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Liberalism in Colombia

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From at least the lead-up to independence from Spain in 1819 and the subsequent organization of Colombia as a republic, liberalism has been alive in many Colombian thinkers and leaders. Colombia today has a political party that was formed in 1848 and that still bears the name “liberal.” The Colombian Liberal Party began with significant liberal bearings but moved leftward during the twentieth century. As one of the largest parties in Congress, it is generally inclined toward the governmentalization of social affairs, contrary to its original tendencies. Notwithstanding the Liberal Party’s shift, liberal ideas remain influential in the public debate.

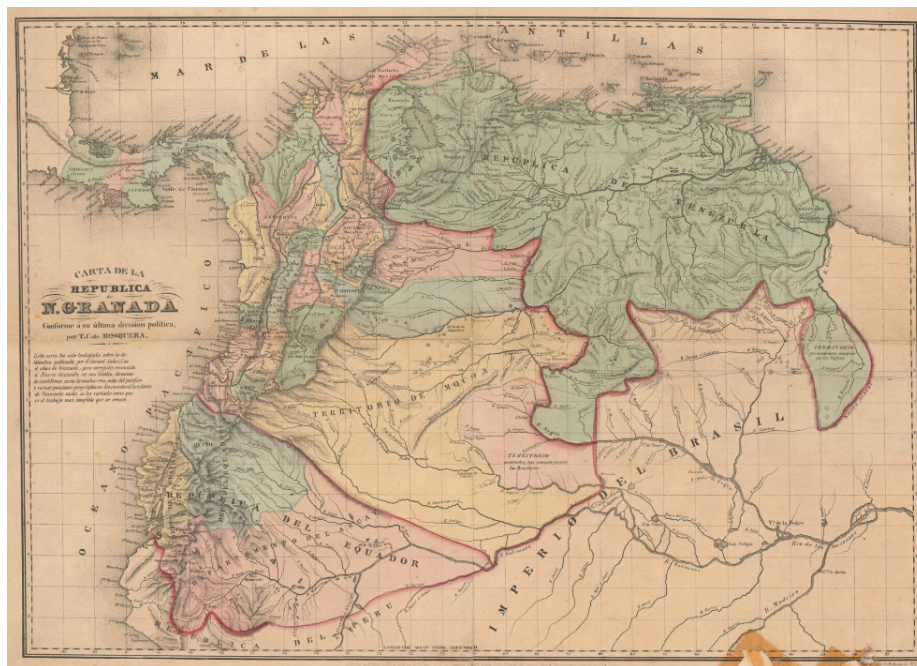
This article focuses primarily on the economic aspects of liberal thought in Colombia. Notably, that includes the economic debates that have taken place since the beginning of the nineteenth century on the topics of global and national trade integration, a modern monetary and banking system, and government intervention in the economy. The Colombian story bears likeness to those of other Latin America countries, some of which are told in the present series: Venezuela (Faria and Filardo 2015), Guatemala (Marroquín and Thomas 2015), Mexico (Kuchař 2016), Ecuador (Romero, Hodgson, and Gómez 2018), Peru (Saenz-Armstrong 2018), and Brazil (Berlanza 2020).

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Economic challenges of the young republic of Colombia

In the colonial period, the House of Bourbon dynasty reigning in Spain and its colonies strove to increase the empire's wealth and power. However, the governments of the Spanish monarchy in the Americas had always been somewhat influenced by proto-liberals like the sixteenth- and seventeenth-century Salamancans and liberal thinkers from Adam Smith's time.



Republics of Ecuador, New Granada, Venezuela (Mosquera 1852)

Circa 1800, voices arose that drew on liberal political economists. The first generation of these engaged in public discourse about expanding trade and improving tax collection. This generation of citizens generally mixed Smithian ideas of liberalization with intentions to increase the amount of land put under production. The political integration of territories led to an increase of productive land. Areas within the country became integrated with institutions of the national government, which often promoted internal migration and development of newly integrated areas. Real estate was also confiscated from the Catholic Church to increase productive landholdings. Besides these aims, mercantilist ideas were still prominent in the discourse, such as retaining metallic currency through a favorable

trade balance.

At the beginning of the nineteenth century, Colombia consolidated under the government of the viceroyalty of New Granada.³ José Ignacio de Pombo (1761–1812) and Antonio de Narváez (1733–1812) stated their concerns about the fiscal policies of the Spanish crown. Their critique focused on the tendency of the crown, engaged in a war against Great Britain, to demand more resources and impede local trade. De Pombo and de Narváez both resided in the port city of Cartagena, the main commercial port of the viceroyalty of New Granada. Cartagena was one of the most important ports of the Spanish crown in the Caribbean Sea and one of the most affected by the crown reforms regarding international commerce.

The selection of Cartagena as headquarters for the Consulate of Commerce confirmed its commercial importance in 1795. Cartagena merchants defended their economic interests via the Consulate, which also addressed concerns of Spanish crown officials such as combating smuggling and fraud to the treasury. The Consulate expounded on the advantages of having a trading system not limited to Spaniards. In reports put before the Consulate, a series of viceroys of New Granada serving between 1773 and 1810—including Manuel Guirior (1708–1788), Manuel Antonio Flórez (1722–1799), Antonio Caballero y Góngora (1723–1796), José Manuel de Ezpeleta (1741–1823), Pedro de Mendinueta (1736–1825), and Antonio José Amar y Borbón (1742–1819)—implied that the expansion of trade would only bring advantages.

However, the crown refrained from taking measures favoring free trade for fear that such measures would favor the colonies' demands for autonomy. In general, crown officials followed the rule implemented under King Carlos III of allowing inhabitants of his domains to trade freely with each other but not with nonsubjects.

The political crisis of 1808 confirmed the crown's fears about its colonies, which led to the abdication of the House of Bourbon dynasty in favor of José Bonaparte, Napoleon's brother. The compromised loyalty of subjects in Europe and the Americas gave rise to divergent positions between the monarch and his subjects.

In the viceroyalty of New Granada, several of the Spanish king's subjects acted to resolve the dilemmas of to whom they owed loyalty. They appointed provisional authorities whose autonomy in some cases quickly evolved—as in the city of Cartagena in November 1811—to a declaration of independence and the establishment of a new government. Cartagena would make its own decisions in

3. The viceroyalty of New Granada was created under the reign of Felipe V of Spain in the year 1739 and covered the territories of the current republics of Panama, Colombia, Ecuador, and Venezuela.

fiscal, monetary, and commercial matters.

The rest of the viceroyalty followed Cartagena's example. However, many of the first economic measures of the new authorities were limited to gathering sufficient resources to finance militias that sought to secure the newly achieved independence.

Armed confrontations between the Spanish army and the revolutionary troops who sought independence broke out between 1812 and 1824 in the New Granada territories. The independence wars and conflicts consumed considerable wealth and human lives and ended with victory for the revolutionary troops. The new Republic of Gran Colombia was established in 1819. It sought to rule over the entire jurisdiction of the old viceroyalty of New Granada.

Impelled by weak finances, the new government resorted to loans from abroad and forced contributions from its citizens. The debt, duties, and challenges of achieving a stable polity shaped many of the coming discussions and debates in the new republic.

One of the first finance ministers of the new republic was José María del Castillo y Rada (1776–1833) from Cartagena. He struggled with the paradox of how to pay off the republic's financial obligations. To do so would require that it maintain old taxes, add new ones, and tax more efficiently. Private enterprises could then perform without significant obstacles. An example of this paradox was the decision to keep intact the *estanco*, a colonial tax set by the government for sales of products for which the government also set the price, such as tobacco, aguardiente (a popular liquor), and salt.

In the debates and discussions that gave rise to the constitution approved in the city of Cúcuta (which governed between 1821 and 1830), some considered the possibility of taxing people's income under a direct and progressive tax, as well as the creation of a national bank that would allow the consolidation of public debt. Neither measure was implemented, however. Meanwhile, many old tributes from the colonial era remained unchanged in the national economy.

The vast territorial jurisdiction now known as Gran Colombia disintegrated and gave rise to the republics of Venezuela (1829), Ecuador (1830), and New Granada (1832). The external debt contracted by the old republic was distributed among the three countries, with half assigned to New Granada. Between 1830 and 1845, the New Granada governments limited themselves to stabilizing their finances while under a debt that far exceeded the annual budget, which meant maintaining a good part of the old Spanish fiscal regime.

Between 1825 and 1829 the former republic of Gran Colombia signed mutual-recognition treaties that favored free trade with the governments of Great Britain, the United States, and the Netherlands. New Granada continued to import more than it exported.

Not until President Tomás Cipriano de Mosquera (1798–1878), who presided over New Granada between 1845 and 1849, did a more significant commercial opening begin. The tobacco *estanco* was eliminated, allowing free cultivation and producing an export boom. One of the leading promoters of the measure was Florentino González (1805–1874), who served as secretary of the treasury to Mosquera and stood out as one of the most tenacious defenders of economic liberalism in New Granada. Free cultivation served a robust European demand for tobacco. Several entrepreneurs took the risk of acquiring land for tobacco cultivation and participated in this bonanza, which continued for more than two decades.

Along with the commercial boom in the making, a new generation of young politicians began to stand out in public opinion with proposals for change. For this generation, the promises of the independence movement were still unfulfilled, including the dismantling of lingering protectionist policies. The measures advanced by González began to excite the new generation, which had been influenced by the lessons of political economy, now taught in the classrooms and the press. Ezequiel Rojas (1804–1873) was one of the leading expositors of economic thought.

Along with González, Rojas was accused of being part of the assassination attempt on Simón Bolívar in September 1828. They were acting on the perception that the recently proclaimed Bolívar dictatorship was the establishment of a tyranny. Both González and Rojas, then, acquired reputations as conspirators.

With the end of the Bolívar government, Rojas entered a teaching job that, for more than three decades, would place him as the dean of political economy in New Granada, a job that he mixed with his political activism. Using the work especially of Jean-Baptiste Say (1767—1832) and Jeremy Bentham (1748—1832), Rojas structured a series of lessons later published under the title of *Moral Philosophy*. In that text, he favored liberal notions of liberty as consistent with reason and human nature (Rojas 1868). In July 1848, Rojas authored a politically influential article in the newspaper *El Aviso* entitled “The Reason for My Vote.” That title refers to his support for José Hilario López’s candidacy and his support for what would become the Liberal Party, which initially proposed a program based on classical liberalism.



Ezequiel Rojas

TABLE 1. Name and territorial composition of Colombia since 1819 to present

| Year | Name | Present-day countries |
|--------------|---------------------------|---|
| 1819–1830 | Gran Colombia | Colombia, Ecuador, Panama, Venezuela, and portions of Brazil and Peru |
| 1830–1858 | New Granada | Colombia, Panama, and portions of Brazil, Ecuador, and Peru |
| 1858–1863 | Confederation of Granada | Colombia, Panama, and portions of Brazil, Ecuador, and Peru |
| 1863–1886 | United States of Colombia | Colombia, Panama, and portions of Brazil, Ecuador, and Peru |
| 1886–1903 | Republic of Colombia | Colombia and Panama |
| 1903–present | Republic of Colombia | Colombia |

The liberal period

During the second half of the nineteenth century, when liberal thought reached a more tangible form, many Latin American countries experimented with liberal reforms, and liberal-leaning political movements gained power. The liberal reforms or aspirations during this period were often reflected in formal constitutions and laws. In the Mexican case, for example, liberal aspirations were reflected in the 1857 federal constitution (Kuchař 2016).

The liberal period in Colombia was more extensive than in most other Latin American countries in the nineteenth century. The period includes, among other things, some years of free banking, the abolition of slavery, partial reductions in tariffs, federalism, religious freedom, and the separation of church and state.

From 1850, though, political ideas constantly clashed, and different groups fought one another with words and weapons alike. There were six civil wars between 1850 and 1886. As in other Latin American countries, Colombia's liberal period was mixed, troubled, and short-lived. The most liberal constitution of 1863 was replaced 23 years later, in 1886.

The liberal period started formally with José Hilario López winning the presidential election of 1848. López's program was characterized by proposals that emphasized individual liberties, the rule of law, and meritocracy in public office and employment. During López's presidential term, many young liberals started to participate in the political process with the firm conviction that the country needed to leave the colonial era behind. These young liberals were primarily influenced by political ideologies in France, but the influences of England and the United States were also important (Safford and Palacios 2002). At the same time, intellectual works like those by Smith, Bentham, Say, David Hume, John Locke, and John Mill began to permeate the minds of some of the influential members of society and helped to configure a narrative around the concepts of economic and individual

freedom.

Special mention must go to Frédéric Bastiat (1808–1850), the famous disseminator of liberal ideas in France that impacted many countries in Europe and the Americas. One of his works, *Economic Sophisms* (Bastiat 1848), was republished in New Granada. Another was translated and expanded as *What Is Seen and What Is Not Seen: Political Economy in a Lesson, Given to His Countrymen in France by Frédéric Bastiat and Interpreted and Offered to His People in Zipaquirá by Eustacio Santamaría* (Bastiat 1853). As in other Latin American countries, the liberal spirit imbued a new generation eager to change colonial traditions and, in their view, bad administrations. Compared to prior generations, this new generation was more educated and more in touch with international associates and events. Many had gone to schools organized in the republican era of the country, following a non-colonial curriculum (Bushnell 1996).

Ezequiel Rojas's endorsement of José Hilario López, expressed in "The Reason for My Vote," is usually seen as the starting point of the Liberal Party in politics. In the article, Rojas summarizes the policy demanded by a party that calls itself liberal as follows:

In short, the Liberal Party wants a government organized to benefit the governed. It wants a republic, a truly representative system, an independent congress, an executive branch with powers limited by law and responsible for an independent judiciary, good laws, and an unmistakably national and American executive power with impartial justice for all, which by its actions takes into account nothing but the public benefit. It wants all this so the obedient will not be slaves to those who govern; so there can be true liberty; so we can liberate ourselves from theocratic government; so those of Granada can truly ensure ownership of themselves and their properties; so these guarantees will not be broken promises. (Llano Isaza 2009, translation by Fergus Hodgson)

Colombia's liberal period gained that name not from a description of the general ideas in the country but from the ruling party. At its start, the Liberal Party united figures who endorsed a liberal tradition and were influenced by Bastiat and other French liberals. In the period of 1844–1880 or so, characterized by the rule of the Liberal Party, we can see that the policies were focused on two major topics, namely the relationship between the church and the state and the country's economic policies. Some of the policies followed a true liberal spirit, in the Smithian sense of "allowing every man to pursue his own interest his own way," within the bounds of commutative justice. However, others fit more into unruly polity struggles over power, influence, and stability, with interest groups playing major roles.

The church and the state

For some Liberal Party members, the Catholic Church represented the old colonial tradition. The church was seen as an institution opposed to the aims and values of the Liberal Party, specifically freedom of religion and freedom of speech. The church was seen, or at least portrayed, as supportive of the Kingdom of Spain. Among the new government's first objectives was reforming the relationship between the church and the state.

The Jesuit order, which had been expelled from the Spanish colonies by King Carlos III, had returned to the country in 1844. The Jesuits were a permanent target of the Liberal Party. One of its first actions was the expulsion of the Jesuits from the country. Frank Safford and Marco Palacios (2002) mention the expulsion as evidence of French influence among the Liberal Party partisans. Eugene Sue's novel *The Wandering Jew*, openly anti-Jesuit, was well-known among liberals.

In 1851 the Liberal Party gained control of the legislative power and passed a law considered radical by a large part of the population. The new law ended the *fuero*, which had accorded to priests the privilege of being judged in ecclesiastical courts, so that priests would be judged in secular court. The law gave the members of the city councils a role in the selection of assigned priests. And in what amounted to a confiscation of church loans, it allowed the owners of property indebted to the church to free themselves of the obligation by paying half of the value to the government instead of to the church (Safford and Palacios 2002). This last concerned the *censo*, a form of mortgage with the church as lender. It allowed the colonial church to become an essential source of financing when lenders were limited or non-existent. The *censo* helped the church to become one of the biggest lenders in the region, as well as one of the biggest landlords. It also helped many merchants to finance their operations (Mena García 1996).

In the 1859 revolution, the church openly favored the Conservative Party. In the 1860s, when the more radically anti-clerical wing of the Liberal Party gained office, their measures were extended to include the confiscation of church properties. Under Tomás Cipriano de Mosquera measures were especially severe and took on a punitive character. In 1861 land ownership by the church (derisively described by detractors as mortmain) was abolished, and a redistribution of the church's land took place. Supposedly the idea was that the confiscation would lead ultimately to better use of the land, and with that in view, sales revenue for the confiscator and greater social product. To many people, the confiscation measures were retaliation against the church for having backed the Conservative Party.

The Liberal Party government's assault on the church was a major misstep for two reasons. First, the radical posture helped the conservatives construct a

narrative of liberal values being unsuited to a Catholic country. Second, in some cases it showed a replacement of liberal ideals for political convenience. Sadly, this departure eventually led to the complete separation of the Liberal Party from liberty itself. This clash shows some of the dilemmas and paradoxes in the union between liberal ideals and real-world politics.

The expulsion of the Jesuits obviously tramples basic freedom, and in particular assaults freedom of sect and religion, a cornerstone of the arc of liberalism. Also, some of the confiscations against the church did not even live up to fiscal promises (Jaramillo and Meisel 2008). When executing the liquidation of confiscated church properties, the amounts collected were significantly lower than expected, though still important for the government. At the same time, most of Mosquera's aggressive reforms faced internal opposition from other Liberal Party members, like the faction called Radicals, which favored *laissez-faire* with regard to religion, in the manner of the United States, and opposed Mosquera's confiscation process.

Economic reforms

The liberal period in Colombia was marked by two economic reforms: territorial political integration and the encouragement of exports.

First, the government supported the political integration of lands around the Magdalena River, the main river in Colombia and the most direct outlet to the sea and therefore to international markets. The process of expanding political integration of territories caught on quickly (García de Kausel 2013).

Second, the government promoted an economic model focused on exports. The primary sources of exports continued to be agricultural, and to a large extent local growth did occur. It is important to remember that many parts of the country were unavailable and inaccessible because of geographical barriers. The political integration of specific regions of the country created new sorts of groupings of the populace and a distinctive working class.

At first, many of the young members of the Liberal Party were defenders of the free-market system. Although many of the export policies were oriented under that ideal, as time under the Liberal Party administrations passed, the idea of the market over the government began to fade. The Conservatives and Liberals at that time had the same ideas for how to incentivize the country's economy. Irrespective of party, the majority believed in dismantling the colonial tax system centered on monopolies (tobacco and *aguardiente*), which constituted a significant obstacle to private activity. Both parties also endorsed the idea that economic development would depend on the growth of international trade (Melo 2015).

Laissez-faire policies and the endorsement of free commerce were present in the popular mind and were not exclusive to members of the Liberal Party.

Since 1845, public opinion had become more market-oriented. Newspaper topics seemed to change from exclusively political news to incorporate economics and business (Safford and Palacios 2002). The focus on economic issues perhaps helped the Liberal Party governments in office, but some of the policies were not significantly implemented in reality. Tariffs took many years to disappear, for example, as the government had no other significant sources of revenue.

Partly from the policies of openness and colonization, New Granada began growing exports. The main export products were tobacco and cinchona bark. The regional entrepreneurs never stuck with one product and were more focused on the international price changes between products, moving between products with high prices. Despite the reduction in taxes, the central government found an increase in customs revenue, stimulated by the export boom of 1850–1875, such that in the 1860s collection levels had returned to those of the 1840s (Melo 2015). Export growth was present between 1875 and 1898, with a recession between 1888 and 1891 (Ocampo 2013). The climate of economic strength during a big part of the period was favorable with the acceptance of market-oriented policies and the laissez-faire vision of many Liberal and Conservative elites.

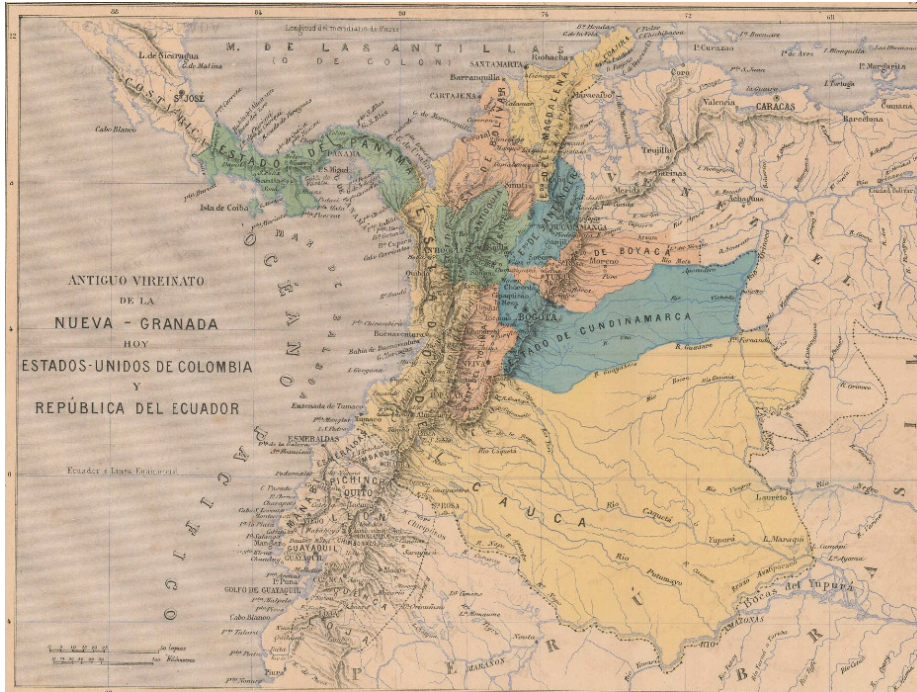
The 1863 constitution

The liberal spirit of the ruling Liberal Party peaked with the new constitution of 1863, known as the Rionegro Constitution. The document ruled the newly established federal country of the United States of Colombia between 1863 to 1886. It was a formal body of laws that consolidated and amplified some of the previously mentioned reforms and was libertarian in spirit. It established a federalist government with highly independent states and individual liberty as a fundamental goal. The role of the central government was limited to a few functions, and individualism was highlighted over collectivism. The constitution declared in its article 15, section three, that:

Individual freedom is guaranteed, with no limits other than the freedom of another individual; that is, the power to do or omit everything whose execution or omission does not injure another individual in the community. (National Constituent Assembly 1863, our translation)

The constitution also incorporated notable elements such as freedom of thought, press, and religion, the freedom to travel without a passport through the

territory and leave it without restrictions, and the freedom to carry and trade arms. It was inspired by the constitution of the United States of America. In practice, however, the implementation of the constitution faced problems, and the political struggle was more substantial than the liberal ideals.



United States of Colombia (Erhard Schièble 1883)

Colombia's federalization process was framed in a period of continuous war and revolution. The federal government used its power to punish the states that were opposed to the central government. For example, after the Conservative government of Ospina Rodríguez, which had ended in a civil war won by Liberals, the new government removed all governors of Conservative affiliation and installed Liberal ones. The action produced unrest in states with a conservative majority such as Antioquia. The tensions created a continuous animosity between states and the central government. The problems between minority and majority parties were widespread because, as some scholars have shown, electoral fraud was widespread, as regions controlled by one party often showed suspiciously high vote counts for that party (Bushnell 1996).

Many critics started a campaign to support a single strong command, centralizing power. Thus dissatisfaction with the central government actually tended to erode the institution of federalism. To make the situation worse, internal

conflicts of the Liberal Party led to division between factions. Political booty began to appear as the central factor in electoral contests. Corruption and irregularities in government enterprises increasingly appeared in the period. Liberal spirits were often broken by participation in governing and electoral politics, leading to compromise. For example Manuel Murillo Toro, who in 1857 had argued that the state should not take responsibility for road-building, supported government participation in public works during his presidency and became a full advocate of it by the 1870s (Safford 1988).

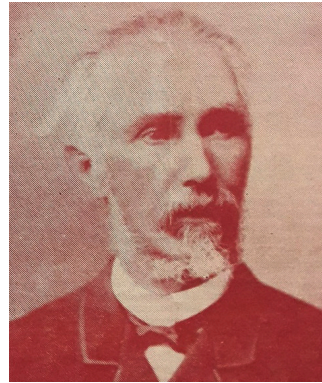
After the so-called liberal period, the Conservatives gained office in 1880, led by Rafael Núñez, and started a process known as “la Regeneración.” Many of the liberal reforms were overturned, including the 1863 constitution, producing a drastic change in the structure of the state. The Catholic Church also benefited from the change in government and started a recovery process. In 1888, the Conservative Party government signed a concordat with the Vatican that exemplifies the conservative vision and reflected the Colombian people’s relationship with the church. The first lines are as follows:

The Catholic, Apostolic, and Roman religion is the religion of Colombia; the public powers recognize it as an essential element of social order, and they are obliged to protect it and make it respected, the same as the ministers, preserving it, at the same time in full enjoyment of rights and prerogatives. (*Concordato Celebrado Entre La Santa Sede Apostolica y El Gobierno de La República de Colombia, y Otros Documentos Eclesiásticos y Civiles, Helguera, J. León Collection 1895, our translation*)

The Regeneración period was not exempt from economic debate. On the one hand, most of the reforms proposed by Núñez were seen as statist and interventionist, in contrast to liberal policies that were often of a laissez-faire nature. One of the significant debates was about the banking system. As of 1880, all Colombian banks were private, and their notes were widely accepted, including in the payment of taxes. Nevertheless, Núñez wanted to establish a national bank early in his presidency and founded the bank in 1881 by using a New York loan backed with the revenues of the Panama railroad. Private banks were obligated to accept national banknotes, and the government eventually prohibited the circulation of private banknotes. The national bank also got involved in a great controversy about printing money to finance the government’s military and bureaucratic apparatus.

The existence of the free banking system under the liberal constitution shows us the broad vision of liberal concepts of the time and the importance of the economic reforms for the liberals. The reforms of the 1860s allowed the evolution

of the credit system that the Roman Catholic church previously controlled. The Colombian system was stable, promoted competition, and eliminated barriers to the entry of new banks, and although it did not last long enough to reach considerable maturity there were 42 banks in the country by 1882. Probably the most significant period of instability in the free banking period was related to the civil war of 1876, caused by political unrest rather than the operability of the banks (Meisel 1992). The creation of a national bank was not prompted by failings in the system of private banks but rather corresponded more to the need of the government to finance its debts



Miguel Samper

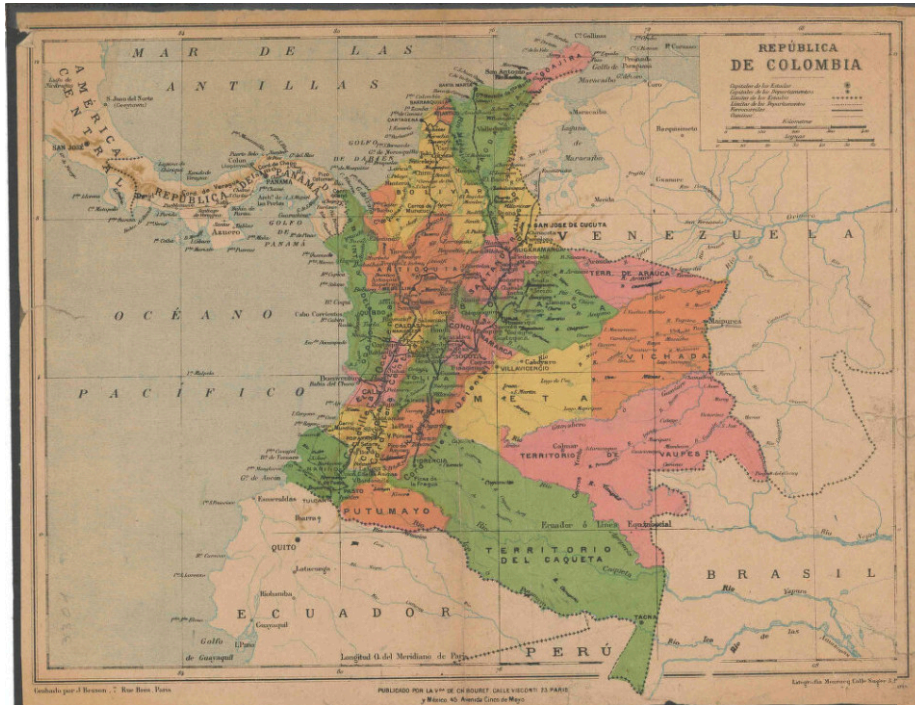
(Echeverri 1994). Two notable liberals, Miguel Samper and Salvador Camacho Roldán, stood out as defenders of free banking and opponents of the national bank, participating in an ongoing debate with President Núñez and Miguel Antonio Caro. Samper and Camacho both argued that paper money would end up being a source of government financing and that the government would eventually be granted monopoly control over emission. Time has proved those liberals right. In 1886, an unprecedented monetary crisis led to an inflationary spiral and eventually hyperinflation, problems attributed to the national bank (Echeverri 1994). The free banking experience in the country seems to have been positive, without a major crisis or instability of the system. Several proposals were discussed in Congress before 1920 to implement the free-banking system again, but none of them became law (Meisel 1992).

The twentieth century and the rise of interventionism

The worst civil war in Colombia's history, the War of a Thousand Days, began in 1899 and ended in 1903. It left between 60,000 and 100,000 dead in a country of about 4 million (Luzardo-Luna 2019). The conflict was a battle between the Liberal and Conservative parties.

The abrupt end of the liberal reforms with the *Regeneración* in 1885 had worsened the relationship of the two dominant political parties and fueled the animosity leading to the War of a Thousand Days. After the war ended, the political discussion was exhausted. Both parties recognized the catastrophe and the futility of the violence. After three years of turmoil, the country was submerged in a fiscal

crisis and faced disruption in the labor system and production. Postwar politics was also affected by the U.S.-backed separation of Panama in 1903 and subsequent efforts by Colombians to recover the lost territory (Bergquist 1986).



Republic of Colombia, 1920

After the war, the Liberal Party would not have a president elected until 1930, but from 1910 the nature of the government was bipartisan in composition. The debate had calmed down, and topics like the relationship of church and state became less pertinent. The climate of economic opinion continued to support the import-export model, but the growing popularity of coffee dynamized the exports cycle and contributed to a rise in economic growth as well as an increase in government revenue. From 1905 to 1925, exports of 60-kilo sacks of coffee rose from 500,000 to 2 million. At the same time, the price of coffee grew on international markets, guided by an increase in worldwide demand (Beyer 1947).

The role of coffee is fundamental to understanding the history and development of Colombia. However, it is also important to understand the generally positive attitude of the people toward external markets and trade. The coffee boom fostered entrepreneurial activity in the areas where coffee was cultivated. Unlike other countries such as Brazil, where cultivation was concentrated in the hands of big landlords, Colombia sprouted small- and medium-sized coffee farms that

contributed to economic dynamism. In the 1932 census, more than 150,000 coffee farms were registered in the country (Bergquist 1986).

While coffee farms grew and international prices rose, the country's government also got bigger. The war was fresh in people's minds, and radical liberal reforms were seen as something of another time. Many of the Liberal Party members were in tune with what was happening in other parts of the world and began to replace classically liberal perspectives with socialist and progressive ones.

Other figures, like Carlos Eugenio Restrepo, who won the 1910 presidential election, searched for moderation in government interventionism. Restrepo, who previously was influential in the configuration of the Republican Union—a political party that championed the ideals of republican government, religious tolerance, and laissez-faire economics—was previously a member of the Conservative Party. However, his vision of the country was compatible with classical liberal principles. His influence was significant during this period. He was also a minister in the administration of Enrique Olaya Herrera in 1930, the first Liberal Party president after the war.

A mission, led by the economist Edwin Kemmerer, reformed the banking, monetary, and fiscal systems of Colombia, Chile, Ecuador, Bolivia, and Peru and helped establish new central banks in those countries. The Kemmerer mission implemented Colombia's new central bank in 1923, but there had been debate about creating a central bank for more than a decade prior (García de Kausel 2013). The central-bank project was amply criticized by Restrepo and some of his former ministers, such as Tomas Eastman, based on arguments similar to those of Samper some decades earlier. Restrepo spoke of “a large group of monopolies in favor of the Central Bank” and that it would “prohibit other entities from any legal business in the same monopolized industries or branches” (García de Kausel 2013). Eastman (1923) commented: “If this project is realized, the existing banks will have to be liquidated today since they will not be able to enter as shareholders of the new bank, nor will they be able to subsist independently of it” (our translation). Despite these liberal arguments against the project, the central bank was approved.



Carlos Eugenio Restrepo

Postwar years

After World War II, and true to the spirit of the times worldwide, came years of state intervention in the Colombian economy. Colombia had already been imposing exchange controls and development credits to support an industrialization model along the lines of ‘import substitution,’ the policy in vogue across Latin America.

One of the Colombians decisively supporting the rise of state intervention in the economy was Carlos Lleras Restrepo (1908–1994)—no relation to Carlos Eugenio Restrepo. An intellectual member of the Colombian Liberal Party, Lleras Restrepo was head of the Ministry of Finance between 1938 and 1942 under the government of Eduardo Santos, delegate to the Bretton Woods monetary conference in 1944, delegate to the commercial conference in Havana in 1947, and finally president of the country from 1966 to 1970. An influential disciple of the economist and several times finance minister Esteban Jaramillo, Lleras Restrepo believed that state intervention was vital both in extraordinary moments and in general economic development.

Two of Lleras Restrepo’s main economic policies were the Exchange Statute of March 1967 and the constitutional reform of 1968. The Exchange Statute, also known as Decree-Law 444, unified various exchange rates and established import controls and export-promotion measures. It replaced the multiple exchange rates with a single fluctuating exchange rate to implement small, gradual ‘crawling peg’ devaluations. The plan sought to keep exports favorable compared to imports without suffering external shocks that would trigger inflation. Inflation increased, nonetheless, through gradual devaluation and growing public spending.

The constitutional reform of 1968 aimed to strengthen state planning mechanisms with so-called indicative planning schemes. This included the preparation, design, and execution of a National Development Plan to be implemented for four years, the duration of a presidential term. Such a measure continues to operate today in Colombia and consists of a national budget execution plan focused on ‘priority’ sectors. The interventionist spirit of the reform is summarized in article 32 of the then-operative Political Constitution of Colombia:

Free enterprise and private initiative are guaranteed within the limits of the common good, but the general direction of the economy will be in the care of the government. By mandate of the law, it will intervene in the production, distribution, use, and consumption of goods and in public and private services to rationalize and plan the economy to achieve integral development.

The state will also intervene, by mandate of the law, to give full employment to human and natural resources, within an income and salary

policy, according to which economic development has as its primary objective social justice and harmonious improvement of the community, and the proletarian classes in particular. (Legislative act 1 of 1968, our translation)

The rise of interventionism

The postwar climate of opinion is well represented by the businessman and intellectual Hernan Echavarría Olozaga (1911–2006), who had studied economics at the London School of Economics. Echavarría published a text in 1948 entitled *Full Employment and Other Issues*, applying John Maynard Keynes's thought to Colombia (Echavarría Olózaga 1948). Echavarría would add more far-reaching reflections in his best-known work, *Common Sense in the Economy* (1958). In that book he explains the importance of considering multiple effects that occur in the economy when proposing a particular economic policy.

Echavarría claims to defend both private companies and the democratic nature of taxes to achieve investments of general utility. He endorses precise state intervention while respecting private property and free enterprise (Echavarría Olózaga 2003/1958, 154, 214–215, 331–340). A rejection of socialism is explicit in Echavarría, as socialism employs means unsuited to the goal of social betterment and violates individual liberties (*ibid.*, 306–330).

Three other figures representative of the time, Enrique Caballero Escovar (1910–1994), Hernando Agudelo Villa (1923–2010), and Carlos Sanz de Santamaría (1905–1992) offered defenses of freedom supposedly compatible with gradual and moderate state interventionism led by competent and well-trained personnel. The books *Capitalization and Employment* (Caballero Escovar 1959), *Towards a Modern Liberalism* (Agudelo Villa 1968), and *Silent Revolution* (Sanz De Santamaría 1971) each summarize its author's thinking after his experiences at the forefront of economic policies led by the government or from a business union or official multilateral entity. Caballero served as an advisor to the National Association of Industrialists (ANDI), Agudelo was president of the National Federation of Merchants (FENALCO) and minister of finance in the government of Alberto Lleras Camargo between 1958 and 1961, and Sanz de Santamaría was minister of finance under the government of Guillermo León Valencia between 1962 and 1964 and president of the inter-American committee of Alliance for Progress, the Latin American development aid program promoted by U.S. president John F. Kennedy from 1961.

The climate of interventionist opinion became the rule of the central economic policies to be followed by the governments of the so-called National

Front, a governing coalition of the Liberal and Conservative political parties that between 1958 and 1974 sought to guarantee economic development as a primary obstacle against the revolutionary theses of socialism. Caballero affirmed ‘capitalization’—that is, capital-intensive investments—as a fundamental requirement for employing a growing, economically active population. Unemployment would spell political instability and social discontent, a situation favorable to leftist revolutionary impulses (Caballero Escovar 1959, 19–34). Agudelo (1968, 39–61, 121–132) bet on technocratic economic guidance to supposedly lead to egalitarian transformations, thus disrupting radical socialist or communist ideas. Finally, Sanz de Santamaría (1971, 239–246) maintained that the true revolution of transforming people’s quality of life in Colombia and Latin America was a silent one: a revolution not dependent on inciting violence.

From the mid-1970s, the climate of opinion gradually changed when recessionary conditions arose under Keynesian-type economic policies and the criticisms of figures such as Friedrich Hayek and Milton Friedman acquired force. In Colombia, a reintroduction of classical-liberal economic thought was aided especially by two think tanks, the Fundación de Estudios para la Libertad, led by Alberto del Corral in Bogotá, and the Instituto de Estudios Sociales y Económicos, led by Juan Delgado Padilla in Cali. Those two men exemplified the businessperson who was also an intellectual. Under the auspices of Del Corral and his think tank, *Ten Lessons in Economics* by Faustino Ballve was reissued in 1963. Ballve was a Spaniard living in Mexico and a friend of Ludwig von Mises, whose text (Ballve Pallicer 2012) would become one of the best introductions to the Austrian School of Economics. Delgado Padilla’s group distributed several brochures and a bulletin between 1962 and 1982 that disseminated ideas of liberal thinkers such as Hayek, Friedman, Ayn Rand, Wilhelm Röpke, Ludwig von Mises, Manuel Ayau, Alberto Benegas Lynch, and Gustavo Velazco among others. The scope and impact of Del Corral and Delgado’s work in both think tanks has yet to be studied in any detail.

Another systematic work was developed by Pablo Eduardo Victoria Wilches (b. 1942), who by 1976 was already forming a proposal for economic liberalism around his text *Towards a Liberal Economy: A Comprehensive Economic Program for Colombia*. Victoria (1976) criticized the conventional countercyclical policies of Keynesianism and their application in Colombia, relying on Friedman and Hayek. Later he deepened these theses in his text *Analytical Macroeconomics*, where he developed a proposal to privatize the issuance of currency under free banking (Victoria 1993, 329–338). Victoria served as a congressman between 1990 and 1998.

In some way, the previous Keynesian consensus came to be tempered and complemented by a recovery of economic wisdom that, according to Hayek in an interview with the Colombian Diego Pizano Salazar given in 1979, seeks to

explain how it is possible to adapt to the unknown (Hayek 2008). The trend toward socialism was not reversed, but there was more awareness of incentives, knowledge limitations, and the role of the price mechanism.

A critique of state intervention in Colombia's economy was fashioned by Jorge Felipe Ospina Sardi (b. 1947), in *Towards a New State Intervention Scheme* (Ospina Sardi 1986). As director of the National Planning Department (DNP), the main entity in charge of nationwide planning, Ospina called for the state to moderate its active role in the economy and make its interventions less damaging. In this way, the state would be:

possibly smaller in size but with a more significant presence in those areas where its action is essential—for example in justice, security, primary health care, drinking water, and minimal infrastructure in regions that do not have it. Its presence would be less in the direct management of commercial and industrial companies, especially in high-risk and complex administration activities. On the other hand, it would be a state more fitting with the community's requirements and more inclined to utilize the private sector to provide services such as cleaning, higher education, and recreation. Finally, a state thus conceived would provide a more stable and predictable frame of reference for developing private initiative, an irreplaceable source of economic growth and social advancement. (Ospina Sardi 1986, our translation)

Another notable contribution came from Enrique Peñalosa Londoño (b. 1954) in his text *Capitalism: The Best Option?*, which is a transcript of a television series with the same name that was broadcast in October 1989. Peñalosa (1989) explains how capital accumulation advances the wealth and well-being of countries and the consolidation of democratic governments. He compares the performance of various Asia-Pacific economies that, with fewer natural resources than Colombia, achieved higher exports and per capita income thanks to better incentives for investment and savings (*ibid.*, 13–32, 79–100). Peñalosa served as mayor of Bogotá from 1997 to 2000 and again from 2015 to 2019.

Since 1987, promotion of liberal public policies has come from the Institute of Political Science (ICP), a think tank that serves as the main affiliate in Colombia of the Atlas Network. The ICP was mainly promoted by Hernan Echavarría Olozaga, the intellectual entrepreneur mentioned above. A member of the ICP, Carlos Lemos Simmonds, was responsible for a publication, *The Thief State*, which incorporated his reflections on the abuses of state power. He suggested that the government preys on the citizens it claims to govern (Lemos Simmonds 1991). Simmonds became a member of the Constituent Assembly that in 1991 gave rise to the constitutional charter currently governing Colombia.

It is important to mention the role of Cesar Gaviria's presidential period,

1990 to 1994. Gaviria, of the Liberal Party, implemented a series of policies oriented toward opening the economy to international markets. The process sought to relax many of the protectionist policies and to induce economic actors to compete globally. Such market-oriented reforms were common in several Latin American countries during the 1980s and 1990s. As in other countries, Colombia's reforms were political and left much to be desired yet can mostly be counted improvements (Edwards and Steiner 2008). Gaviria's reforms included a gradual elimination of tariffs on imports, a new tributary system, a banking reform that allows banks to diversify and expand their offerings, and incentivizing foreign investments. Gavira's administration also tried to reduce the size of the state by reforming many government institutions. The reforms had a significant impact, measured by the increase in exports and imports the country experienced in the period. Some scholars suggest that the growth from the reforms was not as significant as expected for different reasons, including several sources of sustained violence and the 1998 financial crisis. The liberal reforms of Gaviria mark a point where Colombia became integrated in international markets.

In the last part of the twentieth century, Sergio Arboleda University contributed to the dissemination of economic liberal ideas. The first dean of the School of Economics, Mario Jaramillo Contreras, helped to include Colombia in the first indexes carried out by the Fraser Institute to measure economic freedom. In that index, Colombia has maintained a moderately free position to this day. Sergio Arboleda University accommodated the thesis of one of its founders, Enrique Gómez Hurtado (1927–2019), to promote reform in favor of the decriminalization of the drug trade, such as cocaine, whose prohibition continues to generate disorder in Colombia (Gómez Hurtado 1993, 35–44). Gómez was a congressman between 1991 and 2010 and was a leader of the Colombian Conservative Party.

A singularly important initiative in promoting liberal ideas in Colombia was the role played by the Hayek Foundation, which between 2011 and 2015 carried out three international seminars on the Austrian School of Economics. The seminars involved such liberal figures as Lawrence H. White, Adrian Ravier, Maria Blanco, Butler Shafer, Peter Klein, and Jorg Guido Hulsmann. The Foundation also commissioned a Spanish reprint of the abridged version of Hayek's *The Road to Serfdom*, from the condensed text in *Reader's Digest*.

Also noteworthy are some new outfits. A political organization called the Libertarian Movement was created in 2015 amid Daniel Raisbeck's candidacy for mayor of Bogotá. Since that campaign, Raisbeck has been one of Colombia's most visible representatives of libertarianism. More recently, LiberTank was created in 2019, based in Medellín. LiberTank focuses on disseminating economically liberal ideas on topics like employment, the minimum wage, and public investment.

Conclusions

Ideas in the same vein as Smithian liberalism have played an active part in the history of Colombia, from its constitution as a democratic republic to recent times. Similar to what occurred in the leading countries of the Western Hemisphere, Colombia witnessed a rise in liberalism, reflected in liberal policies adopted in the second half of the nineteenth century in favor of free trade, free banking, and limited government. Liberalism remained relevant throughout the twentieth century but, as in the rest of the world, it ceded ground to ideologies more favorable to the governmentalization of social affairs. The direction of Colombia's political reforms has largely been in step with worldwide trends.

Liberalism nevertheless continues to pulsate in Colombia. Its future is unwritten.

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