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Keep in mind

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SeveralObservers of Latin America have underscored the notion that an emerging "consensus" regarding the role of the State in the economy surfaced during the 1980's (v.g World Bank, 1993; Williamson, 1993). Starting from an emphasis on issues regarding stabilization, there are three main and related threads to this account; firstly, the adequate size of the public sector. Second, the adequate scope of public sector actity. Lastly, the area of regulation and invertion in economic life.

The main conclusion is that the public sector in Latin America:(a) had grow to excessive size over the previous decades; (b) encompassed an excessive, and at times inadequately ranked, set of policy priorities and objecives; (c) had overregulated economic life in areas ranging from international trade and finance, to labor and financial markets. Several studies point to the fact that growth and welfare are adversely affected by this state of affairs and that policy should be aimed at modifying it.

The issue of economic "reform" has been the dominant theme in public policy discussion within the region for the last ten years. There is convincing evidence supporting the view that many countries in the region shifted policy in an explicit policy decision to face the aforementioned problems. With initial efforts aimed at correcting the problem of instability, i.e. inflation and the basic macroeconomic imbalances which explain it, policy makers embarked upon more global attempts to alter the dominant development strategy of the past few decades.

Within this context, numerous studes report substantial advances in stabilizaion (Dornbusch abd Edwards, 1994), privatization efforts (Baer and Birch, 1994); while others document shifts in public sector priorities, and still others international trade and payments, the treatment of FDI and the functioning of labor and financial markets.

The purpose of this paper is to report advances and limitations in the three fronts in a country which has not been among the most widely studied in the region. Our main point is that Colombia has been a gradualist and modest reformer as measured by the standars of neighboring countries. One prominent reason is the fact that the "initial conditions" were not as troublesome as elsewhere and thus the size of the required stabilization and reform sequence were samller by comparison. In other words, the inexistence of "hard" budget constraints forcing drastic shifts in fiscal priorities and the inexistence of severe fiscal and external imbalances requiring rapid privatization. The fact that these initial conditions were not severely out of line with sustainable medium term criteria is, in itself, an interesting stylized fact.

We thus begin the paper by documenting some salient features of the Colombian public sector and its relation to macroeconomic cariables. The focus in this part is the fact that "initial conditions" were not as in other countries of the region.

The size of the public sector has not been ragarded as a high priority problem; rather, the public sector has increased its participation in GDP to an important extent. This is the subject of the second part of the paper.

In the third part, we posit the idea that little can be shown in the budget data with regard to a shift in public sector priorities.

In the fourth part we analyze indicators relating to regulation and invertion, where shifts are clearer. We finish with a summmary of main findings and conclusions.