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Review Essay

The establishment of the S.W.R.D. Bandaranaike (SWRD) government opened a new chapter in the planning process in Ceylon. 'The nationalistic and socialist leaning of Mr. Bandaranaike made him a convinced adherent of the concept of planning’(p.217). What was in doubt was GC’s fate as head of the Planning Secretariat under the Kotalawela government and as the main architect of the Six Year Plan. There had been some rumblings in the Cabinet. However, the new Finance Minister, Stanley de Zoysa who was not subject to political prejudices requested GC to continue, with the concurrence of SWRD.

This is an autobiography of a person who participated at the highest centres of policy making at both the national and international levels in the field of development planning and policy. Gamani Corea (GC) wanted to centre his memoirs around his professional life without having a conventional format. Starting work in his memoirs in 1992, he kept writing until he completed them in 2002 when in this very year, he fell ill and could not undertake further work. The Gamani Corea Foundation and a contemporary of GC, Godfrey Gunatilleke put the final touches to the manuscript to bring out this volume. The exercise was funded by Lalith Kotalawela.

The Volume is divided into five parts: (1) Growing up; (2) The Years in Cambridge and Oxford; (3) My Career in Sri Lanka; (4) My UNCTAD Days; and (5) Returning Home and After, and covers 483 pages. The review below however will be confined only to GC’s career in Sri Lanka.

GC was born in 1925. Connected to the famous Kotalawela family he belonged to the first batch of recruits to the Central Bank of Ceylon in 1950. GC was released from the Bank to pursue his doctorate in UK and he 'was the first Ceylonese to receive the Oxford doctorate in any subject'. He was also, the first Ceylonese 'to receive a doctorate from any University with a thesis on an economic subject' (p. 172).
1952-1956

GC sailed back to Ceylon in September 1952 and assumed duties at the Central Bank for a monthly salary of Rs. 450, but Prime Minister (hereafter PM) Dudley Senanyake (hereafter Dudley) wanted him to work in the new Planning Secretariat. GC was thus seconded from the Central Bank to the Planning Secretariat as an Economist to prepare a Six Year Plan. The 1953 Hartal however saw the resignation of PM and thereafter the tempo of the Planning Secretariat remained low.

PM John Kotalawela did not show much enthusiasm on planning, neither did Finance Minister, Oliver Goonetileke. Things however changed with M.D.H. Jayawardena becoming the Finance Minister, who made use of GC in the Planning Secretariat to prepare his budget speech. GC made a departure from the tradition of presenting a plethora of statistics in the speech and emphasized more on fiscal policy. When the Minister presented the speech, the Opposition was deeply critical and the Opposition leader, N.M. Perera (hereafter NM) said ‘This is the worst budget speech I have heard’ (p. 197) much to the disappointment of GC.

The Six Year Plan was finally prepared and the idea was to convert it to a comprehensive national plan ‘but as often happen in Ceylon this intention did not get translated to reality. It was overtaken by political events’ (p.210).

1956-1959

The establishment of the S.W.R.D. Bandaranaike (SWRD) government opened a new chapter in the planning process in Ceylon. ‘The nationalistic and socialist leaning of Mr. Bandaranaike made him a convinced adherent of the concept of planning’(p.217). What was in doubt was GC’s fate as head of the Planning Secretariat under the Kotalawela government and as the main architect of the Six Year Plan. There had been some rumblings in the Cabinet. However, the new Finance Minister, Stanley de Zoysa who was not subject to political prejudices requested GC to continue, with the concurrence of SWRD.

SWRD wanted a wider and representative planning authority parallel to the Indian Planning Commission. These immediate objectives of SWRD brought GC into closer contact with him with regular visits to Rosmead Place. These visits enabled GC to understand the PM’s thinking on planning and winning his confidence. There had however been occasions when SWRD lost his cool: ‘This will not do …………….do not think you are still serving your UNP masters! ’ (p.221). These were temporary outbursts and the close relationship grew over time.

SWRD wanted to legislate the establishment of the National Planning Council (NPC) with a Planning Secretariat to service it. Prior to finalizing the Plan, GC with a few colleagues visited India and met Prof. Mahalanobis who was a giant in Indian Planning. SWRD’s meeting with Pandit Nehru in India led to the invitation of Prof. Nicholas Kaldor who advised on the NPC and tax matters. This was followed by a group of visiting economists:
J.K. Galbraith, Oscar Lang, John and Ursula Hicks, Gunnar Myrdal and Joan Robinson. Each of them submitted their observations on the NPC and economy of Ceylon, which were published under the theme “Papers by Visiting Economists”.

GC recalls arguments that flared up between SWRD and Galbraith and a more heated one between Philip Gunawardena and Gunnar Myrdal where ‘voices were being raised causing Kusuma Gunawardena, the Minister’s wife...........to come out of the kitchen to see what was happening’ (p.234).

GC had drafted the introductory chapter of the Plan. When the Plan was finally ready for the signature of the PM, one member of the Council had pointed out that the word ‘socialism’ was missing in the Preface. The PM had rejected this idea and stated that the ‘Plan should be regarded as a national endeavour and not a partisan document. It should be acceptable to the government and opposition alike and succeed in mobilizing the whole country’ (p.236). However, the Ten Year Plan had a mixed reception in the parliament. The leftists in Parliament were not happy with the Plan as there was no reference to nationalization or need of state control over ‘commanding heights’. One week prior to his assassination SWRD had said to the press that if his government has done nothing else it has at least provided the Ten Year Plan!

1960-1965

When B.B. Das Gupta, then Deputy Chairman of the Planning Commission approached the new PM, Sirimavo Bandaranaike (hereafter Sirimavo), and asked her about the future of the planning process, she had requested him and GC to meet her Finance Minister, Felix Dias Bandaranaike. When they approached the Minister he had lost no time in saying that he was not impressed with the output of the Planning Secretariat: "what the country required was not architects but masons, he remarked, adding that things that needed doing were simple and straightforward" (p. 243). Both the Ten Year Plan and the National Planning Council were scrapped and the hard work of the Planning Council came to an end.

It was only after some time that GC received a letter requesting him to revert back to the Central Bank as the Director of Economic Research. GC’s tenure at this position was uneventful. He writes: ‘My seniors in the Central Bank preferred not to associate me publicly with discussions on policy mattes with the Ministry of Finance and other agencies’ (p. 247). GC had drafted the introductory chapter of the first Annual Report of the Central Bank of the new government which had not been to the liking of the Treasury. The Monetary Board had approved GC’s Chapter and the Governor, Rajapatirana had firmly stood by GC. However, GC had become the subject of anonymous letters to the press inspired by some staff members of the Bank who wished their support for the new government to be translated into career advancement and cited GC’s family connections with the UNP leaders as a possible obstacle to his impartiality.

After a short mission abroad, on his return to the Central Bank, GC assumed duties in his previous position as well as the Assistant to the Governor. NM had become the new
Finance Minister of the government. He appreciated GC's professional training and experience and was least bothered with GC's family connections with the UNP. NM had invited GC to join his delegation to the Annual Fund/Bank Conference that was to take place in Tokyo in 1964. NM was committed to sound and balanced fiscal and monetary policies and appreciated the role of the Fund and Bank in assisting Sri Lanka to meet her external resource requirements. However, during the discussions on aid mobilization, the issue of settlement of compensation (under the Hickenlooper Amendment) for nationalized US oil companies in the early 1960s kept emerging. The government had not been able to meet settlement of compensation as stipulated in the Amendment. Secondly, there was a need for a stand-by agreement (SBA) with the IMF. NM was willing to prepare a note on an Aid Group for Ceylon under these conditions, but to his frustration the government suffered a defeat in Parliament and there was a call for general elections.

1965-1970

Dudley was quite sure of forming a government when the parliament was dissolved in 1965. He wanted to place economic policy at the centre-stage of his new government and told GC that in the event he is successful at the polls, "he would like me to take on the post of Minister of Finance in the new government" (p. 284). With the election of the UNP in 1965, the new PM, renewed his invitation to GC to become his Finance Minister. ‘I was touched by his willingness to confirm his earlier offer, despite the pressure he was facing in choosing his team’ (p.286). When GC declined the offer, the PM had two candidates in mind: M.D. Banda and U.B. Wanninayake and eventually opted for the latter.

The question remained how to fit in GC to the new set-up. After some deliberations, it was decided to create a Ministry of Planning and Economic Affairs under the PM and make GC the Secretary to that Ministry. The new Ministry was located in the 8th Floor of the Central Bank and for GC it was a change of office room in the same building. GC’s team in the Ministry included Godfrey Gunatilleke, David Loos, Lal Jayawardena, among others.

NM's effort to forge a path for economic revival was the precursor to the new strategy. The first task was to provide relief to the crippling shortage of foreign exchange that had led to severe scarcities of imported goods by partially liberalizing the economy. As an Aid Group for Ceylon under the World Bank auspices was formed, the oil compensation vis-à-vis the US government was soon settled. A short-term recovery programme where donors would fund, not projects but, a flow of essential supplies to reactivate the economy as early as possible was put into operation. The annual aid flow was close to US$ 100 million and the World Bank was in charge. The IMF on the other hand, required the government’s commitment to budgetary discipline under the SBA. The food subsidy was a crucial area that needed attention under the SBA. The other issue under the SBA was correcting the exchange rate.

The food subsidy was finally revised in December 1966 and provided relief to the budget which was acceptable to the IMF. The Fund position was that the maintenance of the historic exchange rate linked to the pound sterling has resulted in progressive
overvaluation of the rupee and thus needed downward adjustment. The government resisted this largely because of the political implication of such a step. GC had argued that the terms of trade deterioration may not bring about the expected export gains from a devaluation. However, pressure to devalue from the Fund was strong and this was eventually done by 20 per cent, but the IMF was not satisfied with this. Thus in May 1968, Ceylon implemented a dual exchange rate (FEECS) that was commonly used in Latin America with tacit acceptance of the IMF. The fund was not entirely happy but approved it by saying it was 'a wrong step in the right direction' (p. 306). The scheme together with aid flows had a significant impact on the supply situation and hence the tempo of economic activity and growth.

GC recalls some episodes of the government, 'Food Drive of Ceylon' personally led by the PM; Senanayake–Chelvanayagam Pact; settlement of an impending strike of the plantation workers with the assistance of Philip Gunawardena and Thondaman; and a failed attempt by GC to negotiate an international tea prices agreement.

On the 1970 general elections, GC writes: "I recollect Mr. Bradman Weerakoon, then Secretary of the PM, saying to me that he had not known any earlier occasion when a government went to polls in such a supportive and non-controversial atmosphere". Later he writes: "Indeed it proved to be a startling surprise ....the final result was ... a shock to the party leadership (pp. 329-330).

1970- 1973

When Sirimavo assumed office for the second time as PM the press had reported that Central Bank and Treasury officials will be meeting the PM to inform the hapless state of the economy despite their own efforts of warning – implying all this was due to the advice and decision of the Ministry of Planning and Economic Affairs. GC had thought of the possible impact on him of the changed atmosphere and was not surprised when he reported to work at the Planning Ministry on the day when the new government was swearing in at the Governor General’s residence. People had gathered to cheer the new leaders – in seeing GC they booed and hissed at him as he stepped down from the vehicle.

GC recounts his first meeting with the new PM who herself was the Minister of Planning and Economic Affairs. ‘She was warm and affable ..... she felt that Dudley Senanayake has been gravely misled by his policy advisers. He had expected to win. But when she went around the country she realized the frustration of many of the voters and their hopes for a change....I was much impressed by her conversation and her attempt to explain the election result in an objective way’ (p.332). A week or two later GC had received a call saying that the new government had selected H. A. de S. Gunasekera as his successor.

When GC was sent back to the Central Bank in 1970 and appointed as the Senior Deputy Governor, there had been some concerns and criticisms expressed in the Cabinet on his appointment. Some Ministers had spoken of the political inconsistency of appointing a Senior Official of the previous government to a new and highly responsible office. NM (the new Finance Minister) had not subscribed to the criticisms but to avoid any acrimony in
the Cabinet, he had asked the Monetary Board to revise the appointment as Deputy Governor with S. E. P. Janz as Senior Deputy Governor. As during the early 1960s, GC was never consulted on policy issues and the Governor had once said that there were complaints on GC of late attendance to which GC had replied that it was ironic not only to be ignored in regard to the work, but also expect work on time in order to suffer embarrassment.

When Janz retired, W. M. Tilakaratna was appointed as Senior Deputy Governor which was not acceptable to GC, and he had informed that he was no longer prepared to acquiesce in arrangements that were both hostile and embarrassing and wish to take long term leave of absence from the bank to accept an assignment to do a study for the UNCTAD.

On the whole, although his name remained in the books of the Central Bank from 1950-1980, he devoted only seven years in the Bank, most of his time was spent on planning and other international organizations.

In 1973, when GC had returned to Sri Lanka, PM Sirimavo had invited GC to accept a new appointment as Ambassador to the European Economic Commission and Benelux Countries. GC had indicated to the PM, that he had received an indication from the UN that he was considered for the Secretary General position in the UNCTAD in a year or so time. However, the PM said that it is okay and her government will fully back his candidature and he should assume duties as Ambassador until then.

Back in Sri Lanka after the mid-1980s

While GC was making preparatory arrangements to leave Geneva after his spell as the Secretary General of UNCTAD (1974-1983), President J.R. Jayewardene (JRJ) had contacted him and wanted him to takeover as the Chairmanship of the GCEC (precursor to the BOI) – then headed by Upali Wijewardena – who had expressed a desire to quit his position to focus more on his business activities. GC had not shown much interest and the issue had petered out. JRJ was still anxious to make use of GC.

One day (early 1988) GC received a call from JRJ’s office requesting him to see the President. On calling, JRJ had said that Ronnie de Mel (then Minister of Finance) is quitting the Cabinet over some political differences, and he would like GC to assume the post of Finance Minister for the remaining year or so of the government. ‘I told the President.............that the government in its last year in office needed a politically oriented budget, a requirement that I did not feel equipped to provide’ (p.359). JRJ was very disappointed and later appointed Naina Marikkar to fill the post.

Back in Sri Lanka (mid-1980s and 1990s) saw GC’s involvement as the Chancellor of the Open University, Chairman of both the Institute of Policy Studies and Marga Institute, President of the Sri Lanka Economic Association and the National Academy of Sciences, Board Member of the Bandaranaike Centre for International Studies, etc. He was also a recipient of the first Deshmanya Award (1987) and subsequently Shabdeen Award (1994). "All these events and occurrences made me feel that despite the absence of any
official role, I was helping in various ways to contribute to events and developments in Sri Lanka’ (p.460).

Commentary

Critics point out that GC was an export pessimist and attached undue significance to the terms of trade declines. Had Ceylon pursued a full liberalization programme in 1965 instead of the partial liberalization and the recovery programme, the country would have done far better in terms of growth and development (Athukorala, 2004 in GC Festschrifts). Critics at another end however have argued that GC and his team moved too fast during 1965-1970. They argue that the strengthening the balance of payments was a task that required a great deal more than conventional liberalization and devaluation package. "More than any other interval perhaps, the period from 1965 to 1970 illuminated the great transformation problems that faced Sri Lanka as she sought to remodel her economy. The fact that the UNP was defeated in 1970 also demonstrates the strong appeal of traditional policy to Sri Lankans. It seems likely that, even had the UNP retained power in 1970, their efforts to change policy would have proceeded much more slowly than was the case in the late-1970s. To be more accurate perhaps, had the UNP moved slowly in the period from 1965-1969, it might have remained in power." (Bruton, et al., 1992:345).

Although CG shows satisfaction in some of his achievements, the book also shows some of his failures and set-backs – abrupt end to tasks he was performing, sense of unfulfillment, spells of official ‘exile’, etc. There is however no acrimony or recrimination against individuals who plotted against him at various times. The failures do not feature much in the chapters that cover his international career indicating that he was happier outside Sri Lanka.

This is a fascinating story of a first generation post-war breed economist, planner, and Central Banker who later distinguished himself internationally. Well written with a smooth flow in the narration it is altogether an absorbing book. It will be immensely useful for economic historians, policy makers, members of the Foreign Service, and students in economics and international relations.

(The publication will be released on 6th September 2008 by the Gamani Corea Foundation. The event will be organized by the Marga Institute)