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DEVOURING THE LEVIATHAN

Fiscal Policy and Public Expenditure in Colombia

Fernando Estrada

The hypothesis

Overall, this paper presents a *white swan* that seems to confirm the hypothesis of Alesina / Tabellini / Campante (2008). Fiscal policy in many developing countries is procyclical. Specifically, the former may explain monetary policy failures associated with problems of political agency. And in this case, the trend of the cycles is caused by voters who seek to devour the *Leviathan* by reducing their incomes. In these cases, voters observe the conditions of the economy, but not willing to cover the costs of corrupt governments. When they observe a boom, voters optimally demand more public goods or lower taxes, and this induces a procyclical bias in fiscal policy. The empirical evidence is consistent with this explanation: Procyclicality of fiscal policy is more pronounced in more corrupt democracies.

This hypothesis, however, contains significant variations in the case of Colombia. From a general perspective, one could argue that large state transformations are reflected in income, expenditure and employment. The information that has the National Department of Statistics, DANE, on income (tax and nontax) is easier and more orderly than spending and employment. This difference is explained, in part because in Colombia the collection of taxes is more centralized (national, municipal and departmental) while spending the ramifications is many.

Since the political reforms introduced by the 1991 Constitution, the expectations of taxpayers are confused with the voracity of the voter. State size continues to grow, while the control of fiscal spending is inefficient. The claims of benefits exceed tax payments. Moreover, public spending is diverted to politicians and the main actors of violence: the insurgents and paramilitaries. The capture of state revenue comes from above legislation favoring special interests. And local government level by the threat and violence of armed conflict. This anomaly of politics in this work relates to the image of a *Leviathan* devoured.

This paper aims to counteract the cyclical hypotheses. That can be summarized in these terms: The central bank and government after the 1999 crisis adopted a counter-cyclical management of the economy through the slowdown in inflation and stability of public expenditure. The state has limited its intervention in the areas of expenditure and legislative acts of public power are reduced. The conventional critique of this version is one of the objectives of this document.

The size of the state in Colombia has no resemblance to the idea of minimum state of Robert Nozick (1974). There is a state limited to the defense of private property and

individual freedoms. Consequently, it reflects a classic liberal state. Nor is a state that plays perfect justice as fairness of John Rawls (1971). Also to the 1991 Constitution is Rawlsian spirit. In economic policy management system describes a Keynesian, with a fiscal balance depends on the central bank¹.

The problem

In Colombia, statistics from the National Department of Statistics, DANE, on the public sector should help monitoring of the modalities of state intervention in the economy. As they are now das organization, allow us to find major trends of the state and their relative importance in the overall economy. However, it is difficult to draw conclusions about the way has reconstituted public spending over time. DANE has not kept the number of expenditure by purpose. This lack makes the understanding of the specific form as the State has intervened in the economy. Consequently, it is desirable that the DANE regain the series ends. The information on employment and public wages has not been maintained consistently. The series was discontinued.

From a general perspective, we can say that the great transformations of the state reflected in the income, expenditure and employment. The information that have DANE income (tax and nontax) is simpler and ordered that the spending and employment. This difference is explained in part because the collection of taxes is more centralized (Nation, municipalities and departments), while spending the ramifications are manifold.

In fiscal theory insist that the way it is funded by the state is determinant to understand their behavior and the impact it has on economy activity. However, the DANE statistics is not possible to check the characteristics of monetary and financial policy. The information with which account is mainly related to real sector accounts. This limits the general scope of this investigation. Indeed, his goal is to propose an analytical framework that is used to systematize information on monetary and fiscal policy.

Theories of state in the economy

The relationship between the state and economy can be classified according to criteria willing.

¹ This work contains the contributions of research: *The function of state in the economy* was conducted with the collaboration of Jorge I. Gonzalez, Alberto Castrillon and Mauricio Perez. Study for the DANE in 2008.

From the historical point of view could review the various transformations of the state to economic management: state mercantilist of physiocrats, liberal, socialist, and mixed. A second perspective of analysis has to do with market failure and its correction by government intervention: externalities, tragedy of the commons, provision of public goods, monopolies, environmental concerns, transparency of information, collective action, institutional problems (Estrada, 2008). This debate has led to consider also the failings of government, including topics such as the inefficiency of the public sector, particularly public enterprise, public monopolies and corruption. In addition, interactions between state and market have been analyzed from different perspectives², but in the case of Colombia it has been paid attention to the role of government in the context of comparative political theory (Tovar 1984, Kalmanovitz 2001)³. There is, then, a unified language for understanding how state policy affects employment, controlling inflation, economic growth and macroeconomic stability (Londoño 1995). The approaches are very incomplete and partial (Ocampo 1992). Finally, from a substantive point of view, the discussion could revolve around theories of social choice (Arrow 1951, Sen 1970), and public choice (Buchanan and Tullock 1962). In fact the three components are not excluded. With the historical evolution, the state has depended on the scope and programs implemented by each government. The second line of analysis highlights the boundary conditions of market mechanisms and the need to keep up a relative separation between the different spheres of power. The third component relates one of the most important analytical advances in economic theory of the twentieth century.

Historical perspective

The contract and *Leviathan*

At the beginning of capitalism comes the natural law that inaugurates a new conception of society and the person. This theory sanctions the rise of the bourgeoisie as a new class in power, which structures the economic relations in a way completely different from the legacy of the Old Regime. The new order hinges on the person, not the family, as in the Thomistic Aristotelian tradition. The emerging economic order is not

² Ver, por ejemplo, Przeworski y Curvale (2007), Fitoussi (2004), Casarico y Devillanova (2007).

³ In the Colombian academic tradition in comparative political analysis are rather few. The abundant literature on basic concepts of public administration or constitutionalism, lack the analytic property that can be noted in an appropriate manner the doctrine of relations between theoretical and practical problems of Colombian society. Work on state theory in a context of international negotiations (Uprimny 2001, García, 2006, Moncayo, 2006).

supported by the oikos, house, but in the relations established between people. Thus arise the need for political conditions where such transactions can be developed reliably. Hobbes (1651) proposed the existence of a Leviathan, which can deliver the property and to set up the conditions for access to it possible. The Leviathan is an artificial man. His soul is sovereignty. It is the commonwealth, the civitas, the state. Thus emerged the social contract, in which some people abdicate their freedom and power to which it can keep life and property. In the absence of such conditions, the life of humans, Hobbes says, is lonely, miserable, brutal and short. And there could flourish industry, navigation, agriculture, arts and letters.

The state under the commercial ideas

For the goal of mercantilist economy is to serve the best interests of the Prince and, ultimately, to the interests of the state. The economy is not conceived as an end in itself but to enlarge the national power. A clear purpose in the mercantilist literature is the consolidation of national unity. The establishment of national power helps reduce the enormous costs of transaction that involved the existence of several territorial units with jurisdiction, units of weights and measures other, unsafe roads, etc. Between the fifteenth and seventeenth centuries, mercantilism is not nothing but a commercial war between countries in training. The economy is seen as a zero sum game, where if a country makes money when you do so at the cost of another which loses. The excessive regulation on the economy is related primarily to the state supreme destinations. The consolidation of the national states through the decline of medieval practices⁴. The state power is a recurring theme in the literature of mercantilism.

The state of the Physiocrats

The Physiocrats refer specifically to the kindness of state intervention in the economy. The problem considered in the light of what happened to the absolutist states. An anecdote, probably false, it gives Mercier de la Rivière Physiocrat the following comment to Catherine of Russia, when it asked for advice about how to govern his people well:

Do not feel any concern now for our moral. It is socially impossible that they are not shaped by its principles, it is socially impossible for men living under the laws as simple-ownership and free markets that men who once arrived to the knowledge of just

⁴ ... at the time, central state power seemed essential to break the feudal barriers to trade, recruitment of individual liberties, the dynamics of emerging cities with their factories and also to support the commercial and colonial expansion overseas' (Cuevas 2007, p. 20).

what all have had to an order whose foundation is justice and whose essence these advantages are obvious to them, are not, human talking the most virtuous men "(quoted in Gomez 1998, pp. 319-320).

Just the Physiocrats attributed the phrase *laissez faire, laissez passer, le monde va de lui même*. State intervention in the economy is counterproductive because it involves altering a natural order that works perfectly. It makes little sense, such as, treated by state intervention to ease the effects of the market on the poor, because this phenomenon is not wanted by anyone. It is a result of natural laws that run without human hands, the better the state, has a bearing on it. Nevertheless, the rule is assigned a particular function within the general guidance here considered:

Public enlightenment on the natural law and for the proper illustration of the people in the use of reason, the positive legislation and enforcement of agreements do with natural law, not only in terms of general rights and freedoms, if -not as the embodiment of the institutions that guarantee competition, with its particular result of conversion of profit in a maximized mirage of the dedication of each person in the service of others, the provision of essential infrastructure, an ideal taxation not random or arbitrary, according to natural law and its attendant harmony between the interests public and private, and regulation on the activities of which depends in strategic economic system, with freedom for the others (Cuevas 2002, pp. 71-72).

Surprisingly, the father of the medical school has been the French royal house, François Quesnay. And the surprise is that the Physiocrats sought to redefine the relationship between the monarchy and classes. Somehow it was shaping "the intellectual origins of the French Revolution".

Liberalism in the state

The liberal view on the state has been distorted in the heat of the ideological debates. Classical thinking has little to do with the claims of contemporary liberalism. For Adam Smith the State must comply with the following tasks: defending the nation, providing justice, infrastructure that can help the trade. In *The Wealth of Nations* (Smith 1776), it is clear that the government exists to protect the property⁵. The rescue does Smith (1759) shows that moral sentiment in his vision of social relations, the presence of others is crucial. The exercise of impartiality (sympathy) is needed to build a just society⁶. And this concern for others is the foundation of contemporary social

⁵ "... is only under the protection of the civil magistrate that the person who owns the property, acquired by the work of many years, or through successive generations, can sleep in peace "(Smith 1776).

⁶ Hurtado, (2006)

protection.

After the estate society and the era of absolutism, liberalism was presented as an alternative profoundly revolutionary. For example, is shown as a severe critic of the motley mercantilist regulations. Mercantilist practices are considered wrong. Liberalism was interested; above all, limit the power to keep the right to freedom. The liberal state

... Is a reaction against the old regime, a social order and a very different political, economic manifestation of which was the unionism, and royalties. And so, in this reaction arise the basic limits of the liberal state: economic liberalism, state policeman, state-society separation, separation between private and public law right, liberty and property and rights guaranteed, and so on. (Ariño, 2003, p. 63)

In fact, relates a tradition that goes back to Locke, the state should be limited to functions that have to protect life, freedom and property. The ideas of classical liberalism should not be confused with the contemporary neoconservative ideology that seeks to make the market all the other spheres of society (González 2003). There would be a kind of liberalism strong (classical), and a weak one, which clearly reflects the Colombian liberal party. The weak liberalism has not been seriously committed to the tenets of classical thought⁷.

The state in the Socialist ideas

In contrast to liberalism, socialist ideas assigned to the state of paramount importance. In the conflict between personal and society, socialism committed to the community. The production or the property is conceived as a social product. The socialists, considered generically, say that the market does not notice that the contributions of people are unequal due to unequal starting from first conditions.

Within the socialist tradition, there are more extreme versions like those of Stalin which postulates the existence of a party dictatorship to manage the production, distribution and consumption through the abolition of private property. Social democracy accepts Marx (1867) that the industrial proletariat is crucial in economic management, but respects the rules of democracy. In fact, European social democracy committed to the defense finished the welfare state, institutions and develop mechanisms to mitigate the perverse effects on equality and fairness capitalism brings. One could say that different

⁷ This trial of modern and contemporary Liberalism, with respect to classical Liberalism, has presented a unique way Friedrich Hayek in his essay recognized: Hayek, Friedrich A. (2001), *Principios de un orden social liberal*, Unión Editorial, S. A. Madrid; Hayek, Friedrich, A. (1988), *The Fatal Conceit: The Errors of Socialism* (The Collected Works of Friedrich August Hayek, Volume I) Rutledge y Chicago University Press.

traditions have in common is a maximalist place to economic management: the market is incapable of self-regulation and therefore need the intervention in economic activity. In short, socialists share the belief that for the sake of social justice, the property must have severe limitations, up to its complete abolition when necessary.

Mixed state

The polarization between bourgeois and proletarian announced Marx and Engels in *The Manifesto of the Communist Party* inspired the thinking of leading economists in the first half of the twentieth century. Walras, Marshall and Keynes sought alternatives to build an open society without giving up private ownership of the means of production. The mixed state emerges as a proposal capable of taking over the objections raised by the inability of socialism to capitalism to solve problems of equity and social sustainability of the system. Similarly, attempts to remedy the problems of incentives, information and production efficiency are the major obstacles to the socialist project.

Keynes is often cited (1936) as the main supporter of this current, although the *New Deal* is prior to the publication of Keynes's major work. For Keynes, the economy and its institutions, while human works, not strictly necessary, are contingent. Uncertainty is a feature of the economy because we simply can not know the future. Keynes believes that:

Mainstream economists are a kind of candid that, having departed from this world to cultivate their gardens, they preach that everything is the best way in the perfect possible worlds, provided we leave things in the wild (Keynes 1936, p. 40)

The ideas of Keynes mediate between radical liberalism and socialism, between the minimal state of laissez-faire and the greatest state of socialism. The economy mixed Keynesian aims to bridge the tradeoff between the efficiency preached by liberalism and fairness sought by the socialists.

In addition to theoretical reasons, the emergence of mixed economies was also a need resulting from the reality of capitalism, which highlighted the failures of self-regulation. State intervention after the crisis of the twenties was necessary. From the economic point of view yielded the space competition to monopoly concentration. And from a social perspective, government intervention in the economy was a demand for people hit by the crisis. Moreover, after the World War II, the English electorate chose the proposals of the Socialist Clement Attlee in place of the Conservative Winston Churchill. State intervention was a requirement of the system. It was necessary to save the same time the economy and democracy. The other options were fascism and communism.

For at least 30 years since the end of World War II until the crisis of the seventies, very few dared to challenge the consensus arising from the exercise of democracy. State emerged entrepreneur, promoter, regulatory, welfare, mixed economy, etc. The way behind is that the market is not self-sufficient. Moreover, it recognizes that no regulation and no market without intervention.

The return of Liberalism

The crisis of the seventies made it impossible to hold the post-war consensus. Stagflation, or inflation with unemployment, was interpreted as the failure of Keynesian policies (Friedman 1976). Management issues, information, inefficient use of resources, elimination of competition, inflation, etc., led to the privatization and deregulation program developed during the reign of Ronald Reagan and Margaret Thatcher in the United States and England respectively, In Chile, after the coup of 1973 had already developed similar policies. In practice, these programs seek the withdrawal of government control of economies. With the endorsement of the World Bank, International Monetary Fund, universities and think tanks, these ideas spread rapidly by almost all countries, including the former socialist countries. State intervention was questioned because it does not help to solve the problems of justice that are supposedly generated by the capitalist system. Friedman was one of the economists who inspired the deregulation policies of the U.S. and Latin American economies. To sprout the passage to those who argue that the market can generate perverse effects on some people, and that in such cases the state should intervene, Friedman (1966, p. 242) replied that "a resource we have, and in some sense the most desirable, is charity". Similarly Hayek shall act "in a market economy makes no sense the idea of social justice" (1973, P.21).

Friedman / Hayek are the counterpart of Keynes. Technocracy was far beyond the scope of the proposals of Friedman and Hayek. In a way, he said, the government failures are more serious than market failures. The main flaws imputed to him the state are: information suppresses supplying the market, eliminates or restricts competition, technological backwardness occasions, gives incentives for corrupt practices are, distorts the efficient use of resources, it distorts the labor market, creates problems in terms of political freedom, etc.

An alternative way through the basic income

It is necessary to look at the experience of each country, with its peculiar institutional variables and their political economy constraints. Amartya Sen believes that the choice between market and state is a false dilemma:

... the fact of recognizing the virtues of the market should not lead us to ignore the possibilities and the achievements already recorded by the state or, on the contrary,

consider the market as a success factor, independent of any government policy. In fact, many Western European countries have managed to give a comprehensive social security, covering both public education and health care, until then unknown in the rest of the world, in Japan and East Asia, the government has taken reins in the transformation of its economy and society, education and health care have played a central role in social and economic changes around the world (and quite spectacular in the case of East and Southeast Asia); and pragmatic policy has inspired both state institutions and / or the market as in organisms that do not correspond to any of these categories is, as are so-called community-based organizations "(Amartya K. Sen 1998).

The issues of equity, freedom, efficiency and development have become cornerstones of contemporary moral philosophy. The assumptions of mainstream economics have been subjected to an intense debate that has highlighted the main constraints to do a society that can act freely. If that is the challenge facing societies, no matter what specific form the state⁸.

One issue that comes to snack in the current debate about the relationship between state and economy is the basic income (Basic Income) for all citizens (Van Parijs 1995). For Van Parijs democracy is compatible with capitalism. This author believes that capitalism is a preliminary stage of socialism. The dynamics of the capitalist economy does not take into account the problems of political representation of citizens in a state that is subordinated to the interests of dominant groups. Basic income is defined as a "... income allocated by the State enough to meet basic needs, regardless of the status of the recipient ... Basic income increased autonomy and freedom of people, and gives them dignity ability to cope with its existence. Many economists have doubts about the economic feasibility of such a proposal "(Castrillon 2006, p. 328).

Brazil has discussed the issue. Article 1 of the bill-swim was in 2001, reads: "Art 1. Hereby established, starting in 2005, the income of citizens, that established the right of all Brazilians living in the country, and foreign residents, have for at least five years in Brazil, regardless of their socio-economic to receive, annually, a monetary benefit".

Liberal state to state regulator

In contemporary societies have expanded the regulatory functions of the state on the economy activities meet standards and criteria determined by the state (Estrada, 2009). In Colombia, the Social State of Law, the 1991 Constitution requires the organization and the administration should serve the needs of citizens. To make this possible requires that the information is a public good. It also needs to strengthen the institutional and

⁸ For Evans, "like it or not, the state has a central role in the process of structural change, even if that change is defined as structural adjustment. Recognition of this central role goes back, inevitably, to issues related to the ability of the state" (Evans 1996).

legal security⁹. This is reflected in proper mechanisms of accountability and transparent management.

Today it is recognized that the concept of "state employer", as the agent directly responsible for the provision of goods and services, should focus on areas particularly sensitive on the basis either strategic, or economic viability. The crisis of the seventies called into question the concept of "state business." In recent years, many companies that were nationalized after World War II returned to private hands. The main functions that today are attributed to the State mentioned three: promotion, regulation and control¹⁰.

Employer state

Until a few decades ago it was thought that the State could be a good substitute for the market in all those activities that were in between the "public interest". Concern for the collective was directly related to the state apparatus. It was believed that markets were not the public interest because they were motivated solely by profit. The idea was, then, that public services, telecommunications, railways, mining, infrastructure, steel, etc., were in state hands. Vision Colombia 2019. For the notion of public enterprise is inherently contradictory¹¹.

State drive

The figure of the state impeller has a central place in literature. However, it is easy to show the process of industrialization could hardly have been carried out without the state. The "miracle" Asia was made possible through strong leadership and explicit state (World Bank 2000)¹². After World War II, the consensus was that if the State had been

⁹ Institutions reduce uncertainty because they offer us a structure that directs the daily living (North 1990, p. 3).

¹⁰ The Uribe administration has expressed his vision of the ideal state: "In 2019 the Colombian government, at the national level, will be specialized in the exercise of sovereign functions: justice, security, foreign relations, economic intervention and social management of risk. This involves the consolidation of the policy for decentralization, efficiency and institutional transparency, strengthening the links between public and private sector and effective participation of citizens "(DNP 2005).

¹¹ "... the conceptual basis of this review of the analysis of the contradictions involved the concept of a public company, since it operates in a business scenario is based on freedom and private property, and mobile, benefit, while the public is part of the political system and, therefore, the interests that motivate are fundamentally political and not for profit "(DNP 2005, p. 328).

¹² Some of the policies that were assumed by the state in the successful Asian economies challenge the current consensus about the way the relationship would be implemented between states and market it. We mentioned the main ones: i) Protection of domestic market enterprises, and even no chance to compete in foreign markets. ii) Intensive program to replace imports iii) Improving governance, which is not necessarily consistent with the canons Western democracy iv) Exchange rate policy that promotes exports. v) Subsidized credit for business vi) Training of the workforce that would be demanded by

able to manage the economy during the war also could do for peace. A happy expression of this conception is the formulation of the Development Plan the four strategies, designed by economist Lauchlin Currie, who years ago was near the *New Deal* program¹³.

According to Schonfield (1967), the structure of market economies in developed countries after the war is deeply Government Printer driver, i.e. a state that has the ability to induce certain behavior by private sector through the incentive schemes that frame but not replace private initiative. In other words, these incentives can be negative (e.g., industrialization through import restrictions, typical of the economic policy of the United States in the nineteenth century and the Latin American countries during the second half of the twentieth century) or positive. In the second case, usually called "industrial policy", this was part of an extensive debate in the last years of the twentieth century.

Several specific problems arise in the discussion of industrial policy. On the one hand, allocating public resources to strengthen or support private companies (or what is not very different, allocating public resources to public enterprises that run in competition with the private sector) can distort the operation of the markets. When the focus of industrial policy favors certain sectors over others (we have a steel industry, ergo, Paz del Río) the decisions of government planners may override those of entrepreneurs who have better knowledge of the conditions and prospects markets. This led to some countries, like South Korea in the 80s, to replace sector al lines (steel support) by functional criteria (support for science and technology in various areas university research centers. Another is the problem of the efficiency of positive incentives. The state is providing resources to a particular business. What assurance that private entrepreneurs have benefited from having made the same activity with their own resources even without the state contribution? Finally, industrial policy, when it materializes in incentives to big business groups, although objectively have the best conditions for achieving the aims of that, can raise concerns of distributive policy. However, is it lawful in the exercise of a development policy favoring wealthy entrepreneurs in society when there are many low-income workers who have urgent needs for survival? Probably the case in countries like South Korea or Taiwan was less confrontational than in the Latin American region, because the distribution of income there was less unequal than among us.

From a technical perspective, the challenge to "give rules to find the correspondence

companies through increased public spending on education and health. It privileges the technical and scientific education vii) Agreements between public and private sectors around goals, prices, information, etc. viii) basic research funding by the state. ix) Land reform and financing plans for housing for the working classes.

¹³ Currie (1978).

between government revenue directly from the business sector (domestic tax revenue) and expenditure that the state directed to this sector, identifying existing expenditure items, which are aimed at innovation or development of private enterprises?, identified these items Is it possible to decide allocation of industrial or commercial activities?" raises concerns theoretical, institutional and practical.

Let's start with the part of government revenue "directly from the business sector (domestic tax revenue)". It would have at least three income categories: those arising from a domestic direct taxes, mainly income and other, those resulting from indirect taxation at the national (VAT and customs duties), taxes and regional entities (such as ICA and property taxes). In Colombia previously raised the need for reliable information on each of these sources of tax revenue, broken down by sector. This is because the effective level of taxation in each sector will vary according to their characteristics and the nature of their production process. However, in practice they are not, although it would be possible and desirable to build the compile DANE.

In theoretical terms should address the following issues: i) the income tax paid by companies in different sectors, the information exist in the Directorate of National Taxes and Customs, DIAN. However, it is reported due to the reserve that protects taxpayers' declarations. For some companies (supervised by the Superintendence of Finance and Company) can make indirect estimates. It would be desirable for the DIAN give such data, aggregated according to DANE and the community of researchers and analysts. ii) On the indirect taxes at the national, orthodox economic theory suggests that under competitive conditions they are moved to consumers. However, certain special tax treatment (exemption from VAT on low-cost computers or books) may have indirect effects on demand and eventually on the performance of the sectors concerned. This can be a very fertile field for research. iii) More complex still is the issue of land taxes, for problems such as the availability of information, their comparability and the sector allocation of the collections. The problem is critical for the discussion of primary activities: the agricultural sector, forestry and mining. Again, we are not in the realm of impossibility but the DANE and other entities of the National Government would have significant work to collect and compile the relevant information, including in many cases a great effort technical support to departments and municipalities are the primary sources of information.

The expenditure side, the theoretical problems are not minor, and these in turn affect the rules to be suggested. As noted elsewhere in this report, the size of state intervention in the economy is not a homogeneous cause. Conventionally, the weight-graph is intervention in the economy is measured by the consolidated public expenditure share in GDP. This indicator in turn has as its starting point the budget approved by Congress, departmental assemblies and municipal councils or district. It is the explicit cost (FIG. 1, p. 27), although for the same reasons of availability of information is not always easy to set up the amount that goes to industrial policies. However, this is an incomplete and

imperfect indicator. And for the reasons explained below, tends to systematically underestimate the participation in the mixed economy drive Shonfield state and regulatory state, in the terminology used elsewhere in this report.

Other types of state activity that channel resources towards the business sector and can have an impact on "innovation and development of private enterprises": i) A tool of choice, exemplified in the most recent tax reform is tax expenditures, it is, reductions or exemptions from certain taxes (e.g., the deductions for investment in fixed assets) to encourage certain business conduct. The tax cost is reflected in lower tax revenues, and as such has an impact on the exchequer (finance and business) comparable to that of the recurrent expenditure. Sadly, the availability of information about the amount of tax expenditures is very poor, both aggregate and sector level. To the best knowledge of authors, the issue has not been subject to detailed investigation by the DIAN. And by the fund which covers the tax returns, which independent researchers can do is limited. ii) For innovation and business development policy is highly relevant for the protection of intellectual property. The particular legislation creates a temporary monopoly for the benefit of creators and inventors, and this generates revenues paid by users of knowledge and encourages innovation. Due to pressure from our trading partners, the government has made efforts to strengthen this protection.

But the benefits do not match the majority of national companies, precisely because of the limited development of our scientific and technological capacity. One might think that this policy is harmful to domestic firms, to the extent that urges their access to knowledge and technology generated abroad. In fact, economic history states (in the case of intellectual property in the United States during the nineteenth and industrial property in East Asia in past decades) that a lax policy (explicit or implicit) on the protection of these rights can stimulate the incorporation of technological advances in production processes and adaptive innovation firms in developing countries iii) A third strategy is the regulation, if that does not generate state spending but does impose obligations on regulated to allocate resources to particular activities. Thus, public goals are achieved with private funds. The outstanding example, for the amounts involved, is the scheme of the Act 100, is aimed at ensuring the pension and health coverage for Colombians through entities liable to pay service providers are mostly private. This expenditure would not be reflected as "public" in the usual accounts, although in practice this is a way to materialize the aims of public policy. In the case of innovation, a case in point is the regulation of private higher education, which, through mechanisms such as registration and accreditation qualified encourages universities to devote resources to research themselves iv) Finally the addressing of public expenditure for certain purposes can be an effective tool for industrial policy to promote innovation.

The best examples are programs for the purchase of high-tech weapons and space research in practice become subsidies for innovation which can then be exploited by

contractors in commercial markets. However, this policy model is limited to developed countries and developing countries of large size, as the PRC.

In summary, the array of industrial policy is diversified and derails the conventional definitions of public spending. Beyond having better information on public expenditure it would need specific studies with specific method issues such as tax expenditures, protection of intellectual property, regulation and direction of public expenditure purchases high technology from national sources.

The different approaches recognize that as the market is flawed, so does the state. This is to decrease both.

The debate: *social choice* and *public choice*.

The public choice theory is seeking public organizations and public property as close as possible to follow the logic of the market, while social choice (social choice) recognizes that the area of the market is limited and therefore not claims that the decision in the political sphere, respond to cost-benefit logic (Arrow 1963).

Overall Buchanan and Tullock seek to apply to political phenomena, cost / benefit to be derived from the economic logic. According to Mueller, "the object of study of public choice is the same that of political science: the theory of the state, voting rules, voting behavior, party politics, the bureaucracy, etc. As in economic theory the basic postulate of public choice behavior are related to be considered a selfish, rational, utility *maximizing*" (Mueller 1979).

The seminal ideas of *public choice* theory can be found in Spinoza, Hobbes, Madison and Tocqueville. The difference between these thinkers and modern approach is the use of economic analysis.

Buchanan and Tullock, suggests three organizational alternatives. In the first, the option, the person believes that it is best not to make agreements with anyone. In the second case, option b, the person uses a private association. And in the third alternative option c, the person accepts the state actions. The final decision will tend to favor the solution that minimizes the costs of social interdependence. Of course, in this scheme personal preference is reflected in collective action. There is no rupture between the person and collective choices because if there is unanimity or near-unanimity, the collective choice adequately express preferences.

Buchanan shows that unlike what normally held, employers do not hate the regulation or intervention in the economy. On the contrary, love and seek it, because it guarantees them monopolies, barriers to entry, finally, elimination of competition. No one denies the existence of altruistic motives in the public service or is engaged in an Aristotelian conception of politics as a service of good governance: it simply argues that those considerations are not significant determinants or act as mitigating factors, given the complexity of the tensions of people.

It would be wrong to hold in public men a kind of dichotomy between altruistic, which would own the policy, and practice of the common man's own selfishness. The right thing is to assume that public men also have essentially selfish motives, which incidentally explains, such as, the steady increase in government spending, because what interests the policy is to maximize its usefulness. Then, the usual strategy to make this purpose is an economic policy that favors the redistribution and the deficit, not a policy that emphasizes production or fiscal balance.

In other words, politicians are due solely to his private interest. With come see this recognition and look for institutional mechanisms to find a compatibility between this recognition and the principles of democracy¹⁴. An author like De Jasay (1993) puts it this way: “the State in principle aims to meet the interests of citizens, because its main purpose is to reproduce itself and increase its power. This *buys* into the cities through public spending”.

The social choice theory has its origins in Locke, Rousseau, Borda or Condorcet. It highlights the difficulties in constructing the consensus from the aggregation of each will or social contract (Rousseau), voting rules (Borda and Condorcet). The impossibility of constructing a social *welfare function* (Arrow 1951) Sen 1970) that show each preference, the many explicit restrictions of majority rule in democratic societies. The great weakness of majority rule, Arrow says, is that it can lead to situations profoundly unfair. Under the impossibility theorem, the social choice theory does not admit that there is a linear sequence between personal choice and collective choice. The two are in conflict permanently because the individual's interests are not reflected in the collective decision.

Buchanan and Tullock (1962) consider that it is legitimate and necessary to extend the notion of market efficiency to the political sphere. Arrow (1951, 1963), however, restrict the notion of efficiency to real commercial relations. Arrow to market efficiency is not valid in the field of politics, which is the same as the collective choice. The injustice of democracy is not the market corrects.

After the Arrow, the author more representative Amartya K. Sen, who has made an enormous analytical effort to overcome the "impossibility" posed by Arrow. His social decision function can be advanced on the social welfare function of Arrow, but as

¹⁴ In an interview during a visit to Argentina, Buchanan put it clearly: "The focus of our approach is that politicians and bureaucrats behave essentially like everyone else. Everyone responds to incentives: the main political interest is being elected again and again, for that very reason is that politicians generally want to move up the bureaucratic pyramid, and for larger budgets. What I'm trying to say is that politicians respond only to their particular interest. This behavior coincides perfectly with the economic model of behavior. It is perhaps this very good explanation of how politics works, but usually not taken into account by those who study political science" (Buchanan, www.eneasbiglione.com.ar/articles/5.html)

acknowledged by Sen (1970 b)¹⁵, this path requires giving up the "dictatorship" of complete systems¹⁶.

Public choice is rooted in conventional notions of rationality and efficiency, which are hardly compatible with increasing returns and endogenous dynamics generated by the processes of concentration. It is easier to reach unanimity as the rule more precise. Buchanan and Tullock criticize him Arrow (1951, 1963) its want to seek a social welfare function, because they believe that this ambitious aim precludes agreement between people. That is, the commitments fall on ground rules. The search for basic rules placed in the background questions consequentiality nature, the type of society they want. Therefore, the distributional analysis is more covered by the definition of the social welfare function in the setting of minimal norm. In Colombia, public choice theory, inspired by Buchanan and Tullock, has emphasized more the definition of the rule that the target distribution.

The state in Colombia

The conception of the state in Colombia has changed throughout history. In the reform of 1936 gave powers to the state to intervene in the economy through rationalization of production, distribution and consumption as well as the protection of workers according to their acquired rights. In the late fifties established the National Council on Economic Policy and Planning, the Administrative Department of Planning and Technical Services, which are entities in charge of recommending lines of economic policy. Then, in 1968 with the administrative reform Lleras, the structures were changed by the Council and the above mentioned entities became the National Economic and Social Policy (Conpes), and the National Planning Department (DNP), respectively . In the seventies are consolidated development plans, but since the second half of the eighties the real sector planning is losing importance, and development plans become budget management programs, without vision of the medium and long-term. Despite its principles, the National Planning Department, DNP, it loses its long-term goals and becomes an entity that regulates short-term investments.

Between 1970 and 1974 launched the *Four Strategic Plan*, whose central point was the need to boost the sectors 'leaders', construction and exports, pointing as complementary

¹⁵ Sen 1970.

¹⁶ Nevertheless, the collective choice will always have problems. In the reading of receiving the Nobel Prize, says Sen, "A camel, has said, is a horse designed by a committee". This seems a telling example of the appalling shortcomings of the decisions made by committees, but it is actually too light as an accusation. A camel may not be as fast as a horse, but is nevertheless a very useful animal, harmonious, well suited to travel long distances without food or water. When designing a horse, a committee that tries to accommodate the diverse desires of its members may well end up with something much less consistent, perhaps a centaur in Greek mythology, half horse and half something else a creation that combines the wild volatility and I confused "(Sen 1998 b, p. 178).

strategies to increase agricultural productivity and improving income distribution . Later in the period 1975-1978 was submitted to *Congress on Plan to Close the Gap*, whose main idea was to raise the standard of living of the population most vulnerable, particularly rural, to stabilize the economy and the elimination of indiscriminate subsidies were granted to various productive sectors. In 1979 he launched the National Integration Plan (PIN), which focused their interest in infrastructure sectors (energy, mining, transportation and media) and to grant greater autonomy to the regions. Then, in the period 1983-1986 was presented with *Equity Plan Change*, seeking short-term aim of economic recovery, with a renewed emphasis on public housing policy, and suggested a set of policies for medium and long-term straightened to make sure growth of industry and agriculture.

In the early seventies began to question the first time the efficiency of government machinery that had been created for nearly half a century to postulate the need to disassemble part of the interventionist state. However, this view is usually decried as "neoliberal" responded to a new wave of international thinking, but is reflected on a limited basis in Colombia. The term neoliberal is not suitable because it ignores the potential that classical liberalism is to build a society with high social content.

During the government of Alfonso Lopez Michelsen (1974-1978), was given a new impetus to social programs to the law of nationalization of education, the *Food and Nutrition Program* (PAN) and the *Integrated Rural Development* (DRI). Mining policy was modified by removing the colonial system of "concessions" and replaced by "partnership contracts" between state enterprises and foreign firms. During the administration Turbay Ayala (1978-1982), state investment in infrastructure became the center of the development plan. Finally, during the government of Belisario Betancur (1982-1986), was launched the popular home plan more ambitious in the history of the country and began to bear fruit mining policies adopted since 1974. During the Barco administration (1986-1990) put emphasis on the social, particularly in what was called the elimination of absolute poverty. Barco began the process of gradually opening. Subsequently, the Gaviria administration (1990-1994) the modernization of the state was a priority. The Minister of Finance, Rudolf Hommes, emphasizes the openness of the economy, put first the fight against inflation and sought to cut the size of the state (Estrada 2006)¹⁷.

The Samper administration (1994-1998) called the Salto Social development plan which sought to do growth rates that allow car tie-poverty of millions of Colombians. It is, then, to "build a new economic and productive citizen". In this case, the government aims to correct structural imbalances in the current account which had caused the opening, and the revaluation of the peso, but the scope of action of the economic

¹⁷ Perry, Lora Rodríguez (1992).

authorities declined considerably with the so-called "trial 8000". With Andres Pastrana (1998-2002) arrived "Change to Build Peace". The Colombian economic crisis of 1999 (the worst since the Great Depression) was the result of structural problems that began in 1991 and which were not resolved during the Samper administration. Pastrana bet a negotiation with armed groups, the FARC. Uribe's government (2002 - 2008) has put the emphasis on achieving greater security, as a condition for achieving a prosperous economy and modern. This is the purpose of the so-called democratic security¹⁸.

Over time, the regulatory role of the state has gained importance. In Colombia this work is done in very different ways. The legislative and administrative changes are very important. Institutional expressions of this state function are, among others, the central bank, public utility regulatory commissions, the National Television Commission, the National Civil Service Commission, the Superintendent¹⁹. In short, these new forms of state action have consolidated, especially since the nineties. It is increasingly clear that the separation between state and market is false²⁰.

¹⁸ "The Uribe government came with the conviction of the need to introduce major changes related to the uncontrolled growth of public expenditures, the uncertainty expressed in violence, drug trafficking and the sharpening of social conflict ... The plan also includes the current government to achieve growth economic development and employment generation. The Community state must distribute economic growth between different social groups, regions, rural and city and the various genres. The promise of renewal of the State includes a thorough administrative restructuring through liquidation or merger of institutions, streamlining the size of government "(*President of the Republic*, DNP 2002).

¹⁹ Art. 66 of Act 489 of 1998 establishes the superintendence and agencies established by law and that, within the limits of administrative and financial autonomy that it had told them met the inspection and monitoring functions conferred by law or by delegation to President of the Republic. The superintendents are: i) Notary and Registration - Ministry of Interior and Justice - (Decree 302 of 2004). ii) Banking - Ministry of Finance and Public Credit - (Decree 663 of 1993, arts. 325 et seq., Act 510 of 1999 and Decrees 2489 1999 2002 1577 206 2004). iii) Values - Ministry of Finance and Public Credit - (203 decreto. 2004) iv) Child benefits - Ministry of Social Protection - (Decree 2150 of 1992). v) National Health - Ministry of Social Protection (Decree 1259 of 1994) vi) Industry and Trade - Ministry of Trade, Industry and Tourism (Decree 2153 of 1992). vii) Partnerships - Ministry of Trade, Industry and Tourism - (Decree 1080 of 1996). viii) Port and Transport - Ministry of Transport - (Decree 101 of 2000, arts. 40 et seq., 2000 and 1016). ix) Monitoring and Private Security - Ministry of National Defense - (2453 Norm. 1993). x) Public Utilities - Ministry of Environment, Housing and Territorial Development - (Decree 548 of 1995 and 990 2002). xi) Solidarity Economy - Ministry of Finance and Public Credit - (Act 454 of 1998, Art. 33 et seq., and decree. 186, 2004).

²⁰ "The state is the mechanism *par excellence* that have developed modern societies found the right balance between market and society, between private interest and collective interest: to help build capacity, security and access to power for all members society, on the one hand, and to ensure an environment in which markets are functioning properly, on the other. But it is obviously the only instrument. There are other institutions, from the family to the many civil society organizations, relief workers in these areas. Understanding this is more important as we understand today, much better than before, and there are "market failures" (the risk of exclusion or failure of the market alone to generate the contexts in which they develop properly), there also bulging "government failures" bureaucratic rationality and patronage in the functioning of state institutions, problems of representation, predominance in the operation of state institutions of the dominant economic interests, opportunities created by government intervention for the rent seekers and information problems that affect government actions " (Ocampo 2001, p. 39).

After Gaviria governments have yielded to the temptation to confuse the functions of state government, with the aim of promoting structural reforms have been inadequate for their weak links with specific regions and departments. However, the evolution of Colombian institutions have responded to short-term cyclical references that a conception of the state in the long-term. In others words, there has been no unified concept of reform. The institutional framework has not been consolidated²¹.

In Colombia, political and social conflict has lived with medium development levels, with relative macroeconomic stability, and a flawed but enduring democratic system (Gómez 1999). The precariousness of the state is reflected in its inability to cut land conflicts, the guerrilla warfare and the imposition of drug trafficking. The decentralization of political power was losing ground to the ability of some mafia groups that "did state at local level" (Estrada, 2007). Institutional stability in the regions over the coming years will depend on the ability of the state to recover the balance of local authorities in the townships and rural areas (Catatumbo, Putumayo, and Buenaventura).

Be premature to say that the Colombian state has lost territory, although there is a clear conflict in different regions of political geography. Between 1988 and 2005 has a high homicide rate and ma-sacral. State representatives at the local level (police, mayors, governors, prosecutors) abandoned their commitments, or were outmanned by the threats and intimidation by agents of violence. The scandal of the "politics paramilitary" permeates social life more personal collaboration of some citizens in the conflict. The dynamics of the massacres was reproduced in ascending order. And while the country maintained reasonable growth rates, expanding the logic of self-defense groups created a territorial and strategic corridor that divided geographically north of the center of the country. A formal command economy entered into competition with informal forms of derivatives of coca production between Urabá, Cauca, Sur de Bolivar and Catatumbo. This fact makes this that the state represented fragmented drive permanently in locations exposed to risk of a *faillite's state*.

Throughout the twentieth century the Colombian state has adapted to the needs imposed by economic conditions. In addition to internal processes, the international momentum has influenced the definition of the type of state. During the nineteenth century different emphases can be seen in relation to the state and the economy: from the traditional role of Spanish Patrimonial State, through a policy of building up the defense of a classical liberal conception²². In the first two decades of the twentieth

²¹ "... reforms increase rather than decrease the macroeconomic vulnerability and introduced additional elements of political instability" (Wiesner 2004).

²² "... the prevailing model in the nineteenth century Colombian constitutionalism is characterized by a remarkable economic liberalism, the orders set out the main bourgeois freedoms: the right to property, freedom and enterprise (or liberty of industry and commerce ... which also includes the freedom of choice and exercise of profession or *trade*), whose regulation is entrusted to private law" (It-Trade 2002, p. 181).

century, the Colombian State is consistent with the classical conception of the rule of law. In the next decade the government began to play a more active role in economic management. In this transformation were decisive experiences of the Mexican Revolution and the *New Deal* in the United States of America. Completing the century, again giving the market a greater role in allocating resources, following a line similar to the one presented in the United States, England and multilateral institutions like the World Bank, International Monetary Fund or Inter-American Development Bank. Negatively, this trend contrasts with many provisions of the Constitution of 1991 in that there is an abundance of articles about the regulation of the economy. The constitutional text does not express a single type of state. Monetary policy and the independence of the Bank of the Republic serve an unorthodox scheme, minimalist. But the functions for the *Rule of Law*, are more heterodox, and need direct interventions and lead to increases in public spending.

With these principles, economic policy should give to the satisfaction of economic, social and cultural rights. Economic freedom and private initiative must be compatible with the common good, the environment and cultural heritage of the nation. The general direction of the economy is charged to the State, which must intervene to improve the quality of life of people, equity in the distribution of opportunities and the preservation of healthy environment. There is an obvious mismatch between the 1991 Constitutional effects, marked by a kind of social rule of law, the fiscal need of a minimal state (Wiesner 2004). In other words, we see a discontinuity between the changes proposed by the Constitution of 91 in terms of a social state of law, and the precarious institutional evolution. There is a tension between the conservative spirit that animates bodies such as the Bank of the Republic, and the wide possibilities that allows social supervisory action.

Specifically, the 1991 Constitution was inspired by some aspects of the Rawlsian conception of justice as fairness (Rawls 1971). And in this case, a refund of social rights by passing obligatorily reconstructs the redistributive mechanisms of the economy. However, the inspiration Rawls demanded a reality for the Colombian case was distant, as the criteria of equality and liberty only under conditions of materiality are different opportunities, capacities and incentives (Sen 1985).

In examining the characteristics of the Colombian state must take into account also the heterogeneity of the country. This is a regional political geography and relatively complex when compared with other Latin American countries. This has had a profound impact on national economic and political development. This configuration has mixed effect on the violence²³. In terms of policies of state regional heterogeneity has fragmented the efforts of the economy to overcome what Nieto (1971) termed as "a country with an economy of the archipelago." One of the most perverse effects of regional heterogeneity is the absence of a consolidated internal market. Moreover, this regional heterogeneous condition had a decisive effect on the process of

²³ Gallup, Gaviria y Lora (2003,) Montenegro (2006).

deindustrialization (Echavarria, Villamizar, 2007) as the main regions of the country were integrated only through modern communications in late. Colombia is moving very slowly towards the consolidation of the domestic market.

Data & Statistics

It has linked this with the data presented by DANE on revenue, expenditure and public sector production. Trends of the series can be derived the following general conclusions: i) State participation in GDP has grown. ii) The weight of monetary policy has increased. iii) The expenditure has been slowly piecing a police state and weakly favorable to welfare iv) Public policy has chosen to redistribute wealth by way of expenditure and not income. v) The state makes efforts to focus resources, to water down the decentralization process.

With the information available from DANE is not possible to check this process, such as: i) Increasing regulatory function of the state ii) The political fragmentation, and the progress of the structure to-state. iii) The internal changes of monetary policy. These comments relate to the core national accounts series. Indeed, existing information on the DANE can set up many relationships that help to understand the dynamics of the state. From household surveys is possible, such as, obtaining a figure of the number of public employees. However this is the result of a sample and as such is not relevant to know the absolute value of employment, although it can be very useful to know what the relative weight of public procurement has in total employment. As above, the DANE statistics also allow make considerations about the impact of taxes on the structure of household consumption. But again, these results are indirect.

State participation in the economy has grown

FIG. 1

State participation in the economy has grown²⁴. In Colombia we see an increase in state participation in the GDP. Wagner (1883, 1892) into law proposes the following

²⁴ "Government expenditures, which are a good reflection of the size of government, are at the highest level of the century (21% of GDP). The average between 1905 and 1960 was 5% of GDP, and between 1960 and 1990 was 9%. The growth in participation was related to the transfers to the regions and in some cases, large investments in infrastructure (transport, energy and mining). Between 1990 and 2003 its share in GDP has increased, which is mainly explained by the behavior of the transfers (land, pensions and other) and interest on debt. It is stressed that budget reforms have not had the expected success, in

principle: public expenditure as a percentage of GDP always increases. This trend is very clear on the Colombian series (Figure 1). Public spending grew²⁵. The result is very interesting because the continuity of the series contrasts with the diversity of policies that have tried to make in Colombia. The policy proposals are different and governments, however, public spending goes up. In the long period from 1950 to 2002, government guidance and has been mixed, however, spending grows. This finding does not mean that government policies have been homogeneous. They were very dissimilar. And an example of this is how evolved the deficit and, above all, the way they funded. Fiscal policy is interesting, says Blinder and Solow (1974) because the deficit funding arrangements have important implications on debt and macro interactions. Since the fifties the instruments of fiscal policy have been very heterogeneous, and this has resulted in substantive changes in the size of the deficit and the public debt management.

TAB. 1

Table 1 summarizes the major components of income and expenditure of the nonfinancial public sector. The series is not strictly comparable with that of Figure 1 because the estimation methodologies are different. That is, the series confirms the increase in expenditure and also allows him to watch fiscal imbalance. In the fifties and sixties believed in state intervention and medium-term planning. The governments of Lleras (1966-1970) modernizing the state apparatus. 1968 Administrative decentralization is still relevant today. Despite the changes brought about by regional decentralization, the basic scaffolding of the constitutional reform of 1968 still stands. Then, the Pastrana administration (1970-1974) was a step backwards in terms of agrarian reform. The Pact Chicoral (1971) ended any hope of land distribution in the country. But *The Four Strategies*, the development plan incorporates elements Keynesian Pastrana, some leading sectors (mainly construction)²⁶. López (1974-1978) is to liberalize the economy, and over the years public spending falls. Turbay (1978-1982) incorporates elements Keynesians. Subsequently, the *National Integration Plan* (DNP 1979) seeks to develop energy infrastructure and

terms of flexibility and reduce public expenditure in Colombia (Junguito and Rincon 2007). See also Junguito and Rincon (2007 b).

²⁵ The graph presents data for the Central Government. DANE accounting difference between: Central Government, Public Administration and Public Sector.

²⁶ During this regime is significantly influenced by Currie (1978, 1992).

communications. In short, since the late seventies governments in Colombia and the world, begin to suspect the benefits of state action.

The 1991 Constitution seeks to strengthen the Rule of Law in a secular context. The modernization of the state proposed by the Constitution emphasizes inclusive measures. While Gaviria (1990-1994) and Finance Minister Rudolf Hommes, looking for incentives to market, the 1991 Constitution reaffirmed the desirability of government intervention. In turn, the constituents claim that proper money management and an independent central bank is consistent with the expansionary policies that are usually necessary to make sure the strengthening of the Rule of Law. Clearly, the government and technocrats offered a normative model seeking efficiency and passing by a decrease in size of government. In reality did not happen, and public spending continued to grow²⁷. The tight monetary policy encouraged increased interest rates, the dollar inflows and revaluation of the peso. This was reflected in significant growth in imports. Samper (1994-1998) seeks to correct the huge trade deficit and stem the flow of dollars, but the process 8000 he reduced the margin for maneuver and did not take radical measures were necessary to reorient the economy. The two governments Uribe (2002 - 2006: 2006 - 2010) have been lax in the monetary field, without this has been reflected in high inflation. Otherwise, the expansion of means of payment has not translated into higher prices. This Keynesian spirit has kept pace with increased public spending co.

It's rather complex to say with certainty that the changes brought by the opening of the nineties represented progress and that the deviations of the Colombian state were caused by the incompleteness of the reforms introduced by the market (Hommes 1998). Hommes and Gaviria are part of a broader theoretical current that seeks to dispense with the State in all those activities in which the market may be present. Therefore, the idea is that governments are unable to adopt the right policies for development and economic growth. The fundamental arsenal to sustain this program is the theories of *rational choice*, methodological individualism and equilibrium analysis²⁸. The fanaticism with which it fought against the state Gaviria forced to recognize that the reforms had been "oversold".

On the other hand, international analysts share the premise retrospective Colombian economic development is its long-term macroeconomic stability. "Colombia has

²⁷ Wiesner attributes the increased spending in the 1991 The Constitution of 1991 raised the total public spending to unsustainable levels causing serious fiscal problems that have not been corrected and two in its structural roots. The big limitation of this correction has been insufficient political support to protect the country's macroeconomic stability and political heritage of it as a "common" to all citizens. This situation has been aggravated by recent rulings by the Constitutional Court to interfere with the laws of fiscal adjustment. Within this context, the independence of the Central Bank has been a breakthrough of enormous benefit to the institutional development of the macroeconomic framework in general "(Wiesner 2004).

²⁸ Colclough y Manor (1994).

enjoyed extremely cautious macroeconomic policies" (Robinson 2007). While Latin America in general is irregular in macroeconomic management, the exception is filed by a "prudent fiscal policy to the extreme." In terms of Ocampo (2004): "The tendency to be on the average is also a feature that is repeated when examining other economic and social indicators". It is interesting to check how macroeconomic management has been consistent with systematic growth of state intervention.

The relevant point is that despite the diversity of economic policies, public spending continues to move upwards again. It seems as if the heterogeneity of the policies did not have enough strength to influence the evolution of expenditure. In short, the expenditure share of GDP is insensitive to changes in the orientation of public policy. This observation raises significant interpretive challenges.

Yet ironically, the functioning of markets shows that the intervention of the state has been necessary. The industrialization process would not have been consolidated without state intervention, either to protect, subsidize, or serving as an entrepreneur. Hodgson's phrase (1999, p. 82) is very telling: "... still under the supposed model of free market in the United States economy during the nineteenth and twentieth centuries, there was a systematic state intervention".

State intervention remains very important, although the modalities of regulation are different. The state has withdrawn from areas previously controlled. Moreover, this transformation is the result of the way capitalism has been transformed, no longer can be contained in the logic of the nation-state. Faced with the transformations of contemporary capitalism - see globalization - the national framework is too narrow²⁹. In the strongest Asian economies is undeniable that their successful development has been directed by the state. Looking at the participation that is public expenditure in GDP of the countries of Western Europe, Canada, New Zealand or the United States, there is no reason to believe that the state and specific social training has been cornered, and remains the principal actor in international relations, including economic³⁰.

²⁹ "The state control over space and time are increasingly outweighed by the global flows of capital, goods, services, technology, communication, and power. The capture by the state of historical time through their ownership of the tradition and the (re) construction of national identity is challenged by plural identities defined by autonomous subjects. The State's attempt to reassert its power in the developing global supranational institutions further undermines its sovereignty, and its effort to restore the legitimacy decentralizing regional and local administrative power strengthens the centrifugal tendencies, to bring citizens to the government but increase its distrust of the nation-state. Thus, while global capitalism thrives and nationalist ideologies operate throughout the world, the nation-state, as established in the early modern history, seems to be losing its power, though, and this is essential no influence " (Castells 2000, p. 72).

³⁰ "... if in addition to the relationship between multinational enterprises and the state, including the wide range of policies through which nation states can use their regulatory powers to facilitate or block the movement of capital, labor, information and goods, it is clear that at this point in history, the vanishing of the nation state is a fallacy "(Castells 2000, p. 72).

FIG. 2

The growth of the state also can be seen from the perspective of public employment. Vatter and Walker (1986) think that Wagner's law can also look in the light of the evolution of public employment. The evolution of public employment is presented in Figure 2 and Table 2³¹. The series was published by the Commission for the Rationalization of Public Expenditure (1997). As explained in the report, the Committee had great difficulty in gathering relevant information. The study recommends that the DANE statistics return to your employment and public wages. Despite the slowdown in growth, the trend is positive. As the Commission noted the number does not include employment outside the plant that it has increased significantly.

TAB. 2

FIG. 3

The composition of the plant has changed much. The lower use of certain entities has been offset by increased hiring in the areas of justice and defense. The increase in the number of public employees is absolute and contrasts with its relative importance (Figure 3). Between 1976 and 1995 the share of public employment in the total rose from 9.3% to 7.6%. This ratio is very low compared with other countries. In France, such as, almost one-third of the jobs are public. Theories of public finance have played a very different way the presence of the Wagner Act.

The first reason behind the growing trend of public spending is the progressive demands of society. In many social services are increasing small costs. The most obvious is health care. The small cost is growing as life expectancy increases. The marginal cost to advance exponentially. Moving from 75 years to 76 has a marginal cost much more than

³¹ Data are payroll employees.

going from 30 to 40 years. If the demands of population increase, public spending grows.

The second explanation is related to the greater complexity of markets and social interactions. Indeed, new forms of regulation are reflected in increased social spending. The modes of intervention have diversified much in the last 20 years. The heterogeneities are notorious. Mention a few. The forms of interaction have changed substantially. The styles of grant, such as, are becoming more disparate, covering diverse sectors. They have signed concessions in airports, education, roads, transportation, TV, telecommunications, etc. And besides, have created new laws requiring that private resources allocated to specific purposes. The most significant has been the financing of health and social security. The resources administered by the private sector are important. Pension funds are managing \$ 50 billion. This amount of savings has relevant macroeconomic implications. The financial savings can be used to finance productive activities, or simply to feed the bubble. In practice the latter path has prevailed.

These transactions constitute fiscal policy in the sense defined by Blinder and Solow (1974). For these authors, fiscal policy is important because of its impact on public debt. Not because of its amount. Accordingly, transactions that are done with the pension savings affect the structure of capital market and therefore how you set the terms for the debt. Pension funds are institutional holders of the TES that are major players in the market. Moreover, the interactions that start with the legal need to transfer to private entities for the payment of social security, and ending with the financial investments are complex and erratic. It is then possible to define causal relationships that are direct and linear.

This conclusion has three substantive implications. On the one hand, questions the effectiveness of an intervention focused on fine tuning. In addition, the multi-causality shows the impossibility of fixing unidirectional linear sequences. And finally, the information provided by DANE in Colombia is insufficient to continue in this direction. Specifically, payroll taxes are also a form of transfer required by law. These provisions may lead to private (Compensation Fund), manage resources that will reach them by private, but by laws and regulations. These types of government intervention are illustrative only, but they prove the heterogeneous nature of the action of the State in Colombia. In some cases, local governments have reached to give the private tax collection.

Contemporary societies have come to accept, in fact, that the market has inherent limitations. And therefore, government involvement is necessary. The regulatory commissions fulfill these oversight functions on market processes. The market can not resolve substantive issues such as efficiency and equity. These dimensions are not converging through market dynamics. The regulatory state has the force without any disassembly of the interventionist state. Both coexist. In fact, they have always lived. The bottom line indicates that the state's participation is increased substantively. Not

only for the public expenditure side, but also because the regulatory functions have expanded considerably.

Wagner's law also explains why people prefer present to future well-being. This principle is expressed forcefully Böhm-Bawerk (1895). For reasons which the author associated with the human condition, the preference for present satisfaction pressing public spending increases. In the literature speaks of populism fiscal Keynesian. Governments are often tempted to offer goods and services or to issue currency, to gain popularity or extend its mandate. In this sense, end up playing the game to the interests of the governed.

The weight of the monetary policy has increased

Financial globalization and trade in services and trade contemporaries have led to new forms of government intervention. Although the series of DANE shed no intrinsic changes of monetary policy, it is can be done to look at the trends of public credit. That is, the characteristics of monetary policy can be analyzed with information from Central Bank. With DANE data can be known is the relative weight of public debt. In particular, this information is important to know the structure of spending.

An unfavorable welfare state

In González (2006) argues that Colombia was not enough to build a welfare economics and has also failed to structure an economy of warfare. The Uribe administration has driven the war machine, but the national economy is far from being classified as a war economy (Table 3)

TAB. 3

Tables 3 and 4 show the distribution of consolidated public sector expenditure by purpose-made. Between 1997 and 2004 defense spending goes from 1.93% to 2.53% of GDP. Meanwhile, spending on education rose from 3.84% to 5.49% of GDP. In health increased from 2.80% to 3.65%. And social security and help goes from 6.83% to 7.56%. These trends show that defense spending is not very high, and that its growth has been very rapid. In 2001 there was a slight substitution between defense spending and education. The first grows and the second decreases. It appears that from 2005 defense spending has continued to increase (Isaza and Campos 2007).

TAB. 4

Please note that the data do not exist in order DANE. DANE should take up this task and regain the series ends. González shows that in the United States introduced the category "war Keynesian", to make explicit the impact of the finance (income and expenditure) of the war in economic activity (2006). In addition, the United States during World War II, between 1939 and 1944, the share of public employment in total employment rose from 16% to 35%. And defense spending to GDP rose from 2% to 44% (Stiglitz 2000, pp. 30 and 40). In Colombia we have no welfare economics, or economy of warfare. Neither alternative has been consolidated.

In 2004 the priorities were as follows: public debt service (10.8% of GDP)³², security and social assistance (7.56%), education (5.49%), economic services (4.52%), public services (4.05%), health (3.65), defense (2.53%), public order, security and justice (1.95%), housing and urban (0.49%), other social services (0.43%). If you add defense, public order, security and justice, the percentage is 4.58%. According to Isaza and Campos currently military spending (\$ 22.2 billion) representing 6.5% of GDP³³ Also, the defense and security spending began to increase in the second half of the eighties, when it escalated the war on drugs. However, it was also from the nineties when the broader struggle against various manifestations of violence was reflected in an up spiral of spending (Isaza, Campos 2006).

The importance of social protection must be viewed in a more global perspective. In contemporary societies has had a long way through problems that involves government expenditure, privatization, joint participation, nationalization or failures and market information. Health care absorbs an increasing share of public spending. And why are increasing the risks of social protection system reaches a critical state (Fitoussi 1995). The weakness of the welfare state in Colombia is expressed in a high poverty. The CEPAL report of 2004 stated that despite all the efforts made in the region to reduce poverty, the results are uncertain. Consequently, social failure was accompanied by great success in growth and control inflation. This means that economic growth does not automatically guarantee the reduction of poverty. By contrast, the report stresses that high rates of poverty and inequality are an obstacle to growth.

³² The debt has continued to grow. In 2004 the public debt service reached \$ 11 billion. Now exceeds \$ 16 billions.

³³ In the U.S., military spending amounts to 4.04% of GDP, and in European countries that are part of the Nato to 2% (Isaza and Fields 2007, p. 4).

For Tilly the picture is intrinsically dramatic:

In the presence of effective governance, health policies involve, as usual, exploitation and opportunity hoarding. As generations of anarchists and libertarians as reviled, it is easy to see the exploitation aspect do governments. The ruling classes used the means and resources controlled by the government to extract a surplus of tax efforts of citizens categorically excluded, and direct at least part of it to activities that people do not benefit, but if the ruling classes . Taxes and conscription represent two obvious ways of extraction and the wars and the promotion of business of the two forms notorious rulers of misuse of resources. The big question is not whether there ex-exploitation, but who are part of the ruling class, and how these have the added value: in their own private companies, in their material comforts in the war, public goods "(Tilly 2000).

This quote highlights the problems of distribution and equity when resources are scarce. It is usual that the principles are invoked to prove the decisions. The transformations have been clearer in recent years. The available series of expenditure by purpose (1970-1994) no significant changes (Table 5):

TAB. 5

TAB. 6

FIG. 4

As shown in Figure 3, expenditure on education seems was left address health and social security. The dynamics of economic services is very erratic. Also, the growth of spending on health and social security is closely related to the law 100 of 1993, which forced to increase contributions and gave the administration a significant part of these resources to the insurance companies.

The reconstruction of the state also can be seen on the side of employment. Compare, in 1995 the use of the central level of the national order accounted for 36.4% of total public sector employment and 36.1% of wage costs. Table 7 includes all entities of the national central level.

TAB. 7

Tables 7, 8 and 9 show an increase in concentration of employment in a few entities. Table 9 double encapsulates entities own 90% of employment (Expenditure Rationalization Committee 1997). In 1995, teachers, military, police, judiciary and the Attorney General's Office more than 90% of employment included in Table 9, which is equal to 57.35% of total public sector employment. In short, this concentration process was caused by rapid growth of the armed forces (military and police) and an increase of officials of the institutions responsible for justice.

TAB. 8

According to the results of the study of Isaza and Campos (2007, p. 6) the number of troops in 2007 was 209,741 (5 troops per 1,000 inhabitants). In 2006 was 196,492 (4.9 per 1,000) in 2002 was 160,000 (3.8 per 1,000) in 1994 was 120,650 (3.4 per 1,000). The growth rate of foot force has been significant.

TAB. 9

The dynamics of spending and employment growth shows that most have occurred in the debt servicing and military spending.

Distribution by the side of expenditure

FIG. 5

Figure 5 shows the dynamics that have had tax revenues of the Nation, the central level. b) Junguito and Rincon (2007) show that in recent years the tax burden of the Government reaches the highest level for a century (14% of GDP), after having presented averages of 4% of GDP between 1905 and 1949 and 6% of GDP between 1950 and 1984. Colombia raises little, if her income tax rates compare with the international basic (Ocampo 2007).

FIG. 6

Colombian tax policy has preferred to distribute by way of spending and not by way of taxes. Public spending has an impact on inequality 5 times more than the taxes. One explanation for the low capacity distributive taxes may be the remnant of direct taxation versus indirect evolution (figure 6) /. Over time the tribe has become increasingly important, and this has clear implications for redistribution. That is, taxes on income have been very little progress. They have a weak progressivity. And indirect taxes tend to be flat. These features of the tax system show that Colombian society has given up the task distributive side of taxes and opted rather for public expenditure (education, health, subsidies, etc.). The latter decision has less political costs. The tax has been more dynamic VAT, which was created with the 1983 reform to replace the outdated sales tax. With this tax burden of fiscal control measures implemented to trade lower. Their basic fare rose from 10% set in 1983 and running until 1990, to 14% in 1993 and 16% in the 1995 tax reform - which, with a temporary reduction in 1999, still stands to this day (Table 10).

The income tax has been relatively timid. In the first decade of this century it reached a rate of 37.5% with the 2003 reform, and then decreased until reaching 33%. But at the same time, fiscal policy was full of new beneficiaries, with tax breaks in affluent sectors of the economy. Table 10 summarizes the key tax rules that have been issued in the history of Colombia.

TAB. 10

In the late nineteenth and early twentieth centuries, information from regional accounts and departmental very limited. The lack of information reflects a state with weak links between the central and regional. This unusual combination created imbalances in the tax structure impact. Then in the second half of the twentieth century was identified serious problems in the periphery and a weak central state. From the economic point of view this kind of state was far from the economic ideals touted by the Physiocrats, with a regional restructuring arising from deep social conflicts. In the first half of the century, the State does not have enough tax instruments, and also is exposed to a weak regional and territorial control. But also, the state struggle to correct the best way possible, the adjustment required breaks and recession caused by the Second World War. We do not count in the first half of the twentieth century with a Hobbesian state conditions, conflicts and wars absolute. Neither a state that was faithful

to the commercial ideas. The regional tax (departments and municipalities) lost significance in an accelerated way within the country's total tax. Between 1930 and 2000 its share fell from 45% to about 20%.

After eighty Colombia have had fourteen important tax reforms, two of them in the eighties (1983 and 1986), eight in the nineties (two in 1990, 1992, 1993, 1994, 1995, two in 1998) and four in the new millennium (2000, two in 2002 and 2003). With the exception of Act 49 of 1990 all nest have you intended to increase the levels of taxation, either with increased rates, broadening the base of tax benefits. These reforms have been messy, incoherent, fragmented, and not framed in a broader context that allows them to serve one or another type of state.

The comparative analysis performed on the balances in tax matters enables us to review the relevance of some assumptions. Throughout the twentieth century, governments have used different instruments to do exceptional goals state income tax and spending time critical and for which approval was not necessary to go through Congress. However, this decision has been successful in all cases in the income tax field, but not the costs. In Colombia it has managed to develop a type of welfare state that is capable of achieving fiscal balance through progressive income and expenditure size. Third, the State management reflecting changes in regulation tax is a state with a minimalist state. We have less state that territory.

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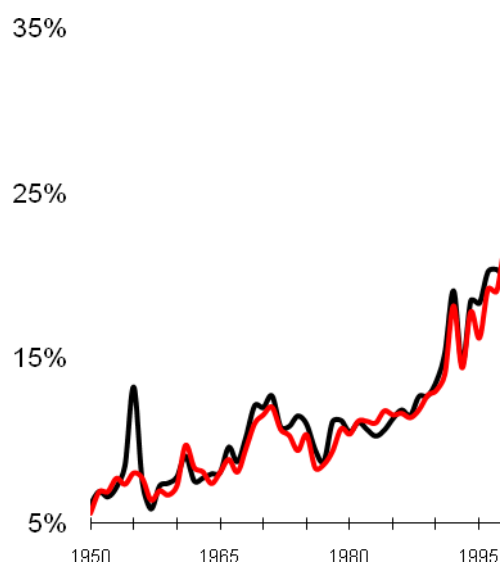
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TABLES AND FIGURES

Figure 1

Figure 1

Expenses total revenue of Central Government. Percentage of GDP
(1950-2002)



The black line is for the expenditure and revenue red.

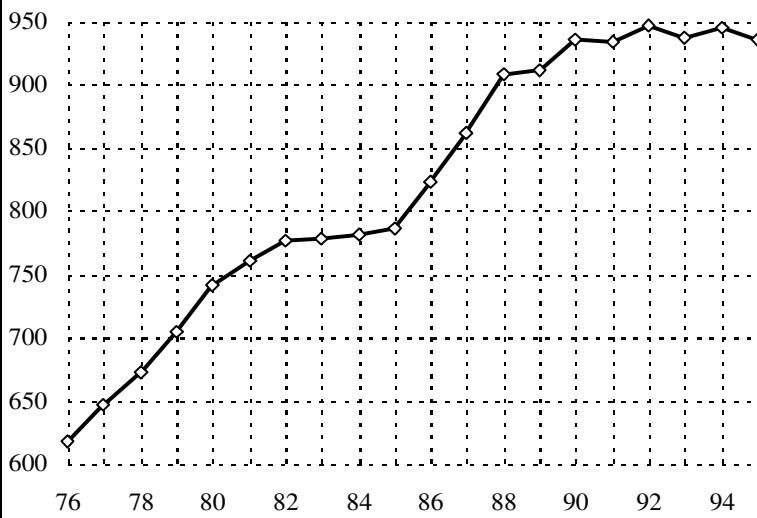
Table 1**Table 1**

Income and expenditure of the nonfinancial public

	71 - 74	75 - 78	79 - 82	83 - 86	87 - 90	91 - 94	95 - 98	99 - 02	03 - 05
Gastos									
Gastos de consumo del gobierno	9.6	8.0	9.4	9.6	8.9	10.4	15.2	17.6	14.3
Seguridad y asistencia social	1.9	2.0	2.5	3.0	3.0	3.8	5.0	5.8	6.2
En dinero	0.7	0.8	1.1	1.4	1.5	2.0	2.3	2.9	3.9
En especie (salud)	0.7	0.7	0.8	1.0	0.9	1.1	1.8	1.9	1.3
Otras prestaciones	0.5	0.5	0.6	0.6	0.6	0.7	0.9	1.1	1.0
Inversión	5.5	6.2	6.9	7.9	7.1	7.0	7.5	6.5	6.7
Adm. públicas	3.2	3.3	3.4	2.8	3.0	3.4	4.5	3.6	4.4
Empresas públicas	2.4	2.9	3.5	5.0	4.1	3.6	3.0	3.0	2.3
Gasto primario	17.2	16.3	18.8	20.5	19.1	21.0	26.7	28.6	26.2
Intereses netos pagados	0.5	0.4	0.6	0.8	0.9	0.7	1.3	3.3	4.2
Gasto Total	17.7	16.7	19.4	21.3	20.0	21.7	28.1	31.9	30.4
Ingresos									
Impuestos, regalías y tasas	12.0	13.9	11.9	11.9	13.6	15.4	15.8	17.8	19.4
A la renta	4.6	4.4	2.9	2.3	3.2	5.2	4.7	5.3	6.7
Otros, netos de subsidios	7.3	9.5	8.9	9.4	9.9	9.5	10.4	11.4	11.6
Regalías	0.1	0.1	0.1	0.2	0.5	0.6	0.8	1.1	1.1
Contr. a la seguridad social	2.5	2.5	3.0	3.3	3.3	4.0	5.4	4.8	4.2
Util. emp. y rentas capital	0.9	0.1	0.7	1.7	2.2	3.2	4.3	5.1	4.6
Intereses de la seg. social	0.1	0.1	0.2	0.2	0.2	0.4	1.0	0.8	0.4
Ingresos totales	15.5	16.7	15.7	17.1	19.3	22.9	26.5	28.6	28.6
Superavit (+) o déficit (-)	-2.2	0.0	-3.6	-4.3	-0.7	1.1	-1.6	-3.3	-1.8
Source: Ocampo (2007)									

Figure 1

Total public sector employment (1976-1995)



The vertical axis represents the number of public employees (thousands) on payroll that is, actually hired. Includes order "national", "central" and "decentralized levels". Departmental order, central and decentralized levels Order " municipal, local capital, central and decentralized levels. It does not include officials of the municipalities do not departmental capitals.

*Teachers; **Sectional ***Health ****Services

*****Sports *****Administration *****Boards

Source: Commission for the Rationalization of Public Expenditure (1997). Chenery, Ocampo, Ramirez (1986). Since 1985 the values correspond to the last column of Table 2.

Figure 2

Table 2

Table 2										
Total public sector employment (1985-1995)										
	Central Nacional	Descent Nacional	Central Deptal	Descent Deptal	Mpios Capital	Descent Mpal	Docentes	Ser Sec. Salud	Jun. Ad. Deporte	Total
85	244620	158741	49267	27243	37725	40023	208869	17189	1784	785461
86	274689	158009	51416	29633	37880	41273	211065	17021	1694	822680
87	286084	169211	52668	34302	38445	40126	215547	23684	1706	861773
88	318940	173903	56190	37942	38452	45235	215608	19995	1482	907747
89	308983	170289	57055	40486	42874	46634	221195	21681	1471	910668
90	321760	173830	55113	40073	45729	47904	224734	25670	1489	936302
91	319864	150718	53443	39443	44166	51311	246806	25906	1794	933451
92	337919	148362	53818	39872	46062	56112	236445	26857	1770	947217
93	337525	138278	50992	39850	54582	60190	234781	18479	1769	936446
94	347482	138110	48166	39840	60810	64113	231992	13186	1241	944940
95	340491	137942	47265	39832	54666	64350	236269	13195	1253	935263
No blanket to officials of the municipalities do not capitals.										
Source: Commission for the Rationalization of Public Expenditure (1997). Comptroller General of the Republic, Department of Public Administration, Ministry of Defence, Ministry of Education, Ministry of Finance, DNP - Social Mission; DANE-MEN (C-600). In addition, some entities reported directly to the Commission.										

Figure 3

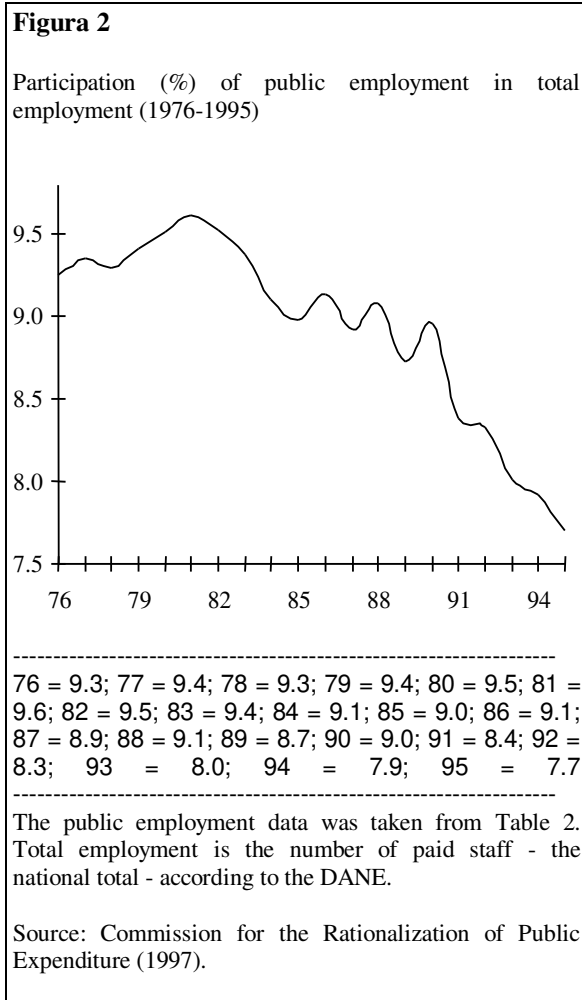


Table 3**Table 3**

Distribution of the consolidated public sector expenditure by purpose. \$ Million

	1997	1998	1999	2000	2001	2002	2003	2004
Servicios públ. gener.	6.611.805	7.442.802	8.666.119	7.174.702	7.599.717	9.040.977	9.191.423	10.333.585
Orden públ. seg. justic.	3.560.202	3.470.398	4.078.174	3.476.753	3.707.492	4.030.395	4.596.965	4.982.778
Defensa	2.352.171	2.538.317	1.709.667	4.205.669	4.473.490	5.289.157	5.968.444	6.460.887
Educación	4.678.944	6.793.029	7.828.156	8.159.728	10.489.908	11.221.853	12.450.906	13.992.201
Sanidad	3.408.465	4.204.837	4.927.681	6.029.721	6.866.101	7.162.517	8.251.326	9.306.328
Segur.y asist. social	8.317.098	8.894.082	9.476.750	12.215.826	12.709.594	15.322.252	16.178.632	19.272.594
Vivi. y orden, urb-rural	683.159	941.327	818.721	1.363.897	1.336.852	1.063.220	948.730	1.239.940
Otros serv. sociales	503.139	560.881	610.004	841.112	704.323	870.491	983.808	1.099.605
Ser. econ. y otras final.	5.886.623	5.978.145	5.114.338	8.105.318	4.661.976	5.156.358	9.996.673	11.519.058
Servicio deuda pública	7.912.705	10.800.697	12.714.534	17.310.753	25.382.290	27.216.273	26.736.872	27.639.893
Total	43.914.311	51.624.515	55.944.144	68.883.478	77.931.742	86.373.492	95.303.779	105.846.870

Includes the entire public sector (national, departments, municipalities, institutes, etc.).

Source: González (2006). Estimates by Jairo Urdaneta and Margarita Betancur from DANE.

Table 4**Table 1**

Distribution of the consolidated public sector expenditure by purpose. Percentage of GDP

	1997	1998	1999	2000	2001	2002	2003	2004
Servicios públicos generales	5.43	5.3	5.72	4.10	4.03	4.44	4.01	4.05
Orden público seguridad y justicia	2.93	2.47	2.69	1.99	1.97	1.98	2.01	1.95
Defensa	1.93	1.81	1.13	2.40	2.37	2.60	2.60	2.53
Educación	3.84	4.84	5.16	4.67	5.56	5.52	5.43	5.49
Sanidad	2.80	2.99	3.25	3.45	3.64	3.52	3.60	3.65
Seguridad y asistencia social	6.83	6.33	6.25	6.98	6.74	7.53	7.06	7.56
Vivienda y ordenación urbana y rural	0.56	0.67	0.54	0.78	0.71	0.52	0.41	0.49
Otros servicios sociales	0.41	0.40	0.40	0.48	0.37	0.43	0.43	0.43
Servic. económicos y otras final.	4.84	4.26	3.37	4.63	2.47	2.53	4.36	4.52
Servicio deuda pública	6.50	7.70	8.41	9.90	13.50	13.41	11.71	10.80

Total 36.08 36.75 36.91 39.39 41.33 42.45 41.58 41.49

Fuente: Cuadro ¡Error! Marcador no definido.

Table 5**Table 2**

Public Expenditure Management - \$ Millions of current

Gasto por Finalidad	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Adm. pública general	3.991	4.933	5.643	7.411	8.750	11.350	14.256	18.110	24.670	36.624
Defensa	1.775	3.781	2.203	2.399	2.958	3.893	4.311	5.986	8.112	11.376
Educación	3.917	4.975	6.370	8.321	10.796	13.407	16.457	20.720	27.539	34.888
Salud y sanidad	1.375	1.569	1.793	2.294	2.972	3.949	4.274	5.143	6.772	10.070
Seg. y asistencia social	2.814	3.927	4.228	5.670	6.748	9.096	11.888	17.326	26.081	35.042
Viv. orden. urbana y rural	613	738	917	1.379	1.209	1.452	1.719	2.428	2.383	2.717
Serv. cultur. y recreativos	150	119	110	2.067	470	738	903	1.171	1.548	2.409
Servicios económicos	7.198	8.066	8.657	12.924	14.289	9.982	19.639	42.693	46.113	51.301
Deuda pública	1.350	1.430	1.887	2.219	2.969	7.650	3.445	3.878	5.320	6.089
Total	23.183	29.538	31.808	44.684	51.161	61.517	76.892	117.455	148.538	190.516

Fuente: DANE

... below 2

Gasto por Finalidad	1980	1981	1982	1983	1984	1985	1986	1987
Adm. pública general	51.952	70.313	91.756	119.876	149.664	188.929	246.743	349.455
Defensa	16.930	20.258	24.561	36.238	44.050	62.981	74.877	99.124
Educación	49.274	63.494	84.733	103.030	140.053	172.295	223.067	296.964
Salud y sanidad	16.925	21.868	28.597	37.915	38.905	61.821	75.052	106.299
Seg. y asistencia social	49.349	70.211	65.377	76.663	103.762	122.543	161.507	284.253
Viv. orden. urbana y rural	5.576	5.427	8.814	11.082	9.939	9.963	19.647	28.394
Serv. cultur. y recreativos	2.890	3.047	3.970	23.085	7.238	9.614	13.146	23.338
Servicios económicos	76.648	128.399	147.206	163.028	202.049	263.399	233.313	533.561
Deuda pública	9.835	14.452	22.766	23.210	33.635	35.943	67.970	124.493
Total	279.379	397.469	477.780	594.127	729.295	927.488	1.115.322	1.845.881

Fuente: DANE

Below table 2

Gasto por Finalidad	1988	1989	1990	1991	1992	1993	1994
Adm. pública general	436.611	574.527	790.220	997.558	1.411.172	1.770.711	3.554.154
Defensa	150.194	211.388	253.600	324.686	469.740	587.544	814.738
Educación	373.350	477.017	604.302	803.819	1.094.197	1.403.663	1.890.498
Salud y sanidad	135.519	185.109	237.914	295.922	356.434	686.792	1.297.821
Seg. y asistencia social	305.398	429.177	586.737	805.606	1.145.649	1.561.784	3.097.060
Viv. orden. urbana y rural	29.944	43.603	63.934	115.130	139.585	194.008	266.579
Serv. cultur. y recreativos	27.127	35.090	54.695	69.067	77.822	130.471	205.900
Servicios económicos	576.282	750.974	952.395	1.285.874	1.670.912	2.186.825	2.806.047
Deuda pública	125.443	156.413	245.599	321.078	372.542	668.056	675.487
Total	2.159.868	2.863.298	3.789.396	5.018.740	6.738.053	9.189.854	14.608.284

Fuente: DANE

Table ¡Error! Marcador no definido.

Public Expenditure Management - Percentage of GDP

Gasto por Finalidad	1980	1981	1982	1983	1984	1985	1986	1987
Adm. pública general	2.8	3.0	3.1	3.3	3.3	3.2	3.1	3.3
Defensa	0.9	0.9	0.8	1.0	1.0	1.1	0.9	0.9
Educación	2.6	2.7	2.9	2.8	3.1	2.9	2.8	2.8
Salud y sanidad	0.9	0.9	1.0	1.0	0.8	1.0	0.9	1.0
Seg. y asistencia social	2.6	3.0	2.2	2.1	2.3	2.1	2.0	2.7
Viv. orden. urbana y rural	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Serv. cultur. y recreativos	0.2	0.1	0.1	0.6	0.2	0.2	0.2	0.2
Servicios económicos	4.1	5.5	5.0	4.5	4.4	4.5	2.9	5.1
Deuda pública	0.5	0.6	0.8	0.6	0.7	0.6	0.8	1.2
Total	14.9	16.9	16.1	16.4	15.9	15.7	13.8	17.6

Fuente: DANE

Below table 6

Gasto por Finalidad	1980	1981	1982	1983	1984	1985	1986	1987
Adm. pública general	2.8	3.0	3.1	3.3	3.3	3.2	3.1	3.3
Defensa	0.9	0.9	0.8	1.0	1.0	1.1	0.9	0.9
Educación	2.6	2.7	2.9	2.8	3.1	2.9	2.8	2.8
Salud y sanidad	0.9	0.9	1.0	1.0	0.8	1.0	0.9	1.0
Seg. y asistencia social	2.6	3.0	2.2	2.1	2.3	2.1	2.0	2.7
Viv. orden. urbana y rural	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Serv. cultur. y recreativos	0.2	0.1	0.1	0.6	0.2	0.2	0.2	0.2
Servicios económicos	4.1	5.5	5.0	4.5	4.4	4.5	2.9	5.1
Deuda pública	0.5	0.6	0.8	0.6	0.7	0.6	0.8	1.2
Total	14.9	16.9	16.1	16.4	15.9	15.7	13.8	17.6

Fuente: DANE

Below table ¡Error! Marcador no definido..

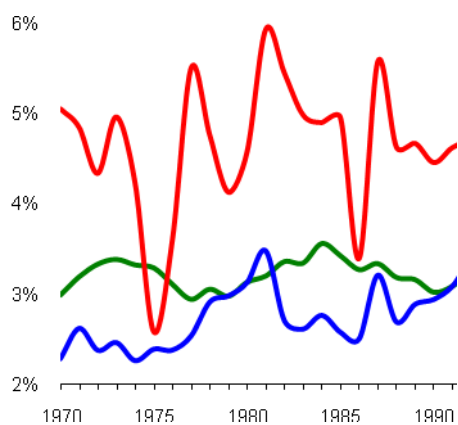
Gasto por Finalidad	1988	1989	1990	1991	1992	1993	1994
Adm. pública general	3.1	3.2	3.3	3.2	3.6	3.4	5.3
Defensa	1.1	1.2	1.1	1.0	1.2	1.1	1.2
Educación	2.7	2.7	2.5	2.6	2.8	2.7	2.8
Salud y sanidad	1.0	1.0	1.0	1.0	0.9	1.3	1.9
Seg. y asistencia social	2.2	2.4	2.4	2.6	2.9	3.0	4.6
Viv. orden. urbana y rural	0.2	0.2	0.3	0.4	0.4	0.4	0.4
Serv. cultur. y recreativos	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Servicios económicos	4.1	4.2	4.0	4.1	4.2	4.2	4.2
Deuda pública	0.9	0.9	1.0	1.0	0.9	1.3	1.0
Total	15.5	15.9	15.8	16.1	17.0	17.6	21.6

Fuente: DANE

FIG. 4

FIG. 3

Public Administration expenditure by purpose (financial services): education, health and social security. Percentage of GDP (1970-1994).



The upper curve (red) corresponds to economic services. The middle curve (green) is public spending on education. And the lower curve (blue) corresponds to expenditure on health and social security. Source Table 6

Table 7

Table 7											
Public employment, number of people - national, central level (1985-1995)											
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Fuer. Mil. - Pie fuerza -	86860	95684	110089	129155	113628	127397	125615	126219	131273	136911	145636
Pol. Nac. - Pie fuerza -	60512	63231	65895	67715	71072	71950	75629	82551	82769	92159	90683
Rama Judicial	17779	18723	22809	22809	22538	21255	19457	19534	20295	20325	20916
Fisc. General	-	-	-	-	-	-	-	8564	8815	15494	18692
Fuer. Mil. -Adminis-	11935	18366	11996	11994	13044	12886	12868	13046	15837	17532	14880
Min. de Hacienda	12914	12930	10927	10970	11348	9264	8350	10423	7175	7320	8086
Dep/to de Seguridad	4419	5820	5771	5503	5396	6152	5848	5649	6116	7542	6450
Pol. Nacional -	6524	6511	6443	6804	6800	7017	5121	7249	7267	7786	6368
Admini-											
Contr. Gen. de la	9914	9883	9585	9465	9792	9419	10258	8832	6018	3873	4486
Rep.											
Reg. Nal. del	3318	12588	8004	13578	13835	13597	14604	14604	19180	16960	3380
Est.Civil											
Proc. Gen. de la	2117	2350	2281	2213	2551	3939	3939	2712	2821	2898	2834
Nación											
Congreso de la Rep.	2574	2574	3550	2847	2557	2559	2559	2183	2323	2322	2550
Super. de Notariado	240	240	240	254	326	326	326	326	300	2287	2296
Ministerio de Salud	934	988	957	920	946	915	943	3034	2377	2347	1377
Min.de Trabajo	1313	1315	1273	1322	1339	1339	1405	1399	1180	1218	1357
Min. de Rel. Exter.	1093	1093	997	993	1030	1010	1085	1177	1238	1496	1310
Min. de Transporte	2709	2600	5666	12035	11657	10982	10652	9324	5623	1023	1013
Super. Bancaria	788	788	788	803	803	803	777	777	634	689	746
Min. del Medio	-	-	-	-	-	-	-	-	-	299	637
Amb.											
Ministerio del	394	394	365	374	443	443	432	451	542	544	576
Interior											
Dep/to Nal. de	388	388	426	429	496	542	550	558	608	558	538
Planeac.											
Ministerio de	1120	1121	965	951	903	1070	1070	1907	539	575	535
Educación											
DANE	1191	1179	1150	1159	1146	1157	1138	1087	1064	537	516
Min. de Comunicac.	455	450	450	455	449	454	461	453	456	500	510
Presidencia de la	309	289	433	497	528	686	503	514	539	600	493
Rep.											
Ministerio de Minas	433	433	416	511	507	512	481	475	401	474	475
Dep/to de	436	447	462	462	469	466	466	448	453	443	457
Cooperativas											
Super. de Sociedades	366	366	366	484	484	484	484	74	310	311	382
Ministerio de Justicia	7223	7116	6957	7117	7450	7525	7565	6906	7442	356	343
Min. de Agricultura	502	503	508	343	425	431	390	385	418	266	274
Dep/to de la Func.	250	251	241	253	282	285	276	268	263	249	247
Públ.											
Min. de Com.	-	-	-	-	-	-	-	181	195	291	223
Exterior											
Super. de Ind. y	225	225	225	290	290	290	290	290	185	213	216
Com.											
Super. de Salud	98	98	98	98	98	148	148	148	226	181	181
Super. de Ser.	-	-	-	-	-	-	-	-	-	245	180
Públicos											
Super. de Valores	-	-	-	-	-	-	-	121	154	154	180
Ministerio de	90	90	90	104	127	185	194	166	178	187	179
Desarrollo											
Super. de Vig.	-	-	-	-	-	-	-	-	194	194	134
Seg.Priv.											
Super. de Sub.	62	62	62	62	62	62	62	45	56	56	79
Familiar											
Super. de Puertos	-	-	-	-	-	-	-	68	68	68	76

Ofic. de Reg. de IIPP.	1679	1679	1679	1921	1952	1952	1952	1952	1940	-	-
Veeduría del Tesoro	-	-	-	-	-	-	-	15	55	-	-
Dep/to de Aer. Civil	3111	3564	3553	3683	3844	3886	3713	3553	-	-	-
Dep/to de Intend.y Com.	99	106	121	121	123	123	-	-	-	-	-
Fonade	61	59	61	62	63	70	74	72	-	-	-
Super. de Camb.	185	185	185	185	180	180	180	180	-	-	-
TOTAL	244620	274689	286084	318940	308983	321760	319864	337919	337525	347482	340491
The entities are sorted by the number of public employees they had in 1995. Source: Commission for the Rationalization of Expenditure (1997).											

Table 8

Table 8											
Public Employment - Participation (%) of each entity in the total - national, central level, more teachers (1985-1995)											
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Docentes	46.1	43.5	43.0	40.3	41.7	41.1	43.6	41.2	41.0	40.0	41.0
Fuer. Milit. - Pie fuerza -	19.2	19.7	21.9	24.2	21.4	23.3	22.2	22.0	22.9	23.6	25.3
Policía Nacional - Pie fuerza -	13.3	13.0	13.1	12.7	13.4	13.2	13.3	14.4	14.5	15.9	15.7
Rama Judicial	3.9	3.9	4.5	4.3	4.3	3.9	3.4	3.4	3.5	3.5	3.6
Fiscalía General de la Nación	-	-	-	-	-	-	-	1.5	1.5	2.7	3.2
Fuer. Milit. -Adminis-	2.6	3.8	2.4	2.2	2.5	2.4	2.3	2.3	2.8	3.0	2.6
Min. de Hacienda y C. P.	2.8	2.7	2.2	2.1	2.1	1.7	1.5	1.8	1.3	1.3	1.4
Policía Nacional - Admini-	1.4	1.3	1.3	1.3	1.3	1.3	0.9	1.3	1.3	1.3	1.1
Dep/to Adm. de Seguridad	1.0	1.2	1.2	1.0	1.0	1.1	1.0	1.0	1.1	1.3	1.1
Contraloría General de la Rep.	2.2	2.0	1.9	1.8	1.8	1.7	1.8	1.5	1.1	0.7	0.8
Registr. Nal. del Estado Civil	0.7	2.6	1.6	2.5	2.6	2.5	2.6	2.5	3.4	2.9	0.6
Procur. General de la Nación	0.5	0.5	0.5	0.4	0.5	0.7	0.7	0.5	0.5	0.5	0.5
Congreso de la Rep.	0.6	0.5	0.7	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Super. de Notariado y Registro	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.4	0.4
Min. de Salud	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.4	0.4	0.2
Min. de Relaciones Exteriores	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Min. de Transporte	0.6	0.5	1.1	2.3	2.2	2.0	1.9	1.6	1.0	0.2	0.2
Min. de Trabajo y Seg. Social	0.3	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Min. de Justicia	1.6	1.5	1.4	1.3	1.4	1.4	1.3	1.2	1.3	0.1	0.1
DANE	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Dep/to Adm. Nal. de Coop.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Dep/to Nal. de Planeación	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Min. de Comunicaciones	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Min. de Educación Nacional	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.1	0.1	0.1
Min. de Minas y Energía	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Min. del Interior	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Presidencia de la Rep.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Super. Bancaria	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Super. de Sociedades	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Min. del Medio Ambiente	-	-	-	-	-	-	-	-	-	0.1	0.1
Min. de Comercio Exterior	-	-	-	-	-	-	-	0.0	0.0	0.1	0.0
Min. de Agricultura	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Dep/to Adm. de la Func. Pública	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Super. de Control de Cambios	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Super. de Industria y Comercio	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Super. de Subsidio Familiar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Super. de Valores	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0
Super. de Vig. y Seg.Privada	-	-	-	-	-	-	-	-	0.0	0.0	0.0
Super. General de Puertos	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0
Super. Nacional de Salud	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Super. de Servicios Públicos	-	-	-	-	-	-	-	-	-	0.0	0.0
Oficinas de Registro de IIPP.	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	-	-
Veeduría del Tesoro	-	-	-	-	-	-	-	0.0	0.0	-	-
Dep/to Adm. de Aeron. Civil	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	-	-	-
Dep/to Adm. de Intend. y Com.	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-
Fonade	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
Min. de Desarrollo Económico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The entities are in order of participation they had in 1995. Source: Commission for the Rationalization of Expenditure (1997).

Table 9

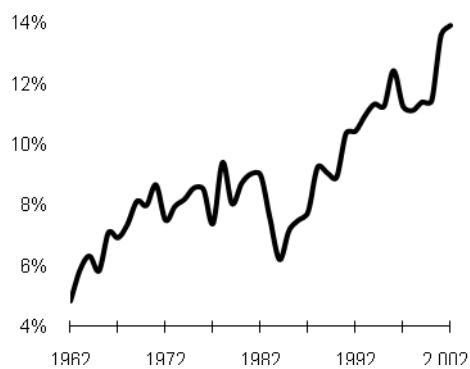
Table 9. Public Employment - Participation (%) accumulated - national, central level, most teachers (1985-1995).											
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Docentes	46.1	43.5	43.0	40.3	41.7	41.1	43.6	41.2	41.0	40.0	41.0
Fuerz. Militares - Pie fuerza -	65.2	63.1	64.9	64.5	63.2	64.4	65.7	63.1	64.0	63.7	66.2
Policía Nacional - Pie fuerza -	78.6	76.2	78.1	77.2	76.6	77.6	79.1	77.5	78.4	79.6	81.9
Rama Judicial	82.5	80.0	82.6	81.4	80.8	81.5	82.5	80.9	82.0	83.1	85.6
Fiscalía Gen. de la Nación	82.5	80.0	82.6	81.4	80.8	81.5	82.5	82.4	83.5	85.7	88.8
Fuerz. Militares -Adminis-	85.1	83.8	85.0	83.7	83.3	83.8	84.8	84.7	86.3	88.8	91.4
Min. de Hacienda y C. P.	88.0	86.5	87.2	85.7	85.4	85.5	86.2	86.5	87.5	90.0	92.8
Dep'to Adm. de Seguridad	88.9	87.7	88.3	86.8	86.4	86.7	87.3	87.5	88.6	91.3	93.9
Policía Nacional - Admini-	90.4	89.0	89.6	88.0	87.7	88.0	88.2	88.7	89.9	92.7	95.0
Contraloría Gen. de la Repúb.	92.6	91.0	91.5	89.8	89.6	89.7	90.0	90.3	90.9	93.3	95.8

Las entidades están ordenadas en función del número de empleados públicos que tenía en 1995.
Fuente: Comisión de Racionalización del Gasto (1997)

FIG 5

FIG. 4

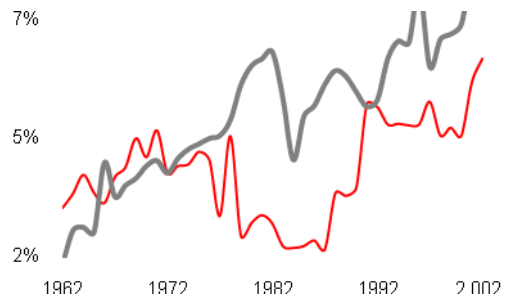
Evolution of taxes (direct and indirect) of the National Central Government (1962-2002): Percentage of GDP



Source: Author calculations from the DANE and the Central Bank

FIG. 6

FIG 5
Evolution of indirect taxes National Central
Government (1962-2002): Percentage of GDP.



The black line corresponds to indirect taxes and the red to direct taxes. Source: Authors' calculations from the DNAE and the Central Bank.

Table 10

Table 10

Major tax rules

José Manuel Marroquín	1897		Aumento al impuesto al tabaco, fósforo y cigarrillo
Manuel Reyes	1905	Ley 59	Aumento en la tarifa de aduanas y nacionalización de los impuestos departamentales
José Vicente Concha	1914-1917	Leyes 26 y 69 - decreto 2089	Creación de impuestos al consumo suntuario (cerveza, fósforos, naípe).
Marco Fidel Suárez	1918	Ley 56	Establece el impuesto de renta
Enrique Olaya Herrera	1931	Ley 81	Renta a las sociedades, las deducciones por depreciación. Se establece el sistema de retención en la fuente
Alfonso López Pumarejo	1935	Ley 78	Crea impuesto sobre exceso de utilidades y sobre patrimonio
Alfonso López Pumarejo	1942	Ley 45	Sobretasa a la renta por los efectos de la Segunda Guerra Mundial
Gustavo Rojas Pinilla	1953	Decretos 2317 y 2615	Gravo los dividendos distribuidos por las sociedades anónimas en cabeza de los socios, establece la doble tributación
Gustavo Rojas Pinilla	1956		Sobretasa del 20% en impuesto a la renta debido a crisis fiscal por bajos precios del café
Alberto Lleras Camargo	1960	Ley 81	Gravó las ganancias de capital e incorporó un régimen de presunción de renta sobre la propiedad rural
Guillermo León Valencia	1963	Ley 21	Crea impuesto a las ventas vigente desde 1965. Sobretasa de de 20% impuesto de renta por dos años
Guillermo León Valencia	1963	Decreto Ley 3190	Establece la retención en la fuente sobre toda clase de ingreso gravable
Carlos Lleras Restrepo	1966	Decreto 2933	Establece tasa máxima de retención en la fuente de 10% sobre salarios
Carlos Lleras Restrepo	1967	Decreto 444 - ley 64 de 1967	Impuestos sobre remesas del exterior e impuesto a la gasolina y el acpm
Misael Pastrana Borrero	1973	Leyes 4, 5, 6	Renta presuntiva en el agro. Amplia exenciones personales del sector agropecuario. Modifica el impuesto básico de renta a personas jurídicas. En renta fija una tasa única de 40% para las "sociedades anónimas y asimiladas" y otra del 20% para las "limitadas y asimiladas". Eleva la tarifa máxima del impuesto de renta a las personas naturales del 52% al 56%. Amplía base IVA.
Alfonso López Michelsen	1974-1975	Decr. 2053, 2348, 2247, ley 49	Moderniza el sistema tributario. Busca que la tributación responda a un nuevo enfoque de Estado, compatible con las medidas de liberalización de la economía.
Belisario Betancur	1983	Leyes 9 y 14	Reducción en las tasas: la tasa marginal máxima del impuesto de renta pasó de 56% a 49%. IVA con una tasa única a 10%. Eliminó la doble tributación de las sociedades anónimas.
Virgilio Barco Vargas	1986	Ley 75	Reducción de las tasas máximas de renta. La máxima pasó a 30%. El 90% de los salarios exentos de retención. Elimina la doble tributación.
César Gaviría Trujillo	1990	Ley 44	Facultad de los contribuyentes para fijar avalúo del inmueble. Sistema de tarifas flexibles para el impuesto predial unificado
César Gaviría Trujillo	1990	Ley 49	Amnistía que permite la entrada de capitales colombianos puestos en el exterior. Incremento del IVA del 10% al 12%. Reducción del arancel promedio del 16.5% al 7%.
César Gaviría Trujillo	1992	Ley 6	Sobretasa del 25% sobre el impuesto a la renta. Aumento del IVA del 12% al 14%. IVA de 35% - 45% para bienes de lujo.
César Gaviría Trujillo	1993	Ley 100	Incremento en 10% de los impuesto de nómina
Ernesto Samper Pizano	1994	Ley 174	Ajustes por inflación. Le dio piso legal a las tarifas de retención en la fuente.
Ernesto Samper Pizano	1995	Ley 223	Renta presuntiva de 1,5% sobre patrimonio bruto y aumenta la renta presuntiva sobre el patrimonio líquido a 5%. Aumenta la tasa de renta del 30% para personas jurídicas. Eliminó la doble tributación. Aumenta la tasa del IVA a 16%
Andrés Pastrana Arango	1998	Decretos 2330 y 2331	Emergencia económica. Crea el impuesto a las transacciones financieras (2 x 1000)
Andrés Pastrana Arango	1998	Ley 488	Nuevos contribuyentes del impuesto a la renta: cajas de compensación familiar y fondo de empleados, asociaciones gremiales. Elimina renta presuntiva sobre patrimonio bruto. IVA se reduce de 16% a 15%. Sobretasa a la gasolina.
Andrés Pastrana Arango	2000	Ley 633	Modifica renta presuntiva. La tarifa general del IVA es del 16%. El gravamen a los movimientos financieros se eleva al 3x1000)
Álvaro Uribe Vélez	2002	Ley 788	Sobretasa a la renta equivalente al 10%. IVA diferenciales del 2%, 7%
Álvaro Uribe Vélez	2003	Ley 863	Sobretasa del 10% a renta. Impuesto de 0,3% al patrimonio. Determinó una deducción de 2 puntos del IVA para compras de crédito

Source: From Junguito and Rincon (2007 b).

