

# Sri Lanka's former Central Bank governor calls for tough austerity measures

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In an interview last weekend, Sri Lanka's former Central Bank governor Indrajit Coomaraswamy told the *Wire*: "Sri Lanka will have to bite the bullet or go down the abyss." His comments make clear that the government's austerity measures are going to dramatically worsen the already severe social crisis facing working people.

Coomaraswamy served as the governor from 2016 to 2019, during the "national unity" government of Prime Minister Ranil Wickremesinghe and President Maithripala Sirisena. It ruthlessly implemented the International Monetary Fund's demands, resulting in widespread popular hostility that Gotabhaya Rajapakse exploited to win the 2019 presidential election.

The economic and political crisis in Sri Lanka today is far more acute. Three months of mass protests and strikes forced Rajapakse to flee the country this month and resign. Veteran right-wing politician Wickremesinghe has now been installed as president and as finance minister is charged with negotiating an International Monetary Fund (IMF) emergency loan and imposing its dictates on a population that is already suffering acute shortages and high prices for essentials, such as food, fuel and medicines.

Wickremesinghe is also determined to suppress any opposition. He has already exercised the autocratic powers of the executive presidency to impose a state of emergency and deploy the military to establish "public order." Under the emergency, the security forces can ban protests, arbitrarily arrest and detain people, and carry out searches.

Coomaraswamy warned that the Sri Lankan economy will contract by 8 to 10 percent by the end of next year compared to 2019 and the GDP would take five years to get back to the 2019 level. He noted that the IMF had already estimated this year's economic contraction at

more than 7 percent.

Pointing to the disastrous consequences for working people, he said that "data seems to suggest that by the end of the year, half the population could fall below the poverty line which had been elevated because of inflation."

Coomaraswamy claimed: "Almost all Sri Lankans now recognise that sacrifice is necessary and inevitable." However, he is acutely aware that millions have already taken part in strikes and protests against intolerable living conditions. In a warning to the ruling elites, he added: "We have to find a way of distributing the sacrifice and pain according to the capacity of the population to bear that pain."

In reality, the capitalist class in Sri Lanka is facing economic bankruptcy and has no alternative but to impose harsh new burdens on working people. The IMF is insisting the government further restructure and privatise state-owned enterprises, eliminate prices subsidies, cut a swathe through public sector jobs and raise and broaden both direct and indirect taxes.

Prices continue to skyrocket. The cost of fuel and cooking gas has tripled this year. The Ceylon Electricity Board recently requested increases in its charges that will mean an 800 percent rise for its poorest customers. These huge price increases are a direct consequence of the government's stopping of treasury funds for the Ceylon Petroleum Corporation and Ceylon Electricity Board. Price subsidies for fertiliser were halted over a year ago, resulting in price rises of ten-fold or more.

According to the FAO, by last month 13 million people, or almost two thirds of the country's population, were either food insecure or not consuming acceptable dietary food.

Public health and education are being cut to the bone,

resulting in the most rudimentary services for the poorest sections of the population. The IMF is demanding the government slash the public sector workforce as a whole by nearly a half. Pensions and allowances for public sector workers are also to be cut or completely axed.

The majority of public sector employees are working from home due to the chronic shortages of fuel and public transport. Only “essential” staff are being called in for work. Justifying the government’s plan to implement fuel rationing this week, Power and Energy Minister Kanchana Wijesekera tweeted that fuel imports would be restricted for the next 12 months due to the lack of foreign exchange.

Yet, as the former Central Bank governor explained, the government has no choice but to impose even harsher austerity. All establishment parties—ruling and opposition alike—insist that the only means for propping up the bankrupt capitalist system, protecting corporate profits and paying off the country’s huge debts is to force working people to pay.

Unless it is going to be driven down this “very narrow road,” the working class has to chart an entirely opposed political course. The resources exist to end the present social crisis but they are in the hands of the capitalist class.

The Socialist Equality Party has outlined a series of policies for which the working class and rural toilers need to fight, including:

- \* Workers’ democratic control over the production and distribution of all essential items and other resources critical for the lives of people!

- \* Nationalise the banks, big corporations, plantations and other major economic nerve centres and seize the colossal wealth of the billionaires and corporations!

- \* Repudiate all foreign debts!

- \* Cancel the debts of poor and marginal farmers and small business holders!

- \* Guarantee jobs for all with decent and safe working conditions and index wages to the cost of living!

None of these policies will be achieved through the political establishment and its parliament.

As the SEP explained in its statement on July 20 initiating a campaign for a Democratic and Socialist Congress of Workers and Rural Masses:

“Parliament’s selection as president of Wickremesinghe, the notorious enforcer of IMF

austerity and US imperialist stooge, provides irrefutable proof that the political system is corrupt, anti-democratic and totally controlled by US imperialism, the IMF, and their agents in the Sri Lankan ruling class.”

Therefore, “the working class has to establish its own political power centre completely independent of the anti-democratic conspiracies of the political establishment and the capitalist state.”

The foundations for a Democratic and Socialist Congress of Workers and Rural Masses “need to be laid by the workers and rural toilers themselves through the establishment of action committees in workplaces, factories, plantations, neighborhoods and rural areas throughout the island to fight for their class interests”.

In such a political struggle, the working class in Sri Lanka needs to turn to its class brothers and sisters in India, throughout South Asia and around the world, who are facing a similar onslaught on their living standards. The crisis in Sri Lanka is the sharpest expression of the global crisis of capitalism exacerbated by the COVID-19 pandemic and the US-NATO proxy war against Russia in Ukraine.

The SEP urges workers, youth and rural toilers to take up this fight and to join and build the SEP as the necessary revolutionary leadership for the struggles immediately ahead.



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