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This govt. best bet towards sustainable growth: WAW

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IPS Acting Executive Director Dr. Dushni Weerakoon presents the think tank's flagship publication, 'State of the Economy 2017', to National Policies and Economic Affairs Deputy Minister Dr. Harsha de Silva in the presence of former Central Bank Deputy Governor and prominent economic commentator W.A. Wijewardena

Pic by Pradeep Pathirana

By Chandeepea Wettasinghe

One of the harshest critics of the government economic policies, former Central Bank Deputy Governor W.A. Wijewardena, gave his seal of approval for the current regime and diplomatically mediated a disagreement between two leading economists, at the launch of the Institute of Policy Studies (IPS) flagship publication, 'State of the Economy 2017', on Tuesday.

"Long-term growth is the one thing we are in need of because through that we have to win the elections in 2020 and 2025 and of course, this government is the only government we have confidence in, which can lay the foundation for long-term sustainable growth," he said on Tuesday. Wijewardena quite skilfully managed to find the middle ground between the disagreements of Institute of Policy Studies Acting Executive Director Dr. Dushni Weerakoon and National Policies and Economic Affairs Deputy Minister Dr. Harsha de Silva.

Dr. Weerakoon noted that the country is currently in the middle of an election cycle, which may have an effect on the reform process.

"The government will be attempting to implement the economic reform programme midway through the electoral cycle. It is often easier to do so at the beginning. (Then) there is a period for the painful adjustment costs and then the gains to work through over a four to five-year period, but we're midway through an electoral cycle," she said.

Reforming state-owned enterprises, loosening labour laws, removing protectionist and bureaucratic barriers that hamper trade and competitiveness, investing in education and promoting private sector education, were some of the reforms discussed on Tuesday, all of which are sensitive topics in Sri Lanka's political landscape.

Dr. Weerakoon said that the current global trend of opposing progressive reforms would find fertile ground in Sri Lanka if the government does not skilfully package the reforms to communicate their benefits.

"If political indecision makes reform efforts less achievable, the evidence is beginning to confirm that the probability of an upswing for the Sri Lankan opportunity is dim and Sri Lanka really cannot afford to lose this window of opportunity to undertake these reforms in view of the very daunting medium-term challenges that we face, particular in terms of debt," she said.

Dr. de Silva however said that such a pessimistic economic criticism should remain confined to the academic sphere and that in practice, the policymakers have to take into account politics, economics and social issues in a holistic manner, which the government is attempting to fulfil.

"Economics can't stand on its own. It is interconnected with how the government is run, how democracy is practiced, how we engage with the world and most of all, how we build peace in this nation," he said.

He noted that if the current regime had not addressed these first, the country would now be facing economic sanctions and trials at the International Criminal Court and that sacrificing economic growth is an acceptable price for long-lasting peace and reconciliation.

"Nothing is as important as ensuing peace in this country. Perhaps we will go at a slower pace—four percent—but if that gives us an opportunity to ensure that for once and for all, that we can bring in the political reforms that the whole world is asking us to do—and not just our people who seek political reforms—then it is worth it," he said.

This however appeared to be a complete contradiction of the Vision 2025 economic master plan of the government, which according to Wijewardena, requires the country to push growth up to 9 percent between 2018 and 2020, compared to the current growth around 4-4.5 percent.

He has observed that Vision 2025 is linked to the election cycle instead of an economic cycle.

Wijewardena called on Dr. Silva to become a magician or a juggler, who can juggle the multiple balls of winning elections, long-term growth inducing reforms and the short-term quick fixes.

He added that the government might also evaluate the possibility of creating a service export-oriented economy with this reform effort, similar to the 'services-oriented flying sparrow model' proposed by the late IPS Executive Director Dr. Saman Kelegama.

However, invoking the theories of the recent Nobel Laureate Richard Thaler, Wijewardena said that both the public and policymakers are irrational economic actors, which may negatively affect the reform efforts.

Dr. Silva said that the government takes Wijewardena's criticisms seriously, unlike in the past, when the government attempted to discredit him.

The entire episode took place in a friendly manner, unlike the fireworks that usually erupt when economists criticize each other in the western world.

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