

# Left Strategy in the Time of the IMF Counter-Revolution

*Devaka Gunawardena*

Less than a year has passed since the 9<sup>th</sup> July uprising last year in Sri Lanka. Nevertheless, the contours of the present regime are well established. A loose network of progressive activists and trade unions have rightly kept the basic illegitimacy of the Wickremesinghe-Rajapaksa government at the front and centre of the debate. Meanwhile, other groups such as professional associations have wielded such claims selectively in defence of their narrower, middle-class interests. But the bigger danger in the long run remains the fascist threat. The exact way in which this danger could manifest is hard to anticipate. One possibility is that it could come from a bargain between demagogues with popular appeal and elements within the repressive apparatus of the State, as has historically been the case with Far-Right movements. Regardless, the point is that while the Wickremesinghe-Rajapaksa government enjoys the inherent advantage of incumbency, the reality is that its hegemony is extremely fragile. It continues to rely on a strategy of deception and delay to conceal its weaknesses.

On the heels of the International Monetary Fund's (IMF) Executive Board approval of a bailout agreement, the government wields promises of foreign aid and investment. It is also attempting to confuse and frustrate the incipient opposition. It is trying to turn social groups, such as working people and public sector workers, against each other. The government is gearing up for a broad privatisation push, for example, by inciting the public against "lazy, entitled" workers. It neglects to mention the even more dramatic increase in the cost of essential services that would result.

In addition, such a framing of privatisation ignores the role that the political class has played for decades in undermining the social arm of the State from within. There has been little accountability to a democratic mandate to provide the people with adequate services. Instead, politicians and big business have been in cahoots. The very inadequacy of public services justified

'solutions'—such as the import of private vehicles in the absence of good public transport—that helped create the foreign exchange crisis. Even more cuts to State spending are now envisioned as a solution. The Wickremesinghe-Rajapaksa government's strategy is to deflect attention away from the way in which the logic of capital has insinuated itself into the State. However, this is no substitute for a real social base. The professional middle classes in Colombo may appear relatively quiet for now, their sporadic opposition to measures such as tax increases aside. But the regime has no new social contract to offer to the rest of the country.

## **Nationalist Right**

In this context, whoever can seize on the regime's weakness will ultimately benefit. Given the disorganised state of the Left, the nationalist Right maintains the advantage by default. Moreover, the very lack of discipline within the Left means that its arguments can also be appropriated in defence of the nationalist Right. Some forces that style themselves as Left may even willingly accept this role. The confusion must be clarified. What is at stake is the very definition of the Left itself. The question is whether it can avoid being appropriated by a nationalist Right movement that is almost sure to make headway at some point in the absence of a clear, progressive alternative.

Historically, many have argued that fascism was a response to the threat of the revolutionary Left. But decades of neoliberalism have succeeded in undermining the bonds of social solidarity in Sri Lanka. In this context, the re-emergence of fascism hinges not only on containing but also expressing the underlying frustrations with the system, especially in the absence of an alternative. That includes the likely failure of the Left as well if it focuses narrowly on electoral politics. The current emphasis on the National People's Power (NPP) gambit within some sections of the Left especially must not preclude the intellectual and organising work necessary to revive an actual social movement grounded

in the working people. Only the latter can hold political parties accountable to the demands of the people.

Meanwhile, there are several scenarios that can play out. Politics, of course, depends on timing. But the underlying trajectory remains relatively clear. The continued under-performance of the economy relative to pre-crisis projections—what economists call scarring—will create the space for popular grievances in which a fascist-type movement can intervene. According to this baseline scenario, the nationalist Right could capitalise on popular frustrations with what is being portrayed as a recovery, but which in fact has so far constituted a dramatic regression in most people's living standards.

The Wickremesinghe-Rajapaksa government, for example, is celebrating a decline in inflation year-over-year. This ignores, however, the tremendous devastation that has already occurred in working people's lives. That includes the tremendous permanent hike in the cost of living along with a catastrophic loss of incomes and other sources of financial support because of the economic depression. The queues for essential items such as fuel and milk powder may have ended. But the crisis of affordability is now apparent in indicators such as growing poverty and child malnutrition. We may not know how and when the social and political consequences will manifest. Nevertheless, in the absence of a progressive Left capable of bending popular anger in a redistributive direction, they are almost certain to occur in a destructive way.

If the nationalist Right strengthens further, the social question would be further shaped by a narrow nationalist interpretation of Sri Lanka's subordination within the global order. Reaction—draped in the banner of a new 'multipolar' alliance—would frame itself in terms of resisting 'Western conspiracy', and the inevitable targeting of internal others, such as non-Sinhala communities, which that project entails. Even if the nationalist Right fails to secure a stable hegemony, the alternative scenario does not look good either. An equilibrium could be achieved through imperial bargaining between hegemonic powers that only entrenches Sri Lanka's subordination. That too will put the country in the crosshairs of looming global conflict.

### **Left Disorientation**

For the Left, it is not enough to ascribe these two terrible scenarios to the inevitable tendency of neoliberalism to disorganise the opposition. It also reflects a failure specific to the Left in Sri Lanka in the current moment, namely its ideological disorientation. The Left no doubt will take time to recover its long-lost organising

potential and grassroots networks, especially in places such as the rural South. But the problem is that the Left has yet to even produce an intellectual, no less than a political, vanguard capable of spelling out the failure of the Wickremesinghe-Rajapaksa government to actively confront the IMF in the interests of its own population.

Some now beseech the IMF to deal with 'corruption' for example. But this is a convenient, self-serving explanation promoted by international institutions allowing them to ignore the decades of policy they supported encouraging the upward distribution of wealth. Instead, the Left must challenge the State. It must actively demand fiscal space, for example, for far more relief than the measly 0.6% of Gross Domestic Product (GDP) that has been allocated in this year's budget. The Left must consider each statement it puts out from the vantage point of its ideological value in strengthening popular consciousness.<sup>[i]</sup> In theory, of course, we can always fall back on our principles, to say that the IMF's austerity push must be opposed in general. But in practice, even this stance requires hard work to understand where and how the supposed negotiation can be pushed. For example, while the IMF is promoting fiscal consolidation, where has been the opposite emphasis on counter-cyclical spending—that is, policies to support economic recovery especially through jobs and incomes? Why have the IMF's claims generally gone unopposed in the Sri Lankan public sphere, a few critical voices aside? Here we must contextualise past debates to identify the relevant distinction that can be used to critique the austerity push.

The neoliberals with their well-funded think tanks and experts have temporarily won the debate by delegitimising 'loose monetary policy' as an example of 'money printing'. They did so by decoupling monetary policy from fiscal policy. Meaning, they obscured the need for an increase in government spending and a shift in where it must occur, to provide relief along with channelling investment into critical areas. Instead, there has been no guiding hand of public stimulus since the onset of the economic crisis. As a result, low interest rates, or cheaper borrowing, previously accommodated speculation. There was little productive investment through the government's fiscal deficit. As was recognised long ago, trying to stimulate the economy through low interest rates alone is like 'pushing on a string'. This is a principle that the previous government led by Gotabaya Rajapaksa failed to recognise. It chose to ignore actual spending measures for revival.

A similar paradox now affects Western countries, where Central Banks are trying to use interest rate hikes to weaken labour and suppress demand. These

measures are also provoking financial instability because of the previous boom in the issuance and purchase of speculative assets, such as junk bonds. This took place in the context of a low interest rate environment that lacked tighter regulations on financial speculation along with redistributive public spending. Separately, as a growing number of critical economists in the West are arguing, raising interest rates will do little to solve the underlying factors driving the rising cost of living. That includes the critical need for investment to deal with supply constraints along with windfall taxes on corporations that are using these to justify indiscriminate price increases. Finally, as economists such as Jayati Ghosh have pointed out, financial tightening in the core countries threatens to derail development in the global South by dramatically raising the costs for servicing external debt.

In the case of Sri Lanka, the interest rate hikes have been based on incorrect assumptions about the reason behind rising prices. Mainstream experts argued that these were caused by too much demand, when they were in fact the result of exogenous factors that made imports more expensive, such as the war in Ukraine. Moreover, the rate hikes have made the situation even worse by increasing the costs of borrowing for small and medium enterprises along with working people who have been forced to pawn personal assets to survive. The hikes reflect wrongheaded macroeconomic assumptions about the need for forced savings to finance investment. However, in practice, this supposedly neutral methodological claim has become an ideological justification for wage repression. In this case, ‘savings’ or the decline in working people’s real incomes, are absorbed through increased profits abroad, and through the consumption of elite rentiers at home.<sup>[ii]</sup>

Furthermore, the related IMF-designed constraints on government spending—the goal of a primary, or fiscal, surplus—will only aid global finance capital in its project to extract more value from Sri Lanka. They are meant to force the country to prioritise debt repayments in the absence of large haircuts on external loans. It is crucial to keep in mind that in this regard, the IMF recommendations of fiscal consolidation and interest rate hikes have already been implemented since early last year in the aftermath of the release of its Staff Report. The ‘brutal experiment’, according to the IMF’s Senior Mission Chief for Sri Lanka, was in fact part of the preliminary conditions for approval of a bailout agreement. The resulting economic contraction must be ascribed to a failure to provide immediate relief to people through an increase in government spending.

### Where is the Negotiation with the IMF?

At the same time, for the Left to try again to win this debate and realise gains in practical terms also requires grappling with another set of issues. Sri Lanka’s policy autonomy is no doubt constrained. It must seek external financing to deal with its external debt, in addition to a long-term need for development financing. That will inevitably come with conditions. But the Left could argue, for example, that to whatever extent possible, any government sincere in its efforts to negotiate on behalf of its population must draw a redline with the IMF. That includes explaining why immediate ‘fiscal consolidation’ (double-speak for austerity), especially during an economic depression, is flat-out unacceptable. Perhaps the amount of government spending that could be authorised through an IMF agreement would not be unlimited. But it could surely include a threshold for a fiscal deficit that includes some amount of direct spending. This must include far more relief and investment in those areas vital to increasing domestic production for the purpose of reducing the import bill. Lower interest rates would be the necessary complement to these measures.

The IMF may reject such proposals, insofar as they contravene its core free trade assumptions. But at the very least the ideological confidence of the population would be strengthened. This approach could signal to the public that whichever government in power that adopted it was sincere in its negotiation. More importantly, it could further develop the social consciousness of a people capable of demanding more radical, redistributive measures, such as wealth taxes, in time. This attitude would be the real way of measuring the distance between the current Wickremesinghe-Rajapaksa government in power and any opposition that hopes to replace it with the promise of renegotiating—if not eventually being forced to reject—the IMF agreement. The Left may not be an active part of such an electoral coalition. But it could at least provide the ideological perspective capable of shaping its policies and forcing a quasi-progressive regime to accommodate its critique. This pragmatic perspective contrasts with the hard Right government currently in power, which paints dissent from the IMF agreement as treason.

Such a political programme would also require going to the people. The purpose would be a debate not only about a set of policy demands, but a fundamental shift in the development model. That would mean one that brings into view the core needs of social reproduction. It would entail specifying the investments in the social sector needed to reduce the burdens on women and other frontline communities especially. That includes

higher incomes for care workers. The approach to development in general would be one that views labour, as opposed to mere capital intensification as the priority. Redistributive reforms in this context need not necessarily put further pressure on the budget either. They could also include measures to reduce domestic rigidities, as Michal Kalecki and successive development economists after him have noted. One possibility is a programme for land redistribution that prioritises marginalised groups.

In this regard, for it to be effective, self-sufficiency must be articulated in progressive terms. A reactionary understanding of self-sufficiency, predicated on gendered and other exclusivist hierarchies, is useless if not dangerous. Furthermore, the Left can and should engage with the technical question of debt restructuring while thinking about a much wider project to redesign the economy with egalitarian principles in mind. This task is especially urgent when a country such as Sri Lanka is trying to emerge from an economic crisis while grappling with the failure of the previous model that led to the breakdown.

### **Internationalism over Insularity**

Meanwhile, the absence of a clear Left position on the economy is not only deeply felt in terms of the failure to articulate a domestic alternative in Sri Lanka. It is also revealed in the reluctance to grapple with the deep implications of global unravelling. In this regard, the Sri Lankan Left, as part of a broader global Left, has failed to coalesce on a platform that supports the right to self-determination, regardless of an aggressor's geopolitical affiliation. Meaning, for example, the need for solidarity with Palestine and Ukraine. The resulting ideological confusion demonstrates how far we are from any hope of a real movement for global solidarity through which the Left in Sri Lanka could find succour.

Instead, to arrive at such a position would require parallel efforts to resist the simmering dynamics of hegemonic rivalry that threaten to morph into outright inter-imperialist conflict. The Left needs to be much clearer on the social transformation that must occur in core countries such as the US and the European Union's member states. For example, redesigning the built environment to facilitate public transportation as opposed to focusing solely on an electric vehicle transition that contains its own problematic reliance on extractive industries. Such a shift in perspective means challenging a post-Washington Consensus rooted in competitive mercantilism by demanding direct redistribution instead. Or, a levelling social policy, not military Keynesianism.<sup>[iii]</sup> The reality is that strategic

competition between great powers has always been a poor substitute for confrontation with ruling classes at home. Moreover, the world can hardly withstand another bout of destruction on the scale of a World War in the hopes—even more remote than in Lenin's time—of converting imperialist war into civil war.

Meanwhile, to the extent that the global Left sees a China-led multipolar bloc as an alternative, it has also failed to contend with the social contradictions that could otherwise set limits on the regimes that consolidate in those countries. Where is the solidarity extended to class struggles and resistance movements within their respective social and regional peripheries? Accordingly, a clear path to “accumulation without dispossession” does not look likely to materialise in the absence of a countervailing force such as a strong social movement. The idea behind such a form of accumulation would be one that strengthens working people's assets through, for example, the build-up of material wealth within the rural cooperative sector. This could decelerate the forced migration of people from rural to urban areas, or from poorer to richer countries, for the purpose of seeking incomes in the absence of alternative livelihoods at home.

Examples of this style of accumulation have indeed occurred within the interstices of major changes, such as the rise of modern welfare States that introduced pensions and other transfers to support multi-generational households. But even these measures have rarely, if ever, been incorporated into a full-blown, alternative vision of a complex, modern economy. That would presuppose a broader restructuring of relations of production that has yet to occur, even in those States that have claimed to be communist, but which have clung to a narrow ‘productivist’ approach. Instead, because of the absence of a collective agency that can demand change and hold States accountable, the near future seems set to involve a frightening amount of global strife and conflict. This is what the world systems scholars Giovanni Arrighi and Beverly Silver called “systemic chaos”. Conditions making the situation worse include the constraints imposed by climate change and the inherent tendency of capital's globalisation toward premature deindustrialisation. The latter reflects the ability of debt to outweigh global trade growth. In the absence of strong domestic resistance, poorer countries will be dragged deeper into austerity.

In this context, there are no clear winners in the geopolitical struggle with which the Left can align on a global level. This is where the current moment is more analogous to the lead up to World War I than to the era of national liberation struggles in the 1960s and

1970s. In the case of the latter, global solidarity was a real, operative force. Counter-hegemonic movements linked anti-racist struggles in the core countries to anti-imperialist forces in the periphery. Stokely Carmichael of the US Black Panther Party, for example, collaborated with Ghanaian President Kwame Nkrumah. Instead, what we see today is a Left that contains a sizeable constituency willing to praise bellicose isolationism, embodied in the white supremacist Far Right, as an example of an attack on US hegemony. Furthermore, Sri Lanka's own 1930s-style crisis is concatenated within this descent into a period of intensifying rivalry between hegemonic powers. This leads to a situation in which, for serious thinking actors on the Left in Sri Lanka, there is no clear exit.

### **The Consequences of Unravelling**

If it is the case that Sri Lanka's crisis distils the most severe consequences of the unravelling of the global order, then it is even more imperative for Sri Lanka to have a programme for self-sufficiency. This is not only for moral-economic but also for strategic reasons. Sri Lanka cannot expect its problems to be resolved through a progressive global mechanism that can alleviate the debt burden on poorer countries. The IMF's hegemony will not be shaken outside of an existential disruption of the global order. Nor can Sri Lanka export its way out, because global trade growth is under pressure. The reality instead is that Sri Lanka must contend with a polarising global context in which State power is increasingly overdetermining the power of capital. Big banks and corporations in the West, for example, continue to see China as an irreplaceable market. But they are increasingly at odds with their own States. Governments are imposing political discipline. They are offering carrots, such as more investment opportunities and subsidies framed in terms of re-shoring and 'friend-shoring'. And they are imposing sticks, such as export controls on critical inputs, especially semiconductors.

This epochal cycle in the reconfiguration of the global regime of accumulation is driven by contradictions in the relationship between capital and State power. Insofar as finance has become unstable, trade has become more politicised. We saw the onset of these changes with the Global Financial Crisis of 2008. In its aftermath, the political pushback against the global order from within Western countries was framed in terms of a populist critique. That focused on the hollowing out of manufacturing and the loss of good-paying jobs that had occurred through decades of trade liberalisation. The process included the domination of financial speculation over productive investment.

Growing frustration with this tendency was famously appropriated by right-wing figures such as Trump. Now, the trend is accelerating. Financial instability is again forcing policymakers to reckon with the potential consequences for the real economy.

Such instability is the effect of a persistent delay by policy makers to adopt serious measures to change the basis on which accumulation occurs. To take this stance, however, would force these policy makers to confront their own ruling class. Instead, Central Banks are trying to take a half-way out. They are constructing what Martijn Konings refers to as a bailout State that has dramatically unequal effects. Policy makers are prioritising 'price stability' at the expense of those measures needed to combat inequality at the heart of the global system. This approach, however, undermines the investments that are needed to deal with other systemic factors. These include climate change and grappling in general with the real causes of supply shocks. As mentioned above, in the absence of a robust social movement to restrain the power of capital, we can only expect the system to muddle along. Debt and other financial vulnerabilities will continue to accumulate until there is another economic breakdown.

Meanwhile, it appears that in the balance the West will try to contain a China-led bloc. That bloc will push back while insulating its own member States from popular pressure. The resulting geopolitical polarisation means that there is far greater space for Far Right and even fascist regimes to emerge around the world. In the South Asian region, for example, we can only expect the regime of Narendra Modi to get worse before the situation in India gets better. In this context, the potential collapse of US hegemony does not necessarily lead to a progressive future. World history, of course, does not repeat. But if we nevertheless follow the general sequence of cause and effect, today's moment appears to represent a situation like the collapse of the British-led gold standard system in the 1930s. That unleashed political visions of extremely different and often antagonistic character. The contest was only settled through a full-scale conflict: World War II.

### **The Role of Self-Sufficiency in Reviving Resistance**

We are looking then at a world of accelerating conflict. It is almost hopeless to expect that progressive forces on a global scale can contain the most repressive dynamics that have been unleashed by the neoliberal free trade regime. Even the latter is being converted in key areas into one in which poorer countries remain subordinate through competitive blocs. For Sri Lanka to have a vision of how it will defend its own policy autonomy

under these bleak circumstances requires a far deeper understanding of the social struggles at home. This is the real context in which progressive forces must intervene. Organising work will take time to gather force. But in the meantime, at the very least, the ideological debate must be won by opposing the current political economic trajectory with a clear-eyed view toward self-sufficiency.

Only a progressive articulation of this alternative can inoculate the people against fascism, while clearing the intellectual ground for them to take command of their own destiny. In this regard, self-sufficiency must do double work. As a concept, it must oppose the immediate short-term moves of the Wickremesinghe-Rajapaksa government. That includes its leveraging of the IMF agreement to impose drastic, anti-democratic changes on the relationship between State and society; what can be called an IMF Counter-Revolution. In addition to the notorious proposed Anti-Terrorism Act, that includes, for example, attempts to insulate the Central Bank from democratic accountability and even directly attack labour by imposing more regressive ‘reforms’. At the same time, self-sufficiency must also represent a broader alternative for resisting incipient nationalist moves to frame Sri Lanka’s subordination in terms of Western conspiracy. The latter acquires clearly ethnicised overtones.

Progressives may be nervous to enter the debate on self-sufficiency because it invokes an economic debate. But the key is to remind ourselves that engaging with this question does not necessarily require extraordinary technical knowledge, though one must do the homework where necessary. Rather, it requires having at the very least a general perspective on the relationship between politics and economics. That means recovering the holistic perspective of political economy. In this regard, self-sufficiency is the economic complement to stalled debates about the new form of constitutionalism that emerged last year. Talk about abolishing the Executive Presidency or creating new forms of popular representation such as People’s Councils has become subdued. So, it is critical for

the Left to use self-sufficiency as a lever for reviving resistance. Self-sufficiency must be used to reinvigorate debates about how resources can be transferred. That includes mechanisms designed to speak to the national question such as Provincial Councils, in addition to the deeper forms of democratic accountability that must occur through a radical transformation of the State.

Engaging in this way means gaining renewed perspective on the need for democratic space. The citizenry must be able to express their dissent over the direction that the current regime is imposing on the country. Opposition to the regime’s anti-democratic measures requires foregrounding the class dimension—especially the IMF Counter-Revolution—for resistance to have any real hope of becoming effective. Moreover, only this strategy can bypass the fascist spectre that otherwise looms further down the road.

*Devaka Gunawardena (Ph.D, UCLA) is a political economist and independent researcher.*

## Notes

[i] I owe clarification of this point to a friend.

[ii] In this regard, Samir Amin’s (1974) argument about the limitations of the Keynesian multiplier applied to countries in the global periphery is crucial. Or as he puts it, “One ought therefore not to say that the analysis of the Keynesian multiplier is always valid, but that benefit of the multiplier effects of investment has not accrued to the underdeveloped economies owing to their propensity to import and to hoard.” (234)

[iii] The point made by the self-described anti-war Keynesian economist J.W. Mason is interesting in this regard. He rightly disagrees with the anti-China framing of the US’s return to active industrial policy. However, even Mason’s brief argument requires deeper interrogation of the distributional consequences of a policy that primarily enriches elite shareholders. Such a policy would in fact deepen the identification of capital with the State. That could aggravate the incipient dynamics of inter-imperial conflict. Mason himself has noted class obstacles elsewhere when pointing out, for example, the effects of the US Federal Reserve’s interest rate hikes on the collective power of labour.

## Reference

Amin, Samir. (1974). *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment* (Volumes 1 and 2 Combined). Translated by Brian Pearce. New York: Monthly Review Press.