



ECONOMIC AND PUBLIC POLICY NEWSLETTER

April 2020 Number: 1

THE RISK WE MUST TAKE

To secure a better future for all, we must support the decision to end the lockdown and work together for the country, not continue as we were

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Over one month has passed since the Government announced the Country's health emergency. As a result, 72 decrees were issued to buy time, to subsidise some vulnerable sectors and to manage some immediate issues. Currently, the economic aid and food provisions are not reaching the most vulnerable. They are also not enough and do not last very long. The loans that have been announced to aid small companies and self-employed individuals are not reaching them either, because most of those small businesses do not have the capacity to generate the income required to pay back their loans, even though the recipients of the governmental measures have been the local and international finance sectors. Such measures reduce the economic effect for a few but are not aimed at solving the usual problems and those of the current crisis.

To take forward solutions that do not worsen the existing social crisis, it is important to end the general lockdown, and draw on approximately US\$13.000 million of international reserves to implement infrastructure projects around the country. It is also crucial to subsidise the agricultural and industrial sectors, education, and research and development. These resources must not come from the International Monetary Fund (IMF), since they will increase the country's international debt and affect future development, still less should the Government make the mistake of giving such funds to the financial sector to grant loans, as they are needed to produce goods and services instead of speculation.

The Government forgot about the recent social uprisings that the monetary orthodoxy has not solved, and the failure to boost economic growth (3.3% in 2019), to tackle unemployment which increased to 13%, to reduce the balance-of-payments current account deficit by USD 13.8 billion, to overcome the stagnation of non-traditional exports, to increase the investment in sectors of aggregate value and to alleviate general poverty levels. The de-scalation of the lockdown restrictions is not able to stop the impoverishment of the country, the increase of unemployment, the closure of companies, the lack of competitiveness and economic stagnation. The ravages of the management of the crisis are evident across all sectors but in the shadow economy, which exceeds 47%, they have been devastating. Hence, although highly controversial, the design of the end of the lockdown must consider this sector by adopting shock measures to overcome the economic and social crisis.

Despite the spread of havoc in demand, employment and production, which have increased with the COVID-19 pandemic, the Government and the Central Bank insist on short-term monetary policies, thus wasting valuable time on adopting actions that will not lead to short and long term positive economic effects, and to generating income and consumption to strengthen the country's weak productive infrastructure. In the immediate term, Colombia requires no less than US\$13.000 million to invest in productive works in the short run that generate employment and demand, improve access to education for most people and strengthen the agricultural sector as well as other strategic ones. All of this will create conditions to guarantee economic growth and social stability, that could otherwise get worse, if the Government insists on politicising its decisions.

Both Bogota and the central region must combine their efforts in this direction, which will in turn benefit the rest of the Country. Along these lines, the creation of business-government (Bogota/region) institutionalism to support the private sector is fundamental. At the same time that the health system is being strengthened to take care of the coronavirus patients (by improving medical services, access to medicines, medical supplies and equipment), food security must be ensured now and in the long term (a matter of national security) by guaranteeing the purchase of crops and subsidising integrated agro-industrial projects, which can substitute a good proportion of imports in the short-term. Any coordinated action from Bogota-Central region, and the national Government could be decisive for this overall purpose



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Bogota and the national Government must move ahead with and accelerate the implementation of the planned infrastructure works, including those which have been delayed for many years. In the case of Bogota, improving its infrastructure, roads, services, and housing in the most deprived areas will offer better conditions for the creation of new goods and services markets or will strengthen the existing ones across those areas. At national level, the resources which have been planned for the peace process for the next 12 year period, instead must be used over the next three years for the construction of physical and industrial infrastructure in regions where illicit crops must be substituted. All this ought to generate employment and increase demand, which at the same time should contain the wave of social uprisings in cities and the drug trafficking phenomenon.

The pandemic has taught us that the Country requires more technology and better care of the production apparatus. For this reason, the measures to invest in key sectors must be accompanied by government investment in education, research and development.

The Country's international dependence on medicine, equipment, and testing to deal with the COVID-19 crisis have demonstrated the wrong direction of the industrial policy, and the lack of research, development, access to knowledge and technology. On that front, over 30 years have already been lost, which is something that has to change by implementing policies that attract national and international investment in strategic sectors to foster technology transfer, and which could spill over to the rest of the production infrastructure, offering stable guarantees in the long term. Some strategic sectors can even be subsidised and protected. The Colombian market is sufficiently large to attract serious investors.

To take forward the formerly mentioned policies, preparation, leadership, and political decisiveness are required. Moreover, the Government must not bow to pressure, threats and blackmail from a few local or international sectors, which see in the crisis a chance to increase their profits. If this happens, the President is obliged to denounce it.

The pandemic has also taught the Country that not many things are needed to live on. However, there are some fundamental and necessary things that are needed to ensure the preservation of the economic system, and to achieve overall wellbeing and better security for the whole society. We have learnt that the pandemic affects both the most vulnerable and the wealthiest. Yet, to secure a better future for all, we must support the decision to end the lockdown and work together for the Country. Not to continue as we were, but to change for a better system. It is a controversial decision, which has been exploited with political ends by the Government and the opposition. Both parties are hiding the different sides of the argument and the inevitable consequences in either direction.

Avoiding a major economic collapse may prevent more deaths from hunger and revolt than from the virus. If we do not correct the path, those deaths which will not appear every day in the news with the same sensationalism as the pandemic, deserve to be avoided from now. The benefits for society as a whole must prevail over the individual. Despite the fear of the risk of infection or death, we must move forward, hope that we or our relatives do not get sick on the way and contribute collectively.

This is a risk that each one of us must assume and interiorize, but the country cannot remain the same as it was before the pandemic.

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