

Are all the Colombians doing it?

Todo El Mundo lo Hace, Corpovisionarios, Bogotá

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Introduction

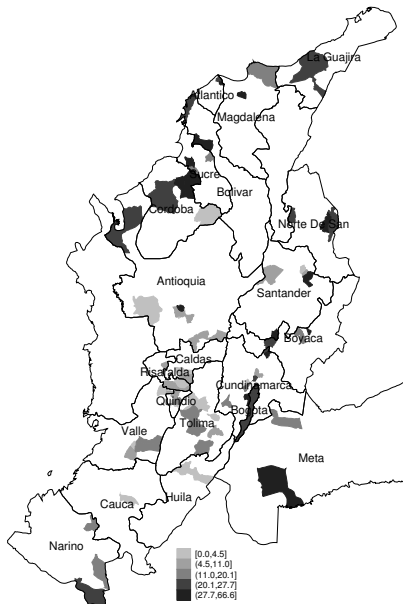
- Is honesty and the violation of social norms a problem in Colombia?
- If so which Colombians are like this? All of them?
- Why are they like this?
- What are the consequences?
- What can we do about it?

Some Evidence

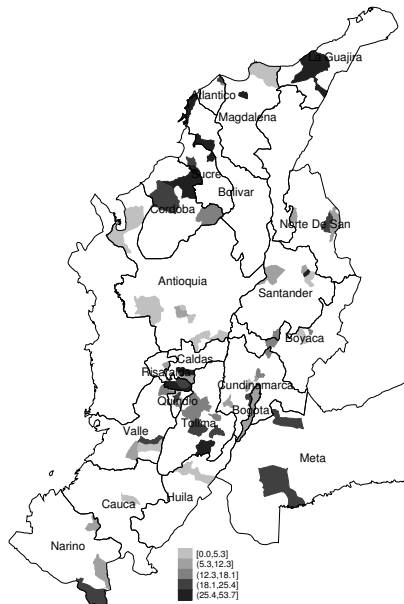
- To start thinking about these issues I'm going to begin by showing you some results from a unique individual level dataset collected by the Universidad de Los Andes.
- In a democracy two basic duties are to vote according to your conscience and to pay your taxes.
- But in Colombia many people are engaged in clientelistic exchanges of votes for favors and they avoid paying their taxes.
- Let me start by documenting these two behaviors and their inter-connection and show how they are related to attitudes towards rule breaking.

Clientelism and Tax Evasion

- To measure clientelism the Los Andes survey asks people
 - “Could you tell me if, when deciding who to vote for, you have taken into account the benefits, gifts or jobs that a candidate offered in exchange for your vote?”
- To measure tax evasion it also asks
 - “Could you tell me if you normally accept to buy without a receipt, to avoid the VAT?”.
- The answers to these questions are highly correlated at the individual level
 - people who engage in clientelism are much more likely to avoid taxes



Tax Evasion



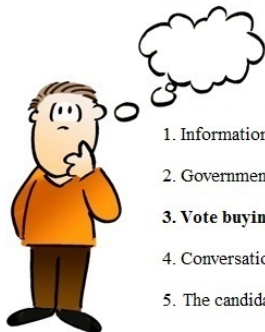
Clientelism

Normative Values

- You might be skeptical that you can really get honest answers to questions about clientelism and tax evasion.
- The standard social science approach to “sensitive questions” is to use list experiments where a person is given a list of things which they might have done or with statements that they may agree with. The list includes the sensitive question. You don’t have to answer the sensitive question, but say what proportion of questions on the list you agree with, or what proportion of things you have done.
- You can then estimate statistically the proportion of people who did behave in the specific way or who agree with a particular statement.
- The remarkable finding is that when you do this you get exactly the same answer as you do when you ask people directly - the proportion of people who engage in clientelism or evade taxes is the same using list experiments as when you ask directly.
- So people do not think there is any reason to hide the fact that they may engage in clientelism or evade taxes.

Measuring clientelistic vote buying

**Do not tell me WHICH,
ONLY HOW MANY**



1. Information about the candidate.
2. Government plan.
3. **Vote buying.**
4. Conversations with friends.
5. The candidate's party.

Treatment: 1.75

**Do not tell me WHICH,
ONLY HOW MANY**

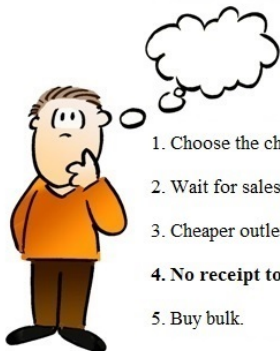


1. Information about the candidate.
2. Government plan.
3. Conversations with friends.
4. The candidate's party.

Control: 1.59

Measuring tax evasion

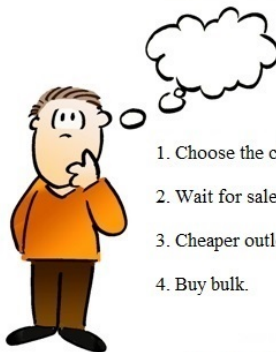
**Do not tell me WHICH,
ONLY HOW MANY**



1. Choose the cheapest brand.
2. Wait for sales in the best brands.
3. Cheaper outlets far away.
4. **No receipt to avoid VAT.**
5. Buy bulk.

Treatment: 1.82

**Do not tell me WHICH,
ONLY HOW MANY**

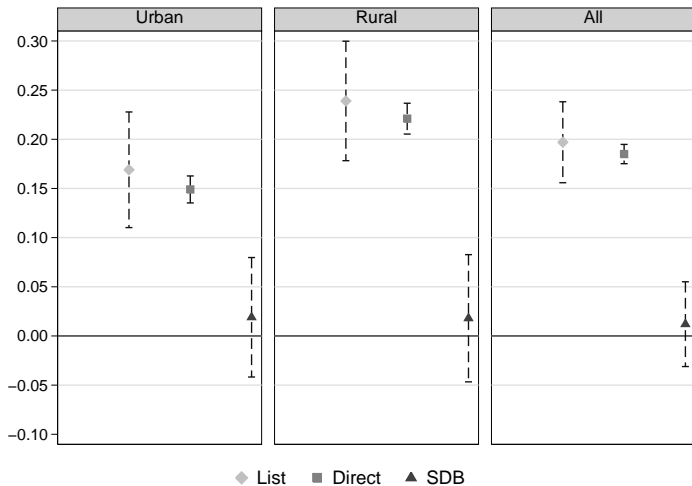


1. Choose the cheapest brand.
2. Wait for sales in the best brands.
3. Cheaper outlets far away.
4. Buy bulk.

Control: 1.68

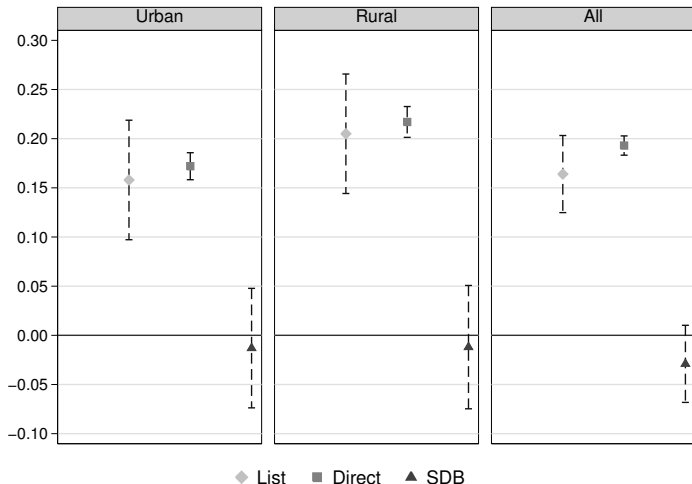
Clientelism

Average incidence and no social desirability bias



Tax Evasion

Average incidence and no social desirability bias



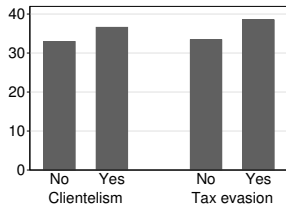
“Esa vaina del IVA no pegó” (“That VAT thing did not catch on”)

The Legitimacy of the Rules

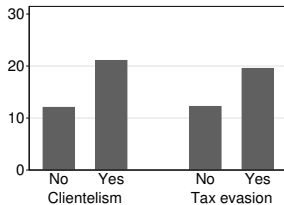
- If people are involved in personalistic clientelistic relations and evade taxes then what are their broader views about the legitimacy of the state and its rules?
- The evidence suggests that people who engage in clientelism and avoid taxes are more likely to believe that it is OK to violate rules. In particular they are more willing to agree with the statements
 - “To capture criminals, authorities should sometimes break the law”
 - “Considering how things are, sometimes paying a bribe is justified”
 - “When the government does not punish criminals, it is OK for people to take justice into their own hands.”

Breaking the social contract

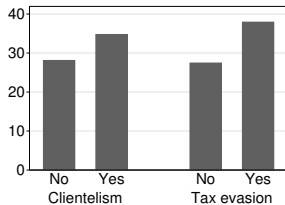
A. Breaking the law



B. Agree with bribery



C. Justice into own hands

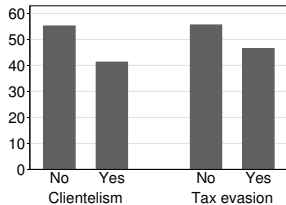


Consequences

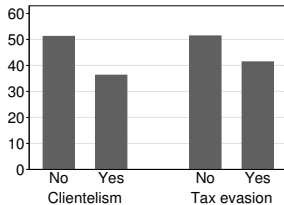
- The fact that many Colombians are trapped into this equilibrium is disastrous for social welfare.
 - Clientelism and tax evasion are strongly associated with lack of public goods
 - and poverty (In the Los Andes data poor people are more likely to engage in clientelism, avoid taxes, be willing to break rules etc.)

Delivery of public goods and services

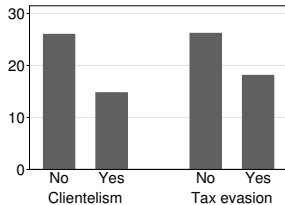
A. Trash collection



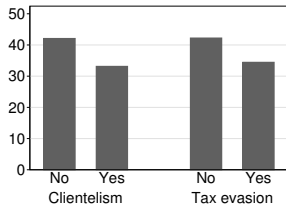
B. Sewage



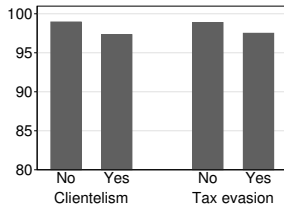
C. Landline



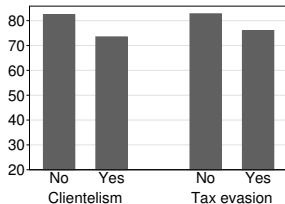
D. Gas system



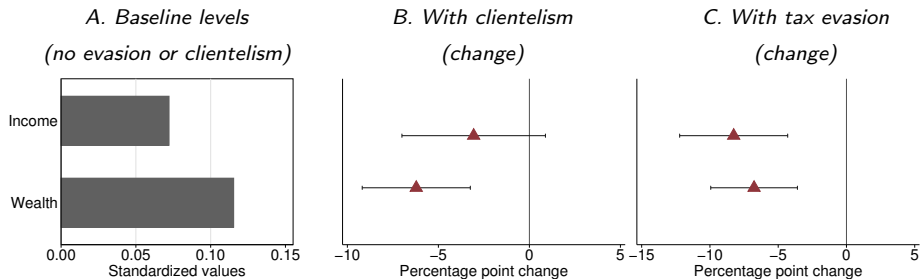
E. Electricity



F. Aqueduct



Wealth and household income



Summarizing the Evidence

A Political and Social Poverty Trap

- The evidence is consistent with a situation where Colombians are trapped into a set of inter-locking mechanisms
 - their poverty makes them more vulnerable to clientelism
 - clientelism leads them to evade taxation (why pay taxes for public goods you'll never get?)
 - the combination of clientelism and an under-resourced state means they benefit less from services
 - they consider social rules and institutions less legitimate and are more willing to violate them
 - but feel that there is nothing wrong with acting in this way (given the circumstances that they find themselves in).

Where did all this come from?

- I think it is deeply grounded in the history of inequality and extractive institutions in Colombia (and Latin America more broadly)
- It is useful to note that while the elites and poor are trapped in the same equilibrium
 - elites are much better able to manipulate it in their favor
 - they can self-provide many public goods: security, health, education.
- Elites therefore have much less interest in changing the equilibrium and have done very well out of it - they live at first-world living standards in one of the world's most unequal countries.

Elites play the same game

- Samuel Moreno
- Brigard y Urrutia: From the interview on La W radio station. A journalist asked a lawyer from Brigard and Urrutia

“The question is: did you have to “stretch” the law so you could buy and keep the land?

Brigard and Urrutia: The law is there to be interpreted. Here they are not white or black, they are there to be interpreted...we assumed one which we think is correct (interpretation of the law).”

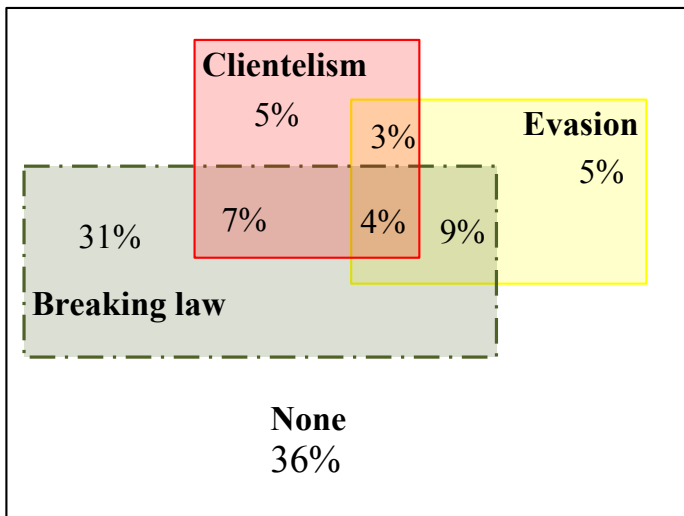


venta de 50 voticos para samuel en Comproelmu

But not everyone's doing it!

- In our sample, only 19% of people are clientelistic, 21% avoid taxes, and 51% approve of breaking some kind of rule
- But 36% of people do not engage in **any** of these anti-social activities or believe in rule breaking.
- So how does the equilibrium persist?

Who is doing it?



The Tail Wagging the Dog?

- There are a lot of social norms in Colombia that help the tail wag the dog
 - *no sea sapo* (don't be a toad)
 - *tiene rabo de paja* (he has a tail of straw)
- These help to immunize the bad behavior from the good behavior and of course in the data 64% of people in one way or another do have rabo de paja.
- I think the elite tail wags the citizen dog too and the nature of the equilibrium allows them to get away with it (lack of effective accountability, fragmentation of society..).

How to Break the Equilibrium?

- The good news is that intervening to improve one margin can make a difference more broadly.
- If you reduce the incidence of clientelism then it is likely that people will be more willing to pay taxes (the experience in Bogotá during the mayorship of Antanas Mockus)
- If the system works in an unbiased way and implements rules, then you would expect people to be less willing to violate rules.
- Provision of public goods brings beneficiaries together and aids collective action.
- Potential for the cumulation of improvements so that a 'tipping point' is reached which might establish a much more desirable equilibrium.