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**THE CHANGING ROLE OF THE PUBLIC SECTOR:
THE COLOMBIAN CASE**

**Por:
Alberto Carrasquilla B.**

1995

No. 42

Para comentarios favor dirigirse al autor:
Fax: 2865936 - Teléfono 3421035.

THE CHANGING ROLE OF THE PUBLIC SECTOR: THE COLOMBIAN CASE

Alberto Carrasquilla B.*

Santafé de Bogotá, noviembre de 1995

* Paper presented at the 51th. Congress of the International Institute of Public Finance, Lisboa, August 1995. The author would like to thank P. Molina, J. Ramos and, especially, E. Wiesner for very helpful comments on a previous draft. Forthcoming in the Quarterly Review of Economics and Finance.

I. Introduction

Several observers of Latin America have underscored the notion that an emerging "consensus" regarding the role of the State in the economy surfaced during the 1980's (v.g World Bank, 1993; Williamson, 1993). Starting from an emphasis on issues regarding stabilization, there are three main and related threads to this account; firstly, the adequate size of the public sector. Second, the adequate scope of public sector activity. Lastly, the area of regulation and intervention in economic life.

The main conclusion is that the public sector in Latin America: (a) had grown to excessive size over the previous decades; (b) encompassed an excessive, and at times inadequately ranked, set of policy priorities and objectives; (c) had overregulated economic life in areas ranging from international trade and finance, to labor and financial markets. Several studies point to the fact that growth and welfare are adversely affected by this state of affairs and that policy should be aimed at modifying it¹.

The issue of economic "reform" has been the dominant theme in public policy discussion within the region for the last ten years. There is convincing evidence supporting the view that many countries in the region shifted policy in an explicit policy decision to face the aforementioned problems. With initial efforts aimed at correcting the problem of *instability*, i.e inflation and the basic macroeconomic imbalances which explain it, policy makers embarked upon more global attempts to alter the dominant development strategy of the past few decades.

Within this context, numerous studies report substantial advances in stabilization (Dornbusch and Edwards, 1994), privatization efforts (Baer and Birch, 1994); while others document shifts in public sector priorities, and still others report the widespread efforts to implement structural reforms in the areas of international trade and payments, the treatment of FDI and the functioning of labor and financial markets.

The purpose of this paper is to report advances and limitations in the three fronts in a country which has not been among the most widely studied in the region. Our main point is that Colombia has been a gradualist and modest reformer as measured by the standards of neighboring countries. One prominent reason is the fact that the "initial conditions" were not as troublesome as elsewhere and thus the size of the required stabilization and reform sequence were smaller by comparison. In other words, the inexistence of "hard" budget constraints forcing drastic shifts in fiscal priorities and the inexistence of severe fiscal and external imbalances requiring rapid privatization. The fact that these initial conditions were not severely out of line with sustainable medium term criteria is, in itself, an interesting stylized fact.

We thus begin the paper by documenting some salient features of the Colombian public sector and its relation to macroeconomic variables. The focus in this part is the fact that "initial conditions" were not as tight as in other countries of the region.

The size of the public sector has not been regarded as a high priority problem; rather, the public sector has increased its participation in GDP to an important extent. This is the subject of the second part of the paper.

In the third part, we posit the idea that little can be shown in the budget data with regard to a shift in public sector priorities.

In the fourth part we analyze indicators relating to regulation and intervention, where shifts are clearer. We finish with a summary of main findings and conclusions.

II. The Public Sector in Colombia: Basic Facts

A. Macroeconomic Indicators

We begin by a brief description of some basic macroeconomic figures for the Colombian economy in order to put our analysis in some context.

The very basic Table 1 illustrates the main point we wish to establish: the Colombian economy has been quite stable; a fact which shows up in many other indicators. This stability defines a particular context for all discussions regarding the public sector in Colombia, while at the same time is implied by the relative orthodoxy with which fiscal policy has been conducted.

Table 1
Macroeconomic Indicators 1980-95

Variable	1980-86	1987-94
GDP Growth	3.03	4.24
Inflation	22.09	25.97
Public Sector Deficit	2.6	1.3
Current Account	2.7	1.8

Source: Central Bank of Colombia Data File

Stability can be interpreted as one of the main policy objectives in the country during the last 25 years. Indeed, before the early 1970's fluctuations were sharper than has been the case more recently. Since the early to mid seventies, on the other hand, results show considerable gains in stability. Inflation, for example, has been stabilized in the 20%-30% range since 1975.

One interpretation (Carrasquilla, 1995) is the following: while it is true that inflation -along with several other nominal variables- is less volatile after 1975, it is also true that the inflation tax is, on average, much higher. Between 1950 and 1972 the ratio of the inflation tax to GDP is 0.8% while it rises to 2.2% between 1973 and 1994². Hence, the issue of stability has come at a price, or at least has been achieved by trading off resources between the private and public sectors and within the private sector. Society has been willing to pay higher seignorage in exchange for increased stability. Within the relatively stable macroeconomic environment prevailing since the mid seventies, the economy has achieved higher per capita growth than is the norm in the region.

We can thus state that the "initial conditions" prevailing in Colombia at the outset of the recent reform period were special by regional standards and that "stability" in a broad sense is an important component of public policy objectives, a fact which makes reform less simple -in political terms- than in other countries. Several of the conventional arguments used in explaining the region's acceptance of comprehensive reform packages (high initial stocks of external debt, severe fiscal deficits, political instability etc.) were not present in Colombia to the extent in which they were present elsewhere.

B. Descriptive Figures

We now turn to a description of the public sector as such. Table 2 presents a basic breakdown of the Colombian non financial public sector accounts in 1994 with respect to GDP. The classification used distinguishes between the Central Government (Column 10), the regional Governments (Column 8) and the State Enterprises. Among these, the largest are the State Social Security mechanism (column 6) and the state Petroleum Company (Ecopetrol) which roughly accounts for 10% of GDP on both sides of their income and expenditure accounts. Less significant, though still important, are the State owned electricity and telecommunications sectors (Columns 1 and 4) which together account for 4% of GDP and the State owned Coal Company (Column 2). A public transportation project (Medellin's Metro) and the quasi-fiscal Coffee Account are the last large components of Colombia's public sector.

Aside from these non-financial public enterprises, the State currently holds the property of several financial institutions which can be classified in two broad types; entities which were nationalized in the early 1980's after a crisis, currently only one such bank. The second type of institution is the traditional state owned second floor development-type bank. The most important are the foreign trade bank (Bancoldex), the Agrarian Bank (Caja Agraria), the Electrical Financing Corporation (FEN) and the Industrial Financing Corporation (IFI). Together, all these institutions account for roughly 15% of total financial sector assets.

TABLE 2

COLOMBIA
NON FINANCIAL PUBLIC SECTOR 1994

(Percentage of GDP)

	ELECTRIC SECTOR	CARBOL	ECOPETROL	TELECOM	METRO MEDELLIN	OTHER ENTITIES	SOCIAL SECURITY	REGIONAL GOVERNMENT	FONDO DEL CAFE	NAL CENTRAL GOVERNMENT	TOTAL 1994
1. TOTAL REVENUES	3.2	0.4	4.2	1.1	0.1	3.8	6.5	8.7	1.9	16.5	46.3
1.1 Operational income	2.8	0.3	3.9	1.0	0.0	1.6	0.1	0.5	1.3	0.0	11.4
1.2 National transfers	0.2	0.0	0.0	0.0	0.0	0.9	1.7	4.5	0.0	0.0	7.2
1.2.1 Current expenditures	0.1	0.0	0.0	0.0	0.0	0.2	1.7	4.4	0.0	0.0	6.4
1.2.1 Investment	0.1	0.0	0.0	0.0	0.0	0.7	0.0	0.1	0.0	0.0	0.9
1.3 Other revenues	0.3	0.1	0.3	0.1	0.1	1.4	4.7	3.7	0.7	16.5	27.7
2. TOTAL EXPENDITURES	2.9	0.4	3.9	1.0	0.3	3.5	5.1	9.4	1.7	16.0	44.2
2.1 Current payments	2.2	0.4	3.2	0.6	0.1	2.1	5.0	6.5	1.5	13.0	34.6
2.1.1 Interest foreign debt	0.3	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.7	1.5
2.1.2 Interest internal debt	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.7	1.9
2.1.3 Others	1.4	0.3	3.1	0.6	0.0	2.0	5.0	5.9	1.3	11.6	31.2
2.1.3.1. Salaries	0.4	0.0	0.2	0.2	0.0	0.6	0.4	3.2	0.1	3.0	8.1
2.1.3.2. Operational expenditures	0.7	0.2	1.7	0.1	0.0	0.6	0.6	1.9	1.1	0.0	7.0
2.1.3.3. Transfers	0.2	0.0	0.9	0.3	0.0	0.7	3.9	0.8	0.1	7.6	14.4
2.1.3.4. Rest	0.1	0.0	0.3	0.0	0.0	0.0	0.1	0.1	0.0	1.1	1.7
2.2 Investment	0.9	0.0	0.7	0.4	0.3	1.6	0.1	2.9	0.0	2.5	9.6
2.3 Net lending	-0.2	0.0	0.0	0.0	-0.2	-0.3	0.0	0.0	0.1	0.4	-0.0
3 DEFICIT (-) OR SURPLUS (+)	0.5	0.0	0.3	0.1	-0.2	0.3	1.4	-0.7	0.2	0.5	2.4
4 FINANCING	-0.5	0.0	-0.3	-0.1	0.2	-0.3	-1.4	0.7	-0.2	-0.5	-2.4
4.1 External financing	-0.3	-0.1	-0.2	0.0	0.3	0.3	-0.0	0.0	-0.4	-1.2	-1.7
4.2 Internal financing	-0.2	0.1	-0.1	-0.1	-0.1	-0.6	-1.4	0.7	0.2	0.7	-0.7

In summary, one can visualize the public sector in Colombia as encompassing industrial and financial type activities which are, in size and scope, as diversified as they were in the mid seventies, reaching from traditionally State-Owned large scale companies in the energy sector, to most of the social security system. From Table 2 one can also see that, financially, most components exhibit a surplus situation. Together with the strong sense in which economic stability is valued in the country, this fact has provided a sense in which drastic reform is not urgent.

C . A Summary

In this section we sought to document two basic points. The first regards the stability of the Colombian economy, a fact which defines the broad context in which public sector economic policy is conducted and - at the same time- is implied by the relative degree of orthodoxy under which fiscal policy has been conducted.

The second is the fact that the colombian public sector, because of factors which we analyze below, has grown into a large and diversified entity, in which many issues of efficiency and relative priorities trade off with the gradualist type of policymaking which has characterized the country and has made policymakers reluctant to adopt fast paced reform.

III. The Issue of Size

Public sector deficits have typically been relatively small in Colombia, to the extent that total public sector debt is equivalent to less than 30% of GDP. Assuming a rate of growth of 5% for the economy over the medium term, this figure is implied by average deficits of around 1.5% of GDP.

This, however, has been associated with important trends in both public sector expenditure and conventionally defined public sector income, as well as by a relatively high inflation tax.

Graph 1 shows the share of central government expenditures in GDP over the 1950-93 period, while Graph 2 shows tax receipts for the same period. From the data shown in Graphs 1 and 2 it is readily observable that both series exhibit a time trend. In order to test whether they are difference stationary series, we perform a conventional unit-root test (Table 3).

Table 3
Unit Root Tests

Model: $\Delta X(t) = \alpha + \beta T + (\rho-1)X(t-1) + \sum \phi_i \Delta X(t-i)$
H0: No stochastic trend: $(\rho-1) < 0$
[Critical Value: -2.6]

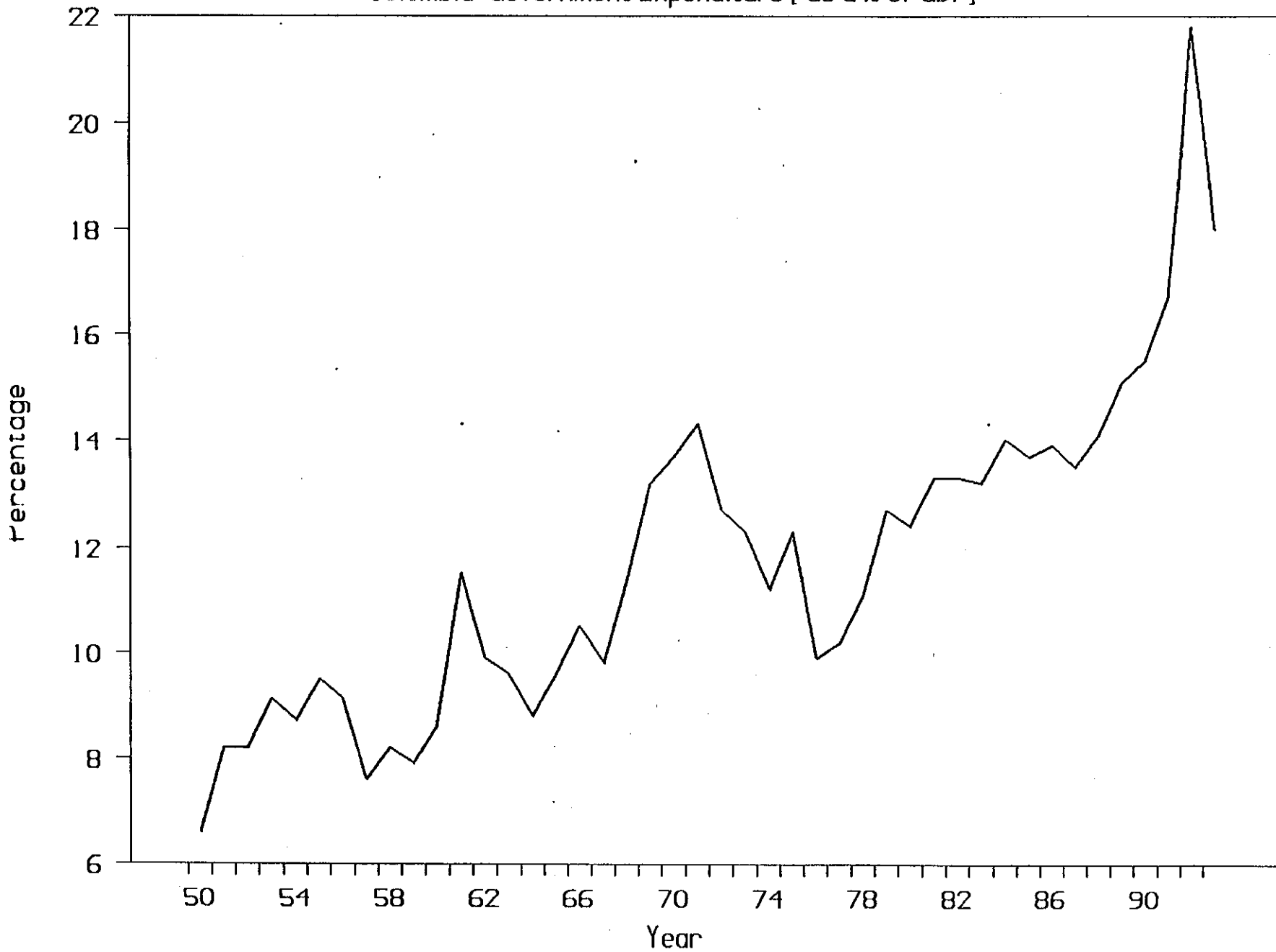
Variable (X)	$\rho-1$	t	lags
Expenditure	-0.78	-1.96	6
Income	-0.68	-2.22	6

Source: Author's calculations

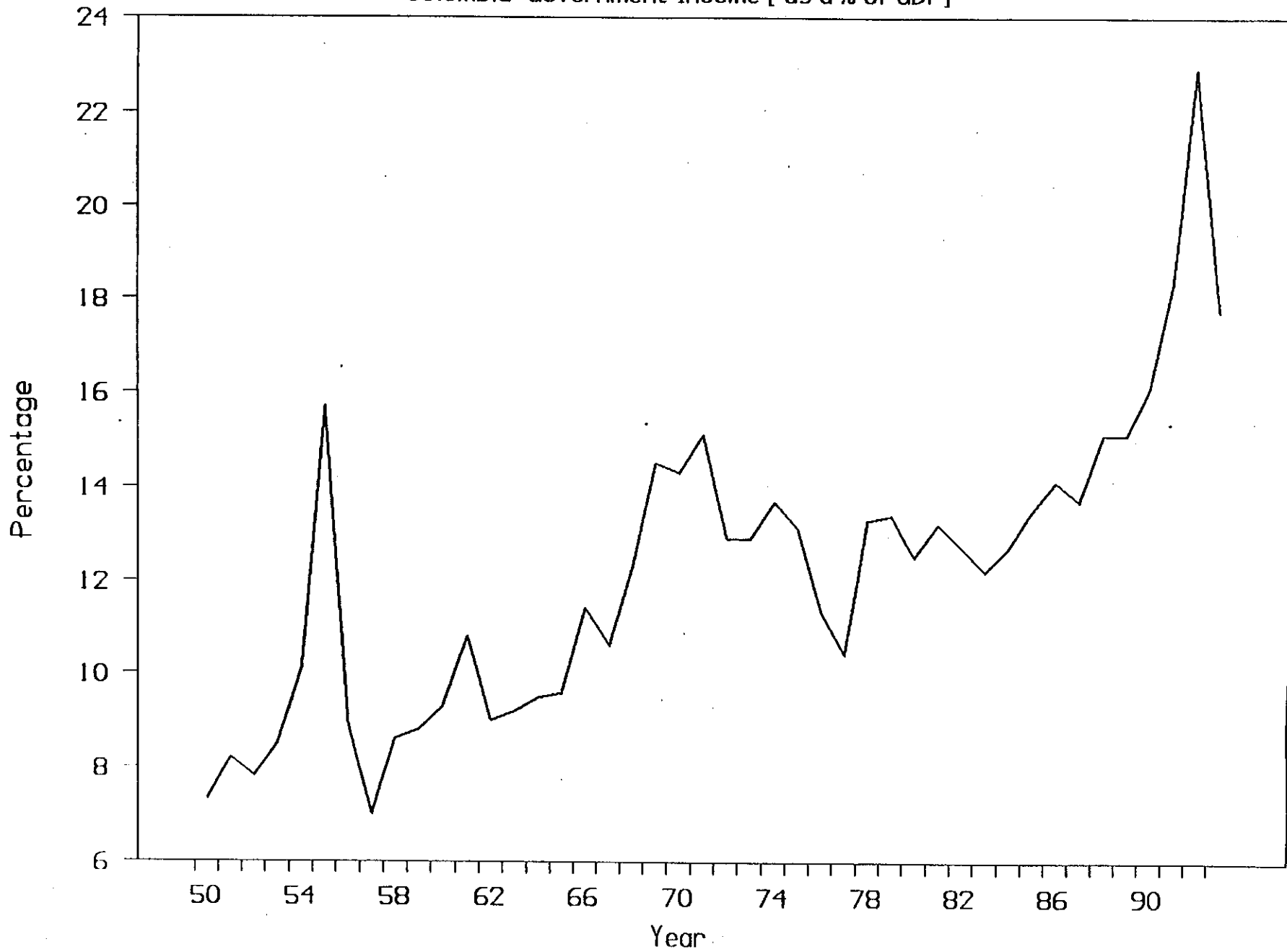
The conclusion which stems from these tests, which allow a non-stochastic trend (T), is that the two series are not difference stationary, i.e they exhibit stochastic trend. Despite the fact that these tests have proven to lack the desired strength, the point is crucial: if anything, shocks to the share of government in GDP (i.e fiscal decisions) have exhibited persistence, to the extent that the shares in GDP are not stationary in first differences. Part of any public policy decision regarding the role of the state in the economy has tended to persist over time³.

In Graph 3 we use country expenditure data for the 1983-93 period in order to offer an international perspective during the period of rapid change in public sector economics. We construct an index (1983=100) for the share of expenditures over GDP for Argentina, Chile, Colombia and Mexico. It can be seen that the experiences differ sharply; whereas in Colombia the government has steadily increased participation in the economy during this period, with special emphasis since 1988-90, in the 3 remaining cases there is a downward trend. In Chile the trend is smooth, while in Argentina and Mexico, after an initial shift in the opposite direction, there is a more drastic shift in the mid to late 1980's. In 1993,

Graph 1
Colombia: Government Expenditure [as a % of GDP]

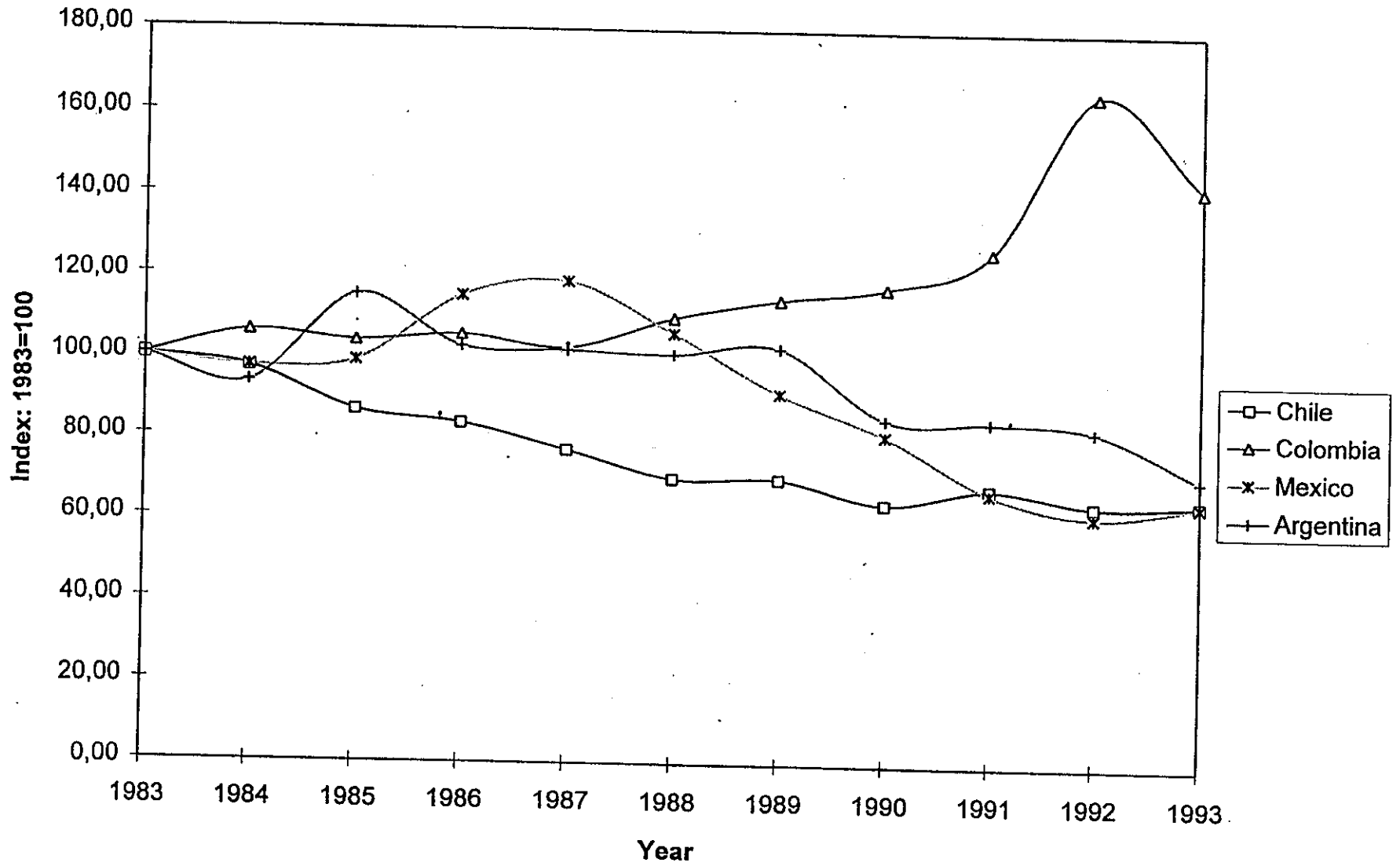


Graph 2
Colombia: Government Income [as a % of GDP]



GRAPH 3

Expenditure to GDP Ratios: International Comparison 1983-93



the last observation in the sample, all 4 countries exhibit a similar share of around 65-70, while in Colombia it is around 140.

Privatization, as has been noted in many studies, is not as ambitious in Colombia as it has been in other countries (e.g World Bank, 1993; Cárdenas and Juárez, 1994); therefore, the decision to expand the central government is not met by a decision to reduce the rest of the public sector (state enterprises etc.). Indeed, the largest share of privatization receipts has been obtained by reprivatizing financial sector entities which had been nationalized in the 1980's.

We conclude that the share of government participation in GDP exhibits a strong trend and that shocks, stemming from decisions to alter the size of government, have a permanent component in Colombia. Moreover, this has not been adjusted in recent years, as has been the case in other countries of the region. Indeed, if anything, the data suggests further efforts to increase the size of government.

There are several points which help in explaining this fact.

(a) By international standards, the share of government in GDP is still rather small. The issue of "shrinking the government" has not been important in the public debate. On the contrary, the two most recent administrations have defended increases in public sector spending in key areas, such as justice, law enforcement and social programs.

(b) Moreover, the new constitution (1991) has implied laws which have dictated ambitious decentralization programs in which though the transfers to regional governments are clearly specified, this is not true in the case of responsibilities. As has occurred in other countries, and in Colombia in other cases, decentralization can prove to have important global fiscal implications⁴.

(c) The rapid increase in public sector spending has not implied macroeconomic imbalances, given the relative ease with which government has thus far been able

to obtain approval from congress for new (revenue increasing) tax laws. This sequence (spend-tax) has implied a neutral overall fiscal stance. In the 1989-94 period, the dramatic increase in tax revenues (some 3 points of GDP, or 30%) has been associated with large increases in private sector spending, favored by capital inflows. The "Budget Constraint" has not been a binding consideration, given the relative flexibility of its net present value.

(d) Within this context, as noted by Cárdenas and Juárez (1994), privatization has not emerged as an issue which might have to be implemented in favor of future expenditure increases. By regional standards, privatization in Colombia has been timid, though current plans aim at increasing its importance in the future.

In summary, the public sector in Colombia, as opposed to the case in many other countries of the region, has sharply increased its share of GDP during these last ten years and exhibits no clear shift of preferences for near future⁵. Aside from new claims by society, this conclusion stems from the relative ease with which it has been done; i.e the degree to which revenues have increased to meet the new demands.

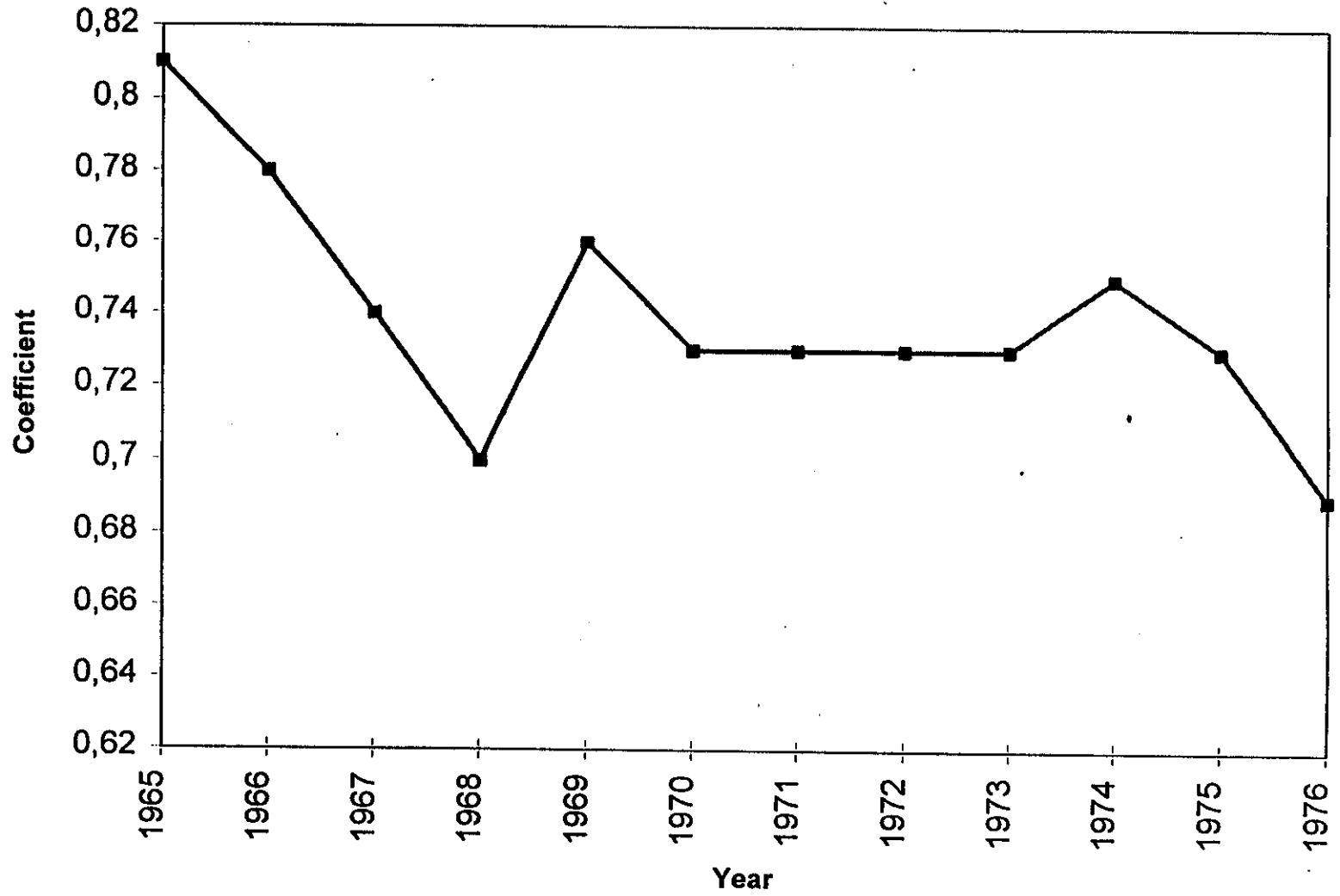
C . Scope

Section II has established the fact as a long term policy process, the Colombian Government has increased its share of GDP, with little privatizing efforts under way, and that there are no sustained efforts to alter this process. On the contrary, the most recent data suggests the fact that Colombian authorities have, if anything, increased government participation in the economy. We offered four interrelated explanations which, mainly, have to do with the fact that the "budget constraint" has thus far not been a relevant issue in practice, given the relative ease with which society has been willing to approve tax increases⁶.

In this section we analyze whether this long term policy stance has been associated with shifts in the scope of government involvement in the economy, i.e with important changes regarding the specific areas into which expenditures are

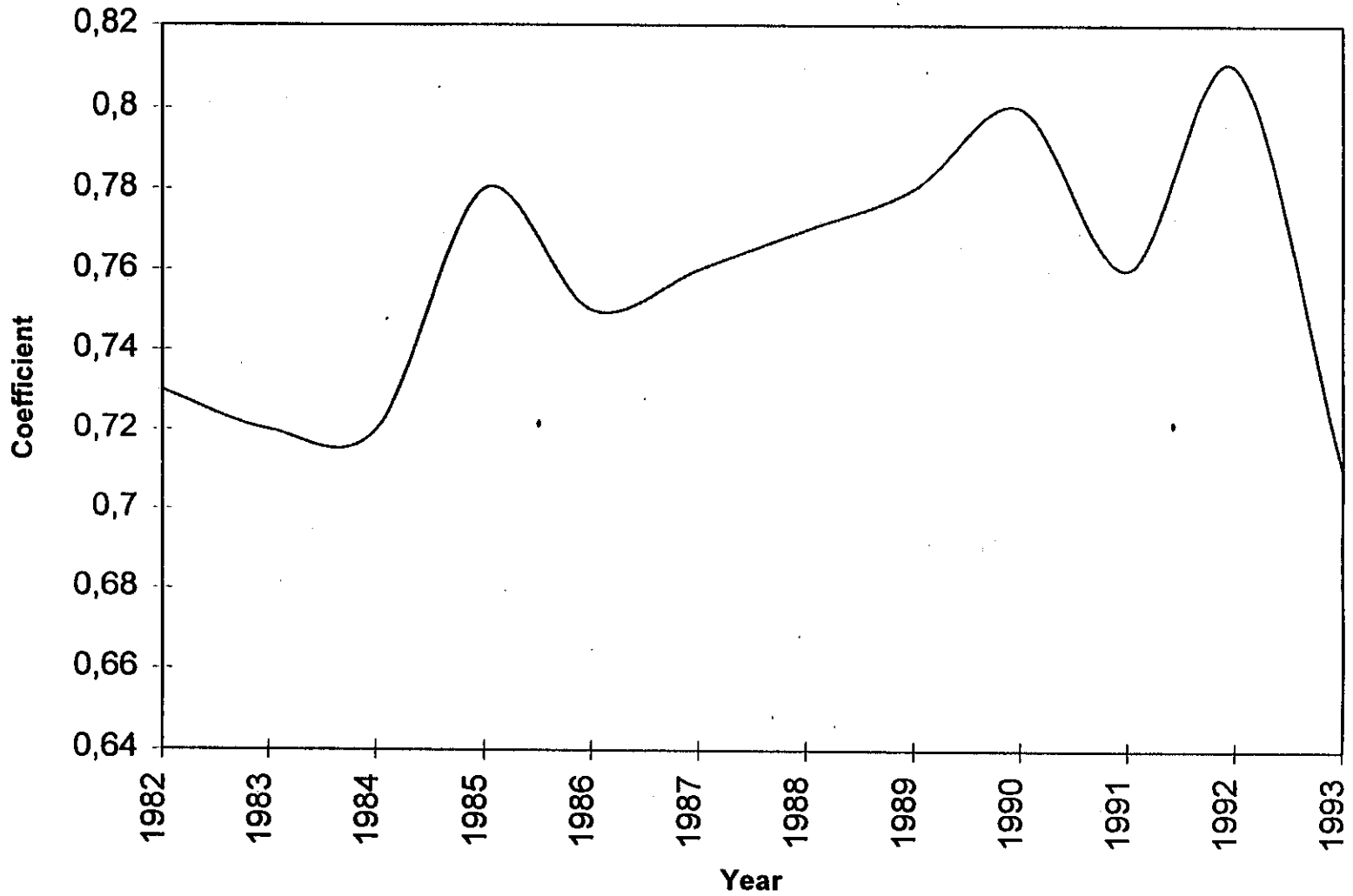
GRAPH 4

Concentration of Public Investment Projects 1965-76



GRAPH 5

Concentration of Public Investment Projects: 1982-93



channeled. We look at the investment component of government expenditures, where shifts in policy priorities should show up more clearly.

In order to examine the issue, we begin with each yearly budget law and construct a Gini type coefficient in order to estimate the degree to which efforts have been concentrated in the major investment items and to assess the degree to which there have been changes in this indicator over time. More specifically, we divide all investment projects according to areas of expenditure. Given non-homogeneities, the sample covered was divided into two: 1965-76 and 1983-93. We take the budget (B) to be sum of j projects, each called B_j where:

$$(1) B(t) = \sum_j B_j(t)$$

We then rank the projects according to a scale in order of size. The coefficient divides all projects according to the ratio $r(j) = \sum_j B_j(t) / B(t)$ where j, in this case, corresponds to a decile. The coefficient r(j), therefore, approximates a conventional index of concentration.

In Graph 4 we show the Gini coefficient for the period 1965-76. As can be seen, the coefficient is initially located at a high of 0.81 (quite concentrated) and gradually falls to 0.7 in the latter part of the sample. This is suggestive of the fact that the government diversified its investment efforts (increased the scope of its activity) throughout the period.

In Graph 5 we show the index for the period 1982-93. Again the coefficient hovers in the area of 0.7 - 0.8. This sub-sample can be divided into two periods; between 1982 and 1990 there is increased concentration in some projects, to the extent that the ratio in 1990 is similar to that of 1965, while as a trend, since 1990 there have been shifts in the opposite direction.

While the indicator has several problems as a proxy for the degree to which government diversifies, in practice, its resources, it is suggestive of the fact that no clear cut trend is present in the data. Looking at the specifics of the data set, one finds that there are a few very prominent areas of investment (notably,

infrastructure) and a few volatile and relatively small components which, in some cases, are numerous.

Several analysts have pointed to the fact that the definition of priorities and the follow-up to the realized investments are prominent in Colombia's public sector. The development plan of 1990-94, for example (Departamento Nacional de Planeación, 1991) points to this issue as an area of concern.

From the point of view of this paper, the important point is that there is no clear cut evidence in favor of the hypothesis that the public sector has shifted towards a more concentrated set of priorities. On the contrary, the index we have constructed from budget data points in the opposite direction in recent years; i.e, it is suggestive of a more widespread scope of activity.

IV. Government Intervention

In this section we review the area of government intervention in the economy, most notably, the advances which have been made since 1989 in the areas of international trade and payments and in the area of financial sector regulation. We thus understand the term "regulation" in a wider sense than is conventional, and include all efforts to alter relative prices.

A. Trade

The most salient reforms in the area of structural reform in Colombia has to do with international trade. Table 4 shows nominal and effective protection rates in Colombia for 1990 and for 1995. The most salient feature is the fact that effective protection (66% in 1990) has been reduced to 21,5% in 1995. In addition, a very complex scheme of quantitative restrictions, by which authorities established a system of "free" "controlled" and "prohibited" imports, the second of which implied the need to apply for a licenses, was all but eliminated; now over 95% of the relevant universe is free of any quantitative restriction.

Table 4
Trade Barriers: A Summary

	1990	1994
Nominal Protection	38.6%	11.7%
Effective Protection	66.9%	21.5%
% of items under License Requirements	44%	3%

Source: National Planning Department.

B. International Payments

Colombia -under decree law 444 of 1967- had an extensive scheme of foreign exchange control between 1967 and 1990. This regulatory framework encompassed practically all foreign exchange transactions. In 1990 this framework was abolished and through resolutions dictated by the Monetary Board (and later the Governing Board of the Independent Central Bank), the new framework was established.

In broad terms, the new framework eliminated the central bank's monopoly over foreign exchange transactions and introduced an exchange market, largely of an interbank nature, while allowing some types of transactions (mainly services) to operate outside the established fx market.

The nominal exchange rate, which had operated through a crawling peg regime since the late 1960's, is now based on a "target zone" mechanism, by means of which the central bank announces lower and upper bounds for the nominal exchange rate, on which it is prepared to buy or sell foreign currency.

C. Financial Sector

Colombia's financial sector underwent important changes in the early 1980's as a consequence of a deep solvency crisis, in the context of which the government nationalized a good part of the banking sector. The late 1980's and the 1990's have been a period of important recovery and important change in regulation.

(a) The central bank has been made independent and, with a stabilization mandate, subsidized developmental credit from the Central Bank has been eliminated.

(b) Forced investments which the financial sector had to make, were eliminated. While a stock exists, it is temporary.

(c) In regards to specialization of financial activity, since 1990 authorities have made efforts in the way of moving towards a system of multibanking, with specialization in the area of financial services. The regulatory distinction between different types of financial intermediaries has been greatly reduced, while the possibility of mergers and conversions from non-banks to banks has been made less difficult.

(d) Foreign capital now receives the same treatment as domestic capital and the prohibition of foreign owned banks has been eliminated.

(e) Regulation regarding required reserves has been changed. At present, the requirement for marginal deposits is 25% for current accounts and 5% or 10% for time deposits, depending on maturity. One year ago, the range was 1% to 70% over the range of deposits.

(f) As mentioned before, 4 of the 5 nationalized banks were reprivatized during the 1991-94 period. Plans are well under way for the privatization of another large public bank (Banco Popular).

V. Conclusions

In this paper we sought to present several aspects regarding the conventional definition of the issue regarding the role of the state in the case of Colombia. The conclusions which stem from this analysis are the following:

(a) In Colombia stability, by regional standards, is the prominent feature of economic life. By stability we encompass a moderate and relatively predictable inflation rate, with increasing per capita growth rates. Efforts regarding important shifts in public policy have faced this binding consideration and the solution has been a gradualist and pragmatic stance which has been in place for the last 20 years.

(b) The 1980-94 period has been one of impressive increases in the size of government, a feature which sharply contrasts with the experience of many other countries in the region, where efforts were made to curtail growth and, indeed, to reduce the size of government.

(c) On the other hand, there is little evidence of important sustained shifts in policy priorities. The concentration index of investment budgets has been very stable, while the specific areas in which the state invests are practically unchanged.

(d) Finally, the period 1989-95 has been one of activism in the regulatory aspect of government participation. International Trade and payments policy, as well as financial sector deregulation has been active and regulatory results are important.

(e) Our basic point can be summarized thus: in Colombia institutional factors impede drastic change in policy from occurring in ways other than the gradualist and pragmatic. The years in which Latin America is generally viewed as embarked on a sweeping change of developmental strategy, Colombia has remained, largely, unscathed. Important legal and regulatory changes, however, have put new issues in the public eye. Most of the substantive reform process lies, nonetheless, ahead.

The most salient features of Colombia's economy, in contrast to those of the region, are the degree of long-term stability and the important extent in which the state has increased its share of GDP, also in a long term perspective. These two

features can only be reconciled through a very dynamic tax system. But then a new and important question surfaces: how can we explain society's willingness to embark upon this scheme? There are two possible answers. The first, and most troublesome, is that the tax boom is, to a large extent, a temporary phenomenon, linked to the upsurge of private sector expenditure. The second is that society has accepted higher tax rates in exchange for a broad public good which one might call "stability".

The first hypothesis seems to merit special scrutiny. In its favor one can recall the fact that the most dynamic component of total revenue, between 1989 and 1994, is the value added tax, which increases from 3.9% of GDP to almost 6% of GDP. If the hypothesis is correct, and there is a large temporary component to the recent rise in tax revenue, then Colombia could face severe fiscal problems in the near future, as expenditure projects are typically very difficult to reverse. This is more problematic, given the fact that a decentralization scheme is well under way in matters referring to transfers, but not so clear regarding the issue of responsibilities.

Regarding the second possibility, that the surge in tax revenue can be explained by a choice of regime on the part of the private sector, the evidence is not clear. Though it is true that Colombia has endured a long period of extraordinary security difficulties, and that an argument can be made in favor of enhanced willingness on the part of the private sector to contribute to its resolution, and thus to pay more taxes, it is also clear that results have not been encouraging and that it would be difficult to posit a rational theory of the tax burden in this context.

Regarding the possibility that there is a temporary component to the recent surge in tax collection, policy will have to be implemented, as the "soft" budget constraint facing authorities might well become a "harder" one. Not only because expenditure projects embody more permanent features, but because the inflation tax will have to come down given the medium term objective of the central bank. In this context, several policy issues, currently not prominent in practice, are sure to

gain importance. Among them, one can posit the following: (i) The issue of privatization; (ii) regulating the participation of the private sector in the generation of "public" goods such as infrastructure and social security; (iii) the whole issue of decentralization, more specifically, the extent to which the regional governments will have to implement expenditure projects in a manner which is coherent with respect to overall national public policy.

NOTES

¹ A common reference point is the experience of Asian countries which, apparently, had implemented these policy measures.

² The inflation rate rises from an average of 10% to an average of 23%, while demand for these balances is inelastic to inflation. Average inflationary tax collection, thus, rises with average inflation.

³ Carrasquilla and Salazar (1992) studied the dynamics of this process. After finding the same result stated in the text, they estimated a model in which the budget constraint restricts the cointegrating relation between expenditures and income and simulated several scenarios, including the decision to increase spending. Their conclusion is that taxation is very flexible and, indeed, accounts for a substantial part of the adjustment process.

⁴ In a pioneering study, Wiesner (1992) emphasizes this point. See, specially, chapter VIII on the distribution of responsibilities and resources between the central and the regional governments.

⁵ See Departamento Nacional de Planeación (1995).

⁶ It must be stated that tax revenue from the oil producers, who are associated with the national oil company (Ecopetrol) accounts for a significant share of total taxes.

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