Why Nations Fail

ANDI, Foro de la Salud, Cartagena.

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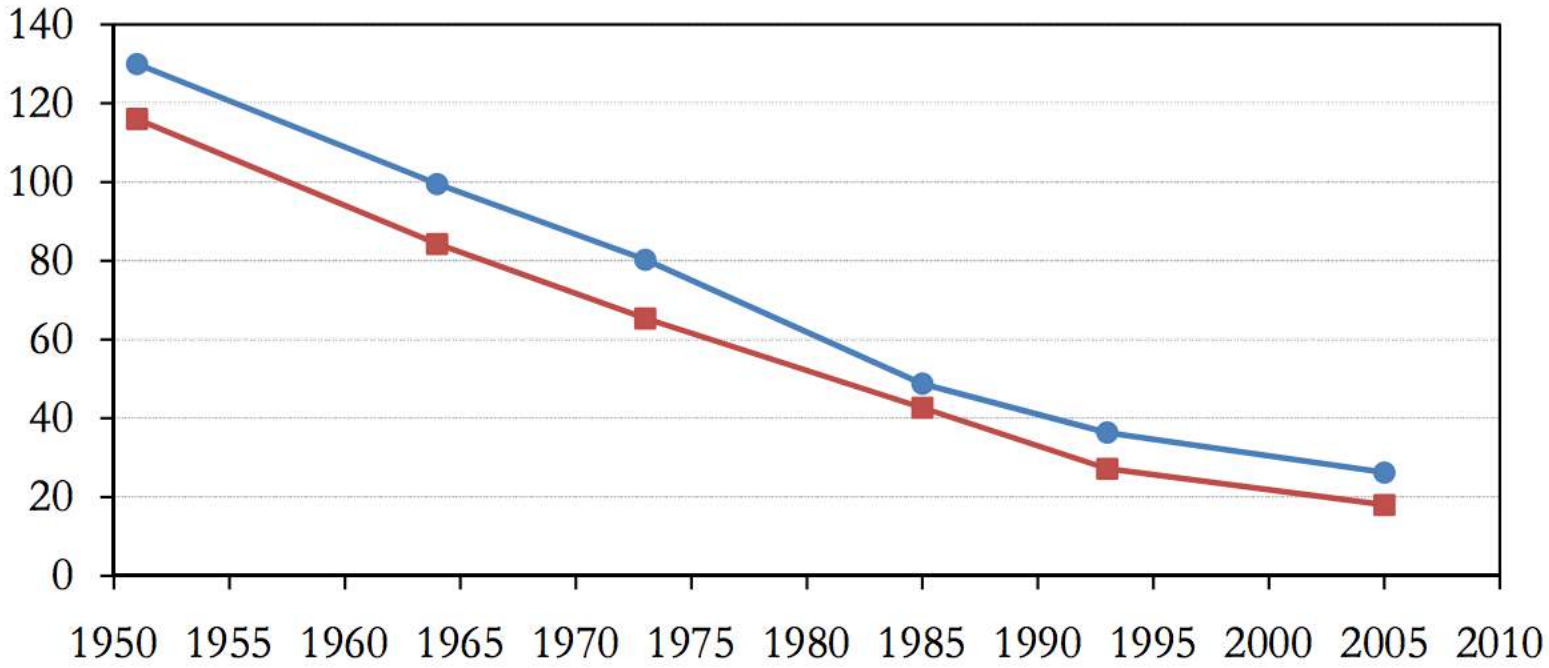
Introduction

- Since the research of Robert Solow in the 1950s economists have known what makes a country prosperous
  - innovation - the creation and adoption of new technology that raises productivity
  - investment in physical capital
  - investment in human capital broadly defined to include education and health
- Health is not just one of the fruits to development, it is a critical input into it.

The History of Health and Development in Colombia

- The last century has seen slow but significant improvements in development outcomes.
- There has been absolute convergence in life expectancy and infant mortality so that Colombia has narrowed the gap between it and developed countries.
- But this is not true with income per-capita where Colombia has at best maintained its position relative to the United States
    - this implies much larger absolute gaps in the level of income per-capita than existed a century ago.

Gráfico 3
Tasa de mortalidad infantil



Tasa por cada 100.000 habitantes
Fuentes: Flórez (2000) y DANE

Figure 13: Health Care in Colombia

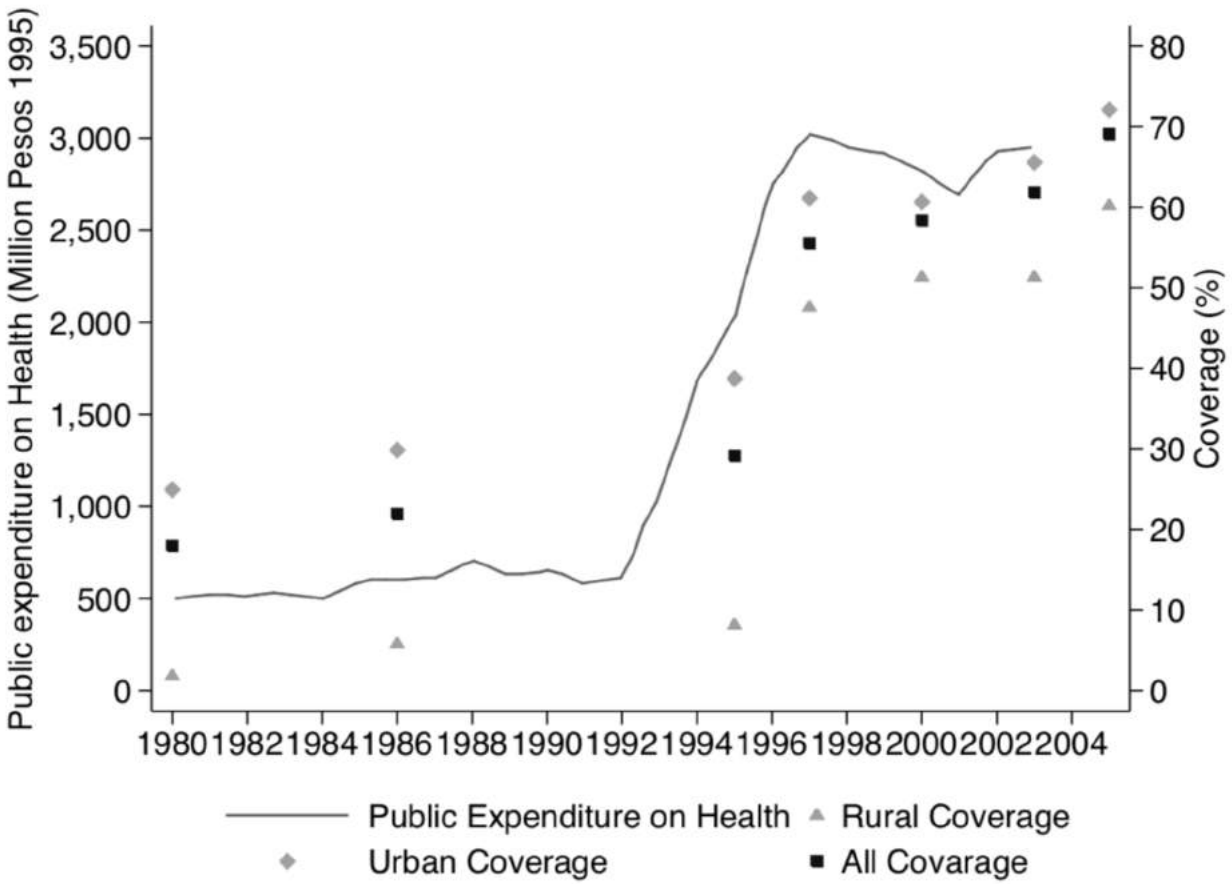


Figure 12: Public Education Spending as % of GDP

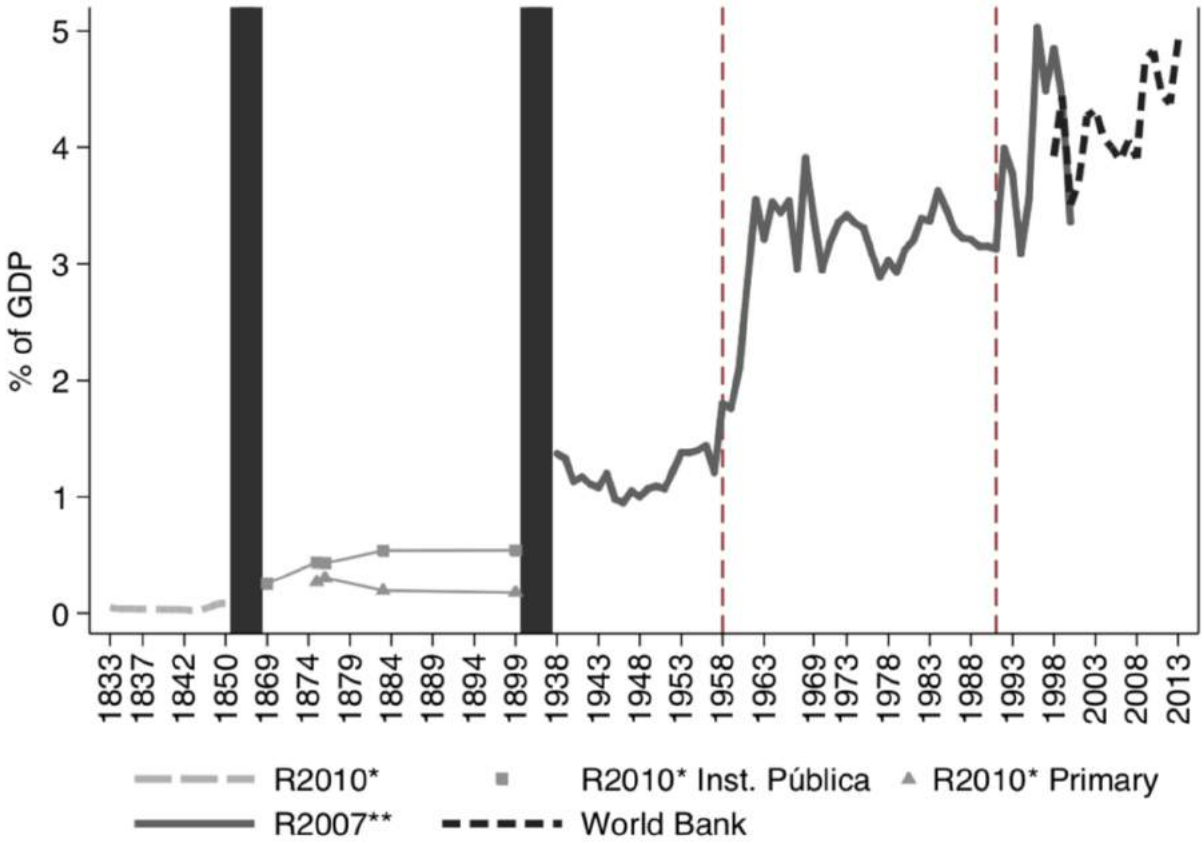
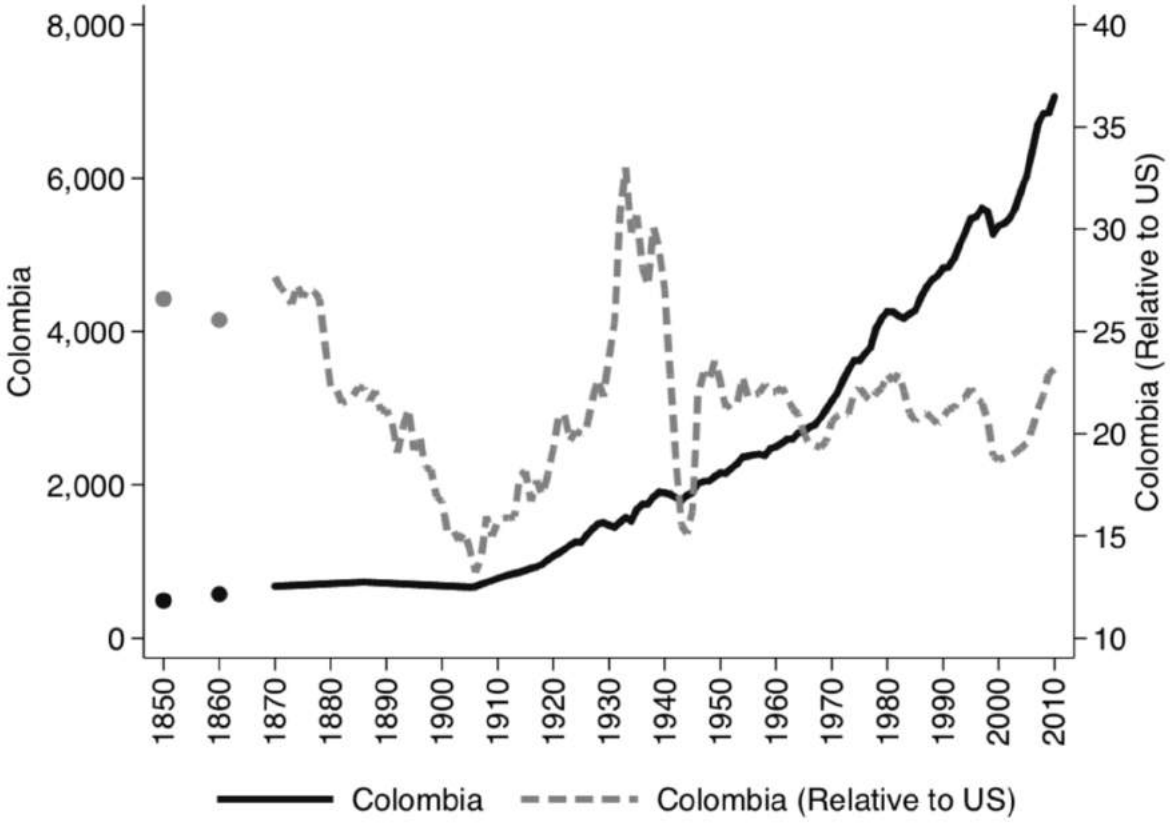


Figure 1: GDP per-capita over the long-run



Note: GDP per capita Geary-Khamis dollars 1990.
Source: Bolt and van Zanden (2014).

How to Explain these Differences?

- Why has Colombia failed to narrow the development gap?
- This is due to lower investment in technology, physical capital, education and health.
- The role of the government is critical. Many important inputs to development are public goods which private actors will not provide on their own.
- But the Colombian government has persistently underprovided the public goods that are required to improve productivity (like roads or schools) or health.
- Why?

The Answer in Why Nations Fail

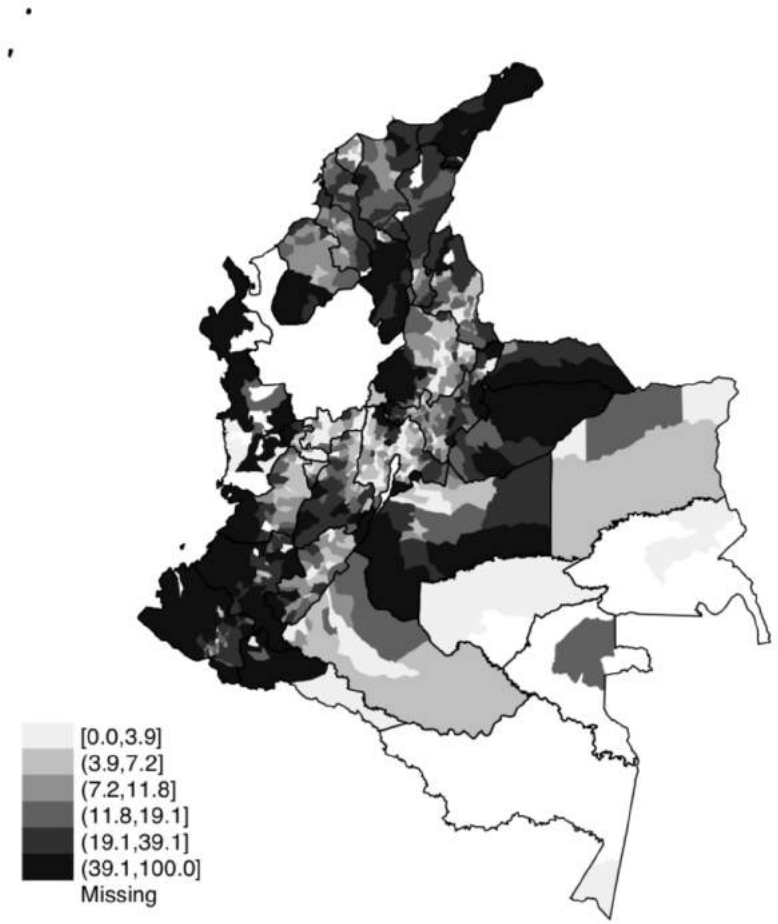
- Human beings, including politicians, respond to incentives.
- The incentives they face are determined by the institutions of their societies - meaning the rules that create different costs and benefits for behaving in different ways.
- The institutions may be formal -
  - the law, the constitution, rules for the awarding of government contracts or employment in the civil service
- But they may also be informal -
  - no sea sapo
  - tiene rabo de paja

The Impact of Institutions

Some Basic Economics

- Innovation, investment and the provision of public goods are the consequence of individual decisions that depend on institutions.
- A basic idea in economics is that people will only invest if their property rights are well defined or secure
  - But the majority of people in rural Colombia do not have well defined formal property rights
  - They have been threatened by guerilla (la vacuna), paramilitaries, 6 million have been displaced, so their property rights (not to mention their human rights) have been insecure
  - Señor Petro announced he would nationalize the healthcare industry if he became president.

Figure 9: The Distribution of Informal Property Titles



Note: Proportion of land without formal title or registration. Average between 2000 and 2009.
Source: Instituto Geográfico Agustín Codazzi (IGAC).

The Impact of Institutions

Some Basic Politics

- Public goods are chosen by politicians who aim to be elected and re-elected.
- Public goods, by their nature, benefit everyone.
- But politicians don't care about everyone, they only care about the people who support them and vote for them.
- Therefore they would like to target policy at individuals via private goods (money, contracts, jobs).
- They also need money for campaigns.
- This political logic, of clientelism, is why public goods are under-provided.

The Connection to Political Institutions

- Clientelism has a logic but it is facilitated by political institutions
  1. Central is the role of the state. Clientelism is more attractive when
     - The state does not use meritocratic rules for hiring, dispensing contracts, etc..
     - The state does not enforce regulations or conduct audits
     - The state tolerates tax evasion
     - If there is no rule of law (for instance some people serve their prison sentences 'at home')
  2. The electoral system may make clientelism more attractive. In Colombia operación avispa was replaced by open lists where people can express preference votes.
  3. Reinforced by the informal institutions of society

EL USTED NO SABE QUIÉN SOY YO

JAMES ROBINSON*

Alguien rompiendo las reglas o las normas sociales es usualmente calificado con la expresión "qué indio".

FOTO: SVEIN I NGE MELAND

*Colombianólogo, doctor 'honoris causa' de la Universidad de los Andes; director del Instituto Pearson de la Universidad de Chicago.

Colombia está construida sobre una premisa de desigualdad y distinciones sociales. No importa lo que sabes, sino a quiénes conoces y dónde los conociste. Para las elites colombianas, la imagen del indígena sigue estando en la parte baja de la pirámide social. A los celulares baratos los llaman 'flecha' porque "*cualquier indio los puede tener*".

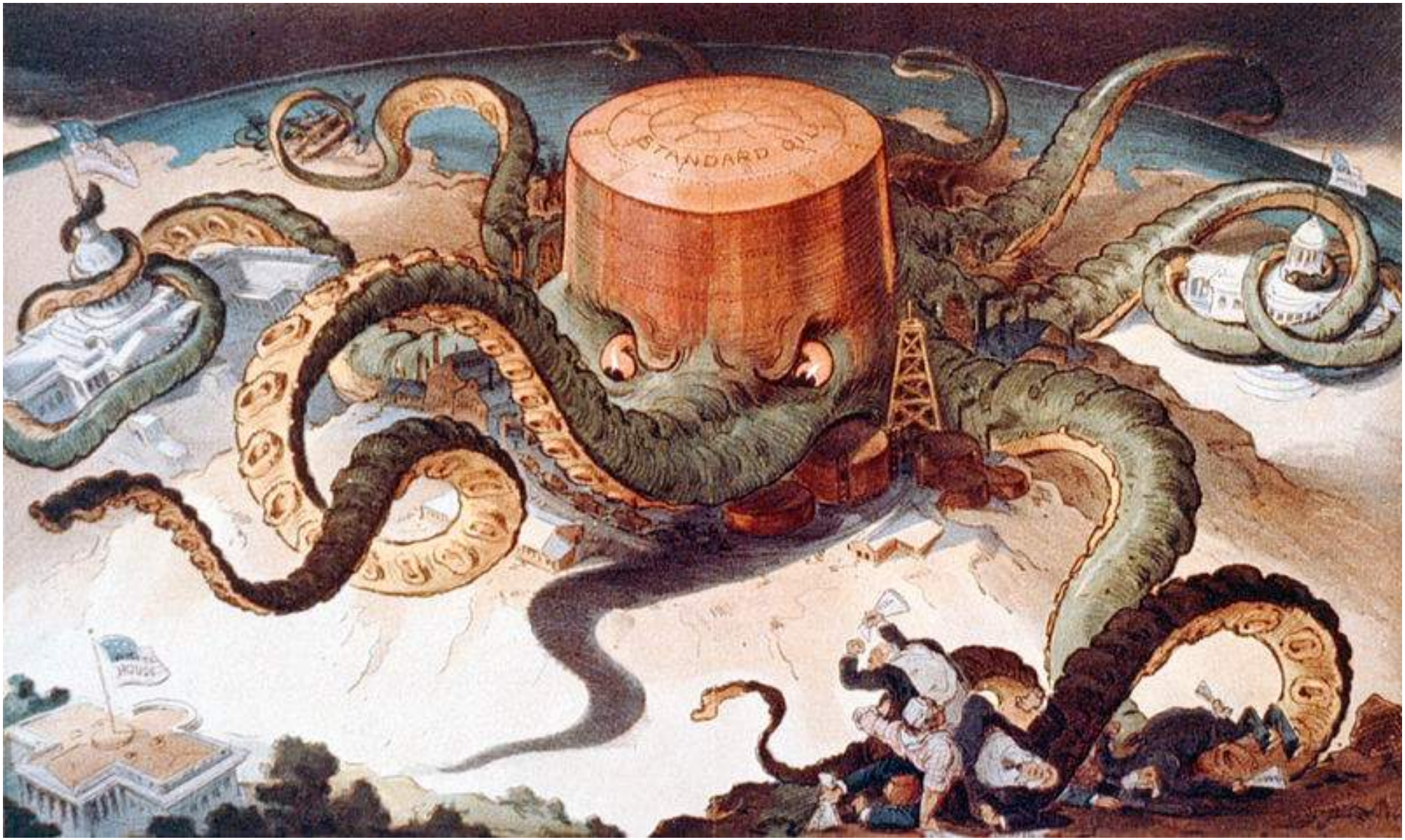
De la misma forma, llaman usualmente indio a alguien que rompe las reglas o las normas sociales. Sin embargo, las elites son mucho más propensas a romper las reglas que la gente común, y eso es quizá la peor parte del clasismo de la sociedad colombiana: ayuda a sostener un conjunto disfuncional de normas sociales que juegan un papel fundamental en la reproducción de la desigualdad y violencia. La misma regla se aplica diferente a las elites y a 'los indios'.

Por consiguiente, puede convivir una agenda de 'reforma tributaria' con declaraciones de renta subestimadas de los ministros. Y si haces parte, nunca estarás realmente afuera; de ahí que Ernesto Samper celebra con el presidente Santos en Oslo. Y todos aspiran a entrar: desde el club social de los Rodríguez Orejuela en Cali hasta el de la Gata en Magangué. Pero los colombianos tienen una oportunidad de oro para cambiar. En cinco años de negociaciones, las Farc y el equipo negociador del gobierno cambiaron: ambos reconocieron intereses en común y se reinventaron a ellos mismos y al país. El proceso de paz y reconciliación es una oportunidad para deliberar colectivamente sobre qué necesita cambiar y cómo se debe hacer; cómo desafiar estas normas sociales y estereotipos profundamente arraigados, y cómo implementar las políticas públicas complementarias. Y, entonces, ¡qué país tan maravilloso que sería este!

Putting it all together: Why Nations Fail

- Consider the difference between Mexico and the United States through the lens of two of the world's richest men.

9:10AM
AUG 27 1998
11:24AM
AUG 27 1998


STANDARD OIL

Santos, su Ñoño y su Musa

Por LAURA ARDILA ARRIETA | MANOLO AZUERO · 31 DE MARZO DE 2014

77650 28

Collecting Thoughts

- Poverty in created by extractive economic institutions (think monopolies).
- Prosperity is created by inclusive economic institutions (that spur innovation).
- But the economic institutions a country gets depends on politics.
- Inclusive economic institutions are created by inclusive political institutions.
    - a broad distribution of political power and a strong state.
- Extractive economic institutions are created by extractive political institutions.
- **Bottom Line:** Colombia has suffered from a long history of extractive political and economic institutions.

T. A. EDISON.
Electric-Lamp.

No. 223,898. Patented Jan. 27, 1880.

Fig 1.

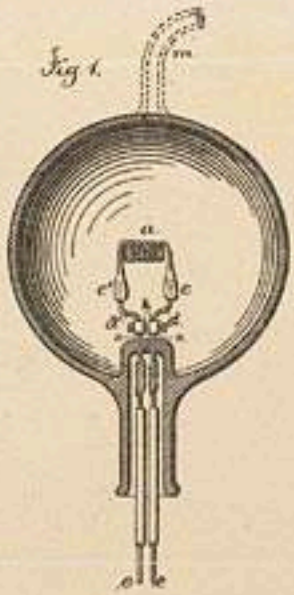
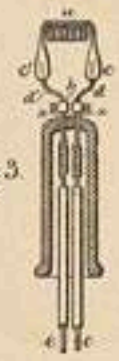


Fig 2.

Fig 3.



Witnesses
Chas. H. Smith
Geo. Pinckney

Inventor
Thomas A. Edison
for Samuel W. Serrell
atty

EN TIERRA BOMBA
SI NO HAY SOLUCION. NO HAY ELECCION

Table 1: The Involvement of Paramilitaries in Politics

Name	Legal Status	Penalties (Prison time, time banned from public office, fine in parenthesis)	Effective time in prisión	% Of Votes In Paramilitary Zones
Mauricio Pimiento Barrera	Arrested (Guilty)	7 years in prison. (923 million COP).	2 years and 7 months	61.59
Dieb Nicolas Maloof Cuse	Arrested (Guilty)	4 years and 9 months. 20 years banned from public office. (2769 million COP).	1 year and 9 months	57.73
Alvaro Araujo Castro	Arrested (Guilty)	9 years and 4 months. (3719 million COP).	6 years and 6 months	53.75
Salomon De Jesus Saade Abdala	Investigated (Guilty)	20 years banned from public office.		43.27
Carlos Arturo Clavijo Vargas	Arrested (Guilty)	3 years and 9 months.(1500 million COP).	3 years and 9 months	43.03
Isabel Celis Yañez				34.9
Juan Gomez Martinez				33.6
Piedad Cordoba	Investigated (Guilty)	18 years banned from public office.		31.77
German Hernandez Aguilera				31.19
William Alfonso Montes Medina	Arrested (Guilty)	7 years and 2 months. (3684 million COP).	1 year and 2 months	30.94
Flor Modesta Gnecco Arregoces				29.46
Ruben Dario Quintero Villada	Arrested (Guilty)	7 years and 6 months. (3348 million COP).	4 years and 6 months	29.45
Bernardo Alejandro Guerra Hoyos				29.19
Luis Guillermo Velez Trujillo	Investigated (Not Guilty)			28.06
Piedad Del Socorro Zuccardi De Garcia	Arrested (Guilty)	In process.	2 years and 6 months	26.54
Victor Renan Barco Lopez	Investigated (Not Guilty)			26.37
Jesus Leon Puello Chamie	Investigation suggested by the Supreme Court			26.16
Vicente Blel Saad	Arrested (Guilty)	7 years and 6 months (3348 million COP).	4 years and 6 months	24.33
Consuelo De Mustafa				24.06
Juan Manuel Corzo Roman	Investigated (Not Guilty)			23.78

Source: Acemoglu, Robinson and Santos (2013).
Note: Updated website information.

Extractive Institutions in Colombia

- I already gave you some examples:
  - economic: ill-defined and insecure property rights. There are monopolies and cartels...
  - political: parapolítica
- Let me focus on political institutions and how they influence health care.

La Mermelada

- The most egregious recent example of the under-supply of public goods and clientelism in Colombia is the institutionalization of La Mermelada.
- On the one hand there were the quotas for appointing people to government positions.
- On the other there was the distribution of resources to mayors who gave out contracts, 10% of which were kicked back by the contractors to the politicians.
- This has been well studied by the journalists of La Silla Vacía

La ruta de la mermelada y sus protagonistas según Musa Besaile

El ex senador habló del reparto de cuotas burocráticas en las instituciones por parte del gobierno.

En su colaboración, Besaile dice que todo se pactaba en el Palacio de Nariño, en reuniones con los parlamentarios.

Musa Besaile también le dijo a la Corte que el Gobierno "calificaba" a cada congresista de conformidad a su importancia electoral. Las entidades también tenían una categoría.

Según él, estas categorías funcionaban así:

- Entre los institutos clase A se encontraba el ICBF
- Entre los clase B se encontraban el Incoder, ICA (Instituto Colombiano Agropecuario), DPS (Departamento para la Prosperidad Social), Invías y Banco Agrario.
- Entre la clase C la Dian, la Aeronáutica Civil, el Ministerio de Transporte y 4-72.

Cupos Indicativos in Córdoba

- To promote development the allocation of resources should be according to need to where it could have the highest impact.
- Let's consider the Caminos para la Prosperidad project.
- Sincé, San Juan de Betulia and Palmito (Sucre), and El Guamo on the Camino had four different INVIAS agreements, each for 4017 millions of pesos.
- The contracts for Zapayán, El Guamo, Mompós and Palmito were won by contractors represented by Luis Emiro Sierra **Uparela**, of Sahagún, Córdoba, the home of Senator Besaile.
- Two road contracts worth again 4017 million, in San Juan Betulia and Sincé, were won by the Unión Temporal Vías de Betulia and Unión Temporal Vía Sincé, respectively.
- Both, legally represented by José Gregorio Hernández **Uparela**.
- The Mermelada was equally distributed, to the collaborators of Senator Besaile.

The Problem for Healthcare

- Healthcare is a basic public good.
- Therefore we would expect politics to under-supply it.
- Why the improvement in the 1990s?
- Closely related to the Constitution of 1991 and the perception that the lack of public goods in Colombia was creating an intolerable level of political instability and social unrest. The effect was to over-ride clientelism.
- (Notice when education spending shot up - after 1958, same logic: trying to stabilize society after La Violencia).
- But clientelism quickly re-asserted itself over the new system.

Jam is bad for your Health

- Healthcare involves government resources and so the political incentives are to distort it for clientelistic purposes and also to loot it to fund political campaigns.
- In 2011 Alejandro Lyons was elected Governor of Córboba.
- He is now in the United States with 20 criminal charges against him.
- He appointed Alfredo Aruachán as Secretary of Health
  - from which comes the Cartel of Hemophilia - 44 billion pesos paid by the Governor's Office to IPS for false hemophilia patients.
  - from Córboba we also have the Cartel de SIDA - another 50 billion pesos...

JUDICIAL

En sospechosa audiencia, conceden casa por cárcel a ex secretarios de salud implicados en el cartel de la hemofilia

on 9 abril, 2017

ESCÁNDALO | 5/7/2011 12:00:00 AM

Los carteles de la salud

El país está conociendo el caso de corrupción más grande en la historia del sistema de salud, que podría arrancar en 30.000 millones . ¿Podrá el gobierno sanear esta olla podrida?

Por 18 vías se roban la plata de la salud de los colombianos

En un año, la Fiscalía detectó robos a la salud de casi medio billón de pesos.

Comentar 110
Facebook 5
Twitter
Guardar
Enviar
Google+
Linkedin

La plata de la salud se convirtió en uno de los más apetecidos botines para la ilegalidad.
Foto: Jaime Moreno / Archivo EL TIEMPO

RELACIONADOS: SALUD EN COLOMBIA | CARTEL DE LA HEMOFILIA | CARTEL DE LOS ENFERMOS MENTALES | CARTEL DEL SIDA

Por: Justicia | 27 de enero 2018 , 10:40 p.m.

The Challenges Ahead

- The biggest challenge facing the healthcare industry in Colombia is how to free itself from the clientelistic logic of politics.
- The biggest challenge facing Colombians is to free themselves from the clientelistic logic of politics.
- The Colombian state is stronger than it has been and provides more public services.
- There are fewer poor people and there have been huge improvements in healthcare and education.
- But this has taken place in a situation where the logic of extractive political institutions has still not changed.
- This is because large changes have come in moments of institutional crisis but when the crisis recedes, the old logic re-asserts itself.. (which is why Carlos Lleras, for example, never managed to implement agrarian reform).

Conclusions

- I am not an expert of the health sector in Colombia, but the question I pose to you is whether or not there is some institutional architecture which can isolate the heath sector fro the perverse forces of clientelism.
- Even if this were successful it would not solve all the problems - the health sector needs more resources but for that the government needs to raise taxes...
- As Colombians (or in my case foreigners with a passion for Colombia) the bigger issue is who to eradicate clientelism and make politics about public goods, not mermelada.