



1103

CEYLON TODAY

**A GOVERNMENT
BY THE PEOPLE**

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A Government by the PEOPLE

FROM THAT distant age, five hundred years before the Christian era, when the first ruler of Lanka is mentioned in history, until the last Sinhalese King was dethroned early in the nineteenth century A.D., the Island flourished as a monarchy. Indeed, it knew no other form of Government. From the sixteenth century the maritime areas were ruled by the Portuguese and the Dutch. The seeds of parliamentary democracy were sown in British times and the struggle for independence was carried on over many decades. Passing through several stages of Colonial rule, Ceylon emerged as an independent nation in the Commonwealth of Nations on February 4, 1948.

The people through their representatives deliberately chose the British pattern of democratic government though it is not the only form of democracy known to mankind. The foundation of the system is the free choice by the people of representatives to the legislature, who in turn support and sustain in power the Government which commands the largest measure of confidence in Parliament and the country. Every adult person who is a citizen of Ceylon may vote to return a member to the House of Representatives, the popular assembly in Parliament. The representation has been so arranged as to enable every community and interest to have its voice heard in Parliament.

The first delimitation of the constituencies under the new Constitution was carried out by a Commission. Each Province of the Island was divided into electoral districts, the total number of which is specified in the Order-in-Council and the aggregate of which totals 95 for the whole Island.

Each electoral district of a Province has, as far as possible, an equal number of persons subject to a proviso relating to transport facilities, physical features, and community or diversity of interest of the inhabitants of the Province. The electoral districts have, however, been demarcated so as to render possible the representation of minorities united by the tie of race, by the tie of religion, or by any other tie.

Where, after any general election the Governor-General is satisfied that any important interest in the Island is not represented, he may appoint any persons not exceeding six in number, to be Members of the House of Representatives.

The Constitution is the fundamental law of the Island and the source of power. It defines and limits the sphere of action of the Government and assigns to its three branches, —executive, legislative and judicial—specific duties and responsibilities. Through it, final authority is vested in



The House of Representatives

the people—the voters.

In a general election, the voter selects his Member of Parliament ; in a local election, his Municipal or Urban Councillor or member of the Town or Village Council. Throughout all the processes of electing and governing, the voter is the deciding factor.

The individual is guaranteed by the law, freedom of religious worship, of speech, and of the press, and the rights of peaceful assembly. A person accused of wrong-doing is given every opportunity to defend himself. He is regarded as innocent until proved guilty at a trial which is fairly and openly conducted.

Powers of the Legislature

Laws are made by the two Houses of Parliament : the House of Representatives and the Senate. They are introduced in the form of " Bills " which become " Acts " when the Bills have been passed by Parliament and assented to formally by the Governor-General in the King's name.

The Senate consists of thirty of whom fifteen are elected by the House of Representatives and fifteen by the Governor-General. One-third of the Senators retire every second year. The House of Representatives consists of 101 members, 95 of whom are elected and 6 are nominated.

Parliament has power to make laws for the peace, order and good government of the Island. It has no power to make laws to :

- (a) prohibit or restrict the free exercise of any religion ; or
- (b) make persons of any community or religion liable to disabilities or restrictions to which persons of other communities or religions are not made liable ; or
- (c) confer on persons of any community or religion any privilege or advantage which is not conferred on persons of other communities or religions ; or
- (d) alter the Constitution of any religious body except with the consent of the governing authority of that body.

The Constitution provides that the House of Representatives shall choose a Speaker, a Deputy Speaker and Chairman of Committees, and a Deputy Chairman of Committees.



Session of the House of Representatives

The Senate at its first meeting shall elect two Senators to be respectively the President and the Deputy

President and Chairman of Committees.

A Bill, other than a Money Bill, may be introduced in either the House of Representatives or the Senate. A Money Bill may not be introduced in the Senate. A Money Bill is a Public Bill which contains only provisions dealing with taxation, public expenditure or Government loans.

Departments of the Government

The general direction and control of the Government of the Island are vested in the Cabinet of Ministers who are collectively responsible to Parliament. The Prime Minister is the Head of the Cabinet.

The Prime Minister is also in charge of the Ministry of Defence and External Affairs in addition to such other matters as he may decide to retain in his charge. Every other Minister shall be charged with the administration of such subjects and functions as may be assigned to him by the Prime Minister. Not less than two Ministers, one of whom shall be the Minister of Justice, must come from the Senate.

The Prime Minister is the leader of the largest party or group in the House of Representatives and he is appointed by the Governor-General. The other Ministers are appointed by the Governor-General on the advice of the Prime Minister. The number of Ministers is not fixed and in Ceylon's first Cabinet there are fourteen including the Prime Minister.

Parliamentary Secretaries are appointed, from the Senate and the House of Representatives by the Governor-General on the advice of the Prime Minister, to assist the Ministers in the exercise of their parliamentary and departmental duties. Another purpose of appointing Parliamentary Secretaries is to give training to the younger members of both Houses in the handling of public business.

The Ministers of the Government are :

Prime Minister (Defence and External Affairs)

Health and Local Government

Industries, Industrial Research and Fisheries

Home Affairs and Rural Development

Education

Labour and Social Services

Finance

Transport and Works

Justice

Food and Co-operative Undertakings

Agriculture and Lands

Posts and Telecommunications

Commerce and Trade

Minister without Portfolio (Chief Whip)

A Permanent Secretary, subject to the general direction and control of his Minister, supervises the Department or Departments of Government in the charge of his Minister. When a decision has been taken it is his business to carry it out with all possible energy and skill. The Minister takes responsibility for his Departments' acts. He submits to the Cabinet any decision which may have political implications.

(i) Defence and External Affairs

These departments concerned with Defence and External Affairs are in the special charge of the Prime Minister. In External Affairs the Ministry seeks to maintain friendly relations between Ceylon and foreign countries and to protect Ceylon citizens and their property abroad. The Ministry supervises the work of the Ambassadors, High Commissioners, Ministers, Trade Commissioners, and Consuls abroad.

It makes and enforces treaties and other agreements with foreign countries.

It issues passports to citizens of Ceylon who wish to travel abroad.

It arranges for the reception of foreign Ambassadors, High Commissioners, and Ministers. It helps to decide whether a foreign Government should be recognized by the Government of Ceylon.

It gathers information about economic, political and social conditions in foreign countries.

The Ministry is also in charge of the Ceylon Army, the Ceylon Naval Force and the Air Force and in general all defence matters.

The Police Department is under the same Ministry.

(ii) *Finance*

The Ministry of Finance manages the finances of the Island. It scrutinises the draft estimates of the Annual Appropriation Bill, collects taxes, pays bills, and debts of the Government, supervises public expenditure, borrows money, as necessary, and safeguards the currency through financial institutions under its control.

The Ministry of Finance under which the Treasury functions, is also responsible for Establishments and salary scales of Government Servants. The departments under the Ministry are :

Treasury

Income Tax Department

Customs

Statistics and Planning Department

Information Department

Exchange Control Department

Government Press

Stores Department

Widows' and Orphans' Pension Office

(iii) *Justice*



The subjects and functions of the Ministry of Justice include the administration of courts of justice (other than the Supreme Court), criminal prosecutions and civil proceedings on behalf of the Government, drafting of legislation and legal advice to public departments.

The departments under the Ministry of Justice are :

- Attorney-General's Department
- Public Trustee's Department
- Legal Draftsman's Department
- Custodian of Enemy Property
- Compensation Claims
- District Courts
- Magistrates' Courts
- Rural Courts
- Fiscals' Departments

(iv) *Home Affairs and Rural Development*

The Ministry of Home Affairs and Rural Development is in charge of provincial administration, prisons and probation services and parliamentary elections, among other duties of a varied nature. It has under it :—

- Government Agencies
- Excise
- Prisons
- Rural Development
- Registrar-General
- Government Analyst
- Department of Parliamentary Elections

(v) *Agriculture and Lands*

The responsibilities of the Ministry of Agriculture and Lands concern food production and other forms of agriculture, the custody of Crown land, the development and maintenance of irrigation, colonization and land settlement, the conservation, development and exploitation of forests, flood protection, animal husbandry and veterinary services, game sanctuaries, and elephant kraals. The Ministry has the following departments :—

Agriculture.

Land Settlement.

Land Commissioner's Department.

Survey.

Forest.

Irrigation.

Tea Control.

Rubber Control.

Valuation.

Agricultural Corps.

(vi) *Health and Local Government*

The Ministry of Health and Local Government has two important divisions, i.e. (a) medical and sanitary services, and (b) local government. It is responsible for the State health services, and controls hospitals, maternity homes, medical education and research and medical inspection of schools. It



conducts health units and promotes health education.

The Ministry has a general supervision of local bodies which include municipal councils, urban

councils, town councils, and village committees. The departments under the Ministry are :

Medical and Sanitary Services.

Local Government.

Quarantine.

Indigenous Medicine.

Town and Country Planning.

Elections (Local Bodies).

(vii) Industries, Industrial Research and Fisheries

The Ministry of Industries, Industrial Research and Fisheries has, among its other functions, the development and control of industries. The departments under the Ministry are :

Industries.

Mineralogical.

Salt.

Fisheries.

(viii) Posts and Telecommunications

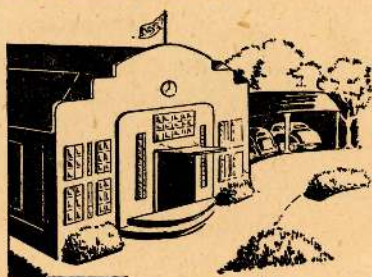
The principal function of the postal department is to maintain inexpensive and efficient public means of communication through the postal and telecommunication services. It is also responsible for broadcasting and the National Savings Movement.

The departments under the Ministry are :

Post and Telegraph.

Broadcasting.

National Savings.



Broadcasting House

(ix) *Transport and Works*

The Ministry has, among its subjects, and functions, public works, Government roads and buildings, inland waterways, Government railways, ports, civil aviation, motor transport, electrical undertakings and harbour oil installations. The departments concerned are :

Public Works.

Ports.

Railway.

Civil Aviation.

Motor Transport.

Electrical Undertakings.

Salvage.



(x) *Commerce and Trade*

The duties of the Ministry are promoting and developing the Island's commerce generally. It is concerned with tourism, trade exhibitions, agricultural marketing, export and import control, copyright, patents, trade marks, business names, weights and measures, merchant shipping, registration of accountants and other commercial matters.

The departments under the Ministry are :—

Commerce.

Registrar of Companies.

Government Tourist Bureau.

Tea Commissioner.

Rubber Commissioner.

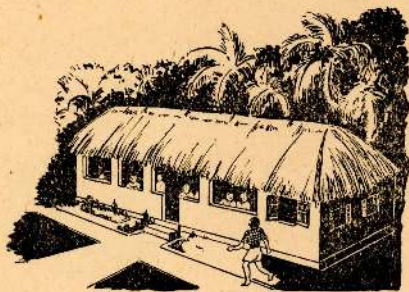
Commodity Purchase.

Control of Imports and Exports.

Marketing.

(xi) *Education*

The Ministry of Education has under its jurisdiction
schools, training
colleges, art galleries,
and museums.



The departments under the Ministry are :

Education.

National Museums.

Government Archivist's Department.

Archæological Department.

Technical College.

(xii) *Labour and Social Services*

The Ministry of Labour and Social Services concerns itself with conditions, wages and hours of work of labour. Its functions include inspection of mines and factories and working places and protecting and safeguarding of workers, unemployment, workmen's compensation, poor relief, industrial disputes and social welfare. It has three departments :

Labour.

Social Services.

Employment Bureau.

(xiii) *Food and Co-operative Undertakings*

The food supply and distribution are handled by the departments under the Ministry of Food. The co-operative movement comes within its jurisdiction. The departments under the Ministry are those of :

The Food Commissioner (Control and Distribution).

The Food Commissioner (Supplies).

Co-operative Development.

Registrar of Co-operative Societies.

Local Government

The City of Colombo (population 364,000) and the towns of Kandy, Galle, Jaffna, Nuwara Eliya, Kurunegala and Negombo have Municipal Councils. There are 37 towns whose local government is carried on by Urban Councils. There are in addition 26 Town Councils and 400 Village Committees in the Island.

The City of Colombo had a revenue of Rs. 17,503,132 in the year 1948. The Chief Executive Officer is the Commissioner. The Colombo Municipal Council has the following Departments :

- Treasurer's Department.
- Tramways Department.
- Waterworks Department.
- Veterinary Department.
- Municipal Engineer's Department.
- Assessing Department.
- Fire Brigade and Ambulance.
- Public Health including Anti-Tuberculosis Campaign,
Maternity and Child Welfare and Dispensaries.
- City Analyst.
- Markets.
- Cemeteries.
- Laundries.
- Public Library.
- City Refuge.

The National Plan

(i) Agriculture

The entire economy of Ceylon depends upon her export trade in the three main agricultural industries, tea, rubber and coconuts. The money obtained by selling these three main products, as well as other exports, helps to pay for Ceylon's imports of essential commodities. *Ninety-five per cent. of her exports consists of tea, rubber and coconuts and, eighty per cent. of her income is derived from these export industries.* Those employed in trade and other businesses connected with the production, distribution and export of these three main industries account for two-thirds of the occupied population.*

With regard to the country's agricultural resources, it is necessary to discuss these in relation to (a) the total area, (b) the area under commercial crops at present, (c) the area under other agricultural crops at present, (d) the distribution and nature of the land resources of the Island, in order to determine their suitability for further development. †

Available Land

The total area of Ceylon is estimated to be 25,331 square miles or about $16\frac{1}{4}$ million acres. The four major crops cover the following areas :—

Tea	...	...	553,000 acres
Rubber	...	...	573,000 „
Coconut	...	...	920,000 „
Paddy	...	...	912,000 „

Three million acres, therefore, out of a total cultivated area of $3\frac{1}{4}$ million acres, are occupied by these major

* Budget Speech, 1947-48

† Budget Speech, 1948-49

crops. The area under total productive agriculture thus works out to 20 per cent. of the total area of Ceylon.

It is not only cultivation that takes up land space. It is estimated that roads, streams, tanks, towns and villages occupy $1\frac{1}{4}$ million acres ; forests, including national reserves and sanctuaries, occupy $3\frac{1}{2}$ million acres ; rocky and steep land, as well as land above 5,000 feet occupy $4\frac{3}{4}$ million acres, thus making a total of a little over $9\frac{1}{2}$ million acres. *Therefore, out of a total area of $16\frac{1}{4}$ million acres, about 13 million acres are either occupied, cultivated, earmarked for definite purposes, or uncultivable ; and a balance of $3\frac{1}{4}$ million acres is available for future agricultural development—an extent as large as the area already under productive cultivation.*

The land surface of Ceylon is divided into two large groups, the wet zone and the dry zone. The wet zone consists of the Western, Central, Sabaragamuwa and portions of the Uva and Southern Provinces. It covers an area of 4 million square miles with a population of $3\frac{1}{2}$ millions. The dry zone occupies the rest of the Island, the Northern, North-Central, North-Western and Eastern Provinces and the balance portion of the Southern and Uva Provinces. It covers an area of 12 million acres and contains a population of 3 millions.

Wet Zone Crops

The wet zone is today climatically the healthiest portion of the Island and is fully developed agriculturally.

Nature has divided the Island into these two land masses differing in climatic conditions, rainfall and agricultural possibilities, through the medium of the large central mountain mass which covers an area of 3.4 million acres, above 500 feet in height. *This mountain mass has affected the climate of Ceylon and*

its economic development and has thus shaped its civilization in the past, shapes it in the present and will continue to shape it in the future. The two great monsoons of the Indian Ocean, the South-West and the North-East, fall on these two areas in different ways. The wet zone, which gets the full benefit of the South-West Monsoon, as it lies in the south-west region of the Island, and also benefits from the North-East Monsoon, has an average rainfall of 135 inches a year. The dry zone, which by normal world standards cannot be called "dry" but is so in relation to the wet zone, has an average rainfall of about 65 inches a year.

The rain that falls in the central hills flows from them to the north, south, east and west of the Island and into the sea through the rivers which man has used through the centuries. Owing to the steepness and the unevenness of the land surface of the wet zone, cultivation depends to a large extent on the seasonal rains.

For large-scale paddy cultivation, therefore, which is the main food crop of the Island, we cannot depend on the wet zone. It is, however, admirably suited for the cultivation of crops such as tea, coconut and rubber which do not need a constant and controlled flow of water. The British and Ceylonese planters have made full use of these possibilities. The wet zone has been fully exploited. Some of its assets such as rubber have even exhausted their usefulness and become depreciating assets in the world market. The Government, in accordance with recommendations made by the Rubber Commission, has taken action to rehabilitate this industry. Investigations are being conducted to find out what crops should be substituted if economic circumstances compel rubber to go out of production. Steps are also being taken to rehabilitate the coconut industry which now needs replanting. It has not been forgotten that though the cultivation may wither and perish away, the land, the soil, the rain and the water exist to be used by man.

Water from the Hills

The dry zone, on the other hand, presents a totally different picture. The rivers that flow through the large open and flat spaces of the dry zone, such as the Mahaweli-ganga, the Gal Oya, the Walawe-ganga, the Nilwala-ganga, and the Deduru Oya, to mention the largest, draw their strength from the waters that fall on the central hills. They therefore carry a perennial supply of water.

The ancient Sinhalese who depended entirely on food crops such as rice for their existence, did not civilize the wet zone except for a few small settlements by the side of the river banks, such as the Kelani-ganga civilization of King Kelani Tissa and the Naga Kings before him. The ancient Sinhalese preferred to utilize the waters that flow through the dry zone rivers by tapping these rivers at convenient places, conducting the water through huge elas, river-like in their size and length, and at suitable places bunding up the water so conveyed in 'wewas' or lakes. Every one of the rivers mentioned was so utilized hundreds of years ago. The Mahaweli-ganga and its tributaries were tapped in several places, and the early Sinhalese civilization from the Vijayan period to the end of the Polonnaruwa era, extending over a period of 1,500 years, may truly be called the Mahaweli-ganga civilization. The value of this method of irrigation was that the water thus collected could be used by the cultivator independent of the vagaries of the weather.

Today these ancient artificial lakes are being brought into use again, the broken bunds reconstructed, the elas restored, "the land reclaimed, and with the land the men, and with the men the race". It is anticipated that the resources of the dry zone can supply a regulated and constant flow of water for the vast extent of land that the Government contemplates bringing under cultivation in the immediate future. It is only in the dry zone that this is possible.

Production of Food

It will be agreed that the first step in our plans must be to produce our own food. To be self-supporting in essential foods and in the articles necessary for clothing and housing is one of the main tasks that we have to devote attention to.

Agricultural development for the production of essential foods will be effected in two ways. The Government has started a campaign for the intensive and scientific cultivation of the land already under cultivation in food crops, particularly in the wet zone ; secondly, by developing the vast areas which are cultivable and still remain uncultivated in the dry zone.

With regard to the first, agricultural stations have been opened up in several parts of the wet zone and trained instructors go out into the villages to instruct the peasants in scientific methods of cultivation. Agricultural Producers' Co-operatives are being formed throughout the Island and, with the credit supplied through the Co-operative Banks, it is expected that their members will be able to secure the necessary finance for cultivation. Intensive cultivation in the wet zone is also made possible by the repair of elas, the building of amunas and the provision of scientific irrigation, where necessary.

Of course, the irrigation schemes in the wet zone are small when compared to those in the dry zone, but they are none the less important. For instance, the Attanagalu-oya Scheme, which has been under construction for several years and is approaching completion, is providing scientific irrigational facilities to a large population in the Western Province for their paddy cultivation. In lieu of the stick dams, modern cement dams are now being used, and new anicuts and channels are being constructed to convey the water under control to the fields under cultivation.

Land that could be cultivated only once a year will in future be cultivated twice a year, and the flood waters will be controlled as far as humanly possible.

In addition to the Attanagalu-oya Scheme, the possibilities of the Kelani Valley are being investigated by American experts. The necessity for scientific and intensive cultivation is clearly seen when the production figures are considered. In the Attanagalla area a fair average of yield would be 10 to 13 times the sowing extent. Ceylon figures compare very badly with those of other countries.

<i>Country</i>	<i>Paddy—Per acre in pounds</i>		<i>Fold</i>
Italy	...	4,000	... 77
Egypt	...	3,000	... 39
Java	...	2,000	... 22
Malaya	...	1,170	... 16
India	...	1,190	... 23
Ceylon	...	520	... 13

As a result of the very strenuous and planned efforts being made to increase the yield, in some places the production which was 13 fold has risen to 30 fold.

Dry Zone Schemes

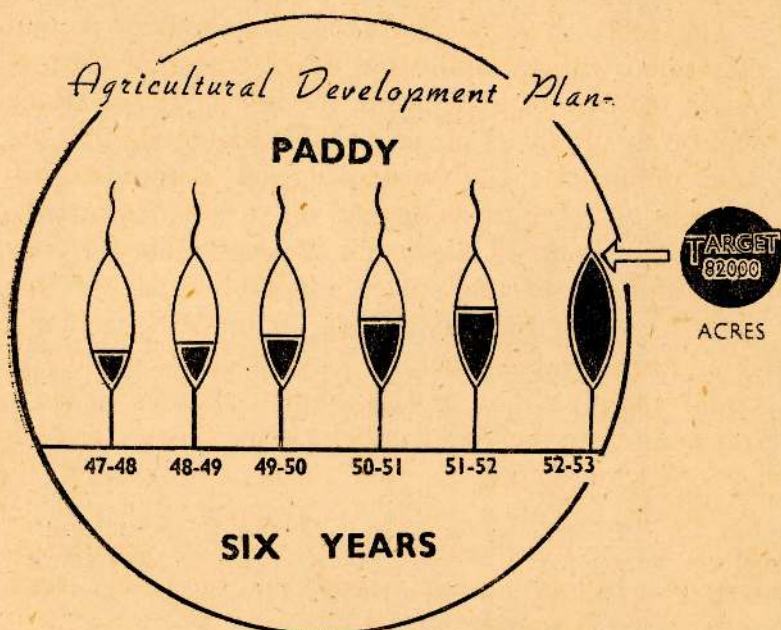
The dry zone schemes are in quite a different category. Large irrigation works have to be completed before the water is made available. The water when available cannot be utilized until the virgin jungle has been felled, and the land made fit for cultivation and human habitation. Errors were committed in the past, but the era of experiments has now passed. What seemed to many the foolish dreams of a visionary are no longer considered as such. Today those dreams have come true. They appear in concrete forms in the colonization schemes that dot the landscape of the dry zone. The former critics now hail them as the salvation of the people of Ceylon.

The waters of the Parakrama Samudra, one of the largest of these schemes, will cover at full supply an area of 6,000 acres. An area of 54,000 acres will once again come under cultivation when the scheme is complete. The Minneriya and Giritale artificial lakes now repaired will, together with the Elahera-ela which brings water to them from the Ambanganga near Dambulla, cultivate a hitherto uncultivated area of 30,000 acres.

Similar great works are being undertaken throughout the vast expanse of the dry zone, and we see in the maps, reference to Kalawewa, Ridibendi-ela, Minipe-ela, Walawe, Nilwala-ganga, all of which, though mere names and remote to the reader, represent part of the new civilization that is being slowly but surely created. *The Gal-oya bund will impound the waters of the Gal-oya and bring under cultivation 100,000 acres.* A similar scheme, the Embilipitiya multi-purpose scheme, will use the waters of the Walawe-ganga to provide irrigation, water and electric power for the use of man.

Within the next six years under these and other schemes the Government hopes to bring under cultivation an extent of 131,000 acres. This figure represents the actual acreage of paddy and garden lands that will be colonized. The land which will be available for colonization at the end of 1953 drawing water from the irrigation schemes that will then be complete will of course be much more. The Gal-oya Scheme, for example, will be completed at that time and by itself provide water for 100,000 acres. In the past it was the practice to complete the irrigation work first, such as the repair of a bund or the building of an ela, and, after that to cut down the jungle and make the land ready for cultivation. The water from the reconstructed wewas had also to be led by irrigation channels to the different fields that were to be cultivated. This method naturally occasioned delay. In future the construction of the wewa and its irrigation channels will proceed simultaneously with the clearing

of the jungle, the building of the houses and the preparation of the land for colonization. When the Gal-oya Scheme is completed by 1953, the adoption of this new method will enable 65,000 acres to be colonized contemporaneously.



(ii) *Industries*

The other great wealth producing activity is that connected with the industrial development of Ceylon. As in the case of agriculture, the first target of attack will be to supply as far as possible the goods that are now imported. The successful and economic production of these goods depend on various factors, the most important of which are the availability of raw material, and of the power and labour to use that material. The difficulty of securing modern machinery is another delaying factor. Ceylon is today a free country in a position to seek the materials she needs in any country in the world, and, as in the case of the Gal-o-ya Scheme which is now under construction by American engineers with American machinery, she hopes to send her experts to the various industrialized countries to find out the cheapest and the best markets to purchase her requirements.

It is proposed to begin a very vigorous campaign to manufacture the by-products of salt, and provision has been made for the establishment of industrial plants for this purpose. Fisheries too are to come within the scope of modern development, and the establishment of modern trawlers and fishing vessels for which provision has been made will enable the foundations of a modern fishing industry to be established.

Sessional Paper XV of 1946 mentions that several industries, such as tile and pottery, glass and ceramics, coir, textiles, caustic soda, and a few others, can be

produced with profit to compete with manufactured goods from abroad. It must not be forgotten at the same time that Ceylon has been left far behind in the industrial race, and while the Western countries and Japan were able to forge ahead owing to their free Governments, Ceylon, together with other dependent countries of the East, was unable to utilize her raw materials to the best advantage. She can, however, by artificial aid, such as restriction of imports, protective tariffs or a system of quotas, plan her industrial development at least to meet her own needs.

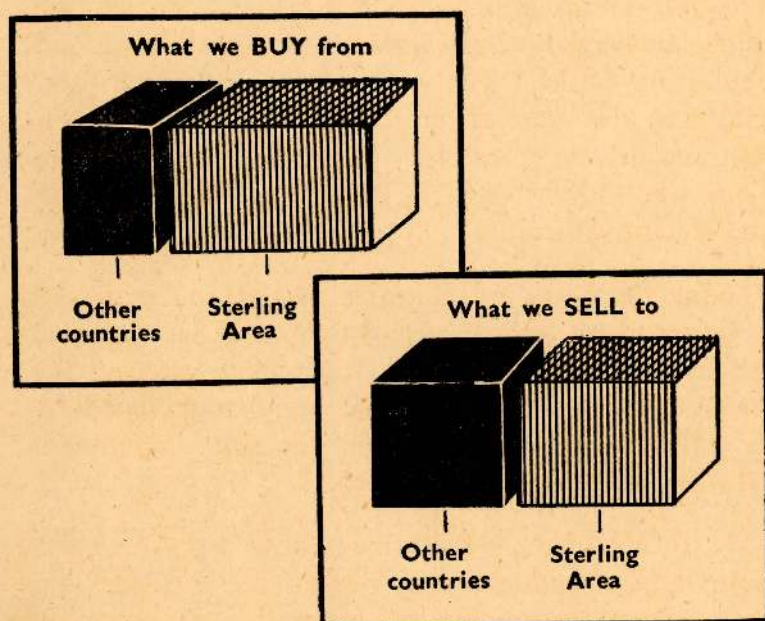
Factories old and new

Before the war the only important factories (apart from factories which process tea, rubber or coconut) were one cotton mill, a few tile works, one or two match factories, one gas works, a few distilleries and engineering works. The war gave an impetus to new industries, a number of which were started by Government and private enterprise. During the continuation of the war they brought in profits, but now they are experiencing difficulties.

Today there are ten factories owned and managed by Government giving employment to 3,372 persons. The establishment of these took place during the war and their proper progress was handicapped by the difficulty of importing the necessary machinery and of trained experts from abroad.

The future of these factories is now being reviewed in the light of contemporary conditions, and steps are being taken to reorganize a number of them on modern lines. Financial provision has been made

under Loan Fund for an expenditure of Rs. 15½ million in the current year, and a large portion of this will be spent on the reorganization of the Glass, Coir, Plywood, Leather, Paper, and Ceramic Factories. Money has also been provided for the establishment of Cement (already started), Steel, Caustic Soda, Hydrogenated Coconut Oil, Textile, and Paper Factories. Expert opinion and reports have been obtained and the work is ready to begin. It is expected that within a period of 6 years the schemes foreshadowed in the Government's Plan will be completed. Direct and indirect employment will be given for an additional 18,500 persons. On the basis of current prices the products of these factories when purchased by the people of Ceylon would effect a reduction in the country's import programme to the value of about Rs. 100 million.



Cottage Industries

The cottage industries movement must keep pace with the larger industrial development of the country. One of its most important functions is to provide suitable subsidiary employment for those who are engaged in seasonal agriculture. The result will be to raise the peasant's standard of living and his purchasing power. The key to the success of the industrial development of the country is the raising of the income of the worker and the peasant so that their demand for manufactured goods increases.

From the figures cited it will be clear that very great strides have been made in the development of cottage industries. They cover a wide range from textile weaving, coir spinning, pottery manufacture, mat weaving, twine and coir manufacture to needlework. The textile industry has aroused the greatest interest and secured the largest support from the rural population.

At present there are 10,000 employed in the textile handloom industry and 50,000 in the coir spinning and weaving industry; 8,000 textile looms with a producing capacity of 10 million yards a year are working daily.

Their production of towels has been so large that steps are being taken to restrict the import of towels of similar quality. Sarees and sarongs will also be imported in diminishing quantities when the local handloom industry produces a portion at least of the 7 million yards now imported. The production for the last 12 months of textiles, mats and twine of Government and allied units realized Rs. 2,180,750. Pottery and carpentry are also important factors in the cottage industrial development. Steps are being taken to protect the local pottery industry from the inroads of foreign competition. Carpentry, although not exactly a cottage industry, has, mainly through the help of the Education Department which has placed an order for Rs. 7 million worth of articles, begun to flourish again and, with the opening of seven centres in different parts of the Island, it is

expected that 2,000 carpenters who were unemployed after the cessation of hostilities will find work again.

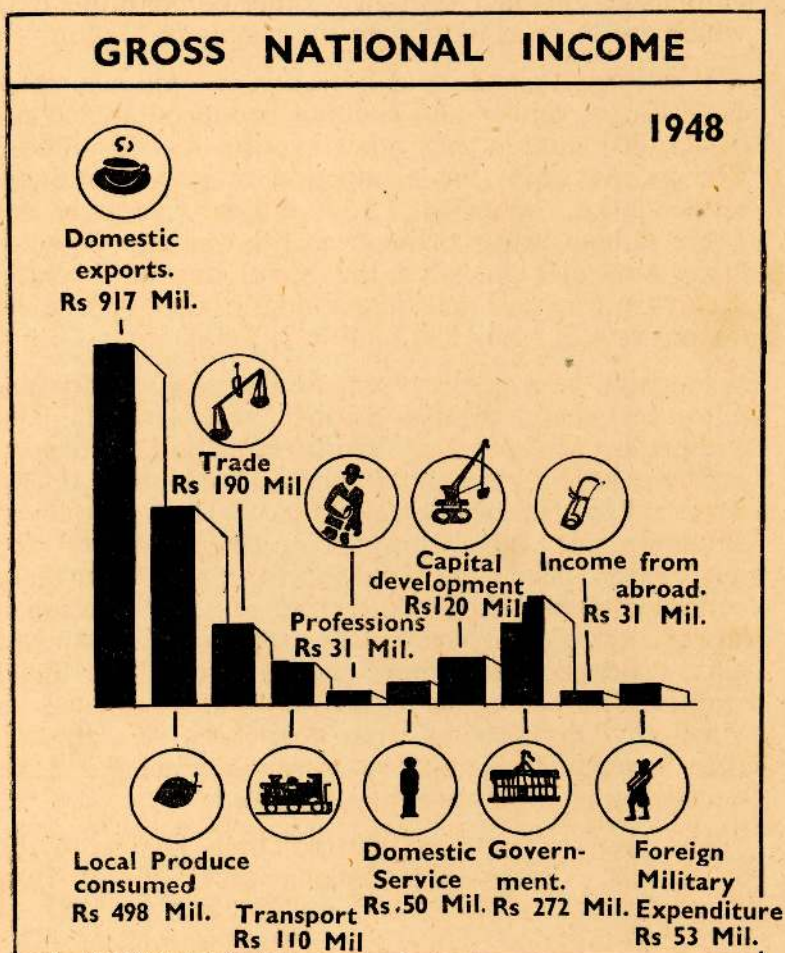
State Ownership and Private Enterprise

It is hardly necessary to say that the object of the industrial policy is to raise the standard of living. By increasing the national wealth, by preventing the flow of money from Ceylon to foreign countries and by providing employment, this industrial movement, which began during the hard days of the war and is now seeking a surer foundation will, it is hoped, travel on parallel lines with our agricultural development. *In an undeveloped country like Ceylon, the State must play an important, in fact the most important part, in industrial development.* Government has decided that certain basic industries, such as power and heavy industries, e.g., steel and cement, and industries which provide the necessities of life, should be State-owned.

With regard to non-basic industries, the Government intends to undertake research, publish the results of that research, establish pilot factories and provide whatever help is necessary for private capital to increase the national wealth. Government as well as private industrialists realize the need for expert advice and scientific knowledge. The Government therefore welcomes the investing of money, whether it is local or foreign, in the development of the country's resources, provided the most modern methods are used in such development. Today the State can by legislative acts control production as well as distribution, decide the location of the factories, and compel the employer to attend to the welfare of the workers. What is most important, now that Ceylon is a free country with power vested in the hands of the elected representatives of the people—a power which can be used to prevent monopolies and exploitation—is that the considerable national resources of the country should be utilized as quickly as possible for the benefit of the greatest number of its nationals.

National Income

The economy of Ceylon today, it is well known, is an undiversified agricultural export economy. The gross national income in 1938 was Rs. 105 per head



and in 1947, Rs. 282 per head per annum. This rise does not indicate an improvement in the economic condition of the people, but reflects the wartime process of rises in prices, both as regards export and import goods. *The per capita income of Ceylon in relation to the countries of South-East Asia, is second only to that of Japan and exceeds that of the Philippines, India, Pakistan, Indonesia, China, Malaya and Burma.* The economic survey carried out by the United Nations Economic Commission of Asia and the Far East emphasises this fact, and gives other comparative data which are of great interest to the people of Ceylon.

It is important to note how this income is earned. In 1947 tea, rubber and coconut produced an income of Rs. 807 million and other exports Rs. 85 million. The income from the production of goods retained, services, &c., was Rs. 1,167 million. Though this figure is high in comparison to pre-war figures, since prices went up higher than the rate of income increase, it may truly be said that the national income in physical quantities was really less than in 1938.

It would be a correct estimate therefore to say that 63.4 per cent. of this income was derived from industries, 11.3 per cent. from trade and transport, 3.3 per cent. from the Public Services and liberal arts, and 1.8 per cent. from fishing. Those employed in trade and other business connected with the production, distribution and export of the three main industries comprise two-thirds of the occupied population. The war years somewhat disturbed this structure when there was a flow of the rural population into work created by war conditions in Ceylon. This process has now been re-adjusted. The war therefore made no permanent change in the occupational structure of the country.

The national income is the first factor to be considered. The national income of Ceylon in 1944 was estimated at Rs. 1,842 million and in 1947 at Rs. 1,969 million. These were rough estimates. The

present figures for 1948 and 1949-50, based on the census statistics are—

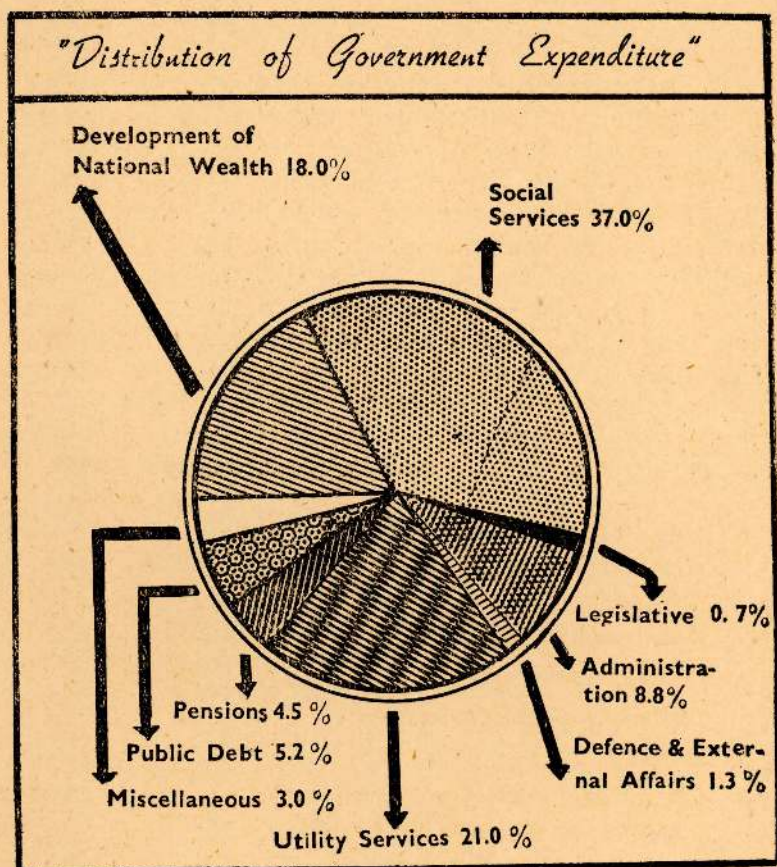
	1948	1949-50
	<i>Rs. million</i>	
1. Domestic exports less imported materials used ...	917	880
2. Locally-produced articles consumed in Ceylon ...	498	522
3. Trade ...	190	190
4. Transport ...	110	110
5. Professions ...	31	31
6. Personal and domestic service ...	50	50
7. Capital development ...	120	190
8. Government ...	272	289
9. Income from abroad ...	31	31
10. Foreign military expenditure ...	53	30
11. Total gross national income ...	2,272	2,323

Gross National Expenditure

	1948	1949-50
	<i>Rs. million</i>	
1. Value of imports of food and other consumption goods including import duties ...	929	929
2. Distribution costs ...	150	150
3. Consumption of local produce ...	556	580
4. Personal and domestic service ...	50	50
5. Housing ...	48	60
6. Central and Local Government current expenditure on goods and services ...	397	466
7. Remittances abroad ...	70	60
8. Dividends and interest payable to non-residents ...	80	80

9. Gross capital formation at home—

	1948	1949-50		
A. Government	80 ...	173		
B. Private	... 100 ...	125		
	—	—	180 ...	298
10. Nett increase in foreign assets			... 35 ...	127
11. Less import and excise duties			... 223 ...	223
12. Total gross national expenditure			... 2,272 ...	2,323



The expenditure relevant to the main elements in the new Budget are as follows :—

	1948	1949-50
	<i>Rs. million</i>	
1. Private consumption ...	1,510 (66.5%)	1,546 (66.6%)
2. Private capital ...	100 (4.4%)	125 (5.4%)
3. Central and Local Government (Current Services)	397 (17.5%)	466 (20.1%)
4. Central and Local Government (Capital) ...	80 (3.5%)	173 (7.4%)
5. Balance of payments items	185 (8.1%)	23 (0.5%)

These figures indicate that in the coming year money will be spent on food, clothing and other items included under consumption expenditure equal to what will be spent during the current year. Expenditure on capital works by private individuals, that is, on buildings, equipment or factories, and organized capital expenditure by the Central and Local Government authorities will increase to Rs. 173 million in the new year. The more important expenditure to be considered comes under the heading of capital expenditure, both private as well as public. It is here that Government can most easily influence expenditure in such a way as to ensure employment.

Revenue

At present Government revenue amounts to 30 per cent.—indeed a very high ratio—of the national income, which is estimated at some Rs. 1,400,000,000. It should be raised by more than Rs. 1,000,000,000 if the Government is to secure the additional revenue required to meet the anticipated liabilities on the assumption that the proportion of national income appropriated for Government purposes is maintained at the high ratio of 30 per cent. ; but in order to provide an additional income of this magnitude, a national investment of the order of Rs. 3,000,000,000 will be required over the next ten years. A tax ratio of 30 per cent. to the national income is considered high in a poor country where the per capita income in 1938 was about Rs. 100 a year, when even in a country like the United Kingdom with a much higher income level representing a per capita income of Rs. 1,500 per head in 1938, the tax ratio was only 23 per cent.

Summary of Revenue

(Rs. million)

Period	Total Revenue Rs.	...	Ordinary Revenue Rs.	...	Extra Ordinary Rs.	...	Tax Revenue Rs.	...	Non-Tax Revenue Rs.
1936-37	116·5	...	111·8	...	4·6	...	84·1	...	32·4
1938-39									
1946-47	457·7	...	424·2	...	33·5	...	391·2	...	66·4
1947-48	441·6	...	421·1	...	20·4	...	378·9	...	62·6

These figures can further be divided into direct and indirect taxation. The following table gives this classification along with the tax structure which

shows the percentage shares of the various kinds of taxes and receipts which make up the total revenue.

Period	Tax Revenue			Direct Tax			Indirect Tax	
	Percentage	Direct Rs. million	Indirect Rs. million	Percentage	Percentage of Income Tax exclusive of E.P.D.	Percentage	Percentage of Imports	Non-Tax Revenue Percentage
1936-37	] 72.2 ..	18.8 ..	65.3 ..	16.1 ..	15.0 ..	56.1 ..	44.1 ..	27.8
1938-39								
1946-47	.. 85.5 ..	.. 98.4 ..	.. 292.8 ..	.. 22.2 ..	.. 12.4 ..	.. 63.0 ..	.. 36.4 ..	.. 14.5
1947-48	.. 85.9 ..	.. 78.4 ..	.. 300.5 ..	.. 17.9 ..	.. 13.4 ..	.. 68.0 ..	.. 34.9 ..	.. 14.1

It is seen that direct tax revenue now accounts for about a sixth of the total revenue while Income Tax, Estate Duty and Stamps yield an eighth of the total tax revenue. Non-tax revenue such as Postal, Port and other miscellaneous receipts contribute another eighth. Receipts from indirect taxation amount to about two-thirds the revenue, of which half comes from import duties.

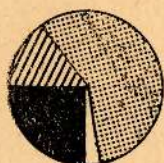
Taking the revenue as a whole today, it is almost four times the revenue of the country in the year 1938-39 when the World War began. The reason for this rise, first, is the general rise in prices, and, secondly, increased taxation imposed during the war. The additional tax measures introduced from 1939-40 cover a wide range, such as the increase of Customs duty on luxuries, increase of income tax, postal rates and export duty on some of our exports. Thus on the basis of estimates of yield of the taxes at the time they were introduced, the annual yield of additional taxation imposed from 1939-40 to 1946-47 amounts to Rs. 195.0 million.

Direct taxation therefore seems to be the country's main source of additional revenue in the future. This form of taxation comes from trade, industries, agriculture and professions. Here, too, certain considerations must be kept in mind. The development of direct taxation should be such that production is not hampered. If it is hampered the very source from which the revenue is expected will dry up. Even assuming that the burden is not going to be

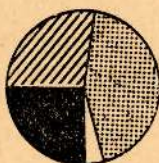
too high, we must remember that the incidence of that burden may vary greatly from industry to industry and as between different groups and different industries.

OUR REVENUE

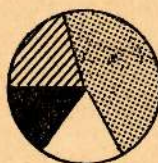
1938



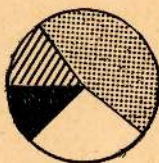
1946



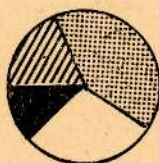
1947



1948



1949



 Direct Taxes	 Export Duties	 Indirect Taxes	 Non Tax Revenue
including Import Duties.			

During the war, Government expenditure rose because of the rise in prices, increase in establishment charges and expenditure on economic development and social services.* There was a corresponding

* Budget Speech 1949-50

rise in Government revenue and the following figures indicate the nature of that increase :

<i>Expenditure</i>		<i>Revenue</i>	
1938-39	1948-49	1938-39	1948-49
<i>(Rs. million)</i>			
127·1	... 530·3 (Est.)	... 116·9	... 534·8 (Est.)

Of the total revenue, 88 per cent. comes from tax, and 12 per cent. from non-tax revenue, such as Posts and Telecommunications, Ports and other miscellaneous receipts. Of the Tax Revenue, direct taxes contribute 21·3 per cent. and indirect taxes 66·7 per cent. of the total revenue. There is therefore no fundamental change in the make up of the total revenue compared to last year.

The revenue for 1947-48, 1948-49 and 1949-50 amounts to Rs. 1,665·6 million, both actual as well as estimated.* The expenditure keeps pace with the revenue. During the balance years that are left, up to the end of the financial year 1952-53, though it is not possible to predict how world events will affect the country, it seems a reasonable assumption that the revenue will not fall below Rs. 525 million a year. During the balance three years therefore Ceylon will be spending out of revenue a sum equal to Rs. 1,575 million. Under Loan Fund Expenditure Ceylon has been, and will be, spending actual, as well as estimated, the following sums :

		<i>Rs. million</i>
1947-48	...	70·5
1948-49	...	96·0
1949-50	...	168·0
Total		334·5

* Budget Speech 1949-50

During the balance three years it is planned to spend the monies that will be subscribed to the new loans that are to be raised amounting to Rs. 400 million. It is therefore seen that, during the period of the Six-Year Plan, on revenue as well as loan account Ceylon's expenditure will be almost Rs. 4,000 million. These sums which are the earnings derived from the national wealth created in this country can, of course, be supplemented in the case of unforeseen circumstances, as in the case of a trade depression and difficulty in balancing payments with other countries, by help from the International Monetary Fund which Ceylon proposes to join, and one of whose functions is provision of short-term foreign exchange assistance to members to overcome a temporary disequilibrium in their balance of payments.

Where the money comes from

The services performed by Government departments entail expenditure of large sums of money. The Central Government employs directly 32,000 persons in the discharge of duties which the people have given it. Municipal Councils and other local bodies also employ thousands. Education, public health, food subsidies, development schemes, maintenance of roads, the police, land settlement—all these services require a large outlay of public funds.



The main sources of Government revenue in the year 1947-48 were—

Import duties ...	... Rs. 177,015,356
Export duties ...	... Rs. 136,740,140
	(Rs. 113,261,097 from tea)

The increase in expenditure on various Government services over the past 10 years is indicated by the following figures :—

	1937-38	1947-48
Education ...	Rs. 17,876,711	Rs. 84,732,362
Labour and Social Services ...	Rs. 61,158	Rs. 12,692,165
Health and Local Government ...	Rs. 15,451,458	Rs. 71,765,192
Agriculture and Lands ...	Rs. 8,389,513	Rs. 47,681,421
Food and Co-operative Undertakings ...	Rs. 210,526	(About Rs. 60 million in 1948-49)

	1937-38	1947-48
Industries and Fisheries ... Rs.	545,745	... Rs. 7,740,499
Post and Telecommunications Rs.	7,494,698	... Rs. 23,134,650
Transport and Works ... Rs.	17,414,148	... Rs. 66,604,821
Excise ...	... Rs.	46,771,049
Income Tax, Profits Tax, &c. ...	Rs.	104,189,475
Port dues ...	... Rs.	10,085,770
Licences ...	... Rs.	4,005,073
Postal Services ...	... Rs.	16,340,588

The main sources of revenue of Municipal Councils and other local bodies are—

Assessment Tax on property.

Entertainment Tax.

Vehicles Tax.

Employment Budget

This is a Budget which does not confine itself merely to drawing up estimates of the Government's own revenue and expenditure for the coming year, but considers, on the one hand, the total income of the community, and, on the other, its total expenditure under the various heads that will be indicated.

Here are the main elements that enter into the formulation of this new budget. They are—

- (1) Private Consumption Expenditure, that is, the ordinary expenditure of the community on food, clothing, rent, amusements, and so on.
- (2) Private Capital Expenditure, that is, on buildings, machinery, and so on.
- (3) Central and Local Government Expenditure on current services covered by taxes or other public revenue, as for example, on Education, Medical and Social Services, Defence, and so on.
- (4) Central and Local Government Capital Expenditure, that is, expenditure by the State and Local authorities on buildings, machinery, roads, public utilities, and so on, covered by loans.
- (5) Balance of Payments, that is, the difference between exports and imports, both visible and invisible. This is included, because exports involve labour, but not expenditure at home and imports vice versa.

If at a given level of wages and prices to ensure full employment, all the kinds of expenditure enumerated above add up to an ascertainable figure, then two things follow. One is that a Government which wishes to secure full employment must be prepared to influence one or more of these five types of expenditure in order

to see that the necessary expenditure is incurred, and the other is that the Government must be in a position to know with a certain amount of accuracy what amount of expenditure is being incurred under each head in each successive period. The Government after estimating private expenditure must then propose public expenditure which will suffice together with the estimated private expenditure to secure full employment.

This involves a change from the established practice, namely, that State expenditure must be kept down to the minimum necessary to meet essential needs and that State income and expenditure must balance each other. *The essence of the new budgeting policy is that the budget is made with reference to the employment of man-power and not to money alone.* The employable man-power becomes a datum, and though in this the first year in which we approach the problem of full employment we can only place before ourselves the target which we desire to achieve rather than one which we actually expect to reach during the year, it is none the less a target which, once it is fixed, will determine all governmental activities. The target is necessarily restricted by the limits of the national income, by lack of certain essential statistics which itself is due to the backwardness of the economy, and the inability to secure the necessary equipment and trained personnel for the fulfilment of the Government's programme of work. For the first time, however, the Government starts by affirming that one of its primary aims and responsibilities is the maintenance of a high and stable level of employment. To achieve this, it affirms the second principle—that out of the national income a sufficient amount must be spent to enable the wages of the whole working community to be paid. The adoption of this method of control over the entire economic life of the nation means that the State must control prices and interest rates, and, if necessary, it should influence private

investment as well as the capital expenditure of local authorities. The latter is being done now, and the former may need a National Investment Board. Finally, wage rates must remain stable, that is, labour and trade unions cannot be allowed to exploit a situation in which full employment may give them considerable bargaining power ; nor can attempts at disrupting the national economy and destroying the country's earning power be allowed to bring misery to the people.

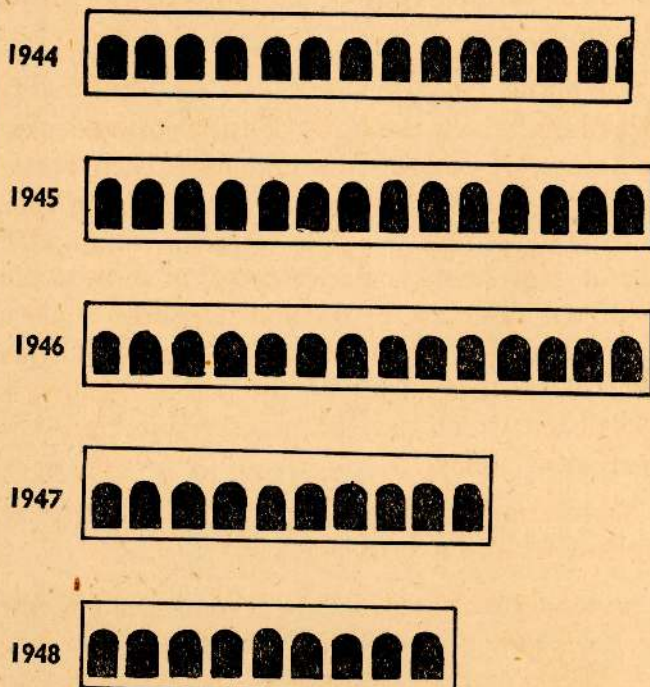
The conditions mentioned must be reasonably satisfied without which the basis of the projected plan will not exist. Of course, it would have been better if annual Government and local revenue and expenditure on capital account could have been segregated from the current items and presented in a separate capital budget. It may be possible to show such a system of accounting in the years to come and thus avoid one of the prejudices of the public against a budget in deficit which may be necessary to fulfil the full employment policy.

With these considerations in mind let us consider their application to our problems.

The present plan indicates in broad outline the Government's policy in regard to the future development of the country's resources. It is a human plan with the defects which all human endeavours are heir to, conditioned further by limitations imposed by the existing wealth and the potential resources at command. The Government can honestly claim, however, that in the preparation of these plans, the single purpose of doing the greatest good to the greatest number has influenced its decisions. Let

those who seek to criticise it do so constructively, pointing out its defects, and suggesting better ways of achieving the desired result.

"A RECORD DROP" in the death rate of infants



Each grave stone represents 10 deaths per 1000 live births.

What is set forth above is the National Plan for the economic and social development of the country covering a period of six years. The stage of mere hopes and aspirations and the academic discussion

of economic principles is passed. From now on future progress must be according to a well-defined plan devised to secure an equally well-defined object. The necessary facts and forecasts have been assembled and studied. The stage of considering alternative proposals and choosing that which matches the country's resources to its needs and offers the most fruitful results has also been completed. Some progress has already been made in carrying out these plans into practice. This is the most extensive and difficult portion of the task before the nation. The final stage is that which brings to the people the fruits of the fulfilment of this plan in terms of increased wealth, comfort, health, security of employment, and the leisure to "tune the mind to the rhythm of the Universe".

Looking back again at what has been said, it is clearly seen that the very essence of the plan is the bringing into productive use as early as possible the wealth with which nature has so richly endowed the land—the land that lies uncultivated and the raw material that is buried unmanufactured. The cultivation of three million acres of land, an area as large as is now in use, is not impossible today if it was possible in the past. The primary target is the developing of a new extent of 130,000 acres with the hope of accelerating the rate of yearly progress as modern machinery becomes increasingly available. Unlike in the Wet Zone where land was sold at nominal rates to foreigners and capitalists, this land has been secured for ever for the people. The new wealth that is to be created will be widespread in its distribution. The development of the national industries too, will hasten their progress. The plan outlined above will increase the national wealth by Rs. 100,000,000. Here too, the fruits will belong to the people, for, the national resources will be utilized by the State, with State aid, or under State control, thus avoiding the evils which followed the 19th century industrial revolution in the West.

As the national income continues to increase, greater portions of it will be utilized for the extension of the country's social services. Government plans envisage a higher standard of health and comfort and an increasing measure of social security and employment. Government is not content with providing only the material needs of life. While the plans for economic development will change the material environment, the aims and ideals of the educational system seek to mould the citizen to play his part in the changed society that he will inherit.

For the successful execution of a plan so full of consequence for the whole nation the co-operation of all is a prime requisite. The Government has faith in the people of Ceylon, in their wisdom, tolerance and courage born not of the materialistic teachings of the modern age but of her sedulous pursuit of eternal verities through the ages. It is true the old economic order in Ceylon is crumbling under the influence of Western civilization, but how impossible it is to seek to replace it in a few years with 500 years of Western evolution ; and even if this could be done, no one desires that Ceylon should be made the scene of conflicts and hatreds which have plagued mankind in other lands. The nation's youth do desperately want to grasp the future. What that future will be they do not know. But the future depends mainly on the national effort. Without faith in itself, the nation can look to no future. The country must rely on its own strength ; no strength can come to it from outside. Let every citizen, whatever his politics, cease to be a mere critic ; let him toil ; and the fruits of freedom will be within the reach of all.

And finally, the proposed solution to national problems is not to be found in the context of Western economic theories alone. It would be unwise to overlook the fact that a nation which in the past contributed its share to the culture and civilization of the East, has a heritage of its own. Material wealth and comfort did not attract Ceylon completely

in the past. Her ancient philosophy stressed the development of the human mind rather than the mere acquisition of worldly riches. Let her children then "be lamps unto themselves. Hold fast to the Truth as a lamp. Hold fast as a refuge to the Truth. Look not for refuge to anyone beside themselves".

These proposals may not keep pace with the wishes of those who want a bloody advance along a broad front of social improvement. But the broad and sober body of public opinion in and outside Parliament realize that Government does not intend to stop or starve any of the progressive social and economic schemes of development, such as, free education, free milk feeding and free meals for children, subsidies on essential goods, salary increases and war allowances, keeping the cost of living steady and the great agricultural and industrial projects, already begun to increase the national wealth. While holding to these principles the Government will endeavour to close from both ends the gap which separates the standard of living of the great mass of the people from that of a small privileged minority.

The difficulties and obstacles in the way are many and real, but these must not be allowed to retard the steady advance along the path to national progress. Ceylon, at long last, has regained her freedom. The Present and the Future are hers, to shape, to mould to her heart's desire ; to make or to mar. With a simple faith the people who elected the Government to the seats of civic power thought that freedom would change the society that surrounded and oppressed them into something more efficient, stable and equitable. They reposed in Government a trust as solemn as is the responsibility that that trust engenders. The Government is ready and willing to honour that trust to the full. It has deliberately decided to alter the broad framework of the country's social and economic structure and to do so only by the exercise of the legitimate powers that democracy has vested in it, without fear or favour, affection or ill-will.



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Department of Information*