

In the wake of the PA's victory in the Southern Province, **Mrs. Chandrika Bandaranaike Kumaratunga**, Chief Minister of the Western Province, addressed Colombo's business community, outlining the SLFP's new economic thinking. Following are some of the highlights of her address.

SLFP'S NEW ECONOMIC POLICY

Free Market Capitalism

The mainstay of Sri Lankan economic growth has to be within the free market structure. We accept the free market economy, but we also believe that if we are to develop, then we have a pattern of true growth for the maximum number of people in this country, that it must be a truly free economy. The free market is not the 'be all and end all' of a capitalist economy. It is a necessary basis but several other major conditions are required for sustained economic growth.

We believe that in a free market economy there should be conditions for a sustained and stable economic growth. There should also be equity, transparency and accountability in the economy. It has to be an economy that is balanced, as we call it in Sinhalese, a *thulana arthikaya*. We think that within the free market structure, the nation must have clear economic perspectives as well as priorities. The priority sectors need to be defined, and they will be defined in keeping with national needs, and with targets that have been agreed upon by the State and the Private sector.

Agriculture

Within the free market economy there should be a very definite policy to support the weaker sectors of production, especially agricultural production. Fertilizer subsidies and easy credit facilities have to be organised by the public and private sector whichever is willing to do it effectively.

Savings and Interest

Savings have to be encouraged much more than it is today. Recently, interests given on deposits were reduced very arbitrarily, apparently with the idea of reducing inflation, but we don't think that will happen. Inflation rates have to be cut down by stabilising the economy, by the method of stabilising prices at least of the main consumer goods and increasing production. Artificially bringing down the interest rate is not going to solve the problem of inflation. Savings in this country have not come up to the expected mark, necessary for the take-off of a free market system. Domestic savings have to be sustained.

Multi-lateral Lending Institutions

In the last decade and a half, the state accepted all the dictates of international lending institutions without question. We believe that if a state, however poor it may be, has clear economic perspectives, it should have the strength politically to discuss with institutions like the World Bank and negotiate with them on terms not entirely dictated by those institutions and divorced from national needs and priorities. If those negotiations are held on the basis of a clear plan and on national priorities, I am quite certain that those institutions would be willing to be flexible.

Public and Private Sectors

We expect that the private sector, within the framework of a free market economy operating on a clear national perspective, would play the most dynamic role. The state and the private sector must work together in a transparent relationship, not within the relationship of cronyism. Then, the private sector would be the driving force of the economic motor. At the same time, there are certain fields where the state must play an important role. Even in countries like Great Britain, transport is still in the hands of the state. Even during the great Thatcher regime, transport was not privatised for obvious reasons. Education and health have to be mainly in the hands of the state, obviously the private sector can compete, with special educational institutions, with special health care institutions. The major portion of that kind of service which is not known to give big profits, which handle the most basic crucial needs of the people, have to be in the hands of the state.

If the state had certain special technologies and other facilities at its command, it could in certain areas compete with the private sector, in certain manufacturing industries, but not to the exclusion or to the detriment of the private sector.

Business Community

The business community is supposed to be the leaders of a nation, especially within a free market economy, together with the professionals, politicians. If

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