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## Colombia divided over raising taxes to fight inequality

MONDAY, 18 JULY 2011 09:00 **STEPHEN MANKER**

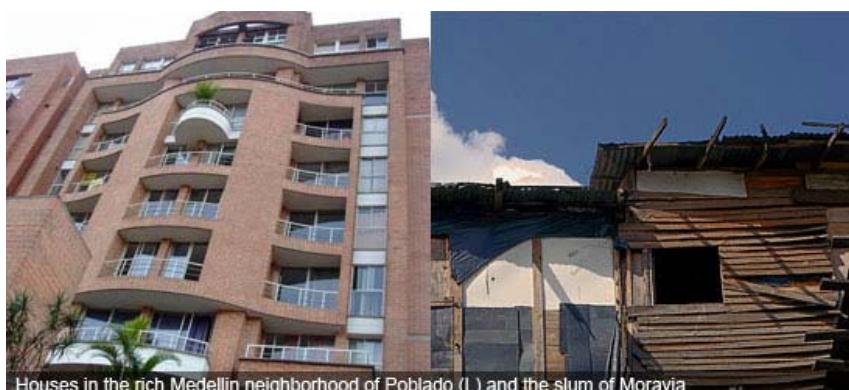
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Colombians are divided on whether they want to pay more taxes to fight inequality in the Andean nation, a survey published recently showed.

Juan Camilo Plata, a researcher for the Latin American Public Opinion Project (LAPOP) at Vanderbilt University, told [Colombia](#) Reports that "the number of Colombians for or against raising taxes as proposed in the LAPOP survey are evenly distributed. We can say half would support it and the other half would reject to some degree such measure."

Education largely influences Colombians willingness to increase social spending with higher taxes. Respondents with a higher education proved more willing to pay more taxes than those with less education.

The survey's data also found that young people and women in Colombia "are more likely to agree to pay more taxes to help those in need."

Also, Camilo said it is clear that the new generations have had a better understanding of Colombia's political system: "This can be attributed to the increasing education level facilitating a more elaborated position towards the state and additionally the social policies are more extended today, therefore closer to the quotidian experience of the citizens."

Camilo identified three key variables that determine whether people are for or against raising taxes: trust in government, economic well-being, and ideological stance.

"To extract policy implications out of this it is important to understand the motives behind both groups. I found that the choice depends on three variables. Positive expectations about the future of the personal economy; second, the extent to which someone feels they have enough or a surplus in the resources needed to solve their basic needs; and finally, the role attributed to the state in the promotion of social welfare and intervening in the economy."

Inequality is currently a major issue in Colombia's politics and economy. After Haiti, Colombia is the second most unequal country in the region, said Camilo.

"According to the United Nations Development Program (UNDP), the Gini coefficient during the last decade was 59.6 in Haiti, 58.5 in Colombia, and 57.2 in Bolivia. This is an important gap if compared with the least unequal countries like Uruguay, Gini 47.1, or El Salvador, Gini 46.9."

There are pros and cons to inequality in developing countries. For Juan Camilo Plata, inequality seems

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to be the price of development.

"The accumulation of resources facilitates the benefits of the economies of scale, to undertake costly innovative adventures, and having the capacity of face market competition. Nonetheless, these advantages can be socially damaging if they are used to extract and capture the resources of the less favored. In the long term, producers would harm the needed consumers capable of buying their products. Markets as a social system require resources to continue flowing, otherwise economies face stagnation."

"Problematic conditions emerge when economic advantages are used to capture the political process, excluding some, favoring others, and in the end, weakening the legitimacy of the political system. This is partially what has happened with the influence of paramilitary groups in Colombian politics taking advantage the resources coming from drug trafficking, land accumulation, and arrangements with the local administrations."

So is raising taxes in Colombia a viable proposal given the country's current economic situation? According to Camilo, Colombia is having a good economic performance from the macroeconomic level.

"The problem with an unequal scenario is that this growth doesn't benefit the whole population. But this is also a favorable setting to demand for additional contributions from those well-off for redistributive purposes since they are enjoying a good economic situation. Aside of raising taxes, the administrative conditions for its collection need to be refined as well. If the state is incapable of securing those resources and using them efficiently the state's legitimacy as a service provider will be eroded in the long term increasing the opposition to raising taxes. The recent scandal in the tax administration agency proves the need to ensure these resources will be used properly. It is foreseeable the discovered failures will affect the level of tax compliance."

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