

## The Paradox Between Good Economic Management and Social Unrest in Colombia: 2000 – 2015

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### ABSTRACT

Colombia showed a great economic growth from 2000 to 2015: GDP grew by 4.26% on average annually (World Bank, 2013) and the GDP per capita increased from US\$ 6,585 PPP in 2000 to US\$ 13,829 PPP in 2015. This Colombia's remarkable economic performance was due to external and internal factors. Among the first factors were the expansion of its international business with USA and Venezuela, and the increase of the price of the main export raw materials (PRNewswire, 2012). Referring to the second ones, the strength of consumption and private investment, the good performance of the construction, trade, tourism and financial sectors were critical (Economic and Trade Office of Spain in Colombia, 2007, p. 5) This sustainable growth and stability was also possible by effective management of macroeconomic and fiscal policies. An important factor of the progress in Colombia was the growth of Foreign Direct Investment (FDI). FDI almost was quintuplicated in this country which was focused on major investments in oil, manufacturing and commercial sectors.

This economic growth reduced the poverty from 37.2% in 2010 to 27.8% in 2015 (DANE, 2015, p. 6). This reduction was explained in one hand for the decentralization fiscal process (Lozano & Julio, 2016) and in the other hand for the strong financial policy targeted on "microcredit" users (Karpowicz, 2016). However, this small improvement was not enough and, according to the National Department of Planning (DNP), Colombia continued to be the latin American country with the highest level of inequality by 2010 (DNP, 2010, p. 4). Regarding the employment, Colombia's economic growth was not enough to guarantee decent jobs for most of the population: No more than 32% of the employed people had a "decent job" (ENS, 2013, p. 1). In parallel, social unrest remained in force and even intensified in Colombia. These events caused the country to be one of the most violent in the region. According to Robinson, the state mismanaged the use of violence in addition to poor bureaucratic capacity that exacerbated and maintained poverty (Robinson, 2016). These factors translated into high levels of drug-trafficking and activity from *guerrilla* groups which nurtured social unrest like displacements and consistent security threats. According to Zarama, the forced displacement occurred in Colombia was one of the highest that have ever happened in its history (Zarama, 2009, p. 7). Therefore, this paper argues that it is possible to experiment a paradox where a country can experience high rates of economic growth and internationally admired stability with the presence of social unrest.

**Keywords:** Colombia, economic growth, economic performance, social unrest, poverty, inequality

**JEL Codes:** H7: State and local government; intergovernmental policies, O15: Human development, O17: Institutional arrangements, N1: Growth, N3: Welfare, Income & Wealth

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