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The Failure of Post-War Reconstruction in Jaffna, Sri Lanka: Indebtedness, Caste Exclusion and the Search for Alternatives

Ahilan Kadigamar
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THE FAILURE OF POST-WAR RECONSTRUCTION IN JAFFNA, SRI LANKA:
INDEBTEDNESS, CASTE EXCLUSION AND THE SEARCH FOR ALTERNATIVES

by

AHILAN KADIRGAMAR

A dissertation submitted to the Graduate Faculty in Anthropology in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York

2017
The Failure of Post-war Reconstruction in Jaffna, Sri Lanka: Indebtedness, Caste Exclusion and the Search for Alternatives

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Ahilan Kadirgamar

This manuscript has been read and accepted for the Graduate Faculty in Anthropology in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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ABSTRACT

The Failure of Post-war Reconstruction in Jaffna, Sri Lanka:
Indebtedness, Caste Exclusion and the Search for Alternatives

by

Ahilan Kadirkamar

Advisor: Michael Blim

Reconstruction of contemporary war-torn societies can lead to further dispossession and social exclusion, particularly through neoliberal development policies and financialized indebtedness. This dissertation analyses post-war reconstruction of the Jaffna District in the Northern Province of Sri Lanka after the end of a brutal three decade long civil war in May 2009, through a survey and ethnographic study of one village, Pathemany and its oppressed caste quarter, Bharathy Veethy. Drawing on a study of Pathemany village on agrarian change before the war, this study addresses contemporary questions about land, rural incomes, rural debt and caste structure. The study evaluates reconstruction policies through analysis of national and regional data and reports, and scrutinizes indebtedness and new forms of dispossession. It situates the failure of reconstruction in Jaffna within a broader frame of historical changes starting in the late colonial period and the current influences of global economic forces including the impact of the Great Recession of 2008.

This work argues that reconstruction policies were an extension of a second wave of neoliberalism in Sri Lanka soon after the war in 2009, which accelerated the liberalization trajectory set by the open economy reforms starting in 1977. An extensive process of financialization with integration of Sri Lanka’s state and private finance with the global
capital markets, expansion of credit by national banks and new financial products at the rural level have led to predatory lending and tremendous indebtedness in the countryside. Social institutions and the rural economy in agriculture and fisheries are undermined as development emphasizes infrastructure build-out, credit expansion and self-employment schemes. Reconstruction-led dispossession is leading to outmigration for remittances and contributing to further social exclusion. Caste structure weakened by war-time displacement is strengthening by stealth as public silence on caste relations prevails. The vibrant history of producer co-operatives, including of caste-based occupations in Jaffna, is explored to provide an alternative vision for reconstruction. A critique of the post-conflict discourse of transition reframes reconstruction as a political question, with the war-torn society likely to be shaped by future struggles.
On what intellectual ground does one stand to ask questions about a war-torn society such as in the North and East of Sri Lanka? How do disciplinary and other frames shift the questions we ask about societies? And what does it mean to write about a war-torn society and for whom? Critical social research and the process of writing should begin with such questions of self-reflection. A war-torn society in particular cannot be studied through its current empirical reality alone, rather a longer historical perspective of the continuities and shifts from the pre-war, war-time and post-war periods is necessary. Furthermore, the questions about such a society and the character of those changes are shaped by powerful local and international discourses.

My own intellectual engagement with Jaffna, the North and Sri Lanka more broadly started with activism and an effort to address the condition of exile. My activist interests and my research finally brought me back to live and write in Jaffna, and to engage in research on the social and economic lives of rural people. For almost ten years prior to departing on field research I had been writing extensively on the political issues in the public domain, influenced by frequent visits to the country and engagement with various actors. While my dissertation research and related engagement was qualitatively different, my scholarly concerns were shaped by my activism during the previous decade and linked to my own personal and familial history.

From Activism to Research

I left Jaffna in July 1983, soon after completing my primary schooling as I was about to turn twelve. My father’s political involvement and human rights work in Jaffna, and our
fortuitous travel to Japan for my father’s sabbatical from Jaffna University, changed my life permanently. Within days after we left the island, Colombo was burning with the pogrom of July 1983 and the civil war had started. My father was in self-imposed exile and many of his colleagues were fleeing the country as a crackdown by the state ensued. Leaving Sri Lanka at that tragic moment and hearing stories of the war, of deaths, of displacement and of assassinations, my family’s story was like many others in the Tamil community. Those fortunate enough to leave the country, nevertheless, struggled to find employment and meaningful social life in distant lands, and were haunted by the news of a place which day by day became distant even as it descended into the anarchy of war.

My father’s political involvement, my two years of boarding school in India and travels to India during my formative years kept me engaged on developments in Sri Lanka. The assassination in 1985 of C. E. Anandarajan, my uncle and principal of St. Johns College where I had studied, then the assassination of Rajani Thiranagama in 1989, my cousin and neighbor, and Marxist feminist activist and co-founder of University Teachers for Human Rights (Jaffna) (UTHR(J)), shook our family and made me question the politics of the Liberation Tigers of Tamil Eelam (LTTE). In subsequent years, during my late teens, I read two books, the Broken Palmyrah by UTHR(J) and Pudhiyathor Ulagam by Kovinthan which provided me a critique of Tamil nationalism and a more systematic understanding of the dreadful political turn taken by the armed struggle. Both works were written hurriedly amidst the heat of brutal conflict to alert Tamil society of the disastrous direction of Tamil nationalism and the armed struggle.

I visited Colombo after a span of ten years in 1993; and I was a twenty-one-year-old who found it hard to connect to a city I did not know much about. However, it was during that visit that thanks to Ben Bavinck, a retired Dutch missionary and former teacher at the Jaffna College involved in humanitarian work during the war, that I was introduced to
UTHR(J), particularly Rajan Hoole and K. Sritharan. I travelled with all three of them to war devastated Trincomalee. That three-day trip and the discussions with them on their critique of Tamil politics initiated a collaboration that became crucial for my future activism on Sri Lanka.

From 1993 to 2000, I made yearly visits to Colombo and struggled with ways of connecting politically with developments in Sri Lanka from the distance of Tokyo and then New York. My parents had moved back to Colombo in 2000, and the familial connection to Sri Lanka became stronger. Finally, in August 2002, during the internationalised ceasefire, I visited Jaffna with my mother, followed by another visit with my brother in August 2004. By the early 2000s, I became more and more engaged with activism from New York, through the co-editing of lines magazine, a quarterly social justice magazine that lasted five years and then co-founding the Sri Lanka Democracy Forum, an international network of voluntary activists involved in solidarity work for eight years.

These years of activism from 2002 to the end of the war in May 2009 were intense and shaped me profoundly. I was essentially involved in full-time activism, even as I managed to maintain my engineering job in New York. In January 2006, I had to leave my job, and until I started my PhD in 2008, I travelled continuously to various capitals of the world for advocacy. That intense period of voluntary international advocacy on behalf of the Sri Lanka Democracy Forum, gave me an understanding of the international actors and the international media and how they shape the discourse on conflict, human rights, security and reconstruction. After the war came to an end in 2009, I began visiting Jaffna regularly during most summer and winter breaks, writing on emerging political and economic developments. My dissertation research and writing were linked to my return to Jaffna, living in the very same house in which I had grown up as a school boy.
Place and Time of Research

The location of research, Jaffna, was important for me, as it was inaccessible for decades for many intellectuals and activists who cared deeply about the social life of the people in the war-torn districts. Furthermore, research also took an important place in my life, as I attempted to become more reflective about my own political engagement. My interest in political economy was two-fold. First, I wanted to understand historical changes with the war in relation to labor, land and capital. Second, I wanted to engage people in the countryside on their continuing day-to-day social and economic challenges in the post-war context. Such engagement was not possible in the past due to the security situation. Furthermore, the community of activists I belonged to were preoccupied with the war; including addressing the humanitarian crisis, mass human rights abuses, a constitutional political settlement, shrinking democratic space and the attacks on dissent.

I fully realize that the ability to choose to return after the war and to live and work in the war-torn place of my childhood is a privilege. The situation of the people who had endured the war, particularly the subaltern classes, is of another order. The trauma of the war and the hardship is etched on their faces. I have all my life lived in cities, whether it is Colombo, Tokyo, Bangalore, Atlanta or New York. My childhood in Jaffna, in proximity to the town, was the closest I would come to understanding the problems of rural people. But my social and class origins, and my parents’ liberal views, remained distant from the oppressive social structures of rural Jaffna. Thus when I returned to Jaffna for my visits and eventually to live amidst field research and writing, I had to learn much by way of communicating with rural people.

I was fortunate that I had retained my Tamil, having studied in the Tamil medium for my primary education. The two years in boarding school in India between the age of fourteen and sixteen allowed me to study Tamil and ensured my Tamil reading and writing skills were
intact. But it was activism during my thirties that advanced my Tamil, as I gained a mature political vocabulary engaging working-class diaspora forums and others in Sri Lanka. But I also realised and continue to realise every day that speaking the language and engaging a people, who inhabit rural and socially different worlds, are of a very different order. The world that has opened to me of engaging farmers, fisher-folk and rural workers through my research has been greatly rewarding.

I continue to learn bit by bit about the challenges of dealing with the trauma of war and how the everyday struggles of the war affected people who inhabit rural Jaffna. I sense a huge gulf between the middle-class Tamils residing in Jaffna town and the neighboring towns, and those whose lives are shaped by village life with rural provisioning and production. I will not pretend to understand the wounds of those condemned to multiple bouts of displacement and their horrific losses of loved ones over three decades of war. I realize that I am barely beginning to scratch the surface of their social predicament and I am only attempting to understand the character of productive relations that lie underneath the changes that have swept through this population over the last many decades.

This is where I am also wary of those who rush to record the trauma of the war-torn population. There has been a rush of writings, as if worried that the crisis in the North and East of Sri Lanka will flee elsewhere. But these writings come with lens imported again of global discourses, including of conflict, reconciliation and transitional justice. As I read about Biafra, and the tragedy there, written close to four decades later by writers like Chimamanda Adichie and Chinua Achebe, I wonder how we would look at our own Biafra three or four decades later. Nationalist thinking and the related social imagination lingers on, and the memories of war and suffering trouble people for decades. There is a need for the space of time to understand such suffering. The people who went through it also need time to reflect on what it means to them, before we rush in and try to excavate.
When the issue of war-time abuses are raised with ordinary people, the discourse in the media is initially regurgitated as that is what they assume they are expected to say. The people have yet to find their own vocabulary and their own terms to speak about their suffering. There is a significant difference, when one talks to them about their economic problems. Perhaps my interest in political economy, including the social and economic life of the survivors of the war, falls short of understanding their suffering. However, I also sense, how their day to day economic struggles are an entry point of engagement about their past. The attempts to understand their daily challenges and uncertain future are connected to how they see the past.

**Political Engagement and Research**

In a place such as in Jaffna, particularly in the militarized post-war context, with tremendous surveillance on one side and polarization by nationalist local discourse on the other side, it is difficult for research to remain neutral. Soon after I started living in Jaffna, I was often invited to give talks on a range of issues from analysing the national budgets to critiquing economic policies in various forums. I was also invited to write in the national English and Tamil newspapers and magazines. This was in part due to the dearth of writings on political economy in Sri Lanka in recent years. While such engagement inevitably took on a political character, it also opened many doors to dialogue and debate with local intellectuals, greatly expanding my understanding of local developments and thus informing my research. Given that the culture of academic and public writing had deteriorated with the war, the opportunity to participate in discussions with intellectuals hosted by local forums provided many insights.

In this context, my two research assistants, first a young journalist, Nirosh Thiagarajah and then a graduate of Jaffna University, Akalya Francis-Glaim proved
extremely valuable. Akalya in particular, in coming from Pathemany where I had initiated my research was insightful about local developments and we became collaborators; writing articles in the Tamil press, leading reading groups for university students and graduates and co-teaching a course on contemporary social issues to recent graduates of St. Johns College. Akalya’s own political development by participating in my research project, including her eagerness for field research, was admirable.

The question that has troubled me over the last few years is the broader silence in the media on post-war economic issues. The overwhelming nationalist discourse, which silenced or twisted a number of economic and social concerns, became a challenge to begin conversations much less discussions about the post-war rural economy, particularly in Jaffna town. Political issues and the role of the military of course remained a taboo topic given the climate of fear until regime change in January 2015 after my field research was completed. On the other hand, I found a warm reception in rural Jaffna to discuss the range of social and economic issues, particularly among the oppressed caste communities. And I also found some local bureaucrats, once they had asked a number of questions about my motivation and background, to speak candidly about the local social and economic situation, even critiquing state policy, however, they all wanted to speak off the record and were reluctant to provide documents. I understood their careful avoidance of any attribution due to the restrictions on the bureaucracy from Colombo, and the strict regime under a Governor, who until January 2015 was a military General.

In this context, I was particularly encouraged by the genuine engagement of local community leaders whether they were from co-operatives, farmers’ organizations or community centres. Many of them had lost much during the war and wanted to see their communities rebuilt in some way. This dissertation owes much to the resilience and vision of those leaders and people in rural Jaffna.
Acknowledgements

Perhaps no person has influenced me politically and intellectually more than my father Santasilan Kadirgamar, who passed away while I was writing up my dissertation. The support that my father, my mother Sakuntala and my brother Ajayan, gave me as I turned increasingly towards activism and sometimes the risks it entailed, for that I am fortunate and grateful. It is their support and their interest in my work, whether it be activist or scholarly, through the decades that gave me the stability and confidence to pursue my interests without looking back. My partner Ramya has continuously encouraged me to stay the course and complete my PhD. My cousin and fellow activist Niyanthini supported my move back to Sri Lanka and has also helped me with the tasks of analysing data.

Ten years ago on 12th August 2006, one of my mentors and comrades, Kethesh Loganathan, was assassinated. When someone is targeted and killed, and their life shortened for the power of their intellect, it leaves behind an irresolvable void. When confronted by many political questions I continue to think how Kethesh would have thought through them.

There are so many friends and fellow activists who have influenced me over the years that the list is too long for me to mention here. I will only mention the various activist forums and intellectual circles that have sustained me and shaped me over the last two decades. University Teachers for Human Rights (Jaffna), lines magazine, Sri Lanka Democracy Forum, South Asians Against Police Brutality, Himal Southasian magazine, Kafila, South Asia Solidarity Initiative, Marxist Reading Group (CUNY), Humanities Seminar on Third World Sovereignty and International Law, Democratising State and Society Discussion Group, dissenting dialogues, Collective for Economic Democratisation, REINCORP Fish Research Project and the Jaffna Research Group. Most of the individuals connected to such
forums in the hours, days, months and years of working, talking and debating with them have had a tremendous influence in the formation of my ideas.

My education at the Graduate Center, City University of New York, has been greatly rewarding. It gave me the time and space to read widely and engage the world of ideas, which was my motivation for starting a PhD. The extensive course work with Prof. Talal Asad, Prof. Michael Blim, Prof. David Harvey and Prof. Gary Wilder as well as the intense discussions with my comrades in the Marxist Reading Group in the environment of a public university provided me with a strong intellectual foundation and an experience I will always cherish. However, completing my dissertation became more difficult as I wrote from Jaffna while supporting my ageing parents and amidst political developments that required my time and energy. I am grateful for the support of my advisor Prof. Michael Blim for reading many versions of my draft dissertation and encouraging me to complete my dissertation. Prof. R. S. Perinbanayagam, Prof. Marc Edelman, Prof. Gary Wilder and Prof. Maarten Bavinck have also encouraged me and readily agreed to support my dissertation. Ms. Ellen DeRiso of the Anthropology Department has patiently answered all my logistical queries towards completing my dissertation.

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INTRODUCTION

How does one explain a society devastated by war for three decades that continues to suffer seven years after the war? Was it the decisions of the victorious regime in control of state power, or was it the conjuncture of national and global developments that led to post-war deterioration, or is it the inevitable predicament of survivors of protracted civil wars to suffer for years after the war? While increasing evidence of the failure of post-war reconstruction emerges in Sri Lanka, the question arises about the relationship of reconstruction to dispossession, including the extraction of assets and the deprival of livelihoods and entitlements. Is reconstruction a period of transition including with economic difficulties for the war-torn people as claimed by policymakers, or is transition itself a legitimizing and prescriptive discourse for new forms of dispossession and social exclusion?

Dispossession, social exclusion and violence characterize Sri Lanka’s postcolonial history with the disenfranchisement of the Up-Country Tamils, the tea estate workers brought over as indentured labor from India, soon after Independence in 1949, and the periodic riots starting in 1956, particularly in Colombo and the southern districts, looting Tamil homes and displacing Tamils (Vittachi 1958). The early signs of the state’s brutality were evident from the manner in which it crushed the insurrection by rural Sinhala youth in 1971. With escalating ethnic repression, the pogrom of July 1983 when Colombo burned and over 2,000 Tamils were murdered initiated a protracted civil war (Tambiah 1986). A second insurrection in the south between 1988 and 1990 with more brutal practices by the Sinhala youth attempting to grind the state to a halt, brought out the most ruthless counter-insurgency

---

1 These riots in 1956, 1958 and 1977 by Sinhala mobs, where loss of property and the displacement of thousands of Tamils – some of them permanently others temporarily – from their homes were early signs of the violent and tumultuous future of the country.
measures by the state, with widespread torture, abductions and disappearances by death squads, resulting in the deaths of tens of thousands of mainly Sinhala people (Hoole 2001).

The armed struggle in the North was initiated by a number of armed groups with various Tamil nationalist positions, particularly after the Federal Party, the largest parliamentary Tamil party, took on a separatist project in 1976. The escalation of the conflict became a full blown civil war with Tamil armed movements gaining considerable support from India after the pogrom of July 1983. By 1990, the Liberation Tigers of Tamil Eelam (LTTE), the most militarist of the Tamil armed movements, had wiped out all the other movements, assassinated the leadership of the Federal Party and carried out a purge of left activists, to ensure its total control over the Tamil community (Thiranagama et al. 1990). The LTTE’s extreme Tamil nationalist project and its fascist political culture\(^2\) of unconditional allegiance to its leader, V. Prabhakaran, claims that the movement was the sole representative of the Tamil community and its suicidal commitment towards a separate Tamil state, called Tamil Eelam, led to the silencing of dissent through assassinations and had a tremendous impact on the political possibilities for the Tamil community during the war years and subsequently on post-war politics and reconstruction (Hoole 2001).

Tamil intellectuals who could have contributed to political and economic revitalization after the war were either killed or forced into exile, removing them from any role even after the demise of the LTTE in 2009. Furthermore, many other intellectuals who survived the war living in Sri Lanka were willingly or unwillingly made complicit in the LTTE’s project, and short of public repudiation of their past positions, they are unable to chart a different path for political work and scholarship. The predicament of the Tamil

\(^2\) Tamil dissent critical of Tamil nationalism, such as the Sri Lanka Democracy Forum of which I was a member and the University Teachers for Human Rights (Jaffna) have characterized the LTTE as a movement with a fascist political culture. In other words, that its practices of naming those who do not agree with it as traitors, and attacking if not assassinating them, as well as its attacks on other minorities including the ethnic cleansing of the Northern Muslim population are reflective of a political project, the culmination of which would have ended in a fascist state.
community, including the lack of engagement by its political leadership and intelligentsia with respect to issues such as post-war reconstruction, is constrained by the legacy of the LTTE and requires a public debate within the Tamil community on the LTTE’s politics and separatist project.³

The protracted civil war in the North and East led to longer and multiple bouts of displacement sometimes spanning decades, periodic and unpredictable bombings, mass disappearances, massacres and counter-massacres of civilians by the state and the armed Tamil formations was a time of tremendous misery for the civilian population. The cataclysmic end to the war in May 2009, on a small strip of land on the eastern coast of the Vanni, the districts in the mainland south of the Jaffna peninsula consisting of forest and agricultural lands, with the Tamil civilians held hostage by the LTTE and mercilessly bombed by the Sri Lanka military had put a few hundred thousand people through the worst experiences of war in any part of the world.⁴

The communities that survived this devastating long war, mustering all their courage and strength, are now giving up. If during the war their survival instincts and hope that the guns will become silent kept some social cohesion, in the post-war years only a directionless dark future stares at them.

³ It is not that there was no forewarning of the LTTE’s politics and its disastrous course and the need for a different politics after the LTTE’s demise. The authors of Broken Palmyrah belonging to the University Teachers for Human Rights (Jaffna), were prophetic two decades earlier in 1989, and it is for the publication of this book and the analysis below that Marxist Feminist Dr. Rajani Thiranagama was assassinated by the LTTE in 1989:

“It was now the end of an era. A struggle that had, in its dawn, been fired by several noble ideals, and called forth courage and much sacrifice from young persons irrespective of group, had now reached a point where the community was powerless and voiceless. How long could a military force that claimed to represent them retain any degree of real autonomy with such a weak base?” (Thiranagama et al. 1990, 184)

“The Tigers’ history, their theoretical vacuum, lack of political creativity, intolerance and fanatical dedication will be the ultimate cause of their own break up. The legendary Tigers will go to their demise with their legends smeared with the blood and tears of victims of their own misdoings. A new Tiger will not emerge from their ashes. Only by breaking with this whole history and its dominant ideology, can a new liberating outlook be born.” (Thiranagama et al. 1990, 367)

⁴ Estimates vary on the number of civilians killed during the various insurrections and phases of the war. UN Sources estimated forty thousand people dead during the final phase of the war, others put it much higher, while the Government claimed much lower figures. I avoid citing numbers of those killed for the most part, as research on it is a project in itself.
The backdrop to this social crisis is also the state’s repressive militarization and dispossessing development policies as well as the bankruptcy of the Tamil political leadership in the post-war years. Political leadership and engagement with the war-torn people to provide them a vision for post-war restoration is lacking. The reconstruction of the war devastated economy is mired in problems. Rural livelihoods remain precarious, incomes fall far below expenditure and employment opportunities are minimal. Social institutions such as co-operatives, farmers organizations and co-operatives have not been rejuvenated, communities lack cohesion and individuals are left to suffer on their own.

Within a few years after the end of the war, household assets were further depleted. Families are torn apart as there are no assets to hold them together and there is no way out of the widespread indebtedness. Women have to increasingly take up the economic burden. The vulnerability of girls and women is related to their economic marginalization. The youth don’t have the routine of work. Day wage work is irregular. These developments reflect social and economic disorder.

Caste structures disrupted by displacement for years are strengthening. The demographic changes with the war and migration have led to an increase in the relative population of the oppressed castes, but socially and economically they are powerless with landlessness and lack of social mobility, including access to decent work. The mobilizations against caste exclusion were silenced during the war in the name of the Tamil nationalist struggle. The silencing of public discussions on caste oppression continues.

In the north new forms of social exclusion and oppression of minorities continue. The Muslim community ethnically cleansed from the North in 1990 by the LTTE finds it hard to resettle and receives little support from the Tamil bureaucracy in Jaffna. A significant section of the population in the Vanni districts consists of Up-Country Tamils from the tea plantations displaced by riots from the 1950s into the 1980s. They form a large section of the
oppressed caste landless labor exploited in the Vanni, even as their belonging in the region and even their citizenship in the country had remained uncertain for decades.\(^5\)

In this context, what is the role of the state and the donor agencies in reconstruction? Is it a return to prewar social relations or construction of a new and in fact a troubling social order that is the consequence of post-war development policies? For those troubled by the recent economic changes these are questions about the agency of powerful actors and the paths not taken. These developments also raise questions about internal differentiation of the war-torn population and its institutions, particularly of caste exclusion and the post-war character of temples, schools, community centers and co-operatives. The social and economic life of these long suffering people provide important lessons for Sri Lankan society to consider and for other regions devastated by protracted war.

My central argument is that reconstruction in Jaffna and the north more broadly has led to further dispossession and social exclusion. There are three causes that set the path of reconstruction and the misery readily apparent in the war-torn regions: first, the historical trajectory of post-colonial state formation and capital in Sri Lanka; second, the contingent factors of an authoritarian regime at the helm of a militarized state at the end of the war; and third, global forces characterized by market-oriented donor regimes and the increasing flows of global finance capital following the Great Recession of 2008. These factors initiated a second wave of neoliberalism in Sri Lanka characterized by an extensive process of financialization, where integration with the global capital markets and transformation of credit at the rural level are creating new mechanisms of financial accumulation and a state focused on urbanization and infrastructure development that increasingly places the

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\(^5\) The predicament of the returning Northern Muslims is central to my activist work in Jaffna. I have written about them in media; see for example, ‘The Other Oppressed Minority’ (Kadirgamar 2014). Similarly, the Up-Country Tamils in the Vanni are another minority that I am hoping to work with in the near future. The social standing of both these communities, long excluded by the Tamil middle classes, will determine the plural and democratic future of society in the Northern Province of Sri Lanka.
responsibilities and risks of economic activities on individuals. The reconstruction policies to address the war-devastated regions are embedded in this second wave of neoliberalism with tremendous expansion of credit, infrastructure for market connectivity and efforts to revive incomes and livelihoods through individualized self-employment schemes. The effects of reconstruction policies have been tremendous indebtedness that creates a new circuit of accumulation with financialization linked to global finance capital siphoning rural assets and even the remittances of migrant labor in the Middle East. Reconstruction-led dispossession puts new pressures on rural provisioning and livelihoods, and changes the workings of social institutions and caste relations. Furthermore, caste relations weakened by war-time displacement is strengthening with the return to caste wards in villages, and this process of caste exclusion is reinforced by the dispossessing dynamics of reconstruction policies. A critique of reconstruction can draw from the legacy and potential of co-operatives in Jaffna. And in the face of silence on the crisis of this war-torn society, avenues of reviving the politics of struggle and resistance become the urgent task.

Through such an analysis, I address the problematic path of reconstruction characterized by dispossession and social exclusion. The silence on the widely felt indebtedness in the war-torn countryside reflects the hegemonic power of international and national discourses of post-conflict development. Furthermore, the silence on caste exclusion reinforced by Tamil nationalist opinion makers contributes to the persistence and strengthening of caste oppression through stealth under the rebuilding of social institutions. The dearth of critical perspectives on development and a progressive vision for reconstruction have also undermined the search for alternatives. The vibrancy of co-operatives in Jaffna before the war provides some possibilities for reconstructing the war-torn society in an equitable direction. Finally, I address the importance of resistance including against caste oppression, in reshaping the failed path of reconstruction.
Global Frames of Research

Beneath the seeming isolation of three decades of civil war, flows of people, arms, finances and political discourses connected through the humanitarian circuit and the diaspora, internationalized the devastated region of the north and east of Sri Lanka. And before the war, centuries of colonial domination successively by the Portuguese, Dutch and British had transformed the landscape. This transformation brought about by colonial rule including modern state institutions and a modern economy linked through the market and forms of capital accumulation had determined the social relations of this post-colonial society.

Global forces are significant in determining developments in Sri Lanka. However, the global discourses of development, conflict resolution, post-conflict reconstruction, rule of law and constitutional reform downplay how global forces shape the problems of this island. Research and scholarship have also been shaped by such biases that attempt to look at problems within the nation-state framework. In other words, it is assumed that international engagement and frameworks only contribute to alleviating national problems and that they will not aggravate or create new problems. In reality, such global discourses often seek to integrate Sri Lanka into an unequal international order, whether it be a liberalized economy for the accumulation of global capital or the repressive stability and legal regimes promoted by imperial geopolitical interests, for example the “war on terror.”

This was not always the case. Earlier generations of intellectuals in Sri Lanka influenced by leftist movements had an internationalist perspective of both anti-imperialism and anti-colonialism. Similarly, researchers influenced by Marxist political economy and historiography contextualized problems in relation to global developments. Their analysis was shaped by grounded and committed engagement towards social change, which in the process recognized the constraints by global forces. In other words, critical social research of
that era did not merely import global frames of analysis including the Marxist variety and impose it on Sri Lanka, but evolved their analyses to understand global forces through engagement with the concrete situation in Sri Lanka.

Postcolonial state formation involved debating and negotiating the different strands of nationalist forces that were consolidating after Independence. In Sri Lanka, state formation and its relationship to its various minorities became central to what is popularly known as the national question. The decade following Independence, beginning with the disenfranchisement of the Up-country Tamils and culminating in the Sinhala Only Act of 1956, led to the framing of the national question around concrete issues of language, land, devolution of administrative powers and citizenship of Up-country Tamils (Hewage and Kadirgamar 2008). While Sri Lankan scholarship addressed the national question in historical and concrete terms culminating in the devolution debate of the 1990s (Siriwardena1996), international engagement and donor-funded research eventually limited the debate to concerns of contemporary liberal constitution making with an emphasis on comparative work.

In Sri Lanka, where caste agitations had begun during the period of decolonization it is only during the brief period of the 1960s to the 1970s in Jaffna that major anti-caste struggles took place (Senthivel 2009). While caste has been an important determinant of social structure both within the Sinhala and Tamil communities, its workings have been different from that in India. Unlike in India, there are no caste censuses and for that matter any form of affirmative action. In recent decades, caste identities are not even spoken of publicly in Jaffna and caste exclusion continues by stealth, particularly with landlessness and inequitable land ownership, subtle segregation in education and discrimination in employment. While in India, major anti-caste struggles and the construction of a “Dalit” identity to unite the untouchable castes has been central to resistance, in places like Jaffna
such a political identity has not been consolidated. Therefore, some of the activists in Jaffna draw on the concept of “oppressed castes” constructed during the anti-caste struggles in the late 1960s (Senthivel 2009). The “oppressed castes” in Jaffna consist of the untouchable castes, and the political relevance of this term, is the emphasis on their caste position as a consequence of oppression that requires resistance. While there is much that research on caste in Jaffna can draw from the scholarship on caste in India and more recently the Western academy, there is need for extensive research on caste in Sri Lanka that can in turn inform international scholarship and debates on caste. The silence on caste oppression and subtleness of its workings in Jaffna, reflect new mechanisms of caste oppression. Furthermore, new methodologies for studying caste oppression can also be developed contributing to social science research on contemporary forms of social exclusion.

By the mid-1970s, despite Sri Lanka’s low per capita income, it was internationally considered a model for its high human development indicators and relatively equitable distribution of wealth. Sri Lanka was the first country in Asia to implement universal adult franchise in the early 1930s and this contributed to policies of free education and health starting in the 1940s, and eventually a social welfare state and progressive social development. However, the legacy of this social welfare state strengthened by an import substitution regime for close to two decades and the challenges posed to it by the global economic downturn in the 1970s are rarely discussed in contemporary analysis of the war and its aftermath in Sri Lanka.

Ironically, it is with liberalization in the late 1970s commonly known as the “open economy” reforms in Sri Lanka, that research was narrowed and the boundaries of analyzing the economic problems were circumscribed by framing questions within the nation-state. Undoubtedly, neoliberalism, both as an ideology and through its processes including the shaping of discourses, has had its impact in narrowing the questions of research. One aspect
of this reduction is the lack of attention to global developments and a focus on prescriptive solutions within the terms set by a liberalized economy. The problems with the contemporary economy in Sri Lanka are not analyzed by critically scrutinizing the turn towards liberalization, rather, it is claimed to be one of the war having contributed to a major lost opportunity towards high growth and development (Kelegama 2006). Thus the war cast a form of amnesia over social research and strengthened the deployment of neoliberal solutions at the cost of grounded specific analysis.

Following the “open economy” reforms of 1977, there were a number of Marxist and other scholars who analyzed it as emblematic of a structural adjustment program as it came to be known later. The brazen attitude of the regime that brought about liberalization, where President J. R. Jayawardena famously stated, “Let the robber barons come!”—necessarily led to critical analyses (Kelegama 2006, 52). However, few analysts have used neoliberalism as the frame of analysis of economic reforms in Sri Lanka. The lack of scholarship on neoliberalism including both Sri Lanka’s relationship to neoliberal globalization and the dearth of comparative analysis of the workings of neoliberal capitalism in similar contexts have muted scholarly critiques of the problematic economic development trajectory in Sri Lanka.

I draw on the works of David Harvey, Gérard Duménil and Dominique Lévy, Loïc Wacquant, Jayati Ghosh, and C. P. Chandrasekar6 among others to frame the economic trajectory in Sri Lanka as one shaped by neoliberal globalization (Harvey 2003, Harvey 2005, Duménil and Lévy 2011, Wacquant 2012). In particular, I claim that finance capital and financialization are central to this economic transformation from a country with a strong social welfare state and equitable distribution of wealth to one with dispossession of

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entitlements and livelihoods and increasing inequalities. Furthermore, this process has featured authoritarian regimes that often crush labor and peoples movements resisting these economic developments.

Critical scholarship on the political economy of Sri Lanka was diverted by the mid-nineteen eighties, as intellectuals shifted their attention to the civil war. When the concept of ethnicity was introduced in the late 1970s and into early 1980s, by the Social Scientists Association to complicate the political economic narratives that could not provide a fuller analysis of the social and political changes, it was a productive turn (Social Scientists Association 1984). There was also extensive historical and anthropological work on Sinhala Buddhist nationalism, including the nationalist ideologies and institutions that shaped modern Buddhism in Sri Lanka (Gombrich and Obeyesekere 1988, Seneviratne 1999). However, the concern for ethnicity soon replaced all others, as it became linked to donor funded research and internationalized discourses of conflict and peace, and drastically altered the development of scholarship on Sri Lanka.

The internationalized Norwegian Peace Process of 2002 – 2005, and the funds that came in with it, led to research and programs on conflict resolution and peace building supported by international NGOs and Western academies. Similarly, models of federalism and state reform from the West, alien to the long-standing debate on the national question in Sri Lanka, were imported and proliferated through workshops in Colombo. By the early 2000s, for some youth, a job in a NGO and diplomas in human rights, peace and conflict studies, became tied to depoliticized job aspirations. In the meantime, the problems of state, society and war were reduced to questions of ethnicity and the once strong tradition in political economic analysis became non-existent in Sri Lanka. This predicament of research and scholarship has continued in the post-war era. The horrific end to the war froze the
debates on Sri Lanka as a place of unresolved ethnic conflict within a militarized Sinhala Buddhist regime.

The Rajapaksa regime attempted to shift the domestic discourse to one about economic transformation and prosperity through development. This development push worked well with militarization, as development and security were merged, with the military as the so-called “war heroes” given some supervision over development. And Sinhala Buddhist nationalist mobilizations, including repression of minorities and xenophobic rhetoric and campaigns, became the cover and diversion when development related dispossession led to social protests. In this political landscape, challenging militarization as well as Sinhala Buddhist nationalist and majoritarian politics has been important. Furthermore, the less engaged topics of self-criticism and a critique of Tamil nationalism has been a central challenge within the Tamil community. However, contemporary research and scholarship has remained silent on issues of class and a much needed political economic critique of neoliberal development. Moreover, an assessment and serious critique of problematic reconstruction policies in the war-torn North and East has been lacking.

The global frame of understanding civil wars and post-war Third World societies, is also dominant in the scholarship on Sri Lanka, with an emphasis on transitional justice, constitution-making and the rule of law (Arthur 2009). This legal frame of understanding state, society and post-war developments displaces questions about class, caste, gender and labor. It is assumed that building a strong legal foundation, including a new constitution and an impartial criminal justice system, will address the grievances that have torn apart Sri Lanka (Arulingam and Kadirgamar 2016). This legal frame is extended and is complicit in the building of a market-oriented property regime, restructuring the once strong labor laws and the institutional basis for a modern banking and financial system (Nagaraj 2016).
Research on Reconstruction

I step outside the received frame of the war in Sri Lanka, which substitutes the political economy of the North and East before, during and after the war, and employs instead a narrative of ethnic conflict. Questions about how communities and certain institutions survived the war relate in part to the social and economic ground before the war. Therefore, I want to distinguish between the continuities in the war-torn regions despite the war-time destruction and the political economic shifts with the war.

In this context, what is the economic future of the war-torn population in the North? Where does their incomes come from? To what degree are their fates tied to agriculture, the state sector, and foreign remittances? And how important is land as an asset? However, such research proved to be a challenge, as research on land and agriculture in Sri Lanka, which was vibrant in the 1970s and into the 1980s, had come to a standstill with the war.

My research on rural incomes and debt draws on field research in Pathemany, a village near the small town of Atchuvely in Jaffna. I decided to study this village, because it was the only case study in Northern Sri Lanka in one of the most extensive research projects on agrarian change conducted from 1980 to 1982 by the Social Scientists Association. The principal researcher of the project, Newton Gunasinghe,7 claimed the many village studies in Sri Lanka, “do not make a theoretical contribution to the understanding of the socio-economic processes at work in our countryside” (Gunasinghe 1985, vii). They showed that anthropological thinking and research on rural communities and village studies require analysis of broader national and international political economic processes. My field study of Pathemany after the war, is an attempt to ground my own research in relation to a research effort at a crucial historical moment before the war.

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7 He was one of Sri Lanka’s most prominent Marxist social scientists and introduced many of the Marxist debates in the 1970s as well as the works of Gramsci and Althusser into the Sri Lankan scholarship. I have been greatly influenced by his work and theoretical orientation.
I began my field research, even as most households had returned to their livelihood activities, which they had been practicing before the war, and where possible during the war. In Jaffna, that meant mainly cash crop cultivation particularly in what is referred to as the red soil belt in the fertile northern area of the peninsula and to a lesser extent paddy cultivation on the periphery of the peninsula. Small holder agriculture for the landed castes and fishing for the coastal communities consisting of the fisher castes are the main forms of rural livelihoods. There is also the large population of landless labor, mainly from the oppressed castes dependent on wage labor when it is available. Others are involved in cottage industries, work relating to palm trees, masons in construction, transporting produce and government jobs including in administration, education and healthcare.

The significant challenge to my research was that the post-war economy was in flux and I was always behind fast changing developments. When I conceived my research project in 2010 and 2011, I was interested in the revival of agriculture and rural incomes as they emerged with reconstruction. Six months into field research and by early 2013, I found that post-war indebtedness had become the crucial issue. I learned that the other side to household assets was household debt, and that payments on loans were a drain on household incomes, and when such debt deepened, it depleted household assets. Dispossession through policies of financialization became my preoccupation as the problems of reconstruction became more and more apparent.

While most people in Jaffna were conscious of this crisis of indebtedness, few spoke about it in public. And even when some opinion makers in Jaffna began articulating worries about rising indebtedness, the policymakers and other actors in Colombo did not acknowledge the problem. There are difficulties of recognizing debt and even more analyzing its dynamics. First, debt is not limited to the flows of incomes, but relates to the stock of assets and is accumulated over time. Second, debt has cascading effects, where debt can be
leveraged to get more debt, and additionally, more debt can hide previous debt. Like the leveraged derivatives in financial markets, rural debt is also hidden during a period of easy credit until a crisis hits.

Even as the local economy is in crisis in recent years, class, gender and caste relations are changing in the post-war years with migration and ties to the now strong Tamil diaspora. The middle and lower-middle classes particularly in the towns in Jaffna peninsula see the future of their next generation to be linked to the Tamil diaspora in the West. Households prefer that young women marry men in the West. While migration to the West has become difficult with tightening immigration policies, increasing numbers of youth from all sectors of society go for temporary work in the Middle East bringing in regular remittances to sustain their families.

There are a large number of households led by women with dependents – including children, the elderly or the disabled – placing a heavy social burden on women. Their predicament often depends on wage labor and NGO livelihood initiatives, both of which are inadequate. Though their plight is acknowledged by all quarters, the causes are not sufficiently addressed by mainstream analysis. Women’s work in cottage industries prior to the war has not resumed as the local markets for their goods are flooded with cheap imports. Furthermore, new microfinance schemes targeting women have proliferated in the post-war years leading to further indebtedness.

Caste oppression is taking on new dynamics extending beyond the relationship to land. There is increasing caste exclusion and discrimination in education and job opportunities in the post-war years, which in part due to their subtle character are continuing without contestation. Oppressed caste children are segregated into schools falling apart and the economic possibilities for those households diminish as they are thrown further into downward cycles of poverty. There are changes to the workings and make-up of social
institutions such as temples, schools and community centers that further reinforces forms of caste exclusion. The temples were the sites of major anti-caste struggles in the 1960s, but such conflicts over temples seem to have receded into the background with each caste investing more and more into its own temples.

These changes to class, gender and caste, reflect the broader reconfiguration of social relations in the post-war era, and are tied to both the consequences of the war and the path of reconstruction in recent years. These changes are also linked to changes in the global economy and the policies proposed by international agencies and donors. Dispossession and social exclusion are the consequences of what I characterize as the failure of post-war reconstruction.

**Methodology**

I employ a variety of methods for my inquiry with historical, qualitative and quantitative approaches. My research was grounded in a field study of one village, Pathemany, and its oppressed caste ward, Bharathy Veethy, in Jaffna. I also interviewed many officials in the Jaffna District. Furthermore, I examined many reports by the government and international agencies on reconstruction in Jaffna that were not in public circulation. Finally, I also analyzed published government data including the census and surveys carried out in Jaffna and the North after many decades.

My field study in Pathemany village and Bharathy Veethy ward draw on an earlier research project between 1980 and 1982. Pathemany has its own unique history. Its proximity to Atchuvely town and one of the main bus routes in Jaffna peninsula make it less isolated than other villages. Educational, health and state institutions and services are easily accessible. Its caste demographics are different from the average village, with a relatively large oppressed caste population. Pathemany, like many other villages in Jaffna, went
through considerable change with the cash crop boom and the anti-caste struggles in the 1960s and 1970s. It has also gone through drastic changes with war, displacement and migration. My field research analyzes the rural economic life and the social institutions in Bharathy Veethy and to an extent Pathemany with close to its seven hundred households.

My field research consisted of a quantitative survey, interviews linked to a questionnaire and ethnographic research. The questionnaires and surveys were carried out through snowball and convenience methods relying on the contacts that my research assistant and I had in the village, and therefore they cannot be considered a complete representation of the village. The questionnaire was carried out on 10% of the households in Pathemany village and the survey was carried out on 25% of the households in Bharathy Veethy oppressed caste ward. The purpose of the quantitative aspects of my field research were to generate questions and trends that could be explored alongside government data. The data from my survey is corroborated with data from the Census and Statistics Department, the Central Bank, the Finance Ministry and the District Secretariats. It should be noted, that historical data from the government and other sources for Jaffna District and Northern Province were limited by the difficulties of access during the war.

Next, the decades of displacement, return and migration have also made the task of collecting accurate data difficult, particularly given that I undertook field research just three years after the war and when the process of resettlement was ongoing. Furthermore, the continuing militarization and surveillance during the period of my field research deterred many villagers and officials from participating in my research or speaking candidly on a number of issues. Indeed, a similar research conducted in the same place, five or ten years later may provide more accurate findings and evidence of the state of rural economy and social relations, both due to the stabilization of rural social and productive relations after the
war and the openness that is emerging with democratization after regime change, including the confidence people are gaining year by year after the war to express their concerns.

There were some issues that were either taboo or self-censored by most people in post-war Jaffna for various reasons. War-time mortality, abuses and the role of the military were subjects people avoided discussing due to the climate of fear. Historically articulated caste identities have derogatory connotations and are rarely mentioned in Jaffna in recent times. Furthermore, there is widespread reluctance to discuss caste relations in public. Therefore, I had to analyze caste, without explicitly referring to it many interviews, and particularly my questionnaire and survey.

Unless otherwise specified, the Sri Lanka Rupee to US Dollar exchange rate conversion used in the dissertation is Rs. 130 = US$ 1. That is a good estimate of the exchange rate during the years of my field research between 2012 and 2014.

**Theorization and Implications of Research**

My theoretical orientation comes from Marxist political economy, both from the works of Marx and subsequent debates among Marxists. These debates on the state, imperialism, the peasantry and in recent decades about neoliberalism are central to my scholarly interests (Arrighi 1994, Akram-Lodhi and Kay 2012, Harvey 2005). I also draw from a historical perspective in understanding the various global conjunctures, such as the end of the Second World War, decolonization, the economic downturn in the 1970s and the Great Recession of 2008, including how they have shaped the political economy of Sri Lanka.

I draw on the distinction Marx makes between regime and state in *The Eighteenth Brumaire of Louis Bonaparte* (Marx 2004). While the conceptual distinction between government and state is more apparent, in countries like Sri Lanka where there are large
coalition governments of a wide spectrum of political parties, state power is concentrated in a ruling group. In Sri Lanka, such regimes were able to consolidate even more power with the initiation of the executive presidency in 1978, where one individual was elected with considerable power. I argue that regimes with their particular characteristics and social bases have considerable influence on the manner in which state power gets deployed and the consolidation of the political and economic trajectory of the country. Therefore, issues ranging from economic development policies to support for nationalist majoritarian mobilizations are determined by the politics of such regimes.

I argue, post-war reconstruction in war-torn Sri Lanka, despite its many apparent problems, is legitimized through the discourse of transition. The discourse of transition makes unwarranted parallels with other situations, for example that Sri Lanka can transition onto a Malaysian model of development (Biller and Nabi, 2013), and justifies economic harm as part of the cost of advancing the path of capitalist development (Sanyal 2007). While there has been considerable scholarly scrutiny of the concept of transition as it is deployed in transitional justice mechanisms relating to accountability and constitutional issues, critiques of economic transitions, particularly as they are articulated for post-conflict reconstruction are wanting (Paige 2009, Guilhot 2002). I critique the legitimizing and prescriptive character of the discourse of transition in order to address the silence on the failure of post-war reconstruction.

Michal Kalecki put forward a theory on the consequences of the weakness of the bourgeoisie in the Third World by analysing the relationship of different classes which seem to come together to control state power (Kalecki 1972). This theory of Kalecki on intermediate regimes stimulated a vibrant debate in Sri Lanka, by scholars such as Amita Shastri, Newton Gunasinghe, Sunil Bastian and Jayadeva Uyangoda (Shastri 1983a). This debate also sought to explain the prominence given to the rural economy by successive regimes, the emergence of robust welfare policies and the implementation of import substitution policies in Sri Lanka between 1956 and 1977. However, it is my view, that this debate did not place adequate importance on the role of external forces, particularly, global political economy including global capital and market forces that affected the sustainability of the economic policies during the import substitution decades. My discussions with Thushara Hewage have shaped my ideas on this important debate in Sri Lanka (Hewage and Kadirgamar 2008).
I draw on David Harvey’s broader definition of dispossession to include both the extraction of assets including land and the deprival of livelihoods and entitlements (Harvey 2005). Other scholars have argued for a more restrictive understanding of dispossession, particularly the importance of coercion and the appropriation of land (Levien 2013). However, I find a broader definition of dispossession to be relevant for analysis of neoliberal development and reconstruction. For example, dispossession in post-war Jaffna is systemic including through financialized indebtedness, neglect of the rural economy and diminishing entitlements. While there are instances of targeted take-over of land for example by the military, however, the broader economic harm on rural people in Jaffna comes from multiple dynamics and processes. Next, dispossession is not limited to the take-over of land.

Contemporary forms of dispossession in Jaffna include pawning that has led to extraction of rural people’s liquid assets in the form of gold jewelry and the failure of reconstruction has led fisher folk and farmers to abandon their way of life.

The consequences of dispossession I argue are often social exclusion, both through targeted measures such as the denial of infrastructure and entitlements and systemic processes of exclusion from participation in social and economic life. I find the Amartya Sen’s articulation of social exclusion as active and passive forms to be helpful for my research (Sen 2000). In post-war Jaffna, caste exclusion is aggravated by both rural economic dynamics and oppressive caste relations: the rural economic crisis including widespread indebtedness has a disproportionate impact on marginalized oppressed caste communities and reinforces their social exclusion; and the discriminatory actions of officials towards oppressed caste wards and refusal of upper caste people to sell land to the oppressed caste people, leads to the further social exclusion of oppressed caste communities.
Neoliberalism and Periodization

Neoliberal policies have been in place in Sri Lanka and many other countries for close to four decades, and they take on different characteristics at different points in time and in different places. Therefore, I articulate a new periodization of neoliberalism in Sri Lanka. In 1977, Sri Lanka became the first country in South Asia to go through liberalization, and preceded the election of Reagan and Thatcher as well as the Washington Consensus in the 1980s. Therefore, the history and periodization of neoliberalism in Sri Lanka has important implications for understanding the emergence of neoliberalism in South Asia and other parts of the world. While the influence of the United States during the conjuncture of the 1970s cannot be discounted in terms of its impact on Sri Lankan politics, the resurgence of the United National Party (UNP), the leadership of J. R. Jayawardena and the push for liberalization were also historically constitutive of a Sri Lankan elite vision. In fact, there was an earlier historical moment of Sri Lankan opening its economy during the conjuncture between 1948-1953, which was foreboding of the later neoliberal turn, and what I characterize as the first of wave of neoliberalism starting in 1977. I further claim, it is the global conjuncture with the Great Recession of 2008 leading to global financial flows to the emerging markets, the end of the civil war in Sri Lanka with militarized stability and the consolidation of an authoritarian regime that led to a second wave of neoliberalism in 2010.

This periodization of the major historical shifts in the political economy of Sri Lanka is paralleled by the World Bank’s changing policies over the course of Sri Lanka’s postcolonial history. The first World Bank mission to Sri Lanka in 1951 emphasized the development of agriculture and discouraged industrialization as its central recommendation. With liberalization in the late 1970s, the World Bank’s emphasis had shifted to the massive Mahaweli irrigation scheme and promotion of the garment sector in the free trade zones. More recently, after the end of the war in May 2009, the World Bank in addition to
emphasizing urban and infrastructure buildout, is calling for further cuts in state support for agriculture. These shifting priorities of the World Bank have greatly influenced economic policies in Sri Lanka, and I would argue contributed to successive economic crises and political conflicts. The major general strike of 1953 in response to the cuts to rice subsidies recommended by the World Bank, the political grievances of the Tamil parties about colonization schemes in the Tamil regions linked to the World Bank funded Mahaweli project and more recently the struggles around slum demolitions linked to the World Bank funded urban development projects, are a few instances of how the World Bank’s economic projects have serious political consequences.

Next, authoritarianism, an active security apparatus and a strong role for the state in development are linked to models from South East Asia – particularly, Singapore and Malaysia – to influence the vision of national and international actors during both waves of neoliberalism in Sri Lanka. Authoritarian use of state power has been crucial to quell any resistance, including from organized labor and social movements, to neoliberal policies leading to tremendous social and economic changes including urbanization, infrastructure build-out and cuts to social services. Furthermore, during each wave of neoliberalism, there are different economic policy packages depending on the character of the authoritarian regime and its social base. Therefore, each neoliberal wave sets different priorities on urbanization and infrastructure build-out, on privatization, on trade and on cuts to subsidies and state services.

A significant shift during the second wave of neoliberalism is the structure and depth of financialization, which reaches deeper into the rural economy and results in the creation of tremendous rural debt. Financialization linked to global finance capital through the floating of sovereign bonds and corporate bonds of banks in the global capital markets have led to a tremendous expansion of credit with a variety of financial products from pawning, lease-hire
purchasing, self-employment loans, microfinance schemes to name a few, which have in turn greatly increased the levels of indebtedness of the rural population. 

I place importance on the critique of the global order from the periphery. For instance, while the Great Recession of 2008 led to an increase in global gold prices, it is from studies in the periphery that its consequences such as increases in pawning and the transfer of rural household assets in the form of gold jewelry to the financial system can be analyzed. More generally, global flows of capital, national processes of financialization and financialized indebtedness are leading to processes of social-differentiation at the rural level as evident from my village study. The changing character of rural debt has been characterized by a shift from public and subsidized loans to increasingly private and high interest loans. The increasing forms of predatory loans with high interest rates target the vulnerable, including women and the oppressed caste people who lack other means of credit for example from the co-operatives. In this way, economic anthropological inquiry can elucidate changes at the rural level and its relationship to global processes through such micro-level analysis of economic processes and social differentiation.

I hypothesize a new circuit of accumulation by global capital. Increased rural indebtedness from the formal financial sector – connected to the global capital markets through the national banks and finance companies that reach down to the rural households – is leading to out-migration of labor to the Middle-East. The remittances of migrant workers are necessary for sustaining rural life, but part of the remittances are siphoned off for the accumulation of global finance in the form of debt payments. In this new circuit of accumulation by global capital, there are multiples points of dispossession and exploitation, workers are first dispossessed of their livelihoods even as they are mired in indebtedness, they incur debts to migrate for work, they are exploited in their new work settings in the Middle East, and then their remittances are siphoned off as debt payments.
Caste Exclusion and the Co-operative Vision

These economic dynamics in the countryside are linked to the aggravation of caste exclusion. The failure of reconstruction has caste implications in that it is the oppressed caste people consisting of the landless wage laborers that are more susceptible to the monetization of the rural economy increasing pressures on rural provisioning, the reducing levels of wage work with the falling agricultural incomes and in turn increasing levels of indebtedness due to fall in household incomes relatives to expenditure. Next, new forms of the social exclusion with increasing educational costs have a bearing on caste exclusion particularly in the rural make-up of segregated schools. Furthermore, the discriminatory practices of upper caste Tamil bureaucrats and officials deny access to state services and infrastructure for oppressed caste households and wards.

In this context, I address the long history of producer co-operatives, including of caste-based occupations, to argue an alternative vision of reconstruction. Indeed, cooperatives were some of the most vibrant social institutions engendered by Jaffna society, and have become casualties of both the war and now reconstruction. Their difficulties and in many cases their disappearances have created deep tears in Jaffna’s social fabric. Their history and their workings provide a different vision for the relationship of post-war economic life to finance and market. Their revival, I argue, can greatly contribute toward economic and social recovery in Jaffna. Furthermore, if the macro-conditions including a reversal of financialization and the attendant indebtedness is possible, co-operatives could also lead the revival of rural production. Finally, I argue, that a change in the continuing trajectory of the neoliberal reconstruction, dispossession and social exclusion will depend to a large extent on broader resistance including of anti-caste struggles in war-torn Jaffna.
Paths Not Taken

My research engages the question of how the survivors of the war in northern Sri Lanka continue to suffer in the post-war era. Breaking the silence is the first step in reconsidering the failed path of reconstruction. This silence has a caste and class character. The refusal to recognize caste relations and the subtle but significant discriminatory actions of the Tamil elite perpetuates caste oppression. Furthermore, it is the class character of the Tamil political elite, who are not affected by the rural economic crisis, which allows them to neglect the failure of reconstruction and continue with a singular focus on the Tamil nationalist political goals. These silences are also related to the legacy of the LTTE and the conditioning of Tamil political discourse, where it is only through a self-critical evaluation of the LTTE’s politics that a progressive Tamil politics can emerge.

The Rajapaksa regime saw through the end of the war and shaped the post-war trajectory of further militarization, undermined the political process to address minorities’ political grievances and implemented problematic reconstruction policies. However, the regime was in control of a state that had strong colonial lineages and had undergone significant development in the post-colonial era. The Sri Lankan state was also greatly debilitated by the war, resulting in the deterioration of state institutions, particularly the criminal justice system. The Rajapaksa regime fell in January 2015, but the state apparatus shaped by colonialism, civil war, and a new relationship with finance capital continues. The state-finance nexus has become central to the workings of the state and the economy, where state expenditure requires sovereign debt in the global financial markets and the inflow of global capital is necessary to avoid a balance of payment crisis. Therefore, the reversal of both financialization and dependence on global finance capital is central to changing the relationship between state and society.
The inability to consider alternatives to the current trajectory of reconstruction, whether it be through co-operative production and distribution or a revitalization of the rural economy enhancing rural provisioning and social rejuvenation, are related to the dearth of critical social research. The implementation of neoliberal blue prints of economic reconstruction by powerful donors has pushed the war-torn regions again towards the brink of economic abyss, where people are left without even ideas of alternative approaches to rebuilding society. Therefore, charting progressive research agendas and more importantly intellectual engagement in the countryside on questions about alternatives are urgently needed.

The subaltern sectors of the war-torn society facing dispossession and social exclusion are indeed likely to engender resistance in the future. The crucial question is the politics of their resistance. Would oppressed caste politics join forces with and even provide leadership to progressive forces towards challenging Tamil nationalism? Would a new progressive and democratic Tamil politics join forces with other minorities such as the Muslims and the Up-Country Tamils as well as progressive actors in the Sinhala community, towards both resolving the national question and addressing the mounting inequalities and uneven development in Sri Lanka? What are the prospects of class politics gaining center stage after decades of neoliberal attack and displacement by the civil war? These questions relate to the lost bearings of scholarship on Sri Lanka that underpin my inquiry.
The problems facing Sri Lanka today, including its institutions relating to its state, society and economy, were shaped by over four centuries of colonial rule. Indeed, Sri Lanka is certainly not an island when it comes to its political economy, but an appendage historically of the Portuguese, Dutch and British empires, and finally decades of United States’ over-lordship in the post-colonial era. Sri Lanka was also transformed by its proximity to India with migration and conquests during the precolonial era, economic flows including of indentured plantation labor during colonial times and then eventually constrained by its regional hegemony in the post-colonial era. The political economic transformation accelerated during late colonialism and decolonization created modern social, economic and political institutions that instituted welfare measures in health and education as well as supportive schemes for the small holding peasantry. And it is with this period of decolonization that I begin my political economic analysis of the recent war, its consequences and the troubling efforts at reconstruction in Sri Lanka.⁹

⁹ These political and economic changes also led to extensive research and scholarship. In the 1970s, extensive work by liberal and Marxist scholars addressed the legacy of colonialism and the process of decolonization in Sri Lanka. Here, my own scholarly interests have gained from a return to and engagement with the research and works of scholars such as Kumari Jayawardena, Newton Gunasinghe, S.B.D. de Silva, Vijaya Samarweera and Michael Roberts (Jayawardena 2002, Jayawardena 1972, Gunasinghe 1985, De Silva 1982, Samaraweera 1981, Roberts 1982). Much of that perceptive scholarship, grounded in a political economy approach is fast receding from intellectual memory. While there have been some critical works over the last two decades by scholars such as Nira Wickramasinghe, Sunil Bastian, Qadri Ismail, Pradeep Jeganathan and Jayadeva Uyangoda, this recent scholarship has been preoccupied with the questions of the recent past; including those of war, conflict, ethnicity, nationalism and peace (Wickramasinghe 2015, Bastian 2007, Ismail 2005, Jeganathan 1998, Uyangoda 2001). My engagement with the political economy scholarship in the 1970s is not to directly address the questions posed by those earlier generation of scholars. Rather, I believe there is much to be gained in returning to that scholarship on political economy with new questions that have emerged in contemporary Sri Lanka.
The colonial transformation led to far reaching changes in society. The administrative structures and economic institutions including the forts, the ports and the estates are visible remnants of such colonial transformation and extraction. However, changes also occurred in educational opportunities, religious practices and caste relations that are less visible but no less important effects of colonial rule. Communal representation during the first century of British rule and eventually universal adult franchise after 1931, shaped the politics of both the Sinhala and Tamil elites. The cultural and religious movements led by these elites starting in the late nineteenth century had, by the late colonial period increasingly taken on the narrow characteristics of Sinhala Buddhist and Tamil nationalisms, as opposed to a broader anti-colonial nationalism. These social developments had a direct bearing on caste relations within the Tamil community in particular, raising the possibilities of an anti-caste movement.

The great challenge during the decades of decolonization starting in the 1930s was to find land for a peasantry that had grown substantially in population in the South Western Sri Lanka region called the Wet Zone. In the agriculturally rich Wet Zone there were both plantations for the production of tea and rubber but also extensive cultivation of paddy and cash crops. Colonization schemes along with irrigation projects in the Dry Zone to mainly cultivate paddy, particularly after the eradication of malaria in the 1930s, became the dominant policy idea to address demands of the peasantry during late colonialism, and became central to postcolonial state policies during the three decades after independence. The exports particularly tea came mainly from the labor of plantation workers imported from southern India. These Tamil workers of Indian origin were restricted geographically and ethnically isolated to the plantations in the hill country of central Sri Lanka. Sadly, one of the first major acts of discrimination by the post-colonial state in 1949 was to disenfranchise these plantation workers to undermine the left base that was emerging in the plantations.
There was a small base of urban working class in Colombo, which was increasingly vocal as it was mobilized by newly formed trade unions and left parties. This working class in industrial belt around Colombo, the ports and state infrastructure was multi-ethnic in its emergence from the late 19th century into the mid-20th century, but Sinhala Buddhist nationalism and anti-minoritarian tendencies began to emerge within the trade union movement as early at the 1920s (Jayawardena 1972). While a thin stratum of the Sri Lankan elite had been privileged by colonial policies, for the mass of the population educational and social mobility remained distant and the standard of living was low. Nationalist struggles and campaigns, more reformist in character than the militant anti-colonial struggles in the rest of South Asia, mobilized society around economic and social concerns. Greater representation in State Councils with universal suffrage in 1931 set the direction of policies for the emergent postcolonial state.

Sri Lanka went through tremendous changes in tandem with the transformation in the global order during the decolonization decades between the 1930s and 1970s. Its economy, largely dependent upon tea and rubber, shifted with the ups and downs of global demand brought on by depression, war and world economic recovery. Global powers through trade and aid policies tried to steer its economy. The creation after independence in 1948 of state educational and health institutions, a modern banking system, powerful trade unions and a widespread co-operative movement have left an indelible mark on contemporary Sri Lanka.

The emergence of left-leaning coalition governments a decade after independence led to import substitution policies along with efforts at land reform and an emphasis on rural development. The state with its social welfare bent had a significantly different role in society and economy, both in terms of promoting agricultural production and state-owned enterprises and industries. However, the governments in power during import substitution used this active and expanding presence of the state to build a Sinhala rural base and alienated the
Tamil population through discriminatory policies with the respect to language, education and employment.

In 1977, under the influence of the United States, Sri Lanka undertook so-called “open economy” reforms, a package of measures later known as the Washington Consensus, which dictated the elimination of tariffs, capital controls, and social subsidies in exchange for development assistance. The Sri Lankan economy was in a deep crisis in the mid-1970s, with a balance of payments problems curtailing even essential goods, leading it to seek the assistance of the IMF. Regardless, the new government led by J. R. Jayawardena was committed to liberalization and its allegiance to the United States. Liberalization of the economy was paralleled by the centralization of the state under a newly formed executive presidency. State repression was not only unleashed on organized labor but also attempted to crush Tamil mobilizations and resistance, resulting in a civil war with Tamil movements supported by Soviet-leaning India.

This chapter explores the political economy of Sri Lanka, by outlining the legacy of British colonialism, the decades of decolonization and the formation of the postcolonial state, in order to analyze the emergence of a liberalized economy and the civil war in Sri Lanka. This analysis of the long historical arch of twentieth-century Sri Lanka seeks to contextualize the challenges in post-war Sri Lanka.

**Commission of Capitalist Transformation**

Successive colonial powers starting in the 16th century, first the Portuguese and then the Dutch, weakened existing social structures resulting in the slow but significant historical changes to create modern Sri Lanka. Local rulers were defeated or co-opted by the colonial powers and the economic and social power of the local clergy were also reduced. New forms of trade, taxation and compulsory labor for colonial extraction were enforced with
administrative institutions developed to facilitate colonial rule. The political economic transformation by colonial power led to coastal development around the island with fortified centers of trade and administration. Uneven development characterized by agricultural extraction from the inlands and investment along the coast for the colonial economy shaped caste relations, religious practices and conversion, and the emergence of an indigenous elite whose fortunes were linked to the colonial administration. The predicament of the peasantry and the castes oppressed by the peasantry, exploited for colonial extraction, became in time the central political and economic problem in modern Sri Lanka (Arasaratnam 1982, de Silva 1981, Ludowyck 1962).

While such colonial processes were steadily transforming Sri Lankan society, it is with the consolidation of British colonial power in the early 19th century that Sri Lanka is subject to a significant capitalist transformation. British colonial rule expanded on the earlier coastal economy and introduced the estates with the necessary infrastructure. The plantations in time transformed the Sri Lankan economy into one dependent on exports of commodities produced in estates, bringing a new dimension to the uneven development of Sri Lanka.

Sri Lanka became a crown colony under direct rule of the British in 1802, resulting in a different political economic trajectory from the rest of South Asia, which until the Mutiny of 1857 was controlled by the East India Company (De Silva 1981). Far reaching reforms put forward by three significant commissions between the early 1830s to Independence in 1948 constituted a British colonial experiment in Sri Lanka. These commissions sent from London were meant to transform governance in the island going far beyond the regular workings of the Governors.

The Colebrooke-Cameron Commission arrived in 1829, close to three decades after the capture of the island from the Dutch, and Ceylon gaining the status as a Crown Colony, and just over a decade after the entire island came under the control of British after it
defeated the Kandyan Kingdom in 1818.\textsuperscript{10} While the later Donoughmore Commission of 1927 and Soulbury Commission of 1945 were to primarily address constitutional changes, the Colebrooke-Cameron Commission was mandated to address three issues; administration, revenues and judicial establishment and procedures. The political changes that came with Commission set the climate for unified rule of the colony; balanced by the powers of the executive, judiciary and a nascent legislature. The economic changes proposed by the Commission were deeper in character with major reforms in relation to labor, land and property.

The radical character of the economic reforms was influenced by the convictions of the commissioners who were influenced by the liberal thought and economic philosophies of Jeremy Bentham and Adam Smith. They wanted to see much greater proliferation of private enterprises and wanted the state to limit its economic activities inside the country, with revenues being collected as taxes or customs as opposed to being an exploitative agent in production.

William Colebrooke, the chair of the Commission, recommended that the colonial government should relieve its role in the trade of cinnamon and that: “the growers of cinnamon may be allowed the option either of selling to the government, or of freely disposing of the cinnamon for consumption in the island, or for exportation from the ports of Colombo and Galle, and that export duty be levied on its equivalent to the net profit of the government on its sales” (Colebrooke-Cameron Report 1832, 41). Thus cinnamon – the main export commodity from Ceylon prior to the emergence of coffee and then later tea plantations – exploited by the Colonial officials was to be encouraged as a tradeable commodity promoting private enterprise.

\textsuperscript{10} The last stronghold of Sri Lankan kings in the central highlands.
Colebrooke also specified the kind of government intervention that is desirable, particularly with respect to distillation of alcohol:

While the object of raising a revenue on the consumption of spirits is generally to be approved, it is desirable to remove any restrictions which unduly affect the value of property and check the industry of the inhabitants. With this view, I would recommend that the license to distil, under certain regulations, either from toddy or rice, should be granted in all the districts, and that distillers should be licensed to sell their spirits to persons engaged in the retail trade at Colombo (Colebrooke-Cameron Report 1832, 47).

In this way, the expansion and workings of the market was considered to be important even with the lucrative industry of alcohol which brought high revenues for the state. These policies expanding and regulating the arrack industry contributed to the emergence of the Sri Lankan bourgeoisie, who first accumulated wealth through the arrack industry.11

The Colebrooke-Cameron Report also made extensive recommendations towards the transformation of a labor market and the peasantry. The custom of compulsory local labor practiced until then in colonial public works was also opposed by the Commission. They recommended such labor should be hired voluntarily and where necessary “advertisements should be published throughout the country, and even on the neighboring coasts of India, announcing the nature, the terms, and the duration of the employment.” (Colebrooke-Cameron Report 1832, 22) Furthermore, in addition to calling for changes in land tenure, they also made recommendation that: “The application of capital to agriculture will gradually remove the inconvenience arising from the poverty of the cultivators, and the subdivision of lands.” (Colebrooke-Cameron Report 1832, 27)

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11 Kumari Jayawardena traces the emergence of the Sri Lankan bourgeoisie through the sale of arrack, the local liquor, in the 19th century. This arrack industry exploited the wages of the plantation workers (Jayawardena 2000).
The implementation of the Colebrooke-Cameron reforms coincided with the emergence of coffee plantations and the rapid advance of a plantation economy. The colonial government addressed the labor shortages and the unwillingness of the local peasantry to work in the plantations by importing indentured labor from poverty stricken villages in South India. Despite the harrowing conditions in the plantations, these captive workers for the most part remained in Ceylon. A European planter community managed these lucrative plantations and trading houses in Colombo. With the rapid increase in exports in coffee and then tea, first road connectivity and then railroads were built connecting the estates to the growing port in Colombo during the second half of the 19th century. Thus the plantation economy contributed to an increase in production, trade and infrastructure.

The capitalist development of Sri Lanka in the 19th century created an indigenous wealthy class involved in the distillation and sale of arrack for local consumption, particularly in the highlands where the estates were situated. The capital thus accumulated by the local elite was invested in lower cost coconut plantations. This emergent Sri Lankan bourgeoisie was represented in the Legislative Council and began agitating for greater powers of representation. The advances in education along with religious and cultural revival among the Sinhala Buddhists and Tamil Hindus created constituencies that by the late nineteenth and early twentieth century slowly began to question the Anglicized and Christian make up of a section of the Sri Lankan elite and their colonial allegiance (Wickremesinghe 2015). Trade unions emerged in the late nineteenth century and began agitating for workers’ rights and higher wages for the working class in urbanized Colombo (Jaywardena 1972). Therefore, the capitalist transformation over the century after the Colebrooke-Cameron reforms slowly created a number of political challenges for the colonial government.
**Commission of Suffrage**

The Donoughmore Commission arrived in 1927 to address the decades of agitations by the local elite, whose demands centered on the reform of the Legislative Council and greater Sri Lankan representation in colonial governance. The Donoughmore Commission was influenced by the Labor Government in power in London, and its far reaching reforms in Sri Lanka were an exception in the British Empire, as it sought to carry out a major experiment in colonial governance transforming representative politics in Sri Lanka.

The mandate of the Donoughmore Commission was to examine the problems between the Legislative Council with communal representation and the Executive Council which was for the most part the arm of the Governor, and to come up with constitutional reforms that could result in the efficient administration of the colony. The Donoughmore Commission considered the major political and economic changes since the Colebrooke-Cameron reforms. Indeed the Donoughmore Commission saw its work as one relating to a more general problem: “that the history of modern constitutional development is one continuous record of attempts to adjust accepted parliamentary practice to the realistic requirements of social and economic progress.” (Donoughmore Report 1928, 19) One of the chief obstacles they felt was the lack of well-formed political parties to promote the “good government” of the country.

The challenge they saw in light of economic changes was the need to create the kind of parliamentary practice where political power would come with responsibility, where the existing scheme had troubled both the local elite and the colonial officials with “divided responsibility”. The Donoughmore Commission did recognize the risks to the Empire in addressing the issue of divided responsibility, and they balanced it by actively listening to the concerns of minorities and women’s groups in Ceylon. They believed increasing the power of the Ceylonese would also put the onus of responsibility on the Ceylonese, subject to some
safeguards: “The management of their affairs must therefore be handed over to them, subject only to certain safeguards, which should be designed to protect the minorities in their midst and the interests of the Empire of which Ceylon forms an important part.” (Donoughmore Report 1928, 35) The Donoughmore Commission had a clear argument, it was going to “protect the minorities” and guard the “interests of the Empire,” the former out of benevolence and the latter out of necessity.

With such confidence and clarity, the Donoughmore Report recommended “administrative devolution” to the Ceylonese with “constitutional reform.” However, this understanding of devolution reducing colonial power was coupled with the idea of devolution of power to the provinces to reduce the centralized power of the local elite in Colombo.

The primitive character of the provincial government, as against the comparatively advanced system of central government, is very noteworthy. Any further grant of central government will emphasize and increase this contrast; and such opportunity, as may be afforded, must be given under the new constitution to redress the balance by the encouragement of local self-government as a first step in the elaboration of measures to diminish the poverty and ill-health which in some provinces is the lot of many villagers. It is essential to emphasize, at the risk of reiteration, the importance of keeping in sight the lot of the rural worker. The great gulf fixed between him and the educated and westernized classes of Colombo forms a dramatic contrast (Donoughmore Report 1928, 44).

Thus the Donoughmore Commission related provincial devolution12 to poverty reduction and the amelioration of economic inequalities between city and countryside.

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12 This discussion of provincial devolution in the Donoughmore Report is fascinating as it later becomes central to the constitutional debates on the “national question” in the postcolonial era and to this day. The Commission’s use of this concept of devolution in Sri Lanka under direct rule of the British, was a step towards engaging federal forms of government with decolonization. The devolution debate in Sri Lanka in the 1980s and 1990s, went well beyond the issue of decentralization and local level democratization, and became a debate
The solution to these social and economic problems was their recommendation for the extension of the franchise. They state: “We have already indicated our belief that a wider franchise would expedite the passing of such social and industrial legislation as is now in force in every progressive country.” (Donoughmore Report 1928, 83) The Donoughmore Commissions placed overwhelming emphasis of solving various social, economic and political problems through the greater extension of the franchise. Thus with a new constitution in 1931, Sri Lanka became the first country in Asia to gain universal adult franchise, and only two years after universal suffrage in Britain. This change in franchise came despite the opposition of both the Sinhalese and Tamil elites. The genius of the Donoughmore Commission was its willingness to take on the argument against franchise head on. They turned the argument that only those men who are educated and own property can vote responsibly to say only those who gain the vote will be able to resist various forms of oppression such as gender and caste discrimination.

Here the Donoughmore Commission’s argument for women’s franchise related it to the health and social conditions in the country. It claimed, in addition to the “general principle of sex equality, we have been impressed by the high infantile mortality in the Island, the need for better housing, and for the development of child welfare, midwifery and ante-natal services”, and that women’s franchise could address some of those problems (Donoughmore Report 1928, 88).

The Commission similarly addressed the benefits of the extension of franchise to the “70,000 or 80,000 of low caste or of depressed classes among the Tamil community”. It claimed the low caste people, “by receiving the vote, will not only be placed in a better

about the minorities’ stake in state power. The shift with this debate was from district level decentralization versus provincial level devolution (Siriwardena 1996). Interestingly, the Donoughmore Commission, in order to strengthen its argument of devolution as a check on the Ceylonese elite’s power, in addition to articulating the concerns of minorities, also relates it to issues of class and poverty. However, in contemporary Sri Lanka, liberal and legal discourse has increasingly reduced devolution to an issue of powers for regional ethnic minorities, with little engagement on class issues.
position to obtain redress for their grievances but will gain a new status and self-respect as possessing one of the highest privileges of citizenship” (Donoughmore Report 1928, 86). This emphasis on those oppressed by caste among the Tamil community, their franchise and self-respect is significant for subsequent developments in northern Sri Lanka. The representations made by the oppressed caste communities to the Commission itself were an important step towards building an anti-caste movement (Senthivel 2009). In this way, the Donoughmore reforms linked the questions of social and economic progress to the idea of citizenship and the extension of franchise. This was the context for the emergence of free health and education as well as food subsidies in Sri Lanka, which were promoted by the newly elected representatives with universal suffrage during the late colonial period.

**Soulbury Commission and Independence**

The Colebrooke-Cameron Commission and the Donoughmore Commission were perhaps the two most significant commissions in Sri Lanka as they encouraged capitalist development and inaugurated liberal democratic state structures. However, the Soulbury Commission of 1945 set in motion the process of decolonization and handover of power to the local elite. Thus, the Soulbury Commission stands as an important milestone in postcolonial capitalist development and the formation of the postcolonial state.

The Donoughmore reforms in 1931 led to the tremendous colonial experiment of implementing universal adult franchise in Ceylon. However, a few years after the implementation of the Donoughmore Constitution, the local elite in the Legislative Council began agitating for more powers. Delayed by the priorities of the Second World War, by the time the Soulbury Commission was appointed in 1944, the war was almost over and Britain was set to decolonize India and Burma. For Sri Lanka, the Soulbury Commission sought to ensure that state power was handed over to a loyal local elite to continue British hegemony in
the neocolonial era. Indeed, the tone and substance of the Soulbury Report are focused on safeguarding the British interests of control over defense and external relations of Ceylon after decolonization.

After reflecting that “the economic development of the Island under British initiative added further elements to the complex of communities … (and) indentured labor was imported from India to build roads and clear land for the establishment of plantations, where first coffee, and later and more extensively tea, was grown,” the Commission elaborated a vision of decolonized Ceylon as a developmental state (Soulbury 1945, 6). The Report suggests the implementation of state policies such as “budgeting for development” and “tax system into one which produces some means for development” (Soulbury 1945, 33). The Commission emphasized agricultural policy and development and was concerned that the government may not incur the expenditure necessary to develop uncultivated lands. It recommended “long range policy in the matter of land development and in the extension of irrigation and agriculture” and “schemes of colonization and land development” and “agricultural development of the Island” (Soulbury 1945, 46).

The exposition of development in the Soulbury Report was both a review of the economic changes brought about by the British colonial experiment in Sri Lanka as well as setting the stage for the economic development policies that should be pursued after independence. The Soulbury Report addresses three key themes of development: (1) the continuing importance of the plantation economy; (2) the need to build modern state institutions of budgeting and taxation; and (3) the need for extensive land development policies including the introduction of irrigation agriculture in the less populated dry zone.

The Soulbury Report was clearly constrained by the Second World War and the decline of the British Empire. In two exhaustive volumes, K. M. de Silva has edited many of the communications (telegrams) between the Colonial Office in London and the Governor in
Colombo between 1939 and 1948. In de Silva’s long introduction and in the telegrams, imperial priorities of war dominate Britain’s engagement with the colony. Furthermore, with the banning early in the war of the Lanka Sama Samaja Party (LSSP)\textsuperscript{13}, the British enjoyed full support for the war from the nationalist elite. The timing of the Soulbury Commission at the end of the war and eventually its recommendations were meant to bolster loyal support from the Sri Lankan elite both during the latter part of the war and then with the handover of power to an independent Ceylon.

Labor Party Under-Secretary of State Gordon Walker represented the UK government at the Independence celebration in Sri Lanka on 4\textsuperscript{th} February 1948. He circulated a report about the celebrations and political situation to members of the British Cabinet on 17\textsuperscript{th} March 1948:

Ceylon is settling down as a genuine Dominion. Present Ministers are extremely friendly and want to maintain and deepen the British connexion. They want, for instance, to preserve English as the official language in Parliament and courts. … It is hardly too much to say that if we treat them strictly as a Dominion, they will behave very like a loyal colony: whereas if we treat them as a colony we may end in driving them out of the Commonwealth. … Socially, Ceylon is a mixture of feudalism and Eighteenth Century landed aristocracy. There is relatively little caste and practically no communal tension. … A great need in Ceylon is a genuine radical Labor Movement based on proper Trade Unions. … If no serious land reforms are undertaken the Left Parties will remain of some importance, though I doubt whether they will make electoral headway. The United National Party is beginning for the first time to take local organization seriously. Buddhism and Catholicism will become

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\textsuperscript{13} A Trotskyite party formed in the mid-1930s, which was the first Marxist party in Sri Lanka. The Moscow leaning Communist Party split from the LSSP in the early 1940s. The LSSP was far more militant with an anti-colonial and anti-imperialist orientation than the nationalist elite. The British banned the LSSP during the war to squash agitations that could undermine the war effort.
increasingly stubborn obstacles to Marxism. If reforms were undertaken, the Marxist opposition would cease to be serious: but this would be a slow process (De Silva 1997b, 365).

Under-Secretary of State Walker’s communication is a reflection of British interests, albeit from a Labor Party point of view, and also of the British consensus on the formation of the postcolonial regime in Sri Lanka. The dominion status of independent Sri Lanka discussed by Walker relates to the former colony as part of the Commonwealth remaining under British influence with the Queen as head of state, and more importantly control over defense, foreign affairs, the currency and even law through appeals to the Privy Council in London. The Marxist left was perceived as the greatest threat to the legacy of the colonial order. The possibility of mobilization along language and religious lines was disregarded; the tremendous ethno-nationalist mobilizations that would shake Sri Lankan society did not figure. The caste structure and its continuing impact on social inequalities were ignored.

**Emergence of the Postcolonial State**

The postcolonial state and its modern institutions embodied the politics of the nationalist elite during the late colonial period, including the policies that emerged with universal adult franchise and the powers devolved to the State Council in the 1930s. Therefore, progressive state policies of food subsidies, free education and health, and agricultural policies favoring the peasantry were in effect before Independence. The nationalist elite at the helm of state power took forward progressive welfare policies. They

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14 While the British lost control over many aspects in subsequent years, Sri Lanka became formally a republic under the left government in 1972.
also began attacking those they claimed to be outsiders such as the Indian origin Tamils in the plantations and eventually the English speaking elite.\textsuperscript{15}

The peasantry was put at the center of the nationalist elite’s campaign for Independence during decolonization; an anti-colonial campaign that was relatively weak compared to the rest of South and South East Asia.\textsuperscript{16} The nationalists claimed to be the trustees of the Sinhalese small holder peasant even as they attacked the plantation laborer as an outsider. Samaraweera, one of the perceptive scholars of colonial Sri Lanka, emphasizes the importance of the peasantry and land policy for nationalists, including their most prominent leader D. S. Senanayake in the late colonial period:

Senanayake was not alone in this orientation towards the rural society at the expense of the urban; this facet of nationalist perspective was to be a significant feature in politics, then as later, for the nationalists were largely committed to drawing their political support from the rural masses. The land policy was but one plank of a broad program which the nationalists evolved for the benefit of the peasantry. The wider measures of welfarism adopted during the State Council era could be subsumed under a term which came into vogue then, 'rural reconstruction' (Samaraweera 1982, 151).

Prime Minister D. S. Senanayake’s first move soon after Independence was the disenfranchisement of the Up-Country Tamils, thereby revoking the citizenship of the most exploited estate workers, despite their significant contribution to the national economy and

\textsuperscript{15} The nationalist elite themselves were part of this Anglicized English speaking elite, including many who were educated in England, but they changed their attire, religion and switched to using Sinhala to engage the Sinhala Buddhist and rural constituencies (Manor 1989).

\textsuperscript{16} Moore claims the Sri Lankan elite took up the concerns of the peasantry not due to the pressure from the peasantry but for the elite’s own ideological positioning: “The alienation of state land to villagers has been conducted on a very large scale since the Sri Lankan elite became an effective challenger for state power in the 1920s. The program has been conducted in the name the peasantry, but owes little in origin or in detail to political pressure from the villages. Instead, the elite seized upon and articulated what appeared to be a potential or actual grievance in such a way as to give moral and ideological support to its own claims to rule. The issue of Crown lands was placed within an interpretation of Sri Lankan history and society which served both to boost the elite’s claim to leadership and obfuscate its own responsibility, via plantation enterprise, for some of the alleged ills of that society. The notion of a homogeneous peasantry played, and continues to play, an important part in this interpretation” (Moore 2008, 48).
foreign earnings. This severe move was also meant to break the political base of the left in the plantations. Furthermore, it was a deeply worrying development also for the future of minorities in Sri Lanka.

The relationship between the postcolonial state and national capital, or the national bourgeoisie in Sri Lanka at Independence was shaped by two factors. First, the postcolonial state in Sri Lanka was a product of the state structures imposed by colonialism, particularly policies of the British Empire including the outcome of the three Commissions discussed above. Second, Sri Lanka had a weak bourgeoisie due to the prominence of English planters and British companies in the plantation sector. Therefore, the post-colonial state’s policies were to a large measure influenced first by British capital controlling the plantations and eventually donor agencies such as the World Bank and IMF under US hegemony (Lakshman 1985). In this context, with a politically weak Sri Lankan bourgeoisie and extensive state structures, there were tremendous swings in the politics of the governments that came to power in subsequent decades.

Post-colonial Capitalist Development and Global Integration

The West-leaning United National Party (UNP) government prioritized the formation of institutions relating to finance and development, as part of a broader process of postcolonial state building. While Sri Lanka had the support of the British, the Finance Minister J. R. Jayawardena in creating the Central Bank did not seek the help of the Bank of England. Rather, he requested support from the Federal Reserve in Washington. Perhaps the

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17Class formation in Sri Lanka is characterised by a weak bourgeoisie, which is the reason why I refer to the nationalist elite, which consists of both upper class professionals as well as an emerging bourgeoisie. According to Ponnambalam: “The three-fold class system – bourgeoisie, middle class, and proletariat – of Western industrial societies does not fit the Sri Lankan case directly, for whereas a middle class and a working class (not an industrial proletariat) were present, there was practically no national (i.e. independent) bourgeoisie with the means to defend its interests internationally. The Sri Lankan middle class sharply bifurcated into an upper middle class, which was an embryonic bourgeoisie, and a lower middle class, the bulk of it only marginally better off than the working class.” (Ponnambalam 1981, 15)
shrewd politician that he was, Jayawardenena, who would in the late 1970s liberalize and transform the economy, already saw the importance of aligning with the United States.

The Federal Reserve sent John Exter, who wrote the ‘Report on the Establishment of a Central Bank for Ceylon’ in November 1949. Exter, the first Governor of the Central Bank in Sri Lanka, said in his Report that “in taking steps to establish an independent monetary system to be administered by a central bank the Government has demonstrated unmistakably its intention to achieve genuine economic freedom as a corollary of the political freedom achieved a year and a half ago” (Exter 1994, 1). Thus independent monetary and economic policies were linked to state formation. Furthermore, Exter ideologically maneuvered the fashioning of Sri Lanka’s monetary authority and control of banking away from stronger links to both India and Britain: “In fact, whenever a country voluntarily links its currency to another, it establishes a satellite-planet relationship which in effect proclaims that the satellite will always move with the planet. This is tantamount to a renunciation of a basic element of monetary sovereignty” (Exter 1994, 4). Thus the concept of sovereignty is now evoked in relation to even banking. Exter nevertheless makes a distinction between different countries and their economies, including the notions of underdevelopment and development: “Experience of central banks in underdeveloped economies reveals that such banks need different and wider powers than those in developed economies” (Exter 1994, 9).

Exter articulated his arguments not only in terms of domestic needs but of global changes, including the global capital and goods markets, and emphasized Sri Lanka’s economic dependence on the prices of a few primary commodities in foreign markets. He went onto say that Sri Lanka is “dependent upon economic conditions abroad, and is especially sensitive to the world business cycle” (Exter 1994, 9-10). This reference to dependence on foreign markets and the business cycles as the rationale for monetary and economic policies is important. Exter went onto discuss the short-term and long-term
implications, justifying the role of the Central Bank as one relating to the long run through directing savings and foreign capital towards agricultural development and new industries to diversify the economy.

In addition to the Central Bank created with US support, various other international initiatives shaped postcolonial developments in the early 1950s. In January 1950 the Foreign Ministers of the UK and of many other commonwealth countries arrived in Colombo to initiate the Colombo Plan resulting in a report later in the year titled ‘Colombo Plan for Cooperative Economic Development in South and South-East Asia’. A year later, in the context of the Korean War, the United States decided to participate in the Colombo Plan, merging support for international development with geopolitical security concerns (Blackton 1951). The Colombo Plan drew up extensive six-year plans for development first in 1950 (Rs. 1,400 million, US$ 294 million) and then revised in 1952 (Rs. 3,200 million, US$ 672 million). The priorities were very much agriculture, transport, communications and power (IBRD 1953, 107). However, the funds for such development were not assured, and these were merely blue prints to develop the South and South East Asian regions in the context of the Cold War.

Next, in late 1951, the International Bank for Reconstruction and Development, commonly known as the World Bank, sent a large mission to Sri Lanka. The mission, consisting of fourteen officials and staff, was headed by Sir Sydney Caine, who was Financial Secretary of Hong Kong in the late 1930s and an economist who was a World Bank consultant before he became the Director of the London School of Economics between 1957 and 1967. The extensive report running close to 800 pages titled “The Economic Development of Ceylon,” made a number of recommendations focusing on agricultural

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18 The Rupee to US$ conversion for the 1950s used here is 1 Rupee = 0.21 US Dollars from the World Bank report (IBRD 1953).
development, particularly development of the uncultivated regions of the dry zone. The Report promoted the colonization of landless peasantry in the dry zone and recognized the importance of institutions such as co-operatives and Rural Development Societies. The Report also addressed the need for infrastructure including transport and communications as well as power generation and transmission.

The Report’s recommendations for investment in economic development from 1953 to 1959, in the various sectors totaling Rs. 1,600 million (US$ 336 million) were more conservative than the Colombo Plan, but were considered more realistic given the funds available (IBRD 112-113). Significantly, the Report emphasized investment in agriculture and neglected industries in their vision of development as evident from the priorities summarized in Table 1.1.19

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Rs. (Mn)</th>
<th>US$ (Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture including Colonisation and Irrigation</td>
<td>460</td>
<td>97</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>430</td>
<td>90</td>
</tr>
<tr>
<td>Power including Plants and Distribution</td>
<td>209</td>
<td>44</td>
</tr>
<tr>
<td>Health</td>
<td>195</td>
<td>41</td>
</tr>
<tr>
<td>Education</td>
<td>145</td>
<td>30</td>
</tr>
<tr>
<td>Industry</td>
<td>75</td>
<td>16</td>
</tr>
<tr>
<td>Rural Development</td>
<td>60</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: IBRD, (1951), The Economic Development of Ceylon

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19 W.D. Lakshman summarizes the recommendations of the World Bank mission as follows: “The recommendations of the WB Mission of 1951, taken as a whole, were intended to promote private capitalism in the country within the broad economic and social structure which then existed. It was the same type of dependent capitalism cultivated by British colonialism in Sri Lanka that received the support of the WB Mission. No change in the structural significance of plantation agriculture which depended on external markets was envisaged. The largely peasant character of non-export agriculture was to continue. No measures were recommended to spread the capitalist mode of production into this sector, so that forces of production in it would develop rapidly. Introduction of industrial capitalism on a wide front was discouraged so that the country would continue to be dependent on foreign sources for technology and a wide variety of industrial goods. Foreign capital dominance of the economy would have continued unabated under these recommendations or would have even become greater. The significance of the building up of a national bourgeoisie for self-reliant capitalist development was not recognized by the Mission and within the policy framework proposed, the merchant character of the existing domestic capitalist class would have continued, thereby strengthening the existing dependent relationships” (Lakshman 1985, 7).
Among other recommendations including those of fiscal consolidation, the issue of food subsidies was prominent and would have serious consequences on political developments in Sri Lanka:

Ceylon’s problem of food subsidies is of greatest importance not only because of its adverse effect on the budget, but also from the general economic point of view. In its annual report for the year 1950, the Central Bank commented on the problem at length, concluding that ‘… a widespread system of subsidies has a tendency to hide real costs, to distort the country’s economy, and sometimes to act as a serious barrier to efficiency. … Food subsidies are no more than a palliative, concealing the necessity of adjustment by keeping food prices at an artificially low level.’ … Therefore the Mission concurs in the view of the Central Bank, that food subsidies should now be reduced (IBRD 1953, 184-185).

The World Bank Report legitimized the Central Bank created with the support of Washington, and had considerable influence with the ruling UNP. Such engagement by international actors was a significant factor in the formation of the postcolonial state institutions in Sri Lanka.

‘Hartal of 1953’, ‘Sinhala Only’ and Postcolonial Politics

The economic trajectory and institutions built with the support of powerful Western actors met with a serious challenge due to global market changes. From 1952 into 1953 with a fall in exports especially of rubber, Sri Lanka’s foreign reserves were depleted. The government under considerable financial pressure decided to cut subsidies as recommended by the World Bank to address the balance of payments crisis. The price of rice was raised

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Lakshman traces the World Bank recommendations in this context as two fold; the gradual closure of a number of public sector industries initiated during the Second World War and the elimination of the food subsidies. He claims: “The regime in power acted even more drastically than was recommended by the Mission.
from 25 cents to 70 cents a measure. Furthermore, even the school children’s mid-day meal was withdrawn (Amarasinghe 1998). This resulted in the largest general strike, ‘Hartal’ of August 1953, in Sri Lanka’s history. Militant protests shutdown Colombo and swept the coastal areas. The Cabinet of Ministers concerned about their security had to meet on a British warship and the Prime Minister eventually resigned.

The Hartal of 1953 was a landmark event reflecting the emerging contradictions in postcolonial Sri Lanka. It was an early sign of the deep disenchantment within society. The national elite’s promise of postcolonial development was failing. The left parties, both the Trotskyite LSSP and the Soviet-leaning Communist Party, were able to build trade unions in urban areas and particularly along the Western coastal belt around Colombo. Trade unions were initially formed among printers, then tram cars and railways, then port worker and private firms (Jaywardena 1972). However, neither the Sinhala peasantry in the southern Sinhala hinterland, nor the peasantry in the North and East, populated by Tamils, nor the Upland Tamils, the plantation labor bolstered the Hartal. There was already a major gulf between the politics of the urban left base and the interests of peasantry and the estate workers who formed the larger part of the population.

The Hartal provided the political impetus for S.W.R.D. Bandaranaike’s Sri Lanka Freedom Party (SLFP), a party formed after splitting from the UNP and with strong links to the petty bourgeoisie in the rural South, which saw an opening to mobilize on the Sinhala population’s disenchantment with the anglicized elite in Colombo. While Bandaranaike was

While the latter proposed a ‘gradual’ withdrawal of consumer subsidies, the government tried to eliminate them totally in 1953. Since the expenditure on account of these subsidies was a large element in government current expenditure, their withdrawal resulted in a large increase in government savings, from an average of 13.2 per cent of government revenue in 1951/2 - 1952/3 to 34.5 per cent in 1953/4 - 1955/6. The grave social hardships caused by the withdrawal of food subsidies naturally produced a violent social reaction in 1953, later on in 1956 becoming one of the main factors which brought down the existing regime.” (Lakshman 1985, 9)

21 One measure of rice equals 2 pounds or 0.9 kilograms, and 100 cents equal one rupee. In 1950s dollars, where 1 Rupee = US$ 0.21, the price of approximately 0.9 kilograms of rice was raised from US$ 0.05 to US$ 0.15.

22 The hartal is a form of protest, where in addition to strikes by trade unions, all institutions including shops and transport are shutdown bringing economic activity to a halt. The Sri Lankan left leadership exiled in India after the British banned them during the Second World War borrowed this concept from the protest culture in India.
half hearted in his support of the Hartal, he and his SLFP were able to take the wind away from the left in the ensuing years (Manor 1989).

The Hartal of 1953 was a turning point, which Bandaranaike and his SLFP were able to capitalize, leading to the eventual defeat of the UNP in 1956. Bandaranaike came to power with a major Sinhala nationalist campaign for “Sinahala Only” language policies, which made Sinhala the sole official language, as opposed to the anti-colonial demand of making both Sinhala and Tamil official languages. Bandaranaike mobilized the Sinhala masses including the peasantry, first against the English speaking anglicized elite, and eventually against the Tamil speaking minority communities. Furthermore, Bandaranaike went into a coalition with small sections of the left. The broader left parties took a principled stand at that time calling for parity of status for both Tamil and Sinhala and opposed the move towards “Sinahala Only” (Muthiah and Wanasinghe 2005). Nevertheless, Bandaranaike had initiated a tradition of coalitions in the parliamentary realm, between the SLFP which had a Sinhala rural base and the left parties that had an urban working-class base.  

This maneuver by Bandaranaike was significant both politically and economically. The politics of majoritarianism with respect to language policy undermined possibilities of a plural polity resulting in the Tamil population being alienated from the state. Next, the economic policies were redirected towards land reform and rural development, with the

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23 The coalition politics of left parties joining with the SLFP would eventually lead to fall of the left parties, as they even had to compromise on their principled stand on the “national question” in order to accommodate the Sinhala majority towards progressive economic policies (Philips 2001).

24 Newton Gunasinghe claims Bandaranaike’s manoeuvre and the important political shift in 1956, set the tragic path of Sri Lanka’s postcolonial history: “In a social structure which generates an ideology that religion does not relate to one’s personal beliefs but to one’s family antecedents, S.W.R.D.’s move to become a Buddhist and what is more, his vocal advocacy of Sinhala-Buddhist interests, testifies to his ability of political maneuver. S.W.R.D., through these able political tactics, was able to establish his personal hegemony, distancing himself away from his extended family group, while going against the old-established bourgeois strata, simultaneously cultivating solid political relations with newly emergent bourgeois and petty bourgeois strata emanating from diverse social backgrounds. But his ideology of populist Sinhala-Buddhist nationalism, while creating the social base for his assumption of power, also alienated the Tamils in the northern, eastern and central provinces. … [T]his laid the political foundations for the terrible ethnic conflict, destabilization and violence which we are obliged to undergo today.” (Perera 1996)
The shift in 1956, which empowered the Sinhala rural masses including through access to higher education and jobs in the state sector, also paved the way for the radicalization of Sinhala youth as the “children of 1956” took forward the first major youth insurrection fifteen years later; the Janatha Vimukthi Perumuna (JVP)\textsuperscript{25} insurrection of 1971 was in many ways a backlash from rural Sinhala youth to the failed promise of 1956.

The Tamil community in turn increasingly felt marginalised, as the Sinhala language policy reduced the chances for state employment starting in the 1960s. Next, attempts to curtail the entry of Tamil students into the universities first on an ethnic basis and then on a district basis, was a form of reverse discrimination that heightened Tamil nationalist feelings among the lower middle class Tamil youth in Jaffna in particular. There were periodic pogroms, in 1956 and 1958, as Sinhala mobs felt emboldened to attack Tamils following the victory of the government promoting “Sinhala Only” policies. There were also physical attacks against non-violent protests organised by Tamil parliamentarians from the Federal Party demanding autonomy in response to the language policy. Such violence greatly increased the insecurity of the Tamil community.

By the late 1950s, there were four major political actors in the realm of party politics. The UNP, which was the party of the emergent bourgeoisie controlled by the Colombo elite

\textsuperscript{25} The JVP was a party of Sinhala youth led by its charismatic leader Rohana Wijeweera, who had broken away from the Communist Party – Peking Wing. The JVP’s ideology combined Sinhala Buddhist nationalism with a home grown version of Marxism and had as its goal the capture of state power to serve the interests of rural youth. Its nationalism was consolidated in its idea of opposing Indian expansionism in the region, where it saw the Up-Country Tamils working in the plantations as the fifth column of such Indian expansionism. The JVP insurrection was brutally crushed in 1971 with massacre of as many as 10,000 youth. It regrouped in the early 1980s as a political party following the release of its leaders, but attempted a more brutal insurrection in opposition to the Indo-Lanka Accord in 1987. It assumed that it could count on the support of the Sinhala population rising up against the Indian military presence in the country in the form of the Indian Peace Keeping Forces implementing the terms of the Accord. However, the JVP was again brutally crushed in the course of two years when the country saw some of its most brutal massacres and as many as 50,000 people were killed. These insurrections by rural Sinhala youth crushed by a military mainly coming from the Sinhala community, is often neglected in the rather ethicized writing on Sri Lanka. The JVP today continues as a small parliamentary party with a mobilizable social base and has been vocal on issues of democracy and opposition to neoliberal policies.
and with a base among Sinhala landed classes. The SLFP, which had split from the UNP, with the same class character but with a stronger base among the petty bourgeoisie particularly in the non-English speaking Sinhala rural regions. The Left parties, which were increasingly fragmented, but centered around the Trotskyite LSSP and the Communist Party, which was first aligned with Moscow and then split with a Peking wing. Finally, the Tamil parties, which by the late 1950s was dominated by the Federal Party\(^\text{26}\), whose main demands were on language policy and autonomy for the Northern and Eastern Provinces. The Ceylon Workers Congress formed in 1950 after changing its name from the Ceylon Indian Congress, was both a trade union of the estate workers and a political party representing the Up-Country Tamils (Woodward 1969).

The Left parties gained electoral strength when they went into a coalition with the SLFP forming the United Front government in 1970. The state socialist experiment in the 1970s characterized by nationalization and land reform failed with external pressures and balance of payments problems. The Left never recovered after its stint in sharing power with a coalition government, and has been in steady decline since 1977. Politics in Sri Lanka to this day continues to be dominated by the UNP and SLFP, the Old Left has been replaced by the JVP after it entered and gained some presence in parliamentary politics in the 2000s. The JVP with Sinhala nationalist undertones has emerged as the voice on class issues. Ethnic minority politics are characterized by the Tamil coalition, the Tamil National Alliance (TNA) centered on the Federal Party base; various Up-Country Tamil parties after the Ceylon Workers Congress gained strength in the 1960s has fragmented over the last two decades; and various Muslim parties including the Sri Lanka Muslim Congress, which gained ascendancy as a powerful party in the 1990s, but fragmented in the following decade.

\(^{26}\) The Muslim community which was mainly Tamil speaking, voted for Muslim leaders who were in the Federal Party or one of the major national parties. It is in the late 1980s in the context of the ethnic conflict that Muslims began to assert their independent identity and Sri Lanka Muslim Congress was formed.
Import Substitution and the State’s Role in the Economy

While the UNP regime soon after Independence focused on support from the West and took forward the interests of the emergent bourgeoisie and the large landowners, there was a significant shift in the governments that emerged after 1956 and continued until 1977.27 The regimes that led these governments depended on expanding the role of the state for their politics and their consolidation. One characteristic of these regimes was the instrumental use of state institutions and state power to build a social base and electoral support among various classes, rather than use of state power to carry forward the sole class interests of the bourgeoisie. The politics of these regimes were characterized by class compromises as opposed to outright attacks when it came to the demands and struggles of the lower classes. In the realm of economic policies, these regimes promoted social welfare policies, nationalization of some industries and services, and import substitution policies, as opposed to greater integration with the global market in capital and goods.

The changing relationship between regimes and the state after 1956 had two characteristics. First, the expanding social base of the state was characterized by further social services including support and subsidies provided by the state. Second, the state took a greater role in the economy through initiation of state corporations and greater public sector employment (Uyangoda 1993). These changes to the state’s role were taken forward with import substitution policies including the nationalization of a number of industries, services and the estates.

27 From 1956 to 1959 S.W.R.D. Bandaranaike in coalition with a small section of the Left, particularly, the MEP led by Philip Gunawardena, was in power. Following Bandaranaike’s assassination, his wife became the Prime Minister from 1960 to 1965 and again under the United Front coalition with most of the mainstream Left political parties between 1970 and 1977. Except for the period between 1965 and 1970 when the UNP was in power, the SLFP regimes in alliance with Left leaned more towards the Soviet Bloc as they became active in the Non-Aligned Movement. With this shift towards the East, aid from the West was reduced to Sri Lanka, and import substitutions policies came to the fore.
There were a number of efforts at land reform between the mid-1950s and the mid-1970s. The Paddy Lands Act of 1953 claimed to grant security of tenure, however, it was only initiated in the two districts of Hambantota and Batticaloa with little enforcement, and was for the most part only a recognition of the problems with land tenure and did not lead to any substantive changes (Sanderatne 1972, Sanderatne 2004). The Paddy Lands Act of 1958, on the other hand, was brought about with the keen interest in land reform of leftist leader Philip Gunawardena, who had joined the SLFP coalition as a Minister of Agriculture. Its provisions, however, were focused on addressing sharecroppers through regulations to ensure their security of land tenure and reduce their exploitation. Such security for sharecroppers were particularly important in the South where absentee landlords living in the towns and in Colombo exploited the rural population.

In reality, the landowners were able to undermine its workings through evictions, particularly when tenants attempted to find relief through the Act. Indeed, there was a large scale attack on the landless peasantry\(^{28}\) by the landed classes after land reform was initiated, and that between 1958 and 1968 some 35,500 evictions were reported to the government (Sandaratne 1972, 125).

There was slightly better success by state policies with respect to indebtedness. A related and important factor was the indebtedness of the tenants who relied among others on the landlord for credit. In 1957, 54 percent of the rural families were in debt with only 7.8 percent of debt involving institutional sources. However, by 1961/1962 rural debt was characterized by 34.2 percent to institutional sources, showing a marked reduction of predatory forms debt as a result of government support including for credit co-operatives (Sandararatne 1972, 125 - 132).

\(^{28}\)According to Herring, “empirically the tenure reform model has in the South Asian context proved unable to accomplish even its limited goals and has indeed often harmed rather than helped the tenants it is meant to protect.” (Herring 1981, 134)
It was in the 1970s under the United Front government that a more extensive land reform policy was implemented. The Land Reform Law of 1972 and the Land Reform (Amendment) Law of 1975 provided for ceilings on agricultural land, alienation of state lands with a land to the landless approach as opposed to the earlier approach of merely securing the land tenure of share croppers. Furthermore, there was extensive nationalization of land held by private corporations including estates (Abeysinghe 1979). The 1972 reforms avoided lands held by the rural middle classes and temples in Districts such as Kandy, which would have been welcomed by the Kandyan poor, but were considered politically risky by the Left-leaning government (Moore 2008). Furthermore, the estate lands after nationalization did not reach the landless in any significant levels.\(^\text{29}\) However, these reforms along with some major irrigation projects with colonization of landless peasantry as well as a significant state supported infrastructure for rural development were major efforts towards reshaping the political economy of Sri Lanka. Rural development was emphasized with greater support for co-operatives and agricultural committees as well as state services such as agricultural extension. The landed classes resisted such land reforms, even as the government struggled with fiscal pressures, until the coalition government unraveled in 1976.

The economic policies of the import substitution era led to mixed results with some gains to the rural classes and decreasing inequalities in the country. State promoted industries included steel, chemicals, ceramtics and eventually the nationalization of tea estates. Furthermore, agricultural production increased during this period, particularly with much higher production of rice which was the staple food for Sri Lankan society. Between 1950 and 1982, the level of self-sufficiency in rice went from 25% to 90%, with rice production growing annually at 4.3% while population grew at 2.2% (Gunatilleke 1993, 8). Such

\(^{29}\) Moore is critical in evaluating the nationalization of estates: “The estate land reform was conducted in the name of the peasantry, yet the actual benefits, mainly short-term, took the form of estate jobs for those with the appropriate political connections. The total amount alienated to villagers was small, and that mainly low-value, uncultivated land.” (Moore 2008, 81)
agricultural production was increased through the fertilizer subsidy as well as irrigation support. However, producer prices were kept low and the surplus was transferred to the rest of the population, particularly in the urban areas. Nevertheless, the economic trajectory set by the United Front Government could not be sustained and was soon reversed by the UNP government of 1977 that was committed to liberalization of the economy.

The trajectory of economic development had remained more or less consistent between 1956 and 1977. Politically, the recognition of the importance of rural constituencies became clear to all parties, and the left parties joined the SLFP at the center, changing the character of electoral politics which until then was more securely controlled by the elite mainly in Colombo (Shastri 1983). In the context of import substitution economic policies, welfare policies were protected and even expanded. However, price fluctuations in the world market for exports from Sri Lanka and imports into Sri Lanka took their toll on the efforts at land reforms. The global economic downturn and the oil crisis of the 1970s crippled the state-led economic experiment in the 1970s and ended the import substitution policies lasting close to two decades in Sri Lanka.

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30 Moore’s conclusions are significant: “The net subsidy from the state to paddy producers is: (a) lower than is widely believed; (b) highly concentrated on a relatively small number of recipients; (c) partly outweighed by the transfer of income from rice producers to consumers through government policies which depress rice producer prices; and (d) massively outweighed by a large transfer of resources out of the smallholder sector as a whole, achieved by the direct and indirect taxation of smallholder producers of export crops, especially coconut producers. The appropriation of a large surplus from the export crop sector has generally permitted the state to subsidise both domestic rice producers and food consumers. However, when the interests of local food producers and consumers have come into direct conflict, the latter have generally prevailed.” (Moore 2008, 86)

31 Godfrey Gunatilleke’s contextualization of import substitution policies particularly with respect to rice and eventually self-sufficiently in rice are important for understanding the policies form the late 1950s into the 1970s. He claims that “any critique of import substitution policies of the post-independence period would need to take into account the full complexity of the problems faced by the policymakers… At the time of independence, import substitution in rice appeared to be an obvious option. The World Bank mission which surveyed the Sri Lankan economy at the beginning of the 1950s endorsed this. Sri Lanka was importing 75% of its requirement of rice - the country’s main staple food. There had been a well-developed irrigation infrastructure in the Dry Zone which could be speedily restored and rehabilitated. New land was available for agricultural settlements. There was a large landless rural population in the densely populated, land-scarce, Wet Zone available for transfer to the land-scarce Dry Zone. … Sri Lanka’s performance in the rice sector has been acclaimed as one of the best in Asia. … The rice program also increased productivity and incomes in the backward peasant sector and by so doing ensured that Sri Lanka followed a development strategy which was equity-oriented” (Gunatilleke 1993, 8).
Jayawardena Regime and Liberalization

Following the collapse of Bretton Woods Agreement (Helleiner 1994), the world economic downturn in the 1970s (Brenner 2006) and the related Sri Lankan economic crisis of falling terms of trade and a balance of payment crisis led to the Jayawardena regime coming to power with a landslide victory in the parliamentary election of 1977. Jayawardena using his five-sixths majority in parliament further consolidated power by bringing in the executive presidential system, which entrenched power in one individual. Centralized power was crucial for the economic transformation that he brought about with his open economy policies to both direct large development projects as well as to crush resistance including from trade unions. Indeed, both on the political and economic front, the Jayawardena regime probably brought about the most significant and lasting changes in Sri Lanka’s post-colonial history.

Jayawardena moved Sri Lanka toward the US policy initiatives and away from non-alignment and pro-Soviet-leaning policies of the previous Government. This shift towards the US and a major structural adjustment program ensured much larger flows of aid from Western governments and donors (Bastian 2007). The structural reforms included reducing exchange rate and price controls, trade liberalization particularly reduction of import tariffs, facilitating foreign investments and financial deregulation (Weerakoon 2004, 61). To strengthen its financial position, the Government went into a standby arrangement with the IMF.

Political scientist Ronald Herring, who worked on the land question in Sri Lanka in the 1970s and 1980s, provides a perceptive evaluation of the IMF agreement:

International factors in the new strategy thus become critical; external support in material terms has arguably been a necessary condition for the liberalization initiatives. The international development community has provided resources to tide
the regime over the potentially rocky re-adjustment period. The dynamics are familiar. Following a sharp devaluation of the rupee in November of 1977, the IMF announced support for ‘the comprehensive program of economic reform ... in support of which the present stand-by arrangement (of SDR 93 million) has been approved’. IMF approval is an important signal in international financial and development communities, and the regime quickly took advantage of its new status (Herring 1987, 328).

With the IMF agreement in place, Sri Lanka mobilized considerable donor funds from the World Bank in particular, and a number of bilateral donors as well. It moved on banking reform by inviting many foreign banks to open operations in Sri Lanka. It also targeted investors to expand the tourist sector and the newly formed garment sector.

The Structural Adjustment Program was a mixed bag. The policy package known locally as the open economic policies included: exchange rate and trade liberalization; a shift from administered prices to market prices with public corporations pushed to become commercially viable; cuts to budgetary expenditure in food subsidies in place for close to three decades; and promotion of private enterprises including foreign direct investment (Lakshman 1985). There was considerable promotion of foreign investment through incentives; the foreign investment from 1970 to 1977 was a mere Rs. 17 million (US$ 2.6 million) but from 1977 to 1984 it was Rs. 5,448 million (US$ 340 million) (Gunatilleke 1993, 34-35). However, the Structural Adjustment Program in Sri Lanka was also selective in the choice and implementation of reforms given the political concerns; therefore privatization of public sector commercial and industrial undertakings was avoided.

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32 The role of IMF approval has proven important to mobilize the flow of global capital in the future as well.
33 According to Ronald Herring as late as 1982, public sector industrial corporations included steel, petroleum products, textiles, fertilisers, tyres, salt, dairy products, distilleries, oils and fats, timber and plywood, paper, cement and ceramics. They accounted for more than 60% of industrial production (Herring 1987, 330)
34 In June 1974, US$ 1 = Rs. 6.5
35 In June 1980, US$ 1 = Rs. 16
Furthermore, there was a sharp increase in government capital expenditure, particularly on infrastructural and housing projects, resulting in high budget deficits (Lakshman 1985). In fact, much of the inflow of foreign capital was absorbed in construction and infrastructure build out.

International influences and developments led by the United States shaped the open economy reforms in Sri Lanka. The World Bank supported the Mahaweli Development project, a massive irrigation and colonisation scheme redirecting the Mahaweli River is the largest national development project to date. Export Processing Zones (EPZs) were created to facilitate East Asian capital investment in garment production and were supported with considerable tax incentives and trade liberalization.

In the context of labor agitations culminating in the general strike of July 1980, Jayawardena responded by crushing labor through the dismissal of tens of thousands of workers both in the state and private sectors. While the Government maintained that forty thousand workers were on strike, trade union estimates vary but claim as many as one hundred thousand workers were on strike, the majority of them state sector, but also a section of the private sector unions (Fernando 1983). The Government seemed much better prepared for the strike, dividing the trade unions on their economic demands, and politically prepared and decisive in the attack, including through a state of emergency. This concerted attack significantly weakened the trade union movement into the foreseeable future.

The high economic growth in the first few years after liberalization was mainly due to the increasing flows of capital from multilateral donors and a massive construction boom in infrastructure and housing.\(^{36}\) By 1979, with the accelerated construction projects\(^{37}\),

\(^{36}\) According to Ganesan, the construction sector clearly became the lead sector in development during this period. The accelerated Mahaweli development project and the housing and urban development were both construction heavy. The third was the Investment Promotion Zone under the Greater Colombo Economic Commission, which led to the emergence of the garment sector (Ganesan 1982, 2).
construction grew by 21 percent, while domestic industrial output grew only by 4 percent (Ganesan, 1982, 6).

One of the most acute analyses of the early years of liberalization came from within the US Government. A US Foreign Service officer and USAID official based in Sri Lanka at that time, John Stuart Blackton, analysed the economic process from 1977 to 1983, as one of initial boom with euphoria followed by worries and reversal, which he claimed is the conventional path of liberalization. While describing the boom and the then slowdown in the process of liberalization, Blackton nevertheless prescribed further financialisation including expansion of the banking sector and promotion of the capital markets. In any event, in his assessment as early as 1983, Blackton was correct about liberalization trajectory:

The consensus of moderate and conservative opinion seems to be that another six years of liberal economic policies will be sufficient to move the center-point of Ceylon's politics significantly to the right, and that no future non-Marxist government would be prepared to abandon a basic commitment to the free market (Blackton, 1983, 750).

Indeed, over three decades later none of the governments were able to shift significantly from the free market policies.

37 The accelerated Mahaweli development project was to be completed in 6 years from the originally planned 30 years. And the state led 100,000 housing scheme was also to be completed in 6 years (Ganesan 1982, 3).

38 Blackton’s analysis and sequence of steps with liberalisation are fascinating: “(1) Imported goods flood the markets and the consumers are euphoric while traders grow rich overnight; (2) The new money from trade goes into real estate and land prices and rents rise dramatically—squeezing some while enriching others; (3) The banking system expands dramatically, attracting new deposits (usually in foreign exchange at near-Euro market rates). Depositors are initially euphoric because of the high nominal interest rates; (4) The Consumer Price Index rises at historically unprecedented rates and euphoria begins to wither among the less favored groups; (5) Trade and commerce continue to predominate in the private sector and the government begins to worry about the problems of directing resources to productive investments rather than trade; (6) The banking and trading constituencies (who are making a killing in commercial transactions) resist pressures to diversify their investment portfolios towards production, and public criticism of financial intermediaries mounts; and (7) Government begins to re-examine the social and political cost of liberalization and to consider alterations in policy to respond to the new distortions.” (Blackton, 1983, 742)
Blackton also analyzed the implications of the Jayawardena regime’s embrace of the Singapore model and more generally of the East Asian high growth models. He claimed Sri Lanka could become a model of high growth, equity and a democratic political system, refuting criticism that high growth was only possible under authoritarian governments as with East Asia. This narrative of Blackton’s is prescriptive reflecting US geopolitical interests. By 1983, the Jayawardena regime was anything but liberal. While Jayawardena won his second term as president, he had manipulated the legislature to maintain his large majority in legislature through a problematic extension of the term of parliament through a referendum. Jayawardena was in fact emulating the authoritarian East Asian states. In any event, after the initial boom with structural adjustment from 1977 to 1983, the Sri Lankan economy began to stagnate even as political developments destabilized the country.

The other legacy of Jayawardena was the escalation of the armed conflict and the emergence of a civil war. Soon after Jayawardena’s electoral victory, the riots that occurred with the complicity of the new government in 1977 were foreboding of what was to come.39 By the late 1970s, Jayawardena was aggressively attempting to crush Tamil militancy. Jayawardena declared a State of Emergency and brought about the Prevention of Terrorism Act in 1979. Repression was the response to both Tamil youth unrest and the labor agitations. Even as the initial spurt of growth propelled by the inflow of capital began to taper, the largely state-orchestrated pogrom of July 1983 led to the emergence of the civil war.40 The regional power and pro-Soviet leaning India, frustrated with the shift by Jayawardena towards the US, began to arm Tamil militants. The Sri Lankan state, thus, had become embroiled in a protracted armed conflict.

39 The 1977 riots were worst thus far and it was unleashed by mobs close to the new Government.
40 Over 2,000 people were massacred in the pogrom of July 1983. The Government watched as Colombo burned for three days and much of the Tamil population in the Southern districts were displaced to the North. Soon after the pogrom thousands of Tamil youth joined Tamil armed movements with bases in Tamil Nadu in India, and that in effect started the civil war.
Successive governments during the war continued on the path of economic liberalization. Premadasa, who succeeded Jayawardena as the UNP president, had to deal with both the war in the North and the second JVP insurrection by rural Sinhala youth in the South between 1988 and 1990. The insurgency and a brutal counter insurgency killed tens of thousands, crippled the economy and weakened the state.

On the economic front the Premadasa regime continued on the liberalization trajectory. Many scholars on the Sri Lankan economy have argued that the period from 1989 to 1993 under the Premadasa regime represented the second wave of liberalization, which was characterised by financial, trade, tax and exchange rate liberalization (Dunham and Kelegama 1995). Next, Chandrika Kumaratunga – the daughter of the founder of SLFP, Prime Minister S.W.R.D. Bandaranaike and later his wife, Srimavo Bandaranaike who had led the United Front coalition government in the 1970 – was elected president in 1994 on a peace platform with the support of social movements calling for both an end to the war and a reversal of liberalization policies that had devastated rural communities since 1977. While she had ousted the UNP after seventeen years, she was unable to reverse the liberalization trajectory despite election promises to the contrary. However, she did attempt negotiations with the LTTE to arrive at a political solution, but the LTTE broke those talks and restarted the war.

The election of a right wing UNP government in late 2001 led by Ranil Wickremesinghe, the nephew of J. R. Jayawardena, with the support of the business community in Colombo did create possibilities of a major for liberalization. The Wickremesinghe Government attempted to couple the donor-backed internationalised peace process with ‘Regaining Sri Lanka’, a market-oriented development and reconstruction program. The economic policy package sought major labor reforms, trade and financial liberalization, creation of a market in land and privatisation, which if sustained would have
drastically reshaped the political economy of Sri Lanka. However, the market-oriented UNP Government was defeated after a short tenure in 2004, in part due to the Southern constituencies worrying about further cuts to social welfare and in part because of the perception that the Government was giving into the demands of the LTTE in the internationalized peace process. Wickremesinghe’s defeat in the parliamentary elections of 2004 to the SLFP coalition led by President Kumaratunga and then the Presidential election of 2005 to Rajapaksa, and the subsequent return and escalation of war, again decelerated liberalization of the economy. Therefore, I argue that the first wave of liberalization initiated in 1977 continued into the following decades, as it did not lead to any significant transformation of the economy nor change the economic policy trajectory.

**The North before the War**

An analysis of economic developments during and after the war requires *a long durée* perspective. The Jaffna District, while relatively small with just 1,012 km² continues to house a majority of the population of the Northern Province. Much like the other coastal towns in Sri Lanka, Jaffna was transformed by centuries of colonial rule first by the Portuguese, then the Dutch and finally the British. During the Dutch period in particular, Jaffna became central to the colonial economy as the place of greatest revenues accruing to the Dutch in Sri Lanka. Furthermore, Dutch policies in Jaffna monetised the local economy through the export of cash crops particularly tobacco.

With the shift to British colonial rule in the early 19th century, the Jaffna economy continued to be commercialised by the tobacco trade, but very differently from the plantation economy including coffee plantations carried forward by the British in the Central Province (Arasaratnam 1982). The estates were run by companies with a captive indentured labor, however, the cash crop economy in Jaffna was led by the small-holding peasantry. In
addition to tobacco, the Jaffna Peninsula was also the centre of agricultural production particularly in grains and vegetables. Such agricultural production in Jaffna also led to heavy taxation by the British in Jaffna shaping the small holding land tenure system in Jaffna in the 19th Century (Bastiampillai 2006).

Jaffna also gained from advances in education with schools built during the British colonial period, particularly starting in the mid-19th century. These schools providing English education helped produce a small professional middle-class stratum that worked in the colonial clerical service and as educators in the rest of the country and even in places like Malaysia during the early twentieth century. Thus a small remittance economy was also historically true for Jaffna during late colonialism (Paramothayan 1990).

The Tamil elite demanded constitutional power sharing, as their minority status became increasingly evident in the context of universal suffrage and territorial representation in the State Councils with the Donoughmore reforms in the early 1930s. This was not the case under communal representation where the Tamil elite wielded equal power with their Sinhala counterparts. The Up-Country Tamils were disenfranchised in 1949 with the complicity of the Tamil political leadership in parliament, particularly G. G. Ponnambalam of the Tamil Congress. This was one of the precipitating factors in the emergence of the Federal Party on a Tamil nationalist platform. The Tamil public also began to rally behind the Tamil nationalist cause with the discriminatory “Sinhala Only” policies in 1956 that affected job opportunities and access of state services. Anti-Tamil riots in 1956 and 1958 made the Tamil community insecure. The continuing fear within the Tamil community of violence and repression of non-violent Tamil political protests led to the further strengthening of Tamil nationalist politics.

It is the economic policies of these Sinhala nationalist regimes between 1956 and 1977 that also provided state lands for Jaffna Tamils willing to cultivate in the Vanni (the
region in the mainland south of the Jaffna District with a large land area but low in population). Economically, the import substitution policies beginning in the late 1950s, and particularly from 1970 to 1977, supported the cash crop boom in onions, chillies, and tobacco, which fetched higher prices in the rest of the country (Gunasinghe 1985). There was also a fisheries boom as seafood was exported with the introduction of trawling and fish processing facilities in Jaffna (Scholtens 2012). These economic changes benefitted sections of the Jaffna Tamils, particularly the lower middle classes, with considerable accumulation in the agriculture and fisheries sectors during this period. Such accumulation was best reflected by local investment and increased construction, including cement housing and other buildings for example of co-operatives.

It is this sector of the lower middle-class youth, the children of landed small farmers – who were increasingly educated but lacked job opportunities despite aspirations towards clerical and professional jobs – that increasingly came under the influence of Tamil nationalism (Ragavan 2009, Thiranagama et al. 1990). In the early 1970s, controversial policies for university admission reducing the high intake of Tamil students from Jaffna were implemented by the left-leaning government beholden to the rural Sinhala masses. These so-called policies of “standardization” eventually led to district quotas, increasing the university admissions of educationally backward districts, but were perceived by these lower middle-class Jaffna youth as discriminatory policies against the Tamils. Historically, relative to other districts university admissions from the Colombo and Jaffna Districts were much higher due to better facilities in schools in both districts. Therefore, these new university admission policies had both a rural and ethnic bias. However, while only a very small section of Jaffna youth entered the universities, the professional or white collar jobs that came with university admission were central to lower middle class youth aspiration. It is mainly these Tamil youth
of lower middle-class background who were also the early cadres of Tamil militancy and built the armed movements leading to the armed conflict (De Silva 1978).

The prosperity from import substitution and cash crop agriculture in Jaffna had a caste character. The unique characteristic of caste in Jaffna is that the dominant Vellala caste also forms numerical majority of the population of Jaffna. Furthermore, relatively small land area resulting in land scarcity in Jaffna coupled with a large population of the dominant land owning Vellala caste shaped the small holding character of land ownership. Such landed relations have resulted in labor intensive cultivation of cash crops characterising productive relations in Jaffna. A large section of the oppressed castes consisted of landless laborers. Others were involved in services including as barbers, dhobis, manual scavenging and cleaning and tree climbing.

Here, a broad section of this small-holding Vellala population used both their own labor and the labor of oppressed castes whom they hired. Indeed, the wealth and accumulation accruing from cash crop cultivation mainly benefitted the Vellala caste (Lebbe 1979). In this way, the Vellala caste which had been involved in tobacco cultivation for export to the rest of the country and even South India as early as the late 19th century, made major gains from the cash crop boom in the 1960s and 1970s (Gunasinghe 1985).

Sections of the fishing community, belonging to the Karaiyar caste also gained from the fisheries boom that coincided with the cash crop boom in agriculture. Caste relations in Jaffna, where a Brahmin caste is for the most part non-existent, is characterised by the upper sections of the Karaiyar fishing caste claiming a position almost equal in status to the landowning Vellala caste. The Karaiyar caste have some independence from the Vellala caste as they are restricted to the coastal region and control production in fisheries. This is unlike the various other service and oppressed castes which are dominated by the landed Vellala caste.
The other unique characteristic of Jaffna is the long and vibrant history of co-operatives beginning in the early twentieth century. Colonial policies of promoting co-operatives combined with an educated lower middle class and returning Malayan pensioners with wealth and time contributed to the growth of co-operatives. By 1970, Jaffna and the Northern Province also had an extensive co-operative structure. The Northern Division Co-operative Federation had 1259 co-operative societies consisting of Credit and Thrift Societies, Stores Societies, Hospital Societies, Industrial Societies, Labor Societies, Fishing Societies, Credit Unions, School Coop Societies etc. The co-operative societies with hundreds of thousands of members were organised into 42 Secondary Unions (Paramothayan 1990). However, such co-operatives were very much under the control of the dominant Vellala caste community.

While caste oppression had been severe for centuries, including under colonial rule, where until the early 19th century oppressed castes were legally categorized as slaves, the introduction of representative democracy, the social and economic changes in the late colonial period and the cash crop boom triggered anti-caste agitations. The oppressed castes consisting of the landless labor and those involved in palmyrah (a palm that grows widely and naturally in northern Sri Lanka) and coconut work had gained from the educational advances with an emerging leadership from within the community. The toddy tappers, the artisans who climb the palm trees to tap the shoots to make a local alcohol, were in the forefront of the anti-caste struggles along with others in their caste communities who worked as agricultural labor.

The Communist Party began making inroads into rural Tamil society in the decades after Independence. While it was initially involved in parliamentary politics contesting also from Jaffna, following the Peking wing split in the mid-1960s it became militantly involved in anti-caste politics. (Senthivel 2009) The Party organised community centres in many
oppressed caste villages and started agitating for state services for the oppressed castes. While the strength of the oppressed caste communities varied from village to village, the leadership provided by the Party was critical to forging an anti-caste movement in Jaffna. The caste struggles emboldened the oppressed castes with respect to agricultural relations and gave them confidence to demand access to schools dominated by the Vellala caste. It also gave them dignity in terms of access to temples and equal seating at tea shops.

The organisation of oppressed castes in community organisations including the community centres, the work of the left particularly the Communist Party in Jaffna and the formation of the Palm Development Co-operatives eradicated untouchability and was steadily weakening caste structure in Jaffna by the 1970s (Lebbe 1979). However, state discrimination and repression and the riots against the Tamil community mobilized large sections of the Tamil community under the Tamil nationalist banner. The armed movements led by Tamil youth began recruiting youth in the villages and took over the community organisations and redirected them away from their focus on caste politics towards their nationalist project. The Communist Party lost its social base to these newly emerged armed groups, who through intimidation and violence ensured the dominance of Tamil nationalist politics to the detriment of anti-caste politics.

**War Economy in the North**

During the last two decades of the war, Jaffna was cut off from the national and international market, and the Vanni was pummelled by bombing and displacement. Economic survival during the war depended on three factors: the accumulation during the boom in the rural economy prior to the war that the better off spent down; the tremendous efforts towards subsistence and make-shift economic possibilities; and humanitarian livelihood support from a range of actors including international donors and the state.
Accumulation in the rural economy in the two decades prior to the war supported some measure of resilience in the Tamil community during the war, particularly in the form of assets including savings in banks and gold jewellery. Many families had gained the economic means and social connections to send their youth abroad. The mass migration of youth as refugees to Western countries provided support in the form of remittances. Social institutions such as co-operatives were able to survive and keep their constituencies mobilised during the war thanks to their growth and accumulation of resources prior to the war. For example, the co-operatives had a range of assets from savings in banks to vehicles and buildings, which were all used to sustain the co-operatives during the war.

State institutions including banks, pension departments and state employee salaries continued through the war, including in the territory under the control of the rebels, as the state wanted these institutions to continue even if they were subject to manipulation by the armed groups. State employees faced the challenge of maintaining the state institutions, balancing the demands of the Central Government and the increasingly ruthless armed groups, which led to the intimidation, abduction and murder of a number of prominent bureaucrats who courageously kept state institutions functioning to serve the local communities.

Agricultural production continued at a minimal level and was mainly for subsistence and the local market. The state maintained an economic embargo on fuel and other inputs that it claimed could be used for the war efforts by the rebels. Therefore, local communities had to mobilise innovative ways of sustaining day to day economic life. Shortages in food items were addressed through food substitutes which would not have been possible if not for the survival mind-set amidst war-time conditions. Substitutes for food during the war drew on traditional foods that had been replaced by wheat and sugar. For example, yams, kurarrakan (a local grain) and jaggery (a palm-based sugar) substituted for wheat bread and sugar.
A range of actors provided support to the war affected population. The state kept the educational institutions and hospitals functioning. Schools became centres for housing the displaced during heightened bouts of war and the hospitals were crucial for the increasing casualties from the war. The donors and the state provided humanitarian support including food subsidies to the war affected population. NGOs provided a range of support working with local communities to ensure at least minimal livelihood activities were possible. Remittances were also important for the war affected population, but limited to the section of the population that had relatives in the Tamil diaspora. By the end of the war, the Tamil Diaspora was considered to be almost a million strong, whereas the Tamil population within the country amounted to about 2.5 million. That is excluding the Muslim and Up-Country Tamil population, who have their own exclusive ethnic and identarian politics. The Vellala caste had a much higher proportion of relatives in the diaspora than those of the rural oppressed castes.

The economically marginal sections sought or gained patronage from the LTTE, where their youth were recruited, including the forced recruitment of children. The families whose youth were in the LTTE or whose children died fighting for the LTTE were given privileges and some support from the LTTE. However, this was limited to the territory directly under the LTTE, which meant the Vanni from mid-1990 to the end of the war in 2009 with a population of around half a million.

Dependency on state institutions, the donors including NGOs, the Tamil Diaspora and the LTTE was a defining feature of the Northern war-time economy. The coping mechanisms during the war were merely efforts towards survival under harsh conditions. The fisher communities were for the most part barred from going to the sea for fishing, except for small windows of time and in limited coastal areas. Agricultural communities despite displacement sought wage work where possible and support of NGOs for survival, but production was
greatly reduced. In other words, households largely became dependent on external actors that provided them relief and this dependency undermined and debilitated local social institutions capable of mobilising communities (JICA 2011, UN 2011).

Some of the social institutions such as trade unions more or less became defunct. While the North, unlike the commercial and industrial belt around Colombo, never had a strong tradition of trade unions, it nevertheless had a small trade union presence with the state owned industries built during the import substitution decades. However, with the war and displacement, factory production came to a halt disrupting these trade unions. Teachers unions had a very strong presence in the North, with the Northern Province Teachers Association formed in 1914. These northern teachers unions were weakened with displacement and migration of its leadership abroad, and they lost their vibrancy as independent organising was curtailed during the war. In the post-war years the teachers unions, bank employees unions and some of the state employee unions have continued as mere appendages of the stronger federations based in Colombo.

The historically powerful co-operatives survived the war. The consumer co-operatives were utilised by the state to distribute humanitarian supplies and that ensured their survival. The producer co-operatives linked to caste-based occupations and as central institutions at the village level survived the war with considerable strength. This is evident from their continued mobilisations including the ability to negotiate with the state. I discuss both the history and the present potential of co-operatives in Chapter 5. The other social institutions such as schools, temples and community centres were weakened, as in many places they could not function for years due to displacement. However, given their centrality to village life including processes of resettlement they are developing in new directions. The relationship of schools, temples and community centres to caste and the new dynamics of caste relations in the post-war years are discussed in Chapter 4.
The war-torn people of the North suffered considerable loss of life and high casualties, their homes and livelihoods have been devastated and they were subject to tremendous displacement and migration. After the war, many of the war-torn districts in the Northern and Eastern Provinces have the highest incidence of poverty, the highest drop out rates of teenagers from schools, the lowest literacy rates and the highest levels of infant and maternal mortality rates (UN 2015). Their deprivation during the war is also a story about the crippling of their social institutions built and nurtured over a hundred years if not longer.

End of the War and Regime Consolidation

In November 2005, Mahinda Rajapaksa was elected president with a broad coalition consisting of the Sinhala Buddhist right and the left parties. However, he had scraped through to victory only because the LTTE had forced a boycott of the elections in the North ensuring the defeat of the UNP candidate Ranil Wicramasinghe. This move by the LTTE, which on a war footing wanted a hard line president to escalate the war, proved to be suicidal. The blame for the collapse of the peace process fell on the LTTE, as the European Union and Canada banned the LTTE claiming it was a “terrorist organization” in 2006, which restricted the financial and political support from the Tamil diaspora to the LTTE. The Rajapaksa regime with the support of a whole range of international actors, capitalized on the global “war on terror” push and was ruthless in what proved to be the last phase of the civil war.

The Rajapaksa regime mobilised the South for the war through an extensive process of militarization. It gave prominence to the military with the President’s brother appointed as Defence Secretary and greatly increased the defence budget and expanded the size of the military through recruitment. Large swathes of land in the North and East and areas

41 The left parties never recovered after their coalition government experiment in the 1970s and major defeat by the UNP. They slipped further into patronage politics in coalition governments, particularly with return of the SLFP in the 1994. The rise and decline of the left from the mid-1930s to this day parallels the tragic history of Sri Lanka from a multi-ethnic and egalitarian society to a polarized country.
surrounding important facilities were designated as High Security Zones denying access to civilians. Militarization characterized by the public glorification of the military as war heroes, greater powers for the military to control civilian institutions and censorship of any criticism of the military in the press became the norm during the last years of the war. Militarization included extensive surveillance by the intelligence agencies including by military intelligence. Such surveillance was even more insidious in character when it targeted the Tamil community, where former members of Tamil armed groups including the LTTE were used to surveil and eliminate those believed to be linked to the LTTE, both in the Tamil regions as well as in Colombo and the South. The press and dissent were disciplined both through legal sanction as well as extrajudicial physical attacks, abductions and killings of journalists and Tamil parliamentarians.

Sinhala Buddhist nationalist rhetoric in the press and prominence given to chauvinist ideologues further mobilized Sinhala society. Sinhala Buddhist nationalist interests were pacified as President Rajapaksa intervened in proposals towards a constitutional solution by restricting devolution of power and insisting that the constitution will ensure a unitary structure of the state as opposed to one with federal features. In effect, the decades of progress towards a constitutional political solution as government policy were reversed as a military solution to the ethnic conflict was promoted. On the economic front, the Rajapaksa regime adopted populist policies to ensure support from the rural South, including investment in rural roads and electrification, and expansion of public sector employment.

Both the military and the LTTE committed grave human rights abuses against the citizenry. In the dirty war, the state used torture and disappearances to dismantle the LTTE’s intelligence and terror networks responsible for assassinations and bombings in Colombo. The LTTE forcefully recruited thousands of youth and children in preparation for the final war. The state used massive firepower, bombing and shelling the Vanni region, even as the
LTTE retreated into a small strip of land on the Mullaitivu coast holding the civilian population as human shields. The LTTE even fired on fleeing Tamil civilians to hold them hostage (Hoole 2015). Tens of thousands of civilians died in those cruel final months of the war. In May 2009, the LTTE was militarily defeated without the possibility of even a low intensity insurgency. The LTTE had created a single pyramidal and centralised structure around its leader Prabhakaran and transformed itself into a conventional army. Thus with the decimation of the LTTE leadership its revival was not possible (Hoole 2015).

The Rajapaksa regime, euphoric in victory, did not feel compelled to address the grievances of the minorities. Instead they focussed on the consolidation of their political power. The Rajapaksa regime, in the process of mobilising Sinhala society for the war had given centre stage to Sinhala Buddhist nationalism. The military had been given prominence and carte blanche to carry out the war effort. After the war, strengthening the Sinhala Buddhist nationalist base and reliance on the military became central to the stability of the Rajapaksa regime.

The Rajapaksa regime alienated the minorities and caused further suffering for the Tamil survivors of the war as they were interned in camps for many months and were only allowed to resettle slowly. While the Tamil survivors of the war were resentful of the LTTE, particularly the manner in which the LTTE suppressed them during the last phase of the war, they felt humiliated by the state after the war. They continued to live under a climate of fear as the military was given full control over their future after the war.

The Rajapaksa regime seemed invincible in national politics. However, Sarath Fonseka the ambitious former Army Commander, disappointed with the regime that he was not given more powers, decided to contest the early presidential elections in January 2010. Rajapaksa’s calculation to call for presidential elections one and half years early worked in his favour as he swept the elections. Fonseka was arrested soon after the elections as Rajapaksa
further consolidated his hold over the military. Next, the coalition led by Rajapaksa gained a two thirds majority in the parliament elections of April 2010. The electoral strategy after the war had worked and the regime carried forward constitutional reforms to consolidate tremendous powers under the executive presidency. The 18th Amendment to the Constitution in September 2010, provided greater powers to the president to make appointments for the judiciary, police and other independent commissions and repealed the two term limit of the presidency.

There were a number continuities from the last phase of the war to the post-war years. First, there was the expanding militarization in the country, particularly the North and East. The civil administration in the war-torn regions including the Governors of the Provinces and a number of Government Agents – the chief administrator of a District – were led by military personnel. The Urban Development Authority and the NGO Secretariat responsible for regulating NGOs in the country were brought under the Defence Ministry to accelerate urban development and control the activities of the NGOs. Second, Sinhala Buddhist majoritarianism was given a prime place nationalist politics with the Rajapaksa regime instigating and supporting political forces such as Jathika Hela Urumaya and the Bodu Bala Sena, the former a political party and the latter a right wing social movement, led by virulent Buddhist clergy and chauvinists. Annual victory parades and war memorials added to such a militarised Sinhala Buddhist ideological thrust. Third, in the post-war period the Rajapaksa regime became more and more authoritarian drawing on its new constitutional powers, militarization and Sinhala Buddhist nationalist mobilizations.

The national question was debated in Sri Lanka during the decades after Independence and into the war years as a constitutional political solution to the grievances of minorities. However, Rajapaksa rejected any engagement with this long held consensus in Sri Lanka by mobilising and championing the majoritarian agenda of the Sinhala Buddhist forces
that consolidated with the war victory. Instead, Rajapaksa put forward development as the solution to address the concerns of the minorities as well as the country as a whole.\footnote{Such thinking about solving the economic and political problems in Sri Lanka through economic growth had existed for sometime. Harvard scholar D. R. Snodgrass, a decade before the end of the war claimed Sri Lanka’s economic development was held back by lack of ideological coherence and the ethnic conflict. He further claimed that the change of government in 1994 with the continuation of liberalization policies by the new SLFP-led government had addressed the first issue, but that the ethnic conflict and the youth insurrections had to be addressed. He wrote in 1998: “The second major impediment, however – ethnic conflict – has not yet been overcome. Economic growth is taking place, but the costly war drags on and much more could clearly be done to accelerate economic progress if the long-sought political solution could finally be found. By the same token, economic development could help to ameliorate ethnic conflict, as it has in Malaysia. Youth unemployment was a factor in the emergence of the LTTE, as it was of the JVP. Creation of a million new jobs through outward-looking economic expansion would go far toward solving Sri Lanka’s political problems as well as its economic problems.” (Snodgrass 1998, P. 30) Interestingly, the right wing US-leaning UNP Prime Minister Ranil Wickremesinghe during his short stint in power between 2002 and 2004 as well as after regime change in 2015 claimed he was going to create a million jobs through an export-led economy.}

**Conclusion**

Centuries of colonial rule and integration with the global economy continued with new forms of global political and economic forces into the mid-twentieth century and the postcolonial era. Global capital flows, international trade for the export oriented economy and the infrastructure built over the previous centuries were expanded and rebuilt over the last century. The estates and the urban centres in the country created a contrast to the largely underdeveloped regions where the small-holding peasantry struggled. The advances and proliferation of educational institutions, the anti-colonial disourses which took on Sinhala Buddhist and Tamil nationalist forms, the emergence of trade unions and co-operatives in the country set Sri Lanka’s politics firmly on a modern path with new challenges for state and society.

Sri Lanka during the eight decades from the late colonial period into contemporary times has been transformed by postcolonial capitalist development and modern institutions of the postcolonial state. The active role of the state led by left-leaning governments with their import substitution policies and emphasis on rural development and land reform along with
the free education and universal healthcare policies transformed Sri Lanka into a model developing country with high human development indicators. However, during the last four decades, economically and politically, the country deteriorated, with the open economy reforms leading to increasing inequality and the ethnic conflict crippling sections of society. The three decades of war were particularly devastating for the mostly rural people in the north and east, who not only faced the violence of the state but also were mobilised by a militarised Tamil nationalist movement. In the process, the people caught in the war saw their social institutions deteriorate and even disintegrate.

Economic realities diverged. Accelerating economic development centred on the capital Colombo on the one hand and a disabled economy in the war-torn regions on the other hand, characterized the new Sri Lanka. The process of reconstruction in Jaffna after the war, including reintegration with the national economy and the social and economic development of war affected people are the subject of the next chapters.
CHAPTER 2

The Second Wave of Neoliberalism and Post-War Reconstruction

As with any other society devastated by war, decades of disruption of cycles of investment and production in the North and East of Sri Lanka curtailed capital accumulation. Though the state has poured billions of rupees in investment on infrastructure and facilitated the flow of considerable private finance, these flows have neither stimulated local production nor mobilised local labor. Indeed, development and the reconstruction of a war-devastated society raise not only the need for capital but also the particular form of capital in relation to labor, resources and institutions. Therefore, it is not just the amount of money that has been put into circulation after the war in the North and East. Rather, it is about how the money has been used, and how it affects relations between people and their institutions.

I argue in this chapter that the post-war years starting in 2010 have been characterized by a second wave of neoliberalism in Sri Lanka. I categorize the period between 1977 and 1983 with the launch of the “open economy” reforms and structural adjustment as the first wave of neoliberalism. While the civil war between 1983 and 2009 did not disrupt the neoliberal trajectory of Sri Lanka, it nevertheless curtailed efforts to drastically transform the economy through accelerated liberalization. This periodization is central to my analysis. I argue that national authoritarian stability, global conditions conducive for the inflow of finance capital and accelerated liberalization processes constitute waves of neoliberalism that set national economies on a transformative path. Furthermore, each neoliberal wave has particular characteristics including distinct policies; on banking and finance; on urbanization and infrastructure build-out; privatization and restructuring of state enterprises; trade, exports
and foreign direct investment; changes to the rural economy; and entitlements and services of communities and individuals.

In this context, post-war reconstruction starting in 2010 – focused on the rebuilding large infrastructure, expansion of credit and the promotion of self employment to the detriment of rebuilding social institutions – are embedded within the national development trajectory in Sri Lanka. Therefore, I begin this chapter with an analysis of the post-war economic development in Sri Lanka as a whole followed by a discussion of reconstruction in Jaffna.

Second Wave of Neoliberalism

At the end of the war, the Sri Lankan economy was facing a balance of payments crisis with the depletion of foreign reserves and high levels of inflation. In the final months of the war in 2009, Sri Lanka began negotiating a Standby Arrangement with the IMF. The Western powers concerned about Sri Lanka’s strong relations with China, Iran and Libya, and increasingly critical about the humanitarian conduct of the war during the last phase, put some pressure on the IMF to reconsider if not delay the IMF agreement. However, the IMF agreement finally went through in July 2009 providing US$ 2.6 billion in loans with conditions on the Sri Lankan state’s economic policies including reducing the fiscal deficit, expanding the tax base, addressing the losses of state enterprises, a flexible exchange rate and strengthening the banking sector (Skanthakumar, 2009; IMF, 2009).

The IMF agreement was much more than the financial support of US$ 2.6 billion. It was the first move in a major shift in the political economy of post-war Sri Lanka. The IMF agreement marked a turning point of support and approval for the Rajapaksa regime’s

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43 The IMF called for a reduction of the budget deficit to 5 percent of GDP by 2011, from a target of 7 percent in 2009, but it did not prescribe how that reduction was to be achieved.
economic policies by global finance capital. Despite the antagonistic moves by Western states in forums such as the UN, the economic rationale prevailed when it came to the flow of global finance capital into Sri Lanka, particularly with the guarantee of the IMF agreement.

Next, the economic crisis of 2008 resulted in the flow of capital to the “emerging markets.” The Rajapaska regime seized this moment, characterising Sri Lanka as a stable, post-conflict, emerging market on the path to becoming the “Miracle of Asia” (Rajapaksa, 2010). Large flows of global finance capital were facilitated through greater integration with the global capital markets, both by the state in the form of sovereign bonds as well as banks that floated corporate bonds. Such global capital was absorbed in various infrastructure and urban development projects, including in real estate ventures in Colombo, with centralized and militarized development policies made possible by the new constitutional powers usurped by the President after the war.

The end of the war, the emergence of stability characterised by militarised security in the entire country, a strong authoritarian regime at the helm of state power and global conditions following the global economic crisis in the West leading to the flow of capital to emerging markets, created the conditions for a second wave of neoliberalism in Sri Lanka. This latest phase of global integration and transformation of the political economy of Sri Lanka is on the order of the changes that came soon after Independence from 1948 to 1953 and then again with the first wave of neoliberalism from 1977 to 1983.

The dominant discourse about the post-war economic transformation of Sri Lanka disregarded both the history of similar waves of opening of the the Sri Lankan economy including liberalization as well as the impact of global economic forces. Instead, the post-war transformation of the economy is articulated as a “transition” from war time stagnation to high growth with economic development by actors such as the World Bank (Biller & Nabi, 2013). The World Bank claims: “seen through the lens of Malaysia’s successful economic
transition, Sri Lanka has the basis to reap a peace dividend and move into a higher growth path that would help it achieve high-middle income status in 15 years” (Biller & Nabi 2013, 102). However, the selective discussion of the Malaysian model does not address the problems that Malaysia encountered with the East Asian economic crisis and its policies of control on capital movement. For the World Bank, Sri Lanka emulating the Malaysia model meant building an export-led economy, Public Private Partnerships (PPPs) in building infrastructure and creating business friendly conditions. Furthermore, for some actors close to the Rajapaksa regime the Malaysian model also meant focusing on economic development as the solution, rather than addressing the grievances of the minorities through a political solution.  

44 The following report by the Institute of Policy Studies, the foremost state sponsored economic think tank in Sri Lanka, reflected the thinking that a change of mindset was possible with the end of the war including the possibility of pursuing the Malaysian model: “The conflicts in Malaysia were mostly in two periods – 1948 and 1969 – while in Sri Lanka, the conflict lasted from 1983-2009 – nearly three decades. … It is true that the conflict is sometimes used as a ‘scapegoat’ by those who lament Sri Lanka’s economic ills. Yet, the impact of a 30 year war and the impact of its conclusion on the prospects of the economy cannot be overlooked. … While East Asian countries were able to use external threats to build the public impetus needed for growth, Sri Lanka struggled with complex internal divisions caused by the conflict that made it increasingly difficult to get the public to rally around bold economic reforms.” (Attygalle 2012) Scholarship on Sri Lanka also tends to compare Sri Lanka’s failures with Malaysia’s success. But in the process reduced the political resolution in Malaysia into a success, disregarding Malaysia’s legacy of authoritarian and majoritarian politics. Harvard scholar Donald R. Snodgrass claims: “It is not evident that the ethnic situation in Sri Lanka should inherently have been more of a threat to economic growth in, say, 1960 than that in Malaysia. The ethnic Chinese minority in Malaysia was more than twice as large as the Tamil minority in Sri Lanka, while the numerical position of the ethnic majority was far more secure in Sri Lanka, where Sinhalese were seventy-four percent of the population in 1981, than in Malaysia, where the Malays were just over half the population. Moreover, religious, cultural and linguistic differences between the two largest communities were all sharper in Malaysia. Yet Malaysia got off with brief episodes of conflict, notably in 1969, adopted a comprehensive affirmative action policy (the ‘New Economic Policy’ of 1971), and managed to record one of the world’s highest rates of economic growth in 1970-95, while Sri Lanka was only able to attain modest economic growth as the political situation deteriorated into civil war.” (Snodgrass 1998, 29) Malaysian scholar Jomo K. Sundaram has a more sober assessment of Malaysia’s resolution of ethnic tensions. He claims much of the growth with the New Economic Policy was characterized by the rich getting richer, while migrant workers were severely exploited. Furthermore, the ethnic issue was only managed through deals to distribute rents between the ethnic elite and inter-ethnic relations did not substantially improve (Sundaram 2004).
Facets of Neoliberalism in Contemporary Sri Lanka

I have identified three aspects of neoliberalism that are important for analyzing the political economy of post-war Sri Lanka. First, finance capital and financialisation have become the engines of economic transformation, where without the continuing inflow of finance capital and its circulation the economy will be crippled by crisis (Dumenil and Levy 2011, Fine 2013). Large flows of global finance capital as well as integration with the global capital markets have immensely transformed Sri Lanka’s national finances and its banking sector. Second, the role of the state has changed to one that reshapes the economy and creates the conditions, including through its repressive apparatuses, for the accumulation of finance capital (Harvey 2005). In post-war Sri Lanka, an authoritarian regime controlling a national security state shapes mega urban and infrastructure development to absorb investments by finance capital. Third, individuals are atomised and called upon to take economic responsibility for themselves as entrepreneurs and through self-employment, even as social institutions are marginalised, where individuals are eventually blamed for the devastation they face with economic processes and crises. The neoliberal policies targeting individuals changes the relationship between state and citizen, where the state is less and less responsible to the citizen (Wacquant 2012).

These three facets of neoliberalism do not exhaust theorisation on neoliberalism. For example, trade liberalization, privatization, deregulation and funded-NGO schemes are also

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45 While there is extensive theorization of neoliberalism in South Asia, the conceptualization and analysis of neoliberalism here is limited in Sri Lanka. This gap in the use of neoliberalism as an analytical concept is intriguing. It could be in part related to the displacement of class analysis with the emergence of the ethnic conflict and the deployment of ethnicity as the central concept in scholarship on Sri Lanka. While political economic analysis flourished in the 1970s and into the early 1980s, the descent into civil war in the mid-1980s saw the energies of most scholars turn to analysis of ethnicity. The emphasis of anthropological scholarship as opposed to political economy in the 1980s to address the emergent problems in the country was a turn away from class analysis to the analysis of culture (Jeganathan 1998). Over the last few decades, there has been some analysis of the different phases of liberalisation under successive regimes in Sri Lanka. Such analysis attempted to understand the impact of policies on specific sectors including agriculture, irrigation, privatisation and trade. However, there is a dearth of systemic analysis of the social, economic and political changes that came with liberalisation and the civil war. My own intellectual engagement in Sri Lanka was linked to the displacement of these forms of analysis in recent decades, particularly political economy and a critique of neoliberalism.
important facets of neoliberalism. Indeed, after regime change in Sri Lanka in 2015, there is a much greater emphasis on trade liberalization and restructuring of state enterprises. Therefore, neoliberal policies in different contexts and at different points in time take different paths.

The reconstruction of the war-torn regions starting in 2010 were an extension of the second wave of neoliberalism transforming the country, and were constituted by the interaction of financialization, the neoliberal state and processes atomizing individuals by seeking them out as consumers and clients. The interaction at these three realms were shaped by global forces and national changes, with global financial flows circulating through national financial institutions were seeking new places for absorption of such finance. In this context, the war-torn regions that were isolated during the war from financial flows and the market became an open field for a range of new entrants including institutions of finance and retail trade. Financial institutions hungry for an untapped population, and euphoric about Jaffna society as historically a saving population and now with flows of remittances, aggressively moved to capture the region. However, this financial and market integration was also a political project, encouraged by the Rajapaksa regime and the international donors and agencies, who claimed that finance and the market leads to development of the war-torn regions. 46

In the next two sections, I will discuss financialization followed by the neoliberal state. I will then discuss reconstruction in Jaffna focused on infrastructure development and expansion of credit leading to falling incomes and rising indebtedness. I will conclude with a

46 Wacquant describes the dynamic working of neoliberalism at three levels: “This core consists of an articulation of state, market, and citizenship that harnesses the first to impose the stamp of the second onto the third. So all three of these institutions must be brought into our analytic ambit. I diverge from market-centred conceptions of neoliberalism in that I prioritise (political) means over (economic) ends; but I part with the governmentality framework in that I prioritise state crafting over technologies and non-state logics, and I focus on how the state effectively redraws the boundaries and tenor of citizenship through its market-conforming policies.” (Wacquant 2012, 71)
discussion of the failure of reconstruction, increasing out migration and the policies seeking to atomize individuals.

**Financialization and Global Capital**

In analysing the history of neoliberalism in Sri Lanka, there has been some discussion of trade liberalization, foreign aid, cuts to social welfare, fiscal austerity, the attack on organised labor and large development projects (Law and Society Trust 2010; Skanthakumar 2013; Bastian 2007). However, there is little analysis of neoliberalism in Sri Lanka focused on the process of financialization and banking. Neoliberalism at the outset in the 1970s was centred on the processes of financialization (Dumenil and Levy 2011) and could be characterized as a class project of finance capital (Harvey 2005). I draw on the broader concept of financialization from the work of Dumenil and Levy, who consider it to be the expansion of financial institutions and mechanisms and the corresponding increase in assets and debt. Financialization in contemporary times leads to accumulation with profit-making through financial mechanisms as opposed to actual production. Furthermore, such financialization reduces the wealth and incomes of workers, though both processes that indebt workers and reduce their real wages in order to increase profits.

47 Dumenil and Levy analyze financialization as follows: “on the one hand, the expansion of financial institutions and mechanisms (and the corresponding masses of assets and debt), taking account of innovative procedures and, on the other hand, the imposition of managerial criteria such as the creation of value for the shareholder. The comparative size and profit rate of the financial sector is involved. The same is true of the expansion of the financial component of management within financial institutions and within nonfinancial corporations, as well as the spectacular rise of the income paid to financial managers. Given the role conferred on financial interests in contemporary capitalism, the term ‘financialization’ is also used in a broader sense in the literature, encompassing most of the features of neoliberalism. There is a lot of meaning in the assertion that neoliberalism is a ‘financialized capitalism,’ sometimes denoted on such grounds as ‘financial or finance capital(ism).’ But this feature is not really new. The phrase ‘Finance capital’ was coined by Hilferding at the beginning of the twentieth century. ‘Finance-led capitalism’ would be closer to the perspective here, provided that a proper definition of ‘Finance’ is given.” (Dumenil and Levy 2011, 35-36)

48 According to Stockhammer, financialization include, “rising indebtedness of households, more volatile exchange rates and asset prices, short-termism of financial institutions, and shareholder value orientation of non-financial businesses.” Furthermore, his discussion of the falling labour share of national income through a discussion of financialization and its impact on labour including its bargaining power is important: “First, firms have gained more options for investing: they can invest in financial assets as well as in real assets and they can
The first wave of neoliberalism in Sri Lanka restructured the banking and financial sector. According to Karunatilake: “The banking and the financial system between 1979 and 1982, expanded by leaps and bounds and more than 14 leading international banks opened branches in Sri Lanka. Thus, by 1988, there were 26 commercial banks operating in the island and the majority were branches of foreign banks.” (Karunatilake 2004) There were also powerful investment incentives for foreign and domestic capital (Herring 1987). Thus the post-war process of financialization was built on an earlier period of new financial structures with banking reform in Sri Lanka.

What is different with the second wave of neoliberalism in Sri Lanka is the role played by global finance capital and integration with global capital markets. Influenced by such global finance, the process of financialization was far more extensive transforming Sri Lanka’s national finances and financial sector as a whole with financial institutions and products reaching down to the rural economy. In otherwords, there is a structural shift in the workings of financialization, where global circuits of financial accumulation were able to reach the rural households through the formal channels of banks and finance companies and range of new financial mechanisms.

I first discuss changes to financialization at the national level. Then I discuss the changes to banking, including by comparing the national flow of finances through the markets compared to the historically high donor assistance in countries like Sri Lanka. Finally, I look at the mechanisms of financialization that reach the rural economy.
Financialisation at the National Level

Financialization in Sri Lanka at the national level is acceding to global trends in financial architectures. The current structure of Sri Lanka’s national finances are characterized by the increase in shorter term and high interest commercial loans and the relative decline of longer-term and concessionary loans from multilateral and bilateral donors. For example, in 2000 almost 100 percent of Sri Lanka’s foreign debt was concessional loans, but by 2013 that figure had dropped to below 50 percent (Finance Ministry Annual Report 2013, 178).

Financialization is also propelled by the increasing market capitalization of the Colombo Stock Exchange. Furthermore, high levels of euro and dollar bonds are floated by commercial banks and other companies controlled by the Government. The early evidence of the dynamics of this process of financialization was the quadrupling of the stock market in the eighteen months after the war ended in May 2009. As Figure 2.1 illustrates, there is a tremendous rise in the Colombo Stock Exchange in the two years after the war, but it tapers off after the initial boom. Furthermore, between 2009 and 2010, Sri Lanka far out performed the emerging markets and world stockmarket indices.

![Figure 2.1 Comparison of Sri Lanka, Emerging Markets, World Stock Market Indices](source: Financial Times, Colombo Stock Exchange)

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Financiers close to the regime benefited from state finances and other funds channelled into the stock market to make speculative returns. The Employees’ Provident Fund (EPF) controlled by the Central Bank, is the largest retirement fund in Sri Lanka with the net value at the end of the 2013 worth Rs. 1.3 trillion (US$ 10 billion) or close to 14% of GDP and half the market capitalisation of the Colombo Stock Exchange at that time. See Figure 2.2 for market capitalization of the stock market as a percentage of GDP. While historically, the EPF was invested only in government bonds, in recent years as much as 7.5% (EPF 2013) of this fund is being diverted into the stock market. There have been attempts to divert much larger percentage of this workers retirement fund even as trade unions accuse the government of propping up the stock market through risky investments. In the post-war years, the successive regimes are attempting to create larger private retirement funds as part of the project to create a large financial market, and investing the existing retirement funds in the stock market is part of that project.

Figure 2.2 EPF and Market Capitalisation of CSE (% of GDP)

Source: EPF, Central Bank, Securities Exchange Commission

As the post-war euphoria and capital flows into Sri Lanka tapered the Government tried to prop up the stock market resulting considerable manipulation. In 2011 and 2012, two Securities and Exchange Commission chairpersons resigned under pressure with financiers resisting market regulation.
Between 2009 and 2012, most of the major banks in Sri Lanka doubled or tripled assets by expanding retail business dominated by loans to households. Such expansion of bank assets have been possible through borrowings in the global financial markets. For example the Bank of Ceylon has floated a total of US$ 1 billion in euro and dollar bonds in the international capital markets in 2012 and 2013. The National Savings Bank floated a similar bond of US$ 750 million at an extremely high interest of 8.9% in 2013.

The National Development Bank (NDB) and Development Finance Corporation of Ceylon (DFCC), the two development banks in Sri Lanka, were given tax incentives to float similar bonds worth US$ 250 million each in the Budget for 2013. Their failure to float the bonds led the Central Bank to call for the merger of the two development banks. While the Central Bank has not forced the merger of the development banks, since 2014 there is a major push for financial consolidation with the merger of banks and finance companies. Such mergers are expected to facilitate greater financialization through increased floating of international bonds and the inflow of global finance capital to invest in the financial sector in Sri Lanka.

The floating of dollar-denominated bonds are encouraged by policy makers to bring foreign exchange necessary for the burgeoning import bill. Such a strategy – with high interest rate loans that could prove costly to the banks – was possible because most of these

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50 For example, the largest commercial bank, the Bank of Ceylon, increased loans and advances from Rs. 275 billion to Rs. 715 billion, while deposits only increased from Rs. 408 billion to Rs. 694 billion, between the years 2009 and 2012 (BOC 2013, 63). Of these loans, 45% to retail customers, 17% to the corporate sector and 38% to state owned enterprises (BOC 2013, 70).
51 Reflecting this strategy of market borrowing by state-owned commercial banks, the BOC’s foreign currency loans increased by 165% from Rs. 65 billion in 2011 to Rs. 171 billion in 2012 (BOC 2013, 71).
52 The lead managers, Barclays, Citigroup and HSBC and the investors in the bonds were Geographically US contributed 39%, Europe with 38% and Asia with the remaining 23%. The bond carried an international rating of BB- (Daily Financial Times, 7 January 2015).
53 The high import bill in Sri Lanka is influenced by global oil prices with Sri Lanka dependendant on its electricity production through oil. In other years, the import bill has been due to high levels of vehicle imports.
banks are still majority owned by the state. Furthermore, borrowings through such state controlled commercial banks do not go on the books as state borrowings, in other words, it is borrowings that do not add to the budget deficit.

In this way, there was a clear strategy of financialization with the flow of foreign funds. A prominent business news agency reported the following approach of the Central Bank back in late 2011:

Sri Lanka's non-bank finance companies should borrow abroad to increase resources they have to lend to the domestic economy, Central Bank Governor Nivard Cabraal said. ‘We need new money coming into the country if we are going to achieve this growth that we are targeting,’ Cabraal told a forum of non-bank lenders in Colombo.

‘We cannot do it with only the savings that we have in our own country.’ Cabraal said the state has borrowed abroad and set a benchmark for private borrowers to go to international markets (LBO 2011).

Thus global financial flows were encouraged through inter-connected interventions of foreign borrowing by the state, banks and non-bank financial companies.

Next, comparing the flow of finances through such financial transactions in the capital markets to foreign aid points to an increasingly dominant role for the financial sector. The total disbursement of aid from the multilateral and bilateral donors in 2013, including the World Bank, ADB, Japan, China and India was Rs. 180 billion (US$ 1.4 billion) with net flows after repayments amounting to Rs. 68 billion (US$ 520 million). Next, Foreign Direct

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54 These high interest rates and tremendous accumulation which the Sri Lankan public has to burden is related to the point above that while the West was against Sri Lanka in Geneva at the UN Human Rights Council, it did not deter Western financiers from pouring in capital to accumulate high financial profits.

55 National Savings in Sri Lanka have been on the order of 23% to 33% of GDP between 2009 and 2015, so it is not the lack of savings, but rather the kind of investments in infrastructure and the increasing import bill that led to calls for increased global financial flows. National investment has ranged between 24% and 39% of GDP, which in turn increased GDP growth (Finance Ministry Annual Report 2013, 3).

56 According the Finance Ministry: "On a gross basis, total foreign loan proceeds in 2013 amounted to Rs. 179.3 billion which were the disbursements related to project loans received for public investment activities. As the..."
Investment continues to be marginal and much of it is channelled into real estate development, rather than productive investments.\textsuperscript{57} For example FDI in 2013 was only US$ 1.4 billion compared to bonds worth US$ 1 billion floated by the Bank of Ceylon alone (Finance Ministry Annual Report 2014, 8).

Given that exports are almost half the imports, Sri Lanka would have serious balance of payment problems if not for the worker remittances. Indeed, it is migrant workers remittances from the Middle East that have kept the Sri Lanka economy afloat; worker remittances have steadily increased from less than US$ 2 billion in 2005 to US$ 6.4 billion in 2013 (Finance Ministry Annual Report 2013, 157).

### Table 2.1 Soverign Bonds

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (US$ Mn)</th>
<th>Interest Rate (%)</th>
<th>Tenure (Years)</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/10/2007</td>
<td>500</td>
<td>8.250</td>
<td>5</td>
<td>Matured in 2012</td>
</tr>
<tr>
<td>22/01/2009</td>
<td>500</td>
<td>7.400</td>
<td>6</td>
<td>Matured in 2015</td>
</tr>
<tr>
<td>30/10/2010</td>
<td>1,000</td>
<td>6.250</td>
<td>10</td>
<td>30/10/2020</td>
</tr>
<tr>
<td>27/07/2011</td>
<td>1,000</td>
<td>6.250</td>
<td>10</td>
<td>27/07/2021</td>
</tr>
<tr>
<td>25/07/2012</td>
<td>1,000</td>
<td>5.875</td>
<td>10</td>
<td>25/07/2022</td>
</tr>
<tr>
<td>06/01/2014</td>
<td>1,000</td>
<td>6.000</td>
<td>5</td>
<td>06/01/2019</td>
</tr>
<tr>
<td>07/04/2014</td>
<td>500</td>
<td>5.125</td>
<td>5</td>
<td>07/04/2019</td>
</tr>
<tr>
<td>03/06/2015</td>
<td>650</td>
<td>6.125</td>
<td>10</td>
<td>03/06/2025</td>
</tr>
<tr>
<td>02/11/2015</td>
<td>1,500</td>
<td>6.850</td>
<td>10</td>
<td>03/11/2025</td>
</tr>
<tr>
<td>11/07/2016</td>
<td>500</td>
<td>5.750</td>
<td>5.5</td>
<td>11/01/2022</td>
</tr>
<tr>
<td>11/07/2016</td>
<td>1,000</td>
<td>6.825</td>
<td>10</td>
<td>11/07/2026</td>
</tr>
</tbody>
</table>

Source: Central Bank

repayments of foreign loans were Rs. 111.4 billion, total foreign financing on a net basis amounted to Rs. 67.9 billion.” (Finance Ministry Annual Report 2013, 178)

\textsuperscript{57} According to a recent World Bank Report: “FDI remains below 2 percent of gross domestic product (GDP) five years after the end of armed conflict, relative to much higher levels of FDI in other MICs such as Vietnam or Cambodia. While FDI can enhance access of producers to global production networks and facilitate the development of new activities within existing value chains, FDI inflows to Sri Lanka have been largely focused on infrastructure (inclusive of real estate development), with a relatively small proportion reaching sectors of the economy that are associated with global networks of production” (World Bank 2015, 4). However, the World Bank itself had been promoting such infrastructure development and continues with such projects. The World Bank’s analysis here is premised on the questionable claims that further liberalization will increase FDI flows that will in turn lead to production of exports. The reality may be that even if such increased FDI flows are mobilized they may only lead to greater speculative investment in real estate and other assets.
Sri Lanka’s total foreign debt accumulated over the decades is also changing drastically. The total foreign debt of the government at the end of 2013 was Rs. 2,960 billion (US$ 22.8 billion); of which multilateral and bilateral concessional loans were Rs. 1,492 billion (US$ 11.5 billion) and non-concessional loans were Rs. 459 billion (US$ 3.5 billion); and market borrowing have increased considerably to Rs. 1,007 billion (US$ 7.7 billion) (Finance Ministry Annual Report 2013, 206). The latter increased by the issuing of sovereign bonds is now a third of foreign government financing. As evident form Table 2.1, Sri Lanka has issued US$ 8.05 billion in sovereign bonds after the war and incurs quite high interest costs of foreign capital. Furthermore, foreign debt was also accrued through state-held commercial banks and other state-owned enterprises.

Financialisation at the Rural and Household Level

Financial integration with the global financial markets and changes to national finances have also extended down to the level of the households including in the villages with increasing financial products such as pawning, micro credit and lease hire purchasing. In Sri Lanka, leasing refers to purchase of vehicles as well as household consumer goods, where following an initial payment of up to 20% of the value of the item, the rest is paid in instalments. However, if three successive installments are not paid, the leasing company seizes the item forcefully resulting often in the loss of both the item, the initial down payment and monthly installments that were already paid, resulting in a massive loss to the consumer.58

Next, evident from Table 2.2 pawning increased by 53% in 2010 and 60% in 2011 with the increase in the value of global gold prices after the Western economic crisis of 2008.

58 There has been a tremendous increase in leasing business in recent years. For example, the Bank of Ceylon increased its leasing business by 53% in 2012 from the previous years (BOC 2013, 68). Furthermore, when it comes to the Non-Bank Financial Institutions as many as much as 50% of their business is in leasing and hire purchase amounting to Rs. 492 billion in 2015 (Central Bank Annual Report 2015, Table 132).
Furthermore, in 2011, pawning was 26% of the total loan portfolio of banks. Pawning was historically provided by informal networks and this level of pawning by banks was unprecedented. The Bank of Ceylon, which is the largest commercial bank in the country, had between 2009 and 2011 tripled its pawning loan portfolio (Finance Ministry Annual Report 2011, 464-465).

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Bank</td>
<td>-</td>
<td>0.01</td>
<td>1</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>DFCC Vardhana</td>
<td>0.03</td>
<td>0.21</td>
<td>0.34</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Lankaputra Bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>HNB</td>
<td>17</td>
<td>21</td>
<td>22</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>Peoples Bank</td>
<td>76</td>
<td>96</td>
<td>125</td>
<td>190</td>
<td>291</td>
</tr>
<tr>
<td>Sampath Bank</td>
<td>12</td>
<td>16</td>
<td>25</td>
<td>43</td>
<td>64</td>
</tr>
<tr>
<td>RDB</td>
<td>47</td>
<td>54</td>
<td>58</td>
<td>66</td>
<td>76</td>
</tr>
<tr>
<td>BOC</td>
<td>25</td>
<td>38</td>
<td>55</td>
<td>94</td>
<td>188</td>
</tr>
<tr>
<td>NSB</td>
<td>11</td>
<td>15</td>
<td>25</td>
<td>36</td>
<td>58</td>
</tr>
<tr>
<td>Seylan Bank</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>189</td>
<td>245</td>
<td>318</td>
<td>480</td>
<td>777</td>
</tr>
<tr>
<td>No. of loans provided</td>
<td>5,095,518</td>
<td>5,900,434</td>
<td>6,673,524</td>
<td>7,608,067</td>
<td>9,027,369</td>
</tr>
<tr>
<td>Interest rate</td>
<td>19-24%</td>
<td>18-24%</td>
<td>14-23%</td>
<td>10-14%</td>
<td>10-14%</td>
</tr>
<tr>
<td>Average loan size (Rs.)</td>
<td>37,730</td>
<td>42,302</td>
<td>47,682</td>
<td>63,899</td>
<td>86,186</td>
</tr>
<tr>
<td>Growth rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30%</td>
</tr>
</tbody>
</table>


The Bank of Ceylon Annual Report for 2012 states the following about the extensive expansion of credit through pawning:

The Bank provides a variety of other loan schemes, such as short term “pawning” loans on personal property, loans for travel expenses, and loans for self-employed individuals and government workers. As of 31st December 2012, pawning loans & other loan schemes accounted for 44% of the retail banking loan portfolio of Bank amounting to LKR 136,962 million [ US$ 1.1 billion]. Pawning loans are short-term loans that are fully secured by pledged gold coins and jewellery. Pawning loans are primarily utilised by farmers and individuals in rural areas for agricultural purposes (BOC 2013).
The fall in global gold prices and its impact on the banking sector with increasing non-performing loans, particularly with increased defaults on pawning loans and the depreciation of gold collateral, shook the banks. However, they seem to have avoided a serious crisis by 2016 due to the diverse character of their assets and continuing expansion of their business with other services.

In recent years, microfinance loans have also been on the rise. Historically, co-operatives and state institutions provided such micro loans. However, in recent years there have been a whole range of actors from NGOs, non-bank financial institutions to subsidiaries of banks that have got into the microfinance business. Data on the total loan portfolio of microfinance are not available. However, a survey done by the Central Bank in 2015 claims 50% of those who have taken micro-finance loans pay over 25% interest. Furthermore, close to 10% of the microfinance loans charge extremely high interest rates on the order over 45% (Central Bank Annual Report 2015, 250). The government continues to promote microfinance in its annual budgets and in a move to regulate microfinance institutions has put forward a new microfinance bill in 2016. However, the microfinance industry and prominent think tanks oppose powers given to the Central Bank to put a ceiling on interest rates for microfinance loans.

In this way, financialisation and greater integration with the global capital markets have led to higher levels of capital flows. The investment of such capital directed by the state is transforming the economic landscape through urban and infrastructure development. In the

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59 The following year, the Central Bank Annual Report 2013 had the following to say about pawning: “The quality of assets in the banking sector deteriorated as indicated by the increase in the NPL ratio from 3.7 per cent as at end 2012 to 5.6 per cent by end 2013. This was largely the result of weaker loan quality in the pawning portfolio, and slower loan growth. NPLs increased by Rs. 74 billion [US$ 570 million] during 2013, of which Rs. 56 billion [US$ 430 million] relates to pawning advances. In comparison, the increase in NPLs amounted to Rs. 17 billion [US$ 130 million] in 2012.”


92
countryside, credit has expanded through banks and financial businesses charging high interest rates on pawning, leasing and microfinance loans.

Urbanization, Infrastructure and the Neoliberal State

Over the last few decades, there has been some analysis of the neoliberal state in Sri Lanka, including in relation to the global flows of trade and capital. (Dunham & Jayasuriya, 2001; Herring, 1987; Lakshman, 1985). The massive accelerated Mahaweli Development Scheme, which came with the open economy policies in 1977 discussed in the previous chapter, at the outset brought attention to the large role of the state in development. Therefore, unlike the issue of financialisation, the role of the state was critically discussed by political economists as well as mainstream economists when considering the various phases of liberalization.

While I claim a second wave of neoliberalism was initiated by the Rajapaksa regime at the end of the war, there was a debate in the early post-war years about whether the Rajapaksa regime can be characterised as neoliberal. President Rajapaksa had roped together a coalition consisting of the Sinhala Buddhist nationalists and the left parties and made statements that could appeal to and disarm any critique from both ends of the spectrum. Months before the end of the war, Rajapaksa had the following to say in his Budget Speech:

Neo-liberal globalization process that was followed by our country for over 30 years, paid economic dividend only to a very small segment of our society. … The need to develop irrigation, highways, electricity, water supplies and rural development was also forgotten. In short, rural villages were so neglected and were made distant from Colombo as though they were no longer a part of Sri Lanka. … we rejected

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61 The three Left Ministers in the Rajapaksa Government have also made this claim in the years after the war. Rajapaksa had also maintained that he would not be an agent of the Western agenda, but that is more to do with the call for investigation of war crimes taken forward by the US and the UK in the UN Human Rights Council.

Such populist rhetoric continued as the regime felt compelled to distinguish itself from the far right and pro-West UNP government that preceded it. However, the regime with support of the World Bank, the Asian Development Bank and the IMF, took forward many aspects of ‘Regaining Sri Lanka’ policy package of the earlier Wickremesinghe government, particularly financialization, urbanization and infrastructure development.

The financial support from the World Bank and other donors for the neoliberal state was premised on particular forms of investment:

The two principal drivers of investment for sustained high economic growth and productive employment are (a) international competitiveness for export-led growth and (b) urbanization, which facilitates productive economic activity. These two drivers of investment and economic growth, in turn, depend crucially on efficient infrastructure that shortens the international supply chain on the one hand and brings about agglomeration dividends on the other (Biller and Nabi, 2013, 2).

The building of such large infrastructure and urbanization required global finance capital channelled through the state. Indeed, close to US$ 10 billion was raised as sovereign bonds and bonds floated by the state controlled commercial banks between 2009 and 2016, and much of those finances were used towards such large development projects. That is over and beyond the capital that came in for infrastructure development from the multilateral donors such as the World Bank and the Asian Development Bank and bilateral donors such as China, Japan and India.
In addition to such large levels of finances the state required vast powers for large development projects. In 2010, the Rajapaksa regime merged the Defence Ministry with the Urban Development Authority to use the military in accelerated urbanization. The military became involved in construction, city beautification and slum demolitions. The emphasis on urbanization was further accentuated by the regime unsuccessfully fielding Milinda Moragoda\(^{62}\) as the candidate for Mayor in the 2011 Colombo Municipal Council elections. While the regime could not succeed in capturing the Mayorship in UNP-centered Colombo, the powers of the Central Government and the military were used to push urbanization of Colombo at a tremendous pace.

The budgetary capital expenditure is consistently highest for the Ports and Highways Ministry in recent years. And road and highway construction came to signify the visible priorities of the Rajapaksa regime and the role of the state in the economy both in resource terms and in popular discourse. In the Budget Speech for 2015, President Rajapaksa boasted that construction was now 10 percent of the GDP and that the sector had a high growth of 17 percent. A major component of construction growth is the building of roads and highways.

While the international and national media focus on Chinese infrastructure investment in Sri Lanka through their geopolitical lens, the question remains as to why so many of the other donors including multilateral agencies such as the World Bank and Asian Development Bank fund such infrastructure projects, particularly when they are unlikely to provide the necessary returns. The World Bank in a recent report concurs that the highest contributor to

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\(^{62}\) Moragoda was a highly influential neoliberal politician, known to be close to Washington including the Heritage Foundation. Between 2002 and 2004, he held the very high post of Economic Development Minister under the UNP government, when it attempted accelerated neoliberal policies during its short stint in power between 2002 and 2004. Moragoda’s cross over to join Rajapaksa and contest the municipal elections was a clear sign of the emphasis placed on urban development. However, despite the massive neoliberal campaign vision that spoke of citizens as consumers, Moragoda could not defeat the UNP base in Colombo and lost the elections.
GDP growth in Sri Lanka was public investment in infrastructure.\textsuperscript{63} Indeed, while acknowledges the nature of such growth,\textsuperscript{64} it is now calling for a shift in the very policies that it was promoting not long ago (World Bank 2015, 28-30).

Despite the Rajapaksa regime’s populist rhetoric, its priorities were reflected by the secular decline in agriculture and fisheries expenditures. As a percentage of government expenditure, transport and communications, increased from 11.2 to 14.6 percent, while agriculture\textsuperscript{65} and fisheries decreased from 2.3 to 1.5 percent between 2008 and 2013 (Finance Ministry Annual Report 2014). In other words, as a share of government expenditure over the five-year period, transport and communications increase by 30 percent, while agriculture and fisheries declined by 35 percent, reflecting the government’s priorities. The two major toll expressways built during this period are reflective of the social inequalities linked to such infrastructure, because it is only the middle and upper classes that can afford private vehicles and moreover travel on such toll expressways. These figures also reflect donor priorities, with agriculture and fisheries amounting to 0.1 percent and transport and communications amounting to 44 percent of total donor disbursements in 2015 (Finance Ministry Annual Report 2015). The World Bank not only rejects investment in agriculture, its analysis is in favor of trade liberalization in agriculture, claiming that 30% of the labor force only produces

\begin{flushright}
\footnotesize
\textsuperscript{63}“Private consumption accounted for 67 percent of GDP in 2013, having expanded by 6 percent a year on average between 2002 and 2013. Private investment, on the other hand, accounted for 23 percent of GDP in 2013, after an average growth of 9 percent a year during the same time period. In addition, public infrastructure spending grew at an average rate of 18 percent a year between 2002 and 2013, and made up 6 percent of GDP by 2013. The impulse coming from exports, on the other hand, was very small, with an average growth rate of 4 percent a year, so that the contribution of exports to aggregate demand declined from 35 to 26 percent of GDP between 2002 and 2013.” (World Bank 2015, 26)
\end{flushright}

\begin{flushright}
\footnotesize
\textsuperscript{64}“Sri Lanka’s real GDP grew by 43 percent from 2009 to 2014. The top four sectors contributing to 50 percent of the total growth during the period were all non-tradable sectors: construction, transport, domestic trade and banking, and insurance and real estate. Reflecting the intensity of a needed post-conflict infrastructure development thrust, the construction sector alone contributed to 16.8 percent of the total growth while growing by 109 percent in real terms. The transport sector contributed to 14 percent of the total growth, reflecting improved transportation infrastructure and increased vehicle registrations. Domestic trade (11.1 percent), import trade (7.8 percent) and financial services (8.2 percent) were the other main contributors to growth.” (World Bank 2015, 28)
\end{flushright}

\begin{flushright}
\footnotesize
\textsuperscript{65}I do not include the fertilizer subsidy, which is a cash transfer to appease the peasantry whose vote is significant in elections.
\end{flushright}
10% of GDP (World Bank 2013). However, due to the political sensitivity of agricultural trade liberalization, the World Bank has not been vocal and there was little pressure on the government.

I would argue, the World Bank during the tenure of the Rajapaksa regime limited its policy reform push to financialization with urban and infrastructure development. The World Bank diagnostic report published in late 2015, came well after regime change in January 2015, and there its message had shifted. With the new Government, the World Bank, the Asian Development Bank66 and the IMF are continuing the agenda of financialization, but also promoting trade liberalization67 and privatization where possible.

In June 2016, amidst balance of payments problems, the new Government signed an Extended Fund Facility for US$ 1.5 billion dollar with the IMF68 and augmented by an addition of US$ 500 million from other donors. That agreement is ambitious calling for structural reforms that go much further than their advocacy with the Rajapaksa Government.

The second wave of neoliberalism was initiated by the Rajapaksa regime, but that development trajectory is deepening with the new Government willing to openly take forward neoliberal reforms.

**Reconstruction as Infrastructure Development**

It is in the context of such a second wave of neoliberal policies transforming the political economy of Sri Lanka that reconstruction policies were launched in the war-torn regions of the North and East. During the final years of the war, the government was of the view that donor aid for reconstruction may even boost the national economy. However, by

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66 The Asian Development Bank has initiated a massive US$ 250 million project to expand the capital markets in Sri Lanka.

67 The donors are fully behind the the Wickremesinghe government’s push for new free trade and investment agreements with India, China, Singapore and the US.

68 The IMF Agreements also calls for fiscal consolidation with a target to bring down the budget deficit to 3.5% by 2020.
end of the war, the government’s relationship with Western countries had soured. Therefore, with only moderate pledges of donor assistance for reconstruction, the Government’s approach for reconstruction was similar to what it was doing with national development; to build infrastructure and expand credit.

THE BUDGET SPEECH GIVEN BY THE DEPUTY FINANCE MINISTER SARATH AMUNUGAMA IN JUNE 2010, had the following to say about reconstruction of the North and East:

A comprehensive medium- to long-term reconstruction strategy has been planned to transform conflict affected areas in order to create decent living conditions. The construction arrangement of railway lines in the northern sector connecting Thalaimannar to Medawachchiya and Omannathai to Kankasanthurai and such arrangement for the construction of national highways such as the A-9 and the A-32 have been finalized. Funding arrangements have been secured to implement water supply, roads, electricity, schools, hospitals, court houses, administrative facilities, police posts, drinking water, irrigation and livelihood programmes. … The early completion of these development initiatives will change the landscape providing north south connectivity and build a strong economic base to exploit agriculture, livestock, fisheries and tourism based investment opportunities in the north and east (Amunugama 2010, 71).

Therefore, from the outset, reconstruction was about building infrastructure. Such infrastructure-centred development was initiated with the re-building of the A-9 Highway connecting the North to the rest of the country. The A-9, which was repeatedly closed and re-

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69 It is normally the President who holds the Finance Minister portfolio that gives the Budget Speech. Furthermore, in late 2009, the Budget for 2010 was not announced as the Government wanted to hold elections in January and May 2010 to consolidate its power on the heels of the war victory.
opened as a humanitarian corridor during the war, became important for connectivity to markets after the war.70

Reconstruction of infrastructure in the North moved swiftly after the war as by 2012, the signs of war, the ruins and the warnings of land mines were fading. Electricity was reaching many villages and by the end of 2012, 72% of houses in the Northern Province had access to electricity (Finance Ministry Annual Report 2013, 63). According to a Government official by early 2014, electrification of 85% of the houses in Jaffna was complete.71 Such electrification also facilitated a market for consumer appliances from refrigerators to television sets.

The northern railroad, first built over a century ago by the British, was rebuilt by India. As the train service first reached Killinochi, and months later Pallai and then eventually Jaffna Town in October 2014, it created much excitement among the local people. A generation born during the war had not seen trains, and many lined up to watch the arrival of the trains. Therefore, reconstruction with respect to infrastructure related to transport and communication could not be faulted.

The many housing schemes, including the fifty thousand Indian housing grant to the war affected was a massive boost to the war-torn population. However, the faltering incomes and rising indebtedness, has led to these housing schemes adding to increasing indebtedness, as owner driven housing costs have been greater than the housing grant.72 When early signs of such housing grant related debt became evident, the donors and their implementation agencies the ICRC and UN Habitat claimed it was merely a few bad cases.73 The officials,

70 The 2010 Budget Speech emphasized the “opening of the A-9 road, removal of fishing restrictions, opening of bank branches and unrestricted transportation have expedited business development in the north” (Amunugama 2010).
71 Interview with Government Planning Official, 30 April 2014.
72 “Web of debt looms for Indian housing scheme beneficiaries”, The Hindu, 18 September 2013
73 The Indian Government had claimed the housing grant was a major effort on their part to address the aspirations of the war-affected people and did not want to see any negative publicity around the housing debt
donors and even think tanks were cautious about finding fault with the housing grant schemes. Nevertheless, the debate around housing debt became one of the few extensive debates on post-war indebtedness in the war torn regions.

### Table 2.3 Resources Used in Northern Province Development (2009 - 2013)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Amount (Rs. Mn)</th>
<th>Total Amount (US$ Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare of IDPs</td>
<td>23,933</td>
<td>184</td>
</tr>
<tr>
<td>Demining of 1,982 Sq. km. Area</td>
<td>12,174</td>
<td>94</td>
</tr>
<tr>
<td>Resettlement of 295,136 Persons</td>
<td>6,096</td>
<td>47</td>
</tr>
<tr>
<td><strong>Infrastructure Development</strong></td>
<td><strong>221,444</strong></td>
<td><strong>1,703</strong></td>
</tr>
<tr>
<td>Roads</td>
<td>68,000</td>
<td>523</td>
</tr>
<tr>
<td>Transport</td>
<td>30,701</td>
<td>236</td>
</tr>
<tr>
<td>Electricity</td>
<td>14,762</td>
<td>114</td>
</tr>
<tr>
<td>Water Supply &amp; Irrigation</td>
<td>14,103</td>
<td>108</td>
</tr>
<tr>
<td>Health</td>
<td>20,410</td>
<td>157</td>
</tr>
<tr>
<td>Education</td>
<td>19,561</td>
<td>150</td>
</tr>
<tr>
<td>Housing</td>
<td>11,716</td>
<td>90</td>
</tr>
<tr>
<td>Court Houses</td>
<td>1,110</td>
<td>9</td>
</tr>
<tr>
<td><strong>Agriculture and Fisheries</strong></td>
<td><strong>17,878</strong></td>
<td><strong>138</strong></td>
</tr>
<tr>
<td>Livelihood Development &amp; Other</td>
<td>23,203</td>
<td>178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>263,647</strong></td>
<td><strong>2,028</strong></td>
</tr>
</tbody>
</table>

*Source: Finance Ministry Annual Report 2013*

issue. Eventually, a major conference was organised by the UN Habitat on donor-led housing schemes, but it did not address the issue. The UN Habitat organised conference sponsored by the European Union, Australian Aid and the Swiss Development Cooperation titled, ‘Restoring Communities through ‘Home-Owner-Driven’ Reconstruction: from post-Emergency to Development’, was held at one of the Five Star hotels in Colombo and had no panellists from the North even though it was a conference about housing in the North and East. I attended the conference and when challenged the panellists about the issue of debt, they had no answers. The conference did not address the crucial question of indebtedness.

74 A Centre for Poverty Analysis Study though weak in its recommendations including calling for greater financial literacy, nevertheless surveyed the extensive nature of such debt: “A survey of 347 households in Jaffna, Mullativu and Killinochchi, (with 2/3 of households participating in a housing programme) indicated that average debt among housing beneficiaries were higher than those that have been approved to participate, but have not begun construction of houses. Half of the sample reported inability to pay back debt; and increased debt leads households to coping strategies such as reducing food consumption that negatively affects the quality of life. Findings of this study indicate that participation in an owner-driven housing programme is not the cause of indebtedness, but is a catalyst that leads to higher levels of borrowing. The lack of sustainable livelihoods appears to be a strong factor leading households to borrow. Other factors such as the lack of financial literacy and the increased supply of debt also appear to be linked with indebtedness” (Romeshun et al 2014).

75 The Swiss Development Cooperation following the UN Habitat conference commissioned another study to address the increasing housing-related debt and the uncompleted houses, but the study was misplaced in its focus on financial counselling. In response to a follow up study by the Centre for Poverty Analysis on Financial Counselling sponsored by the Swiss Development Cooperation (Gunaskera et al 2015), I wrote a critical review in the press on the assumptions and the outcomes of that study (Kadirgamar 2015).
As evident from Table 2.3, total expenditure on reconstruction of the Northern Province by the government during the 2009-2013 period amounts to Rs. 264 billion (US$ 2 billion). Furthermore, reflecting the broader neglect of the rural economy in national policy, expenditure in agriculture and fisheries amounted to just Rs. 18 billion or 6.8% compared to infrastructure expenditure of Rs. 221 billion or 84% for the reconstruction of the North from 2009 to 2013. Arguably, after a war such infrastructure growth is necessary, but the relative lack of investment towards the creation of livelihoods and jobs, has led to infrastructure led jobless growth in the post-war period.

Demographic Changes and Occupations in Jaffna

Table 2.4 illustrates the considerable fall in population in Jaffna from 1981 to 2012 and a significant shift in the gender balance. According to Census and Statistics, between 1981 and 2012, Sri Lanka’s population grew from 14,846,274 to 20,277,597. However, the population of Jaffna District fell from 734,474 to 583,071. That is an average annual population decline of 0.74 percent Jaffna District in contrast to 1% growth for SL as a whole. This drop in population is linked to the mass migration of the Tamil community from Sri Lanka to form the Tamil diaspora in the West estimated to be 800,000 people and an addition 200,000 people living as refugees in India (ICG 2010). There is also a gendered character to war-time migration and mortality reflected in the gendered imbalance of the population.

76 The discrepancy in data for 1981 between Table 2.4 and the data from Census and Statistics relates to the re-demarcation of Jaffna District.
The occupational pattern of Jaffna District\textsuperscript{77} at the end of 2014 is given in Table 2.5.

In Jaffna, 51\% are in agriculture and fisheries, 11\% in construction related fields and 17\% are employed by the state including as bureaucrats, teachers and healthcare workers. The low level of occupied women, is probably related to the fact that women’s informal labor including as domestic workers is not accounted for in the data. In many farming and fishing households, women provide assistance in farming and fishing.

\begin{table}
\centering
\caption{Jaffna District Census of Population (1871 - 2012)}
\begin{tabular}{|c|c|c|c|}
\hline
Year & Male & Female & Total \\
\hline
1871 & 122,500 & 123,600 & 246,100 \\
1881 & 131,500 & 134,100 & 265,600 \\
1891 & 137,600 & 141,700 & 279,300 \\
1901 & 149,200 & 151,700 & 300,900 \\
1911 & 159,700 & 167,500 & 327,200 \\
1921 & 161,600 & 169,000 & 330,600 \\
1946 & 212,200 & 212,600 & 424,800 \\
1953 & 246,400 & 245,500 & 491,900 \\
1963 & 307,900 & 304,700 & 612,600 \\
1971 & 349,900 & 351,700 & 701,600 \\
1981 & 412,700 & 417,900 & 830,600 \\
2012 & 275,500 & 307,800 & 583,400 \\
\hline
\end{tabular}
\textit{Source: Statistical Hand Book 2013 Jaffna District, Page 58}
\end{table}

\begin{table}
\centering
\caption{Occupations in Jaffna District}
\begin{tabular}{|c|c|c|c|c|}
\hline
Occupation & Male & Female & Total & Total (%) \\
\hline
Farmers & 31,651 & 3,378 & 35,029 & 23 \\
Farm Labor & 18,291 & 6,680 & 24,971 & 16 \\
Fishers & 17,198 & 959 & 18,157 & 12 \\
Construction (Masons Carpenters) & 16,967 & 23 & 16,990 & 11 \\
State Employess (officials, teachers) & 15,007 & 11,467 & 26,474 & 17 \\
Others (Private Sector and NGOs) & 22,154 & 10,787 & 32,941 & 21 \\
Total Occupied & 121,268 & 33,294 & 154,562 & 100 \\
\hline
\end{tabular}
\textit{Source: Jaffna District Statistical Handbook 2015}
\end{table}

\textsuperscript{77} The Jaffna District population is 583,882 out of the Northern Province 1,061,315 constituting 55\% of the population. Therefore, Jaffna District is the largest of the five districts in the Northern Province. Source: Census and Statistics, Housing Census of 2012.
Recent data from the Jaffna District Secretariat reflects an unemployment crisis. By the end of 2014, there were 154,562 persons occupied with an additional 32,682 people looking for work. Of those looking for work, 28,752 or 88% are youth between the age of 16 and 36, and 84% of those youth do not have vocational training or higher education such as in universities. Thus youth unemployment in Jaffna is severe.

**Growth Claims and Expansion of Credit**

With respect to criticism about the economic crisis in the North, the Central Bank Regional Development Department made the following defensive comments about their efforts in the North: “The Province’s GDP growth rate has also showed a steady acceleration, starting from 12% in 2009, to 22% in 2010, and to over 25% per annum in 2011 and 2012.” This high level of growth is due to the economy grinding to a halt during the war and the initial boost due to economic activity after the war; the high level of economic growth does not mean much as the level of Provincial GDP in the North at the end of the war was quite low.

Next, the Regional Development Department claimed it had disbursed Rs. 13.3 billion (US$ 100 million) over 11 cultivation seasons to 116,337 farmers in the Northern Province. This amounts to loans averaging Rs. 114,000 (US$ 880) per farmer. Expansion of credit was initiated by the state and was a major component of the reconstruction policies.

**Reconstruction Approach of the New Government**

The Rajapaksa regime was defeated with the support of the Tamil minority in January 2015 and there was some hope that the new government would be able to address the

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78 Data I directly obtained from Jaffna District Secretariat in May 2016.
80 Furthermore, the Central Bank claimed 37 new bank branches and 22 extension offices were established after the war in the Northern Province from May 2009 to May 2011. See: Central Bank Press Release 26 May 2011.
challenges of reconstruction. Prime Minister Wickremesinghe announced in his economic policy statement in November 2015 that he planned to have a major donor conference in Tokyo to find commitments for the reconstruction of the North and East in June 2016. Regardless of his ambitions to organize a donor conference like the one at the height of the peace process with the LTTE in 2003, the donor conference did not materialize. The various powerful actors including the donors no longer saw Sri Lanka as a crisis prone country. In the Budgets of 2016 and 2017, there was little allocated for the reconstruction of the North and East.

Wickremesinghe was not defensive like Rajapaksa: tactically he blamed Rajapaksa for the post-war woes. In any event, he concedes the economic crisis in the North. In an interview in December 2016 with The Hindu, Wickremesinghe stated:

The North is going to take a longer time. The war has destroyed the economy. So it will be a longer period but we have given special concessions for investment in the North — double the normal concessions we have given the rest of the country, incentives.81

The vision for reconstruction of the war-torn regions by the Wickremesinghe government is to promote businesses through tax concessions for investors. While Wickremesinghe awaits the private sector, the Tamil National Alliance (TNA) led Northern Provincial Council awaits the Tamil diaspora to reconstruct the North. Over seven years after the end of the war, there is little change in the neoliberal trajectory of reconstruction.

Key Reports on Jaffna and the North

There are a few important reports by the Government, the UN and donors assessing the post-war challenges in Jaffna and the Northern Province. These documents which came

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81 ‘We’re all patriots, we’re all nationalists’, The Hindu, 15 December 2016.
out in 2011 and 2012 were not all accessible to me immediately and I was only able to access some of them after my field research. The unavailability of these reports in the public domain have also contributed to the muted response to the problems with reconstruction.

The Government’s reconstruction policies were put forward through its Northern Spring Development Plan. This development plan unveiled in 2009 had two components a 180 day programme and a five year investment programme (2009-2013). The 180 day programme emphasised de-mining, resettlement of IDPs, reconstruction of damaged economic and social infrastructure and livelihood recovery. The five year investment programme emphasised solutions to displacement, restoring livelihoods, reactivating services and facilities, rehabilitating infrastructure facilities, developing human capacities, targeting vulnerable groups and establishing good governance. Some of the key features in the plan were addressing property rights and generation of livelihoods and employment. Next, it sought to connect the north and south through mega development projects with special focus on road development, power and irrigation sectors. Furthermore, the Central Bank launched a special loan scheme called ‘Awakening North’, with a maximum loan of Rs. 200,000 to be borrowed at an annual rate of 12% for those households seeking to resume their livelihoods (JICA 2011).

With increasing concerns about the post-war humanitarian situation and development needs, the UN, the Government and various international NGOs put forward ‘Joint Plan for Assistance Northern Province’ in 2011 and 2012. These reports written jointly with the government were cautious in their tone not to contradict the Government’s optimistic statements, but nevertheless highlighted some serious concerns. The 2011 Report highlighted the donor commitments of US$ 2 billion and reconstruction of infrastructure including water, housing, irrigation, supply of electricity, rehabilitation of roads and railway, health and education (Joint Plan for Assistance Northern Province 2011, 4). However, the 2012 Report
was concerned that donors were not allocating funds for continuing needs and had the following to say about the economic situation referring to a World Food Programme Survey:

While much progress has been made in addressing the immediate resettlement needs of the returnee and other conflict-affected populations over the last year, critical gaps still exist and must be addressed simultaneously with efforts in medium- and long-term development. Over 60% of households in the NP [Northern Province] lack any capacity for securing their agricultural, fisheries and livestock livelihoods, food security and other basic needs. As a result, many communities remain in a fragile and precarious socio-economic situation with a growing burden on host communities due to resource limitations and delaying a return to normality and sustainable development (Joint Plan for Assistance Northern Province 2012, 23).

The failure of reconstruction affecting an estimated 60% of the population was significant. However, both these reports as well as the Government’s Northern Spring development programme were in many ways only needs assessments and lacked deeper analysis and vision for post-war reconstruction.

In this context, an extensive report was published in November 2011 by the Japan International Cooperation Agency (JICA) titled, ‘The Project for Development Planning for the Rapid Promotion of Reconstruction and Development in Jaffna District’. This extensive report drafted with research from March 2010 to November 2011, was led by Mr. Yonesaka Hiroaki, and involved seventeen other Japanese academics and experts. It only addresses the Jaffna District, and not the entire Northern Province. The report states in its Preface:

The project formulated the road maps in order to envisage the reconstruction and development in Jaffna district toward 2020 after the end of the war in 2009. The road maps consist three sectors of agriculture, fisheries and community development which are assumed as the main pillars for recovering Jaffna economy.
The JICA Report argues for an extensive rural development programme and in its discussion of community development places emphasis on co-operatives. However, as discussed above, the Government’s economic policies over the last few decades continued to reduce investment in the rural economy and that economic vision has undermined reconstruction of the North. To sum up, these key reports suggest that the crisis facing the war-torn North and the problems with the path of reconstruction were apparent to many of the international actors working in Sri Lanka. However, neither the government nor the major international actors and donors seemed to have the political will to address the crisis.

**Local Officials on Reconstruction**

Within the state structure, there are clear differences between the centralised market-oriented policies advocated by high level officials in Colombo and the views of local state officials in the North. A number of interviews with local officials reflected the conundrum they are caught in. On the one hand, they are conscious of the economic crisis in the North, particularly the falling incomes, lack of job opportunities and the rising indebtedness. On the other hand, they continue to think within the framework of existing policies of further expansion of credit and the greater integration with the market.

In 2012, just three years after the end of the war, they were still involved in a process of ensuring fallow lands were cultivated and they expressed some hope of recovery in the rural economy. One of the most contested political issues in the North relates to land, 83

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82 While I only gained access to this report towards the latter stages of writing my dissertation, my own research for my dissertation and participation in another fisheries research project, have led me to as similar conclusion that the three sectors that require focus for sustainable reconstruction are agriculture, fisheries and co-operatives. My knowledge of fisheries come from a five year long University of Amsterdam led research project on fisheries conflicts titled REINCORPFISH (Re-Incorporating the Excluded: Providing Space for Small Scale Fishers for Sustainable Development of Fisheries of South Africa and South Asia). This project opened not just engagement on the Palk Bay fisheries conflict but larger issues of fisheries development in Sri Lanka and I found it a greatly rewarding experience. It also complemented my understanding of the rural economy in northern Sri Lanka where close to 20% of the population depend on fisheries.

83 Interview with Agriculture official on 2 October 2012.
particularly with military grabs of private lands and the problematic use of state lands. The processes of ensuring fallow paddy lands – particularly, those left behind by migrants – are cultivated and land registration more broadly were also central issues in 2012. Thus there was some initial sensitivity about my research given the politicisation of the land issue.

By 2014, the crisis of the local economy had become very clear to local officials and they were despondent. While Tamil politicians continued to focus only on the land issues relating to military occupation, the local bureaucrats were conscious of the widespread economic crisis affecting the rural population.

Official reports claim agricultural production in the Northern Province has increased considerably in the post-war years. Similarly, a local agriculture official claimed most of Jaffna peninsula’s paddy lands are under production. However, he said that in the islands off the Jaffna peninsula that were subject to extensive displacement during the war, the lands remain fallow due to lack of labor.

The same official also noted how farmers in the North and Sri Lanka generally cannot compete with agricultural produce from India, where the scale of production is much larger and labor is much cheaper. He said that “one of the problems, is the lack of coordination between the Ministry of Trade determining imports and the Ministry of Agriculture [monitoring production]. Imports at the wrong time disrupt farmers harvest prices.” Like this Agriculture official, many of the local officials I interviewed are from Jaffna and have been working in Jaffna for many years and are frustrated by the crisis in the Jaffna economy.

Their responses to the current predicament in the Jaffna District and the Northern Province

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84 Interview with Land official on 8 October 2012
85 “The new and abandoned lands are being increasingly cultivated in the conflict affected districts and about 120,921 ha [hectacres] of land have been brought under cultivation of paddy and other highlands crops during last three years.” (Finance Ministry Annual Report 2013, 62)
86 Interview with Agriculture Department official 19 May 2014.
87 Interview with Agriculture Department official 19 May 2014. In 2015, I myself heard from a parliamentarian that the Finance Minister wanted to unload two containers of agricultural produce despite a government decision to the contrary due to the harvest. The traders are a strong lobby and this comment by the official may also have to do not just with lack of coordination but also corruption relating to the profits of traders.
are shaped by their inability to challenge the state’s policy direction as they assume the market oriented policies are a given and thus incapable of offering alternatives.

The falling agricultural incomes were argued by another official in the Provincial Agriculture Ministry to be a consequence of the lack of proper marketing arrangements and the need for diversification of crops. She argued that the Jaffna farmers should consider moving to the Vanni where land is available; she also believed that the younger generation “are lazy and unwilling to work.” She further claimed that the large and expensive harvest machines used for paddy harvesting in the Vanni were necessary given the unreliability of labor.

Other officials also discussed the consequences of addressing labor problems with capital inputs, including through the major increase in the purchase of tractors and harvest machines. One official explained these phenomena as a result of everyone in Jaffna wanting to become a “mudalali” (a capitalist or manager) by owning a tractor, one can become a “tractor mudalali” even though there was no room for profits. However, government officials are not disinterested observers given that families of such officials in Jaffna are involved in cash crop cultivation employing wage labor.

In the context of falling agricultural and fisheries-related incomes, there has been some discussion in Jaffna on the need for industries providing regular monthly incomes. Interviews with District level planning officials and officials responsible for industries agreed on the need for small industries. They were, however, frustrated by the lack of private investments flowing into the North. Their assessment is that investments from the

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88 Interview with Provincial Agriculture official 13 May 2014.
89 Interview with Agriculture Department official 19 May 2014
90 Such comments about the laziness of rural youth and day wage labour is common among middle class people in Jaffna. They often say there is plenty of work available but youth are unwilling to work. The workers in my view are more strategic in what work they accept knowing that day wage labour is irregular. This kind of rhetoric and resistance is not unique to Jaffna, see (Scott 2008) and (Guha 1987).
91 Interview with Planning official 30 April 2014
92 Interview with Industries official 12 May 2014 and Board of Investments official on 2 May 2014.
Tamil diaspora will not be forthcoming. The planning official explained her Department’s skills training program, and then went on to say, these were just “time pass” for the youth. The frustration expressed by these officials with the lack of effective local entrepreneurs and private investment to stimulate local employment and growth, and their condemnation of the youth as lazy, may in part be linked to the difficulties of addressing and conceptualising the failure of reconstruction policies. It may also reflect the officials’ class position condemning rural folk.

Unfolding Crisis: Falling Incomes and Rising Debt

While the economic crisis in the war-torn region of falling incomes and increasing debt is clear from interviews with officials in Jaffna and reports on resettlement, macroeconomic data does not fully capture the economic crisis in the north. Data on the north and east have been wanting for decades and the census carried out every decade in Sri Lanka, was carried only out in the entire Northern Province in 2012 after a lapse of three decades.

The Household Income and Expenditure Survey conducted by the Census and Statistics Department is a 12 month long survey done every three years and is an important survey to analyse the economic inequalities and uneven development. While this survey was initiated in 1990/1991 taking place every five years and following 2005/2006 every three years, it was only carried out in the entire Northern Province in 2012-2013 and was

93 Other than two tourist hotels in Jaffna there had been no significant investment by the diaspora in Jaffna as of May 2014. Interview with Board of Investments official on 2 May 2014.
94 Interview with Planning official 30 April 2014
95 It is difficult for me to pin down the reason. The absence of ideas for alternative policies at the district and provincial level, including broader reflection about the local predicament, could reflect the hegemony of the centralised state. Discussions with an older generation of government officials showed this was not always the case, as they had advocated for various economic initiatives during their time in office. The current impasse with little local initiative by the local bureaucracy could be both a consequence of the war-time impact on the bureaucracy which focused on humanitarian and logistical concerns of survival of the community and the centralised and authoritarian dominance of neoliberal state.
96 Data for 2009/2010 is only available for some districts of the North, and that too is unreliable due to the mass displacements from those districts.
published in March 2015. As Table 2.6 illustrates, the Northern and Eastern Provinces have the lowest levels of median incomes in the country. I focus on the median income rather than mean income, as it is more reflective of the state of incomes of the bottom 50% of the population. The only district where the median income is close to and below some of the war-torn northern and eastern Districts is in southern district of Moneragala.⁹⁷

<table>
<thead>
<tr>
<th>Sector/ Province/ District</th>
<th>Mean (Rs.)</th>
<th>Median (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012/13</td>
<td>2009/10*</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>45,878</td>
<td>36,451</td>
</tr>
<tr>
<td>Urban</td>
<td>69,880</td>
<td>47,783</td>
</tr>
<tr>
<td>Rural</td>
<td>41,478</td>
<td>35,228</td>
</tr>
<tr>
<td>Estate</td>
<td>30,220</td>
<td>24,162</td>
</tr>
<tr>
<td>Northern Province</td>
<td>34,286</td>
<td>23,712</td>
</tr>
<tr>
<td>Jaffna</td>
<td>34,788</td>
<td>18,917</td>
</tr>
<tr>
<td>Mannar</td>
<td>28,535</td>
<td>-</td>
</tr>
<tr>
<td>Vavuniya</td>
<td>43,965</td>
<td>39,640</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>23,687</td>
<td>-</td>
</tr>
<tr>
<td>Kilinochchi</td>
<td>30,643</td>
<td>-</td>
</tr>
<tr>
<td>Eastern Province</td>
<td>30,676</td>
<td>23,922</td>
</tr>
<tr>
<td>Batticaloa</td>
<td>25,483</td>
<td>22,844</td>
</tr>
<tr>
<td>Ampara</td>
<td>32,537</td>
<td>24,721</td>
</tr>
<tr>
<td>Trincomalee</td>
<td>34,577</td>
<td>24,291</td>
</tr>
<tr>
<td>Western Province</td>
<td>64,152</td>
<td>47,118</td>
</tr>
<tr>
<td>Colombo</td>
<td>77,723</td>
<td>51,070</td>
</tr>
<tr>
<td>Uva Province</td>
<td>35,638</td>
<td>28,717</td>
</tr>
<tr>
<td>Moneragala</td>
<td>34,804</td>
<td>22,161</td>
</tr>
</tbody>
</table>

*Data for not all districts are available

While incomes are low in the North, due to the slow recovery of the economy, a more worrying development is the gap between income and expenditure in the North, which is one symptom of rising indebtedness. The only provinces other than the north and the east where median expenditure exceeds median income are the Western and Central Provinces. This is

⁹⁷Moneragala is a mainly agricultural district in the South, which is commonly known in Sri Lanka to have a high incidence of poverty.
also the case with the urban and estate sectors. See Table 2.7 for comparison of selective
districts and sectors on the levels of median expenditure exceeding median income.

<table>
<thead>
<tr>
<th>Sector/Province / District</th>
<th>Median Expenditure (Rs.)</th>
<th>Median Income (Rs.)</th>
<th>Expenditure over Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012/13</td>
<td>2009/10*</td>
<td>2012/13</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>30,701</td>
<td>24,509</td>
<td>30,814</td>
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<tr>
<td>Urban</td>
<td>43,825</td>
<td>34,039</td>
<td>42,267</td>
</tr>
<tr>
<td>Rural</td>
<td>29,010</td>
<td>23,600</td>
<td>29,376</td>
</tr>
<tr>
<td>Estate</td>
<td>25,580</td>
<td>20,490</td>
<td>24,087</td>
</tr>
<tr>
<td>Western</td>
<td>44,318</td>
<td>32,500</td>
<td>42,100</td>
</tr>
<tr>
<td>Colombo</td>
<td>49,229</td>
<td>36,597</td>
<td>50,071</td>
</tr>
<tr>
<td>Gampaha</td>
<td>43,057</td>
<td>31,825</td>
<td>38,807</td>
</tr>
<tr>
<td>Kalutara</td>
<td>39,036</td>
<td>28,361</td>
<td>36,512</td>
</tr>
<tr>
<td>Central</td>
<td>29,513</td>
<td>22,741</td>
<td>28,900</td>
</tr>
<tr>
<td>Kandy</td>
<td>31,120</td>
<td>23,770</td>
<td>30,371</td>
</tr>
<tr>
<td>Matale</td>
<td>27,342</td>
<td>20,400</td>
<td>26,441</td>
</tr>
<tr>
<td>Nuwara Eliya</td>
<td>28,327</td>
<td>22,245</td>
<td>28,152</td>
</tr>
<tr>
<td>Northern</td>
<td>26,414</td>
<td>22,171</td>
<td>23,571</td>
</tr>
<tr>
<td>Jaffna</td>
<td>28,209</td>
<td>21,059</td>
<td>23,446</td>
</tr>
<tr>
<td>Mannar</td>
<td>22,563</td>
<td>-</td>
<td>24,200</td>
</tr>
<tr>
<td>Vavuniya</td>
<td>33,503</td>
<td>28,757</td>
<td>30,967</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>17,352</td>
<td>-</td>
<td>17,714</td>
</tr>
<tr>
<td>Kilinochi</td>
<td>24,052</td>
<td>-</td>
<td>20,614</td>
</tr>
<tr>
<td>Eastern</td>
<td>25,936</td>
<td>22,040</td>
<td>22,710</td>
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<tr>
<td>Batticaloa</td>
<td>23,959</td>
<td>20,536</td>
<td>20,359</td>
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<tr>
<td>Ampara</td>
<td>26,757</td>
<td>22,686</td>
<td>23,429</td>
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<tr>
<td>Trincomalee</td>
<td>26,777</td>
<td>23,169</td>
<td>24,436</td>
</tr>
</tbody>
</table>

*Data for not all districts are available

As evident from the HIES survey, there are clear issues for the bottom half of the
population with respect to the gap between expenditure and income resulting in indebtedness.
It is in the war-affected Northern and Eastern Provinces that in the 2012/2013 survey we see
that median expenditure over income is on the order of 12% and 14%. This is only in one
year, and such debt is accumulated every year compounding the levels of debt. Data is
available for 2009/2010 for the Jaffna District and the Eastern Province, where the median
expenditure exceeds median income in Jaffna District and the war-torn Eastern Province by 42% and 22% respectively.  

The above analysis of debt is limited by the data as the HIES survey on monthly income and expenditure flows will not capture household assets and debt as stock. Nor does the HIES survey provide data to analyse the dynamics of debt. The dynamics of debts are such that interest payments for the larger stock of debt, including for larger purchases and investments in vehicles and houses, are covered by new debt thus effectively rolling over debt until there is a crisis.

The dire economic situation in the North was beginning to unfold close to three years after the war, with an emerging crisis in the food security situation and increasing indebtedness. A report based on a survey on food security provided some insights into rural debt:

The proportion of households with debt is high across all districts and population groups. The highest was in Jaffna district, with 75 percent of the households having debt. At least on average 70 percent of the households in Northern Province have debt compared to 63 percent of households in the Eastern Province. The median debt holding per household is estimated at LKR 50,000 or an average of LKR 116,380. Of the households with debt, the major source of credit was banks, followed by friends and relatives then traditional credit arrangements (WFP 2012, 36).

By early 2012 the report found that some households particularly in Jaffna and the Vanni required ten months of their current income to settle their debts and most others required at

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98 Data is not available for some districts in the Northern Province during the survey. However, the data may not be accurate due to the war-time conditions. Furthermore, the severe differences in incomes and expenditure during the 2009/2010 period may also reflect the disruption of livelihoods due to displacement.

least six months of their current monthly income. Furthermore, the Report went onto state that, “high indebtedness and food security are negatively related, with households that are highly indebted tending to be food secure.” In other words, the Report through its survey showed that people who took loans were able to spend more on food. Furthermore, “debt was also used for household construction and livelihood inputs” (WFP 2012, 38).

Thus by early 2012 debt had become widespread for food consumption to home construction. What this report does not capture is the large section of the population in the North indebted through lease hire purchasing, because of the focus of the report on food security. Therefore, this report does not capture all the dynamics of rural debt including the full impact of the expansion of credit. Nevertheless, its focus on food security does provide some insights about the state of livelihoods in the rural sectors:

Across livelihood groups, the most food insecure households were those relying on gifts and donations, but are only about two percent of the households. This is followed by unskilled laborers depending on both agriculture and non-agriculture wage that are the majority at least 28 percent of the households. The third most food insecure livelihood groups are farmers and fishermen. Those dependent on casual labor become vulnerable as casual labor tend to be seasonal and with households reporting that labor was not available during the main rainy season – November to January. Furthermore, reports from the field indicated that women are usually paid half the men’s wage rate of Rs 600 to 1000 per labor day as in April 2012 (Food Security in the Northern and Eastern Provinces of Sri Lanka, 41).

A follow up limited survey in parts of Mullaitivu and Vavuniya South in the Northern Province by the World Food Programme in August 2013, not made public, but the results

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100 This point is counter intuitive, that is at least during the short-term it is only those who took loans could spend on food.
which I am in possession of paint an even bleaker picture.\textsuperscript{101} This survey shows that jewellery assets had depleted by 50\% between the previous survey in March 2012 to the later survey in August 2013.\textsuperscript{102} For rural households in Sri Lanka, jewellery is the main form of liquid asset passed over generations and are used to tide over household emergencies and seasonal agricultural failures. In some of the war-torn northern districts, jewellery assets which had even survived the war were wiped out in the post-war years. While historically, jewellery was pawned during the emergencies, the jewellery is recovered within a few years if not months and are maintained as insurance against future emergencies. The severity of the post-war crisis of indebtedness is reflected in such wealth being consumed or leveraged to augment further debts.

The situation had deteriorated much further by early 2014 in the context of a drought. Another food security assessment claimed: “A series of consecutive natural disasters is undermining household resilience especially in the rural areas of North Sri Lanka.”\textsuperscript{103} Indeed, natural disasters mount on the failure of reconstruction, resulting in the downward spiral of a post-war economic crisis.

**Failure of Reconstruction and the Production of Neoliberal Individuals**

There have been a few initiatives towards regular employment through investment in industries with the support of international donors. There is the MAS Holdings garment factory in Killinochi opened in 2013 that employs close to two thousand young women. There is also a Hydramani garment factory in Mullaitivu opened in 2015 employing a few

\textsuperscript{101} I was able to access this data through a donor agency official who interviewed me on reconstruction. I had heard about this survey and I wanted to see it published, however, the WFP was reluctant to publish the data.

\textsuperscript{102} The survey through stratified random sampling interviewed 300 households in 4 Divisional Secretary areas. The government did not give permission to conduct the survey in all 12 districts due to the Provincial elections the following month. While the WFP informally stated they did not wish to release the data due to the survey being incomplete, I believe they did not want any negative publicity around the serious economic crisis in the war-torn regions. Documented in World Food Programme, ‘Food Security, Nutrition Situation’, August 2013.

hundred women. In Killinochi, the military initiated farms employ over a thousand individuals and pay them regular monthly salaries. While there was criticism of such military enterprises by Tamil politicians, the people desperate for jobs continue to work in those farms. The Atchuvely Industrial Zone in Jaffna was re-opened in September 2014, however, despite considerable efforts by officials, only six businesses have agreed to put small plants thus far.\textsuperscript{104} Indeed, in the context of failing livelihoods in the rural economy, there is great demand for such jobs in industries that provide regular monthly incomes.

Many of these private sector initiatives are by firms from outside the North and capital subsidised by donors, particularly USAID.\textsuperscript{105} The garment companies in particular are owned by Sri Lankan multinational companies based out of Colombo, and one concern is that the capital accumulated by such external actors may not be reinvested in the North and are likely to repatriate elsewhere. Furthermore, for those companies that were initiated with a major subsidy from USAID, they may pull out after a few years. In any event, such ad hoc donor led initiatives for job creation hardly address the large demand for employment with regular incomes.

The bulk of the capital flowing into the North for reconstruction has been absorbed in infrastructure which does not seem to engage local resources nor labor. Many road and construction contractors from Colombo who successfully bid for reconstruction projects

\textsuperscript{104} The Atchuvely Industrial Zone before the war in the 1970s had employed some 3000 people in small industries. The 65 acre zone has now been developed in a limited way with 25 acres divided into a number of plots. However, by May 2014 there were commitments for only 7 projects in the Zone. These projects include Fiber Glass, Light Engineering, Hose Pipes, Nylon Twine, Food Processing and Waste Paper Recycling. Each investment is on the scale of Rs. 15 million. Couplet of them have an additional investment of Rs. 15 million from USAID; particularly the Light Engineering and Waste Paper Recycling Plant. Land is given on a 30 year lease, with infrastructure such as water, power, land development and roads provided. Interview with Industries Development Board official 12 May 2014.

\textsuperscript{105} Interview with Industries Development Board official 12 May 2014 and Board of Investments official on 2 May 2014.
brought labor from the South. The Indian construction of the railroad to North after the war mostly did not provide much demand for local labor.\footnote{I was unable to find independent data on the total number of those employed in this massive project to rebuild the railroad, amounting to US$ 800 million. The Indian High Commission claims 500,000 man days of labour will be provided in the region. That amounts to approximately 500 jobs for the four years that it took to build the railway. However, during my field research and conversations with local officials, I did not hear of any local person employed in the project. So the question remains as to whether even those few jobs were subcontracted to southern contractors. See: Northern Railway Project: Scope of Project. [Downloaded on 25 November 2016: http://www.hcicolombo.org/pdf/Project_Sheet_NORTHERN_RAILWAY_PROJECT.pdf]}

\textit{Donor and Government Housing Grants and Local Incomes}

The donor and government housing schemes as well as housing construction in general after the war creates considerable demand for labor. For each house that is built about 25\% of the cost is direct labor of masons and masonary assistants. With close to 100,000 houses built in the North through donor and government grants after the war from 2009 to 2016, it translates into considerable wages. Furthermore, construction of private houses often with remittances and other construction initiatives from government facilities to temples after the war greatly increased the demand for local masons and construction related labor.

Each house can contribute the equivalent of one household’s income for one year, with 25\% of the cost of the house being paid as direct wages. So for example, the largest housing project initiated after the war, the Indian housing scheme, provided a grant of Rs. 550,000 (US$ 4,200), but in reality many estimates point to owners spending a total of about Rs. 800,000 (US$ 6,200). Therefore, Rs. 200,000 (US$ 1,540) in direct wages almost equivalent to the median household income per year in Jaffna as per the HIES data above results from each house. Therefore, 100,000 houses just from the various donor and government housing grants built over a period of 8 years from 2009 to 2016 translates to incomes for 12,500 households per year.
In January 2016, the Resettlement Minister decided to award the building of 65,000 houses in the war-torn districts to Arcelor Mittal, a multinational company that builds prefabricated steel houses, for a total cost of US$ 1 billion over a period of five years. This massive award to a multinational for steel houses that many in Sri Lanka considered to be unsuitable for local conditions and relatively very expensive, led to a major debate. I was also part of this debate in the media and eventually some of us formed an adhoc committee to draft an alternative proposal to build owner and community driven cement houses with architects from Moratuwa University, those with experience in donor-led housing schemes and activists.

The extensive proposal had many sections, but I was interested in the financing of the project and the livelihoods linked to the project. The Arcelor Mittal houses cost Rs. 2,200,000 (US$ 16,900) each, where as even the government was supporting an owner driven cement housing scheme for 10,000 houses in 2016 at Rs. 800,000 (US$ 6,200) each. The government would have incurred a major foreign loan of US$ 1 billion to be paid over ten years with an HSBC financing option that came with the Arcelor Mittal project, where as the adhoc committee drafting the alternative proposal was able to get a commitment from the local National Development Bank, to float a rupee bond to finance houses at almost half the cost. The proposal illustrated that the government need not incur a foreign loan, the cause of periodic balance of payment problems in Sri Lanka, and 102,000 cement houses can be built for same cost of the 65,000 prefabricated houses. Finally, and most importantly, prefabricated houses do not contribute to local incomes, cement houses as per government housing grant of Rs. 800,000 (US$ 6,200) would have contributed Rs. 200,000 (US$ 1,540) in direct wages,
which amounts to approximately the income of one person per year. There are additional economic benefits of stimulating local industries in roofing and other house fittings.\footnote{At the time of revising my dissertation, in December 2016, almost a year since the government decided to finance 65,000 houses, the debate is continuing in parliament and in the media, even as the Resettlement Minister with the backing of the Prime Minister insists on the Arcelor Mittal project. There are allegations of corruption with a notorious local agent for Arcelor Mittal, who had been arrested for previous frauds and known to be a contributor to the ruling political party. The debate on this project including aspects of the alternative proposal have been regularly documented by a prominent Sunday Times journalist (Wijesdasa 2016).}

These efforts to grant the largest post-war development project for the North and East to a multi-national corporation and the foreign financing loan through HSBC reflects another level of global financial maneuvering to the detriment of labor and production in the war-torn North and East. The provision of post-war housing itself is only seen as a consumer good granted to a household. The steel prefabricated house is unsuitable for the recipient, the participation of the home owner in the building process is denied and the larger contribution to the community in the form of employment is not considered. This is another scale of producing neoliberal individuals who are only expected to consume and the project if it goes ahead will be another major mark in the continuing failure of reconstruction.

\textit{Out Migration for Foreign Employment}

In this context, one of the main avenues for regular incomes now is foreign employment through migration, which allows for monthly remittances. There is a steady increase in the out flow of migrant labor to the Middle East from Jaffna in recent years. The data for Jaffna District in Figure 2.3 reflects the departures for foreign employment only and is not the total number of those employed overseas. The data may not be accurate as some individuals leave without informing officials and there is no tracking of those who return from employment overseas.
The data for Jaffna is revealing of the economic pressures, where between 2012 when the crisis in the rural economy became apparent as per many of the reports mentioned above and 2014 there is a major increase. In terms of male migrant workers in 2012 and 2014, there were 3,621 and 7,817 departures respectively, amounting to a 115% increase. The data for 2015 is provisional and the drop could also be related to the general fall in demand for migrant workers in the Middle East. The total number of those employed overseas is likely to be much higher as many of them work for two to three years before returning for a break. Some of them, then choose to again migrate abroad for employment depending on their household’s financial situation. Unlike in other districts, where Sinhala and Muslim women do migrate on a large scale abroad, women from Jaffna do not migrate abroad for employment in large numbers. Finally, in the districts devastated by the last phase of the war, Killinochi and Mullaitivu, which are also the poorest districts as evident from the HIES data

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108 The data on total estimated number of those employed from Sri Lanka is only available for 2010, amounting to 1,932,245. In that year, it is estimated that 23.8% of the labour force is employed overseas. The total departures from Sri Lanka in 2014 was 300,703.
above, only a few hundred men manage to go abroad for employment.\textsuperscript{109} Thus there is also a
class character to those who can access means and ways of going abroad for employment.

The departure of male migrant workers from Jaffna as a percentage of population
compared to the rest of the country is not significantly different, with 1.25\% and 0.9\% for
Jaffna and the national average respectively.\textsuperscript{110} Therefore, one conclusion could be that such
out migration from Jaffna is becoming similar to the situation in the rest of the country and
could taper off in a few years. However, the dynamics of the increasing out migration
discussed above and the jump from 2012 to 2014, could point to structural shift in the
economy with dependence on migrant remittances.

Employment in the Middle East has few protections in the form of labor rights and
workers are subject to harsh working conditions. In addition, such out migration creates
problems within households due to the long absence of spouses adding to the debilitated
familial ties after the war. The large number of youth willing to work under such conditions is
also a strong refutation of the rhetoric of “lazy youth” deployed by middle class Jaffna
society including officials mentioned above.

\textit{Return to Rural Livelihoods and Self Employment}

Reconstruction was initiated with the idea of returning the war-torn rural population
to their original livelihoods consisting mainly of cash crop agriculture and fisheries in the
Jaffna District. Those livelihoods it was assumed could be resumed with loans from banks,
including subsidized loans backed by the Central Bank. Those who could not get involved in
agriculture and fisheries were given self employment loans by the banks at market rates. Such
\textsuperscript{109} Only 458 men sought foreign employment from these two districts in 2014.
\textsuperscript{110} According to the ILO in 2013, some of the highest levels of out-migration of male and female workers from
South and South East Asia in the Middle East comes from Sri Lanka (247,356), Nepal (284,392) and Philippines
(791,765). These statistics of the departure of workers as a percentage of population is Sri Lanka (1.2\%), Nepal
(1.02\%) and Philippines (0.8\%). Thus regionally Sri Lanka has the highest levels of out-migration of workers to
the Middle East (ILO 2015, 7).
self employment for men might involve putting up a shop, driving a three wheeler for a fare, or owning a small truck to transport goods. For women, such self employment meant raising livestock, taking sewing orders after purchasing a sewing machine or some other cottage production such as weaving baskets.

The state’s reconstruction vision then only considered the individual and their capacity to make living with initial capital. The question did not arise that a people devastated by war, production that had ground to a halt, and a market for local services that was marginal could be an impediment to the return and revival of the local economy. There were the added pressures of mass produced goods suddenly flooding the war-torn regions after a lapse of few decades. The result was that many of these self employment loans failed. Either investments in shops, vehicles and livestock failed or people used those loans for day to day consumption including food.

When such self-employment and loans failed, the people were blamed instead of the market and the reconstruction vision. Dr. Muttukrishna Sarvananthan one of the few economists working in Jaffna had the following to say about debt and the market:

‘I’m not surprised about this because for a long time they lived in a closed economy,’ said Muttukrishna Sarvananthan, economist and founder of the Point Pedro Institute of Development. ‘They had nothing to borrow and did basic, subsistence farming. So there was pent up demand. All of a sudden, everything opened up and the North became, more or less, like any other part of the country. People are tempted for things.’…Dr. Sarvananthan believes that that the market will correct itself after a period of pain that might involve some suicides and even institutional collapses.

‘People will realise that they cannot go on like this,’ he said. (Wijedasa 2014)

Sarvananthan at the time of the interview in 2014 at least realized the severity of the debt problem due to his strong connection to Jaffna, whereas, many of the economists and policy
makers in Colombo did not even recognize the problem. However, Sarvananthan like most neoclassical economists blamed the situation on the people and the legacy of the import substitution era and the war.

Reconstruction and the sustainable livelihoods of the war-torn people are in this way reduced to individual responsibility. In other words, people should become thrifty, hard working and entrepreneurial. If they have access to capital, and they are unable to make a living it is their fault.

Reconstruction policies of this neoliberal vision then are about individuals finding the capital through the financial system or helping them activate the use of their own assets such as the pawning and sale of gold jewellery as well as mortgaging and sale of land.\footnote{The neoliberal ideologue Hernando de Soto calls land that can not be sold dead capital (de Soto 2001).} Indeed, there are now moves to create a market in land as per the economic policy statement of Prime Minister Wickremesinghe in November 2015 and the Budgets for 2016 and 2017. They want to convert permit land given to people on government lease for a few decades into free holding land that can be mortgaged or sold. The World Bank\footnote{The World Bank argues such permit land “restrictions on mortgaging preclude its use as collateral to access the credit households could use to finance both income-enhancing farm and non-farm investments. For those wanting to remain in agriculture, the small landholdings, the lack of secure tenure rights, and the legal restrictions on acquiring or leasing in land reduce incentives for productivity-enhancing investments. Those interested in shifting out of agriculture into non-farm activities, or merely moving to another location would have to leave without compensation for their land. In addition to fostering a large cadre of part-time farmers, these legislative provisions limit the ability of the land market to allocate land to its best use.” (World Bank 2003, 38)} for close to two decades has been calling for such market-led reforms\footnote{See discussion of market led agricultural reform. (Lahiff et al 2007)} in Sri Lanka, which is tied to its vision of urbanization with small holding farmers selling their plots and moving to the cities, where by small-holding agricultural land is consolidated under larger agribusinesses.\footnote{Ha-joon Chang has the following to say about agencies such as the World Bank and their policies that it “believes that land markets should be deregulated so that entry into and exit from agriculture becomes easier. However, deregulated land markets almost always lead to re-concentration of land ownership, nullifying the result of the land reform. Sooner or later, such holdings will be hit by a shock and the owners will have to sell out to survive. Large farmers (be they commercial farms or traditional landlords) who can more easily survive those shocks then can buy up these fragmented farms, further expanding. For example, in Chile, close to 50}
In this way, the second wave of neoliberalism increasingly focuses on the individual making him or her responsible for their economic lives. The production of such neoliberal individuals is linked to financialization, as it is only those who are claimed to possess access to finance that can also be asked to take responsibility. Finally, the role of the neoliberal state is facilitation of access to the market and finance for the individual, as it increasingly withdraws from the social welfare services it provided during an earlier era. The state, however, is very much active in disciplining those “irresponsible” individuals and suppressing any collective protests (Wacquant 2012).

Conclusion

The relative surplus population exists in all kinds of forms. Every worker belongs to it during the time when he is only partially employed or wholly unemployed. Leaving aside the large-scale and periodically recurring forms that the changing phases of the industrial cycle impresses on it, so that it sometimes appears acute, in times of crisis, and sometimes chronic, in times when business is slack, we can identify three forms which it always possesses: the floating, the latent, and the stagnant (Marx 1992, 794).

The war-torn people for two and a half decades were caught in the war, displaced multiple times, and were forced to wait for the war to end in order to resume production. In the post-war years, this long suffering population has been further ravaged by a second wave of neoliberalism, characterised by financialised indebtedness and condemned to become neoliberal individuals attempting to find self-employment in a war devastated wasteland. The situation of this population, draws parallels with Marx’s description of a relative surplus percent of the beneficiaries of the pre-Pinochet land reform had sold out by the mid-1980s, especially in the face of diminishing state support in credit, extension, and other inputs.” (Chang 2009, 487)
population. While global finance capital has indebted and uprooted most of them, only some are absorbed by global demand for labor, in this case, migrant labor to the Middle East.

What will become of the subaltern sections of this population, those who are socially excluded, and do not have the wherewithal to find employment in the Middle East? Will the demand for labor in the Middle East increase to a point where employment agents will come in search for them? Or will a crisis in the Middle East send back those who have recently migrated increasing the size of those excluded from capital? Will the process of social exclusion with dispossession by the second wave of neoliberalism remain a wasteland for the longue durée, as Sanyal has argued about the informal sector in rural India abandoned by the state and capital? (Sanyal 2014) In other words, would a section of the war-torn population of Jaffna become in a stagnant pauperized population?

The challenges that have emerged with reconstruction in Sri Lanka may in part be a result of the particular form of capital mobilised for such reconstruction and the manner in which it changed social relations including processes that atomize individuals. However, policy makers assumed that integration with the national market and the flow of finances through the expansion of credit would lead to a “transition”. While the concept “transition” (Sanyal 2014) has a long history both in Marxist and liberal discourse, it gains a particularly powerful deployment with respect to war-torn societies. The idea of transition implies a definite process of normalisation. Transition demarcates a particular temporal relationship between the period of war and post-war and assumes inevitable progressive change. It also emphasises an economic break between the time of war and the period after the war and de-emphasises the continuities. Thus any socio-economic deterioration after the war is considered part of the cost and process of normalisation, at the end of which a better future awaits the population. My analysis of post-war Jaffna, question the certainty of the discourse
of “transition”. Indeed, the politics of “transition” becomes the justification for forms of dispossessing and social exclusion.

While these changes have been happening in the rest of the country over a few decades, the dynamics are different during a short period, as with the war torn regions during the post-war years. Furthermore, arguments about the necessary social costs of “transition” are perhaps easier to push against a war-torn population when they are attempting to recover from devastation by war under conditions of continuing militarization and widespread climate of fear. It may also be a consequence of the time needed for movements of resistance to emerge, including new forms of politics by the socially excluded. At the level of analysis, the changes to social relations including the production of neoliberal individuals, indebtedness by financialization and dispossession by the neoliberal state during the short post-war period, may reveal the dynamics of social processes that may be harder to capture and analyze over the longue durée.  

The failure of reconstruction and dispossessed individuals condemned to indebtedness in the war-torn regions are shaped by the second wave of neoliberalism transforming Sri Lanka. This second wave of neoliberalism is constituted by extensive processes: (1) financialization with global capital flows, changes to national finances and the financial sector and financial mechanisms reaching down to the rural level in the form of increased pawning, leasing, micro credit and bank loans; (2) a neoliberal state promoting private business as well as urban and infrastructure development; and (3) attempts to discipline and produce neoliberal individuals who have to fend for themselves even as they are immersed in debt. In this way, the second wave of neoliberalism was a departure from the earlier period of

115 In a talk I gave to the Social Science Study Circle in Jaffna in July 2014 on the Economic Causes of Social Deterioration in Jaffna, I mentioned Margaret Thatcher’s famous statement, “There is no such thing as society.” And I was surprised at the way in which it resonated with the local activists. The changes in Jaffna over the last few years seem to be racing along towards a neoliberal attack on the very idea of society.
liberalization in the levels of financialization and the attendant indebtedness and the social inequalities that were reinforced by the new infrastructure.

While the Rajapaksa regime initiated this second wave of neoliberalism with what were opportune conditions with the end of the war coinciding with the flow of global finances to the emerging market countries due to the Great Recession of 2008, the new government after regime change in January 2015 continues and expands these neoliberal policies. While an IMF agreement initiated this wave of neoliberalism in 2009, a new IMF agreement in June 2016 under the new Wickremesinghe government is giving fuel to expand that wave as neoliberal policies are broadened to include trade liberalization, privatization and the creation of a financial center in Colombo. The Rajapaksa regime spoke of a repressive Malaysian model, but the Wickremesinghe regime speaks of a Singapore model with an even greater emphasis on the market.

With neoliberal policies and discourse seeming to be ubiquitous, the question arises about the particular characteristics of what I have called the second wave of neoliberalism. There are a few significant aspects to the working of neoliberalism during the post-war moment in Sri Lanka. First, the depth of financialization, where global finance passes through formal banking and financial institutions down to the rural level. In other words, it is not just the deployment of any one financial instrument at the rural level, such as micro finance schemes, but rather a structural change in the financial system where global finance circulates through the formal banking system down to the rural level through multiple financial products. Second, the emphasis on self-employment, including attempts to create livelihoods, through the expansion of credit with a variety of financialized products. The consequence of such policies have led to individuals and households having to shoulder greater responsibilities and risks, and eventually high levels of indebtedness and inability to sustain their way of life. Third, the new circuit of accumulation, where financialized debts lead to
rural dispossession resulting in out migration to pay for such debts that in turn provides for
the accumulation of global finance capital. In the next, chapter I illustrate the workings of the
second wave of neoliberalism through a field study of one village.
CHAPTER 3
Financialisation and Rural Debt in Pathemany

Map 3.1
Jaffna Peninsula and the Vanni

Source: Google Maps

Some of the central challenges of post-war reconstruction in Sri Lanka relate to rural incomes and rural debt. I examine the state of rural incomes and rural debt in Jaffna through a field study in one village, Pathemany, a village near the small town of Atchuvely in Jaffna. I chose this village, because it was the only case study in northern Sri Lanka, in an extensive research project on agrarian change conducted by the Social Scientist Association. This multi-site research project was conducted between 1980 and 1982 just before the war, and provides a good baseline of social relations in rural Jaffna (Abeysekera 1985). My field study three decades later in the same village, after a long war and bouts of displacement, sought to investigate the changes to rural incomes. In the course of the field study, I discovered that rural debt had become the major issue in Jaffna.
When I began my field research in late 2012, three years after the end of the war, many of the roads and highways had been rebuilt. The ruins that had remained during the war years that were visible when I had visited Jaffna in 2002 and 2004, and for that matter soon after the war in late 2009 and 2010, were increasingly receding from sight as one travelled on one of the main roads crossing the Jaffna peninsula, the Pointpedro road. Pathemany village begins just a kilometre north of Atchuvely town, which is located mid-way between Jaffna town on the South West corner of the Jaffna peninsula and Pointpedro town on the North East corner of Jaffna Peninsula. There is regular bus service between Atchuvely and both towns on the newly carpeted Pointpedro road connecting a string of villages and small towns. Atchuvely town has its own hospital, schools, market, a number of banks and finance companies, co-operative societies and tea shops. In this way, Atchuvely town is centrally located for a number of villages in the vicinity.

Map 3.2
Atchuvely Town

Source: Google Maps
Field research in the years after the war was constrained by many challenges, particularly the continuing militarisation of northern Sri Lanka and widespread climate of fear. Most villagers, particularly during the tenure of the Rajapaksa regime, were reluctant to be recorded and avoided surveys unless it was by government officials or someone they knew. In this context, I found that people in the oppressed caste quarter of Pathemany village, called Bharathy Veethy, were more willing to speak about their predicament. The oppressed caste in Pathemany mainly belonged to the toddy tapping (tree climbers who tap the sap of palm trees) caste, but they mostly work as agricultural wage labor in contemporary times. I had established a good relationship with one of the local leaders of this oppressed caste community in Bharathy Veethy, Mr. Chandrabose, and coincidentally found a research assistant from the same community, both of which facilitated my field study including access to oppressed caste households.

Pathemany, Grama Niladari (GN) division (the smallest unit with government officials at the village level) J281 is one of 31 GN divisions in located in the Kopay Divisional Secretariat. The Kopay Divisional Secretariat is part of the red soil agricultural belt, and is one of 15 Divisional Secretariats in the Jaffna District. Pathemany, covers a land area of 2.75 square kms and in 2012 had a population of 696 households (2,258 people) with an estimated 400 households in the oppressed caste quarter of Bharathy Veethy with the rest mainly belonging to the dominant Vellala caste.116 However, among the Vellala caste an estimated one hundred households are displaced people renting houses and land from Palaly. Some of these Palaly Vellala households have agricultural land elsewhere including in the Vanni.

116 Data obtained from Grama Niladhari (Village Official) of Pathemany on 3 December 2012.
**Methods Description**

My research assistant Akalya, the only if not one of the few university graduates from Bharathy Veethy, and I attempted to reach as many of the households as possible in Pathemany village through convenience and snowball sampling. We began with the contacts of Akalya and Mr. Chandrabose and through those contacts, we reached their families and friends. We also attempted to reach as many other households as possible by randomly knocking on doors in Pathemany. However, it was much harder to find agreeable respondents through such random visits.

We first carried out a questionnaire starting in March 2013 in the various parts of Pathemany village, but it was those in Bharathy Veethy that mostly agreed to participate in the questionnaire. The questionnaire was also combined with open-ended interviews where possible, which helped identify participants for longer detailed interviews for questions relating to the history of the village, caste relations and the role of social institutions. These short interviews and conversations, gave me a broader understanding of rural life in Pathemany, and when agreeable led to longer interviews later.

The initial questionnaire was framed in a broad manner with some open ended questions consisting of the twelve sections as follows:

1. Identity including religion, temple and membership in community centres
2. Educational level of family members
3. Housing including war-time damage, ownership or rental, housing assistance
4. Economic status of household including assets and home garden
5. Livestock reared by the household
6. Agricultural land, share cropping and wage labor
7. Agricultural support from government, co-operatives and private business
We attempted the questionnaire on 107 households and 68 agreed. Therefore, 9.8% of the 696 households in Pathemany participated in the questionnaire. The exercise of the questionnaire and the related conversations were valuable for me in familiarizing myself with not only Pathemany village, but the broader concerns of rural social life in Jaffna. Therefore, the questionnaire was mainly of qualitative value.

The questionnaire and the interviews provided some important insights for the construction of the survey to gain quantitative data. Questions emerged about rural provisioning, rural debt and migrant remittances from the Middle East as opposed to remittances from permanent migrants to the Western countries. Such questions were addressed in the survey and data was collected to understand the dynamics of incomes and debt in Pathemany village.

I also realized from the questionnaire that it was going to be difficult for me to gain a detailed breakdown of household expenditure in the survey with the resources available to me. Most rural households did not keep such accounts or think in terms of monthly and weekly expenditures. Therefore, I decided to focus on their monthly expenditure on firewood bought once or twice a month and education expenditure paid once a month.

The questionnaire and the related interviews also reinforced the point made to me by many including the village leader that it would be difficult to ask direct questions about caste identity. I continued my research on caste through subtle means, such as detailed interviews...
relating to social institutions including temples, schools, co-operatives and community 
centres. Analysis of caste relations in Pathemany are addressed in Chapter 4.

We also organised a focused group discussion at the Bharathy Veethy community 
center. The discussion with seven men including the community center leaders was 
insightful on the dynamics of debt. We found that people were more willing to talk about 
debt in a group discussion rather than in individual interviews.

We carried out a survey starting in November 2013 approaching 136 households and 
102 households agreed to participate. The survey was only carried out in the Bharathy Veethy 
oppressed caste quarter, and the survey recorded 25% of the estimated 400 households in 
Bharathy Veethy. Again it was administered as a convenience and snowball survey. The 
survey consisted of 34 questions under the following categories:

1. Monthly household expenditure (food, education, firewood)
2. Monthly household incomes (income from agriculture, income from other jobs)
3. Loans incurred (agriculture, self-employment, leasing, pawning, social 
   institutions, informally from individuals, for housing)
4. Land ownership (own home, own farm, share cropping)
5. Remittances (diaspora in the West, migrant workers in the Middle East)

Therefore, the survey following the questionnaire was geared towards understanding the 
impact of monetization, credit, rural provisioning and remittances.

My experience with the survey is that there is likely to be considerable error for the 
reason that the villagers make broad approximations of monetary amounts on a monthly 
basis. It was also very difficult to get historical information from them for example of 
incomes and expenditures more than a year ago. Furthermore, they were also guarded in the 
information they provided. Finally, I found that with the survey and the interview, the

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117 This discussion was held on an evening after the members returned from work on 16 May 2013.
villagers responded to my questions with the most recent developments in mind. Therefore, a drought year would mean they are very pessimistic during the interview about the future of agriculture, even though in reality they will cultivate the next year if they have the wherewithal.

The value of the survey for me was to get an on the ground sense of data to be able to compare it with the robust HIES survey carried during the period of my field study and identify broader patterns of rural economic life in the oppressed caste quarter of Bharathy Veethy. While my initial questions were about rural incomes, in the course of my field research I became more interested in the post-war dynamics of debt linked to new forms of financialization at the rural level. Therefore, the construction of the survey and the analysis of my findings reflect that focus on indebtedness and contemporary forms of dispossession and accumulation.

Map 3.3
Bharathy Veethy

Source: Google Maps
Rural Incomes, Land and Capital

The Jaffna economy is characterised by failure of incomes to match the rising cost of living as illustrated from data in the previous Chapter. How does one account for the falling incomes relative to household expenditure after the war? This problem can be analysed from three angles: first, the challenges faced in agricultural production and incomes following integration into the national and global market after the war; second, the impact of systemic changes to the rural economy after the war in the form of monetisation of the economy, the shift in rural provisioning, and changes in consumption; and third, the expansion of credit that allowed for much higher expenditure than incomes.

Land and Landlessness in Jaffna

The size of plots cultivated by farmers, has historically been small in Jaffna. According to the Agricultural Census of 2002/2003 in Jaffna there are no plots over 20 acres. There are 25,303 plots, between 0.25 and 20 acres cultivating a total extent of 31,895 acres. That is an average plot of 1.26 acres lower than the national average of 2 acre plots for those holding lands between 0.25 and 20 acres. The farmers with plots between 0.25 and 20 acres could be categorized as the small holding peasantry. Therefore, there are no large farmers in the Jaffna District and the small holding peasantry also have smaller plots than in the rest of the country. Next, there are 66,526 plots that are less than a quarter of an acre cultivating a total extent of 9,941 acres in Jaffna. Many of these small plots are possibly home gardens. Since this data is from the Agricultural Census of 2002 and the Agricultural Census of 2013/2014 is yet to be published, it is difficult to analyze the land pressure and the number of farm households and farm workers and their access to land.118

118 According to the Department of Agrarian Development, in 2012 there were 63,280 farm families, 33,888 farm laborers and 230 registered farmer organizations in Jaffna (Jaffna District Statistical Handbook 2013, 78). This number had declined by 2014 to 54,417 farm families, 22,418 farm laborers and 230 registered farmer
Pathemany is located in the Kopay Division in the Jaffna District. In this Division, out of 22,064 households 2,682 households are absolutely landless, which is about 12 percent of the population.\textsuperscript{119} In the Jaffna District as a whole, out of 186,681 households 14,001 households amounting to 7.5% are absolutely landless.\textsuperscript{120} Such landlessness means they do not even own one-eighth of an acre of rural land or one-twentieth of an acre of urban land that would have qualified them for the government and donor housing grants for the war affected. It is mainly the oppressed caste community of landless wage labor who also lack such housing land. Indeed, many of these landless households are looking to purchase even a small plot to qualify for a housing grant.

In this context, agricultural land is an important asset in the Jaffna District, and agricultural plots are very small. However, given that my survey was mainly carried out in the oppressed caste quarter, there is only a limited number of agricultural plots and they are smaller in size than those owned by the upper caste landowners. Agricultural plots for cash crops in Jaffna are referred to in multiples of 1,000 crops by the farmers. The local measure of land in Jaffn is called a lacham.\textsuperscript{121} The measures of land used by farmers can be summarized as follows:

\begin{align*}
1,000 \text{ crops} &= 3.5 \text{ lachams of land} \\
1 \text{ acre of highland} &= 16 \text{ lachams}
\end{align*}

\textsuperscript{119} Data obtained from Jaffna District Secretariat in May 2016.  
\textsuperscript{120} Data obtained from Jaffna District Secretariat in May 2016.  
\textsuperscript{121} Different parts of Sri Lanka have historically had different measures for land. Jaffna has both capacity (volume of seed) measures and surface measures. In terms of capacity measures: the amount seed that can be used to sow and area. For paddy land: the land area necessary to sow 12 measures paddy = 1 lacham For high land: the land area necessary to sow 12 measures kurrakan grain = 1 lacham In terms of surface measures: the smallest measure is a kuli, which is the squared area of a side with 12 foot pole called a kole. For paddy land: 12 kulis = 1 lacham and 24 lacham = 1 acre For high land (for non paddy cultivation) 18 kulis = 1 lacham and 16 lacham = 1 acre

I draw this from the paper by D. B. Ellepola. (Ellepola 1936)
Highland refers to land not used for paddy cultivation and is land used for cash crop cultivation and home gardens.

1 acre of paddy land = 24 lachams

1 hectare = 2.47 acres

Therefore, in one acre of land and one hectare of land, 4,500 crops and 11,300 crops, respectively are cultivated.

*Incomes from Agriculture*

Jaffna is historically known for the cultivation of cash crops and particularly red onions. Nesamma, a fifty-two-year-old farmer whom I interviewed, had six lachams of dowry land, but the soil in that land was unsuitable for cultivation and therefore she was cultivating just 1,000 crops or about quarter of an acre of onions on a relative’s land. She like many others had lost their crops the previous year due to floods and did not take an agricultural loan for the 2013/2014 Maha season. Since she was cultivating her relative’s land, she did not have to pay the Rs. 3,000 (US$ 23) per season (for six months) for share cropping.

She puts in her labor and her family labor into agriculture. She estimates her costs for fuel for pumping water, fertilizers, pesticides and some labor costs for harvesting could cost her about Rs. 30,000 (US$ 230). Because her crops failed the previous year, she bought seed onion at a very high price of Rs. 7,000 (US$ 54) to Rs. 8,000 (US$ 62) per anchar (50 kgs) and she bought 4 anchar. So, her seed cost was approximately Rs. 30,000 (US$ 230). Therefore, the total input cost for her was Rs. 60,000 (US$ 460) excluding her labor. She estimates, depending on the harvest it could yield 15 to 25 anchar. Therefore, depending on

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122 Interview with Nesamma (pseudonym) on 4 March 2014.
123 In Sri Lanka, the Maha season refers to the rainy season from November to March that coincides with the north east monsoon, where agricultural production is highest. The Yala season is mainly tank or well irrigated season from May to August and not all farmers farm during this season of smaller production with the need for much higher levels of irrigation.
the yield and price of onions at harvest, she might sell her harvest for Rs. 60,000 (US$ 460) to Rs. 150,000 (US$ 1,150). Therefore, her take home from the season she said could be at the value of cash inputs or a profit of Rs. 90,000 (US$ 690). If she has a good harvest, given that she has only sown 1,000 crops, she gets about Rs. 15,000 (US$ 115) in monthly income over six months.

In most cases farmers would cultivate 2,000 or 4,000 crops (half acre or one acre), and they would also cultivate multiple seasons. However, most households I interviewed were unable to pay back the agricultural loans they had taken the previous year. They claimed it was due to the failed crops the previous year.

Central Bank data has only been published thus far for a select few seasons on farmgate prices, unit prices and net returns for red onions in the Jaffna District coinciding with the time of my field research. Table 3.1 illustrates how farmgate prices vary. The Yala season in Jaffna which is irrigated mainly through ground water from wells clearly fetches much higher prices. However, the two difficult Maha seasons with crop failures at the end of 2012 and 2011 the farmers only got a net return of Rs. 333,000 (US$ 2,540) and Rs. 239,000 (US$ 1,840) per hectare or Rs. 30,000 (US$ 230) and Rs. 22,000 (US$ 160) per 1,000 crops respectively. With agricultural incomes in those seasons for 1,000 crops cultivated

Table 3.1 Red Onion Cultivation in Jaffna District

<table>
<thead>
<tr>
<th>Season</th>
<th>Yield (kg./hectare)</th>
<th>Farmgate Price (Rs./kg.)</th>
<th>Unit Cost (Rs./kg.)*</th>
<th>Net Return (Rs./hectare)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yala 2013</td>
<td>12,874</td>
<td>119</td>
<td>31</td>
<td>1,131,597</td>
</tr>
<tr>
<td>Maha 2012/13</td>
<td>14,532</td>
<td>54</td>
<td>31</td>
<td>333,206</td>
</tr>
<tr>
<td>Maha 2011/12</td>
<td>13,151</td>
<td>51</td>
<td>33</td>
<td>239,431</td>
</tr>
</tbody>
</table>

*excludes own labour  
Source: Central Bank, Economic and Social Statistics Report 2016, Table 5.8

With agricultural incomes in those seasons for 1,000 crops cultivated

---

124 One hectare is equivalent to approximately 11,000 crops.
approximating to just one month or one and a half months of montly expenditure, the farmers were devastated and therefore could not pay back their loans.

![Figure 3.1 Average Producer Prices and Retail Prices for Red Onions (Rs. per kg)](source: Central Bank, Economic and Social Statistics Report 2016)

The fall in in agricultural incomes seen in Table 3.1 was partly due to unfortunate weather conditions, and it is reflected in the massive increase in the average producer price of onions in Figure 3.1. However, Figure 3.1 also illustrates a structural problem, where producer prices with respect to red onions are far below retail prices, on the order of 60% of retail prices. Furthermore, retail prices for red onions in the North are 20% lower than the national average. In this context, many farmers mentioned that in the past before the war, the co-operatives used to ship the onions to the market in Colombo and fetch them a good price. Therefore, the falling incomes of agricultural production has many causes from unfortunate weather conditions to the structure of integration with the market.
In this context, the low levels of agricultural incomes in Bharathy Veethy are evident from Figure 3.2 based on data from my survey conducted in late 2013. The cause for such low agricultural incomes could be partly influenced by the failed crops discussed above and the resulting low incomes. Furthermore, their low level of land ownership leads farmers to combine cultivation of their own land with share cropping where possible and wage labor.

Land Ownership and Rent

Most farmers in Bharathy Veethy cultivate 1,000 to 4,000 crops that is farming only a quarter to one acre of land. As evident from Figure 3.3, only a minority of people in oppressed caste quarter where the survey was conducted owned land to cultivate agriculture.
Of those who don’t own land only a few households manage to participate in sharecropping or renting land for agriculture as evident from Figure 3.4.

Rent for land is quite low costing just Rs. 3,000 (US$ 23) for quarter acre of land per season. The Vellala landowning caste avoid giving their lands for share cropping by the oppressed caste, and prefer to rent it to the Vellala caste. Therefore, there is only a small number of share cropping or rental plots cultivated by the oppressed caste residents of Bharathy Veethy, despite the lack of land owned by the oppressed castes as evident from Figure 3.3.

Land rent which had become monetised with the cash crop boom in the 1970s continues in the same form. However, as Gunasinghe describes it, during times of accumulation and growth, rent was high:

On the one hand, the rent of land from the mid-70s to 1980 increased 2 to 3 times. On the other hand, a new system of rent came into operation which in actual fact increased the ground rent still further. The new system of rent known as ‘otti’ requires the renter to deposit a substantial amount of money with the land owner; the interest emanating from this amount forms the ground rent. When the contract comes to an

125 This came up in a number of interviews in Bharathy Veethy and Pathemany in the course of the questionnaire.
end the land owner is obliged to return the entire amount to the renter. … The new system of renting also drives the cultivators with no savings out of the cultivation process (Gunasinghe 1985, 213).

Both systems of rent, paying just the rent or the deposit accruing interest, exist today in both Pathemany and in Jaffna. However, land rent relative to income is quite low after the war. The process of driving out cultivators with low savings, described by Gunasinghe a few decades back, does not apply now due to the tremendous expansion of credit.

During the time of my field research, land rent is only a fraction of the total production costs of a farmer in Pathemany, where for one thousand crops land rent is Rs. 3,000 (US$ 23) for a season, where as production costs for onions discussed above can be at least Rs. 30,000 (US$ 230) and if seed costs are added to it, production costs could be as much as Rs. 60,000 (US$ 460).

Land rent per acre in Pathemany was Rs. 12,000 (US$ 92) per season in 2013. However, the New Comprehensive Rural Credit Scheme initiated before liberalization in the 1970s, where farmers are eligible for subsidized loans from commercial banks, provides Rs 95,000 (US$ 730) for the cultivation of an acre of onion for one season. The interest rate charged is 8 percent, which is much less than the market rate of 14 percent. Thus rent costs are not an impediment for cultivation. Therefore, if land is available for cultivation, such that the upper castes are willing to provide their land for cultivation, an oppressed caste farmer could readily finance the rent through an agricultural loan. Therefore, in contemporary Jaffna caste-based landed relations, credit from banks and profits from production are the determining factors of cash crop agriculture and not land rents.
Labor Costs and Capital Investment

There is a shortage of labor within the Vellala caste community, as a large sector of them had migrated abroad with the war. Therefore, the Vellala landowners can no longer rely on exchange of labor through networks involving Vellala youth. Furthermore, oppressed caste wage labor can no longer be coerced into working for lower wages, as caste oppression no longer works through coercion and overt violence. In this context, farmers including bureaucrats who form the dominant sections of society, as discussed in Chapter 2, complain of the rise in monetized wage labor after the war and condemn wage labor as lazy.

Male wage labor per day costs Rs. 1,000 (US$ 7.70) plus lunch and tea. Women’s agricultural labor can be between Rs. 600 (US$ 4.62) to Rs. 800 (US$ 6.15) plus lunch and tea. However, demand for agricultural wage labor is irregular and average monthly real incomes of wage laboring households are low. Furthermore, with the monetisation of the rural economy farmers in Pathemany find it more efficient to provide short-term contracts for the labor process. Therefore, when it comes to labor relating to cash crop cultivation such as seeding, building water channels and harvesting, it is networks of groups of workers from neighboring Puttur village that are employed on short-term contracts spanning a day to a few days.

The oppressed castes in Puttur village do not own any agricultural land and due to the historical severity of caste oppression in that village do not have the possibility of cash crop cultivation. Therefore, the men and women from Puttur are completely dependent on wage labor. They are involved in breaking stones and clearing plots or they work on contract in farms during the agricultural seasons.\textsuperscript{126} In this context, it is financially prudent for the

\footnotesize{\textsuperscript{126} I visited Puttur village a few times in preparation for a conference paper on caste in August and September 2016. Their village set up, very small plots of residential land and village geography of isolation was very different from Bharathy Veethy.}
farmers to employ these teams from Puttur, and the workers from Puttur are also willing to work for less.

Caste relations are not as coercive or obligatory as they were before the war. Historically, an oppressed caste person worked on the land of the same upper caste person. During the cash crop boom of the 1970s they did demand higher wages, but the oppressive caste based productive relations continued. However, with the war, displacement and the mass migration of the upper caste landowners, familial ties and productive relations linking upper caste landowner to oppressed caste wage laborers were disrupted. Furthermore, wage laborers demand higher cash wages with the rising cost of living and the monetization of the economy.

In this context, the landowners now prefer to substitute labor with machinery and other contractual agreements to groups of workers. The landowning farmers do not have cash flow problems due to the post-war expansion of credit and there is abundant access to capital to invest in such labor substituting equipment. In this context, with falling incomes in Jaffna as evident from the data discussed in Chapter 2, the accumulation is only for the foreign producers of agricultural machinery and the banking and financial sector which has facilitated the purchase of such equipment on credit, particularly through lease hire purchasing.

Household Expenditure and Rural Provisioning

In Bharathy Veethy, in many interviews with rural households, including with landless wage laborers, it was claimed that for a household of four to six persons, monthly expenditure to sustain the household is Rs. 20,000 (US$ 154). It is women who are mainly responsible for provisioning for the home and they claim to spend close to Rs. 1,000 (US$ 7.70) at the market. Furthermore, they claim they do not go to the market everyday because of the costs, and only go every other day. Therefore, they estimate food costs at Rs. 15,000
(US$ 115) per month and non-food expenses at Rs. 5,000 (US$ 38) per month. In this context, male wage labor of Rs. 1,000 (US$ 7.70) per day is not high, particularly given that wage labor is irregular. Furthermore, wages for female day wage labor is only Rs. 600 (US$ 4.60). While I did not have the capacity to do a detailed survey on household expenditure, I can draw the Household Income and Expenditure Survey (HIES) of 2012/2013 carried out at the same time. The HIES data on household expenditure is far more rigorous and complete and puts my findings in perspective. The median monthly expenditure per household in Jaffna District is Rs. 28,209. (HIES 2013, 19) However, Bharathy Veethy falls into the bottom 25% of Sri Lanka’s expenditure. As Table 3.2 illustrates, the median household expenditure for the third decile group is Rs. 20,454.

<table>
<thead>
<tr>
<th>Decile Group</th>
<th>Household expenditure range</th>
<th>Median household expenditure (Rs.)</th>
<th>Mean household expenditure (Rs.)</th>
<th>Mean food expenditure (Rs.)</th>
<th>Mean non-food expenditure (Rs.)</th>
<th>Mean household income (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td></td>
<td>30,701</td>
<td>41,444</td>
<td>15,651</td>
<td>25,793</td>
<td>45,878</td>
</tr>
<tr>
<td>1</td>
<td>Less than 13,837</td>
<td>10,795</td>
<td>10,238</td>
<td>6,531</td>
<td>3,708</td>
<td>14,111</td>
</tr>
<tr>
<td>2</td>
<td>13,837 - 18,498</td>
<td>16,328</td>
<td>16,254</td>
<td>9,815</td>
<td>6,439</td>
<td>21,322</td>
</tr>
<tr>
<td>3</td>
<td>18,499 - 22,461</td>
<td>20,454</td>
<td>20,474</td>
<td>11,693</td>
<td>8,782</td>
<td>24,819</td>
</tr>
<tr>
<td>4</td>
<td>22,462 - 26,354</td>
<td>24,408</td>
<td>24,397</td>
<td>13,438</td>
<td>10,959</td>
<td>28,965</td>
</tr>
<tr>
<td>5</td>
<td>26,355 - 30,701</td>
<td>28,479</td>
<td>28,514</td>
<td>14,643</td>
<td>13,871</td>
<td>35,274</td>
</tr>
<tr>
<td>6</td>
<td>30,702 - 36,011</td>
<td>33,237</td>
<td>33,259</td>
<td>16,267</td>
<td>16,992</td>
<td>38,473</td>
</tr>
<tr>
<td>7</td>
<td>36,012 - 43,248</td>
<td>39,268</td>
<td>39,412</td>
<td>17,764</td>
<td>21,647</td>
<td>49,070</td>
</tr>
<tr>
<td>8</td>
<td>43,249 - 53,321</td>
<td>47,547</td>
<td>47,816</td>
<td>19,490</td>
<td>28,326</td>
<td>51,365</td>
</tr>
<tr>
<td>9</td>
<td>53,322 - 74,933</td>
<td>61,585</td>
<td>62,654</td>
<td>21,521</td>
<td>41,133</td>
<td>66,186</td>
</tr>
<tr>
<td>10</td>
<td>More than 74,933</td>
<td>100,777</td>
<td>131,471</td>
<td>25,357</td>
<td>106,114</td>
<td>129,239</td>
</tr>
</tbody>
</table>

Source: Household Incomes and Expenditure Survey 2013, 35

While Sri Lanka has had a history of free education policies since the 1940s, and even provides free school uniforms and textbooks along with a mid-day meal, in reality household educational expenses have been increasing. These expenses are due to the hidden fees by schools and after school tuition programs. Parents believe such after school tuition is necessary for their children to get ahead in competitive national exams. As Figure 3.5 shows about 66 of the 102 of respondent households in Bharathy Veethy have school going children
and they incur education related expenses. Furthermore, as Figure 3.5 shows expenditure on education for households with school going children are significant, with 60% of them spending between Rs 1,000 (US$ 7.70) and Rs 4,000 (US$ 31) per month and 8% spending over Rs. 4,000 (US$ 31) per month.

![Figure 3.5 Expenditure – Education Costs* (Rs.)](image)

*66 of 102 respondents have school going children

The increasing monetisation of rural economic life in Bharathy Veethy is evident from my survey findings for the costs of firewood used as fuel for cooking. If the household does not have medium sized plots of housing land as is the case in the oppressed caste quarters of the village, where most houses are on very small plots on the order of 1.5 lachams (close to one-tenth of an acre), almost all firewood must be bought. Furthermore, adding to the financial burden on such oppressed caste households, without the possibilities of foraging for firewood, the cost of firewood for cooking alone can be close to Rs. 2,000 (US$ 15) per month as evident from Figure 3.6. I chose to look at the cost of firewood to understand the changing dynamics of rural provisioning with the monetisation of the rural economy in

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127 According to the HIES Survey for 2012/2013 average household expenditure on education is Rs. 1,448 (US$ 11.10), and since this includes a number of families that do not have children going through education, the number is possibly higher. However, since Bharathy Veethy is in the bottom 3 deciles, the average household expenditure on education for the third decile is only Rs. 407 (US$ 3.20). These figures reflect a much higher monetised cost for education in Bharathy Veethy.

128 According to the HIES Survey for 2012/2013 79% and 57% of rural households in Sri Lanka and the Jaffna District respectively, collect firewood as opposed to purchase firewood. Again the monetised cost of firewood in Bharathy Veethy is quite high.
Jaffna. Indeed, Rs. 2,000 (US$ 15) for monthly expenditure in firewood and fuel is a significant portion of the non-food expenditure.

![Figure 3.6 Expenditure on Fuel and Firewood (Rs.)](image)

From the HIES data, the bottom three deciles monthly expenditure ranges from Rs. 6,531 (US$ 50) to Rs. 11,693 (US$ 90) for mean food expenditure and Rs. 3,708 (US$ 29) to Rs 8,782 (US$ 68) for mean non-food expenditure. Therefore, the approximate averages of Rs. 2,000 (US$ 15) for education and for firewood each per month evident from my survey, is a significant share of the non-food costs for the Bharathy Veethy population.

Unlike the Vanni (mainland region south of Jaffna peninsula), where land alienation schemes\(^{129}\) have provided most families with half an acre of land in recent years and much larger plots in the past that allows for some level of subsistence including the possibility of a home garden, in Jaffna small plots and landlessness creates further economic pressures. The comparison with the Vanni is relevant because many of the households in Pathemany were displaced to the Vanni during the war, and managed to survive the years of war through subsistence agriculture and rural provisioning from home gardens.

\(^{129}\) The state provides permit lands which are on lease for a few decades but are eventually free holding title is given to the person.
In the post-war context in Jaffna, landlessness and small plots of residential land constrain rural peoples’ possibilities for survival through rural provisioning and are trapped in a monetized economy. Therefore, land is important for rural provisioning of food from home gardens including livestock and for firewood as much as it is for agricultural production, particularly for the bottom sections of income earners.

Expansion of Credit and Rural Debt

Banks and finance companies have been greatly expanding credit in Pathemany, as is the case throughout Jaffna, in the post-war years. Such credit takes the form of various bank loans, pawning, leasing and microfinance schemes.

Agricultural Loans

Pathemany, like many other villages in the country, continues to benefit from the agriculture loans with the Central Bank backed New Comprehensive Rural Credit Scheme initiated in the 1970s. The loan amounts are determined by the Central Bank based on the crop cultivated per acre of land, for example onion – Rs. 95,000 (US$ 730) and chilli – Rs. 65,000 (US$ 500), and provided at subsidized interest rates. Figure 3.7 shows the agricultural loans taken by those surveyed. Since the survey was conducted in the majority landless and wage laboring households in the oppressed caste quarter of Bharathy Veethy, the number of agricultural loans taken were 40 of the 102 households surveyed.\(^{130}\)

The Central Bank backed agricultural loans are administered by the commercial banks. Therefore, in every town linked to villages, a large number of banks work with village farmers’ organisations to determine who should receive such loans, and such loans are to be

\(^{130}\) This approximates well with the fact that 33 households claimed they had agricultural and and 9 households claimed they were involved in share cropping. Therefore
paid back at harvest. In recent years, farmers have been unfortunate with harvests failing due to untimely rains, crop diseases and drought. At the time of my field research in late 2013 to early 2014, many of the families had not paid back the loans from the previous year. This is also another reason for the lower level of agricultural loans taken in Bharathy Veethy during the time of my survey.

**Figure 3.7 Agriculture Loans (Rs.)**

*Self-Employment Loans*

After the war in May 2009, private commercial banks were tasked with providing loans to initiate livelihoods; the loans were used by farmers to begin farming to fisher-folk resuming fisheries. These loans were on the order of Rs. 50,000 (US 380) to Rs. 200,000 (US$ 1,540) at a subsidized interest rate of 8% and part of the ‘Northern Spring’ reconstruction programme discussed in Chapter 2. Once the bank branches were established, the banks began providing so-called self-employment loans at market rates on their own initiative in 2011. As evident from Figure 3.8, close to 60% of the households surveyed had taken self-employment loans. If Figure 3.8 and Figure 3.7 are compared, it becomes clear that there was far more credit expanded through the self-employment loans than through the agricultural loans. It is however, difficult to distinguish between the subsidized Northern
Spring loans and the market rate self-employment loans, as most villagers spoke of them inter-changeably.

One of the community center leaders in Bharathy Veethy explained the proliferation of self employment loans.\textsuperscript{131} He said the Bank of Ceylon manager came to their community center in early 2012 and offered to provide self employment loans to the community. He believes a total of Rs. 10 million (US$ 77,000), with each loan to an individual amounting to Rs. 100,000 (US$ 770) and to be repaid through monthly instalment payment in either two or three years, were distributed as self employment loans starting in early 2012. The villagers only knew and mentioned the monthly installment payments of Rs. 3,600 (US$ 28) a month for 3 years and Rs. 5,000 (US$ 38) for two years. I was able to calculate that the interest rate in this case is 14%. The loan merely required two guarantors and no collateral. Furthermore, in many cases loans were given to each member of a household, and thus in a few cases four members of a household incurred a total debt of Rs. 400,000 (US$ 3,100). The loans were meant to initiate small businesses such as starting a shop or used to raise cattle, and those

\textsuperscript{131}Focused group discussion with Bharathy Veethy community center on 16 May 2013.
seeking loans had to state the purpose, but the community center leaders told me the people who took the loans had no plans or ideas of how to generate incomes from those loans and merely consumed the loans. Some people used it to pay for house building or to pay other loans. A year later many people were defaulting on their loans and the bank manager began deducting payments from the guarantors’ savings creating a tense situation.

**Debt tied to Housing Schemes**

Another major problem tied to the reconstruction efforts is the indebtedness tied to the housing schemes. During the latter phase of the war and after the war, many donors including the World Bank and the Swiss Development Cooperation gave grants to households to rebuild houses destroyed by the war. India’s major contribution to post-war reconstruction was 50,000 houses to the war affected, each worth a grant of Rs. 550,000 (US$ 4,230). These owner-driven housing construction grants were administered in installments after each major step of building of the house. By 2013, the cost of building a house with the specifications of the donors cost between Rs. 800,000 (US$ 6,150) and Rs. 1 million (US$ 7,690). As Figure 3.9 shows, 26.5% of those surveyed had received housing grants by the end of 2013. As discussed above, the absolutely landless, who do not own an eighth of an acre of rural residential land, do not qualify for the housing grants. Most of the housing grant recipients incurred expenses far in excess of the grant to build their house. The additional expense of building the house was met through debt. Such housing debt came from variety of loans from self employment loans to pawning.

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132 I along with a few activists raised the housing debt issue as it became clear to me during my field research. A focused group discussion with Bharathy Veethy Community Center called Ilankathir Sana Samuha Nilayam about community issues led to a discussion on housing related debt on 16 May 2013. Meera Srinivasan the correspondent for The Hindu was one of the first journalists to raise the housing debt issue. See Srinivasan 2013.
The implication of post-war housing grants and their related debt for the rural economy in Bharathy Veethy and Jaffna more broadly is that while a house in the form of a major asset had been added to the household, the household also incurs large debts from the financial sector, which have to be paid with interest. The debt and debt related payments in time shapes and directs rural economic life, including the level and form of incomes that are necessary to sustain household finances. The high level of out migration for work in the Middle East discussed above in Chapter 2 is possibly linked to the repayment of such debts, including housing construction related debts.

**Pawnning, Leasing and Informal loans**

With the boom in global gold prices between 2009 and 2012, many banks got into the pawning business in a major way and even extended their hours of operation so that wage laborers could come to the banks after work. For most rural households in Sri Lanka, gold jewellery continues to be their main liquid asset. Rural households in the North had managed to preserve some amount of gold jewellery despite the war. Historically, pawning of gold was the fall back mechanism for rural household financing and provisioning during familial and agricultural emergencies.
In the post-war years, households pawned their gold not only due to crisis caused by crop failures but also to pay the installments on other loans. As Figure 3.10 illustrates about 85% of the surveyed households had pawned their jewellery. The scale of the pawned loans for 80% of the population on the range of one month (Rs 20,000 or US$ 154) to more than ten months (Rs. 200,000 or US$ 1,540) of average monthly incomes in Bharathy Veethy is going to be very difficult for them to recover.

In Bharathy Veethy, only 12.5% of the respondents in the survey had bought a vehicle or consumer item such as a refrigerator on leasing. This might be in part because of the low levels of savings and the larger cash flows necessary to purchase a vehicle. While both banks and leasing companies were involved in such leasing sales, the leasing companies were considered to be much more aggressive in seizing products where installments had not been

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For example, a two wheeler tractor costs Rs. 350,000 (US$ 2,700), but to buy it on leasing one has to make a down payment of Rs. 100,000 (US$ 770). The rest of the Rs. 250,000 (US$ 1,900) has to be paid in monthly installments over three years. The few people who did purchase tractors and three wheelers in Bharathy Veethy, would typically get a self employment loan for Rs. 100,000 (US$ 770) and use it toward the down payment. However, they have to pay monthly installment payments on the self employment loan and the leasing contract for the total amount in the case of a two-wheel tractor of Rs. 350,000 (US$ 2,700) that is a Rs. 12,500 (US$ 96) amounting to close to 60% of the average monthly income in Bharathy Veethy.
paid. The leasing companies are ruthless, they forcefully seize the product, where by the customer loses his down payment and the value they have paid in installments until the time of the company seizing their product. These problems with leasing were explained to me during the discussion at the community center. At the time of my field research, leasing was not prevalent in Bharathy Veethy, where it was widely discussed as a social curse. The few cases of default had made it clear that individuals lose much of their assets and end up with considerable debt.

Historically, in Jaffna most people took loans from money lenders and relatives. However, as Figure 3.11 illustrates only 21% of households surveyed took informal loans from local money lenders and relatives. As the various levels of loans illustrate, much of the debt is in the form of loans to banks and financial institutions. However, the fewer informal loans from money lenders charged a much higher interest rate.

![Figure 3.11 Informal Loans from Money Lenders and Relatives (Rs.)](image)

In Bharathy Veethy and in Jaffna more broadly, a new form of debt called “meter vatti” (metered interest, colloquially meaning it increases like an electric meter) from money lenders are given at 5% interest per day. Such extremely high interest loans are taken by individuals when they have serious cash flow problems including when they have to meet

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134 Focused group discussion with Bharathy Veethy Community Center on 16 May 2013.
installment payments to banks and finance companies.\textsuperscript{135} Some individuals take loans from banks to lend to others in the village at higher interest rates.\textsuperscript{136} Therefore, the tremendous expansion of credit has also created worrying and new forms of debt culture.

Table 3.3 Types of Loans Taken

<table>
<thead>
<tr>
<th>Types of Loans</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Self Employment and Pawning</td>
<td>25%</td>
</tr>
<tr>
<td>Agriculture and Self Employment</td>
<td>26%</td>
</tr>
<tr>
<td>Agriculture and Pawning</td>
<td>34%</td>
</tr>
<tr>
<td>Self Employment and Pawning</td>
<td>55%</td>
</tr>
<tr>
<td>Neither Agriculture nor Self Employment</td>
<td>28%</td>
</tr>
<tr>
<td>Neither Agriculture, Self Employment nor Pawning</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table 3.3 illustrates how many households in Bharathy Veethy have taken multiple loans, particularly a combination of agriculture, self-employment and pawning loans. Furthermore, only 10% of the households have not taken any three of these loans. Therefore, there is considerable access to credit from the formal financial sector to the households in Bharathy Veethy. In figure 3.12, I compare the levels of agricultural and self employment loans. Clearly, there is a shift towards the recently launched self employment loans reflecting the new expansion of credit by the banks.

\textsuperscript{135} Focused group discussion with Bharathy Veethy Community Center on 16 May 2013.
\textsuperscript{136} Focused group discussion with Bharathy Veethy Community Center on 16 May 2013.
Figure 3.12 Comparison of Agricultural and Self-Employment Loans*  
* Out of 102 respondents 39% took Agricultural loans and 60% took Self-employment Loans

Out Migration and Remittances

The faltering incomes have led a section of wage labor to seek employment in construction. As Figure 3.13 shows 11% of those surveyed are involved in mason and carpentry work, however, a significant section of wage labor shifts to construction when work is available. Such pluriactivity characterized by occupational multiplicity is common. However, employment in construction is linked to the one-time post-war construction boom; particularly, the various housing schemes discussed above which were a major stimulus for labor in the form of mason work in almost every village. By mid-2014, when my field

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137 While carpenters should be classified as middle castes rather than oppressed castes, due to the proximity of the carpenter caste ward to the oppressed caste ward, and with some connections in that ward, we were also able to interview and also conducted the survey in the carpentry caste ward.

138 The complexity of such pluriactivity is not captured by the survey as I only became aware of the level of switching of labor and the self perception of households and their work in the course of my fieldwork. For example, there is greater social standing and pride attached to cultivating their own land as opposed to share cropping, and in turn share cropping as opposed to wage labor. Therefore, in the survey and even in interviews, villagers sometimes hide the fact that they are doing wage work.
research was coming to an end, there were increasing concerns about the decreasing demand for construction oriented mason and wage labor.\footnote{\textsuperscript{139}Nesamma explained she was providing some wage work in her fram to one of the village youth rather than wage workers from Puttur. She explained that this youth like many others could not find construction related wage work as in past years. Interview with Nesamma on 4 March 2014.}

The monthly incomes of those involved in wage labor are given in Figure 3.14. The low levels of incomes, where 58\% of them earn less than Rs. 15,000 (US$ 115) per month and 42\% earn less than Rs. 10,000 (US$ 77) per month, allows them to spend what the bottom two and bottom one deciles respectively of national expenditures as compared to the HIES data in Table 3.2. This is a worrying reflection of the crisis of rural incomes in Bharathy Veethy. Such a hopeless condition leads to high levels of indebtedness and where possible out migration in search of incomes.

\textbf{Figure 3.13 Types of Employment}

The monthly incomes of those involved in wage labor are given in Figure 3.14. The low levels of incomes, where 58\% of them earn less than Rs. 15,000 (US$ 115) per month and 42\% earn less than Rs. 10,000 (US$ 77) per month, allows them to spend what the bottom two and bottom one deciles respectively of national expenditures as compared to the HIES data in Table 3.2. This is a worrying reflection of the crisis of rural incomes in Bharathy Veethy. Such a hopeless condition leads to high levels of indebtedness and where possible out migration in search of incomes.

\footnote{\textsuperscript{139}Nesamma explained she was providing some wage work in her fram to one of the village youth rather than wage workers from Puttur. She explained that this youth like many others could not find construction related wage work as in past years. Interview with Nesamma on 4 March 2014.}
While there is much discussion in the mainstream media about the considerable remittances coming from immigrants to Western countries, the flow of such remittances from the diaspora to places like Bharathy Veethy is not significant, at least since the end of the war. Once permanent migrants marry and have children or after they help their immediate family members to migrate, remittances tend to decrease. In fact, such remittances from the Tamil diaspora tend to be for major events such as weddings rather than on a regular monthly basis. As Figure 3.15 shows only about 12% of the households surveyed get remittances from the permanent migrants to the West who form the large Tamil diaspora.

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140 There is no data breaking down the historical flow of remittances, and it is particularly lacking in the North due to the war. Migrant remittances in the South emerged in the 1980s and there again the data is not disaggregated and it is only useful for analyzing its impact on foreign exchange earnings for the Government.
The more significant flow of remittances after the war is migrant labor to the Middle East, where regular monthly remittances are possible. As Figure 3.16 illustrates 25% of those surveyed have sent youth to work in the Middle East who provide regular remittances. Indebted households often depend on such remittances from young men involved in migrant work to meet household expenditure and debt payments.
In Figure 3.17, I provide the distribution of various forms of rural incomes. While there is some error in the classification of these incomes as some of those receiving agricultural incomes are involved in wage labor and other incomes. Nevertheless, the comparison illustrates the continuing importance of agricultural incomes and the generally low level of wage labor incomes.

Figure 3.17 Distributions of Incomes in Bharathy Veethy*
*Out of 102 respondents, 45 have agricultural incomes, 24 have wage labor incomes, 31 have other incomes, 25 receive Middle East Remittances and 12 receive Western Remittances

Response to the New Debt Culture

Rural indebtedness in Pathemany was discussed in a number of interviews. I first provide the perspective of the bank manager from a state bank in Atchuvely providing loans in Pathemany. Next, I provide the perspective of the village leader for Pathemany on indebtedness. I follow that with a discussion of the perspectives that emerged from interviews with farmers who had taken loans and the views that emerged during the discussion at the community center.
Loans from a Bank Manager’s Perspective

In May 2013, I interviewed a Bank Manager in Atchuvely town. He was the manager of a Bank responsible for the highest level of loans given in Pathemany village. There are a number of banks and finance companies situated in Atchuvely town and serve many of the neighboring villages; Pathemany, Valalai, Thambalai, Kathiriapi, Iddaikadu, Thenmolai, Thopu, Avarangal West and Sirripuddity.

The Manager described the agricultural loans as those based on the New Comprehensive Rural Credit System (NCRCS) developed in 1974. Agriculture loans used to be for a length of 180 days, but he said two years ago it was changed to 274 days (9 months). Furthermore, the Central Bank decides on the loan amount per acre depending on the kind of crop cultivated. For example, for onions, it used to be Rs. 50,000 [US$ 385] per acre but with the 2010/2011 season it was increased to Rs. 95,000 [US$ 730]. If a farmer takes a loan of Rs. 190,000 (US$ 1,460) then it is given in two stages first Rs. 100,000 (US$ 770) and then rest of the Rs. 90,000 (US$ 690) after two weeks. Such loans are given for both the Maha, monsoon rain-fed season and Yala, well irrigated season. At the time of the interview, the market rate for loans from the Bank was 14% but the Central Bank gives a guarantee and subsidy on agricultural loans of 6%, so the farmers effectively pay an interest rate of 8%.

The Manager explained that his Bank began actively giving loans, after the interruption of the war, during the later phase of the war starting in 2007. In 2011 and 2012, approximately 3,600 agricultural loans were given each year by the Atchuvely bank during the two seasons. For example, Maha 2011-2012, a total of 2,325 agricultural loans were given and in Yala 2012, a total of 1,817 agricultural loans were given. For Pathemany village, for

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141 The Bank Manager and the Bank are not named here. I interviewed the Bank Manager on 23 May 2013, who by then was frustrated with the increasing number of non-performing loans, and wanted to vent his frustrations though he refused to speak on record.
the Maha and Yala seasons about 150 loans were given on the scale of Rs. 100,000 (US$ 770) to Rs. 150,000 (US$ 1,150) each.

The Bank Manager then explained the various other loans provided by his Bank. He mentioned how Self-employment loans were initiated in 2011 with interest rates of 11% for a maximum amount of Rs. 100,000 (US$ 770). In the Atchuvely bank branch they had given out 450 Self-employment loans in 2012. Furthermore, Self-employment Horticulture loans were also started in 2011 with interest rate of 14% for a maximum amount of Rs. 500,000 (US$ 3,850). Again he claimed his bank branch had given about 1,000 Self-employment Horticulture loans in 2012.\(^\text{142}\)

He also mentioned the Northern Spring loans that were granted soon after the war on the scale of Rs. 50,000 (US$ 385) to Rs. 200,000 (US$ 1,540) per family at subsidized interest rates.\(^\text{143}\) Then a new Central Bank loan for villagers called the Poverty Alleviation and Micro Project loan, with interest rate of 12%, and on the scale of Rs. 50,000 (US$ 385) to Rs 100,000 (US$ 770); the Bank had given 750 loans in Atchuvely of which 150 loans were given in Pathemany village. He also mentioned a new loan that had been initiated in 2012 for Rehabilitation with the coordination of the Central Bank and the District Secretariat.

The Bank Manager, who was increasingly in a confrontational situation with the villagers who were defaulting on the loans, claimed the bank had been generous in helping the people but the people were ungrateful. Furthermore, he claimed it had been the Bank’s policy to expand credit to assist the people after the war. Therefore, in October 2009, the

\[^{142}\] These horticulture loans were not given in Bharathy Veethy as they probably could not show the levels of lands and collateral necessary for those loans.

\[^{143}\] The initial Northern Spring loans were at subsidized rates, but were implemented by commercial banks as opposed to the state institutions. Within a few years the banks used their newly opened branch offices to provide a range loans at much higher interest rates.
Chairman of the Bank himself visited the Atchuvely branch, and formally distributed loans for villagers purchasing tractors on leasing.\textsuperscript{144}

He said one of the reasons for the major increase in indebtedness was that the Credit Information Bureau of Sri Lanka (CRIB) system only came into use in Atchuvely in 2012 and therefore, until that system was in place there were no mechanisms for banks to cross check if other banks had given loans to the same clients. Therefore, the banks restricted lending after 2012 as they became aware of same people taking multiple loans from different banks.

The Bank Manager mentioned the increasing number of micro-credit schemes that were entering his region by micro-finance companies, which were charging 29\% annual interest rates to be paid in weekly installments. By 2016, that is almost three years after I had interviewed the Bank Manager, micro-credit schemes and leasing that had become a serious problem of predatory lending, piling further debt on on loans owed to banks. The Jaffna District Women’s Federation took a decision in July 2016 to address both as their main concerns. Microfinance and leasing companies lend to anyone without collateral, and then use thugs who are abusive to recover loans mainly given to women.

The Bank Manager raised fears of a banking crisis in his region unless the villagers started paying these loans. He suddenly wanted to conclude the interview as he said he was going with the police to a village after a complaint he had made about the threatening behaviour of a defaulting client. The interview with the Bank Manager provided a clear

\textsuperscript{144} The down payment value had decreased down to 5\% or even 0\% and it can also be manipulated through the valuation of the product. With increasing competing such changes became common in Jaffna in subsequent years by other leasing providers particularly leasing companies. The leased products are the property of the bank until full payment, and following a down payment of up to 20\% of the value of product, a monthly installment of the product has to be paid at 12\% interest rate and for a period of 2 to 5 years depending on the product. The interest rates could vary increasing up to 20\% depending on the leasing provider. None of the interviewees in Pathemany or those whom I have spoken to in other villages knew the interest rates they were paying on leased goods and they only made the decision based on the monthly installment payment and length of years.
picture of how a proliferation of loan products and expansion of credit was by 2013 proving
to be a major problem for the banks themselves.

The Bank branch had been providing as many as a fifth to a third of some its loans in
2012 to Pathemany village, the rest going to neighboring villages. Therefore, in 2012, I
would estimate that this bank branch alone had given 150 each of the following loans
agricultural loans averaging Rs. 150,000, (US$ 1,150) self employment loans averaging Rs.
100,000 (US$ 769) and Poverty Alleviation and Microproject loans averaging Rs. 75,000
(US$ 577). Therefore, the estimated total credit expanded in Pathemany village thorugh one
bank by these three forms of loans could be Rs. 50 million (US$ 380,000). Therefore, for
the 696 households in Pathemany, this is an average increase in their debts of Rs. 70,000
(US$ 539) in one year from just one bank, which is 3.5 months of the average income of a
household in Bharathy Veethy. It is such sudden increase of the expansion of credit in one
year in post-war rural Jaffna that creates new dynamics of rural indebtedness.

**Bharathy Veethy Village Leader on Indebtedness**

In May 2014, I interviewed Mr. Chandrabose, the oppressed caste leader in Bharathy
Veethy, who described the naiveté and desperation of his people by narrating the ways in
which the debt problem proliferated:

The debt problem was started by the banks. The people were living within their
means. But then the banks came and gave loans freely and the people took loans. And
today they are in debt and they don’t have their vehicles. They gave vehicles on
leasing and people took these leased vehicles, and it was profitable for the leasing
companies. The people would have paid ten months in instalments and then they

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145 Note that this estimate only includes three types of loans from one bank, with the self-employment loans and
micro project loans being the new kinds of loans. There could have been other loans such as the larger
horticulture loans given to residents of Pathemany. Also, this expansion of credit is for all of Pathemany not just
Bharathy Veethy where I conducted my survey.
would lose their vehicles. Without the people knowing, the people’s entire wealth has been taken. The banks have taken and the leasing companies have taken what little the people had.

What Mr. Chandrabose, himself a farmer with one acre of land, describes is a commonly heard explanation of banking and debt in Jaffna. As he was talking, his wife interjected:

“Leasing and loans have brought our people to this state.”

What is significant here is the insidious character of lease hire purchasing of vehicles, where a large down payment is made often by taking a bank loan and then monthly instalment payments are made from their incomes or by pawning their jewellery. However, in many cases payments cannot be sustained and then the vehicle, with value paid up to an equivalent of a couple years of income is seized. The owner having lost the vehicle is still stuck with the bank loan and may have depleted his assets such as gold jewellery.

In mid-2014, Chandrabose described how such indebtedness was also affecting loans that farmers were traditionally able to pay back:

The farmers have taken loans and for two years they have not been able to pay, and banks are not able to get it back. It may take 5 or 6 years, and that is if there is an agricultural boom like old times [referring to the cash crop boom of the 1970s], it is then that banks will be able to get their money back. It is starting in 2012 that for the first time this kind of debt crisis has come about.

Thus with increasing indebtedness and the falling incomes from agriculture, even the historically feasible agricultural loans are now in trouble. Indeed, debt is contagious, as one loan is taken to pay another loan. Furthermore, with higher interest payments on high levels of a combination of loans, rural incomes are unable to pay back even low interest agricultural loans.
Banks with a view towards expanding their asset base got into new loans particularly in the North after the war. These so-called self-employment loans were justified as a form of employment creation.

In the old days, they used to give loans, but they were limited and for a particular purpose. And we returned the loans at harvest time. Now they give self-employment loans, which can be as much as Rs. 2 lakhs [Rs. 200,000 or US$ 1,540]. You can give such loans to a company. But what business do I have taking that kind of money? They take the loan and then they buy vehicles. In the Atchuvely banks, many of those who took loans used it to buy motorcycles.

Mr. Chandrabose sees the problem as one resulting from credit expansion providing loans to individuals without consideration of how those loans will be used. Indeed, he explains how this has led to naïve consumption in the form of villagers purchasing motorcycles.

Mr. Chandrabose articulates this problem as one of about insidious accumulation: “This is all about exploiting people. Look at the high interest people are paying on debts.” For such exploitation by the banks, his solution depends on measures by the state: “Only if the government forgives this debt, like small children we can grow again. Otherwise, we will remain as infants, and continue to pay the interest on the debts.” This point about debt forgiveness is hardly discussed in policy circles, but the incomes of the villagers and their level of indebtedness implies the need for such debt forgiveness. The only other avenue of addressing such high indebtedness has been out migration and remittances to pay back at least part of the debts.
Peoples’ perception of debt in Bharathy Veethy

I interviewed Sakuntala, a 57-year-old farmer\textsuperscript{146}, who said she had taken an agricultural loan for Rs. 150,000 (US$ 1,150) in 2012 that she had not been able to pay back due to the crop failures that year. In the meantime, one of her sons has taken a self-employment loan for Rs. 100,000 (US$ 769) and she had pawned her jewelerry to complete a house she had started with the World Bank housing grant of Rs. 325,000 (US$ 2,500). The completion of the house had required an additional Rs. 200,000 (US$ 1,540). Sakuntala, has six children with two of them married and the other four living with her and her husband, is in a better financial state than most others in Bharathy Veethy. Eventhough her household’s total debt is Rs. 350,000 (US$ 2,690), two of her children living with her have regular monthly incomes, one works as a toddy tavern co-operative employee and another works as a nurse.

Income from pluriactivity is necessary for farmers’ survival. In fact, during the war in the late 1990s, Sakuntala’s family was able to purchase a total of 7 lachams of land (close to half an acre) because her husband who is now retired was a co-operative employee. It is the combination of his regular monthly income and the household’s farm incomes that allowed them to acquire some land. Sakuntala, because of the regular incomes of her children spoke with some confidence and said, she “will never allow her sons to go work in the Middle East.” That is not the case with most households in Bharathy Veethy, where falling and irregular incomes and high levels of indebtedness provides few choices other than remittances through migrant work.

The discussion at the community centre in Bharathy Veethy, made it clear to me that rural people understand the dynamics of bank loans. They believed it was targets given to the bank managers that had led them to approach the Community Centre to facilitate the

\textsuperscript{146} Sakuntala is not her real name, and I interviewed her on 4 March 2014.
disbursement of loans. They think that possibly 50% of the households of Bharathy Veethy have taken self employment loans by the time of the discussion in May 2013. They were up to date with new kinds of loans such as the one introduced by the Hatton National Bank (HNB) to complete houses, where the deeds of the houses have to be given as collateral. Indeed, as evident from that discussion in Bhararthy Veethy and with most villages I visited, village people were mostly aware of the various kinds of loans available, levels of loans and the monthly installments.

What also emerged from the discussion at the community centre was a sense of desperation and the inability to emerge out of such a new debt culture. They mentioned how the banks were becoming increasingly harsh, not allowing clients to withdraw their pawned jewellery until they had paid installments on other loans. They also mentioned the desperate situation of some individuals, who have gone into hiding unable to deal with the harassment of the bank managers and police that came looking for them to recover debts.

**Conclusion**

My research in Pathemany was an attempt to understand the transformation of the rural economy by liberalization policies and civil war that came after the cash crop boom in rural Jaffna between the 1960s and 1970s. My field research reveals how post-war reconstruction policies and reintegration with the liberalized national economy have resulted in falling incomes, rising indebtedness and out migration in Jaffna. While my findings are particular to the oppressed caste quarter of one cash crop agricultural village in the Jaffna peninsula, I draw conclusions about contemporary characteristics of rural social and economic dynamics and new forms of dispossession and accumulation.
Rural Provisioning and Pluriactivity

There is continuing decrease in agricultural land in Jaffna District as such land is converted to other purposes including as residential land. There is also a continuing decline in the number of farm households and farm laborers. However, conclusive data on the changing pattern of land use as well as farming households and farm labor in Jaffna will be not clear until the extensive Agricultural Census for 2013/2014 is published. Comparing the data from this recent Agricultural Census with those from for 2002 and 1981, will allow for analysis of the level of decline of agricultural holdings.

Those involved in small holding cash crop agriculture, whether it be on their own land, rented land or working as landless wage labor, are facing falling household incomes relative to household expenditure. In this context, the landless who are dependent on wage labor are worst affected due to irregular work. Those wage workers who do not have a small plot of land with their home cannot provision basic needs through a home garden and livestock. Furthermore, the landless households incur significant additional costs, particularly firewood for cooking, which households with a quarter acre of land need not incur as firewood can be foraged.

In my field research an important point that emerged about the viability of rural agricultural production and accumulation is the diversification and receipt of multiple forms of incomes within households that is characteristic of pluriactivity of rural households in Sri Lanka and many other countries. During the war, it is those oppressed caste households with the steady monthly income of at least one member of the household as a government or

147 According to data obtained from official sources that requested anonymity, following a series of release of military held land in the Jaffna District, as of October 2016, military held land is about 5,000 acres. Much of this military held land is in the Valikamam North Division, one of the fifteen Divisions of Jaffna District, surrounding the Palaly airport along the northern coast of Jaffna peninsula. Therefore, in this Division, where 40% of the land is held by the military, it could be a cause of land pressure, but in the other Divisions of Jaffna and the Jaffna District as a whole that can not be the cause.

148 The Sri Lankan Integrated Survey (SLIS) (1999-2000) had revealed that non-farm activities contributed 56% of the total rural household income whereas the contribution of crop cultivation, livestock and casual agriculture wage labour was only 23% (De Silva and Kodithuwakku 2010, 86).
co-operative employee that managed to purchase land and increase their agricultural production. Such diversification has become even more important for rural survival with the monetised economy and declining possibilities of rural provisioning in the post-war context. Increasingly, diversification has become a necessary condition of agricultural production; agriculture is only viable for those who have an alternate source of income and therefore not dependent on agriculture for the day to day expenditure of the household.

While such pluriactivity with the new rurality is characteristic of many other agricultural societies, there are now few possibilities for such alternative livelihoods and incomes in Jaffna. Many oppressed caste residents of Pathemany village, who were historically involved in agricultural wage work, are now involved in mason and construction work, with reconstruction efforts including state and donor supported housing grants. However, such construction efforts are a onetime opportunity with post-war reconstruction. Therefore, while there is a demand for sustained incomes from alternative forms of local employment including in industries, reconstruction policies have not generated such jobs and incomes.

Debt and Dispossession

There has been increased levels of indebtedness in the context of falling incomes and expansion of credit through new financial products. Such rural debts in Pathemany and Jaffna have been mainly through the formal sector including banks, finance companies and microfinance institutions. This is different from other countries in South Asia as well as historically in Sri Lanka, where rural debts were to the informal money lenders. However, the levels of such formal debts are also difficult to identify, as they are cascaded through different financial products and mechanisms of various durations from bank loans, pawning, leased goods on instalment payments and microfinance loans.
The inability of farmers during my field research period to pay back the agricultural loans was due to crop failures. However, with generally high indebtedness following other forms of credit, they may not be able to take the agricultural loans even if conditions for agricultural production improve. In other words, the dynamics of debt creation including defaulting on agricultural loans, increased debt through self employment loans and the depletion of gold assets losing their emergency reserves may determine their future possibilities for recovering agricultural incomes.

Banks expanded into pawning business because of the rise in global gold prices. In fact, after the fall in global gold prices, the scale of pawning led to a worrying increase in non-performing loans for the banks as discussed in Chapter 2. Subsidiaries of banks and a range of finance companies also came into the rural economy providing micro-finance loans and lease hire purchasing of a range of items that have dispossessed a war-torn population. The significant point here is that indebtedness in the war affected regions would not have been possible on this scale, if not for the process of displacement, uprooting from the local economy and then integration into the economy under conditions of financialization. In Bharathy Veethy, most families including landless laborers are indebted on the order of Rs. 200,000 (US$ 1,500) to Rs. 400,000 (US$ 3,000) per household by the end of 2013. That was the perception of indebtedness in the village during my discussion at the community center and in numerous interviews with villagers, and the data from my survey on the various forms of debt falls in that range. That is debt on the scale of ten to twenty times their monthly expenditure.

The larger process of indebtedness was fuelled by the expansion of credit in the formal banking sector, and any solution requires addressing the loans by this formal sector. Such formal sector debt is very different from debt in many parts of rural India. In India, rural debt is mainly to local money lenders. The point is that most agencies and analysts tend to
ignore increasing levels of indebtedness in the formal sector, as such debt is considered to be legitimate. In this context, there is a need to recognize the predatory nature of the financial system, including the formal sector of banks and finance companies and their working at the rural level. Given the strength of the financial lobby and the refusal of state actors to recognize the severity of the rural debt crisis, the situation is unlikely to change without a major political mobilization.

The high level of indebtedness including the depletion of a major portion of rural people’s liquid assets in the form of gold jewellery and their inability to locally provision their livelihoods can be characterised as dispossession. Gold accumulated by rural households over generations can not be recovered in a few years and perhaps even decades. David Harvey claims, the credit system, finance capital and debt are central features of dispossession with contemporary capitalism.149 It is such indebtedness that has emerged with the tremendous expansion of credit and processes of financialization linked to global systems of finance capital including the predatory forms of credit leading to new forms of dispossession and accumulation. Such processes are particularly pernicious in places such as Jaffna mired in war during the decades of neoliberal globalization, where the population had not experienced and was not aware of the workings of such financial processes and the dynamics debt and dispossession.

149 According to Harvey: “The credit system and finance capital have, as Lenin, Hilferding and Luxemburg all remarked, been major levers of predation, fraud and thievery. Stock promotions, ponzi schemes, structured asset destruction through inflation, asset stripping through mergers and acquisitions, the promotion of levels of debt encumbrancy that reduce whole populations, even in the advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations – all of these are central features of what contemporary capitalism is about. … But above all we have to look at the speculative raiding carried out by hedge funds and other major institutions of finance capital as the cutting edge of accumulation by dispossession in recent times.” (Harvey 2004, 75)
**Loans Targeting Individuals**

A major shift in recent years is that loans are directly negotiated between the individual and the financial institution. This is unlike the agriculture loans involving farmers’ organisations. Thus in Bharathy Veethy, many individuals have got self-employment loans up to Rs. 100,000 (US$ 770) to Rs. 200,000 (US$ 1,540) to start up shops and to buy three wheelers. The loans do not require collateral, but only two guarantors, most of whom are themselves recipients of loans. These loans from banks are leveraged for leased hire purchasing of three wheelers (used as a taxi in South Asia) and tractors either from leasing companies or the banks themselves in the form of a credit line.

There has been no analysis about the demand for so many shops, three-wheelers and tractors in the same village. Furthermore, many such loans are used for purposes other than self-employment such as for consumption and festivities or to repay other debts. And this approach of targeting individuals with predatory loans without engaging village organisations makes individuals vulnerable both in the process of taking loans, where the conditions of the loans may not be clear to them and then to face the intimidating collectors, when loans cannot be repaid. Such targeting of individuals for loans and allowing them to fend for themselves as opposed to negotiating defaulters concerns in a collective manner through farmers’ organisations and co-operatives is a major shift in the administering of loans in the post-war period. The war-torn population not used to such financialization in recent decades found this new loan culture to be devastating.

**Outmigration**

While monetisation of labor including in agriculture has a long history, the contemporary forms of dispossession and financialized debt have led to a form of out-migration that is new to Pathemany. The war led to tremendous displacement and
considerable permanent migration to the West, however, the recent form of outmigration is of a temporary nature to sustain livelihoods and address indebtedness.

In Pathemany, there is a long history of proletarianised wage labor. In the post-war years, such proletarianised labor switches between wage labor in agriculture, to labor in construction characteristic of pluriactivity in rural economies. However, the pressures for outmigration to find work in Middle East are of a different order. I can not conclude from my field research about the causal link between indebtedness and out migration. The dynamics of out migration have a different temporality, with outmigration increasing after a few years of declining rural incomes, and my field research was taking place around the time that indebtedness had become a crisis in Bharathy Veethy. However, as discussed in Chapter 2, in the two years since my field research, in 2014, there is a tremendous increase in the out migration of labor in Jaffna District. Furthermore, what is also clear is that a substantial proportion of remittances will end up becoming debt payments. The scale of incomes sought reflect the debt dynamics, as alternative local incomes including in construction and even other industries in southern Sri Lanka would not suffice to meet the high levels of indebtedness.

An important question is whether there is some difference in the income levels within the oppressed caste quarter of Bharathy Veethy itself in who can migrate and who can not migrate due to the lack of social networks and the initial capital often about Rs. 150,000 (US$ 1,150) needed for migrant labor to the Middle East. With the increasing expansion of credit available to all households and increasing networks of migrant labor, the conditions are there for almost all sections of the population to migrate.\textsuperscript{150} Capital in the process of accumulation through dispossession does not seem to discriminate on the basis of caste or class. However,

\textsuperscript{150} During visits on fisheries related research to the oppressed caste village of Maruthapuram in the Karainagar Island in Jaffna District, I found that villagers on an even larger scale were seeking migrant work in the Middle East.
the levels of exploitation may have a caste character, with the levels of remittances varying depending on skill level, education and social networks.

*The New Circuit of Neoliberal Accumulation*

The banks and finance companies are themselves increasingly indebted through the sale of euro and dollar bonds in the global capital markets, as discussed in Chapter 2. I argue, a new circuit of neoliberal accumulation through dispossession in the countryside is emerging. It works through indebtedness in the countryside leading to out migration to the Middle East where labor is exploited but provides remittances back to the village, some portion of those remittances are in turn sent as debt payments through domestic banks to the accumulation of global finance capital.

This new circuit of accumulation for global finance capital is not in the realm of production but rather through a process of accumulation through dispossession (Harvey 2005). That circuit involves the double exploitation of workers from the war devastated regions. These workers migrate to the Middle East where they are first exploited and then the second part of the exploitation involves their remittances being siphoned off through debt payments for the accumulation of global finance capital. It should be noted that there are contingencies relevant for this circuit of accumulation. First, this circuit is dependent on the oil rents and stability in the Middle East. Second, if a barrier to migrant labor to the Middle East emerges for any reason, for example a war in the Middle East or sustained collapse of oil prices, it can lead to the disruption of this circuit of accumulation.

The most worrying next stage of dispossession could be if the rural households are pushed to meet debts, by selling their small plots of land and even houses, which are their most important asset accumulated over generations. Indeed, the new wave of debts seem to
be linked to such mortgaging of housing land for loans from banks.\textsuperscript{151} Thus falling incomes and increasing indebtedness are important conditions for post-war dispossession with myriad forms of social consequences including forms of social exclusion discussed in the next chapter.

\textsuperscript{151} The discussion at the community center brought up such a new loan for completion of houses through mortgaging the houses. In May 2016, an official from the local government in Atchuvely mentioned to me the increasing number of loans taken by mortgaging houses for various reasons. The local government official became aware of this trend as many individuals approached them for documents relating to landownership to be taken to banks for loans.
CHAPTER 4

The Silence on Persistent Caste Relations in Jaffna

Map 4.1
Atchuvely, Pathemany and Neighboring Villages

Source: Northern Provincial Council

At a commemoration at the Jaffna Public Library of the launch of the anti-caste struggles in October 1966, C. K. Senthivel, described the militant thousands that marched from Chunnakam town and ended in a major rally in Jaffna town. Senthivel some five decades earlier was the leader of the youth wing of the Communist Party. The struggles that were launched during the late 1960s were central to ending “untouchability” in public spaces, the practices of forced segregation and exclusion that were humiliating to the oppressed caste

152 The event was organized by the New Democratic Marxist Leninist Party at the Jaffna Public Library on 27th October 2015.
people. Public spaces such as temples, access to schools for oppressed caste children and equal seating in tea shops that had barred oppressed caste communities were opened to them through those struggles.

Almost, fifty years later, as Senthivel remembered the onset of those anti-caste struggles and the youth who died fighting caste oppression, the audience at the commemoration meeting barely stood at fifty individuals. Caste continues as an oppressive social institution in Jaffna, but consciousness and discussions about caste oppression have receded. If the library event was an attempt to break out of the silence of discussing caste oppression including its history, the inability to mobilise an adequate audience suggests that caste oppression continues, if in silence.

What are the historical dynamics that have shaped caste relations in the post-war years? The three decades of war were characterised by massive displacement. Such displacement necessarily meant being uprooted from the historically strong landed social relations in Jaffna. Indeed, one important consequence of displacement was the weakening of caste relations as people were uprooted from their spatial and productive relations tied to land. However, it should be noted that caste relations continued in many forms during displacement, particularly between the displaced people and the host communities. Furthermore, there was a caste and class character to the displaced, where the oppressed castes and lower classes were more likely to remain displaced for longer periods of time (Thanges 2008). The Liberation Tigers of Tamil Eelam (LTTE), neither reinforced nor attempted to dissolve caste relations, rather, it contained the overt materialisation of social contradictions within the Tamil community with its singular militarised nationalist goal for a separate state (IIDS 2008). Therefore, the LTTE suppressed any struggles and even discussion of caste, as part of a strategy of silencing dissent and any independent mobilisations within Tamil society.
In this chapter, after providing the historical context of caste relations in Jaffna, I draw on my field research in Pathemany to analyze caste relations through social institutions, particularly religious and educational institutions central to rural social life, and the everyday struggles people face in the countryside. I then analyze how post-war resettlement and reconstruction, after the Tamil nationalist mobilisations, civil war and displacement, are now shaping caste structure in Jaffna. Furthermore, I address the silence on caste relations and the possibilities of direct violence both of oppression and resistance, particularly after regime change in January 2015, democratization and the increasing space for protests and mobilisations.

Contextualising Caste in South Asia and Jaffna

The literature and work on caste in South Asia is extensive constituted by various theoretical trajectories. Furthermore, historical developments particularly in the post-colonial era have engendered various debates, state policies and new forms of struggles around caste.

Desai and Dubey have framed the theoretical trajectories on caste relations into four categories (Desai and Dubey 2012). First, the work of Max Weber and Louis Dumont, and the emphasis on theories of status including a focus on the concepts of purity and pollution. Second, theories of social transformation, drawing on the work of Indian anthropologists and sociologists, particularly M. A. Srinivas and André Beteille, who analysed the changes to caste based occupations and the impact of urbanisation. Third, postcolonial theories of social construction including the work of Nicholas Dirks, which emphasizes the importance of colonial power and orientalist discourses in solidifying caste orders. Fourth, theories of exclusion and exploitation, which is also my orientation, and I draw on the work Gail Omvedt and Anand Teltumbde (Omvedt 1991, Teltumde 2010).
The vast corpus of work on caste in India, has also been shaped by major historical and political developments. The emergence of caste based parties has had a significant impact on Indian politics and democracy. The Mandal Commission Report of 1982, calling for reservations (affirmative action) along caste lines and its implementation starting in the 1980s have shaped debates on caste and placed much importance on state policies in determining social mobility and addressing caste discrimination. Over the last few decades, Dalit politics has led to tremendous struggles as well as writing on caste in India. Such Dalit politics draws on the works of the earlier writers on caste such as Phule and Ambedkar. Finally, caste atrocities and anti-caste struggles in India have led to extensive debates and research in India.

The central question then in India as in South Asia is the persistence of caste. How is it that despite modern postcolonial states, capitalist economic transformation and vibrant debates and struggles against caste oppression, that caste relations persist? I find the research in the State of Tamil Nadu in India to be relevant here. A century of successive research studies in the village of Iruvelpattu between 1916 and 2008, point to both political economic changes due to increasing states services and migrant labor, but also the persistence of landed caste relations (Harriss et al 2010). This study is particularly important for my work, as I also ground my research on a village trying to understand broader dynamics of the political economy of caste in a region.

Such extensive work on caste and major caste related political upheavals in India have hardly influenced analysis and politics of caste in Jaffna. While historically, Jaffna and the Tamil community in Sri Lanka were greatly shaped by developments in India, the militarised nationalist politics during the civil war and the physical isolation shielded Jaffna society from

153 Gail Omvedt’s work has created considerable interest in the writings of Phule the 19th century anti-caste activist in Maharashtra. There is a corpus of literature on Ambedkar, who had many phases from his early debates with Gandhi and the Indian National Congress, to his role in drafting the Indian Constitution and finally calling for mass conversion to Buddhism and coining the term Dalit.
the flow and reflection on caste politics in India. Western scholarship on Sri Lanka also focused on ethnicity and neglected analysis of caste relations.

Scholarship on caste in Sri Lanka, examined caste in both the Sinhala and Tamil communities, with each region having its own characteristics. There was vibrant work on land, kinship and caste in the Sinhala community (Leach 1961, Tambiah 1965). The work on caste in the Sinhala community addressed questions such as the rise of Karava (coastal and fisheries castes) challenging the dominance of the Goigama (the Kandyan landed castes), through an analysis of economic changes and political representation (Roberts 1982). Caste in eastern Sri Lanka, a multi-ethnic region of Tamils, Muslims and Sinhalese has its own specific characteristics of land ownership (McGilvray 1982). One of the few recent works trying to contextualise caste in Sri Lanka, looks at caste in the Sinhala, Up-Country and Tamil communities and claims caste continues to be severe and rigid in the Jaffna Tamil community (Silva 2009).

Historically, before the civil war, the anthropological and sociological scholarship on caste in Jaffna focused on the centrality of caste for village structure and religious practices. Furthermore, the discussion of caste in a number of works on Jaffna, took off as their starting point comparisons of caste structure and village life in South Asia (Banks 1960, Leach 1960). Many of these works were also concerned with an analysis of religion and rituals, including questions about the individual’s relationship to society as they also related to caste (Pfaffenberger 1982, Perinbanayagam 1965, Suseendirarajah 1978). Thus the earlier anthropological and sociological work on caste in Jaffna was limited to theories of status particularly in village life. I find the historical works (Arasaratnam 1981, Bastiampillai 1988) and the more recent political writings on caste in Tamil (Senthivel 2009, Senthivel 2014) to be more relevant for a political economy of caste relations in Jaffna.
Contemporary analysis of caste structure in post-war Jaffna, has to take as it starting point factors outside village life, including the war, the massive displacement and return, the integration with the market after the war and the character of reconstruction policies. Have such macro changes affected caste structure and caste relations resulting in new forms of social exclusion and oppression? Thus my concerns are not so much about village structure, but rather with the dynamics of caste in the context of greater movement out of villages and migration. However, in Jaffna, unlike in India, there has been no caste census and caste does not even exist in any contemporary official records.

Use of Caste Names in Jaffna

Given the relative silence of discussion on caste in Jaffna in recent decades and the related taboo of naming caste identities, which were part of the structure of domination, both in my research and my writing I am confronted with ethical, political and pragmatic considerations of discussing caste. The caste names themselves in Jaffna are derogatory and would rightly lead to a strong reaction from those communities. In India, with the anti-caste movement, the so-called untouchable castes took on a “Dalit” identity. In other words, they referred to themselves as Dalits, drawing on the identity constructed by Ambedkar. Some progressives in Jaffna have considered using the term Dalits, but that has not gained much traction in Jaffna.

Most progressive activists in Jaffna draw from the struggles in the 1960s and use the term “oddukappatta makkal” (“oppressed people”). I borrow that terminology and refer to the castes that faced severe oppression of untouchability in the past and continue to face new forms of oppression, by using the term “oppressed castes”.154 These castes were involved in

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154 Some others use the term “depressed caste” instead of oppressed caste, and Kuganathan has traced the use of these various terms (Kuganathan 2014).
occupations such as field labor, toddy tapping, washing clothes, shaving and cutting hair, and scavenging and cleaning waste. Such work was categorised by the upper castes as “impure”, and relationship with the oppressed castes was enforced through “untouchability”. However, untouchability took a blow with the anti-caste struggles in the 1960s, and is not practiced openly in Sri Lanka. I refer to the upper caste, the oppressors, the landed farmers, by their caste name “Vellala” and as “Vellalar” when referring to groups of people belonging to the Vellala caste. There are also a number of middle castes, which were service castes to the Vellala caste, such as the “Thatcher” (carpenters) and “Koviar” (cooks). The Karaiyar (fisher castes), though subordinate to the Vellalar in the local caste hierarchy, have a degree of economic independence, as they are not bound to the Vellalar though productive relations constituted by land.

**History of Caste and Colonialism in Jaffna**

Some of the historical works on the colonial period provides some insights about the social and economic workings of caste in Jaffna. Four hundred years of colonial rule contributed to the dominance and consolidation of the Vellala caste in the Jaffna. The Portuguese, the Dutch and eventually the British in different ways engaged the Vellalar in the process of colonial rule (Arasaratnam 1981, Bastiampillai 1988).

In the 16th century and into Portuguese period of the early 17th century, Jaffna had become a commercial hub drawing on trade developed in the previous period of Tamil kings. Such commercial activity was characterised by the export of tobacco grown in Jaffna along with the export of elephants to the Moghul Empire and other kingdoms in India. By the Dutch period starting in the late 17th Century there was an expanding Indian Ocean trade which made Jaffna a strategic outpost (Arasaratnam 1981).
When the colonial powers arrived, the Vellalar were at the apex of the social structure. The colonial powers governed through a fine balance of working with the Vellalar while also making sure the Vellalar did not gain too much power. The Portuguese (1619 - 1658) contribution to social change included the introduction of Christianity. They rewarded the Karaiyar (fisher) caste as they accepted Christianity. However, they also had to work with the Vellalar, who maintained control over the villages and administered the regional offices for revenue collection. When the Dutch took over, there was a rebellion by the two coastal castes close to the Portuguese, the Karaiyar and the Madapalli, and they were crushed by the Dutch. Therefore, the Dutch favoured the Vellalar in administrative positions during their century and a half of rule, greatly strengthening the position of the Vellalar (Arasararatnam 1981, 383).

The colonial processes of extraction utilised the caste system. For example, there was a massive boom in the tobacco exports from Jaffna, as early as the 17\textsuperscript{th} and 18\textsuperscript{th} Centuries under Dutch colonialism. The Dutch ensured the forced migration of oppressed caste people from India to Jaffna, under the then existing system of slavery, and augmented the labor necessary for such tobacco production. The caste system in Jaffna became rigid during this period when the Vellalar augmented their power through production for colonial trade (Pfaffenberger 1990).

The Dutch also strengthened the caste system through the codification of Thesawalamai, the customary law in Jaffna. In 1707, the Dutch commissioned a group of Jaffna Mudaliyars (local administrators who also served as magistrates) to codify these laws (Tambiah 1952). The codification came with some transformation of property and laws on caste relations. The Dutch through the codification of customary law and the expansion of the
export economy clarified caste demarcations, but they also provided oppressed castes the possibility of escaping bondage by working for the colonial state.\textsuperscript{155}

With the shift to British colonial rule in the early 19\textsuperscript{th} century, the Jaffna economy continued to be commercialised and depended during the next one and a half century on the demand and price for tobacco trade. In 1921, there were 25,000 laborers employed in tobacco farms and another 10,000 employed in administration and other white collar jobs such as teaching of the total population in Jaffna of close to 300,000 (Arasaratnam 1982, 36-40). Under British colonialism as early 1842, the turn to wage labor was noticeable: “forms of payments varied from full cash payment to cash plus one meal, cash plus two meals, full payment in paddy, paddy plus food.” However, comparing cash wages to food prices in the 18\textsuperscript{th} century, Arasaratnam argues: “these agricultural laborers lived at or near starvation levels, a feature compounded by the seasonal nature of the demand for labor” (Arasaratnam, 1982, 30-31). Thus, while the increase in the wage form might be construed as an advance toward a capitalist economy, the over-riding penury spread misery rather than progress throughout Jaffna and the South.

In the early 19\textsuperscript{th} century, American missionaries negotiated with the British to initiate educational institutions. Education in American mission schools became a major asset to middle class Jaffna society. Indeed, Jaffna became a centre to recruit clerks for the British civil service. By the early twentieth century, Jaffna Tamils had created a strong remittance

\textsuperscript{155} The caste relations that were consolidated during the Dutch period, particularly the relations between the Vellalar and the oppressed castes had a lasting impact. The renowned historian of the Dutch period, Arasaratnam has the following to say: “Many of those who are classified as slaves appear to have been in a state of bonded serfdom than slavery. Some of these must have been depressed castes that originated from South India together with their masters of the higher castes and continued this bond in Jaffna. But over the years a number of these appear to have liberated themselves, though they may have continued to live on the land of their masters and performed some services. When Thesavalamai was codified, the rights of slaves were carefully written in, despite opposition from the Mudaliyars. There were many who were listed as state slaves who were obliged to work for the state. After some years, the Dutch gave them a monthly wage, from the savings of which they were able to buy their freedom.” (Arasaratnam 1982, 18)
economy with migrant clerks to South East Asia under the British Empire. However, neither the missions nor the schools challenged the caste system.

Historian Bertram Bastiampillai describes the challenge to British administrators and American missionaries, both with respect to policy on caste and related problems in education:

The Tamil people in the north were so steeped in caste prejudice, the British administrators and even missionaries were apprehensive that impetuous or precipitate action in regard to caste practices could provoke unrest among the Tamils. … As a result, administrators as well as missionaries treated each caste problem specifically instead of prescribing general principles of universal action to deal with the social scourge of caste. … So strong were caste prejudices among Tamils of the North that bringing together children of different castes within a school or persons of diverse caste within a church was in itself a social revolution, that could well have triggered off deleterious consequences to the progress of education or religion. Even teachers had to be selected from those of the higher castes, if children were to be attracted to the Christian mission schools (Bastiampillai 1988, 57-58).

As late as the 1930s in Jaffna, caste oppression in education manifested itself in at least three ways. First, some castes were forbidden entry into a number of schools. Second, non-Vellala children had to sit on lower chairs or on the ground. Third, the Vellalar did not allow Vellala and non-Vellala children to eat together (Russell 1982). When caste exclusion in education was challenged it led to the outbreak of caste violence and even strikes.156 In this way, caste oppression by the Vellalar continued in the late colonial period, despite counter-policies by

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156 The colonial government’s policy of equality of opportunity in education in the 1920s and attempts to implement inter-dining in schools in the 1930s, led to the outbreak of caste violence. Furthermore, Vellala children boycotted schools in protest. Such conflicts spread to other spheres. The Vellala bus drivers went on strike when oppressed castes demanded they be allowed to sit on seats in buses rather than on the floor of the bus (Russell 1982, 11-12).
the colonial government, mainly through segregation and exclusion of oppressed castes in public spaces.

**Emergence of Anti-Caste Politics and its Silencing: Crucial Decades of 1960s and 1970s**

Caste politics in Jaffna was influenced by political and social developments in India. Gandhi’s campaign against untouchability during the 1920s deeply affected Jaffna’s politicised youth. The Jaffna Youth Congress, one of the first nationalist movements in Sri Lanka to call for full independence, facilitated Gandhi’s visit to Sri Lanka in 1927 and took up issues such as inter-caste dining and called for an end to untouchability (Kadirgamar 1980). Influenced by the work of the Jaffna Youth Congress, an organisation by the oppressed caste community in Jaffna was formed in 1927 under the name of the Oppressed Tamils Workers Union (Oddukkapatta Tamil Ooliyar Sangam) (Senthivel 2009). It demanded greater representation and protection of oppressed castes, at a time when the Donoughmore Commission came to address constitutional reform considered universal suffrage. However, the politically active Tamil Vellalar elite, opposed universal suffrage to safeguard their dominance (Russell 1982, 16). The Donoughmore Constitution of 1931 transformed electoral politics, with Sri Lanka becoming the first country in Asia to gain universal suffrage.

The Jaffna Youth Congress boycotted the first State Council elections with universal suffrage in 1932, as it called for full independence from Britain. In subsequent elections the conservative Tamil elite entered electoral politics and gained ascendancy. This move by the Jaffna Youth Congress to boycott electoral politics in retrospect was a major blow to progressive politics, as Tamil politics came under the hegemony of the conservative Tamil elite who supported forms of caste oppression. However, many from the Jaffna Youth Congress joined the left political parties in the 1940s and 1950s. The Minority Tamils Mahasabha (Forum) an all island forum of oppressed caste activists was formed in 1942
The 1930s and 1940s proved to be a time when the conservative Tamil elite, under the leadership of G. G. Ponnambalam, consolidated their position within the state structures and electoral politics. The formation of the right wing Tamil Congress in 1944, which dominated Tamil politics over the next decade, consolidated the Vellala caste’s influence on electoral politics and the postcolonial state.

By the early 1950s, the Tamil Congress was challenged by Tamil political forces both within and outside it, questioning the Tamil Congress’ complicity with the Sinhala elite in the disenfranchisement of the estate workers in the central highlands, Tamils of Indian origin brought by the British as indentured labor in the 19th Century. The Federal Party which split from the Tamil Congress, took up the mantle of Tamil nationalism and called for greater autonomy for the Tamil regions. Left politics within the Tamil community, built on the legacy of the Jaffna Youth Congress and in alliance with the Minority Tamils Mahasabha, challenged Tamil nationalist politics. The left parties with their parties headed in Colombo had a national orientation prioritising caste and class issues as opposed to the Jaffna-centred parochialism of the Tamil nationalist parties. The Communist Party led anti-caste agitations with campaigns for access to public spaces, including temples, tea shops and public wells.

There was a historical shift in anti-caste politics in Jaffna, with the Communist Party taking the decision to launch struggles against untouchability in October 1966. (Senthivel 2009) The launch of this major struggle by the Communist Party drew on the previous decades of isolated struggles for equal access to public spaces, culminating in a focus on temple entry and equal seating in tea shops, which symbolised public spaces that undermined the dignity of the oppressed castes. The Communist Party had gained confidence by the militant support it gained in the years before it launched the campaign and went along with the pulse of the oppressed caste people who were keen on the temple entry movement. While there were pitched battles in many villages, the most prominent struggle was for the entry
into the Mavattapuram temple (located in the north west of Jaffna peninsula) in 1968 by the
oppressed caste communities consisting of the toddy tapping and landless wage laboring
castes (Pfaffenberger 1990). This struggle gained much attention, as several people died in
the struggle and reflected the ultra-conservatism in Jaffna society with respect to caste
relations. While the Social Disabilities Act of 1957 had outlawed such segregation by caste, it
was never implemented by the authorities in Jaffna. In fact, the Vellalar in many Jaffna
villages attempted to crush anti-caste sentiments with violence. The police force for the most
part backed the Vellalar (Senthivel 2009).

The leading Tamil nationalist party in the 1960s was the Federal Party, with a Vellalar
base, and it was in a quandary as caste divisions made it difficult to unite the Tamil
community under its fold. Even as there were major caste struggles in rural Jaffna in the early
1970s, Tamil nationalism was also on the rise following majoritarian policies of the state. The
Tamil nationalist call for federal autonomy in the regions where Tamils were a majority,
particularly the Northern and Eastern Provinces, gained a considerable hearing within the
Tamil constituencies. The politics in Jaffna continued to shift with escalation of the ethnic
conflict. While incidents of caste violence continued in the 1980s, the priorities of the leftists
in Jaffna shifted to addressing state repression. Writings and mobilisation against caste
oppression receded into the background as mass violence and the ethnic conflict became the
central contradiction facing Tamil society.

Eventually, the LTTE consolidated power with the protracted civil war. Tamil armed
movements, particularly the Eelam People’s Revolutionary Liberation Front, which
attempted to raise caste issues within its nationalist struggle, was decimated by the LTTE in
the late 1980s. The LTTE had the support of the Jaffna Vellalar in these attacks on the
EPRLF, which was labelled “Eelathu Pallar” (Eelam stands for the Tamil nation, but Pallar is
a derogatory caste name for one of the historically untouchable castes). The LTTE in its quest
to become the sole representative of the Tamil community silenced dissent including through assassinations of politically independent Tamils; in that process discussions on caste were also silenced.157

**Previous Research on Caste in Pathemany**

Newton Gunasinghe and his team analysed caste relations in Jaffna, particularly Pathemany, through their field research on the potential for accumulation in different agrarian systems in Sri Lanka. They describe the caste structure in Pathemany from the early 1960s to the time of their field research in the early 1980s. They specified a few economic categories relating to the castes in Pathemany village. Those at the bottom of the pyramid were rural workers and the landless consisting of oppressed caste people. Then there were the peasants who own small plots of land, and were involved as rural workers along with cultivating their land, and they belonged to both the oppressed castes and the middle castes. Next, there were the middle peasants mainly from the Vellala caste who derived a sufficient income from the land and did not have to work as rural workers. Finally, they claim there were also a thin stratum of Vellala rich peasants, who used capital and labor intensive methods of cultivation. These rich peasants produced mainly for the market to accumulate capital and often had a permanent group of rural workers attached to their land.

Thus in the 1960s and the 1970s caste structure was related to land ownership, not only for the oppressed castes and the Vellala upper caste, but also the middle castes, such as the Koviar caste who were the service castes of the Vellalar. Levels of landownership also related to whether rural wage work was necessary to sustain livelihoods or whether cultivation of land owned was sufficient.

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157 A full discussion of the political changes that shaped Tamil politics and the fascist political culture of the LTTE are outside the purview of this dissertation. The works of the University Teachers for Human Rights (Jaffna) remain the important archive for understanding the trajectory of Tamil politics and its disastrous trajectory. See Thiranagama 1990, Hoole 2001 and many related reports by UTHR(J).
Thirty years later, when I went to Pathemany, the following changes were observed few years after the war compared to the caste structure elaborated in Gunasinghe’s study few years before the war. First, the service castes consisting of the Koviar, Madatthavar and Thanathar castes had become difficult to identify in the village, as they no longer had separate caste quarters. These service castes historically worked inside the Vellalar homes and temples, as opposed to the oppressed castes historically considered untouchable and not allowed inside upper-caste homes and temples. In the decades before the war, these service castes were also primarily involved in agriculture even as they performed some of the social practices ascribed to them in the Vellala homes and temples, particularly for marriage, funerals and temple festivals. These service castes had either migrated or been assimilated into the Vellala caste through marriage.158 Second, The Vellala caste originating from Pathemany had greatly diminished due to migration to the Western countries forming the large Tamil diaspora. Third, Vellala households displaced from Palali, the region north of Pathemany near the airport that had been taken over by the military and designated as a high security zone in the 1990s, were now renting houses in Pathemany from Vellalar who had migrated to Western countries. These Palali Vellalar, historically a wealthy community, also were involved in agriculture both in the paddy lands they owned in the Vanni region south of Jaffna peninsula and in lands rented from the Pathemany Vellalar. These changes to the origin of the Vellalar households in Pathemany also weakened the caste relations relating to agriculture as in addition to the war and displacement, the Palali Vellalar do not have the power and authority of caste relations relating to local social institutions such as temples. Fourth, the Thatchar, the carpenter caste ward had remained intact: while sections of their community had also migrated to Western countries, those who remained continued to work

158 This point was made to me in an interview by a Vellala man in Pathemany on 12 May 2014. I was not able to verify what happened to the middle castes, as I did not do extensive research in that part of Pathemany.
mainly as carpenters. The oppressed caste community consisting of wage laborers and toddy tappers had grown proportionately in the village population as a much smaller ratio of them migrated to the West. Some people belonging to the oppressed caste community, described by Gunasinghe as landless rural workers above, had managed to purchase small plots of land and were involved in farming in addition to working as wage labor.

I was able to observe changes to the social structure recorded by Gunasinghe, including the divisions of castes and their land ownership. However, Gunasinghe’s study continues to be important to understand caste structure in Pathemany village for the reason that it is difficult to discuss caste identities openly in post-war Jaffna. It is very difficult to ask people about their caste identity, including to do a survey on caste in contemporary Jaffna, as open discussion of caste is taboo or may result in an aggressive reaction from oppressed caste people. Table 4.1 reproduces the population data from Gunasinghe’s work in the early 1980s:

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921</td>
<td>1,314</td>
</tr>
<tr>
<td>1931</td>
<td>1,258</td>
</tr>
<tr>
<td>1953</td>
<td>1,935</td>
</tr>
<tr>
<td>1963</td>
<td>2,457</td>
</tr>
<tr>
<td>1971</td>
<td>2,558</td>
</tr>
<tr>
<td>1981</td>
<td>2,647</td>
</tr>
<tr>
<td>2012</td>
<td>2,258</td>
</tr>
</tbody>
</table>

Source: (Gunasinghe 1985, 208)

What is significant here is the drop in population from 1981 to 2012, from 2,657 people to 2,258, which is a drop of 15 percent. If Pathemany had grown with the national average it would be 55 percent larger than its current population totalling close to 3,500 people. Such a drop in population is characteristic of Jaffna with migration\textsuperscript{159} and the expansion of the Tamil

\textsuperscript{159} Mortality due to war is not significant. The estimated size of the Diaspora is one million, where as those who died during the war vary from 100,000 to 150,000. As many as 40,000 to 100,000 of that were in the last phase
Diaspora, and a large proportion of that migration was by the Vellalar. Therefore, the ratio of oppressed caste people to Vellalar had drastically increased, and this in turn has also changed the ratio of rural workers to middle and rich peasants.

According to the Grama Niladari, the village official, in Pathemany, there are close to one hundred families of displaced Palali Vellalar. Furthermore, the village official claimed there has been the out migration of a section of the original population of Pathemany to the Vanni after 2010, amounting close to 25 families. These are families that had been displaced to the Vanni, went through the ordeal of the last phase of the war, returned to Pathemany after the war, and yet again moved to the Vanni due to the difficulties of economic survival and finding livelihoods in Jaffna. In any event, the total number of families residing in Pathemany in 2012 was 696 families, compared to 478 families in 1981. The increase in the number of families after the war despite the fall in population is the smaller family sizes with demographic changes over those three decades.

What is of great value from Gunasinghe’s research in 1981 is the breakdown of castes and their land ownership. Given the taboo of asking peoples about caste in contemporary Jaffna, it is very difficult to create Table 4.2 for Pathemany in contemporary times.
Table 4.2 Pathemany Distribution of Cultivated Land by Castes in 1981

<table>
<thead>
<tr>
<th>Caste</th>
<th>Total Land (Lachams)</th>
<th>Families Holding Land</th>
<th>Total Number of Families</th>
<th>Total Families Percentage</th>
<th>Average per family (Lachams)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vellala (Hindu)</td>
<td>666</td>
<td>69</td>
<td>125</td>
<td>26%</td>
<td>5.3</td>
</tr>
<tr>
<td>Vellala (Christian)</td>
<td>184</td>
<td>16</td>
<td>35</td>
<td>7%</td>
<td>5.3</td>
</tr>
<tr>
<td>Nalavar (Hindu)</td>
<td>120</td>
<td>36</td>
<td>137</td>
<td>29%</td>
<td>0.9</td>
</tr>
<tr>
<td>Nalavar (Christian)</td>
<td>27</td>
<td>3</td>
<td>35</td>
<td>7%</td>
<td>0.8</td>
</tr>
<tr>
<td>Madaththavar</td>
<td>260</td>
<td>35</td>
<td>48</td>
<td>10%</td>
<td>5.4</td>
</tr>
<tr>
<td>Koviar</td>
<td>171</td>
<td>25</td>
<td>42</td>
<td>9%</td>
<td>4.1</td>
</tr>
<tr>
<td>Thanathar</td>
<td>111</td>
<td>17</td>
<td>24</td>
<td>5%</td>
<td>4.6</td>
</tr>
<tr>
<td>Carpenters</td>
<td>3</td>
<td>1</td>
<td>19</td>
<td>4%</td>
<td>0.2</td>
</tr>
<tr>
<td>Others</td>
<td>27</td>
<td>3</td>
<td>13</td>
<td>3%</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,569</strong></td>
<td><strong>205</strong></td>
<td><strong>478</strong></td>
<td><strong>100%</strong></td>
<td><strong>3.3</strong></td>
</tr>
</tbody>
</table>

*Source: (Gunasinghe 1985, 209)*

The castes documented by Gunasinghe in the table are not openly uttered in Jaffna. There were references to “our community” (Samuham) which implies our caste, but few people openly spell out the names of theirs and others “community”. It was understood and known locally. During my field research, most people would ask me and my research assistant, where I was from, to locate our caste. The place and name of the Hindu temple a person worships at is another marker of caste. Remarkably, conversion to Christianity does not allow one to escape caste. My family is of Protestant Christian origin and my research assistant is of Roman Catholic origin, but caste would be subtly identified in that case through the location of our house and hence the village quarter. In Pathemany, there have been conflicts between the two Roman Catholic parishes of Vellalar and oppressed caste communities, with Vellala caste community excluding the oppressed caste people from their Church. In other words, while caste may have originated and consolidated with the development of religious practices, it is also about social relations including landed productive relations. Therefore, a person cannot escape caste relations by religious conversion alone, rather, that person would have to leave Tamil society itself.

For the most part, vocalising caste identities is taboo and could only be understood from body language, the tone of the voice when discussing other castes and other hints such
as description of their dress and behaviour. The Vellala caste people’s contempt for the oppressed caste community, comes out in the manner in which they talk about the low intelligence of oppressed caste children and the unacceptability of their dress. In the past, an individual’s name itself would have given away their caste, but with recent generations that is rarely the case. Furthermore, caste identities are not explicated, in public or to outsiders, except when there is a conflict or a confrontation. Otherwise, a Vellala person will just say “they” and it would be understood as referring to the oppressed caste community.

In the post-war context, caste dynamics have changed from occupations that historically characterised caste structure to forms of social exclusion. The main caste contradiction is one between the dominant and middle castes versus the oppressed castes. I summarize the table above from Gunasinghe into the following comparison of the dominant and middle castes with the oppressed castes, particularly in relation to land ownership as it existed in 1981. While there has been a major demographic change with the dominant and middle castes migrating abroad in much larger numbers, the disparity in land ownership remains.

Table 4.3 Pathemany Dominant/Middle vs Oppressed Castes Land Ownership in 1981

<table>
<thead>
<tr>
<th>Caste</th>
<th>Total Land (Lachams)</th>
<th>Families Holding Land</th>
<th>Total Number of Families</th>
<th>Total Families (%)</th>
<th>Land Owned (%)</th>
<th>Average per family (Lachams)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant and Middle Castes</td>
<td>1,422</td>
<td>166</td>
<td>306</td>
<td>64%</td>
<td>91%</td>
<td>4.6</td>
</tr>
<tr>
<td>Oppressed Castes includes Wage Labour</td>
<td>147</td>
<td>39</td>
<td>172</td>
<td>36%</td>
<td>9%</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>1,569</td>
<td>205</td>
<td>478</td>
<td>100%</td>
<td>100%</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Analysis of Data (Gunasinghe 1985, 209)

The significant point from the Table 4.3 is that less than 10% of the agricultural land was owned by the oppressed caste community before the war. As discussed in Chapter 3 from my own survey, little had changed in the ownership of land by the oppressed caste.
community three decades later. Ownership of land continues to be an important marker of caste identity and shapes caste relations.

**Local Leaders Views on Social Structure**

Mr. K. Chandrabose, was an elected member of the local government, the Pradesha Sabha as it is known in Sri Lanka. He belonged to the EPDP (Eelam Peoples Democratic Party), which was at that time in the government coalition. The EPDP is an offshoot of the Tamil militant movement the EPRLF. During the war, the EPDP also functioned as an armed group aligned with the military in the war against the LTTE. In the Tamil political spectrum, the EPDP is a relatively small political party with an oppressed caste base, whereas the Tamil National Alliance, a coalition formed by the Federal Party, is the most popular Tamil political party committed to Tamil nationalism.

Mr. Chandrabose is a member of the Central Committee of the EPDP. He also held many positions within the village, including secretary of the Farmers Organisation, leader of the Rural Development Organisation, secretary of the Senior Citizens organization, advisor to the community centre and leader of the Coconut Development Board. He also used to be a secretary of his temple. Given all his official positions, he is perhaps the most influential individual in the village, particularly in Bharathy Veethy the oppressed caste ward of Pathemany.

Mr. Chandrabose’s porch with a small low table where the newspaper was placed along with a few chairs, is a place where many would visit to talk to him about a variety of issues relating to the local government, the farmers organisation, the community and his

162 The EPDP came out of dissident Tamil militants and joined the Government in the war against the LTTE, it gains importance as a political party with an oppressed caste base.

163 The Grama Niladari (GN), the village official responsible for Government services, while he will not speak of caste identities, told me the population of Bharathy Veethy was approximately 400 families.
extended family. I also benefited from many conversations on his porch during my two years of field research in Pathemany.

Early on during my field research in October 2012, after I had met Mr. Chandrabose on two occasions, he decided to invite Mr. Sivalingam to speak to me about the history of Pathemany. Mr. Sivalingam is one of the most senior village residents, and belongs to the Vellala caste. The long interview with the two of them eventually turned into a fascinating discussion about caste and politics.

*On Incomes and Landholdings*

This is how they described the social structure of Pathemany. According to them, out of the 600 families now in Pathemany, about 20% of the families have large plots on the scale of 50 lachams\(^ 1 \) (3 acres). Then 50% of the families have lands on the scale of 3 lachams (0.2 acres), 5 lachams (0.3 acres), 10 lachams (0.6 acres), and up to 20 lachams (1.2 acres). Thirty percent of the families don’t have any agricultural land. About 300 people have gone abroad during the war, but perhaps only 5% of those may have sold their land, including for money to go abroad. Land fragmentation due to increasing population has reduced the land available for agriculture. In comparison to land tenure half a century earlier, housing land has increased and garden land has decreased, even though most people are still dependent on land for incomes. About half the population of Pathemany are dependent on kuli (wage labor) work, because farmers cannot survive on farm incomes alone. They claim a kuli worker’s life is very difficult due to the lack of regular work, due to rain, crop failures and other disruptions.

Mr. Sivalingam, who was displaced for two decades, claims people survived the war and continue to sustain themselves with the support of remittances from relatives. In southern

\(^1\) 16 lachams equals 1 acre of highland.
Pathemany, in the upper caste ward, most people have relatives in the diaspora and Mr. Sivalingam believed half of their income comes from remittances. However, Mr. Chandrabose mentioned that only about one in five families of northern Pathemany, which is the Bharathy Veethy, the oppressed caste quarter, receive remittances.

On Displacement

They narrated the many bouts of war related displacement that affected Pathemany. The first bout of major displacement was during the Sri Lankan Army’s major offensive, called Operation Liberation, against Tamil militants in early 1987. Most people were displaced to villages a few kilometre away. However, this bout of displacement soon ended with arrival of the Indian Peace Keeping Forces in late 1987 and they were able resume agriculture during the following years. Then again starting in 1991, there were bouts of displacement culminating in the entire population being displaced to Thenmaraatchy (southern Jaffna) during the forced exodus of 1995. The LTTE enforced this exodus by demanding the entire population to leave Jaffna in the face of a military offensive. About 400 out of the 600 families present in Pathemany were displaced to the Vanni (the region south of the Jaffna Peninsula on the mainland) controlled by the LTTE, and continued to live there for many years. Those who were displaced became heavily dependent on state and donor humanitarian supplies, remittances from relatives abroad, and support and work from relatives and friends.

In 1995, Mr. Sivalingam was also displaced to the Vanni and only returned after the end of the war. Mr. Chandrabose, however, returned to Pathemany within a year after the

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165 As discussed in Chapter 3, such remittances from the Diaspora have been declining in recent years. Also, such remittances are increasingly more for weddings, temple festivals and other such important events and not regular monthly remittances for livelihoods.

166 My survey data in Chapter 3 on the remittances in the Bharathy Veethy area broadly agrees with Mr. Chandrabose’s estimate.
1995 mass displacement. Such varying lengths of displacement are characteristic of many parts of Jaffna. Those who feared the Sri Lankan military, or those who had stronger allegiance to the LTTE, remained longer in the Vanni. Those who did not have relatives in the Vanni and lacked access to remittances and savings, returned to their villages and live under military occupation. There were a variety of reasons and calculations that went into determining if one decided to return quickly to their village or spend years displaced in another region.

After such displacement, a small number of households returned to agriculture in 1997, but with scant success. There were attempts to revive agriculture during the Norwegian sponsored ceasefire period between 2002 and 2004. However, with the resumption of war in 2006 and the closing of the main A-9 Highway to the South, agricultural produce had to be transported by ship out of the Jaffna peninsula. The lack of transport facilities and cost of transportation reduced demand for agricultural production. It was only after the war in 2010 that the displaced population to the Vanni returned and full-scale agriculture resumed.

On Caste and Politics

The discussion turned to the history of uneven development in Pathemany. Accumulation during British rule enabled the upper caste to build large houses. They also mentioned the social differences, including the prevalence of poverty in northern Pathemany (the oppressed caste quarter). Mr. Sivalingam claimed the community living in the vicinity of the Wairavar Kovil (Temple)\(^\text{167}\), had developed from being landless to becoming capable of buying land and building houses due to the cash crop boom in the 1970s. Mr. Sivalingam’s comment here was perhaps meant to placate Mr. Chandrabose, by saying your people have also advanced.

\(^{167}\)The reference to the temple, was his way of pointing to the oppressed caste community.
Then Mr. Sivalingam acknowledged: “The caste mind-set has not changed”. Mr. Chandrabose responded: “but there have been changes, we are able to eat together.” Now, it was Mr. Chandrabose who was making a concession saying the oppressive situation had changed. Then Mr. Sivalingam said: “The Pillaiyar Kovil (Temple) area people have also advanced. Anyway, we don’t speak about caste. Yesterday also someone told me not to speak about caste. But I can tell you about the areas, which are surrounding each temple.” Mr. Sivalingam’s comment that “we don’t speak about caste” and “someone told me not to speak about caste” is the clearest articulation of the taboo of talking about caste in Jaffna society. Mr. Sivalingam given his age and stature in Pathemany society is able to verbalise how this taboo works in practice.

Mr. Chandrabose was uncomfortable about the direction of the conversation. While he had agreed to discuss the history of Pathemany by inviting Mr. Sivalingam, he was not ready to have a deeper discussion about caste. He intervened by belittling the caste problem: “Now there are no problems going to temples, any person can go to any temple. Marriage can become a problem, but other problems are not there.”

A Vellala Leader on Caste and Politics

Then Mr. Chandrabose stepped outside his gate to speak to someone, and Mr. Sivalingam went into a fascinating monologue, emboldened by the absence of the oppressed caste leader who had invited him. Mr. Sivalingam’s views and comments were a turning point in my research on caste.

In each place there are different communities. I live in the central area of Pathemany. I belong to the Vellala community. The people who now live in Wairava

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168 The temple in the Vellala caste quarter.
169 In this early interview, and with Mr. Sivalingam present, whom Mr. Chandrabose had invited, there was considerable discomfort in discussing caste. Mr. Sivalingam’s strong views on caste oppression became evident in subsequent conversations and the interview recorded below.
Kovil (oppressed caste temple) had bought our lands in the 1970s, as our people sold their lands and went abroad. In my community also there is poverty, as some of them became poor over the generations. About one hundred families have become poor due to displacement.

Before 1960, there were a lot of caste problems. Then the Communists and the Federal Party took up activities including by giving jobs to lower caste people, and the Federal Party started taking action in 1957 to get rid of caste. I was a member of the Village Council in 1963. I am a Vellalan, and there was another Vellanan from Valali, and together we brought a resolution that if there is discrimination in tea shops and in workshops, we [in the Village Council] would take away their licences. So, in tea shops and eating places, people could sit equally, drink equally and eat equally without any difference. Before that they were given tea in a Mukkuperni (a special cup for oppressed castes) at tea shops. There were communists like him (Chandrabose) and they used to do demonstrations against us, the upper castes, with slogans questioning the Tamil community and Tamil politics. We were progressives, so we supported them, but we were afraid that the other Vellalar would attack us.

In 1963, the Federal Party did a Pathai Yatharai (a campaigning journey) where we went to different houses and ate together. Since, I was in the Federal Party, I also followed that. After that some people went back to the old ways, I did not. If people are kind, I don’t show any difference. There were early on difficulties in entering temples, but in 1957, Nallur Kanthasamy Kovil (the largest temple in Northern Province located in Jaffna town) opened up. Kopai Vanniyasingham, a leader of the Federal Party was active on caste issues in Jaffna. Kailaspillaiyar Kovil, Vannarpillai Sivan Kovil, Sattanar Kovil (there are villages in Jaffna peninsula) and
all these temples were opened up\textsuperscript{170}. Also, tea shops including the Malayan tea shop\textsuperscript{171} were opened up. And thus all tea shops all over Jaffna became equal.

Most temples, except may be a few small temples in villages, became equal. If you take our region, Atchuvely people can go to any temple, same in Avarangal, but not in Puttur (neighboring villages to Pathemany, Puttur village is known for severe caste oppression). In our village also people can go and worship, but in some temples when people (oppressed caste people) go in, they will show they are unhappy. There is a Kali temple here, and there they will be really worried. You can’t go into temples in Idaikkadu (a neighboring village where caste oppression is strong).

The anti-caste mobilisations in the 1960s focused on equal access to public spaces. The Communist Party gave leadership to these struggles mobilising oppressed caste youth to fight against discrimination in public spaces. The upper caste controlled Tamil nationalist Federal Party, to which Sivalingam belonged, wanted to represent the entire Tamil population, but its upper caste character made it difficult to address the caste conflicts that were bursting out into the open in many villages like Pathemany.

Sivalingam said it is mostly the oppressed caste community that does not have land. However, there are people in his community who also don’t have land. He believes there might be about 200 families from the Vellalar community with the rest having migrated abroad. Out of those who are left, he claims about ten families have no land even to build a house. They don’t qualify for the Indian housing scheme because they have no land to build houses. He said: “they are not my relatives, but they are Vellalar. There are divisions within the Vellalar.”

\textsuperscript{170} Significantly, he did not mention the Mavattapuram Kovil, where the major temple entry struggle took place.

\textsuperscript{171} It was owned by Malayali people from the Indian state of Kerala. I learned later that the Malayali owned tea shops were the first to open up, also because some of the owners were linked to the Communist Party.
Sivalingam’s reference to the few landless families in his Vellala community, was to counter the perception that Vellalar are the landed oppressors in the countryside. Then Sivalingam gave his analysis of politics, which flowed well after his interjection about caste. Indeed, for Tamil nationalists like Sivalingam, caste oppression was not the main issue, rather its importance or the need to silence it stemmed from the way in which it complicated party politics.

Mr. Sivalingam narrated how initially it was the Tamil Congress and the Federal Party that were present in politics, but then he said the Communists and Minority Tamils Mahasabha took up the concerns of oppressed castes. He qualified that statement by talking about the oppressed caste persons in the Federal Party including the Deputy Mayor for Jaffna Town. He further stated that by the 1960s, there were four political parties in Pathemany. Tamil Congress, Federal Party, Communist Party and LSSP (Trotskyite Party).

With this broad canvass of party politics in Jaffna, he discussed the history of village level politics despite the presence of the two Tamil nationalist and two leftist parties. But in the Village Council at that time, people were elected on the basis of caste, and how much work they did for the people, not on the basis of political parties. When I stood for elections, certain sections of each caste supported me, other sections supported the Tamil Congress candidate, who also happened to be my relative. They tried to defeat me, but they couldn’t. People liked the House (the symbol on the ballot paper and for campaigning) of the Federal Party too much. They were crazy about the House.

The interesting observation here is that both Tamil nationalist parties in the 1960s, the Federal Party and the Tamil Congress, were controlled by the Vellala caste. Even at the village level, the two opposing candidates were not only from the Vellala community, but as Mr. Sivalingam explains were in fact relatives. The Left parties attempted to break the
hegemony of Vellala-led Tamil nationalist parties with anti-caste mobilisations. But given that the upper caste candidates could gain the allegiance of different sections of the oppressed castes, it was very difficult to put forward an oppressed caste candidate—a situation compounded by the fact that the Vellalar were the numerical majority before the war.

Then Mr. Sivalingam went on to discuss current politics, and claimed how the people are interested more in rights than development. And what he meant by rights are about Tamil nationalists demands of autonomy. He went onto say, they will ask for material assistance from the EPDP, Mr. Chandrabose’s party, but they will in the elections vote for the House, the Federal Party’s ballot symbol used by the Tamil National Alliance (TNA).

As evident from the discussion above, even for experienced local leaders with party experience, as with Mr. Sivalingam and Mr. Chandrabose, talking openly about caste was difficult, and they particularly avoid it in the presence of each other. Perhaps they worry about social repercussions. Their conversation of caste was cautious and fractured. Younger men and women in Jaffna are even more careful, and avoid talking about caste all together.

**Caste and Social Institutions**

The hegemony of the Vellala caste affects the schools, temples, and the *Sana Samuha Nilayam* (Community Centres with Reading Rooms). In the following sections, I address the workings of caste structure at present in the village schools and temples. I do not have a separate section on the *Sana Samuha Nilayam* in part because their role is not as prominent in the post-war context and in part because I understood their historical significance fairly late in my field research. There is very little written about the social history of this important social institution, and I hope to work on the *Sana Samuha Nilayam* in the future.

The *Sana Samuha Nilayam* are located in each caste ward and often next to a temple, and reproduce the caste dynamic in village social life. Many of these *Sana Samuha Nilayam*
host pre-schools, thus pre-school children end up interacting with only those of their own caste. They also organise a host of community activities such as sports events, dramas and cultural festivals. On a daily basis, men congregate there to read the newspapers. Some Sana Samuha Nilayam organise tailoring centres and other community activities for women.

In the past, Sana Samuha Nilayam organised anti-caste struggles as explained in some of the interviews below. The running of these community centers requires local funds collected in the community. In the post-war years, with low levels of contributions in the oppressed caste quarter, the community centers are no longer the vibrant institutions they were before the war. In affluent parts of Jaffna, and in the upper caste quarters, well off individuals including from the Tamil diaspora, support the Sana Samuha Nilayam and make contributions, so that newspapers and other reading material are available. In the oppressed caste quarters, with increasing emphasis placed on individual responsibility by state policies and NGO schemes as opposed to greater involvement of the community in the process of resettlement and reconstruction, and without the galvanising power of anti-caste mobilisations, the Sana Samuha Nilayam have not recovered after the war. However, the institutional memory of the work done by Sana Samuha Nilayam in the past remains, and it may be too early to write them off.

Caste, Education and Social Exclusion

An oppressed caste farmer and toddy tapper cooperative leader in a village adjoining Pathemany, insightfully commented on education in a passing conversation. He claimed the upper castes would not allow the oppressed castes to advance in education, and would actively oppose oppressed caste educators gaining positions of power in the school system.

172 Conversation with a farmer and toddy tapper cooperative leader in Atchuvely during a field visit on 7 February 2014.
Education, he said, was central to the emancipation of the oppressed castes, and control of education was central to upper caste domination. His comments were perhaps prompted by the recent news of a number of qualified oppressed caste candidates denied school principal appointments in Jaffna. Furthermore, social progress through education is the approach advocated by many in the oppressed caste community, including those leaders who were at the forefront of the anti-caste struggles in the 1960s and 1970s.

Sri Lanka has benefited from free education policies starting in the 1940s. While there were many Christian and Catholic private schools into the early postcolonial years, left leaning Governments took over most of them in the 1960s. Some of these private Christian schools became assisted schools, with the teachers’ salaries being paid by the Government, where in turn the schools had to ensure free education. However, in reality many of these former private schools continued to charge exorbitant entrance fees. Officially, there are only two fully private schools in the Northern Province, Jaffna College and Uduvil Girls’ College, which are supported by a trust fund of the American missionaries. While free education policies in Sri Lanka have continued for seven decades and contributed to the high literacy rates and Human Development Indicators, there continues to be a class and caste character to schools.

Caste exclusion in education in Jaffna begins even prior to school entry, in preschools run by caste-linked community centres discussed above. Such exclusion continues in schooling, with the better off upper and middle caste children commuting from the village to schools located in towns, with only the oppressed caste children of landless wage labor attending the village schools. In Jaffna, due to the proximity of villages to towns, for example Pathemany village is only one to four kilometres from Atchuvely town, Vellala children are dropped and picked up from the town schools by their fathers and uncles on their motorcycles. As the children get older they bicycle the few kilometres to the schools in the
town. Even though the town schools are also funded by the government with the system of free public education, in reality admission to these schools requires a large entrance fee called the “donation”. The low income households that cannot afford the “donation” send their children to the village schools.

Along with this form of exclusion in urban and rural schools, a caste divide exists in rural schools with Vellala teachers and oppressed caste students. While the social transformation with free education in the past had made some space for teachers from lower caste communities, the persistence of caste relations is reflected in a large majority of teachers and principals belonging to upper castes. For example, when I visited the Ratneswari School, the only school in Pathemany village in 2012, all the teachers except one and the principal were upper caste, even though all the children were oppressed castes. Teachers’ expectations for students are low, and students themselves rarely finish high school as they drop out and go into wage labor in their teens.

*Ratneswari School in Pathemany*

The Ratneswari School in Pathemany village was formed in 1932 by a prominent individual in the village who wanted to promote Tamil and Hinduism. It was part of a trend of schools started by the local movements for the revival of indigenous language and religion in the late colonial period in Sri Lanka. It was initially a school that only went up to Grade 5, but now it goes up to Grade 9. In 2012, the school had only 72 students, but had eight teachers and the principal. School records show that in 1975, there were as many as 340 students. The school provides a glass of milk at 10am and then lunch as part of the mid-day school meal.

The decrease in the Ratneswari school student population is because most children from the village attend schools in Atchuvely town. The boys go to Atchuvely Central and
girls go to St. Theresa’s, which are schools initiated by the Catholic Church in the past. While these schools are now supported by the government under the free education system, they nevertheless charge exorbitant entrance fees that in the process exclude the children of the landless laboring classes.

I first met the principal of Ratneswari School, located at the centre of Pathemany village, Mr. Suppiah Mohanarajan soon after I had initiated my field research in late 2012. He had been the principal of the school from 2007. He is from the southern part of Jaffna peninsula, and had been posted as a teacher in other districts, but his wife is from Atchuvely so he had developed a strong connection to this area. The villagers and community leaders spoke quite highly of his commitment to the students and his efforts to develop the school.

Mr. Mohanarajan himself came from one of the oppressed caste communities, and his ties to the community were strong because of his marriage to someone from the region and more importantly his caste affiliation. The villagers were unhappy about the principal before him, who was a Vellala man, and it was during the tenure of the earlier principal they felt that the school had started to deteriorate. With more and more students moving to the urban schools, Mr. Mohanarajan was worried that if the student body at the Ratneswari School dropped below 50 students, with more of its oppressed caste students moving to urban schools, the government might close the school.

I had visited the school a few times during my field research and towards the end of my research, I interviewed the principal, Mr. Mohanarajan. He addressed the problems of rural education:

The social inequalities after the war is an important reason [for the low enrolment in the school]. In fact, I would say that is the main reason for the low student body.

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173 Interview with Suppiah Mohanarajan, 22 November 2012.
174 Interview on 7 February 2014, with Suppiah Mohanarajan.
There are mainly two communities (castes) who are present in this area, one being the community on the Atchuvely side (Vellalar) and the other on the Bharathy Veethy (oppressed caste ward). In earlier times, it was the Atchuvely side people that were active in this school including its administration. Initially, the children from Bharathy Veethy side were not accepted into this school. Eventually, with social changes (with the caste struggles and greater integration in the 1970s) the children from that community were allowed into this school. But even then, there were restrictions like not allowing those children to draw water from the well. Those children (Bharathy Veethy) had to sit on the floor and study [while the Atchuvely side children were given desks]. With time the conditions changed. In fact, there used to be a school exclusively for them (Bharathy Veethy) called the Sri Vibathy Vithiyalayam. But that school was closed with displacement, and after the displacement the community (Bharathy Veethy) started sending all their children here [to Ratneswari School]. Then these people (Vellalar) said, we can’t send our children to this school. They pulled out their (Vellalar) children little by little and now there are no children from that community (Vellalar).

In this way, the Vellala children had moved to the schools in Atchuvely town, leaving only the oppressed caste children from Bharathy Veethy quarter of Pathemany to attend the Ratneswari School.

Principal Mohanarajan was surprisingly open in talking to me about the caste dynamics in the village. However, even then he did not vocalise caste group names, choosing instead to refer to the village quarters as the Bharathy Veethy and Atchuvely sides. Nevertheless, he clearly focused on the issue of caste as central to the social make-up of the school, and how the caste character of the schools changed with the war. Principal Mohanarajan spoke about the high level of school drop outs in his school:
The children from this community (oppressed caste) are stuck in poverty. Parents have also not studied, and they don’t understand the importance of education. Parents don’t send their children to school, and so we have to inform the government officials and go with them and try to bring the children to school. And even in that community (oppressed caste), when the parents have some interest in education, they take their children toward the schools in the town. Those who have advanced a little economically send their children to the urban schools. It is those children who are at the very bottom that come here. This school is only up to Grade 9, and with that they say, that is enough education, and don’t send their children to the next school to continue their education. So most children, go for work after Grade 9, either for kuli (wage labor) or mason work.

With war and displacement, education was disrupted for many of the parents and the current generation of students. In a research effort on rural education, I visited eleven rural schools between 2012 and 2013, and the teachers and principals of those schools confirmed the impact of such disruption with the war on schooling. The UN’s humanitarian news agency reported that school drop outs are highest among the war-affected population in the Northern Province and concurred that children in their early teens drop out of school to take up odd jobs (IRIN 2014). An education officer also told me that many of the Jaffna schools did not have special catch up programs for children who had returned from the Vanni after the last phase of the war.

Mr. Mohanarajan went on to discuss the social problems and the economic situation of parents which affects the educational mind-set of the community:


\[176\] Interview with Zonal Education officer on 5 November 2012.
The parents of these children have little education and here they are mainly involved in kuli work. And then heavy drinking is a problem, much of their earnings goes into drinking. Then fighting. If every night there is a fight at home between the husband and wife, how will the children study? The parents are not interested in educating their children. They only want them to earn. So now, everyone wants to send their children abroad. That is mainly to the Middle East to earn. They don’t consider what their children will do after working in the Middle East for a few years, they are only interested in earning money now. Now debts are also high, loans to banks are high, so they want their children to earn.

The widespread indebtedness and out migration to the Middle East discussed in Chapter 3, is thus affecting the commitment to educational advancement of the oppressed caste communities.

The Principal then went on to discuss the problematic character of the bureaucracy in its engagement with rural schools. Good teachers are rarely sent to such schools with transfers of such teachers blocked through political interference. The Principal was also troubled by the role of teachers. He mentioned the problems of parent teacher relations in the context of caste relations and the caste mind-set of teachers.

As for teachers, the old teachers are still around and so educational methods are not changing. The young teachers coming out of the College of Education are well trained. The university graduates who are not trained in education are also poor teachers. And Jaffna University graduates are particularly poor teachers. I also graduated from Jaffna University, so I know the low level of education there.

The teachers don’t take interest in the students in rural schools like ours. They don’t teach properly. They know the parents can’t challenge them, because they lack education. Teachers are caste conscious. I know some teachers did not go to the
funeral of their student’s parent because the child was from the oppressed caste. There are also caste differences between teachers.

Parents of two school children my research assistant and I spoke to complained of the low quality of teachers at the Ratneswari School. They were particularly critical of one lady teacher who was abusive towards the children and felt it was her caste outlook. But the parents were not keen to take any action.\(^{177}\) Parents of two girls, of oppressed caste origin, who attend the urban school said they don’t send their children to Rarneswari School as the teaching is of low quality, though they struggle to pay for the various education related expenses in the urban school and after school tuition.\(^{178}\)

Finally, Mr. Mohanarajan discussed significant caste discrimination in the administration of schools:

Caste continues to be major issue. My colleague and I went for an interview for principal position at the Senguttuvan School [closer to Jaffna Town and known as an upper caste stronghold]. My colleague, who is currently a principal in the school in Puttur (village close to Pathemany), which is mainly an oppressed caste school, was clearly the most qualified. But there was pressure from the Old Students Association not to accept him, because he was from the oppressed caste. Even the Northern Provincial Council became involved in this issue, and decided to block his appointment.

The comments of Principal Mohanarajan may not be echoed by other principals in Jaffna, because it is his commitment to addressing the caste exclusion that made him so vocal. However, during visits to other schools in Jaffna, I was able to observe a similar dynamics of rural schools with exclusively oppressed caste children. Furthermore, there has been a series

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\(^{177}\) Interview with parents of Ratneswari School parents on 11 June 2013 and 8 July 2013.

\(^{178}\) Interview with parents of two girls at St. Theresa School on 22 June 2013.
of cases, where oppressed caste teachers and village officials are being denied positions as heads of schools or as officials of upper caste villages. These discriminatory acts by the bureaucracy are reflective of the persistence of caste.

In an earlier era, oppressed caste children may have been denied entry to a school or if admitted, segregated and humiliated by being asked to sit on the floor while upper caste children sat on chairs with desks. However, the contemporary form of caste exclusion in education is through economic inequalities; the oppressed castes being stuck in the village school and the upper castes moving their children to urban schools.

**Social Investment in Temples**

Temples have been absorbing much of the local investment since the end of the war. In most towns and villages in Jaffna, the Hindu temple steeples are being rebuilt and in much larger sizes. Historically, castes have had their local temples and the massive displacements caused by the war weakened the connections between caste communities and their temples. After the war, villages have established a subtle segregation of temples. Temples have become symbols of caste pride and investment. The oppressed castes that struggled to gain entry into the upper caste temples few decades ago are now focused on building their own temples, reinforcing the exclusionary character of caste temples. Furthermore, the oppressed caste temples have also become sanskritised emulating the rituals and practices of the upper castes (Muttulingam 2016). In Pathemany, I interviewed the leaders of both the wealthiest temple in the Vellala caste ward and the relatively small temple in the oppressed caste ward.

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179 Many of these cases of discrimination only emerge word of mouth and have not been documented. In most cases the Education Ministry mediates and finds a transfer for the principal in question. But such cases were discussed in a series of discussions on education in Jaffna from October to December 2015 as part of the Anandarajah Memorial Education Seminar Series at St. John’s College, Jaffna.
Mr. Karalasingam is 49 years old and has two sons aged 28 years and 23 years of age. He and his forbearers have been the presidents of the Pillaiyar Kovil. His son is on the board of the Ganesha Sana Samuha Nilayam (community center). He explained his role and history of the temple:

As a president, I am like the head of the family, like in the country there is a president. We decide on the temple matters, and there is no such thing as a committee. In our ancestry, I am the 7th descendant in charge of this temple. Since 1822 it has been under our family. I have been in charge of it since my father died 11 years ago. I have one older brother, but he has gone to Canada. … Our ancestral relatives converted to Christianity, so when they converted they gave the temple to our family. The land was their land, those Christians converts, but now the land is temple owned land. My house land is my father’s brother’s land, and I married my father’s sister’s daughter’s daughter, and so that is how the housing land continues to be transferred among us.

Mr. Karalsingam described the generational transfer of temples through the eldest son. However, such temple ownership is a major source of pride and the rest of the family is also active in the management of the temple. The extended family’s wealth is preserved through cross cousin marriage as in his case. It is common for a man to marry his father’s sister’s or mother’s brother’s daughter. In this way, a strong bond is created with the temple, even as houses and agricultural land remain within the extended family, with property passed down through the daughters as dowry.
Mr. Karalasingam then explained the temple finances including the regular monthly expenses of the temple including payment for the temple priest\(^{180}\) called the Aiyar:

From the donation box we pay the electricity bill, if it is not enough we ourselves pay it. … There are ten days in the Thiruvila (yearly temple festival). We do the first day of the Thiruvila, the male siblings of our family get to do the first Thiruvula. For the Aiyar (Priest), we pay Rs. 15,000 (US$ 115). So, if you multiply that by twelve for one year and divide by those who take each Thiruvila, so by ten, then it is Rs. 18,000 (USD$ 138) from each [family that runs a day of the festival], and I pay the Aiyar every month.

He then gave the detailed accounts of the costs for the ten-day temple festival every year. To finance the day of the temple festival organized by his family, he said his brother usually sends Rs. 100,000 (US$ 769) to 150,000 (US$ 1,150) and his cousin sends another Rs. 50,000 (US$ 385). The ten-day temple festival, according to his estimates, cost a total of Rs. 1.5 million (US$ 11,500) to 2 million (US$ 15,400), a large sum of money as much as the annual income of five to ten households in rural Jaffna.

Every twelve years, the temples go through a process of rebuilding and cleansing, the expenses of which are even larger. The temple was not damaged much by the war and in 1998, his father did the Kumbavisaham [consecration and refurbishment of the temple done every twelve years]. Then again in 2012, he did it with the cleansing ceremony costing a total of Rs. 1.5 million (US$ 11,500). The ten members who run the Thiruvila also rebuilt the temple with five new structures for a total cost of Rs. 4.5 million (US$ 34,600). In this way, he had an intricate knowledge of temple finances.

\(^{180}\) Karalasingam’s contempt for Aiyar (priests) was evident in his tone. He was implying that they are there to take money. This is also characteristic of caste relations in Jaffna where the Brahmin castes have little power and they are basically the paid employees of the Vellalar. This is very different from many parts of India, where power resides with Brahmins, who are responsible for the religious rites and also hegemonic in the social, economic and political realms.
Mr. Karalasingam’s own financial situation is quite dire, and after speaking about the temple finances he spoke about his own financial situation in the same vein. He farmed when he was a student, and then again only during the last four years. He became a shop owner when he was 22, but it resulted eventually in major financial losses. Currently he cultivates 7,000 crops in about 2 acres of land, which is a significant farm size in Pathemany. His sons help in the farm, but his older son is continuing his studies, and the younger son wants to go to Canada to join Mr. Karalasingam’s brother. He hires kuli labor for certain kinds of work, such as cutting the water channels. He also pays for watering, though he said it is expensive. Due to previous losses, he wants to now put in as much family labor as possible.

Mr. Karalasingam was displaced twice in 1987 and then in 1995. And during the period of displacement he used to transport firewood on his bicycle for a little money. During his business days he had taken loans from a range of people including banks. He claims he never took loans for more than 3% per month from the money lenders, which is still 36% per year. Debts had accumulated from the failed business and he is now indebted for Rs. 1.5 million (US$ 11,500). Mr. Karalasingam’s pride, and his family’s position in the community, as with the position of the temple including their caste in the village, requires tremendous expenditure in temples, even though he is deeply in debt.

Wairava Kovil in the Oppressed Caste Ward

I was fortunate to meet the chairman of the Wairava Kovil, Mr. Tharmaratnam, who was an acquaintance of my research assistant’s parents. Given the introduction by people known to him, I was hoping he would speak more candidly about caste.

In the Wairava Kovil, the temple committee consists of ten members. While the Aiyar does his services for free, the monthly expenditure for the various pusai (a regular ritual of worship at the temple) comes to about Rs. 2,800 (US$ 22). There are about 350 families who
worship at this temple, and they are mainly families doing kuli work. Running the temple is
costly: each year the Thiruvula (annual temple festival) cost is Rs. 70,000 (US$ 538), so a
group of people, usually about 15 people in the group bear that cost.

The year I interviewed Mr. Tharmaratnam in 2013, the temple committee and temple
members had done a Kumbavihasam (refurbishing of the temple), and it cost Rs. 1.2 million
(US$ 9,230), because it required 15 priests, and the cost of the priests itself cost Rs. 850,000
(US$ 6,530). Out of that Rs. 1.2 million (US$ 9,230), Mr. Tharmaratnam estimated about
200,000 (US$ 1,540) came from the diaspora. People may send on the scale of Rs. 10,000
(US$ 77) to Rs. 50,000 (US$ 385) from abroad.

Mr. Tharmaratnam believes this temple is over a hundred years old. They have a Sana
Samuha Nilayam (community center) which was rebuilt after the displacement with the
support of an NGO. When I asked him repeatedly about the caste issues in the village or in
relation to the temples, he was firm in his reply: “Until 1965 there were problems, but
after that caste problems are not there. With economic progress all those problems are now
gone.”

I mentioned to him that I felt Jaffna society has three strong social institutions,
specifically the temples, the schools and the Sana Samuha Nilayam (community centres), and
asked him about his impression of these institutions in relation to his community. And that is
when he made some interesting comments:

For our growth, the Sana Samuha Nilayam is the most important. Next in importance
for our growth are the schools. The reason I can talk to you with confidence is
because of the Sana Samuha Nilayam. The founder of our Sana Samuha Nilayam,
Ponnuthurai, knew each and every family here. He was a communist. He was the one

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181 In his mind 1965 was synonymous with the major anti-caste struggles, including temple entry struggles in the 1960s.
who built our *Sana Samuha Nilayam* to this state [of a strong institution]. He was a CTB driver [Ceylon Transport Board bus driver], and he was from another village and he married here and came and lived here and developed our village. Then there was another man called Kathirkaman. Both of them were communists. They opened their houses to everyone, and whether or not they had food to eat, [they sacrificed their own well-being and] they cared about the village. They were concerned about the interests of the people and what kind of work could be done for the people. They both worked hard. Ponnuthurai died about 3 months ago and Kathirkaman died twenty years ago.\(^{182}\)

Mr. Tharmaratnam went on to explain the engagement of those communist leaders at the village level:

> They would work on all problems. If a road had to be repaired, they would work on it [by agitating and placing demands], and then get the authorities to fix it. But most importantly, they created awareness. People like me are able to talk like this because of them. I did not have the background to study much. It is to the *Sana Samuha Nilayam* that we went often and watched and learned. They would call us to speak in public, to read in public and trained us like that. I worship them like gods, because they are the ones who have given me the confidence to talk. In those days, Ponnuthurai brought all the Ministers here, Peter Kenuemen, N. M. Perera, Colvin R de Silva, [national leaders of the Communist and Trotskyite parties, who were ministers in the United Front Government in the 1970s]. They all came to our reading room (part of the *Sana Samuha Nilayam*).

\(^{182}\) It is very difficult to get exact dates in interviews, unless one pursued and got death certificates, in rural Jaffna when people say twenty years ago, it may be fifteen or twenty five years ago.
Mr. Tharmaratnam was visibly emotional as he spoke about his mentors. He was proud that the famous leftist leaders from Colombo visited his *Sana Samuha Nilayam*. However, Mr. Tharmaratnam himself did not identify himself as a communist. Furthermore, it is the social consciousness they raised rather than the struggles that were important to him. As he talked about such public education and awareness, the temple of which he is the chairman, and which gains more attention now in the village, receded into the background. What had become clear from our conversation was that the *Sana Samuha Nilayam* was a space that both perpetuated caste difference and supported struggles against caste oppression.

Towards the end of the interview, my research assistant asked him about an incident at a neighboring village, Avarangal, where youth had bashed up a hall few weeks earlier. He again became defensive and said it was not in his village and that he did not know what had happened. Then he said, that he had heard that some people from Europe related to the hall had written something disparaging of the oppressed castes in Puttur on the internet, and so oppressed caste youth from Puttur had attacked the place. Similar to his reluctance to speak about anti-caste struggles, Mr. Tharmaratnam dismissed this as an isolated incident of violence.

**Rethinking Caste in a Time of Crisis**

In May 2014, as I was wrapping up my field research, I interviewed Mr. Chandrabose again. By then, he had become familiar and comfortable with me. My research assistant and I had also co-authored a long piece in a Tamil magazine on toddy tapping and palm development co-operatives, which I had shared with him, so he knew our political perspective.\(^{183}\) I wanted to ask him about caste oppression in particular. But our interview

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touched on many matters including toddy tapping and the role of the Palm Development Co-
operative; some of those comments I will return to in Chapter 5. I discuss Mr. Chandrabose’s
interview at length, as he was so central to my research in Pathemany, and has greatly
influenced my thinking on caste politics. I began by asking him about his upbringing and his
entry into political work:

I was born here [in Pathemany] and have lived here. My father was a farmer.
After finishing my education up to HSC \(^1\), I was employed in the Palm Development
Co-operative from 1972 to 2008. From my school days we interacted with the
communist party and were active in their work. … I contested elections for the first
time in 1971, as an Independent candidate against the Federal Party candidate, and I
lost by a few votes.

I was active in the anti-caste struggles through the initiatives of the
Communist Party. Those were days of big struggles. We went and fasted and
protested in front of the Mavattapuram Kandaswamy Kovil (temple famous for
keeping oppressed castes out) and they used water pumps to flood water on us and
chase us. There was a Communist leader called Nagaratnam from Chunnakam and it
was through his connection that we went for the struggle. And then there was also
violence and one of my friends was injured.

In our village here, we could not go to the Pillaiyar Kovil. And when we told
them we wanted to visit the temple, they fenced it with barbed wire to keep us out. It
became a big problem, we tried to break in and they called the police.

Mr. Chandrabose’s personal life history is very much linked to caste struggles. His links to
the Communist Party in his youth, his participation in the anti-caste struggles and then

\(^1\) Mr. Chandrabose belongs to one of the early generations who benefitted from free education policies and the rural economic boom, which led to some level of education and social mobility into the lower middle classes among the oppressed. It is his generation that also produced a number of oppressed caste writers.
working for the Palm Development Co-operative organising the toddy tappers, which was itself a creation of those struggles and the Left Parties in power in the 1970s, all related in different ways to struggles against caste oppression.

Mr. Chandrabose was active in one of the most renowned anti-caste struggles in Jaffna, the Mavattapuram temple entry movement which drew youth from many parts of the peninsula, but he was also part of temple entry struggles in his village including the large Pillaiyar temple mentioned above. Chandrabose’s anecdotal comments bring to life the largeness of caste struggles in the 1960s and 1970s.

Then I asked him about land and landed relations and their relationship to caste relations in Pathemany:

The other house of our family which is towards the front part of the village, used to belong to them (Vellalar), and then my father managed to buy that land. You see, we were like their slaves, so we could only live in the back or where they wanted us to live. Some of these landlords owned the land, where our people had to live on the landlord’s land and work for him, so they never had their own land. Slowly, the oppressed community on that land started to study or went abroad, and are now slowly buying land. The caste and land issue is much worse in Puttur [neighboring village]. When I was young we could not even go close to their schools. When we were thirsty, we could not draw water from their wells. We could only get water if they gave it to us.

Mr. Chandrabose is describing the productive and spatial relations of caste. The oppressed castes were denied agricultural land and were forced to depend on the Vellalar for their employment. They were denied water, with the Vellalar claiming that if the oppressed castes draw water from the wells, they will pollute the wells. Furthermore, they were pushed to the back of the village and were not given the visibility of living near the main road or the centre
of the village. His reference to Puttur, reflects the continuing strength of the Vellalar even in contemporary times in this village known for its severity of caste oppression. Because of a much larger Vellalar population in Puttur, the Vellalar were much stronger and more oppressive.

Take the Ratneswari School, we could not go there. Now it is our children who are only studying there. In the 1970s after the caste struggles, our children could finally go there. The Puttur Somaskanda School, opened up to our people [his community, the oppressed caste community] much later. Our people can’t go there as teachers. Once there is economic progress, caste oppression will slowly disappear. Now our people go as wage labor to his house. They should go for work, but they should keep it a clear transaction. They should receive his wage and go home, and not interact further.

Throughout the interview, even though I asked him about Pathemany, he referred to the neighboring villages not only for comparisons but also to articulate the relations they had with other villages. It was a reminder that villages are not enclosed, that there was considerable influence, movement and solidarity between villages and other regions of Jaffna.

His reference to education above is about the hard fought victory for the oppressed caste children to enter the Ratneswari School in Pathemany. However, now that the upper castes have abandoned the school, education has become segregated once again, and the quality of the educational process for lower caste children had significantly declined. The school in Puttur, while it provided entry to oppressed caste children much later, and is a better performing school as the upper castes have not abandoned it, nevertheless excludes teachers from the oppressed caste community.
Mr. Chandrabose believes caste oppression is entangled with landed relations, and it is work on land that leads to oppressive forms of social relations with the upper castes. His solution is to strictly keep it as a wage labor transaction and nothing more than that. He links wage labor to economic progress, and what he believes will lead to the decline of caste oppression. As the discussion shifted to the possibilities of caste emancipation, he made a strong connection between caste and dowry:

No one can end caste and dowry in our society. The Tigers also thought about ending it but they couldn’t. Even the Tigers were caste conscious. They would say there is no caste but they gave importance to their caste people. Caste and dowry domination will not end. Male domination is decreasing but dowry domination won’t. Now look at her [points to my research assistant]: she has studied, so now the man is going to ask for an even higher dowry. If a woman has not studied, he will ask for 10 lakhs [Rs. 1 million, US$ 7,690], but for a woman who has studied, he will ask 30 lakhs [Rs. 3 million, US$ 23,000]. Because a woman who has studied would also need a man who is better off. (laughs) The girl who has studied will ask for an appropriate husband and he will ask 50 lakhs [Rs. 5 million, US$ 38,500] in dowry. Now people like her won’t have time to earn her dowry, by the time she finished studying it will be time to get married. A woman studying is a big problem… (laughs)… I am speaking from experience. My friend had educated four of his daughters and now he is worried. What is he going to do? If you come to our house, all these worried fathers will be here late in the evenings talking to me.

Mr. Chandrabose’s wife interjects: “Now there is importance for money and caste, nothing else.”

For Mr. Chandrabose and his wife, as for so many of their relatives those are perhaps the two most troubling issues on a daily basis. Their caste identity is a constant reminder of
their position in society, and it has not changed even after the war. And the difficulties of finding marriages for their daughters and relatives continues because of the lack of dowry in the form of property, particularly land.

Caste relations are also tied to land, particularly the possibilities of ownership of land. Mr. Chandrabose continued:

It is with the caste struggle that land ownership also slowly started to change. In Puttur, because the upper castes are strong, there was no change, people can’t even talk about land. In our area, caste was not as strong, because there was some balance in our population. In the past [before the war], they were 60% and we were 40%, but in Puttur, they are 90% and our people only 10%. Here, because of the struggles, social consciousness also increased. In the Atchuvely area [which includes Pathemany village], our community was stronger and the domination was not as strong. In places like Changanai and Kodikammam, caste domination was much stronger.

Now their [Vellala] population has greatly decreased, they only have economic strength [in Pathemany]. So, they [Vellalar] can’t face too many caste problems now [challenges by oppressed caste people]. That is why I say, it is when we go to their house that we become weak. We can’t demand to go and eat in their house; we can only demand equality in public places. Now their population has decreased, as many of them have gone abroad. And many in their community here [in Pathemany], are displaced people from Palaly.

This is a perceptive analysis recognising the weakness of the Vellalar in relation to the demographic and spatial changes, and he understands how caste relations are strongly linked to a history of oppressed caste people working on the land of the Vellalar. He realises that the Vellalar continue to have wealth but that does not translate into productive relations locally, which is how caste relations are strengthened. Furthermore, he recognises that many of the
Vellalar in Pathemany in recent years are from Palaly, and they are not of local origin, so that also weakens Vellalar power in Pathemany. Finally, Mr. Chandrabose draws on his experience of anti-caste struggle in the 1960s and states anti-caste struggles can only take place with respect to public spaces. That is if they enter a Vellalar house or a farm to work, then at that point itself the demand for equality is lost.

Then Mr. Chandrabose went on to talk about the history of labor relations and exploitation:

In those days, out of our people, half of them were tapping and the other half went for kuli work. Now only 5% or less of our people may be involved in tapping. … In those days if a mudalali [overseer], took kuli workers for mason work, and if the worker is to be paid Rs. 500, he would take Rs. 100 from that. So if he took five workers, and he is to be paid Rs. 1,000, he takes home Rs. 1,500 and the workers only take Rs. 400 each. That kind of exploitation used to exist. Now, that kind of exploitation is decreasing. In those days, in each village there were only two or three mudalali [overseer] like that. Now, there are many more and people cannot be cheated. Now if five people go together for agricultural work and to cut water channels and they get Rs. 3,000, they have to divide it equally among them. Now people are much more conscious; before, people will take what they are given.

Those going to kuli work, even if they get paid Rs. 1,000 (US$ 7.70) that is not enough to support his family of five. He would have drunk for Rs. 400, so he gives his wife Rs. 600 which is not enough. And kuli work is irregular: once the rainy season comes for the three months, you just stay at home. Those who are dependent on kuli work and agriculture cannot depend on that work. They may get 10 or 15 days of work. If it rains for two weeks, then there is no work. So, tapping or industrial jobs are much more regular. For those involved in industrial jobs they have continuous 30
days of work. The Atchuvely Industrial Zone: if it starts to work properly, we will get work. People from our region will get the jobs. In the 1970s, it was working well and before it became much bigger the war disrupted it. At that time, we did not have any political connections so our people were not working there as much.

Mr. Chandrabose in the above passage is discussing the changing consciousness among the oppressed caste community about wage labor and access to jobs. With the rural economy becoming more and more monetised, the wage laborers are also much more conscious of the wages paid to them and what might be skimmed by the overseers or those who employ them.

In Jaffna, the demand for higher day wages is often translated as the arrogance and laziness of wage labor by the middle classes and the professionals including the bureaucrats. In fact, the higher wages demanded by wage labor is considered to be a problem of labor shortages rather than the increasing consciousness of wage workers about the wages due to them. This consciousness of labor factors in the irregularity of wage labor that is only available when those who employ them want it, and it is not needed during the rainy season.

The Atchuvely Industrial Zone, lies a few kilometres from Pathemany, and Mr. Chandrabose believed that he could use his political connections to get such jobs for his community. Mr. Chandrabose claims the way out of caste oppression is to avoid dependence on incomes from working on the land of the Vellalar. Furthermore, he also believes that toddy tapping and industrial jobs are desirable as they not only create jobs independent of the Vellalar, they ensure regular incomes and makes the oppressed castes self-reliant.¹⁸⁵

Mr. Chandrabose also discussed the way out for the oppressed castes, including the kind of social consciousness that was necessary to challenge the power of the Vellalar.

¹⁸⁵ Contrary to this perspective, there has been considerable work done in India, particularly in the context of the modes of production debate on how capitalism and industrial exploitation can work in tandem with caste relations, rather than get rid of caste oppression. See for example the early work of Dipesh Chakrabarty on the working class in West Bengal. (Chakrabarty 2000)
Now if caste is to change, there needs to be a mind-set change. What do we do? Do we start a movement for this now? Look what happened in Mullivaikal [Where tens of thousands died in the last phase of the war]? Do we get destroyed through another struggle? People’s minds have to change. It’s much less in schools, it’s not in temples, but it’s in their minds.

In Jaffna, and the post-war North and East, any reference to struggle is overshadowed by the history of the armed conflict and its disastrous consequences. Therefore, it also shuts down the possibility of discussing struggles as a way of resolving the social problems. This might also be related to the visible and massive military presence and the widespread surveillance, which confronts the idea of any notion of independent organising.

Mr. Chandrabose then touched on the politically sensitive issues militarization and the presence of a mostly Sinhala police force after the war:

If a man from our community runs off with their [Vellalar] woman, they can’t do anything. Because the Sinhala police is here. … If it was the Tamil police, they would ask the man and woman to separate. We don’t need Tamils rights, first we need the rights for our community and we need to end caste oppression.

Mr. Chandrabose’s comments about the police speak to the devolution debate in Sri Lanka and the demand for police powers to the Provincial Council. Since the 1980s a constitutional political solution to the ethnic conflict demanded considerable autonomy to the Northern and Eastern Provinces. The Indo-Lanka Accord and the 13th Amendment to the Constitution instituted the Provincial Councils with various powers. However, police powers were not devolved to the Provinces during the war. And in the post-war context, one of the Tamil nationalist demands is to devolve police powers to the Provinces, so that a Provincial Police Force consisting mainly of Tamil police officers could be responsible for security. In this
context, Mr. Chandrabose is questioning the possible caste mind-set of such a Tamil police force and making a connection between caste and devolved state power.

Mr. Chandrabose mentioned historical parallels of how it is in the interests of the oppressed castes to make alliances with outside actors given the Vellalar moves to deprive as well as socially and economically exclude the oppressed caste communities. He said American missionaries were more inclusive than Vellalar officials, and he justified the conversion to Christianity in the past to get jobs from the missionaries. This repudiation of Hinduism as a way of caste oppression is not new. The Indian anti-caste leader Ambedkar called for conversion to Buddhism.

The solution that Mr. Chandrabose proposes is that of the social consciousness and economic autonomy for the oppressed castes.

If there is economic advancement caste issues will decrease. If the upper castes dominate politics, caste problem will not decrease. … We have to realize that he depends on our labor for his production. If our people don’t go to labor, will he be able to plant his crops? No, he can’t. But our people have to become conscious of that, but our people think he is giving us work. Until our community gains consciousness he will remain the mudalali [overseer], and our people won’t become mudalalis [overseers].

These political views of Mr. Chandrabose come out of decades of experience first as an anti-caste activist and then as a local political leader of a party. His language is one that speaks to his community. As with his comments about his people become mudalalis [overseers] or getting jobs, they are not necessarily about emancipation, but rather in some minimal way meeting the economic power of the Vellalar. The EPDP, his party also does not aspire towards social transformation, rather it is merely attempting to build a social base through patronage. Those are also the limitations of anti-caste politics in contemporary times.
In day to day interactions, Mr. Chandrabose is always matter of fact, he does not talk too much, as he is always running around with one errand or another assisting people. His speech is also not very clear as he mumbles. But as the interview progressed on that day, and he began talking more and more about caste, his articulation was powerful. His interview that day also reflected the moment. By 2014, the post-war economic crisis was all too clear and his community was in a dire situation. There is a sense of desperation in his words about the economic future and the political possibilities.

Women, Land and Caste

I now turn to Suganthy (pseudonym), whom my research assistant had met with and was impressed by her courage.¹⁸⁶ Most single women refused requests for interviews when my research assistant approached them. My research assistant, herself not much younger than most of these women, explained to me that they did not want their stories to come out into the public, and feared the interview will bring further social stigma and shame. We wanted to talk to such women, because of the high number of single mothers with dependents and the economic difficulties such women faced.

Suganthy is a thirty year old mother of two children, though with her thin frame, she could have passed for an eighteen year old. She was separated from her husband and lived in a small temporary house, a shack made of a combination of mud walls and tin sheets, on the land of her husband’s aunt who was sympathetic to her plight. She lives deep into the oppressed caste ward in Pathemany.

Suganthy, a daughter of a mason, grew up in another village. In her late teens she eloped with a relative, a man slightly older than her and came to live in Pathemany. Eloping with her husband meant her relationship with her own family had severed and she could not

¹⁸⁶ Interviewed on 14 May 2014.
expect any support from them. A few years into her marriage, she started going for kuli work to strengthen their household finances and also because her husband had a few unmarried sisters and he had to get them married. It is the duty of the male sibling to find the dowry to make sure his sisters are married off. She said, how initially going to kuli work was difficult, but then she got used to such work. She described her working day:

I wake up at 5:00 or 5:30 am and finish all the housework by 7:30 or 8 am. I give my children their breakfast and also get their lunch ready and then I go to work. It is mostly work of weeding and harvesting, depending on crops like beet roots, onions and chilies. Morning wages are Rs. 300 (US$ 2.30) and afternoon another Rs. 300 (US$ 2.30), to total Rs. 600 (US$ 4.60). It used to be a total of Rs. 300 (US$ 2.30) and then Rs 500 (US$ 3.85), [but] as prices increased wages were increased. People come in search of kuli workers, and they tell us, how many people they need, and we go as a group. Then when I come home, I cook dinner. We get breakfast at work and if we stay there for onion digging work, we get lunch. We also get tea in the late morning and again in the afternoon. … It is mostly women who are married and older than me that go for kuli work. They won’t send young unmarried daughters for such work.

While she lived with her husband, he did not like her to go for kuli work in the Vellala ward, but after they separated and as kuli work reduced in the oppressed caste ward among the few landowning farmers, she now mainly goes for work in the Vellala ward. The gardens of people she works on are some who have their own land, and others are those who have rented lands for farming. Suganthy’s expenses are less than most families, because she has only small children:

I have small children, so the food cost is less, so it costs about Rs. 350 (US$ 2.70) to Rs. 400 (US$ 3.00) a day. My husband has to pay alimony of Rs. 7,500 (US$ 58) [per
month]. He mostly pays it. Last month I would have only worked ten days. I get the support of my aunt to look after my children, when I work, which is a big help.

Like many people in the oppressed caste ward of Pathemany, housing land is important for her. She mentioned her earnings and efforts to buy land:

I have two lachams of land in Changanai. But I don’t go there as wages for kuli work are low there. I have taken a self-employment loan for 1 lakh (Rs 100,000, US$ 769) and I have put it aside to buy a piece of land here. But that will cost about Rs. 3 or 3.5 lakhs (Rs. 300,000 or 350,000, US$ 2,300 or 2,700). I am trying to save some more to buy that land. I also have to keep paying the interest from the loan.

Suganthy’s family having severed relations after she eloped, have re-established relations and given her some land. However, the two lachams of land from her family is not suitably placed to access even a meagre livelihood. She wants to stabilise her life by gaining housing land in her vicinity.

Suganthy like most rural women in Jaffna has taken loans and also participates in a community savings scheme called seetu. In Jaffna, seetu is a system of pooled savings where each month a small amount is added by all members of the group, and when an individual needs a lump sum they can take it but continue paying the monthly payment.

She talked about the other women who work with her and her interaction at the courts when she first got her alimony:

The other women who come to work with me are married. They have young daughters who are unmarried, so they need money. … When my husband first left me, it took time before the court case and he had to start paying alimony. At the courts, there are so many women like me. When I first went, I went there crying, and then saw so many women like me. They are also going for work, some for kuli work, others work in shops. We all talk about our difficulties and then leave.
Around the time I was interviewing her, many people in Pathemany were starting to talk about the Atchuvely Industrial Zone, and I asked her if she is also thinking of such work given the decreasing amount of kuli work. She was indifferent. She said if the work they provide is flexible and allows her to take care of her children by getting home on time, then she could take such work. Industrial work, will provide regular incomes without having to work on Vellalar land. However, for single mothers like Suganthy even such work will have its challenges given her dependants.

Almost two years after I had interviewed Suganthy in early 2016, I heard from my contacts in Pathemany that Suganthy had purchased a small plot of land. However, that plot of land was in the Vellala quarter, bordering the oppressed caste quarter. In recent years, the Vellalar do sell their land to oppressed caste individuals, particularly in the context of the mass migration by the Vellalar. In the past, there would have been far more pressure on any Vellalar person who considered selling the land to an oppressed caste person, including the threat of ostracism.

In any event, such caste prejudice continues, and in the case of Suganthy, her neighbors have written a petition to the Electricity Board claiming her plot of land should not qualify for an electricity connection because it is not on the land register connecting with an official address for the lane. She has to get the bureaucracy to sort her papers and depending on the local officer, who is likely to be a Vellala person, this process may take months if not years. In the past, the Vellala community may have used violence to chase away those oppressed caste individuals who move into their caste quarter, but in contemporary times subtle forms of pressures, including petitions to officials perpetuate social exclusion.
Caste Oppression, Resistance and Violence

In Jaffna, older oppressed caste men involved in anti-caste struggles in the 1960s and early 1970s, either avoid speaking about those struggles or spoke of them as belonging to a distant past with little relevance now. Perhaps after the armed struggle, the many massacres and the heavy presence of the military and police in the region, they can’t imagine the space for any struggle. Furthermore, their caste struggles are now considered irrelevant and insignificant in the public sphere, given the tremendous destruction the Tamil society had experienced with the war.

In Jaffna, I have heard of a few incidents of spontaneous acts of violence by oppressed caste individuals against upper caste individuals, and they have not led to the same repercussions against the oppressed caste community as it would have happened before the war. Indeed, before the war, an act of violence and even an insult by an oppressed caste individual against a Vellala individual would have led to major retribution against the concerned oppressed caste village by Vellala backed thugs.

In this context, a recent caste problem in northern Jaffna, in October 2016 gains significance. It was triggered by the Vellalar community in Punallaikutuvan village trying to re-establish a cemetery right in the middle of a neighboring oppressed caste village called Thidatpulam. The developments with this caste conflict may reflect the changing dynamics of caste relations after regime change in January 2015, and the attendant changes to social mobilisations.

187 In September 2016, with the support of the New Democratic Marxist Leninist Party, the offshoot of the Communist Party in the 1970s, I visited the villages of Nitchamam, Kanpolai and Puttur. The field visits were in preparation for a presentation on contemporary caste issues for a conference organised by the Mass Movement for Social Justice in Jaffna. These three villages were the sites of major caste struggles in the 1960s and 1970s, and the oppressed caste community had made major gains through those struggles including access to land (Senthivel 2009). Even those aligned with this party could not find people to talk about those caste struggles, and were hardly encouraging of the visits, as they felt the people in the village did not want to revisit that history.
I first heard about caste in Punnallaikatuwan when I interviewed Ragavan\textsuperscript{188}, one of the founding members of the LTTE, who left the organisation after ten years and became a strong critic of its politics. In that lengthy interview, at the height of the last phase of the war in 2009, Ragavan began with one of his earliest memories of his village Punnallaikatuwan:

There was a man called Thuraisingam, an upper caste man and a Chandiyan (a local village thug), my mother told me that he murdered a man long ago. He also owned land and the Dalits (oppressed caste people) were the service caste and they would work for him. At that time, I was about six or seven years old, in the early 1960s, and one day, there was some problem with the Dalits, possibly because they didn’t want to work as he hadn’t paid them properly. The outcome was that the entire Dalit community was chased away from my village. … And it took them a long time before they could come back and resettle.\textsuperscript{189}

A few years after the incident mentioned by Ragavan, the Central Government in 1969 created a housing settlement of 40 landless oppressed caste families from a neighboring village called Evinay onto state land adjacent to the cemetery used by the Vellalar in Punnalaikattuwan. The oppressed caste people of this new village, Thidatpulam, continued to work as waged labor and share crop on the large lands owned by the Vellalar from Punnalaikattuwan. In 1982, there was another caste problem, culminating in thugs from Punnalaikattuwan murdering two youth from Thidatpulam, leaving a deep scar and fear among its residents to this day.

The cemetery was not used during the war, and with the population of Thidatpulam having increased to 180 families, about nine families had encroached and built houses on the

\[\text{\textsuperscript{188} His movement name in the LTTE.}\]
cemetery land. After the war, the Vellalar have resumed the use of the cemetery, creating tensions as the cemetery and the burning pyres pollutes the neighborhood. A confrontation ensued, and the Vellalar brought about 30 thugs, who camped out in the cemetery and built a high wall around the cemetery blocking the main entrance to a few of the houses. One night, the *Sana Samuha Nilayam* (Community Center) of Thidatpulam was also defiled by smearing engine oil presumably by those Vellalar-backed thugs. While the residents of Thidatpulam found it difficult to unite their village against the Vellalar as many of them either work as wage labor or sharecrop on the lands owned by the Vellalar, the attack on their *Sana Samuha Nilayam* created a sense of urgency and united them. The residents of Thidatpulam have appealed to various state officials and the police, but action is not forthcoming.

In discussions with the Mass Movement for Social Justice, the oppressed caste villagers said they believe the police have been bribed and the state officials are partial considering they mostly belong to the Vellala caste. While there is palpable fear relating to the 1982 killings as consequences in the past for confronting the Vellalar, the villagers are defiant and believe they have the support of neighboring oppressed caste villages. They said, they told the Vellala thugs, if you kill one of us, we will kill one of you.

The caste conflict in Thidatpulam is reflective of the changing dynamics of caste relations in post-war Jaffna, with possibly the the reemergence of overt and violent caste conflicts. However, this is the first major caste confrontation of this nature that I have heard of in recent years and it is too early to say, whether regime change, the loosening of military repression and the increasing space for protests, signals a shift in caste confrontations.

In general, the space for organised violence and resistance has been muted in the post-war years. Resistance with force, which is what my interlocutors consider to be “struggle”, is much more difficult after the war, with the large military camps, extensive surveillance and widespread police presence. However, the state structures at the district and local levels are
represented by Tamil officials, who are mainly of Vellala caste. They perpetuate caste
discrimination through their administrative interventions, but not through overt violence. For
example, oppressed caste quarters are rarely provided rural roads, access to water and street
lighting.\footnote{I have noticed this in many villages. But I have a clear understanding of the workings of the state machinery from the problems faced by Maruthapuram village, in Karainagar in Jaffna, where I was part of a fisheries research project. It was only after the war that they were able to even get road connectivity to their village, and water service and street lighting are still denied to them among a host of grievances relating to state services. The villagers of Maruthapuram have also protested in front of the Divisional Secretariat, the bureaucratic center in their region, but progress on issues such as state services in water, housing and street lighting move at an extremely slow pace compared to other villages.} Therefore, even if the oppressed caste communities may now have the courage to challenge physical threats from the Vellalar landowners, they lack the wherewithal to confront the Vellalar officials dominating state structures.

**Towards an Analysis of the Contemporary Dynamics of Caste Relations**

Analysing caste relations in contemporary Jaffna is difficult due to the public silence on caste during the war and continuing into the post-war era. The current silence is a consequence of the near absence of an oppressed caste movement. Furthermore, there is suppression of anti-caste discourse with Tamil nationalist discourse dominating the public sphere. Indeed, Tamil nationalists argue that the priority is to achieve self-determination for the Tamil nation first and then address the internal contradictions such as caste. Many upper caste academics in Jaffna deny the existence of caste oppression in contemporary Jaffna, and claim that discussing caste in public, including its history would bring back caste and divide Tamil society.\footnote{Both during initial meetings with academics at Jaffna University in the sociology and geography departments, and in public forums involving retired academics, they discouraged me from pursuing research on caste and dismissed the importance of caste relations in contemporary Jaffna society.} In this context, the oppressed castes are also responding to caste exclusion through a strategy of non-confrontation and educational progress.

Historically, landed relations were central to caste structure in Jaffna, and the return to land after the war, and changes to land as a productive asset are shaping contemporary caste
relations. The spatial politics of caste relate to the location of houses, of temples and of schools and their proximity to caste wards in the village. Furthermore, caste is reproduced through social exclusion in schools, job opportunities and the caste demographics of migration and the related remittance economy.

_Caste in Social Institutions_

I argue that even if landed productive relations are not strengthened, the caste structure is not weakening. Rather, the very political economic processes that have been weakening landed relations are resulting in new forms of social exclusion leading to the consolidation of caste relations. Such strengthening of caste is tied to the workings of the social institutions.

Temples continue to be important institutions for the persistence of caste. And their spatial location in each caste ward and the membership that sustains them is significant for caste relations. Much of the social investment in the post-war context has been in temples, and considerable amount of that capital comes from the Diaspora, creating a link between migration, remittances and the consolidation of caste in Jaffna. Migrant remittances are tied to forms of pride in the family and caste, and investment in temples has become the expression of social power. Indeed, belonging to a caste group and a temple, draw on the spatial differences that characterised social power in the pre-war decades. Furthermore, while there were major battles for temple entry in the 1960s confronting such social power, there are few such confrontations in contemporary times; oppressed caste people are now less and less interested in making their presence felt in upper caste temples. The social dynamic now is of each caste group investing in its own temple and each caste community worshiping in
their temples\textsuperscript{192} and reproducing caste differences projected as community differences in each locality, rather than confronting such differences as forms of caste oppression.

In addition to temples, other social institutions such as schools and \textit{Sana Samuha Nilyam} (community centers) are institutions that affect people’s everyday social life. Given that oppressed caste communities have the right to attend schools or teach in schools, there are subtle forms of exclusion where the Vellala caste avoids schools with oppressed caste children, by enrolling their children in urban schools. Furthermore, the \textit{Sana Samuha Nilayam} by their proximity and linkage to the temples are inherently caste institutions, which through the pre-schools they run begin social exclusion by caste when children first enter public spaces.

Such social exclusion is further reinforced in marriage. Inter-caste marriage can lead to the concerned individuals, particularly of the upper caste being disowned, and not receiving the property normally passed down to the next generation. Marriage and dowry are important for property relations, and impinge on household assets, which provide disincentives for inter-caste marriage. In any event, the imposition of arranged marriage is very strong. Even in the cases where youth find their own partners, such partners are also chosen to avoid the repercussions of inter-caste marriage. The continuing importance of dowry property in the marriage institution ensures segregation through caste based marriage.

\textit{Caste in Spatial Relations of Employment and Social Access}

Land ownership gains a spatial significance with the location of houses within the caste geography of villages. Where do you live, in which part of the village? Which temple or

\textsuperscript{192} One argument that is put forward is that the war-time trauma is leading people to invest in and become involved in temples. Furthermore, that is the reason for the oppressed caste communities getting involved in their temples. The analysis of psycho-social concerns while they may contribute to this dynamic, is beyond the scope of my research.
Sana Samuha Nilayam do you go to? These are crucial questions for the recognition of caste position. And through such recognition, caste plays its role in access to education and jobs.

The web of community activities, the recognition of peoples’ caste locations and kinship ties extend beyond the village, and the caste structure then reproduces itself in employment and education. There have been a number of controversial rejections of oppressed caste principal and teacher appointments in upper caste dominated schools; protests and petitions against such appointments of principals and teachers are mobilised by upper caste village bodies and old student associations. Therefore, in educational appointments in particular, there are increasing cases of caste exclusion.

Industrial work is considered to be one possibility of exiting the caste relations tied to land. There was much expectation of jobs for example with the Atchuvely Industrial Zone, which can provide regular incomes and better wages. However, such industrial jobs may not be able to completely escape caste relations as they are still embedded within Tamil society, where owners, managers and engineers are likely to be Vellalar. Moreover, there is a gendered dimension to the accessibility of such industrial work. Indeed, social reproduction is contingent on a number of factors including spatial and temporal issues. The location of work, the hours of work and the priority of taking care of dependents will be an economic calculation for women who choose wage labor and domestic work in Vellala farms and homes. The larger economic pressures on war affected women as they attempt to survive the various challenges of caring for dependents while eking out a livelihood may draw them deeper into caste relations.

State institutions which not only provide jobs but also a range of state services are disproportionately populated by the Vellalar. And caste prejudice reflects neglect in the delivery of state services to oppressed caste wards. The Muslim community which is outside caste relations also complains of such discrimination by Tamil bureaucrats in Jaffna.
following their return after the war; that is two decades after their eviction by the LTTE in 1990.  

Dispossession, Social Exclusion and the State

The entire population of Jaffna is affected by the post war onslaught of the market and financialisation resulting in widespread indebtedness and dispossession. However, the dynamics of dispossession are such that the more socially vulnerable, the oppressed caste communities in the case of Jaffna, are the heaviest hit as they lack significant remittances from the Tamil diaspora in the Western countries. Here, oppressed caste women, and particularly if they are single women with dependents, carry a major social burden, and the process of dispossession can be devastating.

The subtle character of caste oppression in contemporary Jaffna is one reason why the process of consolidation of caste relations is not as evident. Caste relations in Jaffna are not characterised by atrocities as is the case in many parts of India (Teltumde 2010). Rather, caste exclusion in Jaffna is perpetuated by stealth. Furthermore, repression by the security apparatus including the army and police also have a caste character, to the extent that an upper caste individual is more likely to access officials and lawyers, and is less likely in the post-war context to be physically attacked by local gangs believed to be controlled by military intelligence. Caste struggles, if they emerge again in the future, will have to challenge the workings of state power in support of caste structure, particularly through the workings of the Vellalar dominated bureaucracy in the Tamil regions. If the powers of the Government in Colombo are curtailed through further devolution, the devolved powers are likely to strengthen the Vellalar dominated administration in the Northern Province.

193 I have been involved in organizing a number of meetings on Tamil-Muslim relations in Jaffna town, and Muslims have mentioned such discrimination as the cause of lack of access to the housing schemes and infrastructural neglect of the Muslim quarters in Jaffna town.
The role of the state and its policies with respect to caste exclusion in the future are likely to be significant. Indeed, from the Social Disabilities Act of 1957 condemning caste to the support given to the co-operatives in the 1970s were enabling developments to confront caste exclusion. Next, the forms of politics that emerge in response to the processes of dispossession and social exclusion will be significant. Would a new political actor emerge with an emancipatory vision for the oppressed castes much like the role played by the Communist Party in the 1960s? Or would it be the continuation of patronage oriented parties like the EPDP which have managed to capture the social base of oppressed castes? How will any new political formation challenge the politics of the TNA dominating Tamil politics? The TNA is not only narrowly nationalist, but also caste conscious, but the question is whether the oppressed caste communities can mobilise their large voter base to change the nationalist political trajectory.

The demographic changes with migration to form the large Tamil diaspora have possibly brought the numerical strength of the oppressed castes on par with the Vellalar in many regions, and political mobilisation and the revival of an anti-caste movement can drastically shape politics in Jaffna. However, that would also require the Tamil population and the oppressed caste communities coming to terms with the disastrous armed conflict and the legacy of the Tamil Tigers. It is through an ideological critique of the Tamil nationalism that has dominated the political imagination in Jaffna and the North that the space can be created for a progressive anti-caste politics.
CHAPTER 5

Cooperatives and Alternative Visions of Reconstruction

In the growth of co-operation in Ceylon, Jaffna can justly be proud of blazing many a trail. The first Co-operative Central Bank was set up in Jaffna: so was the first Co-operative Hospital at Moolai – perhaps the first of its kind in the world. The first successful Co-operative Marketing Society in Ceylon was the Jaffna – Malayalam Co-operative Sales Society Ltd. The first Co-operative Union for Agricultural producers was the one in the Northern Division. The first Harbour Services Union and the first District Fisheries Union were also later set up in Jaffna. Amongst these numerous ‘firsts’ an outstanding success was the creation of the Northern Division Co-operative Federation (the first regional Union) which was registered in 1937. It covered the Northern and Eastern Provinces (Kurukulasuriya, 1971, 78-79).

Hence the Ten Hour Bill was not only a great practical success; it was the victory of a principle; it was the first time that in broad daylight the political economy of the middle class succumbed to the political economy of the working class. But there was in store a still greater victory for the political economy of labor over the political economy of property. We speak of the cooperative movement, especially the cooperative factories raised by the unassisted efforts of a few bold ‘hands’. The value of these great social experiments cannot be overrated. – Karl Marx, *Inaugural Address of the Working Men’s Association* (Marx 2010, 79)
Introduction

If the war-torn northern economy is in crisis, what can be recovered from its past to reconstruct a future for its people? In this Chapter, I address the rise and decline of the co-operatives. The history of the co-operative movement in Jaffna and Sri Lanka more broadly reaches back to the early twentieth century. The British colonial government initiated and then nurtured co-operatives as part of its agricultural policy and then for distribution of essential items during the Second World War. By Independence in 1948, co-operatives had become widespread and gained an important place in the economy. In the late 1950s and into the 1970s, left-leaning governments committed to import substitution strengthened co-operatives to boost rural development.

The history of co-operatives in Jaffna finds its place in my research for a number of reasons. First, co-operative development was tied to the advances in both formal and informal education in Jaffna. The second connection is between co-operatives and credit, with the co-operative movement itself initiated through credit co-operatives by the British. The third connection is with caste, with the leadership coming from Vellala upper caste communities. However, with the emergence of producer co-operatives, particularly those formed for caste-related occupations such as fisheries and toddy tapping, co-operatives also became institutions for advancing the interests of certain middle and oppressed castes.

In analysing the co-operative movement, I address their deterioration with the war, the pressures they are now facing with market oriented reconstruction policies and the continuing obstacles placed by Tamil nationalist politics indifferent to their rejuvenation. While I realize that co-operatives cannot solve the economic crisis in the war-torn North, I articulate the importance of co-operatives in constructing an alternative development vision and plan. I further analyse the tension between state support for the revitalisation of co-operatives in a
post-war society and the historically problematic relationship between the state and co-operatives.

I begin this chapter with a discussion of the history of national level policies on the development of co-operatives in Sri Lanka and then move to a discussion of the emergence of a powerful co-operative movement in Jaffna and more broadly the north. I then discuss the contemporary workings of the fisher and palm development co-operatives, two of the most vibrant producer co-operatives in Jaffna to this day. Following a discussion of the broader contemporary challenges for co-operatives in Jaffna, I address the contradictions of state support for co-operatives through a discussion of Marx’s interventions on co-operatives. My discussion of co-operatives will argue that the legacy, institutional memory and wide presensence of co-operatives to this day in Jaffna provide ideas and possibilities for an alternative vision of reconstruction.

The Growth of Co-operatives in Sri Lanka, 1911 - 1977

By the late nineteenth century, indebtedness and defaults on taxes by farmers in Sri Lanka had led to calls on the colonial government to address the agricultural crisis. These pressures and subsequent interventions by the Governor, Sir Henry Blake, led to the formation of the Ceylon Agricultural Society in October 1904, with the Governor as President and a Board nominated by the Governor (Paramothayan 1990, 50). While this institution was created with a view to enhance paddy cultivation and increase productivity as well as to address indebtedness, further agitations called for the implementation of co-operative credit banks along the model instituted in India in 1904.

The new Governor, Sir Henry MacCallum appointed a Committee of Investigation called the Agricultural Banks Committee in 1909. On the basis of its recommendations, The Ceylon Co-operative Credit Societies Ordinance No. 7 was passed in the Legislative Council
in 1911 (Paramothayan 1990, 50-52). These credit societies became critical to address rural indebtedness and to strengthen farmers; while borrowings were necessary for farmers the interest rates were much lower than charged by the rural traders ensuring the farmers could repay their loans and not fall into permanent indebtedness.

The rapid increase in the scale of co-operatives in the entire island, however, only came with the major push by the colonial government in 1942. The British centralised distribution of essential items and rationed goods in Ceylon, due to the Second World War shortages, particularly as the war with Japan escalated in South East Asia. This war-time colonial policy led to the tremendous increase in the formation of consumer co-operative societies and their membership in the country.

**Co-operatives at Independence**

Soon after Independence, the Reserve Bank of India sent one of its Chief Officers in October 1948 to gain insights by studying the co-operative movement in Sri Lanka (Reserve Bank of India 1948). That study, titled, ‘Co-operation in Ceylon’ is an important historical record of the state of co-operatives in Sri Lanka at Independence.

The co-operative movement which had a membership of just 7 percent of the population in 1942 had reached two-thirds of the population by 1947. In 1946-1947, there were 6,521 co-operative societies with 1.1 million members and a working capital of Rs 33.2 million (Reserve Bank of India 1948, 11). The population of Sri Lanka at that time was 6.8 million and in 1946-1947 the government current expenditure and capital expenditure were Rs 448.3 million and Rs 57.3 million respectively (World Bank 1953, 193-196). Thus the working capital of the co-operative movement was equivalent to 7% and to 58% of the
Reviewing the tremendous increase in co-operatives in the 1940s, the Reserve Bank of India claimed every village in Ceylon had a co-operative and that it was now a “live issue”, though co-operation in the country was mainly with consumer co-operatives (Reserve Bank of India 1948, 11). This positive assessment was due to the creation of a system of rationing and distribution of essential items, particularly with the expansion of consumer co-operatives. The question inevitably arises whether the colonial expansion of co-operatives for war-time distributional purposes could be sustained after the war in post-colonial Sri Lanka.

The World Bank Mission in the early 1950s also evaluated the state of co-operatives. It emphasized the expansion of agriculture and stressed the importance of co-operatives for that task:

Ceylon is fortunate in possessing a well-developed and vigorous cooperative movement. It furnishes leadership and guidance in the solution of many agrarian problems, such as effective utilization of existing resources and the introduction of improved methods of cultivation. Cooperatives provide a large share of agricultural credit on reasonable terms. They also perform an important educative role, both in training of local leaders and in quickening the awareness of the peasant... (World Bank 1953, 58)

The World Bank considered the co-operatives to be organising institutions for agricultural expansion, which it recommended for the dry zone with irrigation and colonization schemes.

The World Bank also discussed the issue of exploitation of rural producers such as small cultivators and fishermen by village traders and money lenders. It went on to

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194 The co-operatives running costs are compared with government expenditure as GDP figure are not readily available; even in the early 1950s the GDP figures are not reliable (World Bank 1953).
recommend the doubling of the number of credit, marketing and producer co-operatives to address such exploitation. It also discussed the possibilities of co-operatives providing long-term loans of up to 30 years to relieve those farmers who are tremendously indebted to money lenders.

The co-operative credit societies had doubled in membership in the 11 years before the World Bank mission. The World Bank recorded that the co-operatives advanced loans to members on reasonable terms between 6% and 9% per annum, with limits to individual members of around Rs. 200-300. Furthermore, most loans were “productive” and used for cultivation with only less than 4% of “unproductive” loans used for ceremonies and repayment of old debts (World Bank 1953, 199). In this way, the co-operatives were considered indispensable institutions for the rural economy soon after Independence.

*Postcolonial Expansion of Co-operatives*

The left leaning regime of S.W.R.D. Bandaranaike came to power in 1956 supported by a strong rural power base, and it initiated another phase of co-operative expansion. The Minister of Agriculture and Food, Philip Gunawardena, promoted a stronger role for the state utilising co-operatives in the rural economy. Gunawardena believed co-operatives had both a faulty ideology and a faulty structure, of serving the interests of selected groups of people with a multiplicity of single-purpose societies in a village (Royal Commission 1969). His concerns according to a policy directive to the Co-operative Department in the late 1950s was that in less developed countries co-operatives are active partners of the state in national development, however, in the process parochial interests of various groups are advanced (Royal Commission 1969). Therefore in the late 1950s, Gunawardena put forward a program of rural development through Multi-Purpose Co-operative Societies (MPCS) to assist the
state’s economic development agenda. In particular, he envisaged a rural development plan with an ambitious programme of developing entire villages.

The MPCS was conceived as a society which carried on consumer services as well as agricultural credit, supply of marketing and, wherever possible labor contracts for the execution of village works. By the end of 1960 there were 4,741 multipurpose co-operative societies. … The Minister who introduced the multipurpose co-operative societies gave the multipurpose unions a monopoly in the wholesale distribution of rice, flour and sugar. … It was intended that the unions would be able to make a substantial profit on the monopoly trade and thereby augment their capital. This actually happened for a while but the margins allowed on the monopoly commodities were gradually reduced by the Government (Royal Commission 1969, 34 - 36).

In this way, Gunawardena’s vision had a lasting impact of centralising the co-operatives and creating further dependence on the state. This role for the state in co-operation were further consolidated during the tenure of the left-leaning governments between 1960 – 1965 and then again 1970 – 1977.

The consolidation of co-operative banking had a major impact on the co-operative movement as a whole. Gunawardena’s proposal in the late 1950s for a centralised co-operative development bank with state support was realised with the formation of the People’s Bank in 1961. The People’s Bank amalgamated the capital in various rural co-operative banks. While the People’s Bank was to benefit co-operatives through co-operative representation on the board, in reality, it took on the characteristics of a state-owned commercial bank. The older Bank of Ceylon was also nationalised around the same time, and the People’s Bank was seen by its General Manager in the 1960s as a rival to the Bank of Ceylon in commercial banking (de Livera 2000).
In retrospect, state led centralisation of co-operative banking undermined the co-operative movement. The centralised operations of the People’s Bank did provide financial support for the co-operatives through its rural branch offices, its vast network of agents and its New Agricultural Credit Scheme for rural development. However, when the left was defeated in 1977, one of the first attacks on egalitarian social institutions was against co-operative banking. The mandate of the People’s Bank was changed, removing the relationship to the co-operatives, and it became pure and simple a state owned commercial bank.

Next, consumer co-operatives became increasingly dependent on the state, particularly with the distribution of rations and subsidies to the public through MPCS and other co-operative stores. While co-operatives are enhanced through state subsidies and banking support, the left-leaning governments went much further in centralising and strengthening the hold of the state over the co-operatives. The left governments at that time assumed they were on the path to socialism and created a long-term plan of rural development.

In India, it was rent-seeking within the co-operative movement that led to its decline.195 Whereas in in Sri Lanka, when a pro-business right wing Government came to power in the late 1970s, it was the earlier centralisation and state control that enabled the usurping of co-operative resources as with the capital of the co-operative banks and the undermining of consumer co-operatives through the sudden withdrawal of state support. The Sri Lankan case raises important questions about the trade-offs between the advantages of

195 According to Singh: “In India, traditional cooperatives were mostly registered under the respective State Cooperative Societies Acts. But due to political interference, corruption, elite capture, and similar issues, the cooperatives soon lost their vibrancy and became known for their poor efficiency and loss-making ways. Now, government support to these cooperatives is declining, though gradually and selectively. At the same time, they face higher competition due to privatisation and liberalisation policies. The new environment, however, provides new opportunities for cooperatives due to state withdrawal and deregulation.” (Singh 2008)
economies of scale that come with state led federation of co-operatives and the disadvantages of the membership losing control of the co-operatives.

**Historical Vitality of Co-operatives in Jaffna**

It is the business of the International Working Men’s Association to combine and generalize the *spontaneous movements* of the working classes, but not dictate or impose any doctrinal system whatever. The Congress should, therefore, proclaim no *special system* of cooperation, but limit itself to the enunciation of a few general principles. …

We recommend to all cooperative societies to convert one part of their joint income into a fund for propagating their principles by example as well as by precept, in other words, by promoting the establishment of new cooperative fabrics, as well as by teaching and preaching. – Karl Marx, *Instructions for the Delegates of the Geneva Congress* in 1867 (Marx 2000, 90)

While the co-operative movement in Sri Lanka was considered extensive and strong, the reach, breadth and strength of co-operatives in Jaffna was of another order. It is in Jaffna that producer co-operatives with their deeper organisational structure and symbiotic relationship with credit, marketing and consumer co-operatives thrived. In this section, I explore the rich history of co-operation created by a particular set of factors, both the social history of Jaffna and its social and economic links with other parts of the world.

In 1926, when a separate Co-operative Department was formed taking away co-operatives from the Agricultural Department, the Registrar of Co-operatives in Jaffna took up a strategy of recruiting local leaders for federated co-operative structures and encouraging these wealthier individuals, some of them former state officials to put their own capital into the co-operatives credit societies (Paramothayan 1990, 61-63). In the 1930s, a range of
marketing and producer co-operatives emerged with the proliferation of the co-operative concept with the new co-operative leadership encouraging different workers to form co-operatives. It was this experimentation with and the emergence of innovative producer co-operatives that instilled a deeper co-operative culture.

The vibrancy of educational institutions in Jaffna and the highly literate culture contributed to co-operation. In particular, the presence of teachers and principals as well as retired public servants including those who had returned from working in Malaysia provided a pool of willing co-operative leaders in Jaffna. The particular characteristics of the Jaffna economy discussed in Chapter 2 also contributed to co-operation; high population density with small holding agriculture and high levels of literacy was conducive for co-operative organising.

One of the most interesting co-operative initiatives was the marketing of tobacco in the subcontinent. The Jaffna Malayalam Tobacco Co-operative Sales Society was initiated in 1934. It functioned by notifying its members of the current market prices for the different grades of tobacco, classifying the tobacco and paying the cultivators an average of 60 percent of the market price as an advance. On completion of all export and sales transactions the members were paid the balance due to them. This society was not only the first of its kind in Sri Lanka exporting to another country, it illustrated the vast potential for co-operation in the Northern Province, especially in the area of member-education and participation. The growth of its membership and capital over the first fifteen years of operation was a major boost to not only the tobacco growers but also the co-operative movement as a whole (Paramothayan 1990, 140).

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196 According to Paramothayan, this tradition of co-operation beginning in the 1920s continued into the 1970s: “An examination of two large and well respected Multi-Purpose Cooperative Societies in Jaffna (Alaveddy MPCS and Chavakacheri MPCS) showed that between 1971 and 1978 teachers constituted 39 percent and 41 percent respectively of all members of the Executive Committee. … On the whole the majority of committee members of cooperative societies or unions were teachers, the rest being composed largely of lawyers, government officials, Malayan pensioners and a good many farmers.” (Paramothayan 1990, 100)
Such an initiative in tobacco was paralleled in many other sectors. Along with the Jaffna-Malayalam Tobacco Co-operative Sales Society, the most successful were Moolai Co-operative Hospital Society (1936), the Northern Province Fishermen’s Cooperative Union (1959) and the Jaffna District Cooperative Harbour Services Union (1963) (Paramothayan 1990, 163). By 1970, the Co-operative structure in the North consisted of a total of 1,301 cooperative societies of which 1,259 primary societies and 42 secondary societies, under the aegis of Northern Division Co-operative Federation (Paramothayan 1990, 143).

The Moolai Co-operative Hospital Society, despite great setbacks during the war, including displacement and massive damage to its physical infrastructure, continues on a smaller scale in the post-war years. It has about thirty five staff, mainly nurses with one medical officer each on rotation during the three shifts. It serves the somewhat isolated population in the north-west region of the Jaffna peninsula. Its main income earner now is an elders’ home it runs, and it is struggling to rebuild after the losses and disruption during the war.197

The important role of fisher co-operatives in leading the fishing community in the post-war years will be discussed at length in the next section. Here it suffices to contextualize the fisher co-operatives with the history of co-operatives in Jaffna. The Northern Province Fishermen’s Cooperative Societies Union, the first of its kind in Sri Lanka was registered in 1959 for the purpose of facilitating the supply of fishing gear to its member societies. In addition, it helped member societies by making advance payments on the produce sent to it and facilitated sea food exports (Paramothayan 1990, 164).

The success of such co-operation also had a caste dimension. In the case of agricultural co-operatives, it is the Vellala castes that gained from savings resulting from co-

197 I visited the Moolai Co-operative Hospital in June 2015, and it is a moving site of vast infrastructure much of it in ruins with effects of war including shelling clearly visible. The visitors’ book preserved by its administrative staff despite years of displacement reflects the appreciation it had during the decades of its success. Visitors from places such as the Soviet Union and Japan had visited is back in the 1950 and 1960s.
operative marketing. Given the numerical majority of the dominant Vellala caste in Jaffna combined with small holding agriculture, a broad section of the population benefitted, and not just a small elite. However, with caste exclusion in the countryside, a section of society was completely left out of the gains from such agricultural co-operation. During my field research in Pathemany, I found that that there was no functioning agricultural co-operative after the war. This is also for the most part true of agricultural co-operatives more broadly in Jaffna and that is why I am unable to write on the current state of agricultural co-operatives.

In this context, the emergence of the Palm Development Co-operatives provided a major advance to the oppressed castes involved in toddy tapping. And the story of the toddy tappers co-operatives emerging in the early 1970s is important not only as a unique experiment in co-operation, but also to understand the consolidation of changes to caste structure in Jaffna following the anti-caste struggles of the 1960s. Hence, the contemporary concerns of the Palm Development Co-operative is discussed at length in a section below.

This rich history of co-operatives in Jaffna and their different path from co-operation in the rest of the country requires some discussion. At the national level, particularly in the early post-colonial decades it was state intervention and aid that promoted federated co-operatives such as the MPCS. However, in Jaffna, institutions of co-operative expansion including of federations, marketing and banking had evolved in the early 1930s into the 1950s, and had gained a level of autonomy from the state. Such co-operatives in Jaffna precedes the evolution of the now famous Mondragon Co-operative Corporation in Spain, which was initiated in the mid-1950s and grew tremendously in the following decades (Errasti et al 2003). Mondragon prioritised the four co-operatives functions of production, distribution/marketing/retail, banking, and training along with research. By the 1940s, the federation of co-operatives in Jaffna had all of these functions except the emphasis on research and technology. Given that Mondragon has survived and even expanded despite
neoliberal globalisation, the question arises whether the co-operative movement in Jaffna could also have innovated and thrived, even amidst the open economy reforms starting in the late 1970s, if not for the devastating civil war.

**Fisher Co-operatives**

Close to 20 percent of the entire Northern Province population depend on fishing for their livelihood; this includes communities from all three religions, Hindus who form the bulk of the northern populations, Christians concentrated in the coastal regions and Muslims, particularly in the Mannar District. Historically, the development of fisher co-operatives came with the food production drive during the Second World War. By 1945 there were thirty fisher co-operative societies in the country (Kurukulasuriya 1975, 117). This interest in developing fisheries and co-operatives continued in the 1950s, particularly with the support of the Canadian government.

There were different models of fisher co-operatives that were attempted. One was fish production co-operatives where the boats were owned by the co-operatives. The other was credit and marketing co-operative societies, where the societies supplied credit and assisted with sales and marketing. The latter, seems to have been a more successful model by the 1960s (Royal Commission 1970). In the North today, the main function of the co-operatives continues to be that of facilitating credit and support for sales and marketing.

The efforts at promoting co-operative societies and the policies of promoting fisheries through mechanisation and exports enhanced fisheries organisations in the North. In September 1959, the Northern Province Fishermen’s Co-operative Societies Union was registered, which by 1969 had 56 member societies (Kurukulasuriya 1975, 207). By the early 1960s, the Jaffna Fishermen’s Co-operative Societies Union is reported to have had a
profitable export business mainly of bêche-de-mer (sea cucumber), conch-shells and shark fins, contributing to the foreign exchange earnings of the country (Paramothayan 1990, 164).

Mechanisation of fisheries, including the introduction of trawling, and export of fisheries led to considerable accumulation by the fishing community. Such accumulation also contributed to the strengthening of the co-operatives in the 1970s into the 1980s (Bavinck 1984). By 1985, with the escalation of the armed conflict, the seas also became a site of conflict between the various Tamil armed groups and the Sri Lankan Navy. The fishing community caught in the crossfire suffered major losses, both loss of lives and assets. Furthermore, the coastal communities suffered from multiple bouts of displacement. Even when there wasn’t heavy fighting, due to the fear of infiltration, the Navy put heavy restrictions on the hours and locations of fishing. Thus from 1985 until 2010, going to sea itself was a dangerous and arduous task for the fishing community.

Contemporary Challenges and Fisher Co-operative Structure

After the war, the fishing community in the North is facing the major challenge of Indian trawlers poaching in their waters. The trawlers from the Indian state of Tamil Nadu are much more powerful and practice environmentally damaging bottom trawling. For the small scale fishermen on the Northern coast, the trawlers did considerable damage by also cutting their nets which were one of their significant assets totalling as much as a year’s worth of income (Scholtens et al 2012).

The northern fisher-folk have mobilised their communities in powerful ways to address these war-time and post-war challenges. Such mobilization was possible mainly due to the co-operative infrastructure built over the decades prior to the war. The fishing

198 On the three days of the week, Mondays, Wednesdays and Saturdays, that over one thousand Indian trawlers cross into the northern Sri Lankan waters the northern fishermen do not venture out to sea worrying that the trawlers may destroy their nets which can be over a year’s worth of income of an average fisherman.
community in the north is one of the few communities that has been able to dialogue with the fishing community in the south to raise their concerns with the state. The fisheries co-operative leaders have also participated in talks and negotiations with the Indian trawler fishermen, not to mention the organized capture of dozens of Indian trawlers poaching in their waters in two major incidents in 2011 (Scholtens et al 2012).

The northern fishing community, though it has received little support from the Tamil political leadership, is arguably the most organized community. Every fishing village has a co-operative society called a *sangam*. Then a group of villages in a region form a small cluster of co-operatives societies called a *samasam*. Finally, the clusters at the Jaffna District, form a co-operatives federation called the *samellanam*. In this way, the entire fishing community is democratically organised.

The strength of the co-operative is the society (*sangam*) at the village level, which depends on the co-operative’s organizational capacity and leadership as well as the total fish catch in that village. For example, in most co-operatives, about 5% of the total sales auctioned by the co-operative market goes to the co-operative society to pay for its employees and services. Therefore, if the overall catch or the prices are low, then the co-operative will also find it hard-going.

There are 207 fisheries co-operative societies in the Northern Province, and they are all federated at the district level. Out of the Northern Province population of 1.1 million people an estimated 200,000 people depend on fisheries for their livelihood, with close to 50,000 active fishermen, most of whom are members of fisheries co-operative societies.

*Political Challenges facing Fisher Co-operatives*

The fishing community, mainly due to its organisational capacity through its co-operatives, was able to change the politics of the Palk Bay fishing conflict. The political
difficulties they faced were complicated; Colombo did not want to antagonize New Delhi on an issue that was seen to only affect the northern mainly Tamil fisher-folk; and the Tamil National Alliance (TNA), the dominant Tamil party, did not want to antagonize Tamil Nadu and New Delhi whose pressure on Colombo towards a political settlement was their primary concern. Therefore, in the case of the fisher co-operatives, their work has been as much about shaping politics as about addressing the day to day economic concerns.

The fisher co-operatives have also had to face the challenges of politicization and patronage politics by the various ministers in successive governments. Given that the fishing community is seen as an electoral base, some Ministers and politicians attempt to capture that base by politicizing the co-operatives. However, to date, the fishing community for the most part has maintained its independence; changing the co-operative leadership, particularly when they are perceived to be aligning with political interests rather than addressing the concerns of the community.

Sustainability of Fishing and Fisheries Co-operatives

The more worrying concern is the continuing fall in fisheries incomes particularly between 2012 and 2015 due to poaching by Indian trawlers. Co-operative revenues, which are a share of fisheries incomes, have also been falling, whereby making it difficult to employ co-operative employees such as accountants, clerks and managers necessary to run the co-operative structure. Unless there is a resolution to the devastating Palk Bay fishing conflict with Indian trawlers, both fisheries in Jaffna and its co-operatives may continue to deteriorate.

The Fisheries Ministry is now exploring the possibility of a robust fisheries development plan for the North including the building of a harbour for deep sea multiday fishing vessels similar to those in southern Sri Lanka. If the fisher co-operatives can survive
their current economic woes, some of them may grow considerably if they are given the opportunities for deep sea fishing; considerable employment in fish processing may also emerge. The prospects of the fishing community and their co-operatives in the North seem contingent on a number of external factors at the moment; including the future of the Indian trawling conflict and the proposed fisheries development plans of the government.

**Palm Development Co-operatives**

In many villages in the North, a common sight in the early mornings or the late afternoons is a bare bodied toddy tapper with his sarong tied up to his thighs riding his bicycle to different parts of the village. He usually carries his equipment including a big knife, a basket and large plastic containers filled with toddy, and is either climbing the tall palm trees or transporting the toddy to the taverns. Until my field research I did not know that these simple looking men were part of an elaborate co-operative structure making collective decisions about the price of toddy and the number of bottles of toddy to be tapped and sold in the district, and that they controlled three distilleries for the production of arrack. It is when I started interviewing them, both the tappers at the village level and their leaders and co-operative employees at their co-operative unions and federation that I realized that their dignity and confidence had greatly benefited from the existence of the Palm Development Co-operatives.

The toddy tapping community belonging to the oppressed castes and exploited and excluded for centuries, made some major gains in the 1970s through the formation of their

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199 Toddty is tapped from both Palmyrah and Coconut tree shoots, and is drunk on the same day without processing; due to fermentation it cannot be drunk after about eight hours at which point it needs to be distilled into arrack. Toddty has an alcohol content of 4.5% to 6% and is mainly drunk by the farming communities in the villages after the work in the fields in the morning and then again in the evening. Palmyrah trees are unique to northern Sri Lanka, and they grow abundantly with little care. Therefore, Palmyrah toddy is the more common form of toddy which is tapped from January to June. The taverns provide coconut toddy as well as bottled Palmyrah toddy in the off season from July to December.
co-operative. As discussed in Chapter 4, it is only in the 1960s that anti-caste struggles around temple entry had created both a level of social mobilization and consciousness around the concerns of the oppressed castes. The left played a significant role in those anti-caste struggles in the North, and it is no coincidence that the left coalition government coming to power in 1970 contributed to the formation of the Palm Development Co-operatives. While co-operatives were in general promoted by the left-leaning governments from the late 1950s as discussed above, the formation of the Palm Development Co-operative in 1972 was a unique intervention by the leftist Finance Minister at that time N.M. Perera.

The parliamentary act which created the Palm Development Co-operative provided for a monopoly on toddy production and sales. Mr. Chandrabose, one of the village leaders and himself a former Palm Development Co-operative employee, saw the changes to the sale of toddy to be crucial: “With the Palm Development Co-operative, the social practice of the tappers having to beg the upper castes to buy their toddy changed to one where everyone had to come to the tavern and drink orderly was a major change.”

The toddy tappers in rural Jaffna are organised around a tavern. In each village with a tavern, there are usually around ten to twenty tappers who supply toddy to the tavern. Each tavern is assigned a co-operative employee, who is also from the same caste community, and whose duties are to run the tavern. A cluster of taverns are managed by a Palm Development Co-operative Union, which has an office run by a General Manager, an accountant and other office staff, who are co-operative employees responsible for that region.

A typical tapper depending on his capacity, leases a number of trees often on Vellala land, and pays about Rs. 500 (US$ 3.85) per tree for the six month period. Toddy tapping requires climbing the tall Coconut or Palmyrah trees and is physically exhausting and

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200 Interview with Kathirgaman Chandrabose, 14 May 2014.
201 Interview with Selvarasa, General Manager, Atchuvely Palm Development Co-operative Union, 17 June 2013.
dangerous work; falling from a tree can be fatal or cripple one for life. While many tappers continue tapping into their 50s and even 60s, they begin to slow down after the age of 40, either reducing the number of trees or only climbing shorter trees. On a typical day, a tapper begins early in the morning around 6am and climbs the trees and empties the the pot tied to the shoots oozing sap. Before 11am, he has to deliver the toddy thus collected to the tavern. The tavern is usually open from 11am to 2pm, as many of the local farmers come to drink toddy before their lunch. Then again the tapper has to tap the trees starting again around 3pm and deliver the toddy by 6pm, so that the tavern is again open from 6pm to 8pm.202

The toddy tavern near Pathemany village for example has ten tappers attached to it. The average sales in the tavern in an evening is about 150 bottles, each bottle costing Rs. 75 (US$ 0.58). There would be anywhere from 50 to 75 men who come to drink at the tavern. The taverns that had been mere shacks in the past are being modernized in recent years, as the co-operative is trying to keep its clientele from increased competition by modern bars serving beer and liquor. The modern taverns now consist of a cement structures with tables, chairs and ceiling fans. And on any day around noon or at sun down, farming men come on their bicycles to drink for a couple hours and socialize before they stagger back to their homes.203

Toddry has light alcohol content of about 4.5 to 6 percent, and needs to be drunk on the same day before it ferments further. If the toddy is not drunk at the tavern, then the left over toddy from the taverns are collected and sent to the distillery run by a cluster of Palm Development Co-operative Unions. There are three such distilleries in Jaffna, and that is where arrack, much higher in alcohol content of about 32 percent, is distilled and bottled. Excess toddy that is not expected to be sold is also bottled and stored for the off seasons when toddy is not produced.

202 Interview with Selvarasa, General Manager, Atchuvely Palm Development Co-operative Union, 17 June 2013.  
203 Visits to taverns on 17 June 2013 and 1 September 2013. Interview with tavern tender Karuna on 17 June 2013.
The Palm Development Co-operatives have a Federation at the Jaffna District level. The members of the Federation meet every month to decide on the price of toddy and other issues relating to operation of co-operatives. In addition to the production of toddy and arrack, the co-operatives are also involved in the production of other Palmyrah products such as Palmyrah jaggery (a sugar), Pathaneer (a non-alcoholic nutritious drink) and other sweets through small industries. The Palm Development Co-operatives have also created a compulsory saving and pension scheme for the tappers. They also provide accident insurance, other loan services and even pre-schools to the community.

Mr. Chandrabose who eventually became a political leader in Pathemany village, started working for the Palm Development Co-operatives soon after they were established in 1972. He claims the toddy tappers earned much better than the co-operative employees, particularly after the distilleries were built to transform toddy into arrack:

There are people during that period, who earned well as tappers, built houses and educated their children and moved up because of the good incomes. When I worked in the Palaly branch there was a man who did not know how to sign his name, and I used to sign his name for him. He did so well that his two sons studied and became doctors.

Despite toddy tapping being affected by displacement with the war, many of the tappers continued to work in their new locations and managed their livelihood. During war-time the Palm Development Co-operatives functioned quite well with high incomes as there was no import of liquor.

Mr. Chandrabose pointed out a generational change, which is resulting in the reduction of the number of toddy tappers:

The younger generation does not like tapping because of the social stigma. I know a man here who earned well and sent his sons abroad. Now his sons call him and tell
him not to tap. May be only a fifth of the number of people who used to tap are now tapping in our area. There are young people, children of tappers, who are not doing anything, they have no work and are refusing to tap. Or they go for kuli (day wage) work which is very irregular.

If toddy tapping will be abandoned as Mr. Chandrabose fears, it is going to impact the social and economic life of the community as a whole. In reality, given the lack of other opportunities in Jaffna for this community and the low incomes and irregular work available in agriculture, the continuation of tapping may depend to a large extent on the incomes that can be accrued.

The post-war change in attitudes towards tapping is not only social but also affected by economic factors. With road connectivity to Jaffna after the war, and integration with the market, the toddy tappers are facing falling demand for their produce. The expansion of the market for beer and arrack from the South of the country is drastically reducing the demand for local toddy and arrack. Not only is marketing of beer attracting the youth in particular, the opening of bars and liquor shops in many part of Jaffna, and the easy availability of beer and liquor from the South have created a tremendous challenge to the sale of local toddy and arrack. The arrack produced in Jaffna is also of a lower quality due to the lack of investment in new distilleries over the decades. Indeed, with diminished production and little capital accumulation, a range of small industries in the North including distilleries are outdated and find it hard to compete with products from the South and the global market.

In Jaffna District in 2015, about 9 million bottles of toddy were produced of which about 6 million bottles were consumed in toddy taverns. The rest of the toddy is either bottled or distilled into arrack. However, not all such bottled alcohol finds a market. The tax structure

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204 I noticed that the equipment at the Varani Distillery in southern Jaffna is very outdated, with the boiler still using a wood stove. Visit to Varani Distillery and discussion with engineer, Senthant on 9 September 2013.
of the Government increasingly depends on excise tax on alcohol. The varying levels of tax on toddy, arrack and beer may determine the consumption of local toddy and arrack.\textsuperscript{205}

Despite these changes and limitations, Mr. Chandrabose believes there is an unrealised political potential with the co-operatives:

Politically, also such organizing by the co-operatives has potential. For example, here in the Kopay Division we [oppressed caste community] are a majority, if there was social unity we can put forward and win with a parliamentary candidate. The consciousness in our community is not there. At least we [his party the EPDP] do some work. Look, at what the Provincial Council has done, nothing, but no one will ask them any questions. They will come and say we are Tamils, we are going to fight for our Tamil rights. Then they will say you are Tamils and you should vote for the Tamil Arasu Katchy (Federal Party), and people will vote for them. (He laughs).

This relationship between mainstream politics and co-operatives, particularly as a space to organize on class and caste lines is a complicated and difficult endeavour. The lack of consciousness in the community that Mr. Chandrabose discusses also relates to the power of Tamil nationalist ideology and discourse that he is critiquing.

The Palm Development Co-operatives have contributed greatly to the community’s dignity and economic empowerment, but their political emancipation is a more complicated question. It was the political struggles of the oppressed caste communities in the 1960s that led to the formation of their co-operative. However, the ensuing decades of war, the rise of Tamil nationalist ideology silencing debates on caste oppression and the weakening of social movements with militarization, have politically weakened the interests of this community and their struggles for emancipation from caste oppression.

\textsuperscript{205} Discussion with General Manager of Palm Development Co-operative Federation on 21 March 2016.
The Life of a Toddy Tapper

I was fortunate to meet one of the oldest practicing toddy tappers in Pathemany. Mr. Tharma Balasingham, 67 years. He was continuing to tap when I met him, and he was willing to explain the process of tapping and allow me to follow him while he worked. Mr. Balasingham had lived through the various changes that had shaped the toddy tappers over the past five decades and he narrated to me this history through his own experience.206

I started toddy tapping when I was 18 years old with a cousin of mine. Then I got married and started moving from place to place. I stopped tapping when I was 24 years old. Because I got into farming, which had increased and I found that it was hard to do both. When we took land for share cropping, we also had to irrigate the lands of the land owners, so that [the additional work for the land owners] took a lot of time [making it difficult to continue with toddy tapping].

He went on to explain the system that existed before the Palm Development Co-operatives. That system was called “maraweri”, which involved getting official licence to tap, but tapping remained under the control of the Vellala land owners who owned the trees, and could demand that the tappers sell them the toddy at a cheaper price. In other words, “maraweri” amounted to a form of share cropping but with toddy tapping. As discussed above, it was only with the Palm Development Co-operatives that the tapping community was given a monopoly on the sale of toddy through their co-operative unions and in the process took away the possibility of exploitation by the land owning Vellala castes. According to Mr. Balasingham the “maraweri” system was corrupt and exploitative.

When I was 18 years old the co-operatives didn’t exist and so we had to sell it ourselves. This was “maraweri”, about five of us would get together and go inform

206 I interviewed him at length on 31 August 2013 and 1 September 2013 and followed him from morning to evening, as he went about his work and he took the time to explain the process of tapping and slowly opened up about his past as well.
the local official that we are going to tap so many trees, and so we get the licence and
we pay the commission for the permit. In those days, we would pay the big official
there a bribe of Rs. 100. Do you think all this works normally? (He laughs.) Even
though we have the permit, a couple fellows [state officials who issue licences] will
come, they will ask for two or four bottles of toddy. We give it to them, you can’t
challenge them. Those were days when we sold toddy for first 10 cents, then 15 cents
and then 25 cents. Those were such days. If I tap for a mudalali (a boss) in those days,
I was paid 10 cents per bottle. I did that, I would tap 90 bottles a day.

Mr. Balasingham like many others in Jaffna was displaced during the war for years, but was
fortunate to find a community that accepted him and was able to tap for them during his years
of displacement.

In 1991 all of us including the land owners were displaced due to the war. And I lived
in the Vanni, in Mannar, until 2001. We lived in a village deep inside the Vanni in the
jungles, where we had to walk twelve miles from the road, in a village with sixty
families. Those families were so united, if one person gets a headache, all sixty
families will feel the headache. I can never forget that community, how they helped
me. They are people who had come from plantations in the Up-Country, they told me
they had come in the 1950s. So, I did toddy tapping for them there in the Vanni, when
I was displaced.

In this way, Mr. Balasingham had worked as a toddy tapper under different contexts, first
under a system that was more or less share cropping toddy for the upper caste landowners,
then for the palm co-operatives, then through the informal exchange of labor during his years
of displacement during the war under conditions of a subsistence rural economy and then
finally again after the war for the co-operatives.
What is remarkable about toddy tapping are the varying forms of the relations of production that it could be adopted to, particularly in the context of war and displacement. While this may also be true for other forms of rural production such as agricultural crop cultivation and fisheries, it is significantly different from manufacturing and industrial production that were for the most part disrupted during the war. Amidst the precarious conditions of war-time and post-war rural production, including with the possibilities of exploitative productive relations, the co-operatives are important for reintegrating labor into more egalitarian forms of production.

Mr. Balasingham’s work in the post-war years consisted of toddy tapping supplemented by agriculture. It is work that required considerable discipline.

These days, I also do a little bit of agriculture, just about 1500 plants (quarter of an acre). And I tap ten trees. I wake up at 4am every morning, and because my wife is sickly, I sweep the house, boil the water and then wake up my wife. I then go and tap the trees, which I will get done by 9:30 am. It will take until, 10:30 am if I have to also hit the shoots, which has to be done at a certain pace. You can’t do it too hard or quickly, as it will ruin the shoots. Hitting the shoots is to make sure the sap will keep coming. In the evenings, I will go and tap at 4:30 pm and I would have handed over the toddy at the tavern by 6:30pm, because we don’t do other work on the trees. After that I will look at the farm, bring the cow in and tie it and then come home.

In the mornings, from the ten trees I tap, I get about 15 bottles of toddy, and in the evenings, only about 10 bottles of toddy. People look down on us, and they say tapping is easy work. But they don’t realise how dangerous it is. We have to climb the trees, and then sometimes when we get up there, we realise that the pot which collects the toddy has a hole because the crows have pecked on it, and then we get nothing. We have to think about all these challenges.
Since I am old now, I only climb short [4 to 7 meter high] coconut trees. I climb them after having tied coconut husks on the tree so it is not as dangerous. Before, I also used to climb the tall trees, and then you would have seen that my arms and calves were bruised from hugging the trees when I climb. The marks and the bruises on my body used to be so visible. People could look at my arms and legs and right away know that I am a tree climber.

I then asked about his current economic situation including questions about indebtedness, and he responded that incomes were low and the cost of living was high. But he also spoke of the services provided to them by the co-operatives:

This year is economically difficult. The onion plants failed me because of crop disease. And I only started tapping more intensively the last few months. So, my incomes are just enough to meet the expenses. I don’t take loans. We don’t need that headache. We are eating and living. They [the leasing companies that sell all kinds of goods from television sets, furniture to motorcycles on monthly instalment payments] will show us desires and get us caught in loans. Look at it, every house is in debt, every house has a motorcycle.

While indebtedness is widespread in the Jaffna, the toddy tapping community in Bharathy Veethy was the least indebted. The structure and the services provided by the Palm Development Co-operatives is the reason for the reduced levels of indebtedness of the toddy tapping community.

With the co-operatives, when we end our tapping life, we write to the Federation and they have records of our savings. For a person who has tapped through his life, he probably has savings of Rs. 10 lakhs or Rs. 15 lakhs (Rs. 1 million or Rs. 1.5 million,
US$ 7,700 or US$ 11,500) to his name. There are so many advantages with the co-operatives. They will subtract money for accident insurance, for compulsory savings, and another savings scheme. The compulsory saving is for retirement. The other savings are returned to us every three months [which can be used for family and festive expenses]. And we also get a pension.

Therefore, the reason for the low levels of indebtedness of the toddy tappers has to do with the savings and credit schemes run by the co-operative. Unlike the banks, the co-operative restricts, monitors and links the loans of the toddy tappers to their savings so they do not reach levels of debt that are unsustainable.

Despite Mr. Balasingham’s loyalty to the co-operatives and his pride in his work, he nevertheless was sceptical about the next generation continuing toddy tapping.

After my generation, the next generation won’t be toddy tapping. Even I don’t encourage youth to tap. They should get educated and find better jobs. The times have changed.

This generational view may be linked to his sense of the fast changing world around him and the increasing emphasis placed on educational mobility of the toddy tapping community even by the co-operatives, which often have programs to celebrate the educational success of their youth.

During the interview, my research assistant and I pressed him on the anti-caste struggles of the past and his involvement in them. He eventually spoke with reluctance about those times:

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207 This level of retirement funds would be enough for a person to build a small house or to buy half an acre of land in rural Jaffna. Alternatively a fixed deposit in a bank will allow them to barely pay for their daily expenses through the monthly interest. For example, through the senior citizens savings scheme the Government provides a subsidized 15% interest on deposits up to Rs. 1 million, which amounts to Rs. 12,500 a month interest on a Rs. 1 million deposit.
We were involved in all the anti-caste fights. About twelve of us youth would go and stand at the junction and stop the van [with Vellala passengers], and get the driver and cleaner out and beat them up and tie them up and send the passengers on another bus. We had many fights like that and only after [fights] that they started to respect us. We went and broke the Mukkuperni (cup given to oppressed caste people at tea shops) at the Atchuveli tea shops. We did everything, I won’t hide it, and we did show gangsterism. We threw shit at shops. We broke windows. We would fight all night. Now the police will try to come immediately, but then the police had to come from Kangesanthurai. [So they could not suppress the violent struggle.]

The Pillaiyar temple, they locked it up, because they didn’t want our people to go inside, and we broke the door open. It was Atchuvely North [one of the neighboring villages] people who started the struggle, but it is our youth who gave them support. At that time there were Russia Communists and Chinese Communists here, so we were influenced by all of them and we were militant. There were two factions within us, Ponnuthurai was Russia Communist, Kathirkaman was Chinese Communist and I was with the Chinese Communists.

Mr. Balasingham is explaining the role of the various leftist parties in the anti-caste struggles. The Communist Party had been split between the Moscow and Peking wings in the 1960s. The split came right down to the village level. As with others of his generation, many of them were mobilised and politically educated by the Communist cadres.

In those days there were educated people. Today’s youth have studied but have nothing in their heads. We used to work hard. In just one night, we built our reading room. We cut the wood, weaved the coconut leaves and built it. Think how much the boys worked in just one night. We would work so hard, we would climb the trees like birds and cut the coconut leaves. Now we can only dream of doing things
like that. We used to go to the volleyball tournaments and it is both our groups that would win. Look now, what our youth are worth? Even the dogs won’t look at them. Now they just wear shirts and look at girls; that is all there is to them. I feel like killing them. I don’t go where the youth stand around. I can’t stand them.”

Not only is there a major generational gap between the life of Mr. Balasingham and the youth today. The political memory of that generation of toddy tappers is also fading.

Mr. Balasingham’s generation were at the centre of the struggle for their community’s dignity by fighting exclusion in public spaces such as temples and tea shops. Those struggles for dignity and the social consciousness and organizing that it created eventually contributed to the formation of the Palm Development Co-operatives. Yet the legacy of their struggles have been overshadowed by the far more brutal and devastating war which consumed almost the entire population with displacement, death and destruction. Recovering the struggles and politics of those times some four or five decades ago has become even hard for the very generation that ensured the social empowerment of their community.

**Challenges Facing Co-operatives in Jaffna Today**

Historically, in the Jaffna District, there was a range of co-operatives involved in various trades and different economic functions such as credit, production and marketing. However, the war and displacement have led to the decline of co-operatives and in many cases their dissolution. Co-operatives from boat transport to a vibrant network of carpentry unions no longer exist. As far as institutional memory and membership, however, the co-operatives continue to have a widespread presence. There are close to 1000 and 2000 registered co-operative societies, with total membership of 260,000 and 409,000 members, in
the Jaffna District and Northern Province respectively. The challenge is to mobilise and activate the members; and even if a fraction of those members become active out of the total population of 630,000 and 1,100,000 in the Jaffna District and Northern Province respectively, they will have a major impact.

At the monthly meetings at the Co-operative Council of Jaffna District, the umbrella body of all the co-operatives, the representatives of the following co-operatives are usually present:

1. Palm Development Co-operative
2. Fisher Co-operative
3. Multipurpose Co-operative Societies (MPCS) (mandated to co-operate various forms of producer and consumer societies)
4. Livestock Co-operative
5. Lorry Co-operative (private transport truck societies)
6. Textile Co-operative (handloom weaving)
7. Rural Bank Co-operative
8. Thrift and Credit Co-operative

The Co-operative Council is housed in the massive Veerasingham Hall, named after V. Veerasingham, a former principal of a school, the first president of the co-operative federation in Jaffna, and considered the father of co-operatives in Jaffna. Veerasingham’s popularity culminated in his election to parliament in 1956, where he continued his advocacy for co-operatives. The Veerasingham Hall, the largest auditorium in the Northern Province where major public events take place, is a testament to the vibrancy of co-operatives in a bygone era, as it was built entirely with co-operative funds. The Co-operative Council used to

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208 Data provided by the Jaffna Co-operative Council May 2014.
209 I have attended two of the Co-operative Council Meetings in February 2015 and January 2016. I also attended the annual Co-operatives Day celebration in December 2014 and I witnessed over the a thousand people attending the event.
run a co-operative school and training centre in Jaffna before the war, but both were destroyed during the war. At present, the Co-operative Council mainly meets its expenses through income from renting out the Veerasingham Hall and running a printing press.

The most extensive structure of co-operatives in Jaffna to this day consists of the MPCS, with 19 of them in each of the divisions of the Jaffna District. The MPCS as local federated structures manage the consumer co-operative stores and depending on the region organize agricultural co-operatives, rice mills, bakeries and other small industries including food and fruit processing plants. While some of the producer co-operatives under the MPCS are profitable and producing for the local market using local resources and labor, the consumer co-operatives, particularly co-operative stores are struggling to survive due to competition from the retail market.

Problems facing contemporary co-operatives in Jaffna

One of the central challenges facing co-operatives in the post-war years is the lack of capital: both capital investment and working capital to increase production. Many of the producer co-operatives that have potential to grow also face cash flow problems, having depleted their savings and lost assets during the war. Furthermore, banks are unwilling or charge high interest rates on loans making it difficult for producer co-operatives to increase their production and take new orders from clients.

Such problems are compounded by the role of the state and the bureaucracy. The co-operatives are over-regulated by the Provincial Government. The co-operative laws drafted in the 1970s continue and even the bylaws have not changed. Thus co-operatives are weighed down by the Provincial Co-operative Minister and the Commissioner, who often deny the co-operatives the autonomy to take up new initiatives or insist on programs that do not benefit the co-operatives. The co-operatives are sometimes demanded to carry out awareness
programs by the Minister using the co-operatives own funds, even though such programs are unlikely to produce results.\textsuperscript{210} Given that the co-operatives lack political strength and militancy after the war, the co-operatives are easily intimidated by the bureaucracy who threaten them with blocking approvals for routine functions. Furthermore, the market-oriented policy vision of the Central Government also constrains much needed material support and resources from the state towards rebuilding the co-operatives. There have been no major projects to revitalise the co-operatives through allocations in the government budgets. Without policies towards capital investment to upgrade co-operative production facilities, they cannot compete with more capital intensive production from the rest of the country and the global market.

The co-operatives constantly face the danger of attack by capital on their assets and resources. While the Co-operatives need capital and credit, they can also be dispossessed by finance capital. There are pressures on co-operatives to sell or rent their assets in the form of prime real estate to private companies. Next, excessive licences and concessions to large fishing companies for lucrative export oriented fisheries can quickly undermine the future of fisher co-operatives and the livelihoods of their membership.

The post-war challenges facing the Palm Development Co-operatives are reflective of the new political and economic environment that cripples co-operatives more generally. While it was the monopoly provided by the state in the production, distribution and distillation of toddy that accounted for the co-operatives’ take off few decades ago, the situation has changed now with competition in the market from new products such as beer and arrack distilled in the South. The Palm Development Co-operatives are also weighed down by new taxes on bottling plants and distilleries, where they are forced to pay a higher

\textsuperscript{210} Communication with co-operative employee in January 2016. I am aware of a few initiatives including a seminar with a visiting co-operative expert from India that was cancelled by the Minister only so he could assert his power.
tax due to relatively smaller economies of scale compared to private plants in the south of the country.

Next, the co-operatives have lost much of their vibrant middle class leadership, as the middle classes have overwhelmingly migrated with the war to join the diaspora in Western countries. The political culture of violence and overt intimidation during the war has resulted in potential leaders avoiding public roles. In this way, strong links between educationists and the co-operative leadership have been severed. With the class character of the co-operative leadership changing, the social and informal linkages with the bureaucracy have weakened. Therefore, in addition to the material setbacks including the destruction and drain of accumulated capital, social networks that sustained co-operatives in an earlier era hardly exist now. The larger question is whether the vibrant contribution of co-operatives to the northern economy in the past can be recovered in post-war era.

Argentinian co-operatives after the crisis, investment and research

The worker co-operatives in Argentina after the severe economic crisis in 2000 is of relevance to the situation of co-operatives in Jaffna. In Argentina, with the tremendous disruption of the economy, worker co-operatives have taken over factories with the support of the municipal governments (Dobrusin 2013). A similar program of local government support to co-operatives in Jaffna and the North could go a long way in revitalising the local economy. In Argentina, one of the significant challenges of workers taking over bankrupt factories was the need for technological upgrade of backward machinery and equipment (Dobrusin 2013). One of the central needs of producer co-operatives in Jaffna are also such capital investment including in technologies that can enhance production.
Research to develop new products with the local resources remains a challenge for rural co-operative production in Jaffna. The Palmyrah Research Institute (PRI) in Jaffna developed with a grant from the Government of India in 2012 is the only technological research institute in the North. Palmyrah palms being one of the most important natural resources in the North, research and extension from PRI is contributing to upgrading the products of the Palm Development Co-operatives. However, there is both the need for greater investment in PRI and research capacity for various other forms of rural production. One of the reasons for Mondragon’s success in Spain is their strong research capacity to adapt to the changes in the market (Errasti 2003). Similarly, the once successful and extensive structure of co-operatives in Jaffna requires adaptation to the global consumer market, which has drastically changed over the last few decades when production and innovation in Jaffna was paralysed by the war. Such capital investment, technological advancement of local production and research development in Jaffna will require support from the state.

Marx and the Political Economy of Co-operatives

The co-operatives in post-war Jaffna are in a conundrum. On the one hand, they require a different path of social and economic revitalisation from the neoliberal trajectory of promoting private businesses, markets and financialization. On the other hand, the co-operatives require support from the donor agencies and the state that are taking forward such a neoliberal transformation. In this section, I analyse this contemporary problem of state support in the neoliberal age by revisiting Marx’s engagement with co-operatives.

\[211\] I have visited PRI on a number of occasions starting in August 2015, and looked at their laboratories and have had discussions with their manager, extension officer and researchers. Contrary to the perception in Jaffna that the PRI had not produced meaningful research, I am of the view that it has been doing important work in identifying the nutritional content and refining methods of palmyrah products. Revamping PRI could greatly contribute towards innovative methods and expansion of rural production in Jaffna and the Northern Province.
Marx found the historical emergence of producer co-operatives as a major advance for working class politics, particularly after the many political setbacks following the defeats of the uprisings in 1848. Furthermore, producer co-operatives were also theoretically important signifying the emancipatory possibilities of transcending capitalist productive relations. Marx considered the trade union movement’s advances in gaining legal recognition of the ten hour working day and the emergence of producer co-operatives as great victories for the working class movement by the early 1860s.

Marx in his *Inaugural Address of the First International* in 1864 as evident from the epigraph greatly commended the initiation of producer co-operatives. Subsequently in 1867, Marx’s *Instructions for the Delegates of the Geneva Congress* engaged co-operatives in a programmatic manner. Marx rejected any formulaic creation of co-operatives and believed their strength was the spontaneous efforts of workers to co-operate and change productive relations. Marx articulated the significance of the co-operative as one based on class struggle:

> We acknowledge the cooperative movement as one of the transforming forces of the present society based upon class antagonism. Its great merit is to practically show, that the present pauperizing and despotic system of the subordination of labor to capital can be superseded by the republican and beneficent system of the association of free and equal producers (Marx 2000, 90).

However, such co-operation had to emphasize producers and production as central to capitalism and hence the transformation of capitalism itself.

> We recommend to the working men to embark in *cooperative production* rather than in *cooperative stores*. The latter touch but the surface of the present economical system, the former attacks its groundwork (Marx 2000, 90).

As evident from my own research, it is again the producer co-operatives that engage in resistance to many forms of oppression. Significantly, it is also the producer co-operatives
that have survived the war and the attendant destruction. The consumer co-operatives, on the other hand, have declined with the withdrawal of support from the state and the expansion of the market. The producer co-operatives in the context of Jaffna also gain significance for their ability to empower oppressed caste communities such as the toddy tappers. Thus producer co-operatives challenge productive relations not only as class relations but also as caste relations.

My engagement with the post-war challenges facing co-operatives and their relationship to working class politics should be contextualised in relation to the political economy of Jaffna. Trade unions in Jaffna were historically weak due to the small industrial production base and the independent organizing of workers has centred on co-operatives. The centrality of fisheries and agriculture to the Jaffna economy have also added to this emphasis on co-operatives over that of trade unions. The trade unions’ disintegration in Jaffna was linked to the destruction of the small industrial production base during the war. Furthermore, nationalist militarisation and repression of the left by armed actors including the LTTE, undermined what trade union base that existed including for example the teachers unions.

It is in the context of such repression of independent organizing during the war years and the immediate post-war years that the survival of the co-operatives and their continuing extensive structures are of importance. However, the political limitations of co-operatives – including the lack of militancy and protests – and their calls for state support despite over regulation by the state, raises questions about their political possibilities. On the other hand, the weakening of co-operatives was due to tremendous loss of assets and the crippling of their leadership due to the war and migration, and as with most social institutions in post-war Jaffna, co-operatives find reconstruction difficult without external support.

Next, productive relations in Jaffna are not only shaped by class relations but also caste structure further complicating the political economic questions about the workings and
progressive potential of co-operatives in Jaffna. From the discussion above, it should be clear that the contradiction between oppressed castes involved in toddy production and the upper castes land owners who oppress them was over-determined by a left leaning government, which gave the toddy tappers the monopoly on the production and sale of toddy. Such state aid, in this case by the state centred in Colombo and acting as an external actor, was able to strengthen the oppressed caste workers by working as a countervailing force against the Tamil elite in Jaffna.

The history of co-operatives in Sri Lanka discussed above, including the efforts of left leaning governments to promote them at the national level and the eventual attack on the co-operatives including by the usurpation of their finances held in co-operative banks towards commercial ends raises serious questions about the state and its relationship to co-operatives. While Marx commends the efforts towards co-operation, he was wary of the attack that eventually ensues:

To save the industrious masses, cooperative labor ought to be developed to national dimensions, and, consequently, to be fostered by national means. Yet the lords of land and the lords of capital will always use political privileges for the defence and perpetuation of their economical monopolies (Marx 2000, 80).

In Sri Lanka, liberalization starting in 1977 led to such attacks by economic monopolies on the co-operatives.

This is where Marx’s warning about the limitations of the co-operative movement in relation to capitalist society and state power is important.

Restricted, however, to the dwarfish forms into which individual wage slaves can elaborate it by their private efforts, the cooperative system will never transform capitalistic society. To convert social production into one large and harmonious system of free and cooperative labor, general social changes are wanted, changes of
the general conditions of society, never to be realized save by the transfer of the organized forces of society, viz., the state power, from capitalists and landlords to the producers themselves (Marx 2000, 90).

Thus for Marx and his revolutionary politics, the co-operatives can never transform the capitalist system, because it does not lead to the transfer of state power.

A number of years later, in the Critique of the Gotha Programme drafted in 1875, Marx went further in critiquing state aid for co-operatives.

That the workers desire to establish the conditions for co-operative production on a social scale, and first of all on a national scale in their own country, only means that they are working to revolutionise the present conditions of production, and it has nothing in common with the foundation of co-operative societies with state aid. But as far as the present co-operative societies are concerned, they are value only in so far as they are the independent creations of the workers and not protégés either of the government or of the bourgeois (Marx 1875, 536).

This strong critique of co-operatives by Marx and a shift from the more generous account of the co-operatives in the Inaugural Address of the International Working Men’s Association, according to Karl Korsch, relates to particular politics of that historical moment. 212 By 1875, Marx was struggling against the reformist tendencies in the international communist movement.

The problem with the war-torn society such as in Jaffna is that production itself had been disrupted with the war, and strategies for organising production requires the aid of the state. In the case of the Sri Lanka as a whole, it is the change in economic policies of the state from import substitution to “open economy” in 1977 that led to the decline of the co-

212 See: Karl Korsch, Introduction to the Critique of the Gotha Programme, 1922. Downloaded from: https://www.marxists.org/archive/korsch/1922/gotha.htm
operatives, in the case of Jaffna, it was also other exogenous political factors including the
tremendous disruption that came with the war that devastated the co-operatives. The fisher
co-operatives and the northern fishing community continue to be undermined by the external
attack by Indian trawlers poaching in the northern Sri Lankan waters.

Given the political devastation with the war and the tremendous setbacks to working
class politics including the elimination of the left and trade union base, co-operative forms of
organising become important for rejuvenating radical democratic politics. Indeed, revival of a
vibrant co-operative movement will not only have implications for working class politics as
spaces of organising but also strengthen anti-caste politics through the strengthening of co-
operation in caste-based occupations and communities.

Marx’s challenge remains, and co-operatives decades down the line may fall apart if
sustained with state aid. However, the urgencies of addressing the continuing post-war
economic crisis may require drawing on the strong co-operative tradition in Jaffna and
coupling it with support from the state towards reconstruction of this war-torn society. In the
post-war years, such revitalisation of co-operatives will be a platform to reverse the failed
reconstruction policies that atomise workers and put them at the mercy of the market, private
businesses, self-employment schemes and financialized indebtedness. Just as Marx in 1864,
after the long defeat of the working class with the failed revolutions of 1848, was inspired by
the efforts of co-operation, Jaffna in its post-war context may also draw from the potential of
coop-operatives, but it may require the support of the state in the form of investment,
regulations and protections from the continuing deterioration of the rural economy and the
attack of finance capital.
Conclusion: The Co-operative Alternative

In this concluding section, I articulate the possibilities and advantages of co-operation to rejuvenate the war-torn economy and consider an alternative vision of reconstruction. First, reconstruction requires leadership and vision, including confidence of rebuilding a war-torn society. The legacy and institutional memory of the vibrant history of co-operation in Jaffna is a powerful social asset to organise and reintegrate a war torn society. Toddy tappers, fishermen and farmers require social and institutional supports to strengthen their productive activities after a war. The co-operatives are effective institutions for providing such support including meaningful credit where necessary, without pushing workers into the debt trap as with banks and financial institutions.

Next, co-operatives are capable of pooling labor resources and facilitating the participation of fractured communities towards production. One of the central challenges of reconstruction in the war-torn North is to rejuvenate production and employment, and create a virtuous cycle with the re-investment of accumulation from such production in the local and still rural economy. Here, the advantage of co-operative production and accumulation is that any profits accruing to the co-operatives will be either shared by the broad membership or re-invested in the local economy. This is not the case with the Colombo-based companies and multi-national corporations, whose profits are siphoned out to Colombo and other capitals.

In the current context, co-operatives in Jaffna can draw from ideas about new generation co-operatives and producer companies that are attempting to address the challenges of markets in India (Singh 2008). Given the constraints facing co-operatives in Jaffna of raising capital and marketing arrangements for their produce on the one hand and over regulation and interference by local officials on the other hand, new generation of co-operatives such as the producer companies in India that are set up with producers in control
of the companies and one member one vote for major decisions, are new ideas that co-operatives in Jaffna should explore.

While the reconstruction of the war-torn economy can draw from the revitalisation of co-operatives, the realization of such a vision is dependent on political conditions including state policies and the Tamil political leadership. Tamil politics has focused on trying to achieve devolved powers through a constitutional political solution. Ironically, the co-operatives are a devolved subject, which means the powers of regulating and developing the co-operatives reside with the Northern Provincial Council (NPC) led by the Tamil nationalist leadership. However, the TNA has done little during its three years leading the NPC, starting in September 2013 to address the concerns of the co-operatives. The economic policy trajectory of the Central Government focused on promoting private business and disregarding co-operatives and the rural sectors is also a major obstacle. The prospects of both the Northern Provincial Council awakening from its indifference to economic issues and the Central Government making a drastic change in policies of reconstruction are rather bleak.

In this context, co-operatives in post-war Jaffna can draw on the politics of co-operatives in post-conflict and neoliberal Nicaragua after the Sandinistas lost power in 1990. The co-operatives in Nicaragua adopted multiple strategies of economic and political proportions, both organizing horizontally for broader militant struggles to guard the land of agricultural co-operatives as well as second and third tier structures to provide services including credit and sustain primary co-operative societies. Given the strong neoliberal

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213The survival of co-operatives in Nicaragua after an initial phase of tremendous state support followed by the attack of a neoliberal regime is something to consider: “The analysis of post-conflict reconciliation and development in Nicaragua shows that ‘peace’ in the context of neoliberalization came at the cost of a deep socioeconomic crisis, manifested in large-scale unemployment, dispossession, and the renewal and dispersion of armed conflict. …. As regards cooperatives, they were subject to numerous pressures and constraints which provoked a contradictory response. On the one hand, many were disabled and disbanded; on the other, both producers and workers engaged in various forms of collective action and social innovation, involving associative and enterprise practices, not only as a coping strategy but as a route to economic and political empowerment. The upshot of these developments was that the cooperative sector acted as a partial brake on neoliberal restructuring” (Utting et al. 2014).
policies in Sri Lanka and the lack of concern on the part of Tamil nationalist politics, co-operatives in Jaffna and the Northern Province more broadly may also have to adopt such strategies. They will have to activate their broad base into militant struggles against the new forms of market-led and financialized dispossession and indebtedness, by using the newly opened democratic space after regime change. They should also insist on and seek to create a market for locally produced goods for their survival. The survival of the co-operatives and addressing the failure of reconstruction seven years after the war is increasingly now a political question requiring social and political movements.
CONCLUSION

The changes in Sri Lanka, between 2008 and 2016 have been extraordinary. In mid-2008, it was hardly imaginable that the long and protracted war in Sri Lanka would come to an end in the near future. By late 2008, the LTTE, once considered one of the most ruthless and invincible armed movements in the world, was on the retreat, holding the civilian population as human shields even as the Sri Lankan Security Forces mercilessly bombed and shelled the rebel territory with tremendous fire power. The catastrophic end to the civil war came in May 2009, with tens of thousands of civilians killed and the leadership of the LTTE decimated.

The end of the war raised the humanitarian predicament of the devastated population as well as longer-term concerns of resettlement of the displaced people and reconstruction of the war-torn regions. It was also a major shift in politics for a country and its people prioritising security and survival amidst decades of protracted war. In this context, the euphoric regime in power focused on its own political consolidation with a major economic development push and continued militarization.

From May 2009, I visited the war-torn regions frequently, and then moved back in May 2012 to Jaffna for my field work. These were years when the authoritarian Rajapaksa regime seemed invincible and people in the North in particular were under constant surveillance, where public meetings could not be held without permission from the military and people even feared to speak in small groups. In September 2013, under considerable international pressure, elections for the Northern Provincial Council (NPC) were held after a twenty-five year hiatus. The NPC led by the Tamil nationalists lacks a vision for reconstruction and has done little to strengthen Tamil society.
Soon after the completion of my field work, in a major political shift in January 2015, the Rajapaksa regime was thrown out of power by a coalition of forces including the Tamil and Muslim constituencies. Regime change offered hopes of a constitutional solution to the grievances of minorities, new initiatives towards post-war reconciliation and a fresh approach to reconstruction and development. A year and a half after regime change, while the democratic space opened up for discussions and protests, there is little change in the approach to and conditions of the economic crisis facing the war-torn people.

I provide this brief sketch of major developments to point to the tremendous political upheavals in Sri Lanka, and particularly the North, with the end of the war and the post-war years. I am conscious of this period as a time compressed with various social, economic and political imperatives that inevitably shape my scholarly study. Many countries after protracted armed conflicts, situations on the scale of uprisings and revolutions or return to civilian rule after decades of military dictatorships, go through such periods of turmoil creating unique challenges for political economic analysis.

While analysing political economic developments during such a period is inevitably a difficult endeavour, in the course of these years, I have also found that working under such conditions provides new insights. In other words, the workings of some social and economic processes are revealed during such periods of flux, which may be hidden or not as apparent during analysis of the *long durée*. Marx’s *The Eighteenth Brumaire of Louis Bonaparte* is characteristic of such analysis; where Marx is able to capture a variety of social dynamics including those of regime consolidation, the various factions within classes and how economic structures built over time interact with political and economic processes in a time of change (Cowling and Martin 2002).

While the social devastation that is prevalent during the time of war is readily understood, the times of change following the protracted war, can also cause tremendous
suffering during a short period of time. However, exploitation and dispossession with problematic policies of resettlement and market integration are hidden when such a period is conceptualised as a time of “transition”. While the discourse of transition is prescriptive in pushing for a market oriented economy, it is promoted as descriptive concept. In this conclusion I want to raise some questions about the power of a concept such as transition, its relationship to concepts such as accumulation, dispossession and social exclusion in analysis of “post-conflict” societies.

The other set of challenges of analysis relate to the spatial changes during the decades of war and the post-war years. The tremendous bouts of displacement, the formation of a diaspora, the resettlement after the war, the temporary migration of labor to the Middle East and the flows of funds such as remittances have created new dynamics in society. During the decades of war, Jaffna and the war-torn regions were isolated from the “open economy” policies and integration with the global economy transforming the rest of Sri Lanka. The rapid re-integration with the market in the post-war years and increasing flows of people, goods and capital in and out of the war-torn North have also contributed to the above mentioned new forms of accumulation, dispossession and social exclusion.

In this context, a silence prevails about the failure of reconstruction. This silence in scholarly work, in policy discourse and in the mainstream media about the economic crisis and widespread indebtedness in the war-torn regions is in stark contrast to the international attention on the challenges of a constitutional solution, transitional justice and war-time accountability in Sri Lanka. Indeed, contemporary international discourses relating to post-conflict societies ignore concerns relating for example to rural dispossession. The clamour of Tamil nationalist demands for international intervention, including to address war crimes,

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Nicolas Guilhot’s genealogy of the concept of transition is instructive. He claims that in various intellectual traditions and research programmes, transition has emerged as either a social ontology or a social technology. He further claims the “former is usually associated with macro-sociological paradigms, while the latter tends to codify and rationalize political practices.” (Guilhot 2002)
suppresses discussion of the travails of the war-torn people. The vision and policies on reconstruction, first under the authoritarian Rajapaksa regime and then under a liberal democratic regime, as challenges of building infrastructure and expanding credit effectively silences the concerns of the rural population even as they are increasingly trapped into cycles of debt and dispossession.

The caste structure is the principal historical source of social exclusion in Jaffna society. War-time dispossession and its aftermath have created new and more subtle forms of caste exclusion. The subtle segregation in schools and the large investments in caste-based temples provide an institutional base for strengthening caste relations. The organisational weakness of oppressed caste community centers and the absence of an anti-caste movement have muted the social and political voice necessary for resistance against caste oppression in the countryside. Tamil nationalist discourse continues to silence discussion of caste even as the Tamil bureaucracy through its day to day workings contributes to caste exclusion.

Finally, such temporal and spatial changes and the overwhelming silence on the economic crisis and persistence of caste relations, create major intellectual challenges for thinking about alternatives. I critique the failure of reconstruction in post-war Jaffna by contrasting those policies with the historical workings of the co-operatives and the alternative vision they embody. What are the possibilities of such alternatives and how do they relate to neoliberal globalisation with deepening financialisation? How do different paths of reconstruction interact with caste relations and its subtle changes, and what are the impacts of migration, remittances and economic changes removed from landed productive relations on caste oppression? How do institutions such as co-operatives, which attempt to reduce the dispossession inherent to the expansion of the market, function after decades of disruption and under the now prevalent market-oriented policies? In this context, the historical moment is one that could be characterised as a crisis for neoliberal globalisation, particularly with the
Great Recession of 2008, \(^{215}\) and this may be an opportune moment to begin thinking about alternatives from the periphery including from the perspective of war-torn societies.

**Transitions and Temporal Dynamics**

The concept of transition is often deployed in the discourse on “post-conflict” societies (Del Castillo 2001, Collier 2009). Indeed, many argue either explicitly or implicitly that what is going on in the North is a transition to a market economy and that this process is set on the path of economic development.\(^{216}\) However, I argue that reconstruction policies in Jaffna are leading to new forms of dispossession and social exclusion.

In earlier scholarship on Sri Lanka, Newton Gunasinghe critiqued the singular narrative of agrarian change, as a transition towards capitalist development, by analysing the variations within agrarian systems and the contingent factors that lead to specific trajectories (Gunasinghe 1985). More recently in the context of India, Kalyan Sanyal has made the important point that neither the emergence of capitalism with primitive accumulation nor capitalist growth necessarily leads to a process of transition to an economy centred on capital. Rather a process of exclusion from capital is also possible, particularly in postcolonial societies. In such cases, an informal sector and economies for subsistence removed from capital can emerge (Sanyal 2009). Both these critiques are relevant for analysis of contemporary Jaffna. There is no single transitional trajectory for the post-war rural economy. Furthermore, the current context in Jaffna could be one of exclusion for sections of society from both capital and the state; particularly with the absence of local employment from capitalist production and the abandoning of marginalised communities by the state and its services.

\(^{215}\) In June 2016, three researchers from the IMF itself have questioned some aspects of the earlier neoliberal policy package of increasing capital market integration (Ostry 2016).

\(^{216}\) Despite the sustained critique of the concept of development (Edelman and Haugerud 2007, Sanyal 2007), in most countries including Sri Lanka, the concept has tremendous power.
One starting point for a critique of post-conflict transition is the importance of historical specificity. The colonial legacy, the disruptive civil war, vulnerability of Sri Lanka’s economy to global economic forces and neoliberal processes such as financialization shape the path of post-war reconstruction in Jaffna and the war-torn regions. Furthermore, the post-war period is not a complete break from war-time or the pre-war period. Rather there are continuities in the social structure including productive and social relations, which even if disrupted for long periods of time may be recovered or consolidated after the war-time disruption. In this context, post-conflict reconstruction policies by the state with the support of international donor agencies often impose a model that disregards the local social structures and dynamics, as if it is a blank sheet after war-time destruction to be reconstructed with an economic blue print. In Sri Lanka, such reconstruction policies are an intensified extension of the policies of financialization and infrastructure buildout being carried out in the rest of the country.

The discourse of transition also disregards historical conjunctures and the contingent factors that shape societies even after the sudden end of protracted armed conflicts. The post-war years starting in May 2009, I argue were characterised by a second wave of neoliberalism in Sri Lanka, particularly with post-war stability including the emergence of an authoritarian regime and the influx of global capital into the emerging markets with the Great Recession of 2008. The sudden integration of war-torn Jaffna into such accelerating financialization had a tremendous impact on society, particularly through increased indebtedness as discussed in Chapter 2 and Chapter 3. Contrary to the claim that this is merely a transition period that will eventually lead to economic development to the benefit of much of the war-torn society, economic processes unleashed by global economic changes and related policies at the national level have resulted in dynamics of dispossession and social exclusion, which are going to be hard to reverse and in any event have already had a tremendous impact on the
war-torn communities. Therefore, the discourse on transition often ignores the broader global economic changes and forces which overwhelm efforts to revive war-torn societies at the local level.

I critique the long durée assumptions of the discourse of transitions by conceptualising the dynamics during a period of flux. I argue that social and economic developments in post-war Jaffna reveals hidden processes of debt creation that may not be evident over the long durée. Furthermore, an analysis of the dynamic relationship between financial flows, indebtedness and the changes to labor reveals new circuits of accumulation. As discussed in Chapter 2 and 3, rural debt during periods of rapid financialization can be hidden. Household debts are cascaded, where bank debts are leveraged for leased hire purchasing of vehicles or housing debt, which in turn can lead to the pawning of gold jewellery for monthly payments on previous loans. Indeed, as discussed in Chapter 2, gold jewellery the primary liquid asset of the rural population which survived the war, has been considerably depleted in the post-war years with the expansion of credit and a market for pawning with the tremendous rise in global gold prices between 2009 and 2011. In this way, such cascaded debts don’t immediately reveal the draining of household assets and the level of debt, which require an analysis of the changes to stocks rather than flows of assets and debts. Data for such analysis of the changes to the stock of wealth and debt is difficult to come by. Given the hidden character of such cascaded debts, it is difficult to raise concerns about the need for policies to counter such processes of indebtedness, until well after the onset of a crisis, which may have done considerable damage, and hard to reverse.

The new circuit of accumulation that became apparent in my study, as discussed in Chapter 2 and 3, is linked to this period of flux in the post-war years. Sri Lanka’s greater integration after the war with the global capital markets led to deepening financialization. The state encouraged banks to float euro and dollar bonds and capitalised on the increased flows
of global finance capital in the form of sovereign bonds to expand credit in the entire country and disproportionately higher levels in the war-torn regions. This expansion of credit, augmented by pawning, lease hire purchasing and micro-finance loans, led to indebtedness in the war-torn regions resulting in increased out migration of labor to the Middle East. The remittances from such migrant workers in part is used to pay back the debt to banks and finance companies, which in turn had to pay back their liabilities to global finance capital. Financialization driving such a new circuit of accumulation is not just the expansion of finance and the proliferation of loan instruments. It is also a structural shift in the workings of finance in rural society, with rural households becoming deeply enmeshed in the formal financial sector of banks and finance companies and increasingly connected to the global financial system. Thus this form of financialization that accelerates after a society has been economically uprooted by war requires a systemic analysis as opposed to analysis of a single financial instrument and its working in a rural economy, for example like the proliferation of microfinance schemes in rural societies. This new circuit of accumulation may not be sustained for long periods of time, but it has considerable impact on local society by displacing labor, particularly as migrant labor to work in the Middle East.

My critique of the concept of transition has two analytical implications relating to the political economy of post-war societies. First, in assuming a progressive directionality after the war, the concept of transition disregards new forms disruption and dislocation in the rural economy after a war. That is the concept of transition legitimizes the falling incomes and lack of employment and livelihoods to be some form of post-war adjustment to a market economy, rather than as structural changes with dispossession leading to exclusion. Second, in critiquing transition with its long durée assumptions, I find that dispossession dynamics of processes such as indebtedness due to recent post-war reconstruction policies may be wrongly attributed to the long-term impact of war. In other words, the increased levels of
indebtedness are blamed on the war and its devastation, but in fact they are due to the post-war reconstruction policies including deepening financialisation. In this context, economic anthropological inquiry through deeper analysis of the periods of flux, provides a critique of the concept of “transition” as well as new insights and possibilities of addressing the challenges facing post-war societies.

Spatial Relations and Caste Exclusion

The war in addition to the loss and maiming of lives, the destruction of assets and the disruption of production, also involved tremendous displacement. Such displacement involved both permanent emigration to form a Tamil diaspora in the West and internal displacement with return to their villages after years and sometimes decades of living in other regions. Such spatial movement of people had a considerable impact on social structure, particularly caste relations. People belonging to various castes were uprooted from village life embedded in caste quarters and proximity to caste-linked social institutions such as temples, community centres and schools. Furthermore, there were major changes to the demographic composition of caste communities, with a considerable section of the dominant Vellala caste migrating out of the country to form the diaspora. In this context, the return to land, both the dwellings in the caste quarters and for agriculture with the renewal of landed caste relations, necessarily raised questions about the persistence and strengthening of caste relations that were disrupted by the war. I argue that caste relations and its related oppression do not end with displacement, rather, it requires a political movement towards the annihilation of caste relations and emancipation of oppressed caste communities. This has been both the experience in Jaffna in the 1960s and the experience of the Dalit movement over the last many decades in India.
The reliance on land is weakening due to the falling incomes in agriculture relative to household expenditure and more generally the rural economic crisis in Jaffna. The changes to landed productive relations are reducing the direct power of the Vellala caste over the oppressed castes, as they employ less of oppressed caste labor on their land. On the other hand, the oppressed caste community are being pushed further into pauperization, thus further weakening their ability to organise themselves as they had done for example during the years of the cash crop boom in the 1960s and the 1970s.

The failure of reconstruction with falling incomes and rising indebtedness have led to further economic and social exclusion of the oppressed caste communities. Amartya Sen makes a distinction between active and passive forms of social exclusion (Sen 2000), which are relevant for my research. Active exclusion relates to the ways in which oppressed caste communities have been historically denied access to temples and schools discussed in Chapter 4. On the other hand, passive forms of exclusion can be understood as the consequence of the failure of reconstruction whereby the economic consequences of lack of employment and poverty lead to further exclusion, without it being identified as such. I would argue that the subtle forms of caste exclusion prevalent in Jaffna are characteristic of the passive forms, and are different from the more overt and coercive exclusion in India characteristic of the active forms.

Next such social exclusion is also different from exploitation; a system could be inclusive but exploitative (Sen 2000). For example with class exploitation, the worker is part of a system where his labor is exploited by the capitalist. While caste relations are also exploitative as with oppressed caste labor in agriculture and services provided by the oppressed caste community in rural social life, it also has the other social dynamic of exclusion from social life itself including the economic system. Even as agricultural work
declines, people by virtue of their caste designation are also excluded from the other forms of employment that survive in the countryside, namely government and private sector jobs.

One of the few options available for the oppressed caste community in contemporary Jaffna suffering from such social exclusion, is outmigration for work in the Middle East. The remittances of oppressed caste migrant labor do not necessarily strengthen the oppressed caste community, as remittances typically go toward meeting day to day expenses and payment of debts, rather than savings that could be invested including in the rural economy. Furthermore, such migrant labor is inherently temporary and add to the exclusion of such migrant workers from the local economy, because they lose their footing in the local labor market.

While caste relations were disturbed by war-time displacement, in the post-war context, there is a resurgence, albeit subtle forms of social exclusion as evident from the increasing segregation in social institutions such as temples, schools and work places. The absorption of wealth in the expansion and refurbishing of temples reflects strengthening of caste relations through the assertion of a form of social power and pride reflected in caste communities belonging to specific temples. The politics of such social power draws on the remittances from the West, which is also constituted disproportionately, with much of the remittances towards rebuilding of temples and to a lesser extent special facilities for schools coming from the Vellala caste dominant in the demography of the Tamil diaspora. Next, caste relations are also strengthening in schools where there is a subtle segregation of oppressed caste children in rural schools as discussed in Chapter 4.

There have been incidents of discrimination in employment and promotions in the state sector in Jaffna. While there is perhaps even more prevalent exclusion in the private sector, it has not come to light, due to the absence of mechanisms of redress or a system to
challenge such discriminatory hiring practices in the private sector. The silence on caste relations in the public domain is an important reason for such unchecked discrimination.

Such social exclusion along caste lines is not challenged due to the absence of a movement to confront caste oppression. War-time nationalist mobilisation and politics as well as post-war militarised repression has stymied anti-caste agitation. In the post-war context, the heavy military and intelligence presence suspects and discourages any form of organising and even discussion of any possible movement; such is the singular security objective of repressing any kind of independent organizing, instituted by the Rajapaksa regime in the war-torn regions. The Sana Samuha Nilayam (community centers), once the organizing core at the village level of anti-caste struggles are now weaker due to both the deterioration of rural social life and the lack of a political movement to galvanise such social institutions. Solidarities among oppressed caste communities in different villages considerably weakened with the decline of the Communist Party, which once had a strong oppressed caste base in Jaffna.

Tamil nationalist politics continues to press an exclusively ethnic agenda, and with military repression in check following regime change in January 2015, there are more overt mobilisations with a separatist agenda. Furthermore, the loud and powerful Tamil nationalist forces effectively silence any discussion about caste oppression, particularly by shaping the discourse in the Tamil media, other popular forums and even the local academic scene. The representations towards a new Constitution in early 2016\(^2\) led to a few groups raising caste issues in Jaffna. However, the middle class opinion makers including journalists have succeeded thus far in silencing caste in popular discourse.

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\(^2\) The Prime Minister appointed a Public Representations Committee to support efforts to draft a new Constitution towards addressing the grievances of the minorities. The sittings of the Committee in every District led to interesting and varied submissions. In Jaffna, the representations included a few submissions on caste relations (Public Representations Committee on Constitutional Reform 2016).
As discussed in Chapter 4, caste relations in Jaffna were historically unique in South Asia due to the fact that a single upper caste, the Vellala caste, constitute a numerical majority. The overwhelming power of the Vellala caste provided little room for resistance. In this context, the anti-caste struggles of the late 1960s were characteristic of an exceptional historical moment. Those anti-caste struggles emerged out of the conjuncture of a rural economic boom strengthening the oppressed caste landless labor, an effervescence of oppressed caste consciousness including increasing literacy and oppressed caste writers, and decades of build-up of diverse anti-caste trends gaining militancy under the leadership of the Communist Party. The momentum gained in the late 1960s and the 1970s including the social base of the Communist Party and local social institutions such as the Sana Samuha Nilyam, were marginalised with the ascendancy of Tamil nationalist mobilisations, repression of social struggles and dissent and eventually the civil war and mass displacement.

Next, as discussed in Chapter 3, neoliberal policies – where individuals are expected to fend for their livelihoods and address their debts in a monetised and financialized rural economy – are seeking to atomise individuals and weakening the possibilities of collective forms of organizing and work. Therefore, earlier solidarities constituted by the vibrancy of village institutions such as community centres and co-operatives have eroded with state and NGO programs that engage directly with individuals rather than community organizations.

The politics of caste has taken a very different trajectory in war-time and post-war Jaffna compared to developments in India. Caste politics in India is characterized by caste-based political parties and vibrant debates on caste relations and tremendous struggles that have shaped political alliances in India. Furthermore, official state policies are addressing caste discrimination including through affirmative action policies called reservation (Omvedt 1991). In India, a caste-based census was carried out in 2011, whereas in Jaffna even talking about caste is taboo. In an important article by Sonalde Desai and Amaresh Dubey based on a
survey of over 40,000 households in India in 2005, have come to some very important conclusions that are relevant for understanding the differences and persistence of caste in contemporary Jaffna (Desai 2012). In India caste is significant in political and civic participation, however, as discussed above, this is not the case in Jaffna. However, as in India, caste differences in Jaffna have a significant impact on capacities such as educational levels and outcomes such as earned incomes. The new forms of caste exclusion in Jaffna, which as in India are less about untouchability, but nevertheless different in its contemporary dynamics, may contribute to analysis of caste relations in South Asia.

The unique dynamics of caste relations in contemporary Jaffna are its subtle character. Caste atrocities, which are common in India, have for the most part been subdued in Jaffna, perhaps in part due to the widespread military presence that deters any kind of violence. The discourse of caste relations in Jaffna, as put forward by upper caste academics can best be characterised as a “culturalization” discourse, borrowing from Balmurli Natrajan’s work in India (Natrajan 2011). This discourse claims caste is merely a difference in identity and has been defanged of its oppressive and exclusionary character. Indeed, the culturalization discourse of caste in Jaffna removes it from its material and political questions and limits it to the realm of cultural differences that will fade with time. Therefore, even as caste relations strengthen, there is a call from the Vellalar opinion makers to silence discussions on caste. They claim caste oppression is in fact weakening and any incidents of caste discrimination are merely aberrations.

It is difficult to conclusively say if anti-caste consciousness and a movement may come forth in the near future. For now, I would argue the subtle character of caste oppression in Jaffna, the lack of caste atrocities and the silence of any discussion of caste, are unique characteristics of the persistence of caste in Jaffna. It will be even more difficult to find such a unique caste-ridden society that has also gone through a protracted armed conflict for
comparative analysis. However, the broader impact of armed conflict, the complex interaction of ethnic and caste relations, the silencing of social contradictions versus the resurgence of mobilisations and armed conflicts may gain insights from comparative studies of armed conflicts in South Asia and particularly places like Nepal.218

**Critiquing the Present through the History of Co-operatives**

An alternative path of reconstruction for Jaffna could have been considered. However, neither the Rajapaksa regime, nor the international donors, nor even the Tamil political leadership considered such possibilities. Reconstruction policies focused on the building of infrastructure, expansion of credit and promotion of the market to bring in private business have failed to improve the standard of living of the rural people in Jaffna. Rather, there should have been greater efforts to rebuild local institutions and investment in the rural economy, particularly in agriculture and fisheries. I have drawn on the history of co-operatives to critique the political economy of Jaffna after the civil war. The progressive vision of cooperation did not weaken merely because of the protracted war, but due to a conscious global project of promoting markets that determines policies and analysis of economic development in post-war Sri Lanka.

One argument commonly made against most efforts towards a planned or for that matter a co-operative vision of economic revitalisation is that the Sri Lankan economy with its earlier emphasis on import substitution has now changed with globalization, and that such efforts at planning will not work in contemporary Sri Lanka (World Bank 2015). With the

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218 The developments in Nepal in the late 2000s following the end of the protracted Maoist insurgency, with the uprisings in the Terai by the Madeshi community, who due to ethnic grievances complicated the politics in Nepal are a case in point. While any comparison is beyond the purview of this dissertation, a future comparative study of post-conflict Nepal with Sri Lanka may provide some insights about the challenges of reconstruction and avenues of addressing ethnic and caste grievances. In Nepal, such ethnic differences led to overt mobilisations after the protracted armed conflict, where as in Sri Lanka, it has led to the silencing of differences within the Tamil community (Miklian 2009).
exception of the Japanese Government sponsored report on reconstruction for Jaffna (JICA 2011), there is for the most part silence on the role of the co-operatives by the donors and the local policy makers. In fact, USAID provides subsidies for private businesses starting up in Jaffna and the North, but has not provided any assistance to co-operatives. The World Bank and Asian Development Bank have also completely failed to support the rejuvenation of co-operatives, and continue to insist on Public Private Partnerships with the emphasis on the promotion of private businesses (World Bank 2016). The economic model of the donors and think tanks calls for the further opening of the Sri Lankan economy to trade and increase business confidence to invite Foreign Direct Investments towards export-led growth. The proponents of this private sector-led model have little interest in the co-operative forms of rural production and distribution that is mainly for domestic consumption.

For my dissertation research, I was working within the limits of a regional economy, particularly war-torn Jaffna and to some extent the Northern Province, and therefore the larger economic policy challenges for Sri Lanka as a whole are beyond the scope of this discussion. However, as discussed in Chapter 2, the problems and challenges with the reconstruction of the war-torn districts are related to the larger economic development vision in the country. The co-operative alternative requires state support which is not forthcoming, but could make a major difference in the dignity of workers and equality in this post-war caste-ridden society. However, I fully realise that the co-operative alternative is only one important element of reconstruction, and that alone is limited without a major shift in Sri Lanka’s neoliberal development trajectory.

The co-operative movement in Jaffna not only drew ideas about co-operation from around the world but also took advantage of international factors in their development during

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219 In many parts of the world co-operatives are more egalitarian institutions with greater control of management by the workers and much less pay differences between workers and managers (Blim 2004).

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the late colonial period. Thus the co-operative movement was not parochial and was always open to global changes. The co-operative movement drew on international experience that included study missions from Jaffna to England and Japan to learn about the workings of co-operatives. Furthermore, co-operatives in Jaffna drew on the social capital of Tamil pensioners who had returned after employment in South East Asia under British colonial rule. Such pensioners had a regular income and educational background allowing them to devote time and energy to develop co-operatives. The Jaffna Malayalam Tobacco Cooperative Sales Society created the infrastructure for exporting to India and the fisheries co-operatives at a later date resorted to exporting sea food to an international market. Finally, it is confidence gained from the co-operative movement and an openness towards experimentation that pioneered the Moolai Co-operative Hospital in Jaffna in the 1930s, one of the first of its kind in Asia. In this way, the co-operative movement in Jaffna from its inception drew on international ideas and experience. Therefore, the question then is about the kind of global integration and the forms of economic institutions that it creates.

The other argument put forward is that there is no way out of financialization, as credit is important for any form of reconstruction. I argue that financialization in its contemporary manifestation as discussed in Chapter 2 is characteristic of neoliberal globalization with exploitative expansion of finance resulting in social harm in the form of indebtedness. Furthermore, credit comes in different forms and should be differentiated from financialization (Fine 2013). Indeed, even at the inception of co-operatives a century ago, the question of credit and indebtedness of the farmers was central to the colonial government’s policies of initiating co-operatives. Significantly, the first co-operatives in Jaffna and Sri Lanka more broadly, were formed mainly to address the problem of credit and to resist the exploitation of the rural communities by money lenders. The efforts at co-operative banking eventually led to a bottom up process culminating in the federation of rural banks in the
North, which were able to ensure the availability of credit and also in the process ensure growth of production and employment through the expansion of co-operatives.

In the post-war years starting in 2009, the formal financial institutions, including finance companies involved in lease hire purchasing and micro credit institutions, have become predatory lenders. In Chapter 3, I discussed the high interest rates and the unsustainable levels of debt. Furthermore, I argued that the financial institutions while recognising the rural economic crisis are merely competing with each other to make a quick profit. A century ago, the state supported the formation of producer co-operatives and cooperative banks to free people in the countryside from exploitation by money lenders and small traders charging high interest on purchases. I argue, that a reversal of exploitative financialization in the rural economy today can draw from the extensive network of rural banks run by co-operatives.\footnote{In conflict-ridden Assam in India, in the decade following liberalization, informal loans increased while co-operative loans decreased (Purkaystha 2001). This could also be the case in places like Jaffna that after the surge of formal sector loans and their default, rural debt could again be captured in the future by money lenders. Thus finding ways to reduce the impact of financialization and in turn strengthening co-operatives is a challenge for the future.} In Chapter 3, the low levels of indebtedness among the toddy tapping community was analysed as a consequence of their loans mainly coming from co-operative rural banks linked to the palm development co-operatives, as opposed to those who relied on private banks and financial institutions. There is considerable difference in both the level of debt and the interest rates paid to co-operative rural banks compared to the private financial sector. Co-operative banks with state assistance can provide credit and lessen the financialized dispossession currently at work in Jaffna, provided there are clear policies of reversing financialization including ending problematic financial mechanisms such as lease hire purchasing and micro-finance schemes. In fact, in June 2016 the Jaffna District
Federation of Women’s Societies took a decision to campaign for a ban on lease hire purchasing and microfinance schemes in the Jaffna District.\textsuperscript{221}

The co-operative vision drew on the strong foundation of education coupled with the collective and democratic participation for economic empowerment. Co-operatives like educational institutions and Sana Samuha Nilayam (community centers) were social institutions that strengthened social resilience, and which I argue provided considerable support for the survival of northern society during the war. I would further argue that the cooperatives have considerable potential in the post-war era. Co-operative production and distribution coupled with state support attenuates the fluctuations and ravages of the market, even if they cannot completely control the crisis prone character of the market in a capitalist economy or remedy all of the woes that have emerged since the war. The co-operatives can contribute to empowering exploited communities and valorise their dignity, particularly important for oppressed caste communities such as toddy tappers and landless laborers who face the double attack of market forces and oppression of local caste structure.\textsuperscript{222}

The Sri Lankan state in the past not only supported co-operatives, it also supported important social welfare programs. The state apparatus is wide and deep; it continued to function in the conflict areas during the war, and has a wide presence in the war-torn regions after the war. Every village, often correlating with a Grama Niladari Division has a Grama Sevaka (Village) Officer, a Samurdhi (Welfare) Officer and an Economic Development Officer, and at the Divisional Secretary Level (a division of a District) there are a range development officers including for women’s development. In this way, the state has the robust capacity to address many of the challenges in the rural economy, but its institutional workings have many problems, and do not address the concerns of the rural and minority

\textsuperscript{221} This was communicated to me by the Women’s Development Officer for Jaffna District.

\textsuperscript{222} Bina Aggarwal has shown the possibilities for collectivities and co-operatives when they organize farmers and particularly women farmers, in contemporary times. Schemes that have been taken forward with land for the landless in parallel with bottom up collectivities she claims have been successful (Agarwal 2010).
communities. Therefore, these state institutions have to be directed through social mobilisation, including by social institutions such as co-operatives and other community organisations, for meaningful reconstruction in war-torn places like Jaffna.

In post-war Jaffna, the alternatives towards rejuvenating the war-torn society, though constrained by the limitations of neoliberal policies by the Central Government in Colombo, can draw on the following ideas for reconstruction:

1. Reversal of financialization, particularly curtailing the new financial instruments such as lease hire purchasing and micro finance, and mobilizing more productive forms of capital which leads to employment generating investment. Addressing the high levels of indebtedness through some form of debt forgiveness or debt deferral is a precondition for any new process of meaningful reconstruction. In short, an exception has to be made for the war-torn districts to alleviate the problem of widespread indebtedness.

2. Strengthening local social institutions and creation of co-operative led and other small industries towards livelihood and job creation. In addition to increasing rural incomes, the need is for regular monthly incomes as with jobs from small industries and the service sector. Reviving rural incomes may depend on the diversification of household incomes with at least one income earner getting a regular monthly income with the rest of the household engaging in the rural economy including agriculture and fisheries. Currently that option of diversifying incomes is temporarily sought through migrant work in the Middle East; but with considerable social cost including isolation from family life, lack of workers’ rights and difficult working conditions.

3. The state has an important role in post-war reconstruction including through channelling or directly investing in the rural economy, so that a virtuous cycle of
value-addition and accumulation begins within the war-torn regions. The extensive presence of the state structure needs to be mobilised towards reconstruction and strengthening local social institutions such as co-operatives.

4. Many households in the North are completely landless including lacking land to qualify for state and donor housing grants. Therefore, some form of land grants for the landless is critical. Furthermore, even small plots of land on the order of quarter of an acre can ensure rural provisioning including the possibility of finding firewood for cooking and produce from home gardens increasing food security. Therefore, addressing landlessness in even a limited way contributes to strengthening the war affected communities.

**Resistance and Political Possibilities**

The solutions for war-torn Jaffna are the path of moderation, given that any revolutionary politics is on hold after decades of devastation, the utter exhaustion of the people and the loss of an entire younger generation to the war. However, struggles in some form are necessary to redress class and caste injustices. Furthermore, the struggles for alternatives in Jaffna and the North more broadly, necessarily relate to progressive politics in the country as a whole. Indeed, any radical shift from the now entrenched neoliberal economic trajectory is dependent on major struggles outside the war-torn Northern and Eastern Provinces. It is in the rest of the country that there are active social and political formations, and it is there that as much as ninety percent of the population resides.

Tamil nationalist politics, with its ethnic exclusivism which isolates the Tamil community in the war-torn regions from the rest of the country, and its indifference towards the economic issues facing the dispossessed Tamil community, undermines reconstruction. Similarly, the Sinhala Buddhist majoritarian politics at the national level and the militarised
environment in the North and East, continue to undermine solidarities between the war-torn communities and the rest of the country. In other words, the failure of reconstruction is deeply political, and it is conservative politics of the Colombo and Tamil elites that isolates the war-torn communities and keeps them mired in the social and economic crisis.

In Chapter 2, I critiqued reconstruction through the different forms of capital and an understanding of capital as a social relation. The Central Government merely considers capital necessary for infrastructure development, and that access to global finance is the way to secure it. On the other hand, the Tamil nationalist leadership including the provincial government have failed to even articulate the need for capital, and solely focus on legal and constitutional demands relating to devolved powers of autonomy. Between these two dominant perspectives, the assault by financialization and the market in the war-torn regions are resulting in dispossession and increasing indebtedness.

The crisis in the global economy since 2008 have impacted Sri Lanka during the following eight years. The ebbs and flows of global capital characterized by speculative flows, including the cost of capital necessary for continued policies of financialization, are creating difficulties for Sri Lanka’s external finances. The IMF Standby Agreement in 2009 discussed in Chapter 2, which I argued was central to the emergence of a second wave of neoliberalism in Sri Lanka, has now been succeeded by an IMF Extended Fund Facility in June 2016, as Sri Lanka slipped again into balance of payment problems. While the new Government continues on the neoliberal path of financialized urbanisation, the financial

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223 In Chapter 2, I discussed how urbanization in the form of beautification of Colombo was central to the second wave of neoliberalism after the war. The new Government after regime change in January 2015 continues with that urbanization push with a massive Megapolis project, aiming to expand Colombo city through urban sprawl to reach much of the Western Province, with expected investment of some US$ 30 billion by 2030. In parallel the World Bank is funding what it is calling its Strategic Cities Project developing the cities of Kandy and Galle, and in May 2016 added the city of Jaffna with an addition US$ 55 million. This World Bank project for the development of Jaffna city for a total of US$ 65 million including funds of US$ 10 million from the Government is one of the largest development projects for Jaffna District. While I argue about the continuing crisis in the rural economy in Jaffna and the North, the World Bank prioritises the urban development of Jaffna.
crisis in other parts of the world such as in Southern Europe are pointing to the difficulties of sustaining capital flows necessary to continue with financialization in Sri Lanka. If the crisis in the global economy spreads and deepens in the Middle East, the consequences for those now depending on migrant labor in the Middle East and the attendant remittances will be severe. The circuit of global capital accumulation discussed above with the expansion of credit by global capital and debt payments facilitated by remittances may also fall apart. Therefore, the contemporary moment continues to be one of flux, but for that reason it may also engender new forms of political mobilizations and alternatives.

Few analysts considered the possibility of overthrowing the authoritarian Rajapaksa regime through the electoral democratic process. However, regime change while it has curtailed militarization and opened up democratic space, has brought in a government that is unequivocally committed to neoliberal policies. For a country’s politics held hostage by a civil war for three decades, there are tremendous political possibilities as economic issues gain increasing importance. It took six years after the war for the population to throw out the Rajapaksa regime and there may be many more political changes in the ensuing years in national politics. The next phase of political mobilizations and movements may focus on the rising inequalities and uneven development and thus challenge the political economic trajectory of the country.

In the North and the East with the Tamil constituencies, the democratic possibilities were further constrained as electoral politics was disrupted with the LTTE in totalitarian control of the population and squashing any form of independent organizing or dissent. It is only in the last three years that the once vibrant electoral political tradition in the North and the East are slowly beginning to re-emerge. Central to revitalization of Tamil politics is the need for a self-critical move questioning Tamil nationalist politics and the legacy of the LTTE. How long it may take for the Tamil community to emerge out of Tamil nationalist
politics, which has been ideologically dominant over the last six decades, is hard to predict. However, such a challenge to Tamil nationalism, the emergence of a new political leadership taking hold of the Northern Provincial Council and a democratic politics grounded in economic concerns of the people are all central to the political foundation of rebuilding the war-torn society. In this context, the mounting dispossession and crisis of indebtedness in the countryside may put forward a challenge to Tamil electoral politics, which has long ignored the economic problems of its constituencies.

It is radical changes to Tamil politics that may also finally address the persistence of caste oppression in Tamil society. Such a shift in Tamil politics can also be stimulated by the emergence of an anti-caste movement. To begin with the initiation of public discussions and mobilisations on caste issues, including by identifying and addressing forms of caste exclusion in education, employment and state services is a priority. The first step in this process is to break the silence on caste in the public domain. In the medium term, much will depend on the oppressed caste community forming an anti-caste movement, creating alliances with progressive actors and taking forward struggles for dignity and equality.

A major weakness of Tamil nationalist politics was its exclusive character, where it failed to seriously engage other communities like the Muslims and work with progressive forces in the Sinhala community and address the national issues including the economic issues, while demanding devolution of power to the regions. Any future anti-caste movement should not make the same mistake of restricting itself to the caste issue alone. Rather, there is a need for an anti-caste movement that can make links with other movements and trade unions. Furthermore, such an anti-caste movement should consider a progressive position on the “national question,” while demanding devolution of power to the regions, it should also challenge the Tamil community to devolve some of those powers to the oppressed caste villages and empower the oppressed caste communities. Caste was central to Tamil politics.
and any major shift in Tamil politics including to address the failure of reconstruction may well depend on anti-caste politics coming to the fore.
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