

Equity and ethics in the Colombian tax collection: 1990-2010

Equidad y ética en el recaudo tributario colombiano: 1990-2010

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Abstract

This article aims to analyze the problem of inequity in the Colombian tax system, particularly for the years 1990-2010, from ethical determinants inherited from the process of Spanish colonization. Although the Political Constitution expresses the principle of tax equity, the truth is that the tax reforms carried out since the 1990s have led to an even more inequitable tax system. In response we could find out if the problem is more associated with disadvantages of an administrative and technical nature, or if the ethical complex, typical of Colombia, significantly determines the development of the fiscal issue.

Keywords: tax collection, taxation, direct taxes, indirect taxes, equity, ethics, state.

JEL: A12, E62, H20

Resumen

El presente artículo pretende analizar la problemática de inequidad en el sistema impositivo colombiano, particularmente de los años 1990-2010, a la luz de unos determinantes éticos heredados a partir del proceso de colonización española. Aunque la Constitución Política manifiesta el principio de equidad tributaria, lo cierto es que las reformas fiscales realizadas a partir de la década de los noventa han conducido a hacer el sistema impositivo aún más inequitativo. Frente a ello cabría indagar si el problema está más asociado a inconvenientes de tipo administrativo y técnico, o si el complejo ético característico del colombiano determina de manera importante el desarrollo dado al tema fiscal.

Palabras clave: recaudo tributario, imposición fiscal, impuestos directos, impuestos indirectos, equidad, ética, Estado.

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INTRODUCTION

One of the great functions that the state fulfills through fiscal policy is the redistribution of income that, in the end, should result in social improvement for those who are under difficult economic conditions. From the perspective of fiscal collection, the way legislation is passed, who, how and how much each individual should contribute to the national budget, generates changes in purchasing power as the state collects a certain proportion of its monetary revenue. In this sense, taxes can be of two types: direct and indirect. In the first, its main source of input to the national treasury is income tax, and the second, value added tax (VAT). Likewise, in order to achieve fairness in tax terms, it is imperative that direct taxes have a greater preponderance over indirect taxes, insofar as the latter do not discriminate according to the taxpayer's ability to pay, but, on the contrary, grant egalitarian treatment.

In the Colombian case, although some of the ten tax reforms determined in the last decade of the 20th century and at the beginning of the 21st, established within their objectives to promote equity and fiscal efficiency, this has not only been impossible to materialize, but also, and as a consequence, the burden of taxation has been overloaded onto the shoulders of those least able to bear it. Even with the economic liberalization process of the 1990s, a series of reforms was initiated that advocated the increase of VAT and certain exemptions from the payment of income tax. For example, income tax receipts as a percentage of GDP decreased from 5.4% in 1991 to 4.9% in 1997, while VAT increased from 2.4% to 3.6% during the same period (Arévalo & Rodríguez, 2001).

Trying to understand the background of this situation, that is to say, the last determinants which have not made it possible to execute a collection that tends to foster equity, necessarily implies dispensing with the causes that are commonly attributed to this, but which in no way approximate a deep reflection on the problem in question. If this is attributed to technical-instrumental strategies, arguing that they have been significantly ineffective, a complete and finished vision of what is behind this situation of the national treasury could not be constructed.

In such a state of affairs, the relevance of analyzing the dynamics of the fiscal collection that characterized the country during the period 1990-2010 is necessary, in light of the national ethical constraints inherited from colonial times, in the middle of which the interaction between the social, economic and political spheres takes place. It is precisely this ethical deformation of Colombian society, characterized, among other things, by irresponsibility and the desire for money at any cost, which functions as a huge obstacle that significantly impedes the positive evolution of tax policy. Perhaps it is precisely in the national problems of inequality in tax collection that the significance of these particular patterns of behavior becomes much clearer.

This article contains three sections that are an attempt to develop these approaches. The first contains a theoretical framework of the state: its origin, its fiscal monopoly and a critique of the postulates of classical economics. The second analyzes the various tax reforms carried out during the two decades under investigation, and determines how much they have retained the principle of fairness in tax collection. The third incorporates a

revision of Colombia's historical past, from colonial times, to find the main determinants from which the national ethic was established that is still strongly manifested today. As for the latter, it is the hope of the authors that it may be of some contribution to the understanding of the problem that is the object of study in this article.

THE STATE AND TAXATION

The direction of tax collection is in the hands of a specific entity: the state. So, if the intention is to study, in-depth, a problem of a fiscal nature, nothing is achieved if state functionality is taken for granted, leaving behind the possibility of recognizing the complexity of this entity, which, far from being just like any other, is one that has the power to interfere in the lives of everyone. It will be necessary to ask about the origin of the modern state, that is, about its foundation. Thomas Hobbes focuses on the human being and recognizes that all are born equal: each one flaunts his own talents, but he dismisses those of others. This allows us to recognize the natural tendency of man to differentiate according to the friend-enemy categories.

If, in addition, there exists a limitation in the amount of resources available, as indeed happens, what remains is a confrontation to obtain what is desired. This suggests that war and not peace, is the innate condition of the human being. Nevertheless, man is always worried about a longing: that of living as long as nature permits. Taking care of oneself and violent action being the two primary instincts of man, there seems to have been no alternative but the creation of the state, that is, to reduce all wills to a single will. The state is, according to Hobbes (1994):

One person, of whose act a great multitude, by mutual covenants one with another, have made themselves everyone the author, to the end he may use the strength and means of them all, as he shall think expedient, for their peace and common defense (p.145).

If the basis of the state is violence, it is hardly consistent that it must have a monopoly of force that, otherwise, would have no place unless it has a fiscal monopoly. It is then individuals who, by wishing the state to patronize a collective well-being, finance, that is, sustain, state existence. This means that the power of the state reaches immeasurable dimensions and yet there is something more transcendental: "The states present a chaotic, irrational appearance with multiple ministerial autonomies, pressed in an erratic and intermittent way by the capitalists, but also by other power groups "(Mann, 1997, p. 82).

Neither in its origin nor in its development has the state shown itself as a manifestation of rationality itself. The state could be attributed with a significant degree of arbitrariness. In this sense, it cannot be safely proclaimed that decisions taken regarding the tax issue, which involve an important process of the redistribution of resources, obey strict macroeconomic calculations, but there is something fundamental that more transcendently determines the course this policy takes: the always problematic and complex overlapping of political, social and economic interests that move within the state.

There is a particular and singular interest that tends to emerge victorious in the tributary theme: that of capital, or that of this social relation of power, as Marx masterfully conceptualized it. Specifically for the Colombian case, the state argument for stimulating investment through tax exemptions falls under its own weight, because the reality is that the attenuation of tax burdens on capital does not necessarily translate into greater employment and income opportunities for the whole of society, but rather the result is a filling of the pockets of a few. However, there is something very curious here: classical economic theory dictates the non-intervention of the state in economic matters, so as not to hinder the free movement of economic forces, while at the same time seeking financial favors from the state.

One of the postulates of classical theory, perhaps one of the most transcendental, states: government interference is characterized, among other things, by being harmful and reckless and should be kept out of economic affairs, since everything is directed towards an economic balance that solves any eventuality. The economist William Petty was fortunate to find himself within a period prior to economic dogmatism, and this allowed him to view the tax subject with a perspective rooted in reality and not in ideality. Thus Petty (1986) can recognize, for example, that tax collection tends to decrease in the event that the population supposes that the state is wasting that received revenue or that the amount of payments is unequally imposed. In addition to mentioning the adequate development of the tax year as an obstacle, the permanent enigma of what should be the magnitude of the tax imposed by the state and the belief that the political leader transfers part of the money collected to certain people based on their own favoritism.

But Petty was not limited to simplifying the fiscal to merely economic explanations, but his interest transcended this: he tried to capture the very complexity under which the subject of tax collection gravitates. Subsequently, the economic thinker Adam Smith, while mentioning in his investigation the wealth of nations as the fundamental principle of tax equity in order to preserve social order, argues that economic liberalism must necessarily be exempt from all governmental interference, for not even the most farsighted and prudent government can do as much good for society as the initiative of individual interest. It is this interest of businessmen that, according to Smith, has the potential to lead to collective well-being. But just stop for a moment and contemplate the world so as to realize that this postulate is nothing more than conjecture, a simplification, an incomplete hypothesis that hides the true scenario of the world.

Keynes (1943) would clearly and emphatically state that he was the only economist who could clearly see the factual context of economics: "... the characteristics of the special case assumed by classical theory are not those of the economic society in which we live today, which is the reason why their teachings deceive and are disastrous if we try to apply them to real facts "(p.15). If classical theory refers to a world that has the particularity of not existing, it would be pertinent to doubt the practical usefulness of its postulates for society.

However, for the Colombian case, in the 1980s, and more intensely in the 1990s, the economic imperatives of economic growth came to the fore and the idea that the failures caused by state intervention were larger than those presented by market failures. That is to say, what prevailed was the internalization of some principles of idealization and economic

perfection. Under such a state of affairs, problems such as inequality in the distribution of income, which should be addressed from the very same taxation through a progressive tax system, has not been given its due importance under the neoliberal structure. The classical theory would express without a doubt: the situation to which the economic forces lead is the best possible and nothing would be better if the state intervened.

This has reached the point where the pursuit of fiscal equity is taken as the cause of distortions, to the extent that it alters investment decisions, while being accused of facilitating evasion by having to extend the number of marginal rates. Ultimately, to establish a defense of fiscal policy characterized by an optimal tax structure, it is necessary that it should be easy to administer. Faced with this, what remains is a sea of questions. It does not seem that a fiscal policy with these qualities has enough robustness to deal with particular Colombian problems, such as the weakening of the country under one of the highest inequality rates in the world. And then, the lies of the economy and the lies of the state: the first promising general welfare and the second manifesting in the social pact a commitment to equity via taxes, which does not materialize. This is how the crisis becomes clear.

COLOMBIAN TAX EQUITY AND COLLECTION

The Political Constitution of 1991 expresses in article 363: "The tax system is based on the principles of equity, efficiency and progressiveness. Tax laws will not apply retroactively." However, the tax policies that have been carried out in the country during the two decades of study have not corresponded to what was stated in the social pact called the Constitution. The real landscape is quite distant from that tax ideal, so much so that, on the equity side of the system, analysts of the Colombian treasury find that the reforms made since the 1990s have led to more inequality (Arévalo & Rodríguez, 2001). The panorama has been, then, one of a national collection system where indirect type taxes prevail over those of a direct nature (See table 1).

Table 1. Direct and indirect fiscal revenue. Figures in millions of current pesos.

YEARS	Direct fiscal revenue	Indirect fiscal revenue	Total fiscal revenue
1990	822.513	1.150.419	1.972.932
1992	1.846.321	1.747.242	3.593.563
1994	2.810.450	3.764.009	6.574.459
1996	4.046.703	6.086.561	10.133.264
1998	6.061.012	8.948.288	15.009.300
2000	7.526.964	11.734.106	19.261.070
2002	12.110.715	15.429.100	27.539.815
2004	16.409.346	21.367.234	37.776.580
2006	22.955.347	29.849.358	52.804.705
2008	29.987.756	37.008.854	66.996.610
2010	30.350.812	39.809.514	70.160.327

Source: calculations made by the authors based on DIAN figures.

The consequences of the Colombian tax reforms carried out in the last two decades are not characterized by their eagerness to contribute to a reduction of the chronic situation of national inequality when it is recognized that the Colombian Gini¹ index, according to World Bank figures, went from 0.51 in 1991 to 0.56 in 2010. Faced with this, the orthodox theory says that equity comes from the distributive results of the market forces and, if so, attention should be directed primarily towards efficiency in the management of collection. However, this should be called into question, since it is hardly understandable that a country like Colombia, which does not stand out precisely for its favorable conditions of justice and equity², should be obliged to use taxation for redistributive purposes, acting in favor of progressivity in taxes, that is to say, imposing equal tax obligations to people with the same ability to pay and higher taxes to those citizens who have a better endowment of economic factors.

The international comparative offers the possibility of visualizing the magnitude of the problem under study. In general terms, it can be said that the Latin American tax system is characterized by a low level of collection, a low collection of direct taxes, favoring capital income through exemptions and little or no property tax. The structural weakness of their tax systems is that they are not used significantly as a redistributive instrument. The opposite is true in economically developed countries, where fiscal policy has managed to achieve a redistribution of market wealth in favor of low-income sectors.

Despite the fact that the situation in Latin America is not the most favorable and the road to equity is still quite long, fiscal policies have contributed to the reduction of income inequality within certain nations. In countries like Brazil and Costa Rica, the Gini index decreases after taxes, on average by about 0.013 points. However, in Colombia, where efforts to promote tax equity have been weaker in comparison with most other Latin American and medium high-income countries, far from improving, inequality rates have remained worrying. Thus, after applying fiscal policy, Colombia has an even higher Gini index than that shown before taxes: this increased by 0.001 (Gómez & Morán, 2013). This reveals that Colombian fiscal policy works as an aggravating factor which affects the situation of national inequality because it openly favors a greater concentration of wealth in the economically high classes and a greater impoverishment of the classes with low monetary resources.

So we have to ask for the fundamentals under which tax reforms have been designed and implemented in the country, which contain provisions regarding the tax burden, its structure and the control of tax evasion. Who has the possibility of establishing configurations as to which people should pay, why and how much should be paid to the state by means of taxes? It is each of the incumbent governments that assigns this under the figure of tax

¹ The Gini index measures the extent to which the income distribution of individuals within an economy, in this case Colombia's economy, moves away from a perfectly equitable distribution. A Gini index of zero represents absolute equity, while a Gini index of 1 represents total inequity.

² According to the DANE Quality of Life Survey, in 2008 the Gini index for Colombia was 0.59, one of the highest in the world. The richest 10% of the population held half of the GDP, while the poorest 10% had only 0.6% of GDP. In addition, according to UN figures, 27.7% of the national population has unsatisfied basic needs. More than 40 per cent of households have food shortages and more than 20 per cent of children under five are malnourished.

reforms. These, from the side of the collection, may, for example, seek objectives such as the search for an increase in collection, greater efficiency in collection or the reduction of inequity.

Here the essential thing will be to recognize that the use or waste of the redistributive potential that is immersed in the fiscal policy, is subordinated to the clash of interests of the different groups that make up the society. The decisions that will be taken in regard to this policy will be an attempt to collect the results of the negotiation between the different parties. It could scarcely be concealed that "Tax rates and bases, the amount, direction of expenditure, and public debt are not the result of pure economic calculation, but of political negotiation" (Hernández, 2005, p.70). Reality clearly shows that, although fiscal policy is economic in nature, it will be preceded by political activity that ultimately decides its course. Precisely, under this recognition is how the tax reforms that have arisen in the country between the years 1990-2010 should be interpreted.

These reforms, according to their own calculations, based on management figures published by the Directorate of National Taxes and Customs (DIAN, by its acronym in Spanish), have led to quite significant changes in the growth of tax collection and VAT. While in 1990 tax revenue accounted for 41% and VAT 32% of total tax collection, twenty years later these percentages would be in the order of 40% and 44%, respectively (See Figure 1). This reaffirms a significant preponderance of VAT versus income tax: in monetary terms, VAT collection increased 50-fold against that of income tax, which increased only 34-fold.

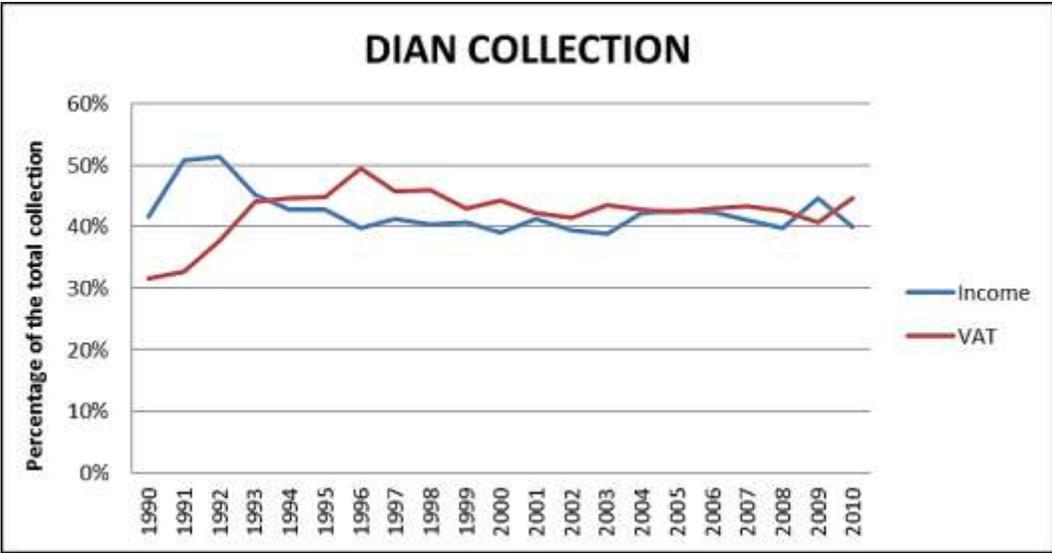


Figure 1. Participación en el recaudo total.

Source: calculations made by the authors based on DIAN figures.

The above is equivalent to saying that in Colombia the way in which taxes are collected has not undergone structural transformations: its adjustments have remained at the purely conjectural level regarding the problem of fiscal deficit, which is what it almost always intends to address, although only in the short term. A centralized tax system is thus

characterized, because the higher tax burden is assumed by an indirect tax, VAT, which is regressive in Colombia and increases income inequality by 1.2 Gini points (Moller, 2012); while, in comparative terms, income tax has alleviated its burden. It means then that taxes have worked under regressive schemes. The priority in the fiscal structure is given to a type of tax that does not differentiate according to the taxpayer's ability to pay and its consequences are barely evident: the accentuation of wealth in the rich and of poverty in the poor³.

The problem under study is directly related to the level of tax collection. This, in Colombia, has grown as the taxable base increases, that is, taxes have not seen productivity flourish in terms of real capacity to collect. In the country, for the year 2010, the total tax collection accounted for 17.3% of GDP, while the average for Latin America was 19.1% and that of the OECD countries, 33.8%. Thus, Colombia is significantly below the average achieved by Latin America, which is considerably lower than that obtained by the OECD countries (Gómez & Morán, 2013). This inability to collect taxes leads to opting for a second, less appropriate option: that of increasing the taxable base through reforms every one or two years.

The search for a continuous increase in economic benefits is a factor that acts as an obstacle to the positive evolution of the collection process: "The existence of double counting and the presence of tax specialists show that individuals and companies act consciously to minimize their taxable income, which is totally consistent with the principle of economic rationality "(García & Gómez, 2005, p.54). It has been seen that this rationality will stop at nothing: it justifies everything, even breaking the law, to violate the treasury coffers and thus ruin the state's budgetary situation. This is a rationality that knows a lot about statistics but knows nothing of ethical and moral grounds.

Thus, the Colombian tax system has suffered because of high levels of evasion. As Rodríguez, O. (2001) maintains, this evasion has been impossible to curb, largely because of the opposition of trade unions to making their accounting records public, and in accordance with this, they have also opposed legislation making evasion a criminal offense. Therefore, although the control of evasion has been written as an objective in some of the tax reforms, the truth is that in reality it has not materialized: "The evasion of income tax, 27%, represents some \$ 11.6 trillion a year, evasion in VAT another \$ 8.3 trillion, and on the other hand, smuggling is estimated to exceed \$ 4 billion a year "(National Department of Planning-DNP, by its acronym in Spanish - 2011, page 784). Perhaps they would not have reached such figures had it not been for accountants skilled in the art of distinguishing

³ It is ridiculous to claim such a state of affairs by arguing that the targeting of public expenditure will reverse the regressivity of the tax system, when it is known that in the majority of cases those with better economic conditions end up benefiting from state spending on higher education, health and pensions, just to name a few. In Colombia, it has not been possible to prevent public spending from favoring private and petty interests. Proof of this is the public complaint made by Professor Salomon Kalmanovitz, based on a report from the Comptroller General of the Republic: the Incoder, without having within its functions the investment in districts of irrigation and drainage, but with the issuance of decree 732 of 2008 Mocarí was allowed to receive such investments that benefitted Uribe Moreno's assets by at least \$ 1.411 billion. This is a clear expression of Colombian law: it does not necessarily protect the rights of all citizens, but is in favor of private interests, in this case, those of the former President of the Republic.

between input and withdrawal, but also being able to use their knowledge to alter the balance sheets and decrease the amount of tax liability.

Another aggravating factor affecting the low rate of tax collection is exemptions from tax payments for certain goods or sectors that, in addition to being equivalent to a loss of \$ 13 billion a year for the state, would have an additional consequence: to promote a culture of "appropriation", in which other goods or sectors will seek the way to imitate those who are exempt, and are even willing to pay for these perks. In this sense, it will be necessary to recognize, within the analysis of the development of the tax reforms, the transcendental influence that power groups have had on the formation of the complex tax structure that exists in the country. What was said on paper for the first debate on draft law 039 of 2006, dissolves any doubts that could exist regarding this subject:

The interventions of the agricultural sector, the transportation sector, the cultural sector, the airline industry, the financial sector, the reforestation sector, the public services sector, the publishing sector, the construction sector, the solidarity sector and the free zones sector, all recognize that the different tax reforms have given them certain preferential treatments either due to tax exemptions or income tax breaks or by the granting of special deductions beyond the normal payment of one hundred percent or tax deductions directly affecting the tax or simply for the management of differential and reduced tariffs against the common denominator of taxpayers, which in the expression manifested through said forums are intended to remain permanently under said tax scheme (Comptroller General of the Republic, 2012, p.17)

In order to reveal the magnitude of the benefits granted to those with large amounts of capital, it would suffice to mention Law 1111 of 2006. By means of this the elimination of the income tax surcharge since 2007 is determined, a reduction of the income rate of people's legal expenses to 34% in 2007 and 33% in 2008, an increase in the investment deduction from 30% to 40% and the elimination of the remittance tax. The latter implies that foreign income transfers and occasional profits received by foreign investment companies are exempt from any tax liability. And not only that, when economic growth impacts higher tax revenues, as happened in 2006, the idea that has emerged in the minds of tax policy makers in the country is to return taxes to companies and the rich.

Something could stir even more astonishment: in July 2005, the Santodomingos' were not obliged to pay any amount for tax on the sale of Bavaria to the SABMiller company, in a transaction of 7.8 billion dollars. So it is a challenge to understand the logic under which these types of facts operate: an entire country is denied the possibility of seeing the extra resources that are needed everywhere, while massively privileging a wealthy business.

As far as tax deductions and exemptions are concerned, one could express the confusion they generate, in Kalmanovitz's words: "I do not know a country in the world where such an important part of the accumulation of machinery is borne by taxpayers, which is not only unfair and hurts employment but is also inefficient and innocuous." If fiscal incentives are supported, most often by arguments under the guise of promoting and offering incentives for investment, the truth is that in addition to diverting resources from their most efficient

allocation, it benefits investments that would have been made regardless of the existence of this tax relief.

In the name of this assumption, which is not only incapable of sustaining itself but also makes it possible to conceal the benefit offered by the state to a few, income tax exemptions have increased by 50% since the year 2000, as evidenced by the Comptroller General. However, exemptions are the most inconvenient incentive instrument, since in many cases the fiscal cost is significantly higher than the investments that it actually manages to promote (García & Gómez, 2005). The picture resulting from the reduction or elimination of exemptions would be significantly positive: the state would increase its income to start redistribution processes in a way that benefits those in less favorable conditions through investment in education, health, infrastructure, research and development. Measures, of course, aimed at building a country with work and social opportunities that benefit the whole population.

The incentive argument for investment through tax exemptions becomes evident as a myth in the rigorous study carried out by the DNP: "The elimination of tax incentives has a positive impact on the Gross Domestic Product, especially in the case of income tax" (Hernández, Soto, Prada & Ramírez, 2000, p.22). The positive impact of the joint elimination of VAT and income benefits is manifold: an increase of 0.17 percentage points of the GDP, an increase in employment and a growth in private investment of 5.79%, results which are clearly significant.

If the tax exemptions had turned out to be greatly beneficial for the companies, it is clear that after natural persons, since in Colombia these people hardly pay any taxes, the exemptions made to the VAT also have a regressive effect. The economist Eduardo Sarmiento (1996) finds that the richest 10% pay half of what the poorest 10% pay for VAT, and it is recognized that the problem of inequality is of abysmal magnitudes. This is strongly supported by the World Bank (2012) in a report for Colombia: the consumption expenditure, in absolute terms, of food taxed at zero rate (meat, fish, milk, fresh cheese and eggs) by the richest quintile represents 24.8% of the total quintiles, while the poorest quintile consumes only 15%.

There has also been a lack of sufficient political will to make land ownership, pensions and inheritance tax enough to gain even a fair bit of equity in the way taxes are collected in the country. As for the former, 58% of the land registry is out of date, which makes it possible to pay a tax that corresponds little or not at all to the true value of the tax obligation and which has a direct impact on rural conditions: scarce financing for social services, security and infrastructure. As for the second, it was only after 1998 that limits were set on pension exemptions: only pensions that exceed \$ 26 million are required to contribute, so that the exempt amount is sufficiently high. As for the third, it has not caused any interest, among governments, to include the payment of fiscal obligations in inheritances that could have contributed to curb the reproduction of excessive privileges.

The characteristics of the fiscal collection process in Colombia are, in the end, very particular. The Colombian State does not have a fiscal monopoly, since violent groups, outside the law, also impose, through force, the payment of various taxes. The value-added

tax became the main instrument of tax collection in Colombia since the 1990s. 60% of the contributions are paid by the consumer and the remaining percentage on behalf of the companies or legal entities, as the owners enjoy significant benefits. Less than 2% of the Colombian adult population pays income tax, and is free from any tax liability for dividends (Kalmanovitz, 2010). High-income wage earners are also widely favored by deductions for savings in pension funds. In short, the Colombian tax system is biased and there are political and social forces that perpetuate this situation.

ETHICS AND COLOMBIAN TAX RECOVERY

As has been stated, in accordance with the facts, the panorama of inequity in Colombian tax collection is grounded, among other things, in the desire to take as much from the state as possible. We will now delve into some relevant inquiries. Should it be regarded as normal for the political leaders of the country to forget the need to promote equal rights while openly favoring the particular interests of a few? Should it be considered normal for the Colombian population with the lowest incomes to bear the enormous burden of fiscally favoring opulent economic groups? In other words, should Colombians get used to and adjust to this panorama while longing for themselves to enjoy these same privileges? Well, it is well known, thanks to experience, that when someone else is favored, one looks at them with contempt, but when it is that same person that is privileged, it is entirely the contrary.

It has, therefore, been impossible to have a Colombian tax system under the principle of equity, that is, that those who have more ability to pay assume a greater responsibility for the financing of the state, considering the appalling distribution of income within the country. The result cannot be anything other than creating inequity while overlooking the potential of the tax system in the construction of a somewhat less inequitable social panorama. Obviously there is an ever-present and significant problem, but what is said about its most primary causes? A series of works have been published where this situation is diagnosed and described. At best, the panorama that would well represent the world the other way around is clearly determined: one of the most inequitable countries in the world uses tax collection in such a way that indirect taxes are the main source of state revenue. And what remains, in the meantime, is the ignorance of the causes that perpetuate this situation.

If we try to observe this panorama by closely studying statistics, calculations and predictions, much can be learned but issues such as politics, state, ethics and culture will be left out, the conclusions that will be reached will contribute very little to the understanding of its deepest roots. It happens that it is precisely these roots that can account for the way in which this tree has been formed, which, in the terms of the metaphor, would be the country. This, it must be said, is the clearest expression of the legacy left by the period of Spanish colonization which still casts a dark shadow across the country.

Thus, if what is being analyzed is tax collection but, as we know, this refers to the issue of the state, we must start recognizing that "the problem of the Colombian state is political rather than administrative and technical" (Palacios, 1995, p.350). This is most clearly

conceived even when it is known that what lies behind every human decision is not a truly rational operation in the style of a computer, but rather the reality is much more complex: it is the influence of all the ethical and cultural foundations that are rooted almost radically in their own interior, which act as a politician, official, entrepreneur and citizen, and establish a way of relating to themselves and to the world of which they are also part.

This being the case and with the aim of illustrating the issue of inequity as it relates to national tax collection from the ethical tone under which the country gravitates, it must be necessary beforehand to address the fundamental concept of ethics to subsequently find a more analytical approach to the historical determinants rooted in a particular ethic and would strongly influence the course taken by the country. Finally, to recognize that the fiscal obstruction of the country carried out by social sectors of power is not a new story, on the contrary, it has become evident throughout the country's history. Hence, historical rethinking has the capacity to illuminate the understanding of the panorama of these two decades.

In advance, it should be mentioned that the limits of this article prevent a more detailed analysis of the ethical interpretations; nevertheless, one would like to try to cover the essence in brief terms. Ethics is understood to be the temper of spirit that impels man to relate to the world and to himself. As to human existence, which is in each case subjective, the most important philosopher of the twentieth century, Martin Heidegger, would call it *Dasein*: determinate being or existence, which is man, and which has the peculiarity of being the only entity among other beings that has the possibility to understand itself and also to make the world understandable. This implies, fundamentally, that man is possibility but a possibility in time because he is moving towards death. Man is not the lord of beings but the shepherd of being (Heidegger, 2006). The man who has understood his power-being shows his own condition, he relates to it and to the world in the light of its majesty: *thought*, and he does not have to know anything about the predetermined moral commandments that guide his behavior.

However, the evolution of Western thinking has implemented an ethic that, far from being based on the existence of man, has assumed the task of constructing a whole theoretical and practical order under which the man whose maximum expression is the absolute oblivion of being should be addressed. In this sense, the proposition of Christian ethics is essentially different from the Heideggerian analytic of *Dasein*. In the first, the truth of man is based on another being that is not himself, that is, God. While in the second, the truth of man emerges from his own being as long as it corresponds to a power-being of self-understanding.

Man found himself as the most distant and, far from being his own being, understood himself in the form of a Christian who, having to find the forgiveness of God, had to internalize the precepts of the Catholic Church. It was with the Reformation of Martin Luther that this scenario would become substantially different: the way of teaching the word of God is reformed. The meaning pursued by man, transcendence, remained the same but now there were other means to achieve it. For no other reason can Max Weber refer to a "Protestant ethic", that is to say, religious precepts that are established and internalized in the light of Protestantism and that would impel in a transcendental way the emergence of

the capitalist spirit. The analysis of Max Weber (2012) suggests a greater depth in the perspective from which historical success is embraced: the understanding of ethics, that is, of the internalization of certain values, constructs a field of in-depth interpretation.

This can be seen in a splendid way when the wide gap is recognized between the countries aligned with Protestantism and those who, from the execution of a counter-reform process, would be further entrenched in the determinations of the Catholic Church. Although both would ground the truth of man in the same metaphysics: the idea of God, Protestantism would foster a work ethos, while Catholicism would continue to despise the factual world because it is that of sin. And that is not all: this way of relating would translate into a legacy left to the colonized countries and would mark, then, the later development or stagnation of these republics. If current events are viewed from this perspective, it is clear that enrichment, in terms of understanding, is significantly greater.

Under this scheme, where Spain acts like a father and Colombia a son, the Spanish heritage projects its reflection to the whole of Colombian society. From the colonial past to the present day, the values that guided the action of the Spanish have determined, in a transcendental way, Colombian action. Now we must recognize the historical background on which lay the foundations of Spanish spiritual values. These would assume the form of a foundation, according to which the Spaniard would interpret and proceed regarding his being in the world. In Spanish history there is a very telling peculiarity: they executed a historical enterprise in defense of Christianity.

The foundation that allows us to interpret in a central way the structure of the Spanish spirit is clear: it's intense religious feeling. There was, therefore, no other Western Christian who, like the Spaniard, practiced religious fanaticism of such a magnitude as to see himself become the total determinant of his life forms. That is to say, everything Spanish was imbued, necessarily, with intense religious feeling and speaking of Spain and Christianity was almost like referring one and the same. The Spaniard identified himself as a Christian knight, where he saw himself as a hero, and hero in the sense of an almighty defender of his own truth, that is, the idea of God. He feels, therefore, that his mission is heroic: to destroy the unbelievers. Here, a friend-enemy relationship is essential: it is necessary to attack all those who oppose the internalization of Catholic dogma. It is logical to deduce that they acted under the precept: he who is not with me is against me! In addition, believing the Spaniard to be called by divinity to expand and fervently spread Catholicism, he felt for the same reason worthy of the highest regard and honors.

The Spanish nobility, adhering absolutely to the principles of the Catholic Church, regarded as lacking in value the emergence of *homo economicus*. If the central characteristics of the Protestant man were the disposition for work, the austerity in consumption and foresight for the future, the Spaniard felt contempt for all of them. Prestigious titles and land ownership were the only earthly interests that seemed to manifest in the Spanish. The course of history provided great changes: the discovery of America. In front of the eyes of the Spaniards what was presented was nothing more and nothing less than a business of military and religious character. What was demanded of the Spaniard was that already innate spirit of heroism and greatness. For the rest, he opened the doors wide so that without considerable effort they would have wealth and a population from which to absorb labor (Jaramillo,

1964). Here the deepest aspirations of the Spaniards who arrived in America were observed: to appear and to have the same high social position of royal Spaniards without having to incur the painful task of working.

If in Spain the classes that had a greater power were the bureaucracy, the clergy and the military, all of them unproductive, with their arrival on the continent what took place was an identical transmission and reproduction of these forms. This trio of trades made sense in the light of religious mysticism and there was nothing beyond that. It was, therefore, with emotion and not reason, that the Spanish conducted themselves. Américo Castro (quoted by Jaramillo, 1964) depicts this situation accurately: "The Spanish knight needed to be surrounded by a halo of transcendence, a religious, regal or honorable prestige. He had to feel himself in a magical beyond, and as if he was floating above the earth "(p.16). That character of divinity, that is, conceiving everything as a perfect design of God, with which they interpreted reality, would be the only one that would give rise to their actions in the world.

The religious foundation of his existence fostered and built within him a detachment from everything merely mundane. If what was of interest to the Spaniard was to attain titles sufficient to fill him with a sense of pleasure based on pride and vanity born of recognition and social position, it is barely conceivable that he would walk without the slightest care to build in the territory, which today is Colombia, a strong administration that looks to the future. This being the case, during colonization it was impossible to construct a consistent basis for the formation of a sound policy where regulation and order would be transmitted from political leaders to the whole of society.

The most important public jobs were in the hands of European Spaniards who, in addition to not being settled in Colombia, were fully aware of their role as conquerors and held a strong contempt for the indigenous people, mestizos and even the creoles, and consequently demanded that the Spanish Crown favor them with important privileges: lands, bureaucratic positions, and titles of nobility (Jaramillo, 1965). This could only be translated into one panorama: the absence of all patriotism and morality in the political administrators of the nation and a lamentable subjugation of the people who are dispossessed of the means to reflect and internalize this situation as a problem that concerns them directly. Or, equivalent to saying: a legacy of debris from which nothing good seemed to emerge.

To expect the actions of the Spanish to be based on calculation and planning, a democratic vision of politics and a sense of economic rationality seems to be a simple and vain illusion. The reality was that the values bequeathed by the Spanish colonization did not give way to the creation of a civilized society. With the ruling classes incapable of governing, with the perversion of employment, the rejection of forms of work and the habit of expecting everything from the state, as if an omnipresent father full of mercy was involved, the possibility was unlikely that Colombians would establish a form of conduct framed under the principles of order, respect for the law and critical thought.

The eagerness of Spanish rulers to attain and demonstrate a social position was not based on their ability to politically lead the construction of a society with a judicial, social and economic system capable of leading the nation towards overcoming underdevelopment, i.e.,

it was based on whatever value other than responsibility. To our dismay, the position reached by the Spanish political leader was based only on his skin color and Spanish lineage. This is not a singular characteristic and its repercussions are of enormous magnitude. To say it using the terms of one of the Colombian intellectuals with great international recognition, Professor Rafael Gutiérrez Girardot (1989), this country has the Spanish inheritance of the *simulation* that permeates each and every one of the Colombian life spheres. In this sense, the underdevelopment of the country has been a:

(...) historical product of the Catholicism of the Counter-Reformation, of the ecclesiastical aversion to anything new, of the fear of dogma being called into question by modern knowledge and reason. The very power of the Church which closed the doors of Hispanic countries to the march of history, which enclosed them in a long night of dogmatism and degradation of thought, weakened the state institutions and fostered that kind of civil irresponsibility that picturesquely is called and celebrated as a Hispanic picaresque (P.276-277).

This picaresque is manifested in an extended way in the relation that the individual assumes towards the state. The politician, the oligarch, the bourgeois, is precisely given this civil irresponsibility, he has not categorized the state as a guarantor of common citizenship rights that tend to peaceful coexistence but has seen it as a bounty capable of providing him exclusive economic privileges of large magnitudes. Public property loses its status of serving social ends and becomes something that can be looted. Here we might ask with a little indignation: "What makes a group of families feel that it can freely take from others, and in particular from the state, something that it not earned?" (Kalmanovitz, 1989, p.58).

Accordingly, if something has been static in the historical development of the country, it is precisely the individual way of relating to the world through irresponsibility that was sharpened by the lack of state control to establish patterns of behavior based on respect, responsibility and conscience. This means an act gravitating to that which is not essential. And then, the situation is quite complex: there is a mixture of centralist despotism and citizens who are eagerly seeking to break the law by deception and wrongdoing (Kalmanovitz, 1997). The manifestations of this ethic of irresponsibility are found everywhere: the university student tends to resist experiencing a deep and essential relationship with knowledge, the teacher tends at best to repeat in his classes theoretical lines devoid of context as a creed, and the most diverse public officials, politicians and workers want everything but to carry out an honest and committed work.

This relation with the world and with oneself stemming from irresponsibility has its root in anomia (Gutierrez, 2005), and this is understood to mean the deviation or rupture with the system of norms and social values so that the individual members of the society remain wandering in confusion and disorientation. This, in the end, explains how the individual can develop attitudes that are detrimental to others and that completely obstruct the construction of a country that stands out for being framed under a proper democratic political system. In opposition, the picture is bleak. Every person, deprived of all internalization of social parameters that guide their actions, is open to the possibility of

falling prisoner to the network of corruption, violence, disrespect and of course, civil irresponsibility.

This pattern of behavior, that of civil irresponsibility with all its repercussions, far from being overcome, took the form of an old habit of behavior that won't go away. The development of the country has shown, precisely, ways of exacerbating this decay of social values: two of the most important, the home front and the rise of drug trafficking. The first unleashes the phenomenon of clientelism and the recognition that the state represents a minority while leaving aside large social sectors. The second brings the temptation of easy money to be made: the state is involved in crime, murder-for-hire increases and a mafia culture is established.

The abuse of power, the resistance of the wealthy to taxation, the favoring of the state towards capital returns accompanied by the undermining of the lower income population by the increase in the sales tax, have been, on the whole, characteristics of the Colombian tax system. Now, it turns out that these characteristics have not only become evident during the two decades studied in the present investigation, but have been a constant throughout the history of the country. In this context, it could be said that the picture has been persistent: inequity in the way in which national taxes are collected even though their manifestations may have undergone certain changes over the years. Given the persistence of the problem, it seems feasible to interpret Colombian tax inequity in light of the ethical constraints rooted in the country since the colonization process. Thus, the country continues to gravitate under the foundations bequeathed by the Spanish conquest, the situation, far from finding a way to be overcome, has been reproduced again and again.

Neither the past nor the present has succeeded in getting the rich and powerful to pay taxes according to their monetary capacity. What exists is a way of dealing with taxes through fraud, evasion, avoidance, the purchase of favors from particular interests, where, in addition, "the legal regime itself sanctions their right to evade taxes, because it is classified as a violation and not as an offense to property, in this case public property" (Kalmanovitz, 1991, p. 321), so that the state is flexible in this situation, it is clear that the principle of equity cannot, even in the best of cases, appear on paper. Economic sectors such as livestock, agriculture, coffee, oil, have been able to dissociate in a certain way from the tax system through the political favoring that their economic position allows them at their leisure. However, most Colombians cannot dare to enjoy these same benefits. The population with low and medium incomes, contrary to the wealthy, cannot avoid their tax burdens by looking for partners in Congress or by looking at accounting figures that have nothing to do with reality, but carry the burden of payments for VAT by which the fiscal finances of the country are mainly supported.

As Marco Palacios (1995) puts it: "The economic Achilles' heel of the Colombian state seems to lie in its low extractive fiscal capacity" (248). What it reveals is nothing more and nothing less than the weakness of the state, which, moreover, has been historical. It is the weakness of a state that has not had the will to accept itself, that is, to recognize itself for what it is, an entity that has at its disposal the guarantee of common rights for all inhabitants. The picture is by no means encouraging: its weakness is reflected in a transcendental way in the inequity under which the Colombian tax system gravitates. The

state is unable to prevent its submission under power groups that end up co-opting the state for their own benefit, of course, to the detriment of the vast majority. The state is then an entity capable of being held hostage, corrupted, robbed, in a word: lost.

One of the greatest thinkers, Nietzsche, would come to say: "Man is an unfixated animal." Every man in the future of his life decides each and every one of his actions motivated by the internalization of some principles. These principles can lead you to a vigorous life characterized by significance or one that withers in insignificance. In the case of the Colombian, the internalization of Catholic dogmatism bequeathed by the Spanish permeates each of the areas of the social sphere and directs his action from the principle of irresponsibility. The result is, then, a society that stands out for its hostility, cheating, deceit, selfishness, in short, chaos.

If man, who is himself in each case, is called to assume his selfhood, that is, to understand his power-to be, to think, Judeo-Christian metaphysics is not questioned by being, so the truth is God, the Creator of the cosmos and all creatures, capable of responding to each and every one of the worries that surround the spirit of man. Man is immersed then in a way of attaining the redemption of his sins and the salvation of his soul granted by the grace of God. If man has as a goal, to reach beyond the factual world it is considered despicable because it is, precisely, the space of sin. The Spanish internalized these metaphysical topics intensely and passed them on to modern-day Colombia. This is transcendental: it restricts the possibility of thinking about the self and also translates into an ethic of irresponsibility and arbitrariness. Hence the weight of the Spanish legacy is of considerable magnitude for Colombia.

CONCLUSIONS

The state is constitutively conflictive and the question of the tax system in regards to state action is conditioned by the complexities of the state. Taxes, then, are the point where the junction of interests from the most diverse social sectors becomes evident. As it happens, the foundation of the state is taxes, that is, deprived of fiscal monopoly its ability to sustain itself would certainly fade. Citizens, then, finance the support of a state that will compensate them with civilization and, at the same time, should assume responsibility for the collective welfare that defends the interests of the weakest segments of society. The principle of tax equity must therefore be a priority in economic policy.

For the Colombian case, the state has not internalized the commitment it expresses through the Constitution as far as this principle is concerned. Its various governments in turn have openly favored minorities through taxes under a multiplicity of measures: reduction by investment in fixed assets, exempt income, tax deductions, precarious control of evasion by the opposition of certain economic groups, exemptions to VAT that favor the wealthiest and little taxation of land ownership. This inevitably leads to millions in losses for the state that must be solved in some way: increasing the rate and tax base of VAT, precisely because of its ease of collection. This is the concept of efficiency and a supposed incentive to invest when both arguments are highly questionable and fall by their own weight. It is the story of a state that serves a few to the detriment of the vast majority. Thus, the reason

that the Colombian tax system is regressive, that is, makes the rich richer and poor poorer, is not the result of administrative or technical problems but political ones.

If one intends to understand what is essential in this problem of inequality in Colombian tax collection, it will be necessary to visualize its background: it can be said that the first cause, fundamentally, is not in the technical- operative field, but is a manifestation of an ethic of irresponsibility, a daughter of Catholic dogmatism impregnated in Colombian society since the time of the Spanish conquest. What is behind it is undoubtedly a social complexity in the midst of which the country's future takes place and which continues to determine the history that is written of it. The internalization of patterns of behavior based on deceit, lies, contempt for work, the desire to flaunt social position, the servant-slave relationship, provincialism and more fundamentally, civic irresponsibility, have left mournful manifestations far and wide where Colombia has toiled from the past to the present. The political class is a function of anything but the search for collective welfare, the most powerful economic groups see the state as a benefactor of their selfish interests, the vision of expecting everything from the state is extended, and the vast majority need to see how the state minimizes their rights to expand those of a few.

Faced with the problem in question, what remains to be done is a critical assessment which is the only way to understand such a state of affairs. To recognize that the problem is fundamentally ethical in character, that is, a temper of mind that is bound by irresponsibility has led Colombians to relate to the world and to themselves in such a precarious way. If thought and responsibility were not abandoned, the country would definitely be altogether different: one where the expression of the social pact is justice and fairness, one where there is discourse and not arbitrariness that decides the course of the country, one where those who have more pay more, regardless of their political and economic influence, one where the task of contributing to the reduction of inequality in the distribution of income is born of a political will. This is to say, a strong state, properly democratic that promotes public responsibility to gain legitimacy. All of this involves immersing oneself deeply in the understanding of man and society, rejecting dogma and embracing the majesty of thought.

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