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TITLE: PERFORMANCE AND PROSPECTS OF A DEVELOPING ECONOMY ANALYSED IN THE FRAMEWORK OF KEYNES-LEONTIF AND KLEIN

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ABSTRACT:

The paper analyzes the performance of the Sri Lankan Economy, a developing country, during the years 1975-2000 and makes projections up to 2015 by using integrated Macroeconometric and Input-Output Model following the ideas of Keynes-Leontief-Klien. Result shows mainly traditional and service-oriented Key Sectors of the economy. Simulation exercises show that a mix of private and government investment together with foreign direct investment would help the economy to achieve faster growth, reduce government's budget deficits, ease out the problem of escalating public debt and contain the inflationary pressures. A study of the future growth prospects of the economy under 'Business As Usual' scenario reveals that the economy would achieve an annual GDP growth rate between six and seven per cent, the scenario obtained by implementing the 'Government's Policy' measures would step up the growth rate to around eight per cent per annum. By reducing the growth of government transfers to the private sector with the government's policies, a third scenario could improve the growth performance. The number of high growth sectors gradually increase in the second and third scenarios over the first scenario.