

## **Neo-liberal Economic Reforms and the Transformation of Sri Lankan Society<sup>1</sup>**

Sri Lanka gained independence from the British rule in 1948 and inherited a dual economy comprising an export oriented plantation sector and a large subsistence oriented peasant sector. With a view to transforming this dual economy and the prevailing unequal social system, post-colonial regimes since the mid 1950's followed a state-led development strategy involving land reforms, import substitution industrialization and social provision of education, health, etc. These policies did not result in rapid economic growth but ensured equitable income distribution, food security, high levels of literacy and life expectancy, etc.

Dissatisfied with low per capita income, widespread unemployment and lack of opportunities for modern consumption, a market-friendly regime in 1977 introduced a package of neo-liberal reforms involving the liberalization of external trade, privatization of public enterprises, etc and these led to a steady devaluation of the rupee, great income inequality and a rapid increase in private consumption.

While public investments in health, education and public transport either stagnated or declined, increasing private consumption by the new rich led to unprecedented social disparities. While the rich now have access to well equipped private hospitals and international schools, the vast majority of the population has to rely on over-crowded government hospitals and ill-equipped schools. On the other hand, increasing cost of living compels poor men and women to find more lucrative employment outside the country. Increasing remittances sent by these workers to support their families are a blessing in disguise for neo-liberal regimes trying to bridge an ever widening trade gap. Many migrant workers are exploited and abused but the exodus continues due to increasing economic pressure.

This paper examines the social transformation brought about by the above reforms over the last three decades in the light of secondary and primary data.

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