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**WHY NO HYPERINFLATION IN COLOMBIA?  
ON THE DETERMINANTS OF STABLE ECONOMIC POLICIES**

**Por:  
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**WHY NO HYPERINFLATION IN COLOMBIA?  
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**Adolfo Meisel R.\***

**Santafé de Bogotá, Julio de 1996**

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## I. Introduction

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

Imagine a country whose export earnings are very unstable. When the reductions in exports are specially severe, 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 foreign investors that its public debt bonds are quoted between 39% and 43% of their face value. This high discount also reflects the dismal record of this country with its foreign debt payments. A long history of incumplimientos, renegotiations, and new incumplimientos, has led to the absence of new loans and a very low government debt in per-capita terms.

This economic 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 levels 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 contrast 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 instability that concluded with the civil war of 1899-1902, which led to enormous budget deficits, a near hyperinflation, 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 stability in Colombia's economic policies since 1905. The role of the party system and its characteristics is analyzed. 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 environment in which economic policies are discussed and generated is considered.

## **II. The Determinants of Stability in Colombia's Economic Policies**

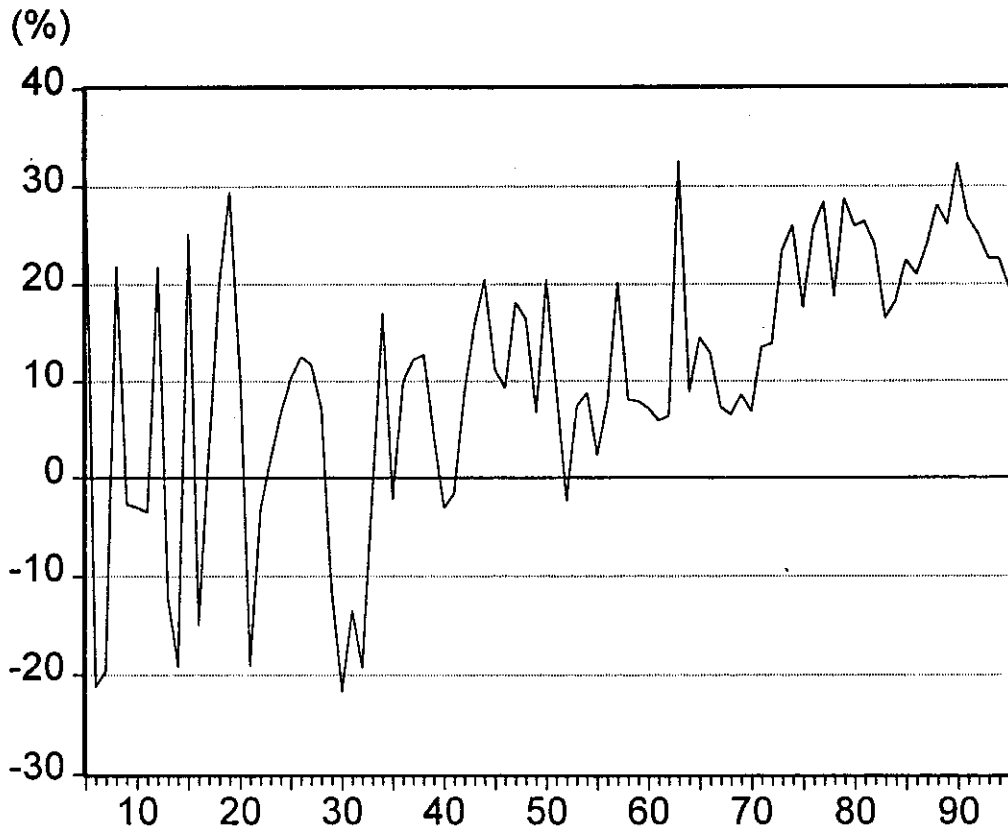
Since the 1980's, when most Latin American countries went through the debt crisis and as a result experienced negative or very low rates of growth, Colombia which had manageable levels of foreign debt and positive rates of growth of GNP in every year, has stood out as a case of sound macroeconomic management. What is generally not well perceived is that far from being a situation stemming from recent decades, this macroeconomic stability is the result of fairly orthodox economic policymaking throughout the twentieth century.

In Appendix 1, I present several key economic variables since the 1920's, and in the case of inflation since 1905<sup>1</sup>. All of them are indicative of the overall macroeconomic stability that predominated throughout the century. Even in periods of generalized international economic difficulties, such as the Great Depression, World War II, or the 1980's, Colombia was fairly successful.

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<sup>1</sup> Reliable economic statistics are widely available only after 1923, when a mission of experts headed by Professor Edwin W. Kemmerer organized the central bank, the banking system, and public finances. Kemmerer insisted on the importance of reliable economic data for good policy-making and promoted its regular publication. For a discussion of the impact Edwin W. Kemmerer had on Colombian institutions see: Adolfo Meisel, et al (compiladores), Kemmerer y el Banco de la República, Diarios y Documentos, Banco de la República, Bogotá, 1994.

GRAPH 1  
INFLATION IN COLOMBIA  
(1905-1995)



Source: Appendix 1

If we analyze the behavior of inflation between 1905 and 1995, several things stand out. I will emphasize that in only three years (1905, 1963, and 1990), inflation has risen slightly above 30.0% (33.2, 32.6, and 32.4%, respectively).

It should also be pointed out that between 1923 and 1950, Colombia followed with relatively good discipline a scheme of fixed exchange rates (from 1923 to 1931 under the gold standard). As a result the money supply was an endogenous variable and domestic inflation closely followed foreign inflation. Thus, between 1925 and 1950 the correlation coefficient between the Colombian and US price level was .96. Between 1951 and 1970 inflation rarely exceeded 10% (only in 1957, 1963, 1965, and 1966). In the 1970's it climbed above 20%, where it has remained ever since, but with a relatively low degree of variability (coefficient of variation of .12 from 1973 to 1995). The above record, in the Latin American context of course, is one of remarkable price stability all along the century.

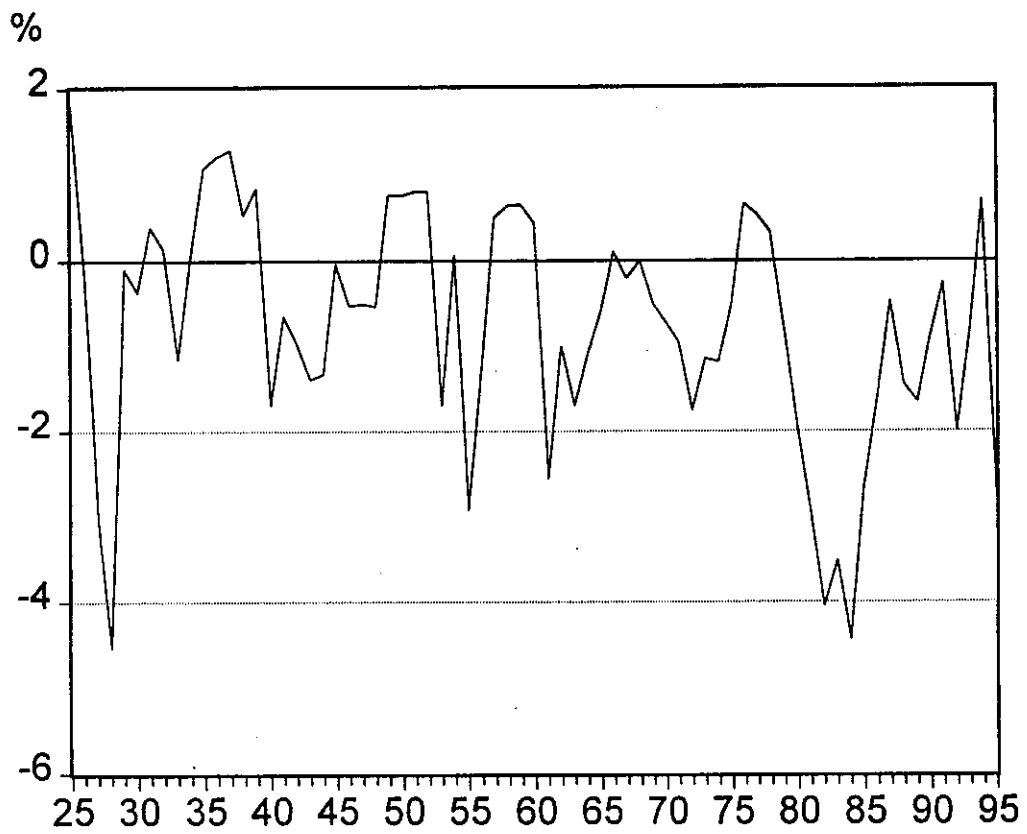
The behavior of inflation in Colombia since 1905 is consistent with a record of prudent fiscal management, which is reflected in the fact that the fiscal deficit of the central government has never gone above 5% of GDP (see Appendix 1). Moreover, only in three occasions it has been above 4% (1928, 1982, and 1984). This is a sharp contrast with those Latin American countries which have experienced either very high inflation or hyperinflation. In these countries the fiscal deficit of the public sector generally increased to around 15% of GDP (for example in Chile, Mexico, Argentina and Peru), but can reach even higher levels as happened in Nicaragua in 1988, when the public sector deficit as a percent of GDP rose to 31.3% of GDP<sup>2</sup>.

Another variable which makes it evident that Colombia's economic stability has been a long run phenomena is the growth rate of GDP per capita. Since 1925, when GDP data is available, there have been no severe recessions. Only during World War II, due to the restrictions in the supply of essential raw materials and industrial goods which were imported, GDP per capita fell for three consecutive years (1941-1943). During the Great Depression the Colombian economy performed very well, since GDP

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<sup>2</sup> Rudiger Dornbusch y Sebastián Edwards (compiladores), Macroeconomía del Populismo en la América Latina, Fondo de Cultura Económica, México, 1992, p. 400.

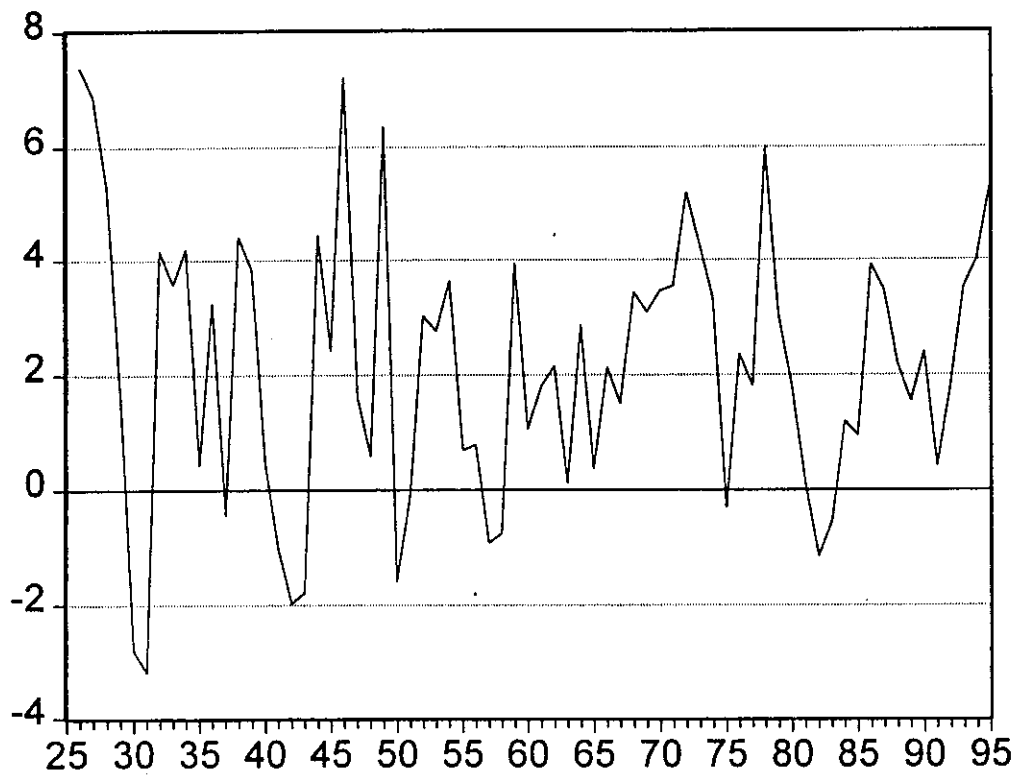
GRAPH 2  
DEFICIT OF THE CENTRAL GOVERNMENT  
AS A PERCENT OF GDP  
(1925-1995)



Source : Appendix 1

GRAPH 3  
RATE OF GROWTH OF GDP PER-CAPITA  
(1926-1995)

%



Source : Appendix 1



per capita fell only in 1930 and 1931 and was vigorously growing by 1932. Among the principal Latin American countries, Colombia experienced the smallest drop in GDP during the Great Depression<sup>3</sup>.

What explains the stability of economic policies in twentieth century Colombia? What elements that were absent in the nineteenth century have led to these results? I will argue that two structural characteristics of the Colombian society (one political and another socio-economic) have created the conditions for its political and economic stability. In addition, I will argue that a non-structural element which has contributed to the quality of economic policies has been the absence of ideological polarization among the persons who are responsible for conducting them.

The probabilistic nature of this analysis, of course, does not rule out that non-structural conditions, for example a change of attitudes among the ruling elites, could lead to political breakdown and economic instability. This was in fact what occurred in the 1950's when a military coup ousted the Conservative President Laureano Gómez and established a dictatorship (1953-1957).

The political sociologist Juan Linz has stressed that a regime's unsolvable problems are often the work of its elites<sup>4</sup>. And Alexander Wilde has shown very clearly in his analysis of the breakdown of democracy in Colombia in the 1950's, that the presence of political leaders who lacked commitment to the system led to an escalation of political conflict between the Liberal and Conservative parties<sup>5</sup>. This extreme polarization produced a de facto functioning of the "hereditary hatreds" among members of the Liberal and Conservative parties as functional equivalents of segmental divisions<sup>6</sup>. Thus, it was the behavior of the political elites and the

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<sup>3</sup> Michael J. Twomey, "The 1930's Depression in Latin America: A Macro Analysis", Explorations in Economic History, 20, 1983, p. 223.

<sup>4</sup> Juan J. Linz, Crisis, Breakdown and Reequilibration, John Hopkins University Press, U S A, 1978, p. 51.

<sup>5</sup> Alexander W. Wilde, "Conversations Among Gentlemen: Oligarchical Democracy in Colombia", in Juan Linz and Alfred Stepan (editor), The Breakdown of Democratic Regimes, Latin America, John Hopkins University Press, USA, 1978.

<sup>6</sup> Jonathan Hartlynn, "Consociational Politics in Colombia: Confrontation and Accommodation in a Comparative Perspective", Ph.D. Dissertation, Yale University, 1981.

breakdown of negotiations among party leaders which led to the breakdown of democracy, rather than the structural characteristics of the society.

The crisis of the 1950's was atypical, if one considers the long history of democracy in Colombia. This long history, which goes back to the 1820's, leads us to the first structural element behind Colombia's economic stability: the existence a consolidated democracy with a two-party system<sup>7</sup>.

### **A. The Party System And Political Stability**

Several features of the Colombian political system are conducive to stability in economic policy-making. The most basic one, of course, is that it is one of the oldest democracies in the world. Since independence from Spain in 1819, Colombia has had only four de facto governments. However, the total duration of this four governments was only eight year<sup>8</sup>. This has been coupled with the weakness and almost complete absence of military "caudillos", which have been so pervasive in other Latin American countries.

An essential feature of the Colombian democracy has been the presence since the 1840's of two consolidated political parties with a heterogenous following. Undoubtedly, they have been an essential ingredient for the stability of economic policies in this century.

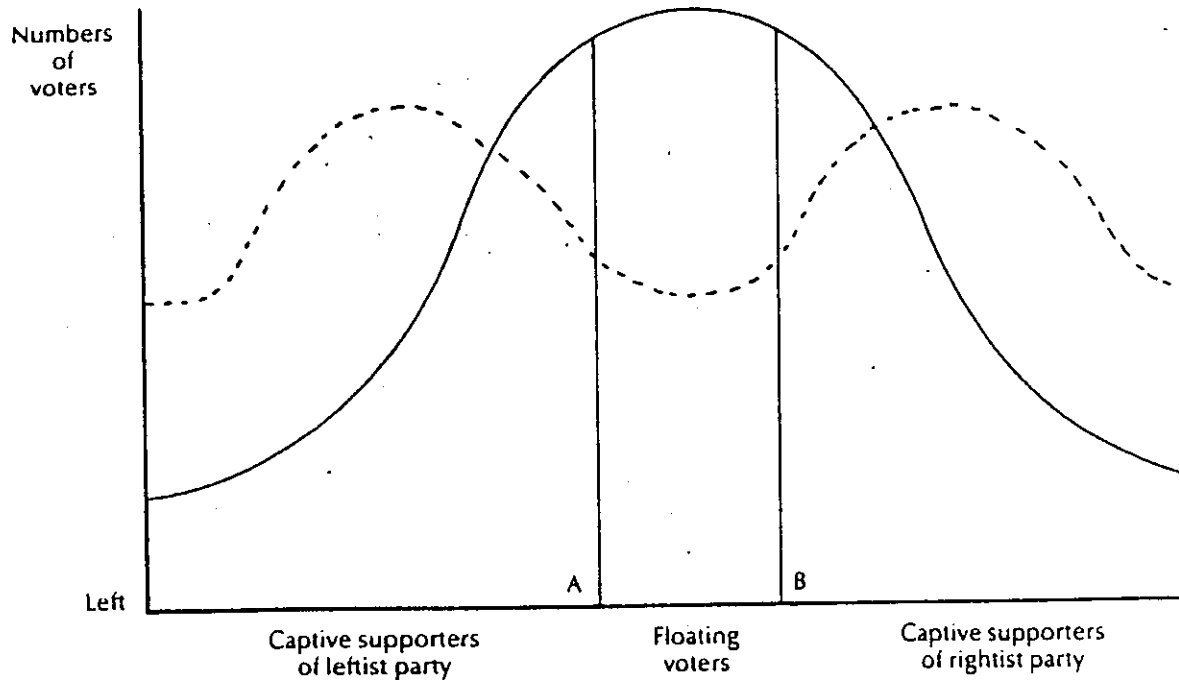
There is a fairly wide consensus among political scientist that the nature of the party system has consequences on the stability of democracies. Arend Lijphart, for example, points out that there is: "... a spate of modern comparative studies showing that political regimes with relatively many parties do not work as well as those with fewer parties. The main arguments are that two-party systems are not only more stable and effective than multiparty systems, but also qualitatively superior in terms of basic

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<sup>7</sup> Although Colombia has been politically stable in the sense that there has been a continuity of democracy, in recent decades it has suffered from enormous amounts of violence. Therefore, this "stability" has to be understood in this wider context of tremendous social dislocation, but which does not seem to affect the economy.

<sup>8</sup> Marcos Palacio, La Delgada Corteza de Nuestra Civilización, Procultura, Bogotá, 1986, p. 62.

FIGURE 1  
The Moderating Influence of Two-Party Systems



NOTE: From Arend Lijphart, Democracies, Patterns of Majoritarian and Consensus Government in Twenty-one Countries, Yale University Press, New Haven, 1984, p. 109.

democratic values" <sup>9</sup>. And Juan J. Linz is clear in stating that: "If we ask to what extent the pattern of political competition in two-party systems has contributed to democratic stability, our first impression is clearly positive..." <sup>10</sup>.

The general reasoning behind the contribution of two-party systems to the stability of democratic regimes is that it serves as a moderating and centralizing influence. This occurs because when there are only two-parties their vote maximization strategy leads them to pursue the support of the uncommitted voters in the middle of the left-right political spectrum<sup>11</sup>. The uncommitted voters are those approximately located between points A and B in Figure 1.

The logic of two-party systems leads both parties to move to the center, moderating their positions, to win the support of the maximum number of uncommitted voters. The effect will be larger if political preferences follow a normal distribution, and thus a large number of voters are found in the center of the spectrum. However, even if voters are divided, like in the dotted line, the logic forcing the parties to locate in the center still holds<sup>12</sup>.

Even though political theorists agree that two-party systems are very favorable for the stability of democratic regimes, the fact is that across the world two-party systems are very rare<sup>13</sup>. There are only four countries with a two-party system that has been in existence since the nineteenth century: the United States, the United Kingdom, New Zealand and Colombia<sup>14</sup>.

The first three countries are obviously very stable and Colombia has been one of the most stable in Latin America in the twentieth century. Other cases of two-party systems, such as present day Austria, pre-1923 Spain, and for a time the Phillipines

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<sup>9</sup> Arend Lijphart, Democracies, Patterns of Majoritarian and Consensus Government in Twenty-One Countries, Yale University Press, New Haven, 1984, p. 106.

<sup>10</sup> Juan J. Linz, Op. Cit., p. 24.

<sup>11</sup> The following analysis is based on Lijphart, Op. cit., p. 108.

<sup>12</sup> The empirical classification of a party system as multiparty or two-party is not unproblematic. For a discussion of alternative ways of determining the number of political parties see: Giovanni Sartori, Parties and Party Systems: A Framework for Analysis, Cambridge University Press, 1976, and Jean Blondel, "Party Systems and Patterns of Government in Western Democracies", Canadian Journal of Political Science, 1, No. 2, June, 1968.

<sup>13</sup> Lijphart, Op. cit., p. 115.

<sup>14</sup> The following discussion is based on Juan J. Linz, Op. Cit., p.p. 24-27.

and Iran, are relatively short experiences. Linz considers that in Latin America also Uruguay, although with qualifications, could be considered a two-party system.

The ideological convergence that political theorists predict that will result in a two party system, is very evident in Colombia where the Liberal and Conservative parties do not exhibit distinctive ideologies. In the case of economic issues, for example, the position of a policy-maker cannot be predicted on the basis of his party affiliation. Additionally, extreme ideological positions are not common among the leading Colombian economists<sup>15</sup>. Currently, one could argue that the traditional parties in Colombia are set apart rather than by differences in ideology by differences in their mentalities, in the sense that the German sociologist Theodor Geiger used these terms<sup>16</sup>.

There is another feature of the political parties which is important to consider for the purpose of this paper. The different cleavages that affect Colombian society (ethnic, class, regional, racial), reflect themselves in both parties. Thus they are heterogenous in the composition of their following. As the political sociologist Seymour M. Lipset has highlighted, the cross-pressures on the parties and individuals resulting from cross-cutting cleavages is an element that leads towards moderation in political positions<sup>17</sup>.

Thus the presence of two well established parties, heterogenous in the composition of their respective electorates, and ideologically convergent, seems to be one of the structural characteristics of Colombia which helps to explain the stability of its democracy and of its economic policies in the present century. The obvious question we have to ask ourselves is: Why did these same factors not produce political or economic stability in the nineteenth century? This is a particular troublesome point since from about the midnineteenth century the Liberal and Conservative parties were

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<sup>15</sup> Miguel Urrutia, "Acerca de la ausencia del populismo económico en Colombia", in Rudiger Dornbusch and Sebastian Edwards, (compiladores), Macroeconomía del Populismo en América Latina, Fondo de Cultura Económica, México, 1992, p. 442.

<sup>16</sup> Geiger defined a mentality as a way of thinking and feeling, more emotional than rational, that provides a non-codified way of reacting to different situations. In contrast he defined ideologies as systems of thought more or less intellectually elaborated and organized, often in written form.

<sup>17</sup> Seymour M. Lipset, Political Man, The Social Basis of Politics, Anchor Books, USA, 1963.

already consolidated<sup>18</sup>. I believe that the answer is that although the nature of the party system was such that it had the potential for stability, the Colombian economy in the nineteenth century was so stagnant and its export sector so limited and unstable that the overall results were the cycles of drops in exports, reduction in fiscal incomes, political instability, and civil war that were endemic throughout the century. What changed all this? In the next section I will argue that with the relatively late development of a vigorous export sector in the initial decades of the twentieth century, based on coffee, the structural conditions for Colombia's stability were completed.

## **B . Coffee And Social And Economic Stability**

After several unsuccessful export booms in the second half of the nineteenth century, Colombia was finally able to develop a solid export sector with the advent of coffee. However, although coffee exports were prominent since the 1880's, vigorous growth only occurred after 1905. At the beginning of the twentieth century Colombia's exports per-capita were less than a third of the Latin American average, and exceeded only those of Haiti and Honduras<sup>19</sup>. The exports of coffee expanded from 500.000 bags in 1905 to 5.000.000 in 1945<sup>20</sup>. Between 1905 and 1925 the annual rate of growth of

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<sup>18</sup> Historians tend to agree that one of the reasons for the deep attachment to the Liberal and Conservative parties that developed since the second half of the nineteenth century was an early and widespread mobilization of the population in electoral contests. For example, in the 1857 presidential election over 200.000 votes were cast for the candidates of both parties (David Bushnell, The Making of Modern Colombia A Nation in Spite of Itself, University of California Press, USA, 1993, p.118). The British Minister to Colombia commenting in 1875 on the "electionary fever " created by the election of the President every two years established by the Constitution of 1863, said: "I have always looked upon this charter of Colombian liberties as a masterpiece of democracy gone mad." (Eduardo Posada-Carbó, "Elections and Civil War in Nineteenth Century Colombia: The 1875 Presidential Campaign", Journal of Latin American Studies, 26,1994, p. 25. ) Another element contributing to the strength of the two traditional parties since the beginning of the republic has been the relative weakness of military caudillos. In this development the extremely rugged topography of the country, which aided the emergence of multiple centers of power, has played a role. On this point Colombia's leading historian has argued that: "Even the geography, that according to the classical and very valid thesis of Sarmiento and Valenilla Lanz is one of the explanations for the existence of Hispano-American military caudillos, contributed so that Colombia did not have them", Jaime Jaramillo Uribe, La Personalidad Histórica de Colombia y Otros Ensayos, El Ancora Editores, Bogotá,1977.

<sup>19</sup> Victor Bulmer-Thomas, The Economic History of Latin America since Independence, Cambridge University press, USA, 1994, p. 69.

<sup>20</sup> Robert Beyer, "The Colombian Coffee Industry: Origins and Major Trends 1740-1940", Ph.D. Dissertation, University of Minnesota, 1947, p.186.

production was 7.6%, and it was of 4.5% between 1925 and 1945<sup>21</sup>. As a result, the country's share in total world exports of coffee increased from 3.8% in 1905, to 12% by 1935, and to 20.4% by 1943<sup>22</sup>.

This tremendous expansion had a profound effect in the economy and society. To understand the extent of this impact the staple approach to economic growth, developed by Harold Innis, and other Canadian economic historians, constitutes an extremely useful framework<sup>23</sup>. Albert O. Hirschman's linkage approach to economic development, which has much in common with the staple approach, is also helpful<sup>24</sup>.

The fundamental argument of the staple theory: "... is that staple exports are the leading sector of the economy and set the pace for economic growth" <sup>25</sup>. Therefore, the analysis of the effects of the export sector on the rest of the economy and society constitutes a central element of this approach. Furthermore, this approach has provided helpful insights into the nature of the political and social institutions of the countries where it has been applied<sup>26</sup>.

Hirschman's central argument is that different staples have affinities for different bundles of linkages (investment, consumption, and fiscal). For example, an enclave type export will generate direct fiscal linkages but will have limited forward and backward investment linkages.

Perhaps the most relevant aspect of Hirschman's linkage approach, for the purpose of this paper, is that it not only derives certain patterns of economic development from the staple a country exports, but that it also traces the influence exerted upon the social and political institutions. Hirschman has labeled this effort to

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<sup>21</sup> Roberto Junguito (editor), Economía Cafetera Colombiana, Fondo Cultural Cafetero, Bogotá, 1980, p. 38.

<sup>22</sup> Beyer, Op. Cit., p. 234.

<sup>23</sup> For a standard presentation of the staple approach see: M.H. Watkins, "A Staple Theory of Economic Growth", Canadian Journal of Economics and Political Science, Vol. XXXIX, No. 2, May 1963, pp. 141-158, and W.A. Mackintosh, "Innis on Canadian Economic Development", Journal of Political Economy, Vol. LXI, No. 3, June, 1953, p.p.185-194.

<sup>24</sup> Albert O. Hirschman, "A Generalized Linkage Approach to Development, with Special Reference to Staples" in Albert O. Hirschman, Essays in Trespassing, Economics to Politics and Beyond, Cambridge University Press, USA, 1981.

<sup>25</sup> Watkins, Op. Cit., p. 53.

<sup>26</sup> Douglas C. North, "Location Theory and Regional Economic Growth", Journal of Political Economy, Vol. LXIII, No. 3, June, 1955, p. 247.

trace the nature of the social and political characteristics of a country to its specific economic activities "micro-marxism", to highlight that rather than the very general predictions of the modes of production analysis, he prefers the richly textured details that come out of the specific linkage constellations that form around the different export staples<sup>27</sup>.

When compared with other tropical staples, such as tobacco, bananas or sugar, coffee seems to result in a more favorable constellation of linkages.<sup>28</sup> In the conditions it has been grown in Colombia in the twentieth century, its social and economic impact has been particularly favorable. Although in the late nineteenth century coffee production was located in the eastern and central cordillera (Santanderes and Cundinamarca), where it was grown in relatively large estates under semi-capitalistic relations of production, in the twentieth century it has been produced in Antioquia and the areas of Antioqueño colonization (Caldas, Risaralda, Quindio, North of Tolima and North of Valle del Cauca). In this last area, located between 1000 and 2000 meters above the sea level, small holdings have predominated from the beginning. In 1923, for example, 24.4% of all coffee production was concentrated in farms of less than three hectares and only 23.5% of total production was concentrated in farms with more than 35 hectares<sup>29</sup>. Even nowadays, when the participation of coffee in total exports and GNP has dropped considerably, it continues to play a very significant role in rural income and employment. The coffee producing zone comprises a surface area of 4.8 million hectares, of which one million are planted with coffee. Some 500.000 families inhabit the area. Of these families it is estimated 330.000 own the land from which they obtain their income<sup>30</sup>. In the 1980's the coffee sector directly employed 6% of the Colombian labor force and generated 37% of all agricultural jobs<sup>31</sup>.

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<sup>27</sup> P.D. Wiley in an application of this approach has differentiated between "right-wing crops" and "left wing crops", in which the former require more individual attention, such as grapes and certain fruits, and the later are more suitable for collectivized agriculture, such as sugar cane, P.D. Wiley, Economic Institutions Compared, Wiley, New York, 1977.

<sup>28</sup> Hirschman, Op. Cit.

<sup>29</sup> Absalon Machado, El Café, de la Aparcería al Capitalismo, Tercer Mundo Editores, Bogotá, 1994, p. 94.

<sup>30</sup> Sergio Clavijo, Carlos Felipe Jaramillo, and José Leibovich (compiladores), El Negocio Cafetero ante el Mercado Libre, Tercer Mundo Editores, Bogotá, 1994.

<sup>31</sup> Ibíd., p. 8.



The labor intensive nature of coffee production and the relatively "democratic" landholding patterns that prevail in the coffee zone, has led to an enormous political influence on the part of the economic groups and regions linked with coffee. This political influence has been magnified by the fact that since 1927 coffee growers were able to form the National Federation of Coffee Growers (FNC), the most influential producer association of the country. The FNC, whose general manager was considered until recently the most influential person in Colombia after the President, played a major role in producing a macroeconomic policy which did not discriminate against coffee producers. Thus, some of the economic policy excesses experienced by other Latin American countries have been absent in Colombia. Even Jorge Garcia Garcia and Gabriel Montes, who are far from defending the distortions created by import substituting industrialization (ISI), agree that: "After World War II the government had as its goal the industrialization of the country, and this was done without doing too much harm to the agricultural sector"<sup>32</sup>.

In their extreme forms the policies adopted in Latin America to promote ISI since the 1930's have often resulted in what is generally understood to be the populist economic policies that have produced so much macroeconomic instability in the region<sup>33</sup>.

The reasons for the absence of a strong populist movement in Colombia are both political and economic<sup>34</sup>. To a large extent the nature of coffee agriculture eroded the socio-economic basis for populism. James Malloy argues that the chief declared goals of populism in Latin America have been:

- (1) "... to assert national economic independence, for example anti-imperialism."

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<sup>32</sup> Jorge Garcia Garcia and Gabriel Montes, Trade, Exchange Rates and Agricultural Pricing Policies in Colombia, World Bank, Washington, D.C., 1989 (mimeo).

<sup>33</sup> Robert Kaufman and Barbara Stallings, "La Economia Politica del Populismo Latinoamericano" in Dornbusch and Edwards (compiladores), Op. Cit., p. 30.

<sup>34</sup> For Miguel Urrutia the presence of well established traditional political parties and the clientelistic nature of inter-party competition, explains the absence of populism in Colombia, Miguel Urrutia, Op. Cit.

(2) "... to break local semi-feudal structures so as to liberate human and material resources for economic development."

(3) "... to promote social justice for all sections of the nation"<sup>35</sup>.

The production, processing, and distribution of coffee has always been in Colombian hands. Also it has been produced mainly by small landholders. Therefore, the first two objectives of populism that Malloy mentions were largely absent in the economically dominant regions of Colombia due to the conditions under which coffee was produced<sup>36</sup>.

At the political level the consolidation of coffee as Colombia's principal export had important consequences. The main one was the emergence of the Antioqueño elite to a dominant position in the national scene. Six presidents of Colombia in the present century have been from Antioquia and the departamentos of Antioqueño colonization, (Quindío, Risaralda, and Caldas). In the management of economic policies this influence is also quite clear. From 1900 to 1975, Colombia had thirty seven (37) Ministers of Finance, fifteen of them from the Departments of Antioquia and Caldas<sup>37</sup>. That these two departments with only 17% of the national population participated with 41% of all the Finance Ministers, reflects the enormous influence of the coffee producing regions in the management of macroeconomic policies. The Antioqueño Finance Ministers that dominated economic policy-making during much of the twentieth century, were generally very successful lawyers with a good experience in public administration and ties to the coffee and/or industrial sector, but not professional economists. Esteban Jaramillo, from Abejorral, Antioquia, who was Finance Minister from 1927 to 1929 and from 1931 to 1934, is in a sense the paradigm of these

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<sup>35</sup> James Malloy, "Authoritarianism and Corporatism in Latin America: The Modal Pattern", in James Malloy (editor), Authoritarianism and Corporatism in Latin America, University of Pittsburgh Press, USA, 1977, p. 11.

<sup>36</sup> The negligible role of direct foreign investment throughout the Colombian economy is an important factor for explaining the absence of a strong nationalistic movement, which has been a key ingredient of Latin American populism, Fernando Henrique Cardoso and Enzo Faletto, Dependency and Development in Latin America, University of Columbia Press, USA, 1979, p. 130.

<sup>37</sup> John Laun, "El Reclutamiento Político en Colombia: Los ministros de Estado, 1900-1975", Universidad de los Andes, 1976 (mimeo).

Antioqueño policy-makers. Undoubtedly, they played an important role for the orientation of macroeconomic policies towards a course that was not detrimental for the interests of coffee-growers while also permitting a fairly rapid process of ISI.

The successful compromise of interests between agro-exporters and industrialists was made easier by the fact that during the golden years of import substituting industrialization (1930's to 1950's), Medellín was the main industrial city of Colombia. Thus, there was a regional, and often even personal, convergence of the industrial and agro-exporting interests.

The two most influential producer associations of Colombia have normally been headed by Antioqueños. Since 1937 the general manager of the National Coffee Growers Association (FNC) has been from that region, and throughout its history the National Association of Industrialists (ANDI) has been headed by an Antioqueño, except on one occasion.

### **C. Summing Up**

In this section I have argued that two sets of structural conditions seem to explain the stability of economic policymaking in twentieth century Colombia. At the political level the existence of two consolidated political parties, which are relatively close ideologically constitutes a fundamental element. At the economic level the linkages generated by the coffee exporting sector seem to have brought about the stability which was absent in the nineteenth century<sup>38</sup>. In Table 1, I present what we could expect, at a very general level, from the confluence of these political and economic factors, in terms of economic policy .

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<sup>38</sup> An additional positive feature of coffee is that in the twentieth century it has fared quite well in the "commodity lottery". The annual trend growth of its price from 1900 to 1988 was 3.4%, which compares very well with that of exports of manufactured goods (2.4%), and of primary products (1.8%). The instability of the price of coffee also compares favorably with that of manufactured goods. The coefficient of variation of the price of coffee in the period 1900-1988, was 7.2, and that of manufactured goods was 6.2, Montague J. Lord and Greta R. Boye, "The Determinants of International Trade in Latin America's Commodity Exports" in Miguel Urrutia (editor), Long-Term Trends in Latin American Economic Development, Inter-American Development Bank, Washington, D.C., 1991, p. 125.

**Table 1**  
**Conditions for the Stability of Economic Policies**

		TYPE OF LINKAGES FROM EXPORT STAPLES	
		BROAD	LIMITED
NATURE OF THE PARTY SYSTEM	TWO PARTY	MOST STABLE	INTERMEDIATE
	MULTI PARTY	INTERMEDIATE	MOST UNSTABLE

Structural characteristics can only be understood as probabilistic conditions which can be overcome by societies through such things as "collective memories". Unfortunately, the opportunities they represent can also be mishandled by irresponsible or myopic social actors. With these considerations in mind in Table 2 we illustrate the case of four Latin American countries which in the course of the twentieth century seem to conform to the patterns predicted by the framework under discussion.

**Table 2**  
**Conditions for the Stability of Economic Policies**

		TYPE OF LINKAGES FROM EXPORT STAPLES	
		BROAD	LIMITED
NATURE OF THE PARTY SYSTEM	TWO PARTY	COLOMBIA	URUGUAY
	MULTI PARTY	COSTA RICA	ARGENTINA

Since the structural conditions discussed in this section only set the constraints under which the policy-makers have to act, next we turn to the analysis of the policy-makers themselves, to try to understand to what extent their characteristics as a group could have contributed to the stability of Colombian economic policies.

### **III. Economists As Policy-Makers And Opinion-Makers, 1974-1995**

#### **A. Who Are The Policy-Makers?**

One of the conditions contributing to the quality of economic policymaking in Colombia has been that it has not been dominated by traditional politicians. Between 1900 and 1975 the Finance Ministry was dominated by Antioqueño lawyers with a good background in public administration ("abogados hacendistas"). This situation has changed in the last few decades in several ways. As we shall see, Antioqueños have lost influence in economic policymaking to Bogotano technocrats, who are usually well trained in economics in the United States or England. These technocrats have been able to practice their profession in an environment of limited ideological polarization. It has also been a group with relatively tight personal and professional networks, which has helped to create a climate of cordiality even among economists of different parties and orientations.

Who have been the economic policy-makers in the period 1974-1995? In Table 3, I present a profile of the group that has occupied the main positions in the area of macroeconomic policy-making. The emergence of Bogotá as the principal origin of policy-makers is quite clear. Of a total of fifty-five persons in key economic positions over the 1974-1995 period, 47.3% were Bogotanos. The Antioqueño region has lost influence, although not completely since it still placed 40% of the Finance Ministers, which is above its participation of 20% in the national population. However, in two key positions it was clearly under-represented: the head of the National Department of Planning and the Monetary Board. As we shall see, these two positions happen to be the ones occupied by the most highly trained economists. Of the thirteen Ph.Ds. in the group of policy-makers we are analyzing, ten were either Directors of the National Department of Planning or Advisors to the Monetary Board. That the Antioqueño region is under-represented specifically in these two positions seems to indicate that it failed to keep up with the human capital investments in the area of economics required under this new circumstances.

**TABLE 3**  
**PROFILE OF COLOMBIAN ECONOMIC POLICY-MAKERS**  
**(1974 - 1996)**

Posicion	Number of Persons	Party affiliation		Undergrade Studies			Graduate Studies		Work Experience			Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
		Conse rvative	Liberal	Los Andes	Other	USA	Ph.D.	Other	Los Andes	Fedesa rrollo	Government	Caribbean	Antioqueño	Pacific	Central	Santanderes	Bogota
Minister of Finance	13	3	10	5	5	3	1	9	3	4	13	-	4	1	2	3	3
General Manager of the Central Bank	5	3	2	1	3	1	1	2	2	1	5	-	2	-	1	-	2
Director of the National Department of Planning	12	5	7	3	7	2	3	9	2	3	9	-	1	4	-	1	6
Advisor to the Monetary Board	17	8	9	10	6	1	7	10	5	1	15	2	2	2	1	-	10
Member of the Board of Directors of the Central Bank	8	4	3	4	2	2	1	7	2	4	7	1	1	1	-	-	5
Total	55	23	31	23	23	8	13	37	14	13	49	3	10	8	4	4	26

Note : The regions are defined as comprising the following departments:

- 1) Caribbean: Atlántico, Bolívar, Córdoba, Cesar, Magdalena, Guajira, Sucre, San Andrés.
- 2) Antioqueño: Antioquia, Caldas, Risaralda, Quindío.
- 3) Pacific: Cauca, Chocó, Nariño, Valle del Cauca.
- 4) Central: Boyacá, Cundinamarca, Huila, Meta, Tolima.
- 5) Santanderes: Santander, Norte de Santander.
- 6) Bogotá : Bogotá.

**Table 4**  
**Participation of the Regions in TOP**  
**Economic Policy-Making Positions**  
**(1974- 1996)**

Region	Participation in Top Positions (%)	Participation in National Population (%)
Bogota	47.3	14.1
Antioqueño	18.2	20.0
Pacific	14.6	17.6
Central	7.3	16.7
Santanderes	7.3	8.1
Caribbean	5.5	20.4

Source: Table 3

Note: The definition of the regions is the same as in Table 3.

It is evident from Table 4 that all the regions of Colombia, except Bogota, are under-represented in relation to their population in the group of key policy-makers presented in Table 3. The most dramatic case of under-representation is the one of the Caribbean Coast, which among the six regions has the largest population, and yet had the smallest participation in top economic positions (5.5%). Worst of all, it had no participation in the three most influential positions: the Ministry of Finance, the Central Bank, and the National Department of Planning (see Table 3).

It should be mentioned that the Pacific region is made up of three very poor departments (Chocó, Nariño, and Cauca) and the prosperous Valle del Cauca. The convention of aggregating them for purposes of regional analysis is always problematic. In this case for example, this aggregation hides the fact that Valle del Cauca was not under-represented since it received 12.7% of the positions and it participates with 10% in the national population. Thus, it were the other three departments who were almost completely absent from the group, with just one policy-maker.

From the profile of Colombian policy-makers in recent years that emerges from Table 3, I want to highlight several aspects that are important to understand the intellectual environment of policy-making in Colombia.

The first thing that I want to stress is that those who arrive at top positions generally have a solid experience in relevant government jobs. In the group of the fifty-five policymakers we are discussing, 89% had already worked in the government when they occupied the positions of Table 3.

Of this same group, 90% had pursued graduate studies abroad, in most cases in economics. And 23.6% of them had completed a Ph.D. in economics in the United States or Northern Europe<sup>39</sup>. For example, all of the Directors of the National Planning Department in this period had pursued some type of graduate studies in the United States or Europe. What we are seeing here is the group of highly qualified and experienced technocrats who have dominated policy-making in Colombia since the mid-1960's. Technocrats started to dominate economic policymaking in Colombia during the Carlos Lleras administration (1966 -1970), when professional economists such as Rodrigo Botero, Jorge Ruiz Lara, and Miguel Urrutia came to the forefront.

The ideological convergence that can be expected in a stable two party system is confirmed in Colombia. Leading economists are rarely in ideologically extreme positions<sup>40</sup>. This ideological convergence has gone so far that it is impossible to predict where an economist will fall in the left-right spectrum using his political party.

The following comments by Sebastian Edwards referring to Fedesarrollo, the leading research institute on economics in Colombia, reflect very well the lack of intellectual polarization within the economics profession which prevails in the country: "The fact, for example, that ex-ministers from opposite parties alternate, in friendly terms, the top positions of the institution was, and I will dare to say, continues to be,

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<sup>39</sup> At least sixty nine colombians have obtained Ph.D.'s in economics in the US (79.7%), Great Britain (13%), and other Northern European Countries (7.3%). All of them are currently active professionally except Alvaro Lopez Toro, who died in the early 1970's. The first Colombian to obtain a Ph.D. in economics was Jorge Ruiz Lara in 1964, at the University of Illinois. Currently there are no Ph.D. programs in economics in Colombian universities.

<sup>40</sup> Miguel Urrutia, Op Cit, p. 442.



unthinkable in practically all of Latin America"<sup>41</sup>. This absence of "ideological effervescence", among Colombian economists is in sharp contrast to other countries of the region where "ideological escalation" was often an independent and contributing factor for inconsistent macro-economic policies<sup>42</sup>.

An institution that has played an important role in creating an environment of cooperation and trust among economists of different parties is the Universidad de los Andes. It is perhaps very significant that this private university was created in 1948 in the midst of extreme political polarization between the Liberal and Conservative parties. Although this polarization was not primarily ideological, it did create extreme animosity among the elites<sup>43</sup>. At the time, members of the elite generally studied in different universities: the Liberals in the National University or in the Universidad Externado de Colombia, and the Conservatives in the Universidad Javeriana. The philosophy of Los Andes was to create an education of high quality in a non-partisan environment.

Since its creation in 1948 the leading department of economics has been that of Los Andes. Many policy-makers were either undergraduates or taught there. For example, of the fifty-five policy-makers of Table 3, 41.8% obtained their undergraduate degree at the Universidad de los Andes (most but not all of them in economics). Their process of socialization into the values of cooperation, inter-party toleration, and the network of personal relationships which were established, have undoubtedly contributed to the environment of conviviality prevailing in the economics profession in Colombia.

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<sup>41</sup> Sebastian Edwards, "Un Cuarto de Siglo de Fedesarrollo: Una Perspectiva Personal", in Hernando Gómez Buendía (editor), Economía y Opinión, Tercer Mundo, Bogotá, 1995, p. 115.

<sup>42</sup> Albert O. Hirschman, "The Turn to Authoritarianism in Latin America and the Search for its Economic Determinants", in David Collier (editor), The New Authoritarianism in Latin America, Princeton University Press, USA, 1979, p. 86.

<sup>43</sup> Alexander Wilde points out that: "Ideology played only a peripheral role in Colombian politics in the 1940's in general", Wilde, Op. Cit., p. 66.

## **B. The Role of Key Private Institutions.**

Two academic institutions and one economics magazine have played a leading role in producing research of good quality on economic topics and in maintaining a spirit of critical thinking on economic policies: the economics department at the Universidad de los Andes, the research institute Fedesarrollo, and the economics magazine Estrategia Económica y Financiera. As we shall see the economists linked with these three institutions have dominated economic policy-making in the last two decades.

As I have mentioned, the economics department at the Universidad de los Andes was established in 1948. In the 1950's the university also created an economics research center on economic topics (CEDE), closely linked to the department. In the 1960's CEDE was the leading research institute in economics in Colombia and was the pioneer in the study of several areas, such as income distribution and employment.

The extent of the impact Los Andes has had on the economics profession in Colombia can be appreciated by the fact that since 1981 all the Finance Ministers, except Edgar Gutiérrez and Jose Antonio Ocampo (who was a fulltime professor at Los Andes), have undergraduate students at Los Andes. Additionally, it should be mentioned that 25.6% of the policy-makers in Table 3 were either full-time professors in that economics department or researchers of CEDE. However, since the early 1970's CEDE has lost influence, among other reasons due to the creation in 1970 of Fedesarrollo, a very succesful private research institute, which has come to dominate the academic discussion on economic policy in Colombia. The journal it publishes, Coyuntura Económica, is the leading journal on economic topics published in Colombia.

Starting with the Lopez administration, whose first Finance Minister was also the first director of Fedesarrollo, almost all of the governments have had economic teams headed by former members of Fedesarrollo<sup>44</sup>. Another very clear evidence of Fedesarrollo's influence on policy-making is that of its eight directors, four have been

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<sup>44</sup> Roberto Junguito, "Fedesarrollo - Su contribución al análisis y pensamiento económico colombiano", in Hernando Gómez (editor), Op. Cit., p. 18.

Finance Ministers, three have occupied other important ministries (Agriculture, Development, and Energy), and two have been directors of the National Department of Planning.

The regional origin of the directors of Fedesarrollo confirms the dominant role of Bogotanos in the economics profession. All of the directors came from Bogota (six), Medellin (one), and Cali (one).

Another aspect of Fedesarrollo that should be mentioned is that it is clearly a non-partisan institution. Thus it has had directors from both parties (three Conservatives and five Liberals). Finally, it should be said that Fedesarrollo has been similar to the economics department at Los Andes, in that they have pursued anglo-american style economics but with a heterogeneity of orientations on the part of their members.

A third private institutions that has contributed to the quality of economic policy-making in Colombia in the period under discussion is Estrategia Económica y Financiera, an economics magazine with a relative wide circulation. The magazine was founded in 1977 by Rodrigo Botero, Maria Mercedes Cuéllar, and Rudolf Hommes. Through the years the magazine has played a significant role in many of the central economic policy debates. For example, from the very beginning Estrategia has been critical of the policies of ISI. This is hardly surprising since when he was Finance Minister, during the Lopez Michelsen administration, Rodrigo Botero attempted an unsuccessful foreign trade liberalization. It is perhaps not a coincidence that in the process of liberalization of foreign trade in the early 1990's, the other two founders of Estrategia, Hommes and Cuellar, played a critical role<sup>45</sup>. Maria Mercedes Cuéllar was the Minister of Development in 1989-1990 when the Barco administration initiated the discussion and set in motion the liberalization of foreign trade. Her role was specially important since traditionally the Ministry of Development was dominated by the industrialists producing for the highly protected domestic market. And it was Rudolf Hommes, as Minister of Finance of the Gaviria administration, who in 1991 led the acceleration of the trade liberalization reform.

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<sup>45</sup> They had also worked in the Finance Ministry when Botero was Minister.

#### **IV. Conclusions**

In the analysis of the determinants of stable economic policymaking in twentieth century Colombia I have singled out three aspects of the society and the economy. The first two are more structural in nature:

- (1) the presence of two consolidated political parties which have an heterogenous following and which are relatively close ideologically.
- (2) the nature of the main export staple, coffee, and its linkage effects (economic, social, and political).

The other condition for stable economic policies which I have analyzed belongs more to the "superstructure", to make use of marxist terminology. It is the dominant role which highly qualified technocrats, often professional economists, have had in key policy-making positions and the absence of ideological polarization among this group. The intellectual environment which has surrounded them is certainly very different from what is often normal in other Latin American countries. But being an element of the superstructure, it could perhaps be the most volatile of the three determinants of stability I have enunciated. Its maintenance should therefore be an important objective of the dominant actors within the economics profession.

All the elements I have singled out have been present throughout this century. It is therefore hardly surprising that the stability of economic policies in Colombia is not a recent phenomena but one of long duration. It has been a characteristic of the twentieth century, a century that for Colombia started in 1905.

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**APPENDIX 1**  
**MACROECONOMIC INDICATORS**  
(1905 - 1995)

YEAR	INFLATION (%)	DEFICIT OF THE CENTRAL GOVERNMENT (% OF GNP)	RATE OF GROWTH OF GNP PER CAPITA (%)	INTERNATIONAL RESERVES (MILLIONS OF US DOLLARS)
1905	33.2			
1906	-21.2			
1907	-19.6			
1908	21.9			
1909	-2.7			
1910	-3.0			
1911	-3.5			
1912	21.9			
1913	-12.3			
1914	-19.2			
1915	25.2			
1916	-15.0			
1917	2.8			
1918	20.2			
1919	29.5			
1920	10.5			
1921	-19.1			
1922	-3.3			
1923	1.9			7
1924	6.7			23
1925	10.3	1.8		36
1926	12.6	-0.18	7.39	43
1927	11.8	-3.05	6.87	44



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1928	7.1	-4.54	5.24	65
1929	-11.6	-0.09	1.56	38
1930	-21.7	-0.36	-2.81	27
1931	-13.5	0.38	-3.19	14
1932	-19.3	0.13	4.16	17
1933	-1.5	-1.16	3.56	17
1934	17.1	0.05	4.20	14
1935	-2.2	1.07	0.43	18
1936	10.0	1.20	3.23	24
1937	12.3	1.28	-0.44	20
1938	12.8	0.52	4.41	27
1939	4.2	0.83	3.82	24
1940	-3.1	-1.70	0.44	25
1941	-1.6	-0.64	-1.03	23
1942	8.8	-0.98	-1.98	62
1943	15.9	-1.39	-1.78	113
1944	20.5	-1.33	4.44	138
1945	11.2	-0.04	2.41	177
1946	9.3	-0.52	7.22	176
1947	18.2	-0.50	1.62	124
1948	16.5	-0.53	0.59	96
1949	6.7	0.75	6.37	123
1950	20.5	0.75	-1.6	113
1951	8.9	0.79	-0.11	138
1952	-2.4	0.79	3.01	167
1953	7.4	-1.70	2.75	203
1954	8.8	0.06	3.62	270

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1955	2.3	-2.93	0.70	153
1956	7.8	-1.23	0.79	144
1957	20.2	0.49	-0.92	157
1958	8.1	0.63	-0.76	173
1959	7.9	0.64	3.94	230
1960	7.2	0.43	1.06	178
1961	5.9	-2.56	1.80	171
1962	6.4	-1.00	2.15	116
1963	32.6	-1.7	0.12	125
1964	8.9	-1.1	2.85	147
1965	14.6	-0.6	0.37	145
1966	13.0	0.1	2.12	144
1967	7.3	-0.2	1.50	149
1968	6.5	0.0	3.42	218
1969	8.6	-0.5	3.07	257
1970	6.8	-0.72	3.45	258
1971	13.6	-0.96	3.53	265
1972	14.0	-1.76	5.20	393
1973	23.5	-1.15	4.27	524
1974	26.0	-1.19	3.32	448
1975	17.7	-0.51	-0.3	553
1976	25.7	0.65	2.35	1.172
1977	28.4	0.52	1.80	1.836
1978	18.8	0.32	6.01	2.493
1979	28.8	-0.79	2.99	4.113
1980	26.0	-1.97	1.80	5.420
1981	26.4	-2.94	0.14	5.633

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1982	24.0	-4.06	-1.16	4.893
1983	16.6	-3.51	-0.55	3.176
1984	18.3	-4.44	1.19	1.887
1985	22.5	-2.64	0.95	2.313
1986	21.0	-1.60	3.91	3.512
1987	24.0	-0.47	3.46	3.484
1988	28.1	-1.45	2.18	3.852
1989	26.1	-1.66	1.54	4.001
1990	32.4	-0.89	2.39	4.595
1991	26.8	-0.26	0.42	6.500
1992	25.1	-2.00	1.82	7.728
1993	22.6	-0.87	3.50	7.932
1994	22.6	0.7	4.00	8.103
1995	19.5	-2.70	5.30	8.237

Source: See appendix 9.

## APPENDIX 2

APPENDIX 2  
FOREIGN SECTOR INDICATORS  
(1905 - 1994)

YEAR	TOTAL EXPORTS (IN MILLIONS OF DOLLARS OF 1954)	PARTICIPATION OF COFFEE EXPORTS IN TOTAL EXPORTS (%)	REAL PRICE OF COLOMBIAN COFFEE IN NEW YORK (US CENTS OF 1954)	REAL EXCHANGE RATE (1950=100)
1905	33.4	39.0	30.5	
1906	37.5	42.3	29.0	
1907	38.1	35.6	29.2	
1908	37.6	37.4	31.1	
1909	38.9	40.0	27.6	
1910	44.6	31.4	36.1	
1911	57.0	42.2	43.7	
1912	78.1	52.1	38.5	
1913	80.6	53.5	38.1	
1914	78.0	49.2	39.1	
1915	71.7	51.5	35.5	
1916	68.8	53.8	28.7	
1917	48.3	42.8	18.7	
1918	51.7	55.4	21.3	
1919	104.5	68.7	34.0	
1920	69.6	51.1	23.7	
1921	93.9	66.6	27.2	
1922	84.9	68.7	30.7	
1923	97.6	74.9	31.8	
1924	148.4	79.9	43.3	116.2
1925	137.2	78.4	45.3	112.3

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1926	186.4	77.0	48.4	96.6
1927	189.0	65.0	44.6	83.1
1928	229.3	66.0	47.8	78.5
1929	219.2	61.0	40.7	88.1
1930	215.2	54.4	33.9	102.4
1931	219.8	56.5	36.2	100.0
1932	174.3	61.1	29.6	112.3
1933	151.6	67.2	29.9	136.9
1934	212.6	54.1	31.1	173.2
1935	169.9	55.4	21.8	207.9
1936	189.0	58.3	23.7	187.6
1937	205.0	53.8	22.9	179.7
1938	199.2	54.4	23.9	145.4
1939	222.3	49.2	25.6	135.6
1940	207.3	44.2	18.1	142.3
1941	195.2	47.3	28.7	160.9
1942	188.5	75.4	27.3	167.0
1943	205.5	80.6	26.1	150.6
1944	212.7	72.5	26.0	125.5
1945	225.3	74.0	26.0	115.5
1946	282.9	76.6	31.6	120.5
1947	316.5	70.5	34.4	125.3
1948	324.5	70.7	34.5	116.8
1949	373.2	72.3	41.9	115.9
1950	423.7	77.8	57.0	100.0
1951	465.6	74.3	56.4	124.6
1952	477.2	78.6	56.3	130.6

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1953	605.5	81.3	59.9	120.1
1954	669.1	82.2	79.9	110.4
1955	596.7	81.7	64.4	106.9
1956	535.2	74.9	71.8	93.8
1957	481.6	76.1	60.3	121.8
1958	428	77.0	48.6	184.8
1959	438.2	76.4	41.9	171.6
1960	430.4	71.5	41.6	170.9
1961	403.6	70.8	40.5	162.9
1962	429.3	71.6	37.8	157.8
1963	414.9	67.8	36.7	157.2
1964	509.2	71.9	45.3	142.8
1965	491.1	63.8	44.2	188.6
1966	447.4	64.7	41.8	174.4
1967	456.1	62.1	36.9	180.0
1968	484.3	62.3	36.6	196.4
1969	505.8	56.2	37.2	196.6
1970	590.1	62.9	44.9	204.1
1971	536.0	56.9	38.0	196.9
1972	646.6	49.0	41.9	186.6
1973	768.4	50.7	47.3	171.6
1974	778.7	43.9	42.8	165.0
1975	753.6	44.8	40.9	178.8
1976	843.8	55.0	75.7	165.2
1977	1.112.9	61.0	108.8	155.7
1978	1.302.3	63.7	69.2	146.7
1979	1.259.6	59.4	65.5	139.4

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1980	1.391.4	55.5	51.1	141.0
1981	957.7	44.5	39.0	143.5
1982	958.9	47.8	41.7	138.2
1983	945.3	46.2	38.9	146.0
1984	1.056.4	47.3	41.6	157.7
1985	1.114.7	44.6	42.1	180.3
1986	1.603.3	54.7	57.7	192.0
1987	1.546.2	30.5	33.2	196.5
1988	1.494.6	30.2	39.3	194.6
1989	1.598.5	25.0	30.4	208.0
1990	1.893.3	19.8	25.2	207.5
1991	2.099.5	17.5	24.9	205.4
1992	1.984.1	17.3	18.9	209.9
1993	1.926.2	16.0	20.5	194.4
1994	2.245.6	23.7	42.1	171.0

Source: See appendix 9.

### APPENDIX 3

#### MINISTERS OF FINANCE (SINCE 1974)

	<u>NAME</u>	<u>PERIOD</u>
1.	RODRIGO BOTERO	1974 - 1975
2.	ABDON ESPINOSA V.	1976 - 1977
3.	ALFONSO PALACIO RUDAS	1977 - 1978
4.	JAIME GARCIA PARRA	1978 - 1980
5.	EDUARDO WIESNER	1981 - 1982
6.	EDGAR GUTIERREZ	1982 - 1984
7.	ROBERTO JUNGUITO	1984 - 1986
8.	HUGO PALACIOS	1985 - 1986
9.	CESAR GAVIRIA	1986 - 1987
10.	LUIS FERNANDO ALARCON	1987 - 1990
11.	RUDOLF HOMMES	1990 - 1994
12.	GUILLERMO PERRY	1994 - 1996
13.	JOSE ANTONIO OCAMPO	1996



## APPENDIX 4

### DIRECTORS OF THE NATIONAL DEPARTMENT OF PLANNING (SINCE 1974)

	<u>NAME</u>	<u>PERIOD</u>
1.	MIGUEL URRUTIA	1974 - 1977
2.	JOHN NARANJO	1977 - 1978
3.	EDUARDO WIESNER	1978 - 1981
4.	FEDERICO NIETO T.	1981 - 1982
5.	HERNAN BELTZ	1982 - 1983
6.	JORGE OSPINA SARDI	1983 - 1986
7.	CESAR VALLEJO MEJIA	1986
8.	MARIA MERCEDES CUELLAR	1986 - 1989
9.	LUIS BERNARDO FLOREZ	1989 - 1990
10.	ARMANDO MONTENEGRO	1990 - 1994
11.	JOSE ANTONIO OCAMPO	1994 - 1996
12.	JUAN CARLOS RAMIREZ	1996

**APPENDIX 5  
GENERAL MANAGERS OF THE CENTRAL BANK  
(SINCE 1974)**

	<u>NAME</u>	<u>PERIOD</u>
1.	GERMAN BOTERO	1970 - 1978
2.	RAFAEL GAMA	1978 - 1982
3.	HUGO PALACIOS	1982 - 1985
4.	FRANCISCO ORTEGA	1985 - 1993
5.	MIGUEL URRUTIA	1993 - Present

APPENDIX 6

ADVISORS TO THE MONETARY BOARD  
(SINCE 1974)

	<u>NAME</u>	<u>PERIOD</u>
1.	FRANCISCO ORTEGA	1970 - 1975
2.	EDUARDO SARMIENTO	1974 - 1978
3.	JUAN CAMILO RESTREPO	1975 - 1977
4.	HAROLDO CALVO	1977 - 1978
5.	JUAN CAMILO RESTREPO	1978 - 1981
6.	LUIS EDUARDO ROSAS	1978 - 1982
7.	JORGE GARCIA GARCIA	1981 - 1982
8.	JUAN CARLOS JARAMILLO	1982 - 1984
9.	FERNANDO MONTES N.	1982 - 1984
10.	MANUEL RAMIREZ	1984 - 1985
11.	CARLOS CABALLERO A.	1984 - 1986
12.	GILBERTO GOMEZ A.	1985 - 1987
13.	ARMANDO MONTENEGRO	1986 - 1989
14.	RUDOLF HOMMES	1987 - 1988
15.	JAVIER FERNANDEZ R.	1988 - 1990
16.	JAIME JARAMILLO VALLEJO	1989 - 1991
17.	ULPIANO AYALA	1991
18.	HERNANDO JOSE GOMEZ	1990 - 1991

## APPENDIX 7

### MEMBERS OF THE BOARD OF DIRECTORS OF THE CENTRAL BANK (SINCE 1991)

	<u>NAME</u>	<u>PERIOD</u>
1.	ROBERTO JUNGUITO	1991 - Present
2.	MARIA MERCEDES CUELLAR	1991 - Present
3.	CARLOS OSSA	1991 - 1992
4.	NESTOR H. MARTINEZ	1991 - 1992
5.	MIGUEL URRUTIA	1991 - 1993
6.	SALOMON KALMANOVITZ	1993 - Present
7.	HERNANDO JOSE GOMEZ	1993 - Present
8.	OSCAR MARULANDA	1993 - Present

APPENDIX 8  
COLOMBIANS WITH A Ph.D. IN ECONOMICS

	<u>NAME</u>	<u>INSTITUTION</u>	<u>YEAR</u>
	<u>United States:</u>		
1.	Arango, Sebastian	N Y U	1978
2.	Barajas, Adolfo	Stanford	1993
3.	Banguero, Harold	North Carolina	
4.	Botero, German	Boston	1983
5.	Botero, Nicolas	Chicago	1995
6.	Calderon, Alberto	Yale	1995
7.	Cardenas, Mauricio	Berkeley	1992
8.	Carrasquilla, Alberto	Illinois	1989
9.	Castañeda, Tarcisio	Chicago	1985
10.	Cordoba, Juan Pablo	Pennsylvania	1996
11.	Clavijo, Sergio	Illinois	1988
12.	Echeverry, Juan Carlos	N Y U	1996
13.	Echeverry, Lina	U. of Georgia	1991
14.	Fernández, Eduardo	Illinois	1982
15.	Flórez, Carmen Elisa	Princeton	1985
16.	Forero, Clemente	Stanford	1984
17.	García García, Jorge	Chicago	1978
18.	Gómez, Florangela	Columbia	1978
19.	Gómez, Javier	Chicago	1995
20.	Jaramillo, Carlos Felipe	Stanford	1989
21.	Jaramillo Vallejo, Jaime	Boston	1985
22.	Londoño, Juan Luis	Harvard	1990
23.	López Toro, Alvaro	Princeton	1966
24.	Meisel, Adolfo	Illinois	1984
25.	Melo, Alberto	Indiana	1989
26.	Molina, Pablo	Illinois	1995
27.	Montenegro, Armando	N Y U	1984
28.	Montenegro, Alvaro	N Y U	1988
29.	Montes, Gabriel	Chicago	1978
30.	Mora, Humberto	Boston	1995
31.	Ocampo, José Antonio	Yale	1982
32.	Ospina, Pedro Nel	Cincinnati	1987
33.	Ospina, Sandra	Illinois	1994
34.	Owen, Guillermo		
35.	Pachón, Alvaro	Harvard	
36.	Puyana, Jaime	New School	
37.	Ramírez Vallejo, Jorge	Minnesota	1989
38.	Ribe, Helena	Yale	1978
39.	Rivero, Rocío	N Y U	1996
40.	Rodríguez, Alvaro	Colombia	1978

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41.	Román, Herrán	Stanford	1984
42.	Ruiz Lara, Jorge	Illinois	1964
43.	Ruiz, Germán Texas	1984	
44.	Sánchez, Fabio	Rutgers	1992
45.	Sarmiento, Eduardo	Minnesota	1973
46.	Succar, Patricia	NorthWestern	1986
47.	Suescún, Rodrigo	Pennsylvania	1995
48.	Tenjo, Jaime		
49.	Thoumi, Francisco	Minnesota	1975
50.	Vargas, Hernando	Illinois	1993
51.	Uribe, José Darío	Illinois	1993
52.	Urrutia, Miguel	Berkeley	1967
53.	Valderrama, María Teresa	Illinois	1995
54.	Vélez, Carlos Eduardo	Columbia	1993
55.	Vivas, Alejandro	Indiana	1981

#### Great Britain:

1.	Avella, Mauricio	Warwick	1992
2.	Chica, Ricardo	Cambridge	1992
3.	Echavarría, Juan José	Oxford	1993
4.	Gómez Arango, Gilberto	London School	1981
5.	López Mejía, Alejandro	University of London	1993
6.	Montenegro, Santiago	Oxford	1992
7.	Ortiz, Carlos London School	1994	
8.	Puyana, Alicia Oxford	1986	
9.	Toro, Jorge Oxford	1995	

#### Germany :

1.	Aguilar, Luis I.	Heidelberg	
2.	Orduz, Rafael	1990	

#### France :

1.	Leibovich, José		
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#### Belgium :

1.	González, Jorge I.	Louvaine	1988
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#### Netherlands :

1.	Tenjo, Fernando		1995
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Note: This list was elaborated by Juan Luis Londoño and I have added a few names.

## APPENDIX 9

### SOURCES FOR APPENDIX 1

1. INFLATION:
  - a. 1905-1922: Index constructed with the price of seven agricultural products, El Banco de la República. Antecedentes. Evolución y Estructura, Banco de la República, Bogotá, Bogotá, 1990, p. 134.
  - b. 1923-1936: Index of construction materials, Revista del Banco de la República, various issues.
  - c. 1937-1954: Cost of living for the Working Class in Bogotá, Revista del Banco de la República, various issues.
  - d. 1955-1995: Consumer Price Index, Revista del Banco de la República, various issues.
  
2. DEFICIT OF THE CENTRAL GOVERNMENT AS A PERCENT OF GNP:
  - a. 1925-1962: El Banco de la República. Antecedentes Evolución y Estructura, Banco de la República, Bogotá, 1990.
  - b. 1963-1969: Jorge García García and Lia Guterman, "Medición del Déficit del Sector Público Colombiano y su Financiación, 1950-1986", Ensayos sobre Política Económica, No.14, diciembre, 1988.
  - c. 1970-1994: Coyuntura Económica, diciembre, 1995.
  - d. 1995: Departamento de Estudios Económicos, Banco de la República.
  
3. RATE OF GROWTH OF GNP PER CAPITA:
  - a. 1926-1992: Banco de la República, Principales Indicadores 1923-1992, Bogotá, diciembre, 1993.

b. 1993-1995: Departamento de Estudios Económicos del Banco de la República.

4. INTERNATIONAL RESERVES: Revista del Banco de la República, various issues.

#### SOURCES FOR APPENDIX 2

1. Total exports (in million of US dollars): Exports at current prices from Revista del Banco de la República, deflated by the US wholesale price index.
2. Participation of Coffee Exports in Total Exports: Revista del Banco de la República, various issues.
3. Real price of Colombian Coffee in New York: The Nominal Pricer from Informe del Gerente del Banco de la República a la Junta Directiva, various issues, deflated by the US wholesale price index.
4. Real Exchange Rate:
  - a. Nominal Exchange Rate: from Revista del Banco de la República, various issues.
  - b. For the Colombian price index the same sources as Appendix 1.
  - c. The US Wholesale Price Index from: Historical Statistics of the US, Part I, Washington, D.C., 1975, pp. 199-201.