BACKGROUND NOTE

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Accountability: Why the Sri Lankan Economy Collapsed and How to Revive it

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Abstract:

This paper argues that the root cause of Sri Lanka's 2022 economic collapse lies not merely in recent missteps, but in long-standing policies that weakened citizens' ability to hold their government responsible. Despite periods of strong growth and development, policies such as the Paddy Lands Act, poorly targeted energy subsidies, politicised cash transfers, and restricted higher education have eroded public oversight and led to economic inefficiencies. Through six key reform areas agriculture, energy, social protection, trade, education, and macroeconomic management the paper demonstrates how poor outcomes stem from the government being less accountable to its people. By tracing how policies that empowered citizens led to progress, and those that disempowered them led to failure, the paper provides a compelling case for rebuilding economic strength through institutional reforms that shift power back to the public.

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I. Introduction

In 2022, Sri Lanka experienced its worst economic crisis since independence. The nation's GDP contracted by 7 percent, while inflation soared to 50 percent. By April, the country had depleted its foreign-exchange reserves, leading to a default on its external debt. The shortage of foreign exchange led to scarcities of food, fuel, fertilisers and medicines. A widespread people's protest movement, known as 'The Aragalaya', compelled the democratically elected President Gotabaya Rajapaksa to resign.

This collapse was striking given that Sri Lanka has been regarded as one of the most successful economies in Asia. Its per capita income is the highest among the sizeable economies in South Asia and it has maintained one of the highest, sustained GDP growth rates in the sub-region, even during a 26-year civil war. Sri Lanka's human indicators are the envy of the world—nearly universal secondary school enrolment and child mortality rates comparable to those of Europe. In addition, Sri Lanka has been an uninterrupted democracy since independence.

How did this well-performing economy suffer such a severe economic collapse? Most people point to the proximate causes. In 2019, the newly elected Rajapaksa administration implemented tax cuts, causing the tax-to-GDP ratio to fall to 8 percent. The fiscal deficit ballooned to 13 percent of GDP. In April 2020, before the Covid pandemic hit, credit-rating agencies downgraded Sri Lanka's debt to B-, signalling a substantial risk of default. Economists inside and outside the country advised the government to suspend its debt payments, restructure its debt, and seek a program with the International Monetary Fund (IMF). The government refused to go down that path. Instead, it paid back the external creditors in full by drawing down foreign-exchange reserves, which eventually ran out. It financed the fiscal deficit through central bank borrowing, which resulted in year-on-year inflation (October 2021-September 2022) of 70 percent, as economic theory would predict. Worsening the situation, the government banned chemical fertiliser, requiring unprepared farmers to shift immediately to organic farming, which led to a decline in food and cash crop production.

However, this narrative does not explain why an economy —whose strong performance was at least partly attributable to sound policy decisions— suddenly reversed course. Conversely, it does not explain how an economy capable of such poor policy choices from 2019-2022 could have performed well in the previous 50 years. This paper seeks to answer these questions by examining the underlying causes of the current crisis. Sri Lanka has a series of long-standing policies, often initiated with the best of intentions, that have undermined the productivity of the economy and discriminated against the poor. Intended to promote self-sufficiency in rice, the Paddy Lands Act of 1958 restricts farmers to grow only paddy— the least productive and least lucrative crop. Fuel and electricity subsidies, aimed at protecting the poor, distort production and consumption decisions, disproportionately benefit the rich, and disempower the poor. The free, public education system that delivered universal enrolment suffers from low quality and, given the proliferation of private tutoring, is effectively not "free." The social transfer program, Samurdhi, is poorly targeted and politically captured. Finally, macroeconomic policy exhibited little fiscal discipline and almost no central bank independence. Of Sri Lanka's sixteen IMF programs, only nine were completed.

How then did Sri Lanka do so well in the past despite these policy distortions? Beginning in the late 1970s, the country adopted several productive policies that yielded significant dividends. The government removed or reduced restrictions on imports, which spurred a surge in exports, especially garments. Agricultural exports such as tea also benefited from the cheaper imported inputs. The potential for exports attracted foreign investment, contributing to rapid economic growth. Sri Lanka's strong human indicators, themselves the result of investments in education and health in the 1950s and 1960s, enabled the population to take advantage of the trade-induced economic opportunities. The unemployment rate declined to less than four percent.

In addition, favourable external events contributed to Sri Lanka's relative success. In the 1970s, as a youth bulge was entering the labour market, the country's socialist policies were not creating enough jobs, leading to protests. These developments however coincided with the opening up of economic opportunities in the Middle East for migrant workers. Hundreds of thousands of Sri Lankans secured employment as drivers, domestic workers, and construction workers. They built a nest egg with their savings and are now able to return to their homeland to retire, as Sri Lanka's working-age population shrinks. Similarly, when Sri Lanka was on the brink of a balance of payments crisis in the mid-1980s, a drought in Kenya sent tea prices skyrocketing, boosting export earnings and temporarily averting a potential crisis. In late 2004, the country was again on the verge of a foreign-exchange shortfall when the Indian Ocean Tsunami hit. While the loss of lives and property was tragic, the emergency aid temporary alleviated the foreign-exchange constraint. In sum, a combination of good policies and good luck helped to mask the underlying weaknesses in the Sri Lankan economy. However, by the early 2020s, the corrosive effects of the poor policies decisions became starkly evident, and the period of favourable external conditions came to an end. The economy collapsed.

This paper traces a common thread between the successful policies of the past and the failed policies that persist today. That thread is accountability. Well-intentioned policies such as the Paddy Lands Act, free education, and energy subsidies, backfired because they undermined the public's ability to hold government accountable. Instead, they increased the government's ability to hold citizens accountable. This led to results that were the opposite of what was intended, weakening the economy and hurting poor people.

On the rare occasions when the government relinquished control over citizens — such as during trade liberalisation, which made entrepreneurs accountable to global markets rather than to the state—the economy expanded and poverty declined. To help revive the Sri Lankan economy, therefore, I suggest in this paper a series of policy reforms, based on international experience, that would increase productivity and empower the poor. The goal is to shift the direction of economic policy in Sri Lanka to one aimed at citizens holding government accountable rather than the other way around. As one Aragalaya protest poster declared "The people should not be afraid of the government; the government should be afraid of the people."

I use the term "accountability" here in its basic meaning of taking responsibility for one's actions. In the case of free trade, entrepreneurs are responsible for the outcomes for their firms because they face world prices for their inputs and outputs. By contrast, under protectionist trade policies, entrepreneurs can lobby for special privileges when their profits decline. When farmers can grow whatever, they like, they are responsible for farm outcomes. But if the government forces them to grow a particular crop, the government is holding them accountable. Likewise, with centrally provided, free public education, the teachers are not accountable to the students or their parents for learning outcomes. When students and parents can hold teachers accountable, such as through community-managed schools or voucher schemes, learning outcomes have been found to improve (World Bank 2003).

In the next section, I consider six policies, all of which are hindering the economy because they undermine citizens' ability to hold government accountable. I show how this lack of accountability leads to well-intentioned policies backfiring. I then describe how outcomes can be improved by helping citizens hold government accountable.

II. Six reform areas

A. Agriculture

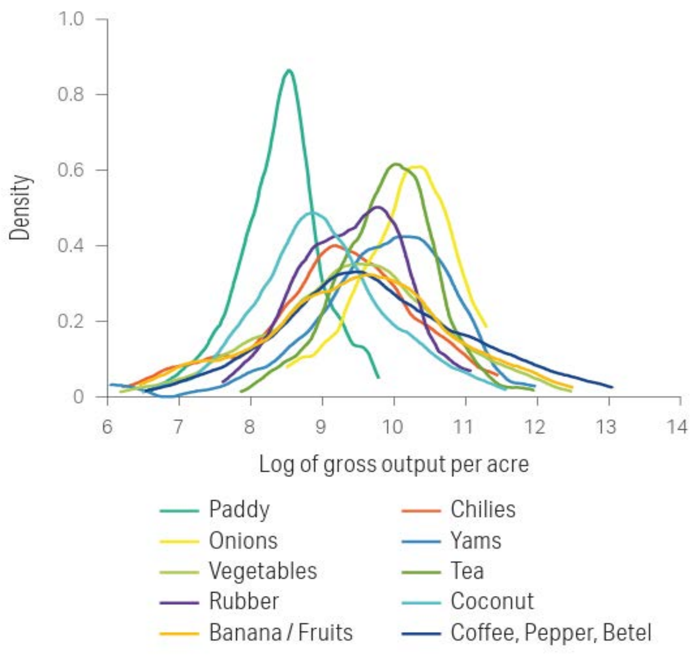
Sri Lanka's agricultural sector contributes the least to overall GDP. As in all countries that transform from a rural economy to an industrial and service economy, agriculture's share of GDP has been steadily declining. However, unlike in other countries, the productivity of Sri Lanka's agricultural sector has not improved; earnings in the sector have remained low and are in decline. (World Bank 2021).

One contributing factor is that about 45 percent of farm households, most of whom belong to the poorest 20 percent of the population —are engaged in the cultivation of paddy. Paddy is the least productive crop in terms of output per acre (Figure 1). It is also the least remunerative in terms of value of output in Rupees per acre (Figure 2). Why do these farmers continue to grow paddy when the returns are so low? Because they are legally required to do so. The Paddy Lands Act of 1958 and its successors constrain farmers who lease land from the state to grow only paddy. The Act was introduced in the 1950s to ensure self-sufficiency in rice, a staple food in Sri Lanka. To achieve self-sufficiency, the government subsidises inputs such as fertiliser and restricts cheaper imports. Yet, growing fruits and vegetables could be much more lucrative to farmers. Anecdotal evidence suggests that farmers attempting to grow fruits and vegetables on their land face fines. Nevertheless, some farmers deem it worthwhile to cultivate alternative crops and incur the fine.

The Paddy Lands Act renders farmers accountable to the government rather than to market forces. If farmers were able to choose which crop to grow, they would be accountable to the market — a dynamic that helped other countries, such as China, increase their agricultural productivity and reduce poverty. This dynamic also explains how Sri Lankan entrepreneurs increased output and profitability following trade liberalisation in the 1980s. By forcing farmers to grow only paddy, not only is the government constraining farmers' choice, but it is also keeping poor farmers poor.

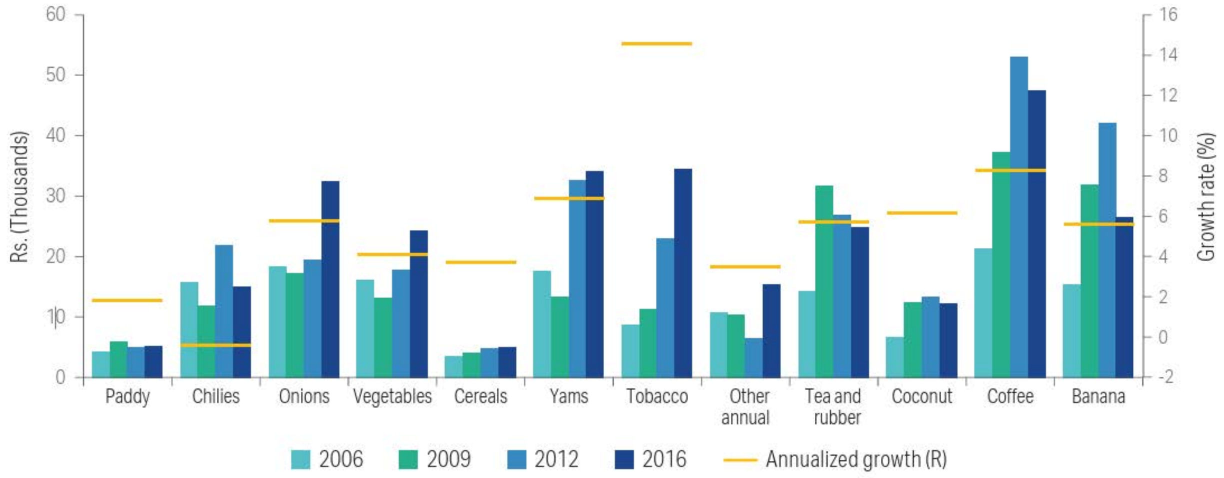
The solution in this case is straightforward: repeal the Paddy Lands Act and allow farmers to grow whatever they wish. Unfortunately, this is politically sensitive since it touches on the distribution of land rights. As an intermediate step, therefore, Sri Lanka could experiment with allowing farmers in one district to exercise choice. In a year or two, the experiment could be evaluated and, if successful, scaled up.

Figure 1: Kernel density estimates of the log of gross output per acre, by crop



Source: World Bank Agricultural Productivity, Diversification and Gender: Background Report to Sri Lanka Poverty Assessment(2021) at https://documents1.worldbank.org/curated/en/997271634312803225/pdf/Agricultural-Productivity-Diversification-and-Gender-Background-Report-to-Sri-Lanka-Poverty-Assessment.pdf

Figure 2: Crop productivity (Gross value of output per acre, Rupees) 2006-2016



Source: World Bank Agricultural Productivity, Diversification and Gender: Background Report to Sri Lanka Poverty Assessment(2021) at https://documents1.worldbank.org/curated/en/997271634312803225/pdf/Agricultural-Productivity-Diversification-and-Gender-Background-Report-to-Sri-Lanka-Poverty-Assessment.pdf

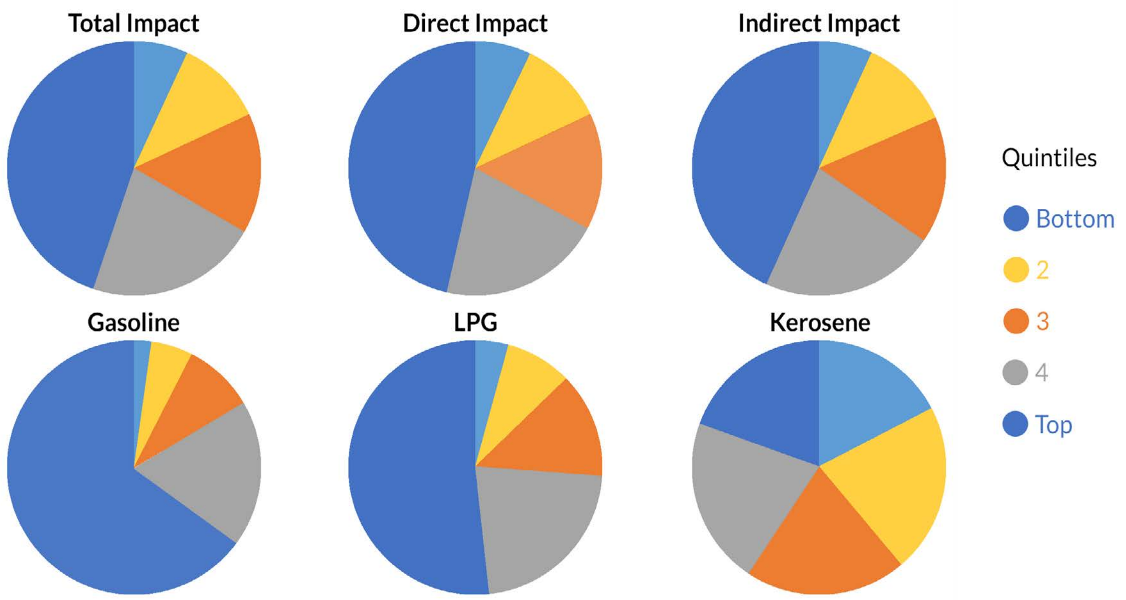
B. Energy subsidies

Sri Lanka has been subsidising fuel and electricity, as evidenced by the losses incurred by the Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB), which had accumulated to 3.8 percent of GDP by the end of 2022 (IMF 2023). Ostensibly designed to protect poor people from rising fuel and electricity prices, these subsidies have the opposite effect. They transfer resources to wealthier households, who are more likely to drive fuel-inefficient vehicles and operate air-conditioners in their homes. Approximately 70 percent of the fuel subsidies accrue to the richest 30 percent of the population (World Bank 2017). This estimate is consistent with the evidence from developing countries in general, where about half the fuel subsidies go to the richest 20 percent of the population (Figure 3).

In addition, these subsidies lead to inefficiencies in the production and distribution of electricity and fuel. Since consumers are not paying the full cost, the electric utility has little incentive to provide efficient service. They neglect maintenance of the electricity grid, leading to power cuts and blackouts. When these blackouts occur near an election, the incumbent government often reacts by purchasing high-cost diesel power stations to supplement the dysfunctional grid. As a result, the overall cost of power is even higher and the subsidy greater. The subsidies also create additional space for tolerating corruption. The problem is the lack of accountability. When there is a subsidy for electricity, the CEB is not accountable to the consumer but to the government, which pays the subsidy. The outcome is poor service and high fiscal costs.

There is another way that these subsidies are corrosive. They send the message to poor people that, if they want to receive a benefit from the state, they have to consume fuel. And, as we have just seen, poor people do not consume much fuel. Compare the subsidy with a targeted cash transfer. In the latter case, the poor person can decide how to spend the benefit from the state. They can spend it on educating their children, investing in their business, or improving their home. In short, energy subsidies diminish the agency of people living in poverty.

Figure 3: Distribution of Subsidy Benefits by Income Group (Percent of total subsidy benefit)



Source: David Coady, Valentina Flamini and Louis Sears The Unequal Benefits of Fuel Subsidies Revisited: Evidence for Developing Countries (IMF Working Paper, 2015) at https://www.imf.org/external/pubs/ft/wp/2015/wp15250.pdf

C. Targeted cash transfers

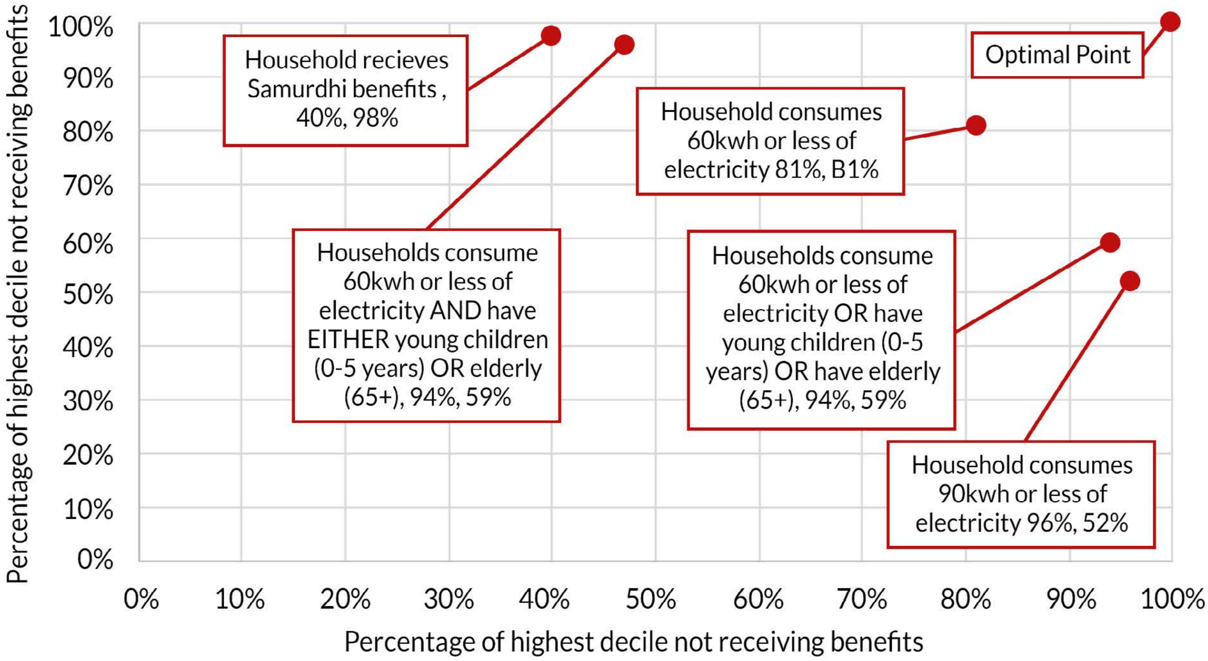
As previously discussed, targeted cash transfers offer a compelling alternative to energy subsidies, which tend to be regressive, inefficient and disempowering. In fact, any energy subsidy reform programme should be accompanied with targeted cash transfers, as the poor – despite their minimal consumption –would still be affected by the removal of the subsidy. An increase in cash transfers would enable low-income households to afford the higher-priced energy and other essentials, thereby addressing concerns –often raised by more affluent groups—that subsidy reforms "will hurt the poor". Energy subsidy reform programmes in Egypt and Indonesia succeeded because they were accompanied by targeted cash transfers. In Iran, to make the promise of the accompanying cash transfers credible, the government handed out the transfers in advance of the cuts in subsidies. Recipients could view the funds in their bank accounts but access to the money was restricted until the subsidies were removed. This approach shifted public opinion in favour of subsidy reform, and the programme was quickly approved by parliament (Guillaume et al. 2011).

Sri Lanka has operated a targeted cash transfer programme, Samurdhi, since the 1990s. However, the programme only reaches 40 percent of the poor—and 16 percent of the non-poor (World Bank 2021). This outcome is unsurprising, given that the eligibility criteria are based on a complex formula prone to manipulation. Alternative eligibility criteria, such as one based on households' consumption of electricity, could lead to greater inclusion of the lowest decile in the program without significantly increasing the number of the richest decile receiving benefits, as Gunewardena and Siyambalapitiya (2023) show (Figure 4).

Furthermore, as in other countries (Diaz-Cayeros et al. 2016), there is evidence that Samurdhi transfers are used for political purposes rather than poverty alleviation. Sharif (2005) finds that Samurdhi transfers were concentrated in those districts that voted between 40 and 60 percent for the incumbent party. As Gunatilaka (1997) observed,

"Political affiliation determined the eligibility of some to receive the consumption grant…The niyamakas said that they are under pressure from area politicians and village-level party organizations to give the Samurdhi grant to [incumbent party] families and to deny them to [opposition party] supporters."

Figure 4: How effective are the various eligibility criteria in including the poor and excluding the rich?



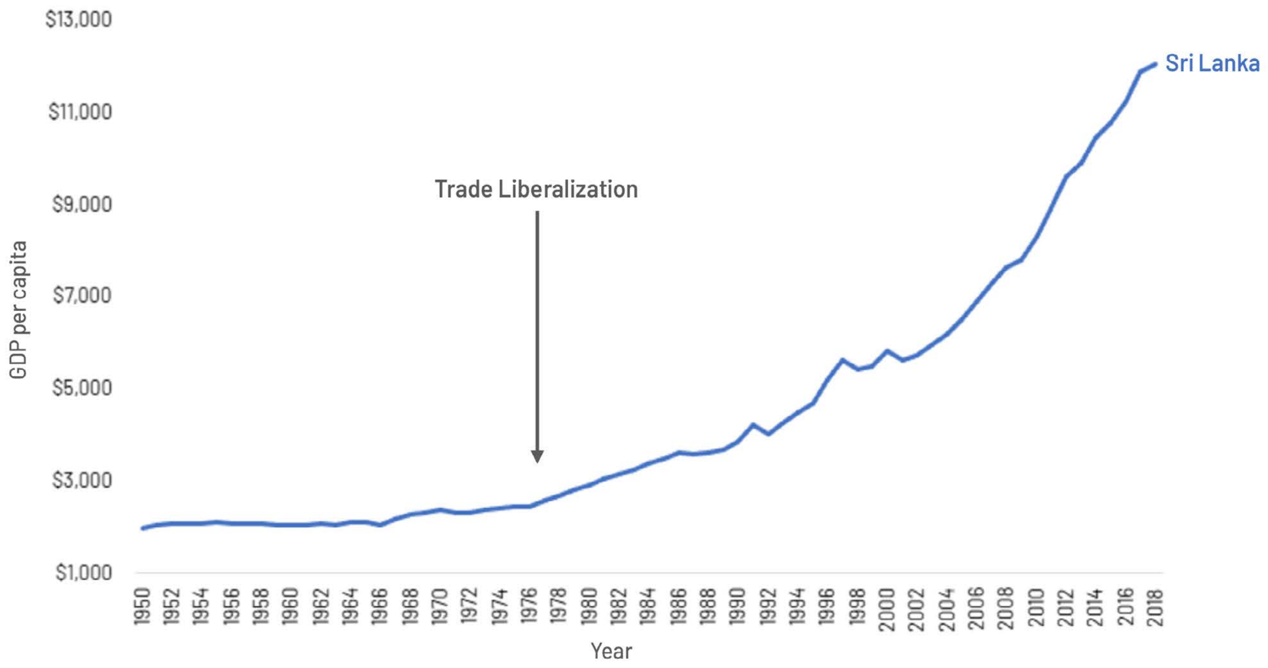
Source: Gunawardena, D. and S. Siyambalapitiya. 2023. Electricity Usage as a Proxy Indicator for Poverty Targeting, Sri Lanka Journal of Economic Research, vol. 10(2), pp. 115-125.

In sum, although cash transfers are intended to enhance the agency of the poor, in Sri Lanka they have been designed with sufficient discretion to allow political capture and to evade public accountability. The new Aswesuma programme, with its streamlined eligibility criteria and reliance on electronic transfers, is a step in the right direction. However, when the program was rolled out in mid-2023, the people who were dropped from the Samurdhi rolls protested. Leaders of the majority party in parliament, who had voted for the new programme, joined the protests and called for the temporary reinstatement of those affected, until their eligibility was verified.

D. Trade policy

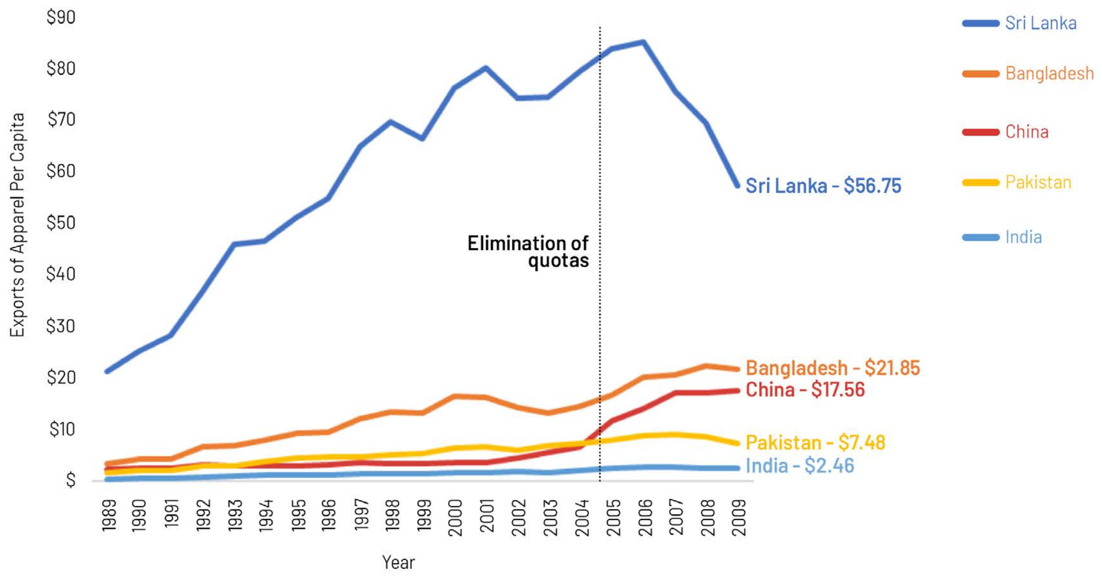
In the late 1970s, Sri Lanka was one of the first developing countries to dismantle import barriers and liberalise trade. There was significant concern at the time that import-substituting firms, and therefore the manufacturing sector, would collapse. For instance, the small garment sector that catered to the domestic market feared that it would not survive the influx of cheap imports. In fact, when trade was liberalized, the economy boomed. Per-capita GDP growth accelerated after liberalisation (Figure 5). The unemployment rate fell to four percent. Rather than collapsing, the garment sector flourished, aided by cheap imported inputs and foreign investment. In per-capita terms, Sri Lanka's garment exports to the United States far exceeded those of Bangladesh, China and India (Figure 6), and continued to grow until 2005, when the multi-fibre agreement ended, and Sri Lanka lost its market share. By that time, other exporting industries took over and the economy continued to grow for the next decade.

Figure 5: GDP per capita, 1950 to 2018



Source : Bolt and van Zanden - Maddison Project Database 2023 – with minor processing by Our World in Data

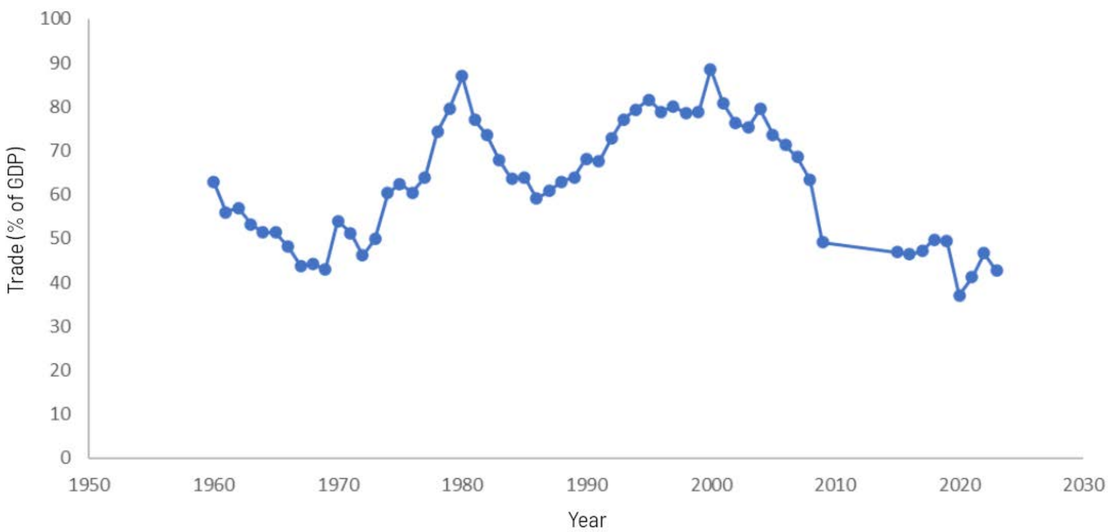
Figure 6: Exports of Apparel Per Capita to the U.S. Market from China, Bangladesh, India, Pakistan and Sri Lanka



Source: D.W. Kinkini Hemachandra Adoption of Voluntary Environmental Practices: Evidence from the Textile and Apparel Industry in Sri Lanka (SANDEE Working Paper No. 93–15, South Asian Network for Development and Environmental Economics 2015), citing data from CIA World Factbook, Nation Master, and OTEXA, at https://www.sandeeonline.org/uploads/documents/publication/1049_PUB_Working_Paper_93_Kinkini.pdf

The experience with trade liberalisation showed that Sri Lankan entrepreneurs can compete when they are accountable to world markets rather than to the government. But this meant that the government could no longer control industries and curry favour with certain producers. Recent governments have attempted to reverse this liberalisation by introducing para-tariffs and other trade restrictions. Worse, existing reforms have been implemented selectively, leading the IMF in its Governance Diagnostic Assessment to conclude that "...exposure to corruption in Customs...is substantial (International Monetary Fund 2023, p. 13)." Not surprisingly, Sri Lanka's trade ratio (exports plus imports as a share of GDP) has fallen from 80 percent to about 40 percent (Figure 7). To resume economic growth, these trade restrictions need to be relaxed so Sri Lankan entrepreneurs can again be held accountable to world markets, as they were when the economy last boomed.

Figure 7: Trade (% of GDP)



Source: World Bank and OECD national accounts (2025) – processed by Our World in Data

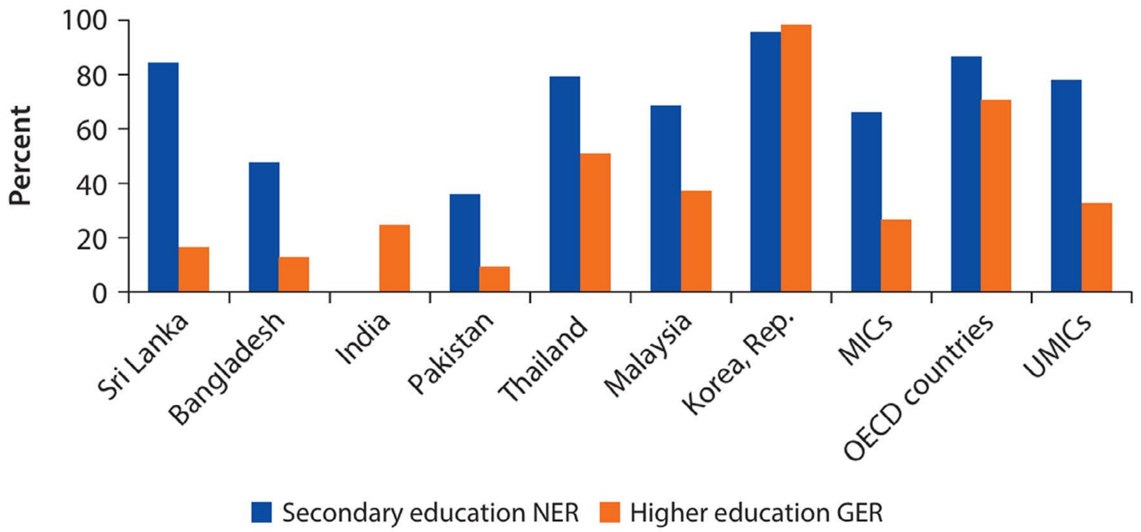
E. Education

Sri Lanka's free public education system has been praised for having delivered universal primary and secondary enrolment to its people. Nevertheless, there are concerns that the quality of education is substandard and markedly uneven. The average pass rate in Grade 8 is only 50 percent, with rates close to 30 percent in the Eastern and North Central Provinces (World Bank 2014). One reason may be that the teacher absence rate is about 15 percent. Teacher absenteeism, which is observed in other countries as well, is a reflection of the public education system. Teachers are accountable to the government rather than to students. They receive remuneration irrespective of attendance. In remote areas, the government's ability to monitor teachers is limited, which may explain the higher absence rates there.

If parents are dissatisfied with the teaching their child is receiving, their only option is to pay to send the child for private tutoring, which is very common in Sri Lanka. In a survey in 2006/7, 64 percent of households reported having positive private-tuition expenditures (Palligedara 2012). Often, it is the same public-school teacher who provides private tuition, highlighting that teachers are more responsive when directly accountable to the client. Perhaps the most troubling finding is that even low-income families are compelled to seek private tutoring for their children. The same 2006/7 survey revealed that 60 percent of households in the poorest quartile had positive private tuition expenditures (Palligedara 2012). In short, Sri Lanka's public education system is not truly "free".

A second problem is with the higher education system. Unlike nearly universal enrolment at the primary and secondary levels, Sri Lanka's enrolment rate in higher education is lower than those of its peers in South and East Asia (Figure 8). One reason is that all universities are public; attempts to introduce private universities are met with protests and eventual withdrawal. Given limited public sector resources, the number of available university placements remains constrained. All the peer countries with higher tertiary enrolment permit private universities. Furthermore, the scarcity of university placements results in intense competition for admission. The people who gain admission are typically those who are able to get a good secondary education. Consequently, approximately half of university students belong to the richest income quintile of the population and two-thirds from the richest 40 percent (Aturapane 2009). Finally, a common complaint is that the universities are not equipping students with the skills required for the modern job market. This situation persists because, as the universities are public, the faculty are not accountable to the students or their needs.

Figure 8: Enrolment, Secondary and Higher Education, Sri Lanka and Selected Countries



Source: Halil Dundar, Benoît Millot, Michelle Riboud, Mari Shojo, Harsha Aturupane, Sangeeta Goyal and Dhushyanth Raju Sri Lanka Education Sector Assessment: Achievements, Challenges, and Policy Options (Directions in Development: Human Development, World Bank 2017) at https://openknowledge.worldbank.org/server/api/core/bitstreams/be632f9b-cffa-5d76-a8ae-506cb9c2ca3d/content

The solution here is simple: allow private universities, just as every other successful Asian country has done. Of course, there should be a regulatory framework to ensure that these new universities maintain quality and fiduciary standards. That regulatory framework should extend to the existing public universities too.

F. Macroeconomic policies

Lastly, I turn to macroeconomic policies, which were the proximate cause of Sri Lanka's collapse in 2022. Historically, macroeconomic policies have been geared to minimising government accountability. The fact that Sri Lanka, until recently, lacked a policy of inflation targeting—or any form of central-bank independence for that matter—is a reflection of the avoidance of accountability of the Ministry of Finance for fiscal deficits. To finance a fiscal deficit, governments typically have three options: (i) borrowing externally, which may lead to debt distress and punitive responses from creditors (as Sri Lanka experienced); (ii) borrowing from domestic capital markets, which raises interest rates and may provoke a backlash from the private sector; or (iii) borrowing from the central bank. While the latter leads to inflation (as we have seen), it occurs with a lag and there may be other events (Covid-19, Russia-Ukraine war) on which the inflation can be blamed. In short, central bank borrowing presents the most politically expedient option for governments seeking to evade accountability for fiscal imbalance. This borrowing, which leads to increases in reserve money, has, alongside currency depreciations and import price shocks, contributed to Sri Lanka's having the highest inflation rate in South Asia from 2000 to 2021.

The only way to address this problem is to constrain the central bank from lending to finance the fiscal deficit. That is what the Central Bank Act of 2023 does. Some people have criticised the Act because it restricts the ability of the central bank to use monetary policy to, say, enhance employment and growth (Nicholas and Nicholas 2023). However, this restriction is intentional. By tying the central bank's hands, the Act will avoid the irresistible temptation to finance the fiscal deficit by printing money—and hence spare the country from chronically high inflation, which is a huge tax on the poor.

There is a second, perhaps more controversial, aspect of accountability in macroeconomic policy: the composition of foreign borrowing between official and private creditors. Some people have attributed Sri Lanka's recent crisis to the fact that this composition shifted dramatically towards private creditors, whose credit downgrade in 2020 was followed by the default and ensuing economic fallout. However, this claim overlooks a key distinction between private and official creditors. Private creditors are primarily motivated by maximising their financial returns. If a government does not use the credit productively, the private creditors will react immediately, as they did in Sri Lanka by downgrading its credit-rating to near-default levels in April 2020. They will hold the government accountable for prudent use of borrowed funds. Official creditors, on the other hand, often lend for geo-political reasons, and tolerate unproductive public spending by the government. The government may prefer to borrow from official sources for this reason but this diminished accountability may not be in the interests of the Sri Lankan people, as we have seen.

There is a variant to this problem for countries, such as Sri Lanka, which recently graduated from concessional loans from multilateral institutions such as the World Bank to non-concessional borrowing from commercial creditors. Since concessional loans from multilateral institutions have long maturities, these countries end up repaying these loans from the non-concessional loans they recently received from commercial creditors. De Mel and Rajakulendran (2025) refer to this as "borrowing from Peter to pay Paul."

Perhaps more controversially, in Sri Lanka (as in most countries) there is a close entanglement between foreign and economic policy. In 2019, the Rajapaksa administration rejected a $500 million grant from the U.S. Millennium Challenge Corporation (MCC) and a US$1.5 billion loan from Japan at a 0.1 percent interest rate, opting instead for commercial-interest rate loans from China. Why? The purported reason was that Sri Lanka was engaged in a dispute with the U.N. Human Rights Commission on human rights violations in the aftermath of the civil war, and the U.S. and other western countries were major players in the Commission. China, meanwhile, has never raised the issue of human rights in its relations with Sri Lanka. This conflation of foreign and economic policy proved to be extremely costly when Sri Lanka had a debt crisis a couple of years later. Had there been a strict separation of foreign and economic policy, Sri Lanka could have taken the nearly free loans from the U.S. and Japan, while continuing its discussions in the U.N. Human Rights Council. In general, foreign loans and investments should be evaluated on their economic merits, regardless of the country of origin while foreign policy should be conducted on political grounds. Lest this separation of foreign and economic policy be considered idealistic, consider the case of China and Taiwan. The two countries have no foreign relations; each country refuses to recognize any country that recognizes the other. Yet, China is Taiwan's largest trading partner and investment destination.

III. Conclusion

Sri Lanka's economic collapse of 2022 and its relatively strong performance over the previous 45 years can be interpreted as a series of accountability failures and successes. When firms, farms, and public institutions are held accountable to the market or citizens, the economy tends to perform well. Conversely, when accountability flows in the opposite direction — when producers and consumers are accountable to the government—the economy malfunctions, and the poor are disproportionately affected. This perspective sometimes stands in contrast to the prevailing rhetoric in Sri Lanka, where trade liberalisation is seen as harmful, and energy subsidies beneficial, to the poor. Such claims overlook the shift in accountability that accompanies these policies. Trade liberalization makes entrepreneurs accountable to the market, making it harder for governments to control them. Electricity subsidies make utilities accountable to governments and not the consumer, including poor consumers.

This accountability perspective provides an alternative to the traditional view of public policy in terms of "markets versus states". Both markets and states can function (and fail to function) depending on how accountability is established. As the Sri Lankan experience showed, trade liberalisation, by shifting the accountability of entrepreneurs from the government to world markets, unleashed a period of rapid economic growth. Many state-led interventions, such as the Paddy Lands Act or free, public education or energy subsidies, are failing because they do not permit citizens to hold governments accountable.

As Sri Lanka charts a path to economic recovery and growth, this accountability perspective could help reconcile contentious debates and build consensus around economic policies. The Sri Lankan people, especially the poor who have suffered so much over the past years, deserve nothing less.

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