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Keep in mind

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Imagine a country whose inflation rate has recently surpassed 300% a year, and during some months even surpassed the 50% level that was estabilished as a benchmark for the definition of Phillip Cagan's classic study on the subject. This rapid inflation led to a devaluation of the local currency of 166%, with respet to that of the main trading partner in the previous year. The istability in the foreign exchange market initiated a fiancial crisis which resulted in numerous bank failures.

Imagine a country whose export earnings are very unstable. When the reductions in exports are specially secere, public finances fall in disarray, and the budget deficit climbs since tariff revenues represent close to 70% of government revenues. Imagine a country which represents such a high risk for foreing investors that its public debt bonds are quoted between 39% and 43% of their face value. This high long history of incumplimientos, and new incumplimientos, has led tothe absence of new loans and a very low government debt in per-capita terms.

This ecomomic instability was coupled with recurring political instability and the confrontation between two parties which often adopted intransigent, ideologically rigid, and maximalist positions.

Not surprisingly this country had one of the lowest leveis of exports per-capita, foreign investment, and kilometers of roads and railroads, in the continent it was located. This was Colombia in 1905: a poor, unstable, and regionally fragmented economy. A sharp constrat with what has been the image and the reality of the Colombian economy since 1905.

What made the difference between a nineteenth century marked by political and economic istability that concluded with the civil war of 1899-1902, which led to enormous budget deficits, a near hyperinfaltion, and the loss of panama in 1903, and a twentieth century of monetary discipline and a remarkably stable democracy?

In this paper i will try to answer this question. The first section discusses the political and economic determinants of satbility in Colombia's economic policies since 1905. The role of the party system and its characteristics is analized. Also the type of linkages generated by the coffee exporting sector is taken into account.

In the final section a profile of the economic policy-makers in the period 1974-1996 and the intellectual enviroment in which economic policies are discussed and generated is considered.