these will have on countries like ours is therefore by no means clear.

For these reasons I shall leave out of account the slow-down in the socialist countries and confine the rest of my observations largely to the slump in the capitalist world. Here we are on more familiar territory, though the characteristics of this slump are in some important respects very different from those associated with slumps earlier.

Characteristics of the Slump

A broad historical interpretation of the slump in capitalist countries is that it marks the end of a period of unprecedented growth in productivity made possible by a special set of circumstances following the Second World War. Essentially this was a period during which the technological and organizational advances made earlier in the United States, and the patterning of consumption as fostered, got transmitted to and widely spread in about 10 to 15 countries.

These countries, mostly in Western Europe but including others such as Japan and Australia, were already developed industrially and had most of the pre-requisites for achieving high levels of productivity; but their further progress had been retarded by the two World Wars and the political and economic upheavals in between. After 1945 they were brought together in a variety of political, economic and military arrangements under the leadership of the United States, and this provided the framework in which rapid gains could be made spurred forward by high rates of investment and phenomenal growth in inter-country trading opportunities. The high tide of this great post-war boom was in the first half of the 1950's.

We have some broad dimensional estimates of the productivity gains achieved by these countries in this way in the course of two decades. In 1950 the average output per worker in ten of them (including Japan), valued at the relative prices prevailing in the United States, was only about half as much as in that country. In the following period productivity rose as fast as ever in the United States, but the rate of increase was

so much faster in these countries that by 1970 their mean output per worker was 70 per cent as high. Actually in some of them, such as France, West Germany and Japan, where extensive technological upgrading and modernization were undertaken along with the rebuilding of industry after the War, the differences in productivity were narrowed even more. On the other hand, the gap was evidently narrowed very much less in the case of Britain, which did not raise its rate of investment to the extent required and lived jaundicially through the good times of the boom, only to find itself handicapped with an increasingly obsolescent industrial structure.

But this is only the beginning of the story. We are interested in what brought this great post-war boom to an end, and above all with the reasons for the inflation that set in soon afterwards, the continuing stagnation and decline in economic activity, and the apparent inability of the leading countries in the capitalist world to act in concert and reverse these trends.

Many explanations have of course been put forward. Some of these blame the trade unions in their opposition for hiking up wages unreasonably and the monetary and fiscal authorities for following policies that made it possible for prices and wages to rise cumulatively. Among them, the monetarists believe that the original sin was in letting the stock of primary money supply increase at a faster rate than output, and that everything will be all right once control is achieved over this crucial variable. Some hold the OPEC countries responsible for unleashing waves of price and cost increases through sharp and successive hikes in the price of oil. Some others take the view that, below all these phenomena on the surface, are the uncontrolled activities of oligopolistic enterprises (including multinationals) seeking higher profit margins regardless of what happens to prices, output or employment.

However, not only has there been no consensus of opinion among professional economists on those different diagnoses of the malady, but even practical men of affairs, who are credited with greater intuitive understanding, have failed to show much coherence and consistency in their pronouncements. This has been the case particularly in the United States in recent years. What is one to make, for instance, of President Reagan coming out this year with the largest budget deficit in the history of the United States after proclaiming that the total elimination of such deficits was the centerpiece of his anti-inflationary programme? Or how is one to inter-

rogate on money supply and interest rates in the United States?

There are several other mystifying features in the global scene today which seem to defy any logically consistent explanation. For instance, why has the exchange value of the dollar remained so high in the last two years when the United States has had large deficits in its external trade in commodities and the probability of a downward drift in its value has been not inconceivable? If this was on account of the very high interest rates maintained in the United States during this period, stimulating large inflows of capital from abroad, why did not its value drop when these interest rates were recently allowed to fall quite sharply? What can explain the considerable decline in the value of the yen precisely at this point, even though Japan has been piling up an enormous trade surplus? And what meaning is one to see in the political crisis in Japan over apparently nothing more than the continuing deficit in the government budget (absorbing hardly one sixth of the country's gross saving, which itself is as high as one of its gross national products)?

A simple interpretation of all this might be of course that they reflect the magnitude and complexity of the crisis now afflicting the capitalist world. And no doubt such an observation is not unwarranted. However, it would be an explanation of only the current differences in movement, and of the confusion and uncertainties surrounding them, not of the underlying trends in the capitalist economies which have given rise to these phenomena. And certainly it offers no clue to what the future holds and what its possible implications are.

A Working Hypothesis

Only God's hand where angels fear to tread, so the saying goes. One has to be therefore very circumspect in offering any alternative explanation. Certainly we are too near the events to be able to comprehend them fully and understand their meaning and significance in proper historical perspective. At the same time it is essential to have some kind of a working hypothesis, consistent with whatever we know; and it is therefore in this spirit, with all the due qualifications and reservations, that I shall present such a hypothesis here.

This hypothesis is simply that, for a variety of reasons, there has developed a basic incompatibility in the United States the leading coun-

try in the capitalist world, between the policies it needs to follow for maintaining and improving its competitive position as an industrial power and the policies it finds compelled to follow for strengthening its financial hegemony and its investment activities abroad. It rests essentially on the following propositions for which considerable empirical evidence is available:

- (i) the industrial dynamism of the United States, hitherto resting heavily on steel and cheap sources of energy, has been seriously undermined by both the obsolescence of the earlier steel technology (1) and by the more recent rise in energy costs;
- (ii) in the absence of a compensating technological break-through, not only has industrial productivity ceased to grow at the same rate as before, but the trend of rising wages, set moving in the period of rapidly increasing productivity, has raised unit labour costs and cut quite significantly into the relative share of profits in US industry;
- (iii) since the newer industrial structures of countries like Japan have incorporated the more efficient steel technology (2) and are moreover better designed to save energy and other input costs, American industry has also suffered serious setbacks in its competitive strength, and has been therefore unable to maintain its position without the support of extraneous measures such as devaluation of the dollar and various forms of preference and protection;
- (iv) at the same time, the decline in the profitability of industry within the United States, together with the prospect of earning higher returns abroad opened up by American multi-nationals, have stimulated a considerable outflow of capital, particularly after the middle of the 1960's; and this process has been enormously helped by the unquestioned position of the dollar as reserve currency after the liquidation of the Bretton Woods regime in 1971, the rapid growth of the Euro-currency markets in the following years, and above all by the ability of the United States with its political, military and financial power to attract and recycle through American banks a very high proportion of the dollars paid out to OPEC countries;
- (v) consequently, while gross corporate profits from domestic manufacture in the United States amounted to less than \$75 billion in 1980 (just about 5 per cent of its gross national product), the gross profits of financial companies (excluding Federa-

l Reserve Banks) were nearly \$19 billion and the corporate to over \$31 billion; the last two profits earned abroad amounted added up therefore to as much as two-thirds of the first in 1980 (while they amounted to only one-fifth in 1950 and about reflecting the considerable one-quarter even as late as 1965), growth in importance of financial and external business interests relative to that of manufacturing interests within the country during the last decade and a half; and lastly,

- (vi) in the light of these developments, there has evidently emerged in the United States a fairly sharp conflict of interests between those who are primarily concerned with manufacturing within the country, for whom a much depreciated dollar and lower interest rates would help greatly to improve their competitive position and promote the urgently required increases in investment, and those whose concerns are primarily linked with the supremacy of the dollar in the financial markets of the world for which it is highly desirable that it retains a high and stable external value.

This interpretation of recent developments in the United States over the last decade may appear rather esoteric and strange; but they are basically not very different in character and direction from the developments in Britain a century ago when the innovations which had propelled its industrial revolution got exhausted. The already low rate of net investment within the British economy at that time (no higher than 5 per cent of its national income in the last quarter of the 19th century) dipped still further, while savings began to flow abroad in growing dimensions till the rate of foreign investment rose to nearly

- (1) In popular literature, Peter Drucker was perhaps the first to point out very clearly towards the end of the 1960's that the steel-making processes embodied in the existing industry had become grossly uneconomical. Nothing was more expensive, he observed, than creating high temperatures, and yet these processes involved such creation of high temperatures three times over, only to quench them immediately thereafter (which was just as expensive as heating). No less expensive in terms of cost and effort was moving of heavy weights, and yet in steel-making hot melted steel in highly corrosive form had to be moved again over long distances. To regain its growth dynamics, he added, the cost of steel would have to be lowered by at least one-third, and such a technological revolution in steel making had only just begun, cf. Peter Drucker, *The Age of Discontinuity* (1968).
- (2) Since Japan began the phenomenal expansion of its steel industry rather late, it has been able to adopt the new oxygen process (a major step, as Peter Drucker pointed out, towards converting steel-making from a mechanical to a chemical industry) as well as the new technique of "continuous casting" (which eliminates wastes of temperature and substitutes gravity flow of raw steel to and through the finishing equipment for the expensive and dangerous lifting, hauling, and moving of individual batches). Moreover the new gigantic steel plants of Japan are located near deep-water ports where iron ore can be transported to and unloaded at relatively low cost.

8½ per cent of the national income in the years immediately preceding the First World War.

It was against this background that the Bank of England, with its close association with the financial interests in the City of London, was inclined to keep changing its Bank Rate in quick response to gold movements without much concern for the consequences on the domestic economy. It was also on account of this earlier tradition, and external orientation, that Britain was so anxious to restore the old par value of the pound sterling in terms of gold after the First World War, despite all the serious deflationary consequences in the 1920's Keynes had warned against.

There are of course some important differences between the situation then and now, and these differences are perhaps crucial for understanding the complexities and confusions that are so obvious now. The United States commands in the first place a much wider range of natural and scientific resources than Britain ever had, and therefore, even though the problems it faces in rebuilding afresh the earlier industries like steel appear to be formidable, the prospects of a new generation of industries emerging, based on new technology and new sources of energy, and providing large and highly profitable investment outlets within the economy are very much greater. It still retains leadership in several industries such as in the chemical, machine-manufacturing, electronic and aero-space industries.

For these reasons, the possibility of investment in domestic manufacturing industry declining in the United States and a high proportion of savings seeking foreign investment is rather remote. The role of American foreign investment, through its multi-nationals, will be essentially to provide a complementary

and supporting role to the manufacturing industries within (though, in the case of some of the industries that are not being restructured, renovated or otherwise reviewed, there could well be conflicts of interest).

On the other hand, with the devaluation of gold from the international monetary system, and the considerable economic, military and financial power of the United States, the prospects of its gaining command over the entire world economy through the dominance of the dollar are now greater than they ever were for Britain. In fact, in the case of Britain, it was so rigidly tied to the gold standard, and the system was operated with such small gold reserves of its own (no more than about \$12 million in the last quarter of the 19th century), that it enjoyed very little flexibility.

'Rules of the Game'

The so-called "rules of the game" of the international gold standard trapped the dominant power at that time almost as much as those who were being dominated. Britain realized it much too late, in 1931, by when its position as an industrial power had been so totally eroded that it was not able to regain its ascendancy.

The United States has learnt this lesson quite well and, when President Nixon became a convert to Keynesianism and completely devalued the dollar from gold in 1971, what he was declaring in effect was his determination to make his own rules and change them as and when it suited its national interests. Gold was devalued and in its place was introduced the dollar which by then, rather than President Nixon himself, had developed ambitious imperial interests. It is not perhaps an accident that this was the year when he also called on Chairman Mao and started forging a new political alliance that was to have far-reaching consequences on the balance of power in the world.

All this gave the United States a high degree of manoeuvrability in economic and political affairs. It is not therefore surprising that after agreeing in the late 1960's to the creation of SDRs (as a major reserve asset that countries could hold alternatively to the dollar) — this was perhaps only a tactical concession, in response to the strong French advocacy of an international monetary system based on gold — the United States has since then shown no great enthusiasm for building up an alternative international monetary regime based largely on SDRs. The International Monetary Fund could become a serious embarrassment if given an opportunity to turn the tables and enforce "conditionalities" on the United States; so it was better to keep it in an essentially subservient position, only

enforcing the changing rules of the game as required by the United States.

The United States used its improved manoeuvrability, gained by the devaluation of gold, first to devalue the dollar a little and then to launch such a free float of its external value that within two years it was further devalued by nearly 40 per cent in relation to the Deutsche Mark. This improved the competitiveness of American manufacturing industry so considerably that, along with the other measures taken at that time (such as increased government spending), there was a phenomenal increase both in the exports from the United States and in the quantum of corporate profits earned from manufacturing.

Thus, the value of American merchandise exports, which never exceeded 4 per cent of its gross national product all through the 1960's, rose steadily from 1972 and touched nearly 8 per cent of the gross national product by the end of the 1970's. Corporate profits from manufacturing, which had fluctuated around \$40 billion per annum between 1965 and 1974, rose sharply thereafter to nearly \$90 billion by 1979. The consequent upswing in the American economy increased also its imports and thereby helped to revive economic activity the world over in the second half of the 1970's.

The contribution that the devaluation of the dollar made to the sharp inflationary pressures that developed during this period has not been however sufficiently highlighted in the literature on this subject (except in the writings of Professor Robert Triffin). Since external payments on both current and capital account could be freely made in dollars (with all controls on outflow of capital removed early in 1974), and such dollar outflows became the basis of the phenomenal growth in euro-currency markets over which no control could be exercised by anyone, they have been a major factor stimulating and supporting waves of speculation in the commodity markets all over the world. To the extent they also increased the foreign exchange reserves of other countries there have been secondary effects of enormous dimensions underlining the upward movement of prices.

In fact, it is the very large rise in prices so induced all about the line that neutralized a substantial part of the gains of the OPEC countries from the first hike in oil price and provoked them to go in for another sharp hike in price in 1973. It needs to be mentioned here that since imports of oil by other countries were almost universally invoiced in dollars, and the dollar

prices were raised as the dollar got devalued, the devaluation of the dollar brought really no relief to the oil-importing countries. In due course this method of pricing was adopted by exporters of many other commodities. The belief that a system of floating exchange rates would insulate countries with appreciating currencies from the impact of inflation elsewhere has therefore been disproved in practice to a very considerable degree.

Similarly, for the same reasons, it is not true that it is the unreasonable wage demands of labour that have been the main force behind the inflationary movement in prices either within the United States or elsewhere. In general even the organised labour in the advanced capitalist countries have sought no more than rise in wages to compensate for rise in consumer prices, and still not quite succeeded in maintaining their real wages. What has basically created the problem is that productivity has ceased to grow in a wide range of industries; and under such conditions wage increases (whatever the underlying reasons) do tend to affect profits adversely even after part of the increases in cost are passed on through rise in product prices. Naturally, in countries like Germany and Japan, where there have been continuing productivity increases these problems have been very much under control.

Doubts about the Dollar

It is the cumulative inflationary movement caused by all these factors within the United States and outside, and above all the doubts that began to develop the world over about the stability and reliability of the dollar as a reserve asset (as its external value continued to drift downwards), that caused a sharp reversal of policies in the United States around 1980. It was all right to let the external value of the dollar drop as long as it helped to improve the competitive position of American manufacturing industry at practically no cost to the United States. But when the external value of the dollar slid so low as it had by the end of the 1970's (reflected, for instance, in the deutsche mark-dollar exchange rate falling to 1.8 in 1979 from its earlier level of 3.5 in 1971), and moreover the price of gold suddenly shot up to over \$800 per ounce (reflecting the apparently growing preference of holders of financial assets for gold), the signals were clear and unmistakable. Unless something very drastic was done to restore confidence in its stability and integrity there was a real danger of the dollar getting dethroned in favour of either gold, the monarch deposed earlier still within the wires (like some other deposed monarchs), or a

democratic and republican candidate in the form of SDRs within a full-blooded and truly international monetary system. This was obviously too terrible a prospect for any patriotic American to view with equanimity, particularly since it would have struck a body blow to the financial and political power wielded by the United States.

The only way of preventing such a catastrophe was to make it clear by any means whatever that the dollar was at least as stable as, if not more than, any other financial asset including gold. This required getting price rises within the United States under control, regardless of the impact that the measures taken for the purpose might have on either manufacturing industry or employment within the country. Naturally, at this stage, the monetarist prescriptions had great appeal, for what could be a more obvious solution than the traditional one of raising interest rates sharply as the Bank of England would have done if it had been forced into a similar predicament in the late 19th century? Somehow the very simplicity of 'monetarism' makes it politically very saleable, despite its totally falacious premises. (3).

With the sharp upward adjustment of interest rates in the United States the movement of funds away from the dollar did get reversed, and not only was there a quick drop in gold prices but the external value of the dollar rose perceptibly (with the deutsche mark-dollar rate going up to nearly 2.3 by the end of 1981). Since high interest rates checked speculative holdings of commodi-

ties the inflationary movement of prices was also checked to some extent. However, at the same time, high interest rates had the effect of precipitating the collapse of business enterprises all over and deterring the required investment in manufacturing industry; moreover, the rise in the external value of the dollar adversely affected the competitive position of many traditional American industries.

If therefore high interest rates and a much appreciated value of the dollar become a more lasting feature of U.S. economic policy it could lead to a process of "de-industrialization" in the United States over a period, much as in Britain where this process has resulted in widespread closure of industrial enterprises and drastic reduction in industrial employment from nearly 12 million in 1966 to well below 8 million by the middle of 1981. Of course, well before such a development, the powerful interests that are hurt by the policy may well bring about its reversal in the United States.

There is much more that can be said and developed on this theme, but I shall refrain from doing so for lack of time. All I need to add are a few observations about the future of the apparently contradictory policies that are being followed by the United States, since that is what matters most to us at present.

Contradictory Policies

In the first place, it would be clearly rather naive to take literally the policy pronouncements of President Reagan or assume that, when he seeks to raise defence outlay and cut taxes while talking of doing away with big government and

budget deficits, he does so out of ignorance or stupidity. He must know that, when total government expenditure is as high as one-third of the gross national product of the United States, it is not going to be easy doing any of these things. He must also know that such spending is now essential to keep alive a large part of American industry (which is vital for continuing political support in the country) and to build up some of the new generation of industries with the R & D and other funds provided through the defence budget (since they are vital for the future). All he is attempting to do therefore is probably to reassure some of the concerned sections of American big business, in language they understand, that they need not worry; this may seem contradictory to others, but it has its own internal political logic.

Similar considerations are perhaps also valid in the case of the pronouncements of Chairman Volcker of the Federal Reserve. If high interest rates in the United States are striking at the root of American financial interests (as they were beginning to recently in Mexico) they will of course be brought down, irrespective of what it costs and what rules and conventions have to be changed. But please do not let us say that too loud, in case others think that inflation will soon be out of control in the United States and the confidence in the future of the dollar is thereby shaken.

This confidence is a very fragile thing that depends largely on what the big business and financial interests in the world think of it and does not always have necessarily any other objective or rational basis to it. This is so particularly because they in turn depend for their guidance on all kinds of barometers in highly sensitive and essentially speculative markets (including the stock exchanges); and here New York is particularly notorious for its propensities. As Keynes pointed out long ago, "even outside the field of finance, Americans are apt to be unduly interested in discovering what average opinion believes average opinion to be; and this national weakness finds its nemesis in the stock market... Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirl-pool of speculation". Unfortunately for the United States, from time to time Keynes like Marx turns out to have been perfectly right.

Pragmatic Outlook

What I am trying to suggest therefore is that the political and economic leadership in the United States is now walking on tight rope trying to reconcile powerful conflicting interests within the country and outside; that in spite of the doc-

(3) Henry Kaufman, who is supposed to be the Guru of the New York Stock Exchange, was content to go along with monetarism till he discovered recently a conceptual problem and made the following observations: 'Perhaps the most significant conceptual problem with 'monetarism' is the continuously changing nature of what we regard as money. Financial innovation, which is primarily responsible for these changes has been encouraged by the monetarist approach. That is, monetarism has raised the opportunity costs of remaining within the confines of regulation. Money, moreover, is always redefined by the Federal Reserve well after any financial innovation has occurred. The central bank, consequently, is always playing catch-up. Since November 1978, the definition of money has been altered four times, and the original concept expanded by \$90 billion. Nevertheless, this constantly redefined entity continues to be a declining fraction of nominal GNP'. Cf "Danger: Too Much Turbulence", Challenge, May-June 1982. This little bit of economic wisdom was in fact known to Henry Thornton, who was closely associated with the City of London nearly two centuries ago. As an active participant in the monetary controversies of that time he had explained this very clearly in a famous treatise published in 1802: ".....if bank paper were abolished, a substitute for it would be likely to be found, to a certain degree, in bills of exchange ... if bills and bank notes were extinguished, other substitutes than gold would unquestionably be found.... Banks would be instituted, not of the description which now exist, but of the kind and number which would serve best to spare both the trouble of gold, and the expense incurred by the loss of interest upon the quantity of it in possession..... Credit would still exist; credit in books, credit depending on the testimony of witnesses, or the mere verbal promise of parties". cf. An Enquiry into the Nature and Effects of the Paper Credit of Great Britain. Unfortunately, when reason is replaced by faith cures, such lessons have to be learnt over and over again at the expense of millions of innocent people.

winning cloak they wear they are persons, like the leadership now in socialist countries, essentially pragmatic in outlook; that they understand very well that the confidence in the dollar is essentially a matter of providing the right psychological and political support to those with large financial interests; and that they will change the rules of the game or bend any rule (as they have done many times over and now again in the aftermath of the Mexican crisis) in support of their national and international objectives.

At the same time, the game that is being played is a very risky one. It is not only that in the present maze of international finance, based on an enormous and over-bloated structure of debts something untoward can always happen. That may appear now to be the most serious threat; but the United States has perhaps enough resources at its command to be able to scrape through such crisis. A much more serious cause for alarm is that the game includes also playing with armaments of all kinds, siding people against each other, and profiting from that too. Armaments are indeed the biggest business now.

We know at our own cost the implication of this game in South Asia, and we continue to pay a high price for it. The pressures now being applied on Japan to devote a larger proportion of its resources for armaments and defence, and not to protect its farm products so heavily (so that Japan becomes very much more dependent on imports from the United States), are also part of this game; and this is no doubt a major factor in the emerging political realignments in Japan. In fact, since the stakes of the game are very high, there could even be strong temptation to start an open global conflict in which the United States and the dollar can be symbolised as the defenders of "democracy" and "freedom".

There are of course sufficient conflicts of interest between the United States and even its closest partners for them to see through this game and frustrate its realisation to the extent that it suits them. The manner in which countries of Western Europe have defied the United States in the matter of their agreement with the Soviet Union on natural gas pipelines is ample evidence of such in-built enervations within the existing frame of international political relations. Japan could also prove to be a tougher nut to crack than some in the United States now imagine, particularly if at an opportune time the Soviet Union were to make some political and economic moves attractive to Japan (which it is in fact well placed to do).

Above all, the moves the Soviet Union and China have made re-

cently to come closer together are full of possibilities for the future.

On the present outlook, the factors underlying the global slump seem unlikely to fade away in the near future. The conflicts of interest between the older industrial structures of United States and Britain and of the newer and more efficient structures of France, Germany and Japan can get resolved only over a fairly long period of time, particularly since most of them do not believe in the kind of planned investment programmes that could have otherwise helped to accelerate the process. Within the framework of relations in which they are now operating, no one of them except the United States to some extent enjoys the flexibility essential for following independent policies. President Mitford is now discovering this at his cost. Since major changes in policy require much more agreement between them than their interests now permit, the process of fundamental restructuring of the kind required to revive their economies in a sustained manner is likely to take a fairly long period, with many ups and downs, lasting at least a decade but more probably the rest of this century.

The internal conflicts of interests within the United States, though perhaps easier to be resolved because there are very strong commonality of interests as well (as reflected in the traditional notion of "finance-capitalism"), may also take time to get sorted out. In any case this depends on various political processes that would be affected considerably by what happens meanwhile both in the United States and in the rest of the world.

Need to Resolve Conflicts of Interests

It is certainly in the interests of the rest of the world, including us in India, to see that these various conflicts of interests in the United States and outside find some kind of resolution that would effectively stop the drift to war in the various continents now in evidence, and create over a period of time a new international framework in which all countries, particularly those belonging to the Third World, can develop rapidly without being suffocated and suppressed. It is towards this end that every effort has to be made now.

The New International Economic Order, which the countries of the Third World have been trying to promote over the last decade (with little success), is too romantic in its conception to be realisable in the near future. It is at best a slogan for mobilising political opinion at the global level. There are however other possibilities, based on more realistic recognition of the

elements of power, self-interest and ideology in the world at its present stage of development. Some hints of these possibilities have been already given, and they need to be carefully thought out in more concrete detail and above all made into an acceptable political and economic agenda for a large number of countries, including not only those in the Third World who are able to stand up to the United States but also the Soviet Union, China, and other socialist countries, and hopefully also some countries in Western Europe such as France, Sweden, Norway and Italy. (West Germany and Japan are perhaps still too closely tied up with the United States to contemplate a serious break with it.)

Perhaps a first step in this direction could be mobilisation of political support in favour of a new Co-operative Organisation of Non-Aligned and Allied Countries (on the lines of the earlier Organisation for Economic Co-operation and Development set up in Europe after the Second World War). India can play a major role in such a co-operative endeavour; and this could give a new and very relevant economic dimension to our traditional policy of Non-alignment.

The fact that we are now getting heavily indebted to the International Monetary Fund (which has taken the place of the Bank of England in the old British Empire) need not really matter all that much, provided we know how to play the game according to our interests and, to the extent possible, get the rules changed through collective action. However that way does not lie in splendour waste of resources on the Asia or in being taken in by the promise of the wonders of modern technology and marketing that multi-nationals can bring (whether in the form of television sets and low-cost baby cars or through the large foreign markets they will open up for us). These are the kind of games that the present rulers of the United States would love to see us get lost in, and they can only lead to our ruin as heavy debtors pulled by our nose.

To avoid this, we shall have to have a close look at some of our policies to cut out all the frills and frivolities (not to mention the political and economic corruptions) through which a high proportion of our scarce resources is now being frittered away; and concentrate very much more on self-reliant development based mainly on our own capabilities in science, technology and organisation. In other words, we need to have a more mature understanding of our weaknesses and strengths. The choice is there for us to make and act upon if we have the political understanding and foresight to do so.

THE MARRIAGE PATTERN OF SRI LANKA

Sri Gamage

Sri Lanka's marriage pattern has in recent decades taken a different turn from the societies of most developing Asian countries. In this paper Sri Gamage, lecturer in the Department of Sociology, University of Peradeniya, comments on some of the reasons for these trends and also on previous social anthropological studies on this subject. This paper was originally prepared for the recent New York University — Sicus — Colloquium of Human Sexuality; Department of Psychiatry, Peradeniya, (hence the limited treatment of this wide subject.) but the author was indisposed and unable to present it on that occasion.

Sri Lanka's marriage pattern has been studied primarily by social anthropologists (Yalman, 1971; Pieris, 1956; Obeysekera, 1967; Tambiah, 1965; Leach 1961; Robinson, 1975) as a part of their general interest in the study of social institutions in Asian societies. Such social anthropological work describes the nature of 'Sinhalese Marriage', more specifically the Kandyan marriage, both in its traditional and contemporary forms. Sinhalese are the majority ethnic group in Sri Lanka, comprising 74 percent of the total population. The demographic treatment of the marriage pattern in Sri Lanka has been limited to very few studies e.g. Dixon, Ruth 1976; and Fernando, D 1975; Paranagama, D.G. 1973. Several nationally representative sample surveys carried out by the Department of Census and Statistics plus the major census information collected by the Department also provide a reasonable data base for analysing the trends and components of Sri Lanka's marriage pattern. While such survey and census data have been utilised in assessing the levels and rates of marriage occurrence the anthropological literature on the institution of marriage provides in-depth information about various aspects of marriage such as customs, residence, dowry, endogamy and exogamy. My effort at understanding the marriage pattern in Sri Lanka is based on the findings of above sources of information and subsequent social anthropological and demographic writings on the subject.

Marriage pattern covers many aspects of the phenomenon of marriage. It includes the timing of marriage (age at marriage), quantity or proportions getting married, duration of marriage, stability and dissolution of marital unions. It can also be viewed as a social institution evolved over time within the context of specific traditions, customs, norms and a society. While demographers pay more attention to the former aspects of marital unions, the social anthropologists are mainly concerned about the latter aspects.

In Sri Lanka traditionally diga (Patrilocal) and binna (Matrilocal) marriages have been prevalent.* Pieris writes 'In Sinhalese law and

social practice, matrilocal and patrilocal marriages were distinguished. In the binna marriage, the husband lived in his wife's parental home and she had an equal interest in her parent's estate with her brothers. A binna husband had no privilege in his wife's house" (Pieris, 1956). In the case of diga marriage, the daughter lost the right to inheritance, but was entitled to maintenance in case her marriage was dissolved. However, this traditional pattern has now undergone changes and even women marrying patrilocally can inherit parental land if it is granted to them by parents.

With regard to the incidence and locality of marriage among contemporary Sinhalese, it can be stated that the patrilocal marriage is predominant. The Sinhalese family is patrilineal and patrilocal (Dixon, 1970; p. 256, p.250). Yalman's findings also indicate that the occurrence of patrilocal unions is higher than the occurrence of matrilocal unions. He states that wealthy men who are natives of the village he studied do not marry matrilocally. On the other hand poor men do settle matrilocally though the proportion is not very high. Out of 114 unions of 95 men in the poor category (on the basis of land ownership) 63 percent were matrilocal unions. The rest married patrilocally. On the basis of this information Yalman's generalisation is that the marriage pattern for wealthy families is mainly patrilocal and for the poorest sections of the village it is frequently matrilocal (Yalman, 1971; pp. 128-29). The patrilocality of Sinhalese marriage has also been documented by other writers on Sinhalese marriage (Ryan, B: 1953 and Robinson: 1975).

In trying to obtain a clear understanding of the institution of marriage and associated aspects among the rural Sinhalese, it is desirable to depend on the anthropological studies cited above rather than on personal, sporadic observations. The major characteristics of marriage and associated factors as

* For a detailed description of traditional Sinhalese marriage during the Kandyan period see — Pieris, Raloh; 'Sinhalese Social Organisation' part 6 1956.

found in the four villages studied by Yalman, Leach, Tambiah and Robinson have been spelled out by Robinson herself and I think it is useful to quote. "Similarity in patterns of marriage and inheritance in the four villages studied is basic; the fundamental rule of categorical cross-cousins marriage is operative; marriages between first cross-cousins are rare; caste endogamy is generally practised; intra village marriages occur mainly among the poor while inter-village marriages predominate among the wealthy, the majority of men remain in their native villages after marriage; while half or more of the women leave the village of their birth upon marriage" (Robinson, M. 1968).

Once we move away from the in-depth, case study type social anthropological studies towards the demographic literature which consumes representative survey and Census data and assumes more generality, we are able to observe several salient features of Sri Lanka's marriage pattern at national level as well as at sub-group levels. One notable finding of such demographic research is the remarkable delay in the timing of marriage experienced by males and females, coupled with the significant reduction in the proportion getting married. "The average age at marriage for females rose from 18.1 years in 1901; to 20.7 in 1946; to 20.9 in 1953; to 22.1 in 1963; and 23.5 in 1971. In 1901, the male average age at marriage was 24.6 years; while in 1946 it was 27.0; and it rose to 27.2; 27.9; and 28.0 years in 1953, 1963 and 1971". (Fernando, 1975). These averages clearly show that the average age at marriage for both males and females is on the increase. Fernando's analysis further shows that the proportions of females married have declined sharply between 1901 and 1971 and among men, proportions currently married at ages 15-19, 20-24 and 25-29 have declined steadily over the years. According to the 1975 World Fertility Survey, Sri Lanka findings "the trend towards delayed marriage has continued in recent years; the Singulate Mean Age at Marriage (SMAM) for women rose from 23.5 in 1971 to 25.1 in 1975" (WFS; 1978).

With people marrying late and a relatively high proportion remaining single at higher ages, Sri Lanka's marriage pattern resembles the 'modern' type. Writing about Asian marriage patterns Smith states that the female marriage pattern in South Asia is relatively homogeneous across the countries he studied, with both early onset and a rapid tempo of entrance to marriage but in the context of this regional pattern Sri Lanka is an interesting exception with its very slow tempo.

Sri Lanka females stand near the East level on the Singulate Mean Age at Marriage (SMAM) — several years above the South Asian level (Smith, 1970: 1978).

In comparison to Thailand, which is also a Theravada Buddhist country like Sri Lanka, it is evident that Sri Lankan men and women marry later than Thais. The percentage single at the end of marriageable years (e.g. 45-49) in Sri Lanka is higher than the percentage single at the corresponding ages of males and females in Thailand.

Several attempts have been made to understand the possible causes of the changes occurring in Sri Lanka's marriage pattern. Among them Dixon's study may be regarded as the major demographic study dealing with the nuptiality pattern in Sri Lanka utilizing national level data. She uses the Census data from the 1940s to 1963. Describing the nature of marriage timing, Dixon concludes that in 1963, 41 percent of the females aged 20-25 and 85 percent of the males were still single. Also 10 percent of the men, aged 40-44, were bachelors. Looking at the reasons for the delay in timing of marriage, Dixon concludes that it is not the non-availability of mates (sex ratio), or non-desirability, but the non-possibility of marrying at proper ages which explains the delay in the timing of marriage. The difficulties in accumulating a dowry and finding a suitable bridegroom have become increasingly severe due to the following two reasons, according to her:

- (a) Land fragmentation and landlessness caused by the nature of inheritance laws and the acquisition of land for plantations (pp. 287-88, 293, 310).
- (b) High natural increase in the population.

"Economic conditions in rural Ceylon (Sri Lanka) excluding the centers, are not favourable for nuptiality, males of marriageable age are increasingly less likely to have inherited any land, or to be able to purchase any, if they do have an inheritance, their portion is likely to be too small to support a family. Females are increasingly less likely to bring land with them as a dowry. At the same time the rural economy is not expanding enough to provide wage paying jobs to supplement the meagre incomes from village gardens. Thus marriage for both men and women must be continuously postponed if not foregone altogether (p.258).... That marital postponements, and in some cases permanent celibacy, have been increasingly necessary throughout the country, because of pressures on scarce land and employment is without doubt. Both men and women must wait

longer to accumulate the necessary resources to set up an independent household. Thus nuptiality is less feasible for both than it once was" (Dixon, R. 1970 pp. 287-88).

Though Gunasinghe's work was not a national level study like Dixon's it utilized the same kind of approach in a micro-level study of a village in the Kandy district of Sri Lanka. His interest was rather to look at the relationship between underdevelopment and marital fertility. However, it throws light on nuptiality in so far as it relates to fertility. Gunasinghe cites several reasons as to how the peasants in Delemwoda, the village he studied, became poor over time. The colonial acquisition of villagers' land for plantations has restricted the land available to villagers. The commercialisation of agriculture, specially paddy cultivation, motivated the villagers to sell the surplus paddy in the market which would otherwise have gone to the village poor. The traditional social order which helped the poor was disrupted, and wage labour came into being in place of old forms of employment like share cropping and labour exchange. According to his data, 55.7 per cent of the heads of households do not own any paddy land 69 per cent do not own any high land (defined as land except house and garden) and 19 per cent do not have legal title to their houses. Only 21 per cent of householders are employed on a regular basis in the modern sector and earn monthly salaries.

One of the drawbacks in Gunasinghe's study is that he does not define the 'real poor segment' in Delemwoda, e.g. he talks about the percentage of households that do not own high land, paddy land, houses or hold employment in the modern sector earning a monthly salary. No idea is given as to how many of these families belong to all the four categories. Since these categories are not mutually exclusive the point here is that those who do not have land at all may have employment. If Gunasinghe defined the real poor peasant category which is denied any of these forms of wealth or employment, and their marital status and timing, then he would have been in a better position to conclude whether the delayed marriages were a result of lack of resources or not. Since he did not mention the number of people who get a reasonable income through land, farming or any other occupation like carpentry, or masonry, the number of unemployed also seems to be little exaggerated. However, it should be observed that the information he provides is valuable to identify the elements of rural society of Sri Lanka. In the US, though there may be doubt in

Gunasinghe's statistical reasoning as to whether it supports his argument, and the statistics themselves are insufficient to identify the category of "real poor" peasants in Delemwoda, his arguments and conclusions are important for our task. In his conclusion he states "I demonstrated the causal relationship between the high proportions of unmarried women and the underdeveloped economy, which is incapable of generating sufficient employment opportunities" (Gunasinghe, 1977, p.161).

The higher age at marriage, coupled with a relatively higher percentage of those who never marry, conforms with the two major characteristics of what demographers call a 'non-traditional nuptiality pattern'. In Dixon's words Ceylon (Sri Lanka) is the purest example of "a non-traditional nuptiality pattern in Asia that cannot be attributed to a larger immigrant population or a highly urban environment" (Dixon, 1970, p.258). The question at issue here then is why should a nuptiality pattern, usually found in societies with a higher level of development, be found in a country like Sri Lanka which is at a different level of development. This issue needs more investigation by researchers before any firm answer could be found. However, Dixon's and Gunasinghe's studies confirm that the conditions of underdevelopment in Sri Lanka have in the timing contributed to the upward changes in the timing of marriage.

The kind of conclusion is in complete contradiction to the assumptions of the 'Demographic transition theory' (DTT) which summarises the European and lately some of the non-European experience in relation to nuptiality and fertility trends. The DTT postulates that the increase in the age at marriage and reductions in fertility are consequences of an economically developed state of a society with a higher level of urbanisation etc.

The differentials in age at marriage and the proportion single reveal some interesting facts as to how the delay in timing of marriage has been operating among different social groups. If we look at the 1976 World Fertility Survey, Sri Lanka (WFS) data it can be seen that the overall mean age at marriage was 18.3 years for the women interviewed during the survey. The mean for women living in estates is 17.3; which is about a year and a half earlier than for women living in urban areas for whom the mean is 18.8. For women from rural areas the mean age at marriage was intermediate. As for ethnic differentials, the Sri Lankan Moors had a mean of 18.5 which is two years younger than the mean for Sinhalese (18.6).

The Indian Tamils had a mean of 17.2 and Sri Lanka Tamils 17.5. Religious differentials more or less follow the same pattern as the ethnic differentials, according to the survey results. The rise in the mean age at marriage is greatest among Sinhalese Buddhists and for women with lower levels of education. Age at marriage by zone, according to Paranagama, shows that the females in the dry zone married nearly 3 years earlier than the females in the wet zone, and the urban rural difference in age at marriage within the zones seems less significant than zonal differences (Paranagama, 1978). However, the general finding in the demographic research is that the women living in urban areas enter marriage later than their counterparts living in rural areas. The early age at marriage reported for the dry zone may be a reflection of this pattern.

Regarding the stability of the institution of marriage in Sri Lanka we could state that marriage in Sri Lanka is a relatively stable institution, with very low levels of widowhood, divorce or separation as means of marital dissolution. The WFSS results show that widowhood and divorce or separation stood at 6 percent each for all women who entered marriage. Out of all married women interviewed during this survey, 96 percent had been married only once and 88 percent were still in their first marriage (WFS, Summary 1978). Here we should not forget however, that many marriage dissolutions occur in Sri Lanka, especially in the rural sector without necessarily reporting them to the authorities and the rates usually worked out on the basis of data reported to the Registrar General of Births, Marriages and Deaths have to be used with enough attention to this fact. In fact, traditionally the Customary marriage was never registered and even today some of the old couples live together without registering their marriages. Legally, both males and females can contract a marriage on their own at the minimum age of 21 years. Below this age parental consent has to be obtained for marriage. At present spouse selection is made on the basis of two major lines. (a) Arrangement by parents, relatives or friends. (b) Contracting by the partners. Whichever manner one follows, the spouse selection is made on the basis of certain criteria. Ryan (1953) identified that the spouse selection is made on the basis of five fundamental rigid criteria and three balancing factors. The five criteria are ethnicity, caste, age differentials, bride's virginity and horoscope matching. The balancing factors include girl's family dowry power, the security and occupation of the groom, and the status of family lines. These factors are more look-

ed into when marriages are arranged rather than when contracted.

There is very little interethnic group marriage taking place in Sri Lanka. For example inter-ethnic marriages constituted only about 3 percent of those registered each year during the period 1960-1975 (Fernando, 1980). Within various ethnic groups inter-caste marriages do occur in contemporary Sri Lanka and their occurrence now seems to be on the increase. The considerations of education, employment, income and life style cut across caste boundaries very often. However, caste endogamy is still practiced within each Caste group by those who can afford to. This is more true in arranging marriages for their children by parents rather than in the case of contracting. "Although selecting a partner from the same religious group is usual, departures from this practice are not uncommon where one partner embraces the faith of the other or where differences in religious faiths are compatible with marriage. However, the extent of inter-religious marriages cannot be ascertained since the Registrar General does not maintain such statistics. But such marriages are believed to be more numerous than marriages between ethnic groups" (Fernando, 1980: p.434).

Apart from the tradition-oriented factors, there are also factors such as education which seem to influence the age of marriage in Sri Lanka. School attendance keeps both men and women out of the marriage market during their schooling period and the attitudinal changes brought about during this period could further postpone the entrance to marriage.

BIBLIOGRAPHY

Dixon, Ruth B 1970

The Social and Demographic Determinants of Marital Postponement and Celibacy: A Comparative Study. Ph. D. thesis, Berkeley: University of California (Unpublished).

Fernando, Dallas, F. S. 1975

'Changing nuptiality Patterns in Sri Lanka 1901-1971' in *Population Studies* 29(2) July pp. 179-190.

1980

'Ethnic and religious factors in marriage in Sri Lanka' In *Journal of bio-social sciences* 12. 429-436.

Gamage, S. 1983

'Kinship, Family, Marriage and Caste System in the context of social organization and administration around Mahaweli river basin'. A paper written in Sinhalese (forthcoming).

Formal education in Sri Lanka is relatively free and open, compared to other societies in the South Asian region. As a source of to seek employment in the present context; and to be more competitive in the job market, women seek more education which eventually delays their marriage.

Finally it could be stated that the marriage pattern in Sri Lanka is characterised by a relatively late timing of marriage both for males and females and a relatively high percentage of spinsterhood or celibacy. (Though spinsterhood or Celibacy (Permanent non-marriage) stood at relatively higher levels, most recent findings show that the level has declined (Census; 1981). The proportions getting married has also declined among the younger age groups, conforming to this same trend. Standard indices of marriage timing such as SMAM, Mean Age at Marriage, and even the components of the marriage pattern such as a K.C. prove the same. The educational, employment and income factors coupled with tradition-oriented considerations of caste, ethnicity, religion dowry etc. seem to be major influences in the observed delay in the timing of marriage. In more general terms, the socio-economic and cultural conditions prevailing, in the context of Sri Lanka's relative economic underdevelopment contributes towards the creation of certain attitudinal and behavioural consequences as may be seen in the case of marriage in Sri Lanka. However, once a marriage is arranged or contracted, it seems to be stable; since the level of marriage dissolution prevalent here is low.

Gunasinghe, Newton 1977

'Under-development and declining fertility in a Kandyan village' chapter 7 in — T. Scarlett Epstein and Darrel Jackson (eds) *The Feasibility of Fertility planning; Micro Perspectives.* Pergamon Press.

Leach, E. R. 1961

Lanka 1901-1971' in *Population Perspectives.* Pergamon Press.

PulEtiya; A village in Ceylon; A Study of land tenure and kinship. Cambridge University Press, Cambridge.

Obeyskere, G. 1967

Land tenure in village Ceylon. Cambridge University Press, Cambridge.

Pieris, Ralph 1956

Sinhalese social organization. The Ceylon University Press Board. Colombo.

Small and Medium Towns in Sri Lanka: A Situational Analysis and their Planning Significance

M. W. J. G. Mendis

There is an urgent need to formulate a national urban development policy which would include a component connected with the small and medium towns. Today these towns perform a key role in providing urban support in the predominantly rural regions and as magnets in the predominantly urban regions. But since there is no explicit national urban growth strategy they lack spatial structure which can enable them to secure more effective urban-rural complementarities, states Professor Willie Mendis, Head of the Town and Country Planning Department, University of Moratuwa in this paper. In a previous paper published in the Economic Review of April 1982, he dealt with the "large" towns and a national urban growth strategy.

Background and Purpose of Paper

In Sri Lanka, one out of every five persons lives in urban areas. In the latter, only nine of its towns exceed 50,000 population in size, of which six have populations of over 100,000 persons. Of the latter two only one exceeds half a million while the rest are well below 200,000 population in size. In such a context, the small and medium towns can be regarded as those with populations below 50,000 persons in size. Such towns in the Sri Lankan urban perspective have become significant as suburbs and also as "service centres" to the rural hinterlands and as "market towns" for rural producers.

In the above circumstances, a study of their pattern of prevalence by location and structure, of their rates of growth, and an analysis of their relevance in development, all become useful areas for enhancing the fund of knowledge needed in planning of the Urban Sector in Sri Lanka. In particular, at this juncture when urban areas are being consciously promoted as contributors to economic growth, specific attention on the small and medium size towns will be most appropriate to achieve three objectives, as follows:

- (a) to determine the framework of a national urban development strategy which will incorporate them in a hierarchical manner that would simultaneously ensure complementarity with rural development.
- (b) to ascertain how they could act as foci of urban needs of rural people and as centres capable of accommodating the rural surplus of those persons electing to live in them.
- (c) to determine a suitable spatial structure of urban settlements which in turn will facilitate the securing of economic objectives through the rationalisation of the location of investments.

This Paper is hence an attempt to study and analyse the previously stated factors of small and medium towns with a view to formulating recommendations that would permit the realisation of the above mentioned three objectives.

Methodology of Study
This study has utilised the definition of "urban" as employed in the national census. Accordingly, only those towns designated as Municipal Councils, Urban Councils, and Town Councils have been considered. Further, for the reasons noted previously, this study has defined those urban areas below 50,000 population — also, as small and medium towns in the Sri Lanka context. In this connection, those towns below 10,000 population will be regarded as small towns and others between 10,000 and 50,000 population as medium size towns. (See Figure 1).

The format of the study has firstly included a classification of the small and medium towns by number and size. Their growth rates have next been discussed. Thereafter their locations and spatial structuring have been analysed. The conclusions and recommendations for development planning, arising out of the study, comprise its final section.

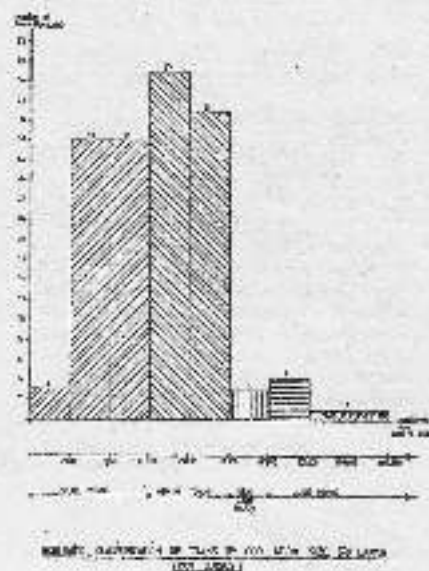


Figure 1
Classification of Small and Medium Towns by Number and Size

In the post-independence period (i.e. 1948-1981) the magnitude of the urban population living in small and medium towns has increased by 1.34 million or at an average of 384,000 persons per decade (See Table 1). Further in that same period, one out of every two urban persons in Sri Lanka has been living in small and medium towns. Presently (1981), 1.8 million persons live in such towns.

In addition, the number of small and medium towns in the post independence period have always been greater than 85% of all towns in the country. (See Table 2). Accordingly, they have performed, and continue

Table 1 POPULATION OF SMALL AND MEDIUM TOWNS IN POST-INDEPENDENT SRI LANKA 1946-1981

Census Year	1946	1953	1963	1971	1981
Population in Small & Medium Towns	439,582	429,968	1,014,443	1,612,197	1,782,971
Share of Total Urban Population (%)	43	35	30	37	56
Share of Total Population (%)	7	5	10	13	12

Sources: *Urbanisation in Sri Lanka*, Mendis (1981) p. 3, *Statistical Abstract* (1979) p. 30/31 and *Census of Population* (1981) p. 3.
Note: Percentage figures have been rounded.

Table 2 SHARE OF SMALL AND MEDIUM TOWNS IN TOTAL NUMBER OF TOWNS IN SRI LANKA 1946-1981

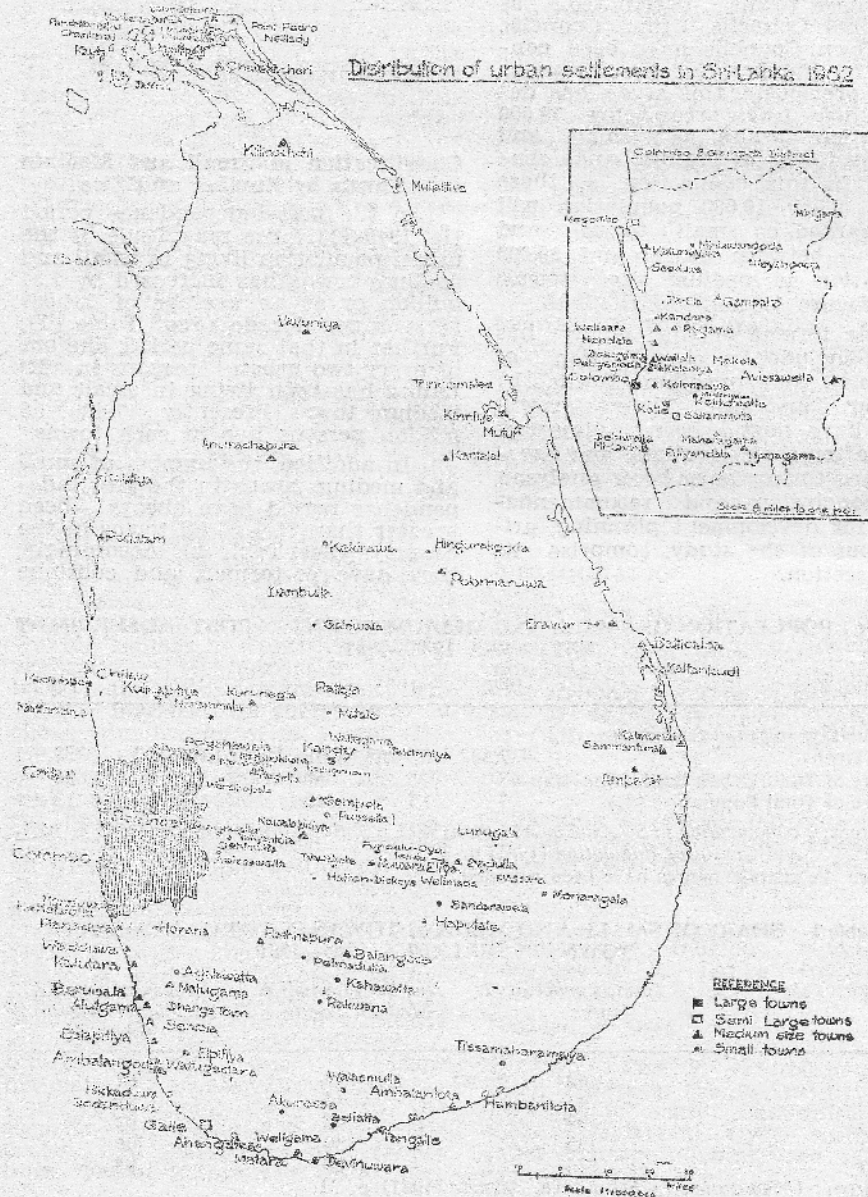
Census Year	Total Number of Towns	Number of Small & Medium Towns	Share of Small & Medium Towns in all Towns %
1946	42	37	88
1953	43	36	85
1963	99	92	93
1971	134	120	96
1981	134	125	93

Source: *Urbanisation in Sri Lanka*, Mendis (1981) p. 31.

Table 3 DISTRIBUTION OF POPULATION IN SMALL AND MEDIUM TOWNS, SRI LANKA BY SIZE AND NUMBER OF TOWNS 1946-1981

Census Year		Size of town in terms of Population						
		Below 2000	Small Towns		All Small Towns	Medium Size Towns		All Medium Size Towns
			2000 to	5000 to		10,000 to	20,000 to	
1946	Number of Towns	3	9	7	19	13	5	18
	Population	3601	28386	55874	87861	174598	177123	351721
	% of Total Urban	0.4	2.8	5.5	8.7	17.1	17.3	34.4
1953	Number of Towns	3	8	4	15	15	6	21
	Population	4062	28338	29691	62091	213150	154727	367876
	% of Total Urban	0.3	2.3	2.4	5.0	17.2	12.5	29.7
1963	Number of Towns	9	21	23	53	21	18	39
	Population	15342	74681	158280	248303	278153	487986	776139
	% of Total Urban	0.8	3.7	7.9	12.4	13.8	24.2	38.0
1971	Number of Towns	9	32	30	71	34	25	59
	Population	10819	104095	215848	330762	499561	781874	1288095
	% of Total Urban	0.4	3.7	7.6	11.7	17.5	27.5	43.0
1981	Number of Towns	3	28	28	59	35	31	66
	Population	5173	90518	199189	294880	511138	967957	1488095
	% of Total Urban	0.2	2.8	6.3	9.3	16.0	30.5	46.5

Source: *Urbanization in Sri Lanka*. Mendis (1981) p. 31.



to play a significant role in the national urban scenario. It is thus contended that they have acted in concert to avoid large-scale migration to the large cities.

In terms of population living in the post-independence period it is revealed that a large share of them have always lived in the medium size towns. (See Table 3). Thus, as seen in Table 3, the population living in the medium size towns with between 10,000 — 19,999 people, alone have always been greater than the cumulative total of all classes of the small towns.

Within its own categories (as shown in Table 3) the largest share of the population of small towns is in its 5000-9999 class. In the case of the medium size towns, the largest share of its population is in the 20,000 - 49,999 class. Hence in both types of towns their biggest classes have always held the largest share of their separate populations.

In terms of actual numbers, the small towns have been nearly equal or greater than the numbers of medium size towns in the post independence period. On the other hand it is noteworthy that while the number of medium size towns have been continuously increasing since 1946, the corresponding situation in the small towns has been a decrease in the Census years 1946-1953 and 1971-1981.

By a classification of small and medium towns in terms of major administrative units, which comprise District Capitals and Municipalities, the numbers of medium size towns which consist of the latter, far exceeded the corresponding numbers of small towns in each of the Census years 1971 and 1981. (See Table 4). Furthermore, it is noteworthy that in overall terms, a greater proportion of all District Capitals and Municipalities comprise small and medium towns.

Table 4 NUMBERS OF SMALL AND MEDIUM TOWNS BY MAJOR ADMINISTRATIVE UNITS: SRI LANKA

Country Year		1971	1981
District Capitals (Total: 24)	Small Towns	4	3
Municipalities (Total: 12)	Medium Towns	16	17
	Small Towns	0	0
	Medium Towns	6	6

Table 5 DISTRIBUTION OF SMALL AND MEDIUM TOWNS BY AVERAGE ANNUAL RATES OF GROWTH 1971-1981

Average Annual Rates of Growth (%) in the Inter-Censal Period 1971-1981	Below Zero		Zero		1.00 to 1.99		2.00 to 2.99		3.00 Above	
	No.	%	No.	%	No.	%	No.	%	No.	%
Number of Towns: Small Towns	4	1	24	14	0	0	0	0	0	0
(Or 1931) Medium Size Towns	7	0	15	26	15	5	1			

Note: The Medium size town of Ampara was not included in the 1971 Census and hence its growth rate has not been computed. Accordingly the total number of medium size towns in the above Table is 65 and not 66 as indicated in Table 3.

Pattern of Growth of Small and Medium Towns

The average annual growth rates of the small and medium towns during the last inter-censal period (1971-1981), provides interesting data for study. They reveal that 30 or about half the total number of small towns are presently growing at rates higher than the national urban growth rate of 1.2% per annum. However, as shown in Table 5, twenty-seven of their number (ie. nearly half their total), are also growing at rates of less than 1.8% per annum; with three of them even growing at negative rates. Thus in overall terms, the data in Table 5 suggests that, at present, the population in a majority of the small towns are not increasing very rapidly.

On the other hand as shown in Table 5 in the case of medium size towns, 39 or more than half its total number, are presently growing at rates higher than the national urban growth rate. Further, only twenty-two medium size towns, (ie one third of its total), are growing at rates less than 1.0% per annum. Hence in overall terms the data in Table 5 suggests that at present, a greater number of the medium size towns are growing at rates faster than those of small towns. In this connection, the growth rates, which provide greater comparability in the medium size towns are those between 1.8% to 1.98% and 2.0 per cent to 2.99 per cent.

However, a comparative observation of the data in Table 5, for small and medium towns, indicates that there were more medium size towns with negative growth rates and also less of them at the other end of the spectrum with rapid growth rates.

Table 6 shows the complete list of small and medium towns and their individual average annual growth rates.

Location and Spatial Structure of the Small and Medium Towns

In terms of location, at present, 31 of the 59 small towns and 28 of the 68 medium size towns are located

in the Dry Zone. (See Table 7 and Map 1) The remainder are located in the Wet Zone.

Table 7 also shows the distribution of small and medium towns by Districts in 1981. It indicates that Gampaha District had the largest number of medium size towns, with Jaffna, Kaituma, Colombo and Galle Districts following thereafter with five or more such towns in each. It further indicates that Badulla District had the largest number of small towns, with Kegalle, Puttalam, and Hambantota Districts following thereafter with five such towns in each.

DISTRICT-WISE DISTRIBUTION OF THE TEN LARGEST SHARES OF POPULATION IN SMALL AND MEDIUM TOWNS, SRI LANKA 1981

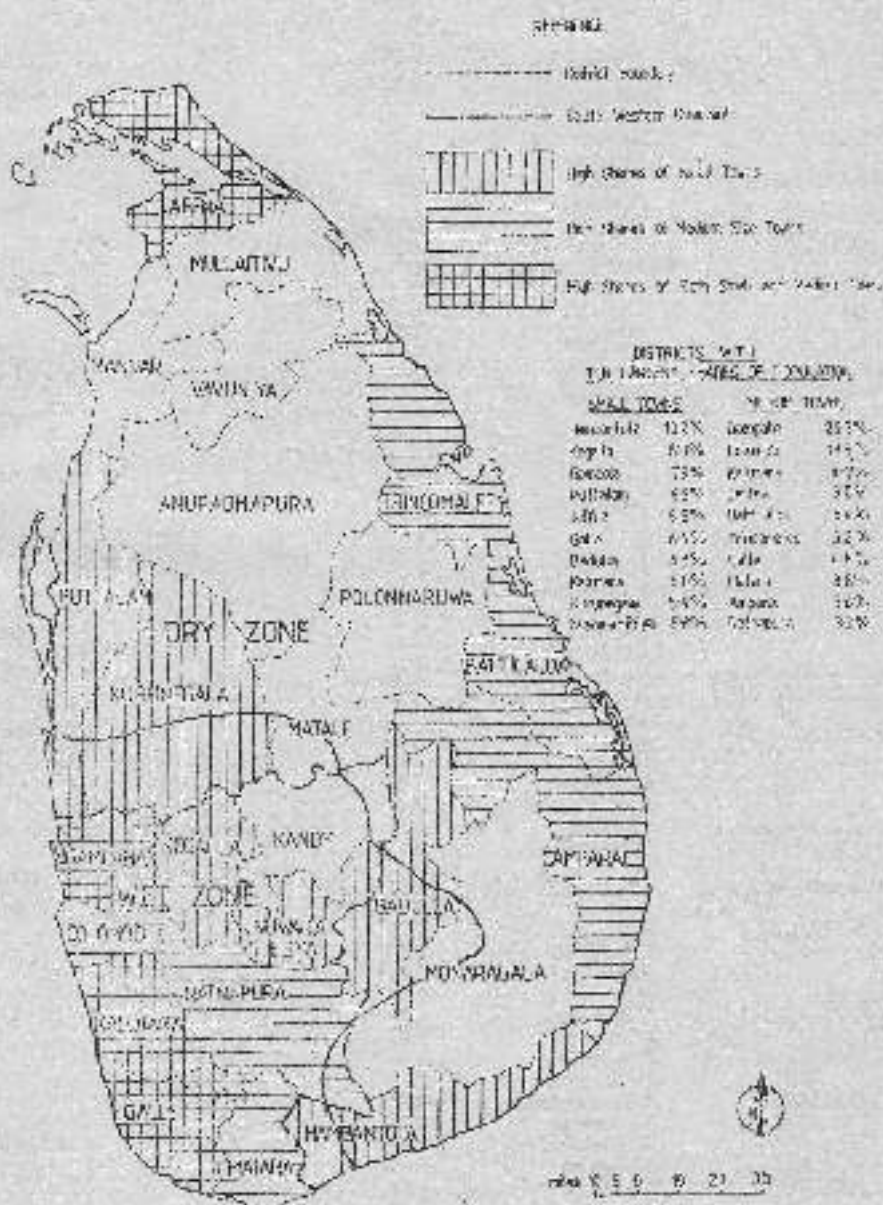


Table 6—AVERAGE ANNUAL GROWTH RATES OF SMALL AND MEDIUM SIZE TOWNS IN SRI LANKA, 1981

SMALL TOWNS			MEDIUM SIZE TOWNS		
District	Name	Ave. Annual Growth Rate (%)	District	Name	Ave. Annual Growth Rate (%)
COLOMBO	Piliyandala	1.27	COLOMBO	Avissawella	1.53
				Kolonnawa	1.11
				Mulleriyawa	-0.22
				Kotikawatta	1.09
				Homagama	2.76
KALUTARA	Horana	1.40		Maharagama	2.38
	Alutgama	1.55	KALUTARA	Beruwala	2.23
	Agalawatta	0.00		Panadura	1.25
				Kalutara	0.96
KANDY	Kadugannawa	-0.44		Wadduwa	0.96
	Wattegama	6.70		Matugama	1.52
	Pussellawa	0.26		Keselwatta	1.62
	Teldeniya	0.88		Dharga-town	1.89
			KANDY	Gampola	-0.40
MATALE	Galewela	1.05		Nawalapitiya	0.31
	Dambulla	1.48			
	Rattota	0.08	MATALE	Matale	-0.31
NUWARA-ELIYA	Talawakelle	3.50	NUWARA-ELIYA	Nuwara-Eliya	3.04
	Pundalu-Oya	0.36			
	Hatton-Dickoya	0.75	GALLE	Ambalangoda	0.87
				Elpitiya	1.47
GALLE	Ahangama	-0.19		Bentota	2.01
	Dodanduwa	0.47		Balapitiya	-0.43
	Hikkaduwa	5.05		Wagedera	0.18
			MATARA	Matara	0.69
MATARA	Devinuwara	0.37		Weligama	0.84
	Akuressa	1.71	HAMBANTOTA	Ambalantota	3.49
HAMBANTOTA	Tangalle	0.94	JAFFNA	Chawakachcheri	1.02
	Hambantota	2.39		Point Pedro	0.98
	Beliata	0.78		Valvettitura	1.46
	Walasmulla	2.22		Killinochchi	9.75
	Tissamaharama	4.74		Nelliady	0.25
				Kankasanthurai	2.59
JAFFNA	Chenkanai	1.96		Chunnakam	1.39
	Manipay	1.80		Pandatheruppu	1.93
	Kayts	0.64		Urumpirai	1.95
MANNAR	None	—	MANNAR	Mannar	2.97
VAVUNIYA	None	—	VAVUNIYA	Vavuniya	1.84
BATTICALOA	None	—	BATTICALOA	Batticaloa	1.68
AMPARAI	None	—		Kattankudy	1.40
TRINCOMALEE	Kantale	5.72		Eravur	0.21
KURUNEGALA	Kuliyapitiya	0.77	AMPARAI	Amparai	—
	Polgahawela	0.57		Sammanturai	1.06
	Alawwa	3.71		Kalmunai	1.90
	Narammala	1.38	TRINCOMALEE	Trincomalee	0.75
PUTTALAM	Madampe	0.54		Muttur	3.48
	Wennappuwa	1.14		Kimmiya	-0.81
	Dankotuwa	1.45	KURUNEGALA	Kurunegala	0.53
	Nattandiya	0.96	PUTTALAM	Puttalam	1.94
	Kalpitiya	4.28		Chilaw	1.83
ANURADHAPURA	Kekirawa	3.23	ANURADHAPURA	Anuradhapura	0.41
POLONNARUWA	Hingurakgoda	3.61	POLONNARUWA	Polonnaruwa	2.35
			BADULLA	Badulla	-0.49
BADULLA	Bandarawela	2.24	MONERAGALA	None	—
	Haputale	0.12	RATNAPURA	Ratnapura	2.83
	Hali-Ela	0.49		Balangoda	1.86
	Passara	0.09			
	Lunugala	1.88	KEGALLE	Kegalle	1.26
	Welimada	-0.15		Mawanella	2.72
MONERAGALA	Moneragala	4.52	GAMPAHA	Ja-ela	1.23
				Wattala-Mabole	1.06
RATNAPURA	Kahawatte	2.71		Peliyagoda	0.19
	Pelmadulla	1.24		Gampaha	0.60
	Rakwana	0.48			
KEGALLE	Rambukkana	2.36		Seeduwa-	
	Yatiantota	1.21		Katunayake	2.20
	Warakapota	2.09		Hendala	2.62
	Ruwanwella	0.90		Dalugama	1.56
	Dehiowita	0.43		Kelaniya	0.59
GAMPAHA	Minuwangoda	0.95		Kandana	1.49
	Veyangoda	0.26		Ragama	2.69
	Kochchikade	0.87		Welisara	2.44
	Mirigama	3.63	MULLAITIVU	None	—
MULAITIVU	Mulaitivu	4.61			

It is also seen from Table 7 that there are no small towns in four of the Districts and no medium size towns in two of the Districts; all such Districts being situated in the Dry Zone.

In terms of the shares of population, Table 7 indicates a wider spread of the shares in the medium size towns and less so in the small towns. Thus Map 2 shows the district-wise distribution of the ten largest shares of population in the small and medium towns. It indicates a high concentration in the South-West and in the Northern tip of the country. A lesser concentration is evident on the Eastern coast-line.

Map 3 shows the location of small and medium towns which have high rates of population growth. It indicates three distinct high growth rate zones in the south, south-west and the east.

The combined considerations of Map 2 and Map 3 suggests (as follows) a spatial structure of four segments; the development of which can be influenced by small and medium towns.

- i. South-west segment
: Districts of Gampaha, Colombo, Kalutara, Galle, Matara, Rajapura and Kegalle
- ii. Central segment
: District of Nuwara-Eliya
- iii. Eastern segment
: District of Trincomalee
- iv. Northern segment
: Districts of Jaffna

Planning Issues Connected with the Small and Medium Towns

The prevalence of a large share of the urban population in the small and medium towns which make up more than three fourths of all towns, is an indication of the high reliance on them in the urban scenario in Sri Lanka. Accordingly, they comprise an important factor for consi-

Map 3 - Distribution of small & medium towns with high rates of population growth

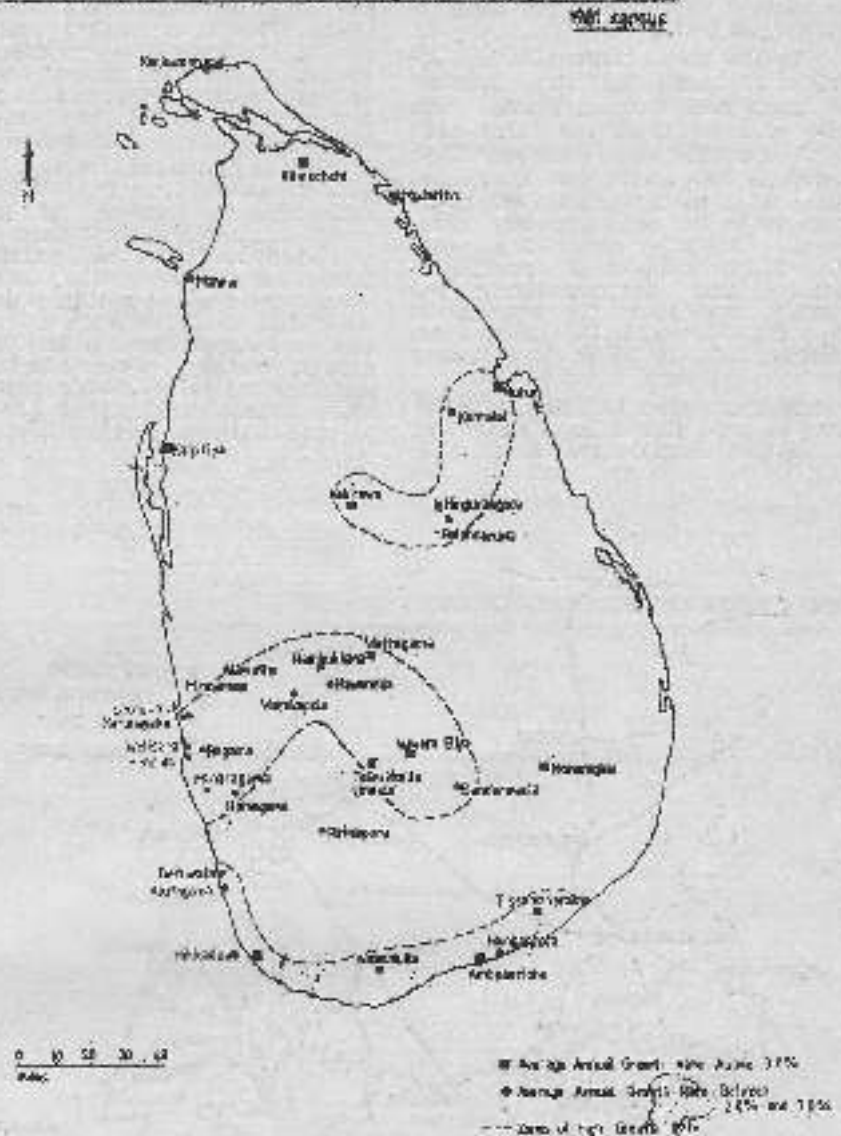


Table 7 - DISTRICT-WISE DISTRIBUTION OF SMALL AND MEDIUM TOWNS IN SRI LANKA 1981

District	Zone	Small Towns			Medium Size Towns		
		No.	Population	%	No.	Population	%
Colombo	W	1	6508	2.2	6	201621	15.5
Kalutara	W	2	17668	6.0	7	159517	10.7
Kandy	W	4	13266	4.5	2	32886	2.3
Matara	D	3	9063	3.1	1	29745	2.0
Nuwara Eliya	W	3	16547	5.3	1	21319	1.4
Galle	W	3	18874	6.4	5	72065	4.8
Matara	W	2	14513	4.9	2	57034	3.8
Hambantota	D	2	20540	10.2	1	11026	0.7
Jaffna	D	3	19150	6.5	9	133227	9.0
Mannar	D	NIL	0	0	1	14469	1.0
Yapunta	D	NIL	0	0	1	18511	1.2
Batticaloa	D	NIL	0	0	3	79565	5.4
Ampara	D	NIL					
Trincomalee	D	1	7293	2.5	3	75966	5.2
Kurunegala	D	4	17579	5.9	1	26519	1.8
Puttalam	D	5	19481	6.6	2	42297	2.8
Amarapura	D	1	5227	1.8	1	36248	2.4
Polinovawa	D	1	8966	3.0	1	11799	0.8
Batal's	D	6	18524	6.3	1	12954	0.9
Moneragala	D	1	6648	2.0	NIL	0	0
Mahapaya	W	1	11702	3.9	2	47617	3.2
Kegalle	W	5	24676	8.2	2	28826	1.9
Gampaha	W	4	23244	7.9	11	301437	20.43
Mulativu	D	4	7202	2.4	NIL	0	0
All Districts		59	294,830	100.0	66	1,480,095	100.0

denation in development planning at all spatial levels.

In the above connection, the location of nearly half the number of small and medium towns, and also of more than one third each of their populations in the Dry Zone, indicates the useful role they are performing in the process of development in the predominantly rural areas. They comprise a vital link for supporting rural producers and accommodating the surplus rural labour. By such means they thus demonstrate urban-rural complementarity which is necessary for effective rural development.

It was also noted, in the preceding sections, that a large proportion of District capitals and Municipal-

ties comprise small and medium towns. This is a further confirmation of the functional specialisation needed in the development process and how such services can be provided even in small and medium towns.

In the above context, it is however necessary that in order to rationalise the location of investments and services, that these small and medium towns be consciously interrelated with each other and with higher order towns within a designed spatial structure. Such a feature can be secured through an urban growth strategy which can become instrumental in promoting appropriate economic development strategies at both national and sub-national levels.

A national urban growth strategy is in fact necessary to complement the economic strategies. Such a link is vital for whatever economic philosophy being followed by a Government in power. It is thus equally relevant for "free market economics" as well as for "centrally planned economies".

In both, it will provide public and private investors with a choice of locations carefully selected according to various levels of potential for growth and equity. In such a context, it does not interfere with "free market" conditions, but grants it credibility and also acts as a stimulant to it. Accordingly, a well conceived urban growth strategy will enable investors to gain confidence in the fact that overall analysis for location of investments has already been done for them by the planners in terms of both private and public benefit. In addition such a strategy will particularly assist public investments in privatisation and choice of location for productive as well as infra-structure projects. In this way, the overall process of development will take place in a desirable manner and in the appropriate places.

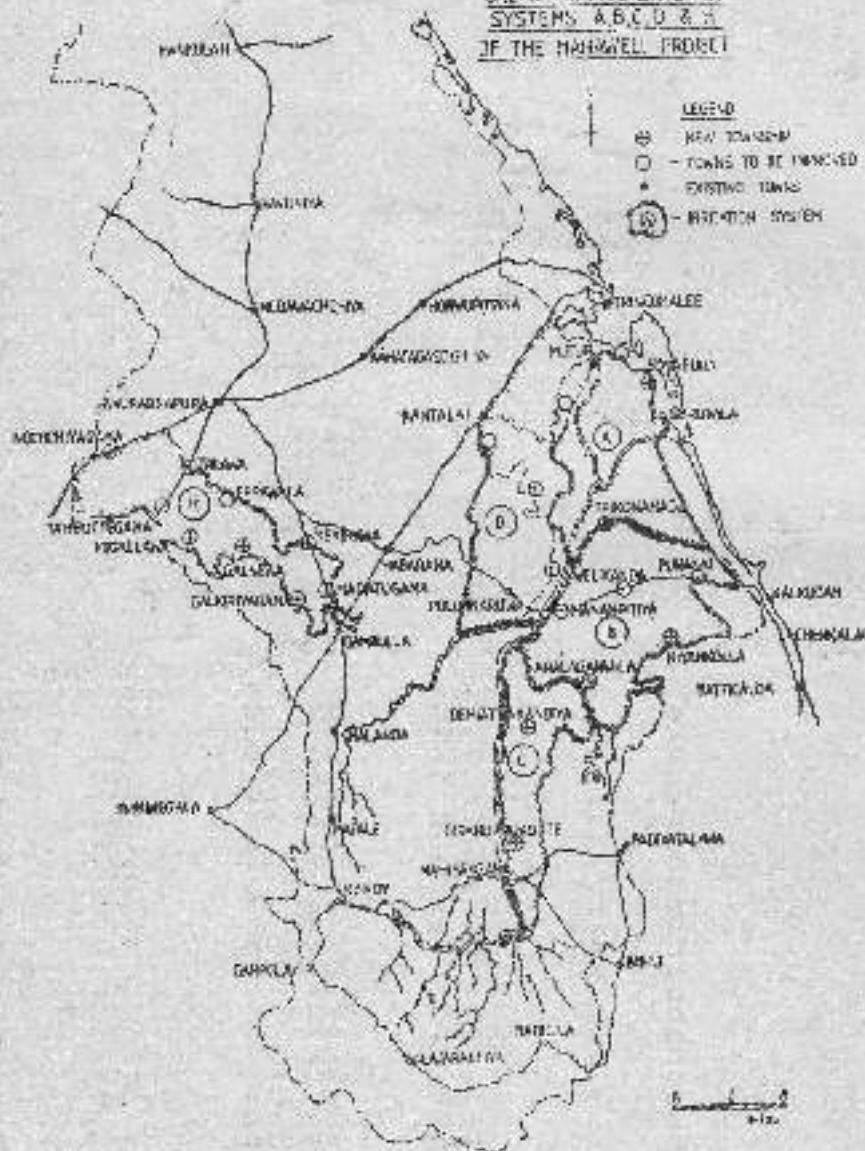
However, possibly there is no explicitly stated urban hierarchy nor is there an urban growth strategy in the development process. Accordingly, the stimulus needed by the small and medium towns in certain Districts which have the potential for sustaining economic development initiatives also do not exist. Thus, the small and medium towns in the southern and eastern Districts in particular appear to have lagged in the absence of integrated regional development plans for them. In these circumstances, it is now opportune to construct Development Plans for a "Tiruchendur-Puducherry-Nattam region" and a "Osai-Madurai region".

In large contiguous urban settlements, the small and medium towns play a vital role either as suburban commercial centres or as more important sub-regional centres. In such a context they act as urban economic entities. Thus, the small and medium towns in the urban regions of Colombo and Jaipur possess the potential for such role. In planning these Urban regions, these towns can be fashioned to achieve a stated development strategy.

On a national scale too, the absence of a stated urban growth strategy indicates that the small and medium towns are not being provided in suit a desired pattern and direction of urban growth. Presently, the analysis of the distribution and rates of growth of the small and medium towns, when considered together with the distribution of the large towns too, suggests that the

URBAN SETTLEMENTS IN SYSTEMS A, B, C, D & E IF THE HARWELL PROJECT

Fig 4



national urban spatial structure straddles a South West - East axis through the central and north-central land mass*. The only urban area located outside this axis is that in the Jaffna District. Hence taking into account the settlements in the Accelerated Mahaveli Programme (see Map 4), and the desirability of promoting future populations to settle outside the dense south-west, a desirable national urban strategy could be fashioned on a broad urban corridor between the south-western seaboard (focusing on Colombo), and the eastern seaboard (focusing on Trincomalee). Within such a corridor the small and medium towns could perform a significant role in structuring different hierarchical services and production units.

Thus, taking into account the analysis of the data in Map 2 and in Map 3, together with the location of the country's large urban centres and of the towns in the Mahaveli Project areas, a corridor of about 50 miles width may need to be examined further for determining its final dimensions that will be utilised in a planning strategy. This corridor needs to be supplemented with two other designated urban regions; one in the south (around Galle) and another in the north (around Jaffna). The former may be an area of around 10-15 miles radius from Galle and the latter an equal size radius from Jaffna. It would then include the cluster of small and medium towns in them with its larger counterparts.

The promotion of the integration of small and medium towns within a stated urban hierarchy and also a designated urban growth strategy must be based on a national spatial planning framework. The latter is required to facilitate both plan formulation and also plan implementation. In this connection, it may therefore be timely to design a suitable network of macro "planning regions" in the national spatial fabric. Within this the small, medium and large towns and their own urban regions can be consciously developed. Such regions will also provide the linkage of urban-rural complementarities so that the continued emphasis on agricultural development can be steered to secure comprehensive rural development.

The domination of the rural sector in national economic development strategies is a pointer to the importance and reliance that will continue to lie on small and medium towns. Accordingly, as stated earlier the latter will, even in the future,

comprise a large proportion of the towns and of the urban population.

Conclusions and Recommendations

The main conclusions arising out of the analysis in this paper are that:

- (i) The small and medium towns, consisting of those between 10,000 and 50,000 populations, have always comprised more than 7/8ths of all towns in Sri Lanka. They include a large proportion of District Capitals and half the Municipalities in the country.
- (ii) Presently (1981), one out of every two urban people live in small and medium towns. The share of such population in the medium size towns (ie 10,000 - 50,000 population), is greater than that in the small towns (ie below 10,000 population).
- (iii) Presently, the population in a majority of the small towns are not increasing rapidly; while the reverse is true of the medium size towns wherein the propensity is provided by those growing at rates between 1.5% and 3.0% per annum.
- (iv) Seven out of the ten towns with negative growth rates are however medium size towns.
- (v) The distribution pattern of the small and medium towns indicate that by number they are equally divided between the wet and dry zones. By concentrations, they are clustered in the south-western quadrant and are also found in groups in the central, eastern, and northern districts of the country.
- (vi) The small and medium towns perform a key role in providing urban support in the pre-dominantly rural regions, and as suburbs in the pre-dominant urban regions.
- (vii) However, there is no explicit national urban growth strategy. Hence the small and medium towns lack spatial structuring in securing more effective urban rural complementarities.
- (viii) The current trends in the demographic characteristics of the small and medium towns indicate that they will continue to dominate the national urban scenario in Sri Lanka in the foreseeable future.

The recommendations for action are as follows:

- (a) It is recommended that an explicit national urban development policy be formulated urgently, including therein a component connected with the small and medium towns.
- (b) In the above context, it is also recommended that the

role and function of the small and medium towns in both urban and rural sectors be consciously recognised and their economic base accordingly strengthened by integrating them in the plans for the development of the corresponding urban and rural regions. The latter should be specifically incorporated in the Settlement Planning policies of the Accelerated Mahaveli Development Programme.

- (c) It is further recommended that the presently existing urban spatial structure be incorporated in an appropriate national urban growth strategy. In this connection, the urban corridor between Colombo and Trincomalee and the urban regions around Galle and Jaffna should be further studied for refinement of their territorial dimensions which need to be included in such a strategy.
- (d) It is also recommended that the national urban growth strategy be a component of an overall economic development strategy and be based upon a macro-economic planning framework for the effective realisation of economic development objectives.

BIBLIOGRAPHY

1. Urbanisation and the Growth of Small Towns in Sri Lanka, 1901-71, Dayal Abeysekera, Paper No: 67 of the East-West Population Institute, USA, April 1980.
2. Small Towns in Rural Development, M. D. Ellepola, M.Sc. (Town and Country Planning) Degree Dissertation, University of Moratuwa, March 1982.
3. Large Towns in Sri Lanka, MWJG Mendis, in "Economic Review" Vol. 8 No. 1, A People's Bank Research Department Publication Colombo, April 1982.
4. Urbanisation in Sri Lanka, MWJG Mendis, in "Progress" Vol. 1 No. 4, Ministry of Plan Implementation, Publication, Colombo, December 1981.
5. Statistical Abstract of Sri Lanka - 1979, Department of Census and Statistics, Colombo, August 1981.
6. Census of Population and Housing - Preliminary Release No. 1, Department of Census and Statistics, Colombo, June 1981.

* The author regards large towns in the Sri Lankan context as those above 100,000 persons in each. They are presently (1981), Colombo City, Moratuwa, Dehiwela-Mt. Lavinia, Kotte, Kandy and Jaffna.

ECONOMIC REVIEW

PEOPLE'S BANK RESEARCH
STUDIES

Bibliography on the Mahaweli

The Research Department of the People's Bank has brought out a very comprehensive bibliography of the Mahaweli which has brought together 410 items of both unpublished and published documents on the Mahaweli. Each significant document is also summarised in the bibliography indicating its contents. This bibliography therefore becomes the most comprehensive so far on the Mahaweli project.

Copies are obtainable from the Research Department, People's Bank, at Rs. 45/- each.

The People's Bank Research Division has over the last two years produced several studies. Nearly 15 such reports are now being made available to the general public.

All publications could be purchased at the Research Department, People's Bank, 11th Floor, Head Office, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Telephone: 36940 —

**A Publication of the
People's Bank
Research Department.**

The contents of Economic Review may be quoted or reproduced with due acknowledgement.

ANNUAL SUBSCRIPTION RATES

SRI LANKA	Rs. 32/-
SOUTH ASIA	US\$ 16/-
SOUTH EAST ASIA	US\$ 18/-
AFRICA	US\$ 18/-
JAPAN	US\$ 20/-
MIDDLE EAST	US\$ 20/-
REST OF THE WORLD	US\$ 22/-

PRICE PER COPY

LOCAL	Rs. 2/50
INTERNATIONAL	US\$ 2/-