

## **Sustainability of Sri Lanka's Public Debt**

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### **Abstract**

*This study shows that the accumulated public debt over the years has reached such high proportions that debt servicing has become a major challenge for the government. Sustainability of public debt is an issue that involves macroeconomic variables and a durable solution requires addressing the issue at the macro level. Any attempts to reduce the deficit by raising taxes to intolerable levels or cutting down on capital expenditure are ill- advised as they only jeopardize future growth prospects of the economy. The primary thrust in the short-term should be on curtailing government expenditure and eliminating waste while the long term focus should be on creating an environment conducive to high and sustained growth.*

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