

# TRIBUNE





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# Letter From The Editor

ON THE COVER we see a picture of men bringing in a harvest of fish. It is a heart-warming sight especially for the millions in this country who can no longer afford to buy fish at the prices now prevailing. Not many years ago, fish, (fresh fish), was one of the cheapest sources of protein for the ordinary citizen of this island. This had been possible also because the Government—as a hangover from the plantation-economy of colonialism—had imported over Rs. 100 million worth of fish products in the form of canned fish and dried fish (not to forget the incomparable maldive fish). With less and less foreign exchange to import fish products, the people of Sri Lanka were thrown back on the local fishing industry. Unfortunately, it was not able to cope with the increased demand and the challenge of import substitution. A good part of the many many millions (of rupees) invested in the fishing industry to modernise it and expand it were wasted and went into wrong pockets—as in many other spheres of activity in this country. The result was that the local production of fish was not able to cope up either with the increase of population able to buy fish or meet even a part of the gap created by the reduction in the imports. The Government has therefore continued to import varying (reduced) quantities of dried fish and other fish products but even this has not curbed the phenomenal rise in the price of fish. The commonest varieties of fish today cost about five times more than what they did ten years ago, but wages and incomes have not gone up five times in this period. This week, in Colombo, the meanest little sprat cost about Rs. 5 a lb whereas ten years ago it was only about 0.75 cts a lb (and just three or four years ago it had ranged from Rs. 1.00 to Rs. 1.50 a lb). The shark, which was a cheap variety costing less than one Rupee a pound a few years ago, was unobtainable at Rs. 3.00 a lb in Colombo this week. The paraw today fetches anything between Rs. 5.50 to Rs. 6.00 a lb if one is lucky to get it. The kadduwa is just a wee bit cheaper and the price of the mullet (atisso) fluctuates violently in the higher price levels. The lordly seer cannot today be bought at less than Rs. 7 or Rs. 8 a pound. And the prawn and the shrimp—which had been a rather cheap source of protein and sea-food fat for the poor—is today a rich man's (FEECs or CRA earners only) food. King-sized prawns which had at one time (not many years ago) cost about Rs. 3.00 to Rs. 4.00 a lb is today in the Rs. 15.00 to Rs. 17.50 class. The shrimp which earlier was around Rs. 1.00 a lb is today about Rs. 5.00 a lb, whilst dried prawns and shrimps are among the costliest in the dried fish range. Pompous governmental bureaucrats and planners talk glibly about the foreign exchange now being earned by the export of prawns, but have any of them sat down to examine the real benefits, if any, that have accrued to the country from such exports? It is true that a certain amount of foreign exchange is earned, thereby but before this money can be utilised, the foreign exchange earned is deflated in the world floating currency market and the prices of the imports we seek to obtain have jumped up several time over. The only beneficiaries in this export program are the local earners of the FEECs and CRAs. As against this do our bureaucrats, politicians and other bigwigs who talk benevolently about non-traditional exports realise that the export of non-surplus food items does more harm than good to the economy and the well-being of the nation? It is one thing to export gems, tea, rubber and coconut (not to forget graphite, illumenite, etc.), but it is altogether a different matter when prawns, lobsters and even fish (tuna) are exported. The export of gingelly and other foodstuffs which are still in short supply, has also made it extremely difficult for ordinary people to buy food items which provide a balance nutritious diet. If such items, like prawns, gingelly and the like are in surplus, then export will not disturb the finely balanced equilibrium of the household budgets of the low and middle income wage-earners of the common people of Sri Lanka. But they are not. Food items are still in short supply. The sudden lightning strike in the Railways last week was only an early warning signal that the ordinary wage earner in this country has reached desperate straits. For him the Credit Councils and the prospects of loan capital to bridge the ever-widening gap in his domestic budget were straws he had to clutch if he was to stay alive. Parents have woeful tales about the cost of textbooks and other "vocational materials" which children are compelled to obtain for the NCGE scheme of education—which boastful politicians and administrators claim is the hallmark of our emancipation from colonial education.

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## EDITOR'S NOTEBOOK

## New World Monetary System? US and Commodity Prices

THE DAILY PRESS in this country has not paid much attention to the new international monetary order which has come into being, at a meeting of IMF's Committee of Twenty in the first week of this month at Kingston in Jamaica. On January 8, the Finance Ministers from the 20 countries finally resolved the remaining differences standing in the way of an agreement on a "highly significant package of international agreements entailing the creation of a new international monetary system and a large, almost immediate increase in temporary balance-of-payments assistance to hard-pressed developing nations."

There are, at first glance, three significant features in the Kingston Agreement. First, the Kingston Agreement replaced the monetary system established 30 years ago at Bretton Woods and which had been shattered during the last four years of inflation, floating currencies and the decline of the US dollar and the virtual elimination of the British pound as reserve currencies. Instead of gold the new system will be based on the IMF Special Drawing Rights (SDRs) as the principal reserve asset. Exchange rates, instead of being based on fixed parities, will be allowed to float. Second, this IMF's Committee of Twenty representing rich and poor nations, agreed on new measures to aid developing countries. The latter can now borrow an additional 3500 million dollars from the IMF—an increase of 45 percent. A special fund will be set up to assist countries like India with less than 360 dollars per capita income. Third, there was a remote kind of recognition at Kingston that increased IMF loans do not constitute a cure-all: that though aid was necessary, the economic salvation of nations ultimately depended on increased production and productivity: and that agreements to reduce tariffs and to sta-

bilise commodity prices were equally essential.

It is known the increased aid envisaged at Kingston does not go far enough so far as developing nations are concerned: because their combined borrowings this year are expected to total 31,000 million dollars—a far cry from the 3500 million dollars. The Kingston Agreement, the result of nearly two years' negotiation, endorses the decisions reached by the six major industrial powers at Rambouillet two months ago. Though developing nations had no part in making these decisions, they benefit from the recognition by the industrialised powers that major changes in the world's monetary system must take account of their needs.

The Economist of January 17 summed up the outcome of the Kingston meeting in a rather unenthusiastic and cynical note under the heading: DO WE NEED AN IMF? THE INTERNATIONAL MONETARY FUND NO LONGER CONTROLS THE WORLD'S MONEY. HOW ABOUT MERGING IT WITH THE WORLD BANK?

The comment read:

"Market forces, not the IMF, dictated the world's shift from fixed to floating exchange rates. Belatedly, the IMF has recognised reality. Between December, 1969, and June, 1975, international liquidity rose \$ 150 billion, from \$ 80 billion to \$ 230 billion. "Controlled" money creation by international agreement was about a tenth of the whole. Yet the IMF still labouriously negotiates changes in its rules and puny increases in world liquidity—as at Jamaica's last week.

"Any world money system should be judged on three counts. (1) Is it favourable to world growth? (2) Does its mechanism for balance-of-payments adjustments among countries distribute prosperity fairly among countries? (3) Does it encourage or discourage inflation?

"The Bretton Woods system ultimately failed on all counts. Countries running deficits were under pressure to restrict domestic demand by being discouraged from using the most powerful weapon against payments imbalance—exchange-rate changes. Frequent doses of restraint slowed growth, inhibited investment and encouraged inflation. Deficits became en-

demically endemic in some countries, and surpluses endemic in others. The system survived only as long as the sacrifices, slow growth and mounting international debts were willingly borne by America and Britain. But as collapse threatened, the way out was found in the creation of extra (inflationary) world liquidity, so that countries could delay tackling their problems. The world is now being forced to tackle the maladjustment among nations and areas which resulted.

"A well-managed floating-rate system should be better. It allows continual adjustment among countries. Though floating rates remove one constraint on national governments—the need to tackle domestic inflation to protect a fixed rate—internationally the need for extra liquidity should be much reduced. Reserves are required only for smoothing operations. The IMF did its best to resist the change to floating. Now that it has had to be accepted, why is the IMF still bent on credit-creation?

"The IMF has one residual and useful role it can play—to take the edge off the crude application of brute market forces. It can intervene to make rich countries collectively help poor countries in a way that no one of the rich, looking to its own national advantage, would willingly do on its own. The IMF's main aim at Jamaica was not extra world liquidity, but extra facilities for the less-developed countries. Yet, either because of the way the IMF is structured or because of political horse-trading, rich countries potentially also stood to benefit.

"It is not easy loans but grant aid that most poor countries need. Many have already borrowed to the hilt. It would be better if the IMF's twin, the World Bank, made the running by negotiating a rich countries' fund to relieve poorer countries of some of their existing debt burden. But that would involve too explicit a sacrifice by the rich countries; and raising money among the rich for the World Bank's soft loan agency, the International Development Association, has been exacting work recently, particularly in America. This is perhaps why aid must still be dressed up as a reform of the world money system. But the question must again be asked, as the



## Kingston Agreement

boundaries between the IMF and the World Bank grow more indistinct, whether these giant international institutions should continue treading on each other's toes. Why not combine them?"

The *Economist* summed up the basic ingredients of the Kingston Agreement in its own immitable way thus under the heading **JAWING IN JAMAICA.**

"Finance Ministers agreed on a three cornered package in Jamaica last week. They called it international monetary reform. They also agreed on an immediate enlargement of conventional lending by the International Monetary Fund, black-mailed into this in last-minute moves by the developing countries in return for their agreement on the other three issues.

"First, the so-called reform package: Gold. The IMF will sell by public auctions a sixth (25m ounces) of its gold holding over the next four years. The Bank for International Settlements in Basle can bid in these auctions (ostensibly for its own account, in practice for Central Banks around the world). Profits of the sales above the current official gold price will go into a trust fund to provide assistance on concessionary terms to countries with incomes a head in 1973 of not more than SDR 300 (\$350). The first auction could be in March. Another sixth of IMF gold will be returned to all member countries in proportion to quotas, which means that rich countries will get a big addition to their reserves (America most, Britain next). Exchange rates. A new version of Article IV of the IMF's rule book will be presented to the IMF's 128 member governments for ratification. It catches up with events (ie, legalises floating) in disgracefully sloppy language to suit all men. The official gold price is abolished. Each member country will collaborate with the IMF to "assure orderly exchange arrangements and to promote a stable system of exchange rates." But each must also "avoid" manipulating exchange rates or the international monetary system in order to prevent effective balance-of-payments adjustment or to gain an unfair competitive advantage over other members." Quotas. A new distribution of IMF quotas within a 32½% total increase, will double the share of Opec countries from 5% to 10%. Britain's

share comes down most, but remains a very good second to the United States.' Quota changes must be ratified by national governments, which could take a year or more. In the meantime, the four credit tranches in the IMF are each increased in size by 45%, which raise total entitlements from 100% to 145% of quota. Another \$ 1,500m is thereby made available to Britain.

"Other points to note: (i) The IMF's new Article IV will allow a return to a par-value system without further changes in the articles. In theory, it gives the IMF some say in exchange rate policy, denied it ever since floating. This may mean little; the IMF has little expertise in foreign-exchange dealing. (ii) Confusion remains as to whether gold is being phased in or phased out of the world's money system. The market reacted bearishly and the gold price in London slumped to \$ 131 an ounce by mid-week. (iii) Whatever else the gold sales bring, they demote special drawing rights (SDRs) as a reserve asset. The opportunity has been missed to replace gold by SDRs. (iv) Matters should not be left to rest here. There need to be attempts to make the SDR the centre of the system and to share out liquidity under effective international control. All said and done, the IMF is offering developing nations only an additional \$ 3

billion in financial assistance during 1976, \$ 1.5 billion from increased normal drawing rights, \$1 billion from a more liberal compensatory financing facility agreed upon last month, and \$ 500m from gold sales. The Jamaica meeting will have been positively harmful if it is assumed that the international monetary system is now all it should be."

AMERICA was understandably enthusiastic about the Agreement. U.S. Secretary of the Treasury William Simon regarded the new international monetary system agreed to in Kingston, January 7-8, as "significant progress" over the Bretton Woods system that existed from 1945 to 1971, according to a US agency news despatch.

In comments to reporters January 8 immediately after the Finance Ministers' meeting that approved the new system and in a January 9 news conference, Mr. Simon said he welcomes the Agreement even though it represents compromise and accommodation among nations with differing philosophies, interests and ideas. He told reporters he was pleased that the meeting of the International Monetary Fund's Interim Committee had "Achieved the ultimate reform of the international monetary fund that we all came here to accomplish."

### NEWS RELEASE

#### SEMINAR ON "MULTINATIONALS AND LIBERATION"

"Multinationals and Liberation" has been selected as the subject of a 12-session Seminar that has been organised by the Centre for Society and Religion from January 21st to April 7th. This Seminar has been designed to bring into sharper focus the various elements that constitute the many faceted nature of Multinationals as a world-wide phenomenon—their institutional framework, their operational methods and above all their deep and pervasive impact on modern life. It is an attempt to analyse the economic, political, social, cultural, and ecological implications Multinationals have on the values, attitudes and aspirations of society in general and that of Sri Lanka in particular. For the growth and spread of these corporate bodies beyond the confines of the national boundaries will have to be understood in all their implications by those who are concerned with integral human liberation.

The 12 sessions of this Seminar are expected to take the following sequence:—(1) The global Perspective of Multinationals, their strategies and their claims as agents of development. (2) Their Impact on the Political, Social, Economic, Cultural and Ecological aspects of modern society. (3) Case Studies on Multinationals in Sri Lanka, such as Pharmaceuticals, Toiletries, Agro Chemicals and Agro-industry, footwear, Textiles etc. (4) Alternative paths to Liberation. (5) Strategies of Action.

This Seminar will be held every Wednesday at 5.15 p.m. at the Centre Hall, 281/1, Deans Road, Maradana.



The total package of agreements approved by the Finance Ministers meeting in Kingston included major increases in temporary balance-of-payments financing for developing Nations, as well as draft amendments to the IMF Articles of Agreement. In his news conference, Mr. Simon made the following additional points: (1) Sale of Gold by the IMF to finance a new Trust Fund could, assuming 100-dollar-an-ounce profits on the sales, finance up to 2,500 million dollars in concessional balance-of-payments support for the poorest of the developing nations over the next four years. A part of destitution of the IMF gold to member countries could provide about 625 million dollars in additional resources to non-oil exporting developing nations; (2) Enlarged quotas for IMF member nations will, when ratified within the next two years, provide up to 2,600 million in additional credit availability from the IMF to non-oil exporting developing nations—in the unlikely event that all of these nations would choose to draw all of the credits they were entitled to; (3) A temporary 45 per cent increase in access to IMF credit, to be in effect only until the new quotas are ratified, will make an additional 3,500 million dollars in credit available to non-oil-exporting developing nations. Again however, it is not likely that all of these nations will use all of the IMF credits available to them. (All four of these measures were agreed to at the January 7-8 meeting); (4) The oil facility subsidy account, which comes to an end this year, is expected to provide interest subsidies on at least 170 million dollars worth of drawing from the IMF during 1976—and as much as 377 million dollars worth if enough contributions can be obtained between now and the end of February; (5) The IMF compensatory financing facility, which was liberalized a few days before the Interim Committee met, could provide up to 2,000 million dollars in balance-of-payments financing to countries experiencing shortfalls in export earnings, in the unlikely event that developments would be such that the maximum credits were used; (6) IMF help in financing buffer stocks, which at present would help only the five countries participating in the tin buffer stock, could theoretically reach 2,000 million dollars. Again Mr. Simon

stressed that he was not suggesting that this much financing assistance would actually be used; It is important that the International Monetary Fund remain a source of temporary balance-of-payments assistance, and if should not get into the business of providing development assistance. This is why the United States firmly opposed proposals that would relax the conditions currently imposed on larger amounts of borrowings by member nations, and why he was pleased that the temporary increase in access to IMF credits applied equally to the unconditional drawings and to the drawings to which various degrees of conditionality apply; (8) He intends to begin consulting with members of the U.S. Congress immediately on his return to Washington to obtain support for the ratifications of the Agreements reached by the Interim Committee in Kingston; (9) International Monetary Reform has been substantially completed and he does not foresee any further major initiatives. The task now is to live with the new system and make it work.

BRITISH GOVERNMENT circles were even more enthusiastic about the Agreement than the Americans. Derek Payton Smith commenting on the IMF meeting at Kingston stated:

"Nowhere will the monetary accord reached in Kingston be more warmly welcomed than in London. It was a British Chancellor of the Exchequer who sparked off the impulse to reform back in 1971. When there seemed a risk that progress could bog down in the cut and thrust haggling among the foothills of the problems that has taken place during the past twelve months, timely interventions by Mr. Denis Healey helped to soften the edges of confrontation and keep things moving forward. Such mediation was particularly important in the last act at Kingston where a British-Dutch initiative on an essentially minor point of timing affecting IMF lending operations, resolved a textual disagreement that had been allowed to reach the status of a major issue.

"The substance of what was agreed in Jamaica falls well short of what was outlined by Chancellor of the Exchequer, Mr. Anthony Barber, in Washington over five

years ago; and the comprehensive and detailed outline of reform worked out by Mr. Jeremy Morse and his staff and presented to IMF Ministers 18 months ago. The proposals were already running into difficulties by the end of 1973, largely because of Franco-American differences. The oil price rise then gave reason, or excuse, for shifting to a more modest programme and for redirecting IMF priorities towards arrangements for dealing with the balance of payments difficulties that followed.

"Prominent among these was the British proposal for a substantial 'petro-dollar recycling' facility advocated by Mr. Healey at the IMF annual general meeting of 1974. But Kingston did make it possible to take a useful step towards reshaping the monetary system as well as agreeing IMF financing arrangements which will help to ease the balance of payments difficulties of the non-OPEC developing countries in this current year. By slotting into place the final piece of a long-negotiated package. Finance Ministers gave approval and legality to a monetary system in which exchange rates are allowed to float, the role of gold is downgraded and that of SDRs—the IMF's specially created money for use in country-to-country payments—enhanced.

"Gold will no longer play a part in IMF transactions and its price, like that of other commodities, will be largely determined by market forces. SDRs have been made more effective and acceptable both for holding in countries' official reserves, and for use as a medium of country-to-country debt settling.

"The grander aspiration of downgrading the role of reserve currencies—such as the dollar—to the benefit of SDRs remains for the future. But the existence of the SDR, valued in terms of a package of currencies, which is interest-bearing and has stayed at a premium against the dollar, is a new factor which must influence the evolution of the monetary system. If, ultimately, both gold and reserve currencies were replaced by SDRs, the growth and distribution of international liquidity would be solely subject to international decision-making procedures. The supply of gold and reserve currencies, by contrast, cannot be consciously



## Commodity Agreements

determined in the general interest. This has arguably led to an expansion and distribution of liquidity which had been arbitrary and inequitable, and inappropriate to world economic conditions. Deliberate management of liquidity involves the growth of collaboration between national monetary authorities and the development of appropriate machinery for the control of world monetary matters.

"Legally the way is now open for the purely advisory interim committee to develop into a regularly meeting council with policy determining powers. Acceptance of closer co-operation between Fund members and strengthening of the IMF's powers of surveillance over gold, exchange rate and balance of payments adjustment policies can now be enshrined in the legal and philosophical structure of the system.

"Turning to immediate concerns—the pressing problem of 1976 is a forecast 13 billion dollar payments deficit by the non-OPEC developing countries. It is tempting to measure the Kingston accord solely in relation to its contribution to meeting this gap. Only the roughest calculation can be attempted, but IMF estimates, for what they are worth, suggest that the arrangements approved at Kingston will provide some three and a half to four billion dollars of extra IMF financing towards this. This is taking account of an estimated one billion extra dollars from liberalising the IMF's compensatory financing facility, announced in late December but given a seal of approval in Jamaica. It allows for gold receipts by these countries under the 'restitution' arrangements. This gap between need and provision stems from the very nature of the IMF which supplies medium and not long term finance. It will remain to be supplemented from other sources such as long-term capital flows through aid machinery and other investment flows. As Mr. Healey has said, the IMF on its own does not have to do the whole job."

Whilst comments in the rich industrial nations display optimism and hope that the new international monetary system fashioned at Kingston would help to solve the world's money and economic problems, responsible comment from Third World countries

(and the poor developing countries) have not become available. What was accepted at Kingston was in main what was tentatively decided upon by the six rich nations at Rambouillet in France a few weeks ago.

The key to economic progress for the developing countries lies, we have stressed, in increased production (and productivity) and better and more stable for the commodities they produce. It is interesting to note that the United States as the world's most powerful economic power and the dominant factor in the capitalist world (on which the economic well-being of the developing countries are still largely dependent upon) has begun to develop a slightly different approach to the question of commodity prices than before.

An official USIS commentator, Sam Burks, writing from Washington on January 16 stated:

"The United States has reaffirmed its willingness to discuss with producing nations of the developing world new arrangements for individual commodities on a case-by-case basis. This policy—stated by Secretary of State Kissinger at the Seventh Special Session of the United General Assembly and reiterated by him at the Paris Conference on International Economic Co-operation (CIEC) held in December—was spelled out in a joint press statement released January 16 by the U.S. Departments of State and Treasury.

"...There is no one single approach to commodity trade problems," the statement said in part. "We reject price fixing arrangements that distort the market, restrict production and waste resources. But this should not be the central issue. The main point is that we are prepared to consider measures that will improve the functioning of markets and will directly meet the problems of raw material producers and consumers. In this regard, we seek the establishment of consumer-producer forums for each key commodity to promote efficiency, growth and stability of particular markets."

"In addition to consumer-producer dialogues, the statement noted, the United States has suggested a number of related measures aimed at improving conditions of trade in international commodities. These include proposals for increased financing for mineral exploration and develop-

ment in the developing world through the World Bank and the International Finance Corporation; guaranteed producer access to markets and consumer access to raw material supplies through the multi-lateral trade negotiations now being held in Gneva; 'substantial improvement' in the compensatory finance facility of the International Monetary Fund's (IMF) to help stabilize commodity export earnings of developing nations; improved arrangements in IMF financing of commodity buffer stocks; and U.S. participation—where feasible—in new commodity agreements in tin, cocoa, coffee and sugar....."

Assistant Secretary of the Treasury Gerald L. Parsky noted in an address delivered in San Francisco January 15 that while the United States will continue to study key commodity arrangements on a case-by-case basis, compensatory financing by the IMF should also be considered as a means of alleviating the problems of developing raw material producers. "Last week in Jamaica, the IMF agreed on a major liberalization of its compensatory financing facility", he said. "While it is not possible to quantify precisely the increased use that will be made of the facility, we estimate that the liberalization could provide increased access of approximately 2,000 million dollars in a year.. It is important to emphasize that the policy we adopt in the commodities area will affect not only the developing countries, but also the industrial countries—who are in fact the largest producers, consumers and exporters of commodities. The economies of all countries are affected by instability and we should take steps to alleviate it, but the measures should be aimed at strengthening the functioning of the market. Price fluctuations per se are not evil; in fact, they are part of the realities of the marketplace and we should not distort economics in order to serve a political interest in short-term price stability....."

Following is the text of a joint press statement released January 16 by the State and Treasury Departments reaffirming the United States' continued willingness to discuss key commodities on a case-by-case basis:

"We have been asked for a statement of U.S. Commodity Policy.



Our policy, as set forth in Secretary Kissinger's statement at the Seventh Special Session of the U.N. General Assembly, is based on the following main interests: (1) We seek assured supplies at reasonable prices. This requires not only supply commitments from exporting countries but adequate investment in new production capacity; (2) We are concerned about excessive price fluctuations since, on the one hand, this can impede adequate investment and, on the other hand, can contribute to severe inflationary pressures; (3) We recognize the importance of commodity earnings to producing countries and especially to developing countries who are significantly dependent on raw material exports.

"For these reasons we have proposed a number of measures in the commodity field: (1) We have proposed that the World Bank group, especially the International Finance Corporation, take the lead in bringing together private and public capital as well as technical managerial and financial expertise to finance new minerals development; (2) We are seeking supply access commitments in the multilateral trade negotiations; (3) Because no one formula will apply to all commodities, we propose to discuss new arrangements for individual commodities on a case-by-case basis; (4) We have expressed our intention to participate actively in negotiations for new commodity agreements in tin, cocoa, coffee and sugar. (a) We will sign the new Tin Agreement and it will be submitted to the Senate for advice and consent. (b) We do not propose to sign the new International Cocoa Agreement in its

present form. We consider the agreement to be deficient in a number of respects and have suggested that certain of its provisions be renegotiated. We are awaiting the reaction of other countries; (c) We are reviewing the new International Coffee Agreement which contains substantial improvements. An analysis of the new agreement and a recommendation for the President is being prepared (d) Negotiations for a new International Sugar Agreement will commence in September of this year. (e) We proposed a substantial improvement in the IMF's compensatory finance facility. At the recent IMF meeting in Jamaica a substantial improvement was agreed upon to help stabilize the earnings from commodity trade (f) We are continuing to examine in the IMF an improvement of its arrangements for financing buffer stocks.

"As this enumeration of measures demonstrates there is no one single approach to commodity trade problems. We reject price fixing arrangements that distort the market, restrict production and waste resources. But this should not be the central issue. The main point is that we are prepared to consider measures that will improve the functioning of markets and will directly meet the problems of raw material-producers and consumers. In this regard, we seek the establishment of consumer-producer forums for each key commodity to promote efficiency, growth and stability of particular markets."

There is not the slightest doubt that the bastion of capi-

talism, the United States, has at last realised that unless developing and Third World countries are assured of better and more stable prices for the commodities they produce and export, these countries will be compelled to edge more and more into the world of socialism with its regulated and controlled economy. Additionally world capitalism itself, will begin to sink into permanent crisis—where, even though a few of the richer capitalist nations would grow richer temporarily, the system would be undermined in no uncertain manner, and this would ultimately lead to the destruction of the free enterprise system.

America's efforts to save the situation by seeking to come to terms with developing countries on commodity prices is only a desperate attempt to save capitalism and the free enterprise system. Whether the profit-hungry multinational corporations which own and run America's economy will be willing to co-operate in this matter is yet to be seen.

The issue today is whether the developing countries can be kept within the orbit of the capitalist system, at least for some time longer, or whether they will turn to socialism—and this will no doubt bring a fundamental transformation of the capitalist system in the rich nations of the world: when one by one, the articulate masses in these countries will vote to adopt socialist remedies.

## CHRONICLE

# Jan. 11 — Jan. 15

A DIARY OF EVENTS IN SRI LANKA AND THE WORLD  
COMPILED FROM DAILY NEWSPAPERS  
PUBLISHED IN COLOMBO.

CDN—Ceylon Daily News; CDM—Ceylon Daily Mirror; CO—Ceylon Observer; TOCSL—Times of Ceylon Sunday Illustrated; DM—Dinamina; LD—Lankadipa; JD—Janadina; VK—Virakesari; ATH—Atha; SM—Silumina; SLD—Sri Lankadipa; JS—Janasathiya.

**SUNDAY, JANUARY 11:** According to the *Observer* a survey carried out jointly by the Department of Health, the Narcotics Bureau and the Colombo Plan authorities revealed that the drug habit as filtered

even to high school students: according to this survey the main reason for students taking these drugs are curiosity, sex and because it was given to them by friends. Following an announcement from Peking requesting foreign dignitaries not to make arrangements to attend the funeral of late Mr. Chou En-lai Prime Minister, Mrs. Sirima Bandaranaike, cancelled her earlier arrangement to visit China for the funeral—CO. Mr. T. B. Ilangaratne, Minister of Trade, will lead a delegation to Jakarta and Manila to attend the United Nations Conference on Trade and Development of the Group of 77 to be held in Indonesia and for further negotiations in Manila—CO. According to the *Sunday Times* the Senanayake Group in the United National Party feels that during the past few months there has been a 'systematic' attempt by the party to cold shoulder them: this group has noted that in the matter of giving key positions to party men in the outstations those who are branded as Senanayake loyalists have been discreetly kept out:



however the Senanayake group has decided to lie dormant till the final outcome of the inquiry against Mr. Rukman Senanayake, MP for Dedigama. Professor Siriwardena, Vice Chancellor of the University, told the *Sunday Times* that he will draw up a ten-year development plan for the University which will cover courses of study, the annual intake of students, buildings for lecture halls and hostels for students. In Jaffna, Police banned a procession that went to pay tribute to those who died during the Tamil Research Conference to the place where a memorial has been built for those who lost their lives—VK. MPs of the TUF who abstained from voting on the motion of No-Confidence against the Prime Minister have written to the leader of the TUF, Mr. S. J. V. Chelvanayakam, that it was wrong to take action against them because the TUF did not stress that all MPs of it should participate in the voting—VK. Prime Minister has instructed the National Youth Council to continue the training of young women on agriculture under the specialised training scheme this year too, in view of the International Women's year—SM. Dr. Colvin R. de Silva, former Minister of Plantation Industry and Constitutional Affairs, and the MP for Agalawatte, will deliver a lecture on "After the No-Confidence Motion" at the Navarangahala on January 12—JS. The Government of India yesterday announced that it was suspending the freedom of speech and six other fundamental rights guaranteed under the Constitution: the other rights suspended are freedom of assembly, freedom to form associations and unions, to move freely throughout India, to own property and to follow any profession, trade or business: these rights are covered by the constitution and are known as the "seven freedoms". It is expected that Mr. Chou En-lai's body will be cremated tonight before the second phase of mourning ceremonies begin tomorrow. Diplomatic sources in Lusaka said that South Africa will definitely pull its troops out of Angola.

**MONDAY, JANUARY 12:** The newly established Sri Lanka Tea Board met for the first time last Monday and decided to formulate a series of schemes to help tea smallholders from exploitation from middlemen: under these schemes tea smallholders will be given fertiliser at subsidised rates, replanting benefits etc.—CDN. According to the *Daily News* nearly seventy-five undergraduates stormed the office of the President of the Peradeniya Campus of the University and allegedly forced him to sign a document promising to grant sixteen demands of the students: Following this incident Police was summoned to the Campus and riot squads brought in: ten students were suspended and Police arrested three students. Prime Minister, Mrs. Sirima Bandaranaike, will address a condolence meeting in Colombo on January 19 on the death of the Chinese Prime Minister, Mr. Chou En-lai: the meeting will be held at the BMICH and will be jointly sponsored by the Sri Lanka-China Friendship Association and the Bandaranaike Institute of International Studies—CDN. The Communist Party Progressive Youth League at its seventh congress yesterday resolved to request the Government not to proceed with the proposed Foreign Investment Guarantee Law: the sessions were concluded yesterday at the Navarangahala—CDM. The General Manager of Railways, Mr. V. T. Navaratne, suspended the payment of instalments to three Japanese firms which supplied three narrow gauge diesel locomotives following detections that these engines were defective and had to be repaired often: the GMR has claimed

a sum of Rs. 2,173,308 from three Japanese firms which supplied these engines and said that unless his claim is met he will not order payment—CDM. Mr. Ronnie de Mel, MP for Devinuwara, making his first appearance on a UNP platform since he quit the SLFP said that the UF Government which obtained a two-thirds parliamentary majority to usher in socialism had succeeded only in creating a new class of the rich, richer than any other class of rich that ever emerged since independence in 1948—CDM. Heavy rains in the Eastern province have caused floods and the Government Agent of the districts requested the Government to send relief measures urgently—VK. The TUF appointed a special committee to take action against the five MPs who abstained from voting in the No-Confidence Motion against the Prime Minister—VK. The *Aththa* gave front page lead publicity to the request of the Communist Party Youth League which requested the Government to withdraw the foreign investment guarantee law. Several trade unions and all political parties expressed sympathy at the death of the Chinese Prime Minister, Mr. Chou En-lai—DM. The UNP Committee which inquired into the charges against the MP for Dedigama, Mr. Rukman Senanayake, handed over its report to the party's Working Committee—LD. Jerusalem Police warned the public that Arab guerillas may be planning a spectacular attack in Israel to coincide with today's UN Security Council debate on the Middle East. Organisation of African Unity (OAU) leaders will meet today behind closed doors in a desperate attempt to reach an agreement on the crucial problem of the Angolan civil war.

**TUESDAY, JANUARY 13:** India has suggested that top ranking officials of Sri Lanka and India should visit East Africa, the newest competitor in the tea industry, for a dialogue on problems facing an international pact to stabilise tea prices—CDN. Mr. Maithripala Senanayake, Minister of Irrigation, Power and Highways, referring to newspaper reports that the UNP did not participate in the ceremonies connected with Mahaveli diversion because the opportunity earlier given to Mr. J. R. Jayewardene to speak at the ceremonies was later cancelled said it was utter false—CDN. Nearly 1000 undergraduates of the Peradeniya Campus boycotted their examinations yesterday: this follows the action taken by the campus authorities and the Police against 15 students following incidents on Thursday where nearly 100 students are alleged to have stormed the office of the Campus President and forced him to sign a document conceding about sixteen demands—CDN. In a survey conducted by a team of experts comprising medical experts, law enforcement officers sponsored by the Colombo Plan Bureau, it was revealed that students did not take to drugs in a big way and only five percent of five leading Colombo school students have experimented with it and that too not with the hope of enhancing sexual activity—CDN. The President and the Prime Minister sent messages of condolence to Peking on the death of the Chinese Prime Minister, Mr. Chou En-lai—CDM. The Prime Minister, Mrs. Sirima Bandaranaike, will set out on January 20 on an official visit to Indonesia, Burma and Thailand to canvass support for her Indian Ocean Peace Zone proposal—CDN. All roads to Batticaloa are inundated with flood waters and refugees are accommodated in school buildings: the Government has ordered several relief measures for people affected by the floods—VK. Nearly 3,000 employees of the Petroleum Corporation went on strike



following an incident between a security staff of the corporation and an employee: this has resulted in petroleum products not being delivered to retail dealers—VK. Mr. Colvin R. de Silva, LSSP MP for Agalawatte, speaking at the New Town Hall yesterday on "After the No-Confidence Motion" said that the LSSP is not willing to join the present Government which consists of Rightists: he further said that he wished to inform this to Mr. Pieter Keuneman and to the Communist Party—VK. The Ministry of Public Administration warned prospective employers in the public and private sector that a team of well-organised racketeers are foreign degree certificates issued by the University of Sri Lanka to youths to obtain jobs which requires a degree for selection to the appointment—DM. The *Aththa* quoted the *Washington Post* which said that America has decided to stop all facilities to aid countries if these countries use their votes against the US at the United Nations: the *Aththa* editorially referred to this news report in the *Washington Post* and compared it to a new decision taken by the Minister of Finance to grant guarantees for foreign investments in Sri Lanka: the paper said any patriotic citizen cannot agree to this foreign investment guarantee of the Minister of Finance. According to the *Janadina* the Minister of Finance has suggested to the Government that the only way out to the Government to win popularity was to solve the economic problems either by devaluing the rupee or by printing more currency notes more than required according to production. The *Janadina* editorially referred to the resolution of the Seventh Congress of the Communist Youth League which opposed the foreign investment in this country and the law providing guarantee to such an investment: the editorial further said this decision of the Communist Party which was also endorsed by its President Dr. S. A. Wickremasinghe, should amount to political mud-slinging at the SLFP of which the CP is a constituent partner. The Soviet backed Popular Movement for the Liberation of Angola appeared to be only one vote away from majority support among African countries for its claim to represent all Angolans. For the first time yesterday foreigners were allowed to pay tribute to the dead Chinese leader whose ashes were enshrined in a golden casket.

**WEDNESDAY, JANUARY 14:** According to the *Daily News* the Foreign Investment Authority Bill which the Minister of Finance, Mr. Felix Dias Bandaranaike, will shortly present in the NSA will contain a specific guarantee that in accepting the foreign investment, there will be no compromise with Sri Lanka's economic independence: the Bill is also expected to vest in the Assembly the final authority for approving investment projects whether 100 percent foreign-owned or in partnership with local entrepreneurs. The principals in London of a leading Agency House, Consolidated Commercial Agencies Ltd., which has shipped teas to London Auctions, has informed that proceeds of these auctioned teas amounting to nearly £675,000 (Rs. 10.5 million) will not be remitted to Sri Lanka: the local agents have informed the Government of this decision of its principal in London—CDN. Negotiations to settle the dispute at the Ceylon Petroleum Corporation was going on till late yesterday evening—CDN. The Indian Foreign Secretary, Mr. Kewal Singh, will arrive in the island today to hold discussions with the Secretary to the Ministry of Defence and Foreign Affairs. Mr. W. T. Jayasinghe, on maritime boundaries between the two countries and also the 200 mile economic zone

which would determine fishing rights between India and Sri Lanka—CDN. Speaking at a press conference Mr. T. B. M. Ekanayake, Commissioner for Registration of Persons, referred to newspaper reports and said that he would stake his entire commuted pension if anyone could successfully substitute the photograph of another person into the identity card issued by his department—CDNI. The JCTUO comprising the SLFP, LSSP and the CP resolved unanimously yesterday to urge the Government not to proceed with the proposed Foreign Investment Authority Bill—CDM. The Railways Department yesterday received the first consignment of 20 passenger carriages from Rumania: this is part of the 140 third class passenger carriages under the Sri Lanka-Rumania trade agreement—CDM. The Non-Aligned Nations Conference will be held from August 16 to 19 and the Foreign Ministers of these nations will meet from August 11 to 14 to finalise the arrangements for the conference—VK. The Vice Chancellor of the University informed that a three-member committee has been appointed to inquire into the incidents alleged to have occurred in the Peradeniya Campus last Thursday—VK. A trial in a murder case was heard for the first time entirely in Tamil in the High Court of Jaffna yesterday: the address to the Jury and the verdict was also delivered in Tamil: Justice M. M. Abdul Cader presided—VK. Failure by the State Ayurvedic Drug Corporation to pay taxes has resulted in drugs worth lakhs of rupees accumulating in the port warehouses—LD. The first meeting of the breakaway group of the UNP the *Janasamathavadi* UNP will be held in the Sugathadasa indoor stadium next month—LD. The Minister of Labour, Mr. Michael Siriwardena, has made order that all private sector employers too should pay the Rs. 15 pay rise suggested by the Minister of Finance in the Budget proposals—DM. The *Janadina* editorially suggested that the authorities should solve the issue at the Peradeniya Campus of the University with due consideration for the demand of the students. Addressing a meeting of the workers council at the Building Department, Mr. Pieter Keuneman, Minister of Housing and Construction, said that there is an effort by reactionary forces to oust him from the Cabinet but he was neither surprised nor frightened over this happening—JD. Israel said that a state of alert has been declared at Lydda International Airport to foil any possible attempt by Arab guerillas to mount an attack to mark the opening of the United Nations Security Council debate on the Middle East. On the departure of the Soviet Foreign Minister Andrei Gromyko's official visit to Japan it was announced that no progress has been made in a territorial dispute standing in the way of a peace treaty between the Soviet Union and Japan.

**THURSDAY, JANUARY 15:** The Government last night took over ten companies belonging to the Colombo Commercial Company Ltd., under the Business Acquisition Act: the takeover is a retaliatory measure by the Government after the decision of the company's principal abroad not to remit to Sri Lanka £676,000 being proceeds from the sale of tea and hold it as ransom pending the payment of compensation due to the company for its eight tea estates that were taken over: the physical takeover of these firms belonging to the Commercial Company Ltd., will take place this morning—CDN & CDM. The emergency committee appointed to go into the dispute of the Peradeniya Campus decided not to close the campus in spite of a



decision by the Senate of the Campus to close the Campus: negotiations between campus authorities and students were going on till late in the night yesterday: meanwhile the Government too decided not to close the Campus: the students numbering nearly 1000 continued to boycott the examinations—CDN. The UNP MP for Ja-Ela died yesterday: Mr. Paris Perera was ill and was admitted to a private nursing home where he passed away—CDN. The strike of the employees of the Ceylon Petroleum Corporation was called off yesterday and according to the Acting Chairman of the Corporation petrol supplies will return to normal from today—CDM. Mr. Piyadasa Perera (SLFP) was yesterday elected as Deputy Mayor of the Colombo Municipal Council: the LSSP abstained from voting—CDM. Mr. Anura Bandaranaike, Chief Organiser of the SLFP Youth Leagues, addressing a meeting of the Congress Youth League in New Delhi said that in India and Sri Lanka Nehru and Bandaranaike families have been ruling for two generations and in the future he wished that this opportunity should come to Mr Sanjay Gandhi, son of the Indian Prime Minister, Mrs.

Indira Gandhi, and to himself—VK. The Thal Pongal festival will celebrated by Hindus today—VK. The *Janadina* editorially referred to the speech made by the Minister of Housing and Construction, Mr. Pieter Keuneman, where he said that there are attempts by reactionaries to oust him from the Cabinet: the editorial further said that under the present situation the Government should decide to achieve socialism through a front that is anti-capitalistic and which can go forward to demolish capitalism in the country. The Government has declared today, January 15, a day of mourning on the death of the Chinese Prime Minister, late Mr. Chou En-lai—DM. The Icelandic government's foreign relations committee is expected to give the Government the go-ahead early to break diplomatic relations with Britain over their fishing limits dispute. A party of American Congressmen said that the United States has no plans to build-up its naval and military strength in the Indian Ocean: this was told in Australia by these congressmen: they told the pressmen that Australia nor America wanted a build-up of United States or Russian strength in the area.

BUDGET 1976—2

## The Private Sector's Role

By N. U. Jayawardena

**ALL ECONOMIC ACTIVITY** and progress involves organisation and decision making, besides leadership which is the focus of the nodal points of growth in a society. In a Social Democratic Society, the state permits the individual to assume these tasks subject to broad constraints imposed on him to ensure that identity prevails, by and large, between private and community good. The general policy aim is for the state to contract out to others what they could do well, thereby diffusing decision-making and exercise of power but always ensuring that there is no abuse of power. In a collectivist Society there is inevitably a concentration of economic power with political and also police power in the organs of the State. If a society on the principle of worker organisation of production were practicable without the over-dominance of the State over the individual, without loss of personal liberty and collective freedom, and without members of society being virtually reduced to serfs of society, I, for one, would be on the side of those who espouse this cause.

But, alas, it is not so. One realises the loss of liberty and freedom only after they are lost, once a society of this pattern gets established and, then, it is too late to reverse the process. Therefore, I canvass on this forum of business men that the profit sharing should be made obligatory on all enterprises engaged in agriculture, trade and commerce—employing more than a minimum number of persons—that out of profits earned for every rupee paid out as dividends, 50 cents should be paid into a Development Fund for investment in the business and one rupee should be paid into a bonus fund for employees. It follows that bonus issues arising from capitalisation of the Development Fund should be shared equally between owners and employees. This is the broad principle, but modifications to the principle would be required in a few limited categories, e.g. where profits are identified with individual professional skills or derived from investments in other business as in an Investment Company. Further refinements are possible. Interest at the going treasury bill rate or even at the Government bond rate could be attached, if at all, as an outgo on capital before profits for this purpose are struck. The bonus payments out of profits would be deductible for tax purposes. Indeed, there is one company I am associated with, which is a large employer of labour where this principle of equal profit sharing with employees applies but even without imputing a national interest charge on the share capital.

Further progress in this direction is possible in four other areas in line with the principles of Democratic Socialism: (i) worker participation in management, (ii) worker participation in shares, (iii) statutory acceptance of trade union representation in each work place, but with the stipulation of a single trade union for each workplace, if not for each industry as the Minister of Labour has recently announced, and (iv) divorce, not separation, of politics from trade unionism, but I recognise I am here treading on treacherous and politically explosive ground.

When the principle of joint nature of participation in the productive effort in its various manifestations I have indicated is accepted and the principle of equality in the distribution of the surplus is recognised, the stage is set for the establishment of a truly Social Democratic Society. There is also, then, a social justification, apart from economic grounds, for reducing direct taxation to the kind of rational level which the Minister of Finance has introduced, which, I would, in all humility, suggest he might progress to a definitive end as I have ventured to indicate. To devise the details involved in the task of profit sharing on the fiscal principles based on Democratic Socialism, can well become the task of a special commission of enquiry.

This leads me to one further point. Company profits are taxed, and dividends in the hands of the recipient are also taxed. Thus,



income arising from corporate form of organisation is now taxed twice over in the hands of shareholders. There is no justification for this, especially in a Developing Economy, when it is so important to organise production on corporate lines. Company tax itself is, in most countries, as it is in Sri Lanka, a legacy of the excess profits duty levied to skim off inflationary profits during war-time. The company tax was introduced to replace revenue which would, otherwise, have been lost with the abandonment of the excess profit duty after the war. This is one area of taxation cosmetics which the Minister of Finance may well engage his attention by exempting dividend income from income tax.

**A NOTEWORTHY FEATURE** of the budget is the concept of "People's Companies". It must remain an ideal, unless Sri Lanka has a properly constituted stock exchange and there develops all ancillary facilities for encouraging wider ownership of shares on the broadest possible basis, coupled with strict adherence to social accountability. While on this, there is another related area to which the Minister can give his attention in the next budget. It is the Schedule of Stamp Duties which has been raised to penal levels in recent years and has the effect of deterring commerce. It is an old axiom of economics that one does not improve commerce by impeding commerce. And many of the present high stamp duties, even allowing for inflation, impede commerce.

Lastly, let me turn to the Expenditure Tax which has re-entered the fiscal scene. Analytically, there are two bases of direct personal taxation. Historically, from the days of Robert Peel, income has been the tax base. But expenditure can equally well be the tax base. To replace a tax based on income with a tax based on expenditure, if one starts initially with an income base for tax, all that is necessary is (i) to adopt the definition of income, as of now, for income tax purposes, (ii) to add to it reduction in one's assets or increase in one's liabilities, (iii) to subtract from it increase in one's assets and reduction in one's liabilities and (iv) allow for certain adjustments for expenditure on consumer durables and for specified exemptions. The end result is

expenditure as a base of direct taxation in place of income. The expenditure tax can then be rated progressively as income tax but unlike income tax the maximum margin can be very high, but it will be fatal to adopt the unrealistic rates of Kaldor in the first expenditure tax. Since the expenditure tax is a substitute for the abandoned ceiling on income, in my view, the rate should at the highest margin not exceed the rate appropriate to an income ceiling. In the world of practical fiscal affairs, tax on income is a fact of life, but it is possible to engraft on it a tax on expenditure but it is necessary to link the latter with the former at the income level which attracts the maximum tax rate.

One word on tax holiday companies. There is in this world of developing economies a place for tax holiday companies. But the exemption of profits should not be related to a fixed period irrespective of profits realised but to the fixed capital until it is recovered from the profits earned. So one does not have the spectacle of entrepreneurs earning high tax exempt profits on small capital and recovering it manifold during the tax-free period, as has been the case with many industries which a celebrated politician once described with characteristic wit as "Seenibola" industries. Dividends will be automatically exempt, if Company dividends as a class are exempted in the hands of receivers. The concession of tax holidays should be limited to public companies with quoted shares and I suggest "People's Companies."

THE MINISTER also announced that he proposed to introduce legislation on the lines of Anti-Trust laws in certain developed countries to prevent unhealthy concentration of economic power, and the growth of monopolies and check restrictive business practices. Such legislation has been long overdue in Sri Lanka, particularly because the size of the domestic market is such that a single supplier or at most a very few suppliers can dominate the market and resort to monopolistic practices. What is more, with the emergence of a multitude of state corporations engaged either in manufacture or trading per se or both, they have developed in their conduct of selling policies monopolistic practices

of price discrimination of the worst form so much so that quite a number of them operate in their trading "private exchequers" of their own, subventing certain product lines by selling them below cost and over-charging other product lines by exploiting the monopolistic market situation they enjoy, and even ending up, over-all, with a substantial profit. What is worse from the viewpoint of fiscal administration is that these "Private Exchequer" operations of state corporations are unrelated to the "Central Exchequer" of the General Treasury and over which the Ministry of Finance has no control, and of which it is not even aware. The grant of subsidies is a prerogative of Central Government Finance but it is a political and fiscal axiom that in a Democratic Society as opposed to a "Socialist" or what is a more comprehensive description, a "Collectivist" society, subsidies through pricing and other forms should be offered openly and not covertly, as these state corporations now do, in the exercise of their monopolistic power and that such subsidies should be offered only with the full knowledge and sanction of Parliament as the repository of Sovereign Power of the people.

It is to be hoped that the Minister of Finance will bring within the ambit of the proposed anti-monopoly legislation all restrictive business practices of state corporations, apart from such practices when they are indulged in by private sector business and ensure that all subsidies now offered by various Government Agencies in a concealed fashion without open disclosure in Parliament are brought into account through provision made under a separate parliamentary vote in the annual budget. Parliament, as the Sovereign Authority of the people, will, then, be able to assess the magnitude of these presently concealed subsidies, determine their priorities, and, in fact, judge for itself whether these are all justified, instead of leaving them, as at present, for administrative decision or even capricious judgement of the very agencies which, in the nature of the case, are least able to bring objectivity and rationality to bear on the legitimacy of the subsidies which they seek to offer through the monopolistic power they exercise over



the supply and marketing process. Similarly, it should be a requirement that surplus profits accruing from over-pricing, under like circumstances, should be brought into account as revenue of the Central Exchequer and not allowed artificially to augment profits earned by Corporations; and in this manner distort the outcome of their manufacturing and trading operations and impair value judgement on the efficiency of their investments. The only exceptions to this general principle are in relation to those state corporations providing the traditional "Public Utilities" inevitably as a monopoly service, where the long-established and accepted pricing principle of 'what the traffic will bear' applies. Action on the lines I have urged will be in full conformity with the philosophy underlying the Minister's budget and the principles of Democratic Socialism.

Finally, the link between taxation, prices and cost of living merits a brief comment. A factor which has contributed materially to high prices and high cost of living is, no doubt, the escalation of indirect and direct taxation, in the last five years. Text-book theory suggests that direct taxation cannot influence prices: this may be so under limited circumstances. In the conditions prevailing in Sri Lanka, given the size of the domestic market and other factors involved, high direct taxation is certainly transmitted in high prices to increase cost of living. The Minister has adroitly applied this principle to lower prices by reducing both direct taxation and also indirect taxes in critical areas. This policy has already begun to pay dividends, and should pay more dividends in future.

It is one thing to frame a tax structure in consonance with the principles of Democratic Socialism as the Minister has sought to achieve in his budget. It is another thing for those engaged in private enterprise to react positively to the new tax structure, with the relief and incentives it offers and mould their conduct with the full awareness of their social responsibilities.

The tragedy is that the Minister and his budget are two years too late. May be, it is better late than never. Business

men are often prone to proffer excuses, some real, some imaginary to justify their inaction and shirk their responsibilities to society. Such persons cannot claim that they perform any useful functional role in society, and they must invite and accept the sanctions which a society committed to the principles of Democratic Socialism must impose on them. The Minister has, as the saying goes, put the ball in the court of socially moti-

vated private endeavour and enterprise.

It is the duty of those so engaged to pick the ball and play the game. The search for profit alone is not the justification for being in business. It is the search for profit consistent with community good; it is participation and sharing of profit with those who together contribute to work and profit—a venerated principle inherent in our cultural heritage.

AMERICA'S BICENTENNIAL

WHAT KIND OF FUTURE FOR AMERICA

Reprinted from U.S. News & World Report, July 7, 1975 published at Washington, D.C.

As America warms up to the celebration of its Bicentennial, this year's Independence Day commemorates a pivotal moment in the nation's history.

Two hundred years ago, Americans were still British citizens—outraged by what they considered callous treatment by their cousins in England.

Before mid-year of 1775, American protests over "taxation without representation" led to open warfare with British soldiers in the battle of Lexington and Concord and Breed's Hill, more widely known as Bunker Hill. On Aug. 23, 1775, King George III declared the American colonies in open rebellion. The final break—signing of the Declaration of Independence—came in July, 1776.

In the exclusive interviews that follow, U. S. News & World Report explores that heritage and prospects for the future. Contributors include leading scholars whose views represent a wide spectrum of opinions.

- \* Richard B. Morris describes the "new American."
- \* Benjamin R. Barber views U.S. role in world.
- \* Gloria Steinem predicts changes for women.
- \* Charles Berry sees advances in health.
- \* Robert Penn Warren outlines technology's danger.
- \* David Packard foresees business growth.
- \* Andrew Brimmer envisions flexible planning.

"I AM HOPEFUL THAT NATIONAL PRIDE WILL RETURN"

RICHARD B. MORRIS

Gouverneur Morris professor of history, Columbia University; also president-elect of the American Historical Association, and editor of a forthcoming work on the revolutionary, John Jay.

Q Mr. Morris, what ideals of the American Revolution will carry over to the nation's third century?

A May I say first that historians, who are presumably specialists about the past, seem to have extraordinary difficulty in agreeing about it. Consequently, it behooves them to approach the future with caution and humility.

To my mind, the fundamental notion today universally accepted even though many countries merely pay lip service to it, is the notion of the people as the source of power. This notion, I feel, will continue to be governing over the next 100 years.

Lincoln put it so much better when, at a time of crisis, he expressed the hope that a "government of



the people, by the people, for the people, shall not perish from the earth." In concrete ways the American Government has, over 200 years, proved an effectual working model. It has a built-in mechanism for the peaceful transition of power; it allows for an organized opposition party; it has a device known as federalism to protect State and local rule, and take into account geographical and social differences; it has built-in safeguards to protect civil liberties.

I think all these once-innovating and even revolutionary principles will carry over into the nation's third century.

Finally, the American Government has traditions of equal rights, of asylum for liberty, and compassion. I can't see America ever abandoning these guiding percepts. In fact, every one of them has been implemented over the past generation by legislation, court decisions and by America's great humanitarian programs abroad.

**Q Will Americans ever regain the sense of national pride that was so strong in Revolutionary times?**

A I am indeed hopeful that national pride in an enlightened and humane sense will return, not in the sense of jingoism or notions of ethnocentric superiority.

In Revolutionary times, that pride sprang from the conviction that a new nation was leading the world in experimenting with a new system of government that would bring about a better world. It was a part that sense of mission that Americans have never lost, but it was mission not contaminated by notions of "manifest destiny", imperialism or assuming self-appointed tasks as the world's policeman.

Much of the world still looks to the United States for leadership in so many areas. To take a few; in the peaceful use of the atom; in directing resources and controlling the environment in ways that are beneficial to the whole earth, not to America alone. Surely, to be an American does not mean that we should turn our back on our world obligations.

Benjamin Franklin once expressed the hope that the knowledge of the rights of man would prevail worldwide some day, and that a

time would come when a philosopher might set his foot anywhere on its surface and say, "This is my country." Franklin personified pride in nation in the best sense—a love for America and a conviction that it would be a world standard-bearer of humane progress.

**Q Are there any hopeful signs coming out of the chaos of the 1960s and early 1970s?**

A Definitely. I feel that the end of the Vietnam War, the Watergate convictions, along with revelations about the Central Intelligence Agency, are serving to clear away much of the divisions of our society, much of the pervasive doubts about the integrity of high Government officials, which not only divided American society in the '60s and '70s, but seriously damaged the image of American abroad.

We have learned from Vietnam that there are limits to power, that nations sharing the monopoly of nuclear arms are not necessarily equipped to deal with brush wars in distant lands, and that we must re-examine our priorities and determine what commitments are in the national interest, and make it clear then that we intend to abide by them.

Watergate and CIA have shown that a democracy stands for nothing if it negates morality and decency at home and abroad. The resolution of all three issues should lift a great cloud from the American spirit.

**Q Can you hazard a guess as to how historians of the future will view today's Americans?**

A That is what it will have to be—just an educated guess, and no more than that. I think historians will find America has been slow to come to grips with the new perils that confront her: the shrinkage of energy resources; the dangers posed by the Middle East oil cartel and other commodity cartels; the perils to the environment of much of modern technology, and the high risk we are running by allowing federal, State and local governments to pursue unsound fiscal policies.

Historians will be puzzled why America cannot recognize the multitude of crisis that are besetting her today, whereas it is easy to recognize the kind of crisis posed by Pearl Harbour. Why Americans

seem to be hiding their heads in the sands and thinking that business as usual will get them out of their difficulties will puzzle historians. They also will wonder why the Government has not been able to mobilize support for the concentrated effort and sacrifice that is needed to attain self-sufficiency in energy resources comparable with the operations which spurred the Manhattan Project (A-bomb development) and the moon shot.

Historians may well find that public officials, to whom citizens look for leadership in these matters, still seem to put politics ahead of national needs. In short, historians may find that American officials, stunned by a recent military misadventure of enormous magnitude and confronted with the twin problems of inflation and recession, are unusually timid in the programs they've set forth, and keep postponing necessarily hard decisions when they should be galvanizing public opinion to support long-range measures in the national interest.

**Q As presently constituted, is the Bicentennial going to help the American people understand themselves and their heritage better?**

A That's indeed doubtful. Most of the American people really won't understand it. I think it will bring home certain events to them, but as to the real meaning and significance of it, it's going to be mostly pageantry and sightseeing—like the restaging of the battles of Lexington, Concord and Ticonderoga. We have failed on the educational side to bring home the problems that existed in that period and the ability of the people of the United States to surmount those problems and create a viable state that lasted for 200 years.

The American people today are in a sort of identity crisis. Who are we? Do we have a mission any more? What are we going to do with ourselves?

With the Bicentennial, there should be an opportunity to go back to what we were. We've lost all idea of what American are and what America stands for. We are losing sight of the main goals by staging a series of side shows. The sense of national purpose is not coming out loud and clear.



**Q Do you think the United States will be able to continue as a democracy for the next 100 years?**

A I would hope we can produce the kind of leadership that would enable us to deal with the tremendously difficult problems that we now have and which undoubtedly will continue to burgeon over the next 100 years. So far, we have managed to function with reasonable effectiveness as a democratic society and I don't find any tradition in our country which supports any other kind of society.

Let us hope we can remain an affirmative example to the rest of the world in maintaining human freedom in the face of increasingly pressing technological and demographic problems and continued competition from other political systems.

## "AMERICA CANNOT SURVIVE ALONE ANY LONGER"

**BENJAMIN R. BARBER**

Professor of political science at Rutgers University; adviser to Fred Harris, Democratic presidential candidate; author of "Liberating Feminism" and "The Death of Communal Liberty".

**Q Mr. Barber, what will be our fortune as a nation as we move toward our third century?**

A One thing is certain: We are going to be called upon increasingly to cut back on our standard of living so as to offset population growth in other parts of the world. We're simply going to have to help feed and clothe the poorer nations, because they won't be able to do it on their own, and they have resources that we need.

Let me give an example: America consumes 2 billion dollars in pet food every year. Is this a fair distribution of resources in a world where many millions of people are getting below minimal caloric intake day to day?

The United States population is 6 per cent of the world population. Yet, we consume something like 30 to 40 per cent of its resources, depending on whether you're talking about food or material.

It's a question whether America can preserve its freedom and tradi-

tional values without helping less-developed countries. From now on, the pressures on us from the "have nots" will be enormous. The old notion of "lifeboat America" going its way while the rest of the world sinks is not really viable now. Rather, we have to talk about "lifeship Earth", on which I think probably the overwhelming reality in the next 25 years will be the reality of interdependence.

**Q Will the U.S. get anything in return?**

A What we'll get will be a guarantee of our own survival. What I'm really suggesting is that America cannot survive alone any longer. There is no way that a materially comfortable American people can go into the 21st century and survive unless the rest of the world is going along with it.

**Q What would other countries do to America if we did not help them?**

A The threat they hold is that in many cases they control major resources we need. Look at resources on which America is becoming import dependent. Since before World War II, you'll note that one precious metal after another is being exhausted in America, and more and more we're becoming dependent on foreign imports. It's that kind of strangle hold that we already see being exercised by the oil-producing nations.

**Q What sort of government will we have by the end of this century?**

A I think, given how strong and resilient the American Constitution is, it will still be recognizable. Indeed, some people may feel it will be too recognizable—too unchanged.

There are, on the other hand, certain tendencies which are not very promising for American democracy. One is the trend toward increasing centralization of control in America at every level. This is, in part, unavoidable, because it arises out of the nature of our technology, communications and the nature of a decision process which more and more requires instant reaction.

Another alarming trend is the persistence of racism. In a no-growth economy, such as we may now be facing, there is bound to be substantial unemployment. Because minorities lose their job

first, they suffer the most. If the present economic situation persists, they could lose the economic gains they have made over the past 30 years.

In global terms, too, it is the nonwhites who are suffering most from the faltering economy—only in this case the racial issue is starvation itself, for it is the 70 per cent of the world's population that is nonwhite that is suffering most from rising prices, monopoly control of energy resources and the world fiscal crisis.

At the same time, here in America, America, I sense increased disregard for the interests and rights of individuals. Particularly as these international ecological, economic and fiscal problems develop, governments are going to be more and more strapped for solutions, and less willing to make sacrifices in the interests of individuals and groups. The battle for civil liberties at the level of the individual and the press is going to become critical in the coming years.

**Q Despite the frustrations and problems ahead, will America be a happier and healthier society in its third century?**

A It depends on how America adapts.

The stress on Americans is going to increase. This has already been a century of crisis, and I think that crisis, anxiety and "permanent revolution" around the world are going to continue to put very, very heavy stress on Americans. It's going to confront their private well-being and happiness with unsettling public dilemmas.

The real happiness of American is going to depend not so much on continued material growth but rather on the capacity to meet growing ecological crisis and international problems.

The American people are still resilient, resourceful problem-solvers. Furthermore, Americans are far more willing to make sacrifices than political understand.

President Ford said during the energy crisis that people would have to make sacrifices. I believe many Americans were willing, in effect, to give away a fortune to meet the national emergency. But President Ford only asked for a nickel. I think that led to a great psychological letdown. Americans



are prepared at present to give a great deal more than they have yet been asked to do.

But, obviously, there are limits as to how much Americans can do individually or as a nation.

Many commentators have talked about the twentieth century as "the American century," and in some ways I suppose it has been the American century. It seems clear to me, however, that the next century cannot be and will not be an American century. Indeed, it will not be a century that belongs to any nation. It will be a global century, which for the first time truly belongs to all nations and all the people in them.

I believe that America's willingness and capacity to help make the next century truly a global century will be the key to our own happiness and the measure of our historical success as a nation and as a people.

(To be Concluded)

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BUILDING A VILLAGE HOUSE—66

## The Virtuoso

— concluded —

By Herbert Keuneman

I DON'T CARE how sceptical you may be—rationalist, agnostic... call it what you like—but there's this to be said about Providence: It does its job, it provides. That is, it foresees and makes due preparation. Maybe against some tomfool carelessness on your part or some impertinent overweening on the part of somebody else or some idea on either side that Man calls the tune; that if you do this, that will result and if you do the other thing the result will be quite different. But that's your big mistake. Man doesn't call the tune though Providence often insists he pay the piper. It is Providence arranges that from all the efforts by which Man—this man, that man or the other—convinces himself he is shaking the world there will emerge the *karmic* resultant toward which Man might have saved the trouble of contributing his 10-cents-worth!

All in its own good time, of course: Providence isn't to be hur-

ried. But neither are its long-term plans to be changed by the first tuppenny-ha'penny activist that happens along. It takes some while to learn this—don't trust anyone below thirty—and some people never really learn. But for those who do it is comforting to think that Providence has charge. The elderly *gamarala* thinks he's had it when a *rakshaya* makes off with his daughters, and then he thinks he's got it when he gets his daughters back, and he's wrong each time; and the bright young Drummer himself all points clever, but he's wrong, too. Providence has all the strings and knows just when to pull one and which one to pull.

On the whole, Providence is on the good man's side. But it takes a good 'good' man to distinguish whether he has in fact been dealt a blessing or a buffet. Here, as I say, is this 'good' *gamarala* and he has got his daughters out of the *rakshaya's* clutches (blessing) and here is this Drummer so sharp he could cut himself (blessing, think he) and the *gamarala* lets the Drummer keep safe hold of his elder daughter's hand all the way home (sheer recklessness) and Kota the Drummer 'gets ideas' (darned conceit) and Providence is preparing knocks all round. You just see!

The Drummer couldn't get the touch of Kiri Menika's soft hand out of his mind. Where nobody, anyway, had intended to put it.

Kota knew it was useless to ask straight out: he was a Drummer and Kiri Menika was a *gamarala's* daughter, and there it was. But he had this thing about Making One's Way. And as usual he came up with a plan.

IT WAS THE SIGHT, in the *gamarala's* garden, of a very large kapok tree all hung about with a vast and almost impenetrably luxuriant betel creeper that suggested the plan to him, and he was soon busy with the logistics of it. He put himself at pains to trap a stork (which I must remind you, is not only a large and strong but also a voiceless bird) and prepared a flambeau of dry palm fronds, and then one night in the dark of the moon he climbed into the obscurity of the vinevelled kapok tree and hid himself with the stork in the flambeau behind the betel leaves. When he was safely concealed he lit the flambeau, thrust it forth from amongst

the foliage, an called out loudly: '*gamarala! gamarala!*'

The *gamarala* ran out and, seeing the great light blazing out of what he knew to be an empty tree, began to tremble. He trembled no less when Kota, invisible behind the dark leaves and the rosy glare, announced: 'Hearken! I, the *devatava* of this village, the deity to whom is given watch and ward over your fields, your houses, and all that walk and work and dwell therein, I your guardian in good and ill, I, your *devatava*, speak!'

To this the *gamarala*, as was only to be expected, submissively replied: 'Lord, I listen.'

'*gamarala*,' spoke the Drummer-*devatava* in his sternest tones. 'I have a communication to make. It is the will of my gods that you marry—forthwith—your elder daughter, Kiri Menika, to Kota, the Drummer, of Ratmalwewa Village.

'Lord, who?' expostulated the *gamarala*, despite his trembling, unable to believe his ears.

'Kota the Drummer, I said. Of Ratmalwewa. Son of the Drummer Panuva and Massi his wife. A most worthy fellow.'

'Lord,' ventured the *gamarala* shocked out of his terror, 'the gods must surely be mistaken? It is not proper that such a thing should be. We, as Your Sanctity must certainly know, are Farmers by caste: this Kota is a Drummer!'

'Silence!' roared the pseudo-*devatava*. "Farmers!" Nonsense! "Drummer!" Bunkum! "Not proper!" Poppycock! "The gods mistaken!" Fiddlesticks! Blasphemy, in fact! Now, let's have no more of this reactionary obstructionism. The marriage will go forward. You'll do as you're told, *gamarala*, or my friend Saturn will have something to say to this village! And a special something', he added intimidatingly, 'to your and your luckless family. Do you hear, *gamarala*?,

'Lord,' faltered the terrified man 'I hear.'

'And obey,' insisted the awful Voice from the tree. 'No good just hearing and then doing nothing co-operative about it. That's the main thing: to hear and obey. Well I must be getting along.' And tying the burning flambeau to the leg of the stork he hurled bird and brand together from him.



## Gamarala And Drummer

The *gamarala* heard the mighty whoosh-whoosh of the great wing as the startled bird took flight, and watched the lurid light diminish in the distance until it was lost amongst the stars. 'Lord,' he murmured miserably, 'I hear—and obey.'

But hard as it was to be persuaded thus against his will, it was even harder to contemplate braving the jeers and insults of the village when this preposterous mesalliance became known. And at last his tortured ingenuity devised a stratagem. Silly man! that was Providence's responsibility. And Providence had, indeed, the situation well in hand.

WHEN THE BRIDAL PARTY from Ratmalwewa turned up to conduct Kiri Menika from her house to her new home the *gamarala* greeted them cordially and feasted and drank them lavishly—lavishly enough to keep them from any quibble—but privately; in an inner room. Then he handed the girl to them gently but effectively gagged and neatly done up in a sack suspended from a carrying-pole. He further begged that if anyone asked what they were carrying they should declare it was coconuts. The men, it is true, were a little puzzled by all this dissembly; but the *gamarala's* hospitality had rendered them disposed to cooperate. And they could not but admit they had been given an easy way to carry a girl that did not want to go.

The *gamarala* stood at his stile and frozenly watched the procession off. 'No getting away from that chap Kota', he remarked to an inquisitive neighbour who stood observing the departure from over his fence; 'chap's a perfect nuisance; importunate chap, that's what he is; now he comes to me to borrow thirty coconuts!'

The men carrying the bride would far rather have carried thirty coconuts. Not only was she a heavier load—gracefully though she was built she had weight in all the right places—but after a while she began to struggle. This continually threw them of their balance on the rough path and they were soon quite done up. When they came to the *ambalama* halfway to their village, short though the distance covered had been, they were glad enough to halt and sleep off the effects of the wedding

breakfast. And by this time Kiri Menika, too, had already gone quietly to sleep, having (temporarily) resigned herself as a good girl should. They staggered in, deposited their burden without so much as a glance as to precisely where they put it, and stretched themselves on the cool floor.

The *ambalama* was already occupied. A group of hunters who had trapped a large bear and were taking it to drown were also resting in it. The bear had protested long and shrilly while it, also, was being inserted into a bag; but in the *ambalama* it lay where a troop of termites were issuing slowly from a hole in the ground, and now, having found an opening large enough to put its tongue through, the bear was quiet as well, contentedly eating the termites as they came (in case you hadn't noticed: Providence, unremittingly on the job.)

'Hi!' said the hunters pallily to the newcomers. 'What's in your bag?'

But the bridal party only answered shortly: 'Coconuts!' before turning aside and falling asleep.

Put off by such churlishness, the hunters prepared to leave. 'Which is ours?' they wondered, gazing at the two like bundles.

Just then the *gamarala's* daughter, waking and deciding against her better self to renew her protests, began to kick and struggle and emit shrill screams through her gag.

'Ah! there he goes again', chortled the hunters almost affectionately. 'What a bear!' And picking up the pole, two of them slung the floundering sack dangling from it between their shoulders, and they went their way.

Poor Drummer! Poor Kota so sure of himself and of Getting On and Getting Away With It and of all the go-getter's illusions! It was an unexpected parcel he unpacked in the wedding house! What would you do if you were a bear and had been caught in a trap, confined in a sack, slung from a pole, exchanged (albeit unwittingly) for a *gamarala's* daughter? Especially if you'd had nothing but a thin stream of termites for lunch.

But have no fear for Kiri Menika. Providence is—and always has been—on the innocent's side and

real *devataas* know their business and in the end are ruthless carrying it out. When the sack had been taken to the high bank of a river and its mouth loosened so that the bear (as the hunters thought) might be tipped handy into the water, someone spied a shapely foot; a slim ankle; slender thigh; in short, they found the whole of a maiden so lovely that they took her straight to the Headman. And the Headman took her straight to the King. Unlikely as that seems. And the King took her straight to... Well, where would you have taken her?



### BATTICALOA'S BIGGEST BURGLARY—I

## Stolen From The Railway Station Safe

By V. Segarajasingham, AM.T (Lond)  
Trains Controller CGRAnuradhapura

The Ceylon Railway Station Masters' Union celebrated its GOLDEN JUBILEE last year. It would, therefore, be appropriate after such an eventful occasion and at the close of the year to draw the attention of our readers to the year, 1957 when three members of our Ceylon Railway Station Masters' Union Officers with unblemished record, whose integrity and efficiency were beyond question, were virtually crucified for the loss of about Rs. 70,000/- from the Batticaloa Railway Station safe. This most sensational and daring burglary was committed on the 1st of July, 1957. The newspapers splashed the news giving it prominence in front page banner headlines with the alliterative caption "BATTICALOA'S BIGGEST BURGLARY."

On or about the 3rd of May, 1957, a sum of Rs. 8,000/- being balance payment cash from the same Railway Station disappeared. Again on the 1st of July, that year, the cash Rs. 61,382/52—money taken from Railway Headoffice, Colombo for payment as salaries and which was locked up in the Railway Station safe was found missing mysteriously. For the first loss of Rs. 8,000/- suspicion centred on Mr. A. Sivagnanam, Station



Master, Eravur, who, by nature was a blunt man. His movements and behaviour, articulated by wild rumours gathering momentum, culminated in the confirmation of this suspicion. A colleague of mine remarked that he could not believe it but concluded "I doubt and I doubt my doubt as well". Nevertheless, Mr. Sivagnanam was not in the least perturbed. Perhaps he relied on John Milton's aphorism "Truth is as impossible to be soiled by outward touch as the sunbeam."

The then Station Master, the late Mr. Parasuraman, who was responsible for the safe custody of the cash, a gentleman to the very letter, made good the loss without a murmur. The shock and frustration was too much for him. He retired from Railway Service soon afterwards. If we really evaluate the purity of his public life, it would be appropriate to quote Horace Greely "fame is vapour, popularity and accident, riches take wings, only one thing endures—character". His trustworthy assistant, the late Mr. T. Seenithamby was the second victim. After the departure of the Colombo Night Mail train, the Railway Station, as usual, was closed. He signed off at 10.30 p.m., locked the office, cut across the "yard" and went to his bungalow. The Railway Porter, Mr. Vishnurajah, who was detailed to watch the Station premises was on his 'rounds' on the platform when he heard an unusual noise. The time was 11.15 p.m. He saw three robust persons near the place where the Railway Wagons were 'marshalled'. They were on the verge of exchanging blows. One of them was flat on the ground. Vishnurajah, under the mistaken belief that it was a genuine fight, intervened. The miscreants had thought of a clever plan to lure the watcher away from the main Railway Station entrance. They offered him a drink of arrack but the watcher declined the offer.

Head Guard, Mr. G. Mariadas, a highly sensitive and suspicious officer, on hearing the noise jumped out of his bed, flashed his torch and, thinking that some thieves were after his fowls and got out to investigate. He was also suspicious of characters meddling with the wagons and promptly informed Mr. Seenithamby who rushed to the Railway Station. On his way to

the Station, he saw from a distance a car leaving the Railway Station portico in a mighty hurry. He informed the Batticaloa Police. The gist of his message was "someone was attempting to steal articles from the Railway wagons."

Two Inspectors of Police, Messrs. George and Solomonsz, O.I.C. Crimes and H.Q. Inspector of Police Batticaloa rushed to the scene of burglary. The door of the Station Master's office was forced open, the door of the iron safe ajar, and cash Rs. 61,380/52 was found missing. The Railway porter informed the Police officers of the "brawl" and handed over to them a bottle of arrack with a small quantity of the stuff still in it. The Police officers found no clue and merely suspected the Station Master chalking it as an "inside job". They ignored the pleas of the Station Master to contact Kalmunai and Polonnaruwa Police requesting them to check all cars passing the area. Their retort was "Why go astray when the culprit is here!"

Mr. R. E. Kitto, Superintendent of Police in charge of the Investigation Branch of the Criminal Investigation Department, an intelligent and shrewd Officer who, after

graduating in the Ceylon University where he excelled not only in his studies but also in Athletics representing Ceylon in the Asian Games where he won the sprint and long distance events establishing records, ordered Finger print experts and a team of C.I. D. Investigators to proceed immediately to Batticaloa and take over the investigations.

Railway Investigating Officers and Audit Officers of the Railway Department conducted parallel investigations. In fact, Batticaloa Railway Station became a veritable "hive of much activity and excitement." The staff of the Railway Station became the target of much criticism for this was the second burglary from the Station and Railway employees and pensioners were denied expeditious payment of their salaries and pensions. The C.I.D. Officers continued persistently shadowing suspicious persons relentlessly with dogged determination and indefatigable energy. Every information or even the slightest suspicion was raked with assiduous care. Days Passed swiftly, weeks flew and months rolled in.

#### CANADIAN ENGINES—M 4

IS IT NOT TRUE that the facts spotlighted about these engines by the *Tribune* are now coming home to roost? That four of the engines, it is reported, are in the repair yards having to replace wheels and other repairs? That *Tribune* had pointed out that owing to the wheelbase being unsuitable for our rail tracks the engines would run into trouble? That these engines sent upcountry were compelled to move along at reduced and controlled speeds? That rail tracks continue to be damaged and the wheels of the other engines will need replacement long before replacement arising from normal wear and tear? That nobody has still revealed how the technocrats and bureaucrats of the CGR were persuaded by salesmen that these engines (with specifications different from engines which had been traditionally imported into Sri Lanka) would be okay? That on the long distance runs to Jaffna and Matara these engines are no doubt able to maintain good speeds? But even on these runs there are curves and these will ultimately bring disaster to the engines and the tracks—only more slowly than in the up-country? **That the Minister must find out whether local or Canadian salesmen had done the trick to foist these engines with unsuitable wheel-base specifications on the CGR?** That when these engines were unloaded from a Canadian ship in Colombo there had been a hilarious party on board to celebrate the event? That a bunch of local bureaucrats had done themselves grand on that occasion? (That the saga of that party will be told by *Tribune* at an appropriate time?) That it would be interesting to find out whether it was such feasting and merry-making that had made it possible for our techno-bureaucrats to accept the excellent M 4 engines with the wrong wheel-base specifications? That if the top brass of the CGR and the Government know just what is talked about (and believed) about these engines among CGR's workers and employees they will not sleep in peace?



Three young and energetic officers, Messrs. S. Krishna Iyer, Asst. Superintendent of Police, C.I.D., Inspector R. C. Thavarajah and Inspector Tyrrell Goonetilleke, now Director of the Criminal Investigation Department, continued their investigations with unflinching enthusiasm. Their cool judgement and intelligence were equal to those of Scotland Yard detectives. Inspector Thavarajah decided on a practical approach to tackle this ingeniously planned burglary from a new angle. He disregarded the "theory" of the local Police, took the Station Master into his confidence, verified and extracted from him what he was searching for by shrewdly watching the latter's reactions to his interrogation. The Station Master persisted in his emphasis on the car that got away. Having satisfied himself that the bank balance which was a fairly big one had no bearing on the case and that it was hard earned money saved and acquired from ancestral sources, Inspector Thavarajah tapped all sources for information but failed. He and his team roamed the jungles, traversed the sandy soil in the hot noon-day sun and worked without food and rest.

(To be Concluded)

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KAZI - 39

## Day To Day Work

BY ANATORY BUKOBA

October 17.

Up at the crack of dawn, and a milker brings milk over from the dairy. His coming is our servant boy's reveille. The superintendent, acting, is up meanwhile, and I retire to bed with some books. Then a wash, and I shave during the muster at seven; and I can keep an eye on what is going on from the window. The shave over, I join the muster, when the tools are handed out. A walk over to the dairy, and if the milking is still going on, I keep quiet. We have just put up two new buildings there; one for our new stud bull, the other for cows about to calve. The stud bulls are led out to where they are to be tethered. The cart bulls were let loose at 5.30 a.m. to forage. The superintendent and I have

breakfast together, and he disappears for the rest of the morning.

We concentrate our workforce. Most of the women and one or two men go to where the subsidiary crops are. Over the thousand chilli plants have just been set out. Coupea was sown just before this, quite a lot of it. A hundred spinach plants were sown, and a few days ago we ate our first spinach. All who bought it did so at fifty cent a pound. Lady's fingers, brinjals, snake gourd and bitter gourd have been sown, and the leader in charge of subsidiary crops has asked for more bitter gourd and lady's fingers urgently. This I bought today. The leader on his own initiative has put down one or two other vegetables. Bamboos have been used where trestles are needed. We have already harvested two crops of soya bean. This we sold at Rs. 3/- a pound, or ground down into coffee which we disposed of at Rs. 2/50 a quarter pound. Our own work-force were our earliest buyers. There is manioc growing and much plantain. Picking coconuts is on now and I have yet to see what damage the falling bunches of nuts will do to our vegetable beds. Passion fruit was sown on the live fences some time ago, but we had to cut all this down.

Fences have been trimmed that have not been trimmed for years, and so the watchers job has been made much easier. The light let in has given them a better view. I bought two hand axes today to help expedite this work. A job that has been done during the pick has been the weeding of the cowpea by hand, and it was finished. Watering with a watering-can in done where the leader, the *Kangany* of this section, thinks it necessary. He is an old man with strong views of his own, and the woman work hard contentedly under him.

We have just started to milk all our cows twice a day now. The morning's milk is sent away, and the afternoon's is given to the workers at twenty cents a bottle. They all take it, with only one exception. The casual workers have it when there is enough. One man cuts grass all day. During the pick two men have been put on this to be sure that the cart bulls get enough at night. We have a mower for our mini-tractor, but as the ground has not been rolled yet, we have not used it. The men carry

the grass on their heads. The calves need it as they are in all morning until after the afternoon's milking. Expectant cows are given it at night. The new stud bull get some. Some of the buffaloes are tethered while the others are let loose. This helps keep the herd together, and it helps them all in turn to get a good feed. The two males buffaloes have been castrated, *Vedamorthy* style, and they tied together with a chain, and the tips of their horns have been shorn off, all ready for the great when they will set to plough. Pousa grass sown in the early days was a success till a disease got it. Then guinea grass was sown. This was not so lush. Our next effort at growing grass was a complete failure, but we have tried again, and the results have decided us to go on with it. In England grass seed is always sown, never cuttings, and I wonder why it is not done here. Some of the cart bulls are very old. Two new bulls, bred by us, have been trained but they are not ready to pull weights. Two other bulls have to be trained. With our buffalo bulls castrated, we have to get a new one to serve the buffalo cows, and we are hoping it will be a *murrah* or *thoraty* to breed better milking stock. The superintendent counts every head of stock after they have been bedded down for the night, and I often spend hours with the animals. The great Com-mando leader of the last war and cargo landowner, Lord Lovat, was always in the Galloway tent at the big agricultural shows, for it was Galloways that grazed his land.

Dropped nuts have to be gathered in regularly or they will be stolen, and nuts start dropping after each pick. As each pick draws near, they have to be collected more often. When the nuts have been husked, the husks have to be led out to the pits dug for them. Then the pits have to be covered over again. As there are other demands on the carts, we are having our old single bullock cart repaired. The picks take about a week, but they may take two weeks if they are interrupted by rain. All the nuts are counted. Four of five men pick the nuts. The paddy fields have to be done. We have just sown paddy in our *Kumburu* and the plants have appeared. The highland paddy will be sown



when our neighbours sow their *Kumburu* nearby, to lessen the loss by insects. The buffaloes are being called in to open up some new *Kumburu*, and it will have to be fenced to protect it from our own cattle.

There is so much else to be seen to, it leaves little time for reading. Reading and manual work, or even supervisory work just do not seem to go together. Just as it takes many people to make a world, it takes just as many sorts to make any establishment, agricultural or otherwise, and people seem to know this. If they did not, we would have no politician, for they would be eliminated off the face of the earth. Then there are the writers and the makers of the printed work, but I am getting rather off the subject for these require separate establishments, just as there are shops and buses.

Two days ago I bought a second-hand book. It had a *nihil obstat* and *imprimatur*, but what made me buy it was this that I saw in the last chapter, E. H. Drinkwater says that dictators never ask where

is the money coming from. They go ahead and do what they want. I must read this book, when I have finished reading about the father of American democracy and Japan's admiral of the Pacific.



## CONTROVERSY

# On Religion And Revolution

In an issue of *Tribune* in November 1975 we published details of a Study Seminar conducted by the Devasaranaramaya at Ibbagamuva on Sri Lanka and the Social Revolution. We have now received a printed handout from the Ibbagamuva Centre entitled *Religion and Revolution*. We publish the same for the information of our readers. It is a reply to an "attack" in the *Sathipatha*, a weekly paper published by the breakaway group of the UNP led by Suriyapperuma. We hope to publish the notes of the seminars conducted by the Devasaranaramaya in forthcoming issues. They reflect a growing and important trend of thinking among the younger generation in this country.

### BUDDHISM TORN TO SHREDS:

### A PRIESTS' REVOLUTION INFILTRATES THE WANNI COUNTRY

A new movement has been started by priests in a collective farm in Ibbagamuva under the name of Devasarana, which values Marxist-Leninism and is trying to impose Marxism on the villager in the Wannu. Making Buddhism a scape-goat this Sama Samaja Marxist Revolutionary Clique is holding Seminars at which the

UNP MP for Hiriya, Mr. S. B. Herath, is also billed to speak. This Devasarana movement which is being carried on under a certain priest and university revolutionary Sama Samaja clique has begun with a series of addresses criticising Buddhism. This organising priest is a violent red revolutionary. One theme that has been subjected to the criticism of a red priest is as follows: examining what economic functions were and are performed by the Buddhist Viharaya, and also examining what forms of exploitation in ancient society still persist. Ideological Life in Buddhist Lanka is the next subject. This is a programme which is being carried on by certain noted religious priests and Sama Samaja revolutionaries, and well-known leftists are due to come for addresses in the future."

The above news report appeared on the 24th October 1975 in the *Sathipatha*, a Sinhala language weekly published by a break-away group of the United National Party. It is an English translation of the Sinhala original.

### OUR COMMENT

We wish to comment on certain matters raised by the *Sathipatha* news report.

Devasaranaramaya has been existing in Ibbagamuva since 1960 and the Devasarana Collective Farm since 1971.

We have a deep respect for Buddhism. We have worked in co-operation with the Sangha in the area and have good relations with them, though this does not mean that they agree with all our ideas. Also, we have had such well-known Buddhist speakers as the late Ven Kotagama Vachissara Thero, the Ven Ahangama Dharmarama Thero, the Ven Henpitagedara Gnanavasa Thero and the Ven Ganagama Sri Saranankara Thero to address meetings here in the past.

We value and study both ancient religions and modern ideologies that are relevant for people today, and try to commit ourselves to service, according to dharma. We are particularly interested in the contributions that the great religious founders and philosophers made to the development, justice, and liberation of the common people. We are also convinced that this contribution had an essen-

### Rumanian Carriages

IS IT NOT TRUE that whispers have begun to circulate in the CGR that the specifications of the Rumanian carriages so far received make them unsuitable for our tracks especially in the up-country? That the rumour is that the carriages were two or three feet longer than the traditional carriages used by the CGR? That the full details have still not reached *Tribune*? That *Tribune* also awaits confirmation as to whether this whisper has any substance at all? That it is possible that the story may be a canard? That with M 4 engines having been imported with the wrong specifications busybodies will naturally be tempted to say that the Rumanian carriages were also not according to the specifications which would fit our tracks? That only a handful of these carriages have been received so far? That if the specifications are not correct, the CGR should stop further imports and get the right kind of carriages down? That if this story (and whisper) is a bogus canard then all's well that ends well?



tially revolutionary content. The Buddha, the Christ, the Prophet Mohammed, and Karl Marx were all essentially revolutionary characters. They brought tremendous new ideas and new energy to the people and society around them, and they vigorously resisted the powers of evil and reaction.

We also examine both ancient religions and modern ideologies critically. We believe that wherever power groups have used and do use religion and ideology to exploit and oppress people this must be exposed. There have been failures and corruptions in the practice of both traditional religions such as Buddhism and Christianity as well as contemporary ideologies such as Marxism. Thus there will always be the need for self-criticism and openness to the criticism of others.

The saying *religion is the opium of the people* must be understood in its proper context. Religion came under such criticism because it had been corrupted. It is true that religion is sometimes wrongfully attacked. This must not be condoned. But what the best social reformers and revolutionaries attacked was not true religion but various corruptions, superstitions, exploitations, and oppressions which passed under the name of religion. When such criticism is made, those who for various reasons want corruptions to continue try to make out that those who make this criticism are against religion. Anyone who criticises corruption is labelled a communist or a revolutionary and made out to be against religion. The people must learn to look beyond appearances and distinguish who are the real defenders and who are the real opponents of religion. Those who claim to defend religion are often its strongest opponents. And those who bring honest criticism to bear on religious ideas, institutions, and practice are often its strongest supporters.

The series of study seminars on the theme *Sri Lanka and the Social Revolution* (which has been criticised in the news report) has been organized primarily because our collective farmers here felt that deep study should be an essential part of their common life and work. Elementary knowledge and slogans are not enough. They need a deep understanding and vision

if they are to remain committed to their tasks despite difficulties and obstacles. It was also felt that understanding by all the people of the forces of change in our society is an essential part of their creative participation in the ongoing process of development. So the seminars are open to all around us.

The principal aim in all the seminars is towards evolving our own way of social change in accordance with our religion and culture and present social circumstances. Study of Marxist—Leninist—Maoist theory and experience is an essential part of achieving this. We need also to continually seek to unify as many groups as possible on a broad national front in order to achieve goals of radical social change and development. The broad masses of the people in the various political parties need and want such change. So we welcome participation in the seminars of people of various political parties and especially all peasants, workers, and students who are interested. There is wide acceptance of the idea of socialism. We need deeper understanding and deeper commitment to action in the problems connected with socialism in practice.

It should also be mentioned that the speaker who spoke on Buddhism (Ideological Life in Buddhist Lanka, upto the 16th century) is a well-known and committed Buddhist and a recognized scholar, Dr. Gunapala Dharmasiri. Among other speakers who have been chosen to speak in the series of seminars are those who are making responsible contributions in national life and are authorities on the subjects they are due to speak on.

We are all engaged here in constructive development work. Our collective farmers are daily engaged in agriculture and animal husbandry. There are people of different religions and communities working together here. The majority are Buddhists. We invite anyone interested to come and see us at work and join us in our discussions.

We are interested here not merely in getting a job, producing goods and making money but in the whole movement towards a new society and a new humanity. This needs a fundamental change from capitalism to socialism. This

involves revolution. Private property and competition must cease to dominate society and the people. Various forms of collective ownership and co-operation must be developed. Power in the hands of a few must be shared with the many. Those vested interests that are against these fundamental changes will use various means to oppose such change. One of the commonest means is to raise the cry of *religion in danger*. In this particular instance, it is *Buddhism torn to shreds!* However, it is not religion but vested interests they are concerned to protect. So we must not be diverted from our purpose by such opposition.

Revolution does not necessarily mean shedding of blood. There has to be both a revolution of mind and spirit as well as a revolution of structures, that is, of laws and institutions. **Religion and revolution can go together.** This will not be easy. There is bound to be conflict. Conflict is a fact of life. In the midst of conflict we have to seek peace—peace on the basis of justice. This will involve struggle. But it must be a struggle born out of love. Revolution is now on the agenda of mankind! We cannot leave it to those whose vision is bound by narrow secular perspectives. In the steps of the great revolutionaries of the past and the present we have to bring to bear on it a wide and deep vision. And this vision must be constantly subjected to criticism. Through it all, the movement for development, justice, and liberation must go forward, whatever the opposition.

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**HELD OVER FOR  
NEXT WEEK**

**CHANGING WORLD**  
— After Chou



# Confidentially

## CGR-STRIKE

IS IT NOT TRUE that the total strike in the CGR last week was the result of blundering bureaucratism which was neither sensitive to the urgent needs of the employees nor aware of the growing discontent against the moronic and thick-skulled officialdom in charge of the affairs of the CGR? That *Tribune* has drawn attention to the obtuse and addle-pated bureaucratic machine that has been over-centralised at the Maradana headquarters in Colombo? That whereas in the past the administrative machine had been largely de-centralised, in more recent times the office chair-huggers were not only increased in numbers (probably to solve graduate unemployment) but were also concentrated in Colombo? That apart from the inconvenience caused to railway employees up and down the different lines and at the different stations and junction centres with everything centralised in Colombo the costs of administration have been multiplied several times over? That any impartial observer will find that the CGR today is no longer a technical department operating a public transport service but has become an oversized administrative jumble of inefficiency? That if readers of *Tribune* want it there will be no difficulty about getting the necessary statistics to substantiate the charge that the CGR is now over-burdened with an administrative bureaucracy far in excess of needs? That it will not be difficult also to show that this administrative machine of clerical hands pay themselves large sums as overtime, travelling and subsistence? That every weekend large number of these clerical hands work overtime—for what one does not know except to earn overtime? That this process of increasing administrative costs has become the scandal of the CGR? That the technical staff are naturally unhappy that an unnecessarily large slice of the CGR's budget is expended on clerical work which can be cut down by intelligent de-centralisation and simple rationalisation procedures? That it is no wonder

that with this kind of bureaucratic blunderbuss pointed at the employees, the GMR (bless his innocent heart which he has to prop with kindly spirits!) was blissfully ignorant of the volcano on which he was sitting? That in his naive belief that he was master of all he surveyed—(with the letters he regularly addressed to different newspapers—he seems to have no time for them right now)—he did not know that a spontaneous lightning strike was round the corner? That the Ministerial order re-instating (DTI) TCF Perera (whom the GMR had interdicted for allegedly leaking information to the *Daily Mirror*) had corroded what little prestige he (still) enjoyed in the CGR after the numerous rail mishaps and the total ineptitude that had brought the reputation of the CGR to a low ebb? That neither the GMR nor the administrative machine in the CGR's Headquarters were aware that the Guards Union was on the warpath? That the basic cause stemmed from the attempt by some bureaucrats to downgrade the role of the Guards as being persons "in charge of trains" having authority over the drivers who had to take orders from the guards? That Guards have traditionally had the power (in Ceylon and elsewhere) to stop a train from the "brake van"? That after the recent rail disasters and the Morollogama incident when the Guard had stopped a train as the driver had failed to collect the tablet, the Guards found that the "brake" in the van was disconnected and that only the engine drivers could stop a train (even when the alarm signal was pulled)? That this was a subtle attempt to make the drivers all important? That the guards vans too were not lighted and other inconveniences heaped upon them by some of the technical staff with the connivance of the some of the administrative pachyderms? (That all this may be "news" to the GMR but everybody who knows knows that the GMR does not know the under-currents and cross-currents below his very nose in the CGR—bless his innocent soul!) That the protests of the Guards had been ignored the bureaucrats and the memoranda of their Union were stuffed into forgot-them pigeon-holes or thrown into the wpb? That when the Guards began their work-to-rule on January 20, the bureaucracy at the Maradana Hqs

behaved as if the heavens had begun to fall? That these doltish bureaucrats pretended that the Guards had nothing to complain about—until the Minister undertook to meet their legitimate grievances within three months and the Guards suspended their trade union action for two months? That the GMR and his bureaucrats must know that in the interests of the travelling public it was best to continue the international system of having guard to exercise control over the drivers—especially with so many drivers in the CGR who have been "promoted" on political grounds and not for "professional" reasons? That when the Guards Union started the work-to-rule, all other unions in the CGR took the opportunity to show the bureaucracy that their heavy-handed bureaucratic obduracy in denying advances or loans under the Credit Councils Laws—all other systems of advances and loans having been superceded—was something that employees could not tolerate? That a good part of the blame for this bureaucratic muddle be must laid at the door of the over centralised headquarters of the Credit Council Department at the Treasury? That between the bureaucrats at the Credit Council Hqs in the Treasury and the CGR's Maradana bureaucrats, a total strike on the CGR became a reality? That it was the tactful handling of negotiations with the 26 unions in the CGR by Minister K. B. Ratnayake alone saved the situation and made it possible for the CGR to function once again after three days of near-total stoppage? That the Minister and the Government must regard this strike as an early warning signal of protest against the asinine stupidity of the bureaucracy in charge of the administration of the CGR? That the GMR will display wisdom of the highest order if he goes on leave to recuperate his spirits and permit the Minister to have some other technocrat more sensitive to the needs of the CGR and its employees to streamline the CGR machine? That if another major and prolonged strike is to be avoided within the next three months, the Minister will look into this aspect of the matter without delay?





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