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SOME IMPLICATIONS OF ELITIST RULE FOR
ECONOMIC DEVELOPMENT IN COLOMBIA

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SOME IMPLICATIONS OF ELITIST RULE
FOR ECONOMIC DEVELOPMENT IN COLOMBIA

Introduction.

Who controls a nation's political system and dominates its society has, clearly, many economic and other implications for the various groups that make up that society. The general way in which a group's control over the social and political power affects income distribution is predictable; the greater its control, the greater the share of income which it receives. But the different implications of rule by an oligarchy, by a corporate state with representation of various interest groups (not necessarily through the voting process), by a relatively modern "democratic" state in the sense of the North American and Western European states or by a military dictatorship, on the level of economic performance and growth are not clear. It is clear that the form of government has some influence on economic development, but not usually clear how much or even in what direction. It is equally clear that the stage of economic development helps to determine the form of government, but again the tightness of the relationship is unclear. This paper is not a comparison between the policies and implications of rule by the Colombian Elite and those of a possible alternative form of government, but more a comparison of its implications with a theoretical ideal. Comments will be made on the government's historical policies with respect to agriculture, education, and population. Other implications of Elitist rule do not show themselves specifically through economic policy but follow more directly from the distribution of income and power; distribution of income may affect the savings ratio; distribution of power may affect the degree of competition in the economy; and other effects may be present as well.

Background on Colombian society and government.

With very brief exceptions since the country attained its independence around 1820, Colombia has been ruled by a civilian Elite. Only rarely has military government come to the fore, most recently with the dictatorship of General Rojas Pinilla during the years 1953-1957; Rojas' dictatorship did not constitute a victory of the military over civilian government, however; civilian strife was so serious that much of the Elite favored some form of strong rule for a transitional period. Even weaker have been the challenges from other elements in the society; this is true both for the Leftist opposition and the non-Leftist opposition. At present the possibility of revolution, or even of reasonable increase in the political influence of the non-Elite groups is not great. The keys to its unchallenged rule over time have been,

- 1) the strength of loyalty on the part of people of all social levels to one or the other of the traditional parties--the Conservative party and the Liberal party--an adherence so strong as to lessen the possibility of the creation of class feeling,
- 2) a very strong Church, which has been closely related to the Conservative party in particular, but which has in general been very traditionalist and a supporter of paternalistic elitist rule and social stability.
- 3) a very tight civilian control over the military, a tradition on the part of the military of non-intervention in political affairs, and a form of recruiting for the military which help to reinforce the latter characteristic and to make the military in general favorably inclined towards the sort of government carried out by

the civilians in any case.

4. a relative adaptability on the part of the elite to pressures coming from farther down in the system, in order to avoid class or other confrontations. The traditional parties, while distinctly oligarchic, have been the base from which the Reformist President Alfonso Lopez developed much of the country's current labor and social legislation in the 1930's, and from which the popular reformer Jorge Gaitan made his bid for presidency in the late '40's before being assassinated.

Some of the characteristics of the elite in Colombia are doubtless found in the comparable groups anywhere in the world; others are characteristic of the particular type of oligarchy found in Colombia, and probably in some other Latin American countries but not uniformly throughout the world.

The Size of the Government's Role in the Economy.

The share of the government in total expenditures usually rises as an economy grows, in considerable part because development is associated with an increasing democratization in the sense that more and more people are able to exert claims on the government--claims which the government cannot afford to disregard. At a given income level or stage of development, also, the size of this "government share" is likely to be related to the degree of popular participation.

Government expenditures range from some which benefit primarily the rich (paved streets in rich residential areas) to some which benefit

primarily the poor (public primary education). Other things being equal, one would expect total government share to be lower where the pressures to spend along lines which are somewhat income-redistributive are smaller. Accepting the independent evidence of very tight and effective control of the country by the oligarchy in Colombia, the share of government expenditures in Colombian G.N.P. is consistent with this hypothesis.

The figures in Table 1, which shows the share of government exhaustive expenditure as a per cent of total production in the economy, reveal no long-run trend, up to the 1950's, an unusual phenomenon over such a long period in a country with rising income per capita. Since then the ratio does appear to have risen, though the year to year changes are not available.

A cross-country study relating government expenditures to G.N.P. for many countries has indicated that Colombia is well below the trend line. (see Chart #1.)

Colombia also ranks very low relative to other goods in terms of the government share in total production of goods and services. The total value added in Colombia appears to have fluctuated between a low of about 4.3 per cent and a high of about 6.7 per cent throughout the whole of the period 1925-1963, with essentially no trend.

Table 2 gives for purposes of comparison the share of government in the production of goods and services in a group of Latin American countries. Colombia comes noticeably low on this list, being above only Bolivia whose income per capita is much lower.

The opposition to higher taxes or tax reform in Colombia is such that only in times of crisis can such changes be made. And Colombia

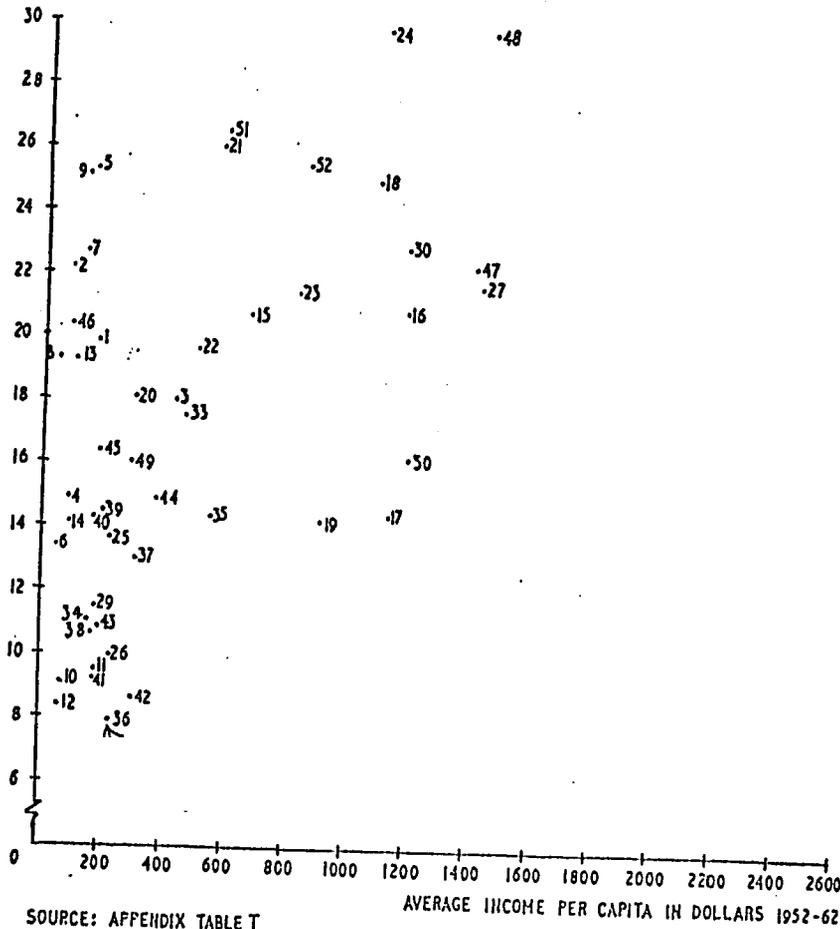
Table 1

Government Exhaustive Expenditure as a Percentage of
Total Purchases of Goods and Services

1925	9.41	
1926	10.15	
1927	13.25	
1928	13.65	
1929	11.64	
1930	12.64	
1931	12.79	
1932	12.43	
1933	12.60	
1934	9.62	
1935	9.22	
1936	9.52	
1937	9.89	
1938	9.92	
1939	10.04	
1940	10.88	
1941	10.01	
1942	11.58	
1943	10.35	
1944	9.01	
1945	8.40	
1946	8.35	
1947	10.37	
1948	9.87	
1949	8.60	
1950	9.02	
1951	10.35	
1952	10.59	
1953	11.14	
~~~~~		8.25
1962		12.17

Source: Calculations by the author.

CHART I  
 THE RELATION BETWEEN CENTRAL GOVERNMENT EXPENDITURES AS A PER CENT OF GROSS NATIONAL PRODUCT & PER CAPITA NATIONAL PRODUCT FOR FIFTY TWO COUNTRIES, 1952-62  
 GOVERNMENT EXPENDITURE AS A PER CENT OF G.N.P.



SOURCE: APPENDIX TABLE I

1 GHANA	14 THAILAND	27 SWEDEN	40 GUATEMALA
2 KENYA	15 AUSTRIA	28 SWITZERLAND	41 HONDURAS
3 S. AFRICA	16 BELG-LUX.	29 TURKEY	42 MEXICO
4 SUDAN	17 DENMARK	30 U.K.	43 NICARAGUA
5 RHODESIA	18 FRANCE	31 CANADA	44 PANAMA
6 TIG.	19 GERMANY	32 U.S.	45 PERU
7 U.A.R.	20 GREECE	33 ARGENTINA	46 VENEZUELA
8 BURMA	21 IRELAND	34 BRAZIL	47 AUSTRALIA
9 CEYLON	22 ITALY	35 CHILE	48 N. ZEALAND
10 INDIA	23 NETHERLANDS	36 COLOMBIA	49 JAPAN
11 PHILIPES	24 NORWAY	37 C. RICA	50 ICELAND
12 PAKISTAN	25 PORTUGAL	38 EQUADOR	51 ISRAEL
13 KOREA	26 SPAIN	39 EL SALV.	52 FINLAND

Source: Richard S. Thorn, "The Evolution of Public Finances During Economic Development," The Manchester School of Economic and Social Studies, January 1967, p. 37

Table 2  
Share of Government in Total Production of Goods and Services  
(per cent)

	<u>1955-1960</u> <u>averages</u>	<u>1950-1954</u> <u>averages</u>	<u>1945-1949</u> <u>averages</u>
Argentina	9.2	9.6	8.4
Chile	9.1	8.4	6.5
Bolivia	2.8	4.7	---
Colombia	4.5	4.7	4.2
Ecuador	6.0	5.7	7.5
Peru	8.1	9.2	10.6
Salvador	5.6	6.5	4.8
Brazil	5.5	6.8	7.8
Mexico	5.8	6.0	6.0
Venezuela	6.2	9.0	8.0

Source: United Nations, The Economic Development of Latin America in the Post-War Period, New York, 1964, p. 27.

has usually been fiscally orthodox to a greater degree than many Latin American countries so that large-scale deficit financing has not been the rule. There is much opposition to a large government establishment as such (as well as to a large military establishment). The preference for a small government sector has the effect of curtailing even those public activities which would pay off from the elite's point of view; it is thus likely to imply an inefficient overall investment pattern, from any point of view.

Agricultural development, agricultural incomes, and agricultural policy.

A striking feature of the Latin American economies during this century has been the slow growth of their agricultural sectors; Colombia, with an average growth of agricultural output of about 3 per cent over the last 40 years, is somewhere around the mean for Latin America. One is immediately led to speculate that this may be related to the small, urban-oriented oligarchies which have dominated politics and society in most of these countries, and have owned much of the land.¹

That Spanish cultures tend to be urban oriented is evidenced in a variety of ways, including the manner in which new settlements were laid out during colonization. While land owning is highly prestigious, many of the traditional latifundistas have spent most of their time in the city. They do not send their children to school in the country. The fact that they have tended to live in the town, and often to have such large incomes that they may not have been particularly concerned with adding further to them has reduced their interest in pressuring the government to build roads, carry out research, etc.

The picture just painted is appropriate to Colombia; additional aspects of the situation have also played a role. As time went on some of the large-scale landowners came also to have commercial and industrial interests,

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¹The continued control of a high share of all agricultural land by a reduced number of people attests to the stability of the distribution. This is exemplified by the coexistence of an agrarian reform institute which does a certain amount of redistribution of private lands, with a situation in which it is alleged that on the construction of new highways into government owned lands in the Eastern prairies, large-scale landowners have immediately gained control of huge blocks. The latter phenomenon, is, of course, much less publicized than the former.

leading to an ambiguity in the way they pressure the government to distribute its expenditures as between agriculture and other sectors of the economy. The middle and small-scale farmer and the landless farmer have seldom had enough political influence to be worth considering as part of the political process.¹ A final major reason for the lack of emphasis on an agrarian policy has simply been the fact that most people who live in the country and form the bulk of the agricultural population, are quite poor, and both physically and culturally unable to make serious claims on the government and the society. Culturally this is so due to the maintenance (admittedly in diminished degree) of the traditional patron-client relationship whereby the small-scale farmer often approached a state of semi-serfdom. Physically it is difficult because of the geographic dispersion of the farm population; political action to make claims felt is much easier for the urban proletariat than for the rural proletariat. Some of these characteristics were modified by the extensive rural violence characterizing Colombia from the mid-40's to the mid-50's, but although this violence demonstrated that all was not well in the countryside, it was correctly interpreted by the oligarchs as not being a class movement but rather a manifestation in the lower levels of society of the traditional hatred between Colombia's two political parties. As such, it did not generate then, and has still not generated, a political force which might make its voice felt.

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¹Further supporting the lack of government emphasis on agricultural development was the prevailing concept linking modernization and progress of an economy with industrialization. The strength with which this idea was held probably dates from the depression years, and since then through tariff policy, exchange policy and a variety of other policies the industrial sector has been favored. The wisdom of this policy, at least in the extreme way in which it has been carried out in the last 10 years or so, is doubtful. The implications of this for the incomes of the agricultural population may not have been too great in any case, since most of the previously imported and now domestically produced goods (whose prices have risen) are consumed in the urban areas. It would primarily have affected the incomes of the producers of those agricultural products which would have been exported had not the import control been instituted.

Consistent with the factors mentioned, the governmental attitude to the agricultural sector as a whole has been characterized by a lack of interest in and emphasis on sector, though not by the extreme discrimination against it, characteristic, for example, of the Peron administration of Argentina. (This disinterest has been modified substantially in the last 7 or 8 years, and particularly in the last 2 or 3.)

Although the general feeling that the government should be responsible for national progress and development which gained a substantial foothold in the 1930's did manifest itself in the form of certain institutions created to help the agricultural sector, such as the National Credit Bank, and in the formation of a Ministry of Agriculture in the late 1940's, the attention remained relatively small. Indicative of this has been the very low quality of ministers of agriculture which Colombia has had until very recent years, and the low quality staff under these ministers. Taxation of the agricultural sector has been small, partly because such taxation is difficult, and partly because of the political forces aligned against it. Coffee is an exception to this; it is produced primarily by small farmers, and is easily taxable since it is an export.

The situation, therefore, is one in which land has been very unequally distributed and the government has not had an aggressive policy to promote agricultural output. Each of these aspects has its implications. One might guess that if land distribution had been more even from the start, there would have been more widespread rural education, more widespread generation of entrepreneurial talents and acceptances of new modes of farming, etc. The lack of initiative, both individual and cooperative, in the rural sector is certainly due in part to the patron-client relationship which has always characterized

that sector. Whether this would have resulted in a faster growth of total agricultural output is harder to say, since the effect of distribution on the savings rate is unclear. The more short-run implications of uneven distribution on total output are likewise ambiguous, but there is some evidence that the latifundia-minifundia system is less productive than one which would involve a more even distribution of land. An FAO-ECLA study in the mid '50's in Colombia indicated that coffee yields were highest on middle sized farms (around 5 hectares, i.e., about 12 acres), and data from the Agricultural Census of 1959 strongly suggests that, while small farms may not be more productive in terms of the yield per hectare of individual crops, they do tend to use their land much more intensively (i.e., more cropped and less in livestock) than do large farms, thus implying a greater total output.¹

Given the structure of land tenure and ownership as fixed, what have been the implications of government's lack of interest in the agricultural sector? I would contend that some of the socially most productive investments which could have been made in the economy were in the agricultural sector and have often been missed. In some cases (for example, agricultural research, extension, etc.) the lack of emphasis has reflected this general disinterest

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¹The data in Colombia does not lend itself to the sort of careful analysis which has been carried out on precisely this issue by William Cline in his thesis on agriculture in Brazil. He finds that for sugar, cotton, coffee, and several other products, there is no tendency for yield per hectare to be a function of farm size, but there is a very definite tendency for small farms to cultivate a larger share of their land. His data is much better and more disaggregated than anything in Colombia, and tends to indicate that output per bundle of inputs is higher on small farms; differences in output per hectare in the farm are even greater due to the higher labor/land ratio on small farms. The major unresolved problem is whether land quality is higher on smaller farms than on large, in which case some of the results would have to be modified.

in agriculture; in other cases (feeder roads, credit to small farmers) it has reflected the lack of bargaining power of the little man, whether he be found in the agricultural sector or elsewhere. Colombia began a serious research operation only in the early '50's and more or less at the instigation of the Rockefeller Foundation. Figures on changes in yields as a result of this research suggests that it has paid off very well. Even today extension work is relatively low in quality and in quantity. The fact that it is low in quality reflects the general urban orientation of the society in part, and in part the very low levels of rural education which mean that few farm boys ever get to the level of agronomist, while at the same time few city boys want to. The very slow development of an adequate storage system for agricultural products in Colombia is symptomatic of governmental disinterest, and the lack of private entrepreneurial capacity and funds in the rural sector.

With the current popularity of an overvalued exchange rate, the lack of emphasis on agriculture is particularly serious and reflects itself in a slower growth rate of the economy at large. (In an economy where a disequilibrium exchange rate and a too low export rate are virtually institutionalized, the cost of a policy error which turns a potential export into a non-export is particularly high.) It appears that most of the substantial export potential for products other than coffee and petroleum lies presently within the agricultural sector. In other words those products on the verge of having a comparative advantage at the present exchange rate are primarily agricultural; beef is probably the most important. It is possible that the simple institution of an equilibrium exchange rate for exports would substantially increase the exports of beef; they would be much more assured however, and probably would have been present for some time, had it not been for the original

structure of the cattle producing sector. Most cattle are found on very large farms whose technical level of operations is extremely low and whose owners have sufficiently high incomes so that they are not too interested and do not spend too much time on the farm. And other products are close enough to the export margin so that with a policy only slightly more favorable to agriculture they might be exported, or exported in larger quantities, by now.

One feature of the current situation in Colombia's agricultural sector, resulting in part from the nature of past governmental agricultural policy and in part from the original distribution of land, is that the relatively enlightened policy of fostering agricultural output now runs the risk of worsening the distribution of income within the sector, and either leading to greater poverty and misery there, or forcing larger migrations to the city, so that the misery will be located there, possibly constituting a force for social disruption or revolution. This might be considered an historical accident in the sense that it might not have been inevitable if average farm size had not gotten so low in Colombia before the advent of technification, etc.

Education policy.

The traditional education policy of the Colombian government can be most simply classified as restrictive--in other words public education has not been aimed at the majority of the population; until fairly recently most children did not receive as much as two years of primary education, and even now a very small proportion finish secondary school. Of those who do attend secondary school, most go to private schools.

Colombia's poor effort to educate its people can be seen in a variety of indicators. Harbison and Myers¹ have related a composite index of human resource development to G.N.P. per capita for a large sample of underdeveloped countries; Colombia, predictably, is below the trend line. (See Chart 2.) A comparison with other Latin American countries in 1960 found Colombia almost at the bottom of the list in terms of public expenditure on education as a per cent of G.N.P. (See Table 3.)

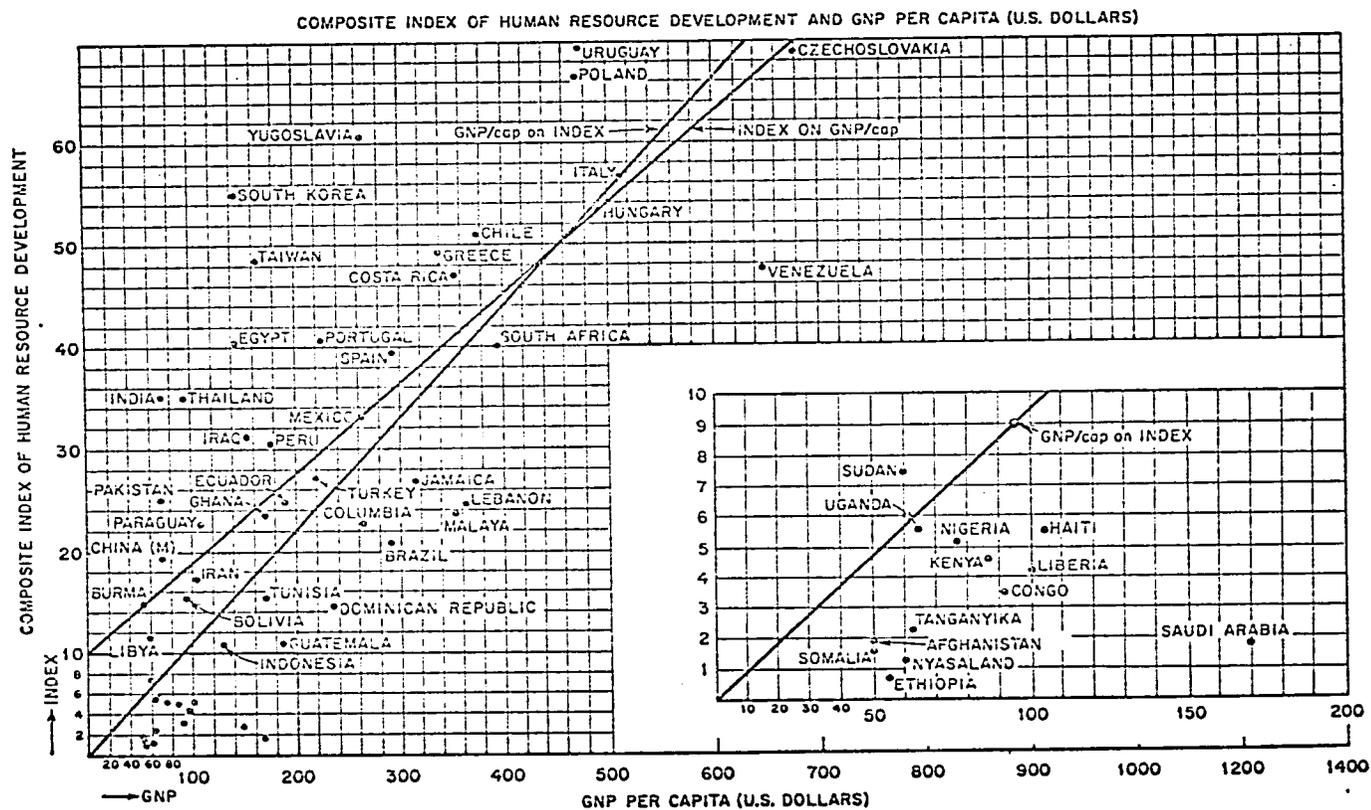
Education is a commodity intensely sought by Colombian parents for their children. Its shortage reflects directly on the fact that large segments of the population have typically not had the power to claim it.

The retarded level of education has probably had two braking effects on economic development, related to its two major possible functions in a society and economy. If the rate of return on education is higher than on other investments in the economy, then underinvestment has occurred. While such data must be interpreted with great care in a country where education is often a result of the same social position of family which assures that

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¹Frederick Harbison and Charles A. Myers, Education, Manpower, and Economic Growth, McGraw-Hill, 1964.

CHART #2



Source: Frederick A. Harbison and Charles Myers, Education, Manpower and Economic Growth, McGraw-Hill, 1964, p. 43

Table 3

Cost of Education in 1960 in Relation to Gross National Product

<u>Country</u>	<u>Per Cent of Cost of Education of G.N.P. in 1960</u>
Costa Rica	3.98%
Panama	3.90
Cuba	3.40
Chile	2.80
Venezuela	2.77
El Salvador	2.70
Urguay	2.66
Peru	2.59
Guatemala	2.40
Brazil	2.10
Hondural	2.06
Argentina	1.92
Mexico	1.92
COLOMBIA	1.71

SOURCE: UNESCO.

a person gets a good job, the differences in income levels associated with different educational levels are wide indeed. (See Table 4.) The gap in income between people with a primary education and those with none at all is very wide; it may be less affected by ascriptive allocation of jobs than is the case for the higher educational levels. It is always difficult to know how much of the income differential results from a real increase in ability and how much from the fact that the employer assumes such an increase; it is my impression that if additional investment along educational lines went

Table 4

Average Income Levels of Various Occupations  
and Educational Levels

		<u>Monthly Income</u> <u>in Pesos</u>		
A. By Occupational Groups (1963)				
Government White Collar Workers:				
	Total	667		
	National Only	783		
	Industrial White Collar Workers	1,342		
	Industrial Blue Collar Workers	626		
	Artisans	235		
				<u>Average (Median)</u>
B. By Highest Educational Level Completed in 12 Cities ¹ , for Men Only (late 1961-early 1962)				
University	2,600 - 4,200 (57-74)	28-56	3,498	
Secondary (academic)	2,330 - 3,379 (27-38)	39-52	2,445	
Secondary (technical)	1,540 - 2,232 (28-37)	38-55		
Primary	840 - 1,400 (24-28)	42-50	1,010	
None	300 - 380		323	

¹Age groups referred to are in parentheses.

partly to improve quality as well as to increase quantity, its return would be quite high in a real sense.

Education's second major function is to act as a sieve to assure that those people most suited for a given occupation are channelled into it. Education has clearly not performed this function in Colombia;¹ in fact the withholding of education of more than a year or two from the majority of the population has helped to make it impossible for that majority to challenge the domination of the elite, either in the political or in the economic sphere. With more education one might have expected one of two possible sequences of events. If the barriers to a person who started low were not too serious, the educational system would lead to a higher average quality of people in the higher economic and political positions in the society. If, even after a person is educated, the barriers are stringent, his attaining education will probably make him more politically aware, more able to challenge the system, and therefore more able to force the system to respond to some of his claims. With a policy of limited education, it has been possible for the elite to avoid such challenges, and Colombia has therefore had the appearance of a relatively mobile society, where anyone who made good would be more or less accepted by or into the power groups. This mobility does not imply possible loss by the power groups of these positions, since the challenges to them are eliminated "in the bud." With an uneducated lower class,

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¹This is probably one of the causes of the tremendous inefficiency which appears to plague all segments of the economy. The potential supply of people who are able to perform many jobs is reduced to the point where a person may have a sort of monopoly power with respect to his job; this results from the small size of the educational establishment. But not only are few people educated, but they are the "wrong" ones, in a sense, due to the failure of the educational system to perform its sieving function.

the upper class attitudes of paternalism and their feeling that the lower class is inferior are more easily propagated.

Income distribution and the savings ratio.

An unequal distribution of income is a natural concomitant of an elitist society; an important argument made in favor of such a distribution during the development process is that it generates a higher total amount of savings.¹ In Colombia distribution is very unequal, as suggested in the (somewhat illustrative) figures of Table 5. ]

↳ (Reasonably accurate figures on the distribution of income are notoriously difficult to obtain.) But a comparison of the figures with those presented for other Latin American countries throws some doubt on the hypothesis that the relatively smaller and seurer is the dominating elite or ruling group in a country, the more unequal will be its income distribution. Other factors may be just as important.

All the Latin American countries have unequal distributions, noticeably more so than many now developed countries had around the turn of the century (e.g, Germany, Denmark) but not more so than England apparently had as recently as the late nineteenth century. And as is true of most under-

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¹Kuznets for example. ("Quantitative Aspects of the Economic Growth of Nations: Viii, Distribution of Income by Size." Economic Development and Cultural Change, January 1963) concluded on the basis of a rather small sample of developed and underdeveloped countries that personal income distribution was more uneven in the latter group, and that the positive difference between the savings ratios of high and low income groups was greater in the underdeveloped than in the developed countries. The countries included in his underdeveloped country sample included some (Guatemala, El Salvador) with such dubious data as to cast considerable doubt on his conclusions. The issue remains in substantial doubt.

Table 5

## Before Tax Income Distribution in Selected Countries

Per Cent of Personal Income Accruing to Tax x % of Income Earners	Colombia	Chile	Ecuador	Mexico	Venezuela	Argentina	India	Denmark, Germany, Netherlands, Sweden, U.K.	Weighted Average for Mexico, Ecuador, Chile, Venezuela
	1961 (1)	1960 (2)	1957 (3)	1957 (4)	1957 (5)	1961 (6)	1953-4 (7)	1957 (8)	(9)
x = 2	19%	14%	21%	20.5	18%			15%	19%
5	29%	24%	26%*	38	31%		20		33
10	42%	38+	30+	45+	45%	40%	28		
25	65%								
50	82%	84%	76%	86%	89%		70		84%
To bottom x per cent									
x = 50	18%	16%	24%	16%	11%		30	30%+	16%
10	2%						4		

¹Joint Tax Programs, Fiscal Survey of Colombia, John Hopkins Press, 1965.

^{2,3,4,5,7,8,9}ECLA, The Economic Development of Latin America in the Postwar Period, p. 65-7. For methodologies underlying the various distributions, see this source. Some methodologies are very weak (e.g., Ecuador) and some involve different definitions than others. So the figures for different countries are not fully comparable.

⁹P.D. Ojha and U.U. Bhatt, "Pattern of Income Distribution in an Underdeveloped Country: A Case Study of India" W.E.R., Sept. 1964.

⁺Authors interpolations.

developed countries, their tax systems tend to have very little redistributive impact. In Colombia, the tax system itself seems to have no redistributive impact, while the direction of government expenditures implies a small one (see Table 6). It is interesting to note, however, that Mexico's distribution (before taxes at least) is even more uneven than Colombia's. It may well be true that rapid growth which opens up big new sources of income for entrepreneurs as the structure of the economy is modified implies, *ceteris paribus*, more inequality. The considerable difference in distribution between India and Colombia is probably traceable to the difference in social structures, while Mexico's greater inequality results from the fact that its faster growth increases inequality more than its more open social system decreases it.

That the social structure accounts in part for the skewed income distribution in Colombia (and in most of Latin America) does seem clear though the extent of the effect is not. In any case it is of interest to ask how this skewness affects the savings rate. Figures in Colombia, unfortunately, do not permit a really adequate test, but some give at least grounds for reasonable speculation.

There are two inconsistent sources of evidence on the behaviour of family savings. The national accounts suggest that savings of families and unincorporated enterprises constitute a very small share of national income. Over the period 1958-62 the average savings ratio for family income was 3.2%. Even if only the top quartile of income earners did any savings, their average rate would be about 5 per cent. If the top decile (only) saved, their average rate would be about 7 per cent.

Table 6

Effect of Government Operations on Income Distribution

	<u>Per Cent of Before Tax Income (1961)</u>	<u>Per Cent of After Tax Income (1961)</u>	<u>Per Cent of Benefits of Expenditures (1959)</u>
First Quartile	5	5	6.1
Second Quartile	13	13	15.4
Third Quartile	17	17	27.4
Fourth Quartile	65	64	51.1

Source: Author's calculations.

The family budget study of 1953 suggested a high marginal savings ratio for incomes above about \$250 per month for a white collar family and above about \$100-200 for a blue collar family (see Table 7). Average savings ratios for even moderately high income families were quite high. It is possible that some expenditures were missed at the high incomes but the study was in general well designed so it seems unlikely that the general conclusions really could have been much affected this way.

Table 7

Average Savings Ratio for White Collar and Blue Collar Workers by Income Groups; Seven Colombian Cities, 1953

Income Range (pesos: 2.5 pesos = 1 dollar)	<u>White Collar Workers</u>	<u>Blue Collar Workers</u>
100-199	.90	1.12
200-299	1.08	1.01
300-399	.99	.92
400-499	1.00	.91
500-599	1.00	.81
600-699	1.01	.86
700-799	.97	.80
800-899	.91	.72
900-999	.92	.75
1000-1499	.76	.70

Source: Data presented in Economia y Estadística, #85, 1958.

This savings estimate from the national accounts (a residual) is probably very weak; it is quite inconsistent with the average savings ratio implied by an application of the ratios in Table 7 to the income distribution for the population. Many people have guessed on impressionistic evidence that personal savings rates are low in the Latin American middle classes, because of their "consumption-orientation" but the Colombian evidence certainly does not allow one to say this with confidence.

Government-non-government income distribution has a definite impact on the overall savings ratio in the economy. The average savings ratio of government current income over 1955-62 was about 36%; while that for the private sector was between 10 and 20 per cent.

Population Control Policy

On the issue of population control, the attitude of the Colombian government and society has been much more negative than in many other under-developed countries; the difference is traceable to the characteristics of elite.

Until the last two or three years fast population growth was not felt by any important group to be one of Colombia's most serious economic problems. But the social structure, with its attendant income distribution and educational system, affected population growth in several ways. The very small size of the middle class probably implied a higher birth rate, since it is that class which in other countries has most often controlled family size in order to get ahead economically, and which has easier access to information about birth control practices than does the lower class. Low levels of education, in particular for women, have certainly contributed to the high birth rates and family sizes. Finally, the well enforced preference of the church against mechanical contraceptives may have prevented a desired decrease in family size. Certainly there is now evidence that the typical urban woman from the lower classes has more children than she would like, and that a major obstacle to her achieving the desired family size is lack of information as to how to do so. This information might have been more available had the attitude of the church and the upper class society in general been different.

The possible effects of the society's negative attitudes are even more serious now that some elements in the government have understood the problem, but are constrained in their efforts by the attitudes of the other groups. For a full

understanding of how much these attitudes have affected the situation, one has to understand the elements which go into a family's planning or lack of planning with respect to the number of children. It has been alleged in Colombia that the very high family size has nothing to do with the attitudes of the church and the society, but results from such factors as machismo, the need for a large family in the rural areas to maintain security in one's old age, etc. Recent research has cast considerable doubt on whether machismo is as important a factor as previously believed; in fact all other factors besides lack of information about control techniques lose much of their explanatory power in light of the recent survey showing that women wanted considerably less children than they had.

Much of the problem clearly resides in the fact that the large number of children in poor families do not appear to directly hurt the welfare, present or future, of the rich families. It hurts primarily the poorer people themselves, and in the tradition of Colombian politics the rich are little concerned with the poor. One might expect a different policy in an egalitarian society where some of the beneficiaries of such a policy had a voice in government.

### Monopolies

Concentration of wealth and power tends, other things being equal, to produce concentration in economic activity. This is especially true where financial intermediaries are not well developed; even where they are, the availability of internal funds in large quantities is likely to make large productive units more common. Any such tendency is likely to be harmful in a small economy where one or a few plants can produce enough of a product for the

domestic market, and where, especially without the stimulus provided by imports, the lack of competition may lead to inefficiency in production.

The small tightly controlled economy runs much more on the basis of personal relations than does the larger one; this is likely to constitute an added barrier for the businessman who tries to break into a new market, needs credit, etc., and thus further decreases the extent of competition in the system.