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Costa Rica

A slogan on a popular T-shirt sold to tourists in Costa Rica proclaims "*¡Costa Rica es diferente!*" (Costa Rica is different). Evoking the country's stable democracy and high levels of social development, the expression makes the national tourism agency's pitch but also states the myth of Costa Rican exceptionalism. Schools, the media, and popular tradition still inculcate Costa Ricans with the notion that their country stands apart from the rest of Central America's dictatorships, political violence, and underdevelopment.[1] The truth of Costa Rica's distinctiveness is manifest, yet as the twenty-first century began there was less to the myth than met the eye. For most of the nineteenth and twentieth centuries Costa Rica clearly differed from its neighbors in important and visible ways. In its economy, however, Costa Rica always experienced the same international commodity price swings and dependent development as its neighbors. From the 1950s on, however, Costa Rica's governments simply managed these economic problems better, easing their impact on citizens and masking underlying similarities to neighbors.

But as the twentieth century ended, Costa Rica was gradually becoming more like its neighbors in both politics and economics. As formal electoral democracy and improved human rights spread region-wide, Costa Rica became less politically distinctive because other isthmian regimes adopted systems more like Costa Rica's. But in the economic arena, it was Costa Rica that evolved toward a model common across Central and Latin America. Global economic system changes compelled Costa Rica to abandon a post–civil war development strategy that served its people well for decades. Forced like its neighbors to adopt a neoliberal economic development model, Costa Rica reconfigured its links to the world economy and changed domestic welfare policies. Neoliberalism may have begun pushing Costa Rica gradually toward the human development levels of other Central American nations as the policies and services that once distinguished it were steadily eroded.[2]

As we argued in Chapter 2, Central American nations have experienced shifting global political and economic forces from the establishment of Spanish colonialism to the present. At key junctures global forces have imposed dramatic alterations in isthmian economies and political arrangements. Local conditions, resources, and actors have shaped and channeled these common external pressures to produce divergent local effects. Costa Rica's evolution through these forces has been the most distinctive almost from the outset, but one should not lose track of the similarities in pressures driving change.

Historical Background

Deviant from certain key patterns set in the rest of Central America during the colonial period, Costa Rica remained an exception to many isthmian social, economic, and political norms until the 1990s. Rather isolated from the rest of Central America because of distance and rugged terrain, Costa Rica remained more racially and economically homogeneous than its neighbors. This does not mean that Costa Rica lacked social disparities or that it remained economically self-contained. Rather, Costa Rica's social inequities were never great enough to let one class or race completely dominate others to the detriment of the majority as elsewhere in the isthmus. Despite embracing export agriculture, Costa Rica never fully developed the dependency system prevalent elsewhere in the isthmus, with its tremendous human costs.

The roots of eventual Costa Rican democracy were planted in the nineteenth century, although true democratic rule would not consolidate until the mid-twentieth century. From 1824 to 1899, one Costa Rican government in five ended by coup d'état and the military ruled the country 44 percent of the time.[3] During most of that epoch, moneyed rural families governed the country. Such elections as did occur were indirect, confined to a tiny, literate elite, and often rigged. However, certain economic trends and political reforms prevented a total domination of Costa Rican national politics by a landed oligarchy. The first dictator president, Braulio Carrillo (1835 to 1842), for instance, increased the already fairly large number of small farmers by distributing municipal lands to the inhabitants. He also promoted coffee cultivation and included small farmers, in contrast to elsewhere in Central America. This helped form a class of smallholding yeoman farmers that continuously renewed itself by expanding the agricultural frontiers.

The incipient landed elite continued to rule the country until its control was broken by the military, which greatly expanded after the 1857 Central American war. The military's leader, Liberal dictator Tomás Guardia (1870 to 1882), took power and attacked the wealthy by confiscating some of their properties and exiling a number of their leaders. Guardia contracted foreigners to construct new roads and railways needed to move coffee to market. In the late nineteenth century, a labor shortage kept rural wages high as coffee production spread. By then market forces in the rapidly growing coffee industry had begun to concentrate land ownership and thus had pushed many smallholders off the land. In order to secure the labor essential to the nation's wealth, large coffee farmers had to pay decent wages and the government had to pass reformist public policies. Costa Rican peasants and workers therefore generally experienced less exploitation and repression than found elsewhere in Central America.

Despite the militarization of politics during the Guardia dictatorship, precursors of democracy developed in the second half of the nineteenth century. Elections, though indirect, elite-dominated, and often fraudulent, became important by the 1840s. The growth of commerce, government, transport, immigration, and urban centers swelled the number of people available for and interested in political activity. The modernizing Liberals (Guardia and his civilian successors) greatly increased education spending and thus literacy by 1900. Because the ability to read was a key criterion for voter eligibility, increasing literacy also expanded suffrage.[4]

By 1889 an economic slowdown and the Liberals' anti-clericalism generated support for an opposition Catholic Union Party and its presidential candidate José J. Rodríguez. Backed by the Catholic Church, Rodríguez won the vote among the electors, but the army tried to block him from taking office. Incited by the Church, angry citizens took to the streets and forced the army to back down. This election, often incorrectly cited as the birth of Costa Rican democracy, was nevertheless significant because it forced the military to respect an opposition victory and because ordinary citizens mobilized to defend an election. After Rodríguez, however, authoritarian elite rulers and election fraud returned.[5]

From 1905 to 1914, presidents Cleto González Víquez and Ricardo Jiménez Oreamuno further broadened suffrage, established direct popular election of public officials, and permitted free and open opposition campaigns for office. A military regime led by the Tinoco brothers seized power in 1917 during the hard times associated with World War I. In 1919 popular protest and an invasion by exiled elites toppled the Tinoco regime, Costa Rica's last military government. Civilian, constitutional rule continued thereafter, and the Costa Rican electorate expanded continuously.

The completion of the Atlantic railroad led to the development of an additional export crop, bananas. The foreign-owned banana industry, concentrated in the sparsely populated Atlantic coastal lowlands, had little effect on Costa Rican politics in the early twentieth century. Later, as hard times developed, labor organizers led by Communists organized the banana plantations, and union influence and political power grew. By the 1940s, the deep economic slump caused by the Great Depression and World War II had caused great social dislocations. This pitted against one another factions of the political-economic elite, working classes and unions, and an emerging middle class. In the early 1940s, President Rafael Calderón Guardia, a popular medical doctor and reformist coffee aristocrat, broke with the rest of the coffee-growing political class. Bidding to dominate the government, he allied with the Communist labor unions and the Catholic Church. Assisted by Communist legislators, Calderón enacted and began implementing Costa Rica's first labor and social security laws.

Calderón's alliance with the Communists and, in 1948, electoral fraud and legislative tampering with the presidential election results provided pretexts for a brief but violent civil war. A coalition between elite politicos angry at Calderón and middle-class elements, dominated by a junta of social democrats led by José "Pepe" Figueres Ferrer, rebelled. The rebels defeated the government within a few months. From that time to the 1990s, the country's social democrats—the National Liberation Party (Partido de Liberación Nacional, PLN), led for three decades by Figueres—set the tone of Costa Rican political life. In keeping with a well-established tradition of political accommodation, the victorious National Liberation junta retained Calderón's social reforms for workers. The junta went even further by nationalizing the banking and insurance industries. A constituent assembly rewrote the constitution in 1949. The new constitution enfranchised women and blacks and abolished the army, the latter an act that would ensure future political stability. In late 1949, the junta turned the presidency over to the rightful winner of the 1948 election, Otilio Ulate, who was not a part of the National Liberation movement.

When the PLN and Figueres first won the presidency in 1954, they began expanding the social legislation initiated under Calderón. Increasingly broad segments of the populace received health and social security coverage. Even the conservative coalition governments that periodically replaced the PLN in power preserved and expanded such social welfare policies. After 1949, successive governments held scrupulously honest elections at regular intervals under the auspices of a powerful and independent Supreme Electoral Tribunal. When defeated at the polls, the PLN willingly gave over control of the presidency and Legislative Assembly to an amorphous conservative opposition coalition. The PLN won the presidency seven times and the opposition won it six times between 1949 and 1998. Opinion surveys showed that Costa Rican citizens strongly supported democratic civil liberties and alternation in power by the competing parties.

In sum, Costa Rica's center-left social democratic PLN governments took power and consolidated a new political and economic regime in the 1940s and 1950s despite the prevailing trends elsewhere in the isthmus. Similar post–World War II movements favoring democracy appeared in Guatemala, Honduras, Nicaragua and El Salvador, but eventually all failed. Instrumental in the failure of pro-democracy mobilization around Central America were US anti-Communist policies that aided and encouraged national armed forces and rightist elites to block the left as it fought for reform. In contrast, in Costa Rica the pro-democracy reformers had defeated the Communists in the 1948 civil war and thereafter contained their influence. This put Costa Rica's new regime on the good side of the United States and helped it survive where others nearby would not.

Despite developing a model constitutional democracy and the consolidation of electoral democracy, not all remained well in Costa Rica. From the 1970s forward commodity price shifts, great-power geopolitics, civil war in neighboring nations, and an evolving international economy repeatedly disturbed Costa Rica's political and economic systems, challenged its institutions, and forced frequent adjustment to ever-changing realities.

Weathering Global Forces

Costa Rica experienced the same global economic forces as its neighbors during the 1970s and 1980s, which generated some internal unrest. Nevertheless, it escaped without regime change the violent strife that afflicted much of the isthmus. Costa Rica's relative stability was no accident—it resulted from elites' decisions in the 1970s and 1980s to alleviate some of the erosion of popular living standards and to avoid brutal political repression. These decisions stemmed partly from late-nineteenth-century rulers and landowners accommodating peasants to secure a labor supply. At mid-twentieth century both Calderón Guardia and his PLN successors employed political and economic reforms to placate and stabilize mobilized working and middle classes. This tradition of elite accommodation of mobilized lower sectors, we believe, provided Costa Rica's leaders a model that allowed them to preserve stable electoral democracy in the 1970s and 1980s despite grave challenges.

The government's task proved difficult over the longer term. Costa Rica's post–civil war social democratic development model relied on state-led development projects and Central American Common Market (CACM)–coordinated import-substitution industrialization that enlarged the government's payroll and economic role. Costa Rica also had social welfare programs, ambitious for a developing country, that dated from the 1940s and grew during the 1950s and 1960s. Industrialization aside, in the 1970s Costa Rica's economy and the government's budget still depended heavily on international market prices for its exports (coffee, bananas, and goods sold to the CACM) and its imports (especially vital petroleum). Problems arose, however, when skyrocketing oil costs after 1973 and simultaneously falling export prices caused inflation, layoffs, and a public revenue crunch.

Sources of Class Conflict. How did the Costa Rican variant of the Central American crisis of the 1970s arise? The Central American Common Market brought accelerated economic growth and industrialization in the 1960s and early 1970s.

Costa Rican per capita gross domestic product rose at an average annual rate of 3.4 percent from 1962 through 1971, and at an average of 2.6 percent from 1972 through 1979. Per capita GDP in constant 1986 dollars almost doubled from 1960 to 1980. Among Central American nations, Costa Rica had the largest share of its workforce (16 percent) in manufacturing by 1983. By 1987, Costa Rica (at 23 percent) ranked second in the isthmus in terms of manufacturing's contribution to domestic production. The agricultural sector workforce shrank from 51 percent to 29 percent between 1960 and 1980.[6] Commerce, services, and government all expanded in Costa Rica as the nation rapidly modernized and urbanized.

The prevailing theory about the onset of rebellion in Central America in the 1970s contends that severe declines in real working-class wages and living conditions mobilized many people into labor, political, and protest organization and activity.[7] Because many urban and rural wage earners in Central America had little or no margin of safety, a drop in their real earnings (wages corrected for inflation) could catastrophically reduce their ability to survive. Such a rapid erosion of life chances provided a powerful impetus to join political or labor groups seeking redress of such problems.

Data on Costa Rica reveal that wage workers lost ground relative to other income earners in the mid-1970s, but recovered much of their purchasing power by 1978 or 1979. An index of working-class wages shows that Costa Rican workers' real pay rates fell in 1975 and 1976, but recovered and then began to exceed earlier levels by the late 1970s. Wages fell again in 1982 but began an immediate recovery in 1983–1984 and remained relatively high through the rest of the 1980s.[8] While working-class earnings and living standards declined in Costa Rica during the mid-1970s, the losses were less severe and sustained than those in Guatemala, Nicaragua, and El Salvador, because the Costa Rican government found ways to let real wages recover much of their earlier purchasing power.[9] From 1982 until the late 1990s Costa Rican workers gained ground against inflation fairly steadily.

Income Distribution. Another insight into economic class disparity in Costa Rica comes from shifts in the distribution of income among classes. One measure of changing income inequality during the 1970s is the share of national income paid out as employee compensation; decreasing employee compensation would suggest a shift of income away from salaried and wage-earning workers and toward investors and entrepreneurs. Data reveal that between 1970 and 1975, the employee-compensation share of all national income fluctuated somewhat, but tended to increase.[10] During the 1960s and early 1970s, Costa Rican public policy redistributed income toward the middle three-fifths of the populace, mainly at the expense of the richest fifth.[11] In both relative and absolute income trends, Costa Rica clearly contrasts with what the evidence will later show for Nicaragua, El Salvador, and Guatemala. In Costa Rica, wages fluctuated during the 1970s and early 1980s, but generally recovered after short-term declines. In the three other countries, wages declined but did not recover, increasingly aggrieving those losing out.

Wealth. During the 1970s Costa Rica also avoided sharp increases in class inequality observed to have occurred in Nicaragua, El Salvador, and Guatemala. Although Costa Rica was a member of the CACM and was also hit by rapid energy-driven consumer price increases of the mid-1970s, data reveal that in Costa Rica these factors affected wealth distribution less than elsewhere in the isthmus.

Costa Rica's social democratic economic development model and low military expenditures brought that nation into the 1970s with a social welfare system and economy that attenuated inflation's impact on popular living conditions. Data comparing Costa Rica's spending on social programs to other isthmian nations' appear in Table A.5 (see Appendix). In the 1970s and early 1980s Costa Rica's ratio of spending for social services versus defense was between four and five times greater than that of its nearest competitor in Central America. The benefits of these policies became manifest in Costa Rica's higher literacy, greater longevity, and lower mortality rates.[12] As noted above, income distribution in Costa Rica actually became modestly more egalitarian during the 1960s and 1970s, helping to prevent the rapid movement of wealth toward the upper classes observed in Nicaragua, Guatemala, and El Salvador.

In Costa Rican agriculture, concentration of land ownership grew steadily in the 1960s and early 1970s, but the availability of some land that could still be colonized until the late 1960s and the still-growing banana industry absorbed much of the surplus agricultural work force. Moreover, during the 1974 to 1978 period, Costa Rica developed an aggressive and successful program of land reform that distributed land to numerous peasants and staved off the deterioration of living standards for many.[13] Additionally, the growth of employment in urban services and manufacturing absorbed much of the surplus agricultural population and prevented the sharp growth of rural unemployment and poverty through the late 1980s.[14]

Popular Mobilization. The Costa Rican government carefully managed citizen mobilization in one critical arena—labor—but encouraged it in others. On the one hand, following the 1948 civil war, the government worked to fragment the national union movement (including industrial workers, service workers, and white-collar public employees) among competing, party-affiliated confederations in order to curtail union power.[15] On the other hand, and in notable contrast, during the 1960s and early 1970s the government itself used social promoters to help organize communal self-help organizations. Hundreds of community development associations, largely uncoordinated among themselves, worked on local projects and made small demands to legislators for funds for local improvements. The community development movement, promoted by the state itself, was at first fairly docile and easier to coopt than leftist-led unions had been in the 1930s and 1940s.

By the 1970s, however, union membership began to expand.[16] Then the oil-price and inflation shocks from the global economy stirred popular mobilization.[17] Unions became more militant. Industrial disputes rose sharply during 1975 and 1976, when real wages declined, but subsided when wages recovered in the late 1970s. Wage disputes rose again in 1982 after real wages fell again, then leveled off in 1983 and 1984 when earnings once again recovered purchasing power. Austerity measures included public-employee layoffs, service cuts, and sharp consumer price increases in the late 1980s and early 1990s.[18] Civil society, including government-promoted community organizations, became more restive in response. Hard times brought numerous strikes and demonstrations, but wage and policy concessions eventually quelled them.[19]

Costa Rica's system of political parties remained stable in the 1960s and 1970s; the social democratic National Liberation Party (PLN) alternated in power with a coalition of moderately conservative parties under the Unity banner. The traditional Unity coalition of conservative parties reorganized and institutionalized itself into the Social Christian Unity Party (Partido de Unidad Social Cristiano—PUSC) in 1985. Radical-left parties won a few seats to the Legislative Assembly during the 1970s, but they were weak outside the union movement. As living standards of most Costa Ricans declined during the 1980s, mobilization of demands by a broad array of interest groups increased and public approval of the government declined. Organized labor attempted but failed to forge a militant general labor confederation. Voting for leftist parties—long considered a bellwether of protest—declined in the 1982 and 1986 national elections. Costa Rica's more radical parties and labor became increasingly estranged and divided in the early and mid-1980s. Polls revealed that even in the midst of a severe recession, most citizens remained loyal to the regime.

In sum, although Costa Rica experienced increased organization and protest, no dramatic increase in anti-regime organization or coalition formation developed from the late 1970s through the early 1990s.[20] Unlike Nicaragua, Guatemala, and El Salvador, Costa Rica experienced no significant challenge to the sovereignty of the state.

Government Response to Popular Mobilization. Central American regimes all experienced popular mobilization during the 1970s and 1980s, but they responded to it very differently. In contrast to Costa Rica, the Salvadoran, Guatemalan, and prerevolutionary Nicaraguan regimes reacted violently to popular organization and protest. Although their regimes were quite different in the late 1970s and early 1980s, Costa Rica (a democracy) and Honduras (a military government) each addressed popular mobilization relatively moderately. This prevented the mobilization of new opponents to the government angered by repression, and thus avoided escalating conflict.

Costa Rica kept an open, constitutional regime with clean elections and considerable popular access to public officials. Costa Rican officials typically responded to mobilized demands by accommodating rather than repressing them.

Even when demands escalated into civil disobedience, demonstrations, strikes, and riots, the government usually responded with moderate force and used study and compromise to defuse conflict. For instance, Costa Rican rulers met violent civil disturbances—land invasions in the early 1970s; the Limón riot of 1979; banana workers' strikes in 1980, 1981, and 1982; and street vendors' strikes in 1991—with moderate official force so that deaths among protesters were rare.[21] Different administrations from both PLN and PUSC sought to accommodate diverse demand-makers by negotiating with them, forming panels of inquiry, or making conciliatory policy gestures.

As later chapters will spell out, Central America's major national revolts of the 1970s and 1980s (Nicaragua, El Salvador, Guatemala) arose from sharp increases in inequality and decreases in popular living standards during the mid-1970s. These grievances drove popular mobilization that demanded redress of the working majorities' wages and living standards. Costa Rica also experienced this mobilization but responded to it by allowing workers' wages to recover, with other ameliorative policies and with typically low repression. This combination of amelioration of grievances and low repression defused popular anger, demobilized much protest, and prevented an upward spiral of conflict that in three neighboring nations caused open rebellions against the regimes. Thus Costa Rica's political regime survived the onslaught of globally driven economic uncertainty and turmoil by following the national political and economic elite's long-standing accommodative traditions. But the global strains of the 1970s and 1980s nonetheless left marks on Costa Rica—not of political regime change but transformations in its economic development model and in the political party system.

The Economic Development Model Transformed

As noted above, simultaneously declining export revenues and upwardly spiraling energy costs pushed Costa Rica into a severe economic crisis. Rapid inflation drove down demand and real wages, which further reduced consumer demand. The governments of the mid- and late 1970s and early 1980s, rather than curtail public spending to address shrinking state revenues, borrowed abroad to finance the growing public deficit. In the short term this lightened the impact of the economic crisis on the Costa Rican public, but in the middle term it disastrously affected the government's financial health. Foreign debt as a share of GDP rose from 12 percent in 1970 to 147 percent in 1982. Foreign interest payments consumed a third of export earnings and further weakened the public and private sectors. Similar difficulties and escalating civil wars elsewhere in Central America combined to collapse Costa Rica's regional markets and to drive away tourists and foreign capital. In 1981 the administration of Rodrigo Carazo Odio found its foreign reserve coffers empty and defaulted on Costa Rica's foreign debt. This pushed the currency (the *colón*) into a ten-year slide that eroded 90 percent of its value.[22]

When the PLN's Luis Alberto Monge became president in 1982, these dire economic predicaments forced him to seek international assistance that would come with high costs. One source of help sprang from US wishes to secure a southern base for its efforts to unseat Nicaragua's Sandinista revolution. The Reagan administration pressured Costa Rica, and Monge agreed to collaborate with the Nicaraguan counterrevolutionaries and their American helpers. In exchange the United States compensated Costa Rica with over US$1.1 billion in aid during the mid-1980s, much of it in the unusual form of outright grants instead of loans. These funds effectively delayed Costa Rica's reckoning with its sick economy while addicting it ever more to external aid. By 1985 a second source of international aid had to be invoked.

The flow of US grants for pro-Contra activities ended when Monge's successor, PLN president Oscar Arias Sánchez, in 1987 successfully advanced the Central American Peace Accord and sharply reduced Costa Rica's cooperation with the Contras. Although Costa Rican peace initiatives would soon win Arias the Nobel Peace Prize, the Reagan administration opposed them and retaliated with sharp aid cuts that reduced economic output and increased inflation.

Costa Rica's second source of external aid, borrowing from intergovernmental lenders and individual nations, also came heavily conditioned. As Robinson details, the emergence of "global" capitalism in the late twentieth century had begun to draw Central America into the evolving global economy and society.[23] This would involve replacing the previous epoch's traditional agro-exports and import-substitution industrialization (ISI) development orientation with a neoliberal economic model emphasizing free-market capitalism, a smaller public sector, liberalization of markets, privatization of public-sector enterprises, and reorientation of production toward nontraditional exports. The principal promoters of the new style of global capitalism included the US government and other major capitalist countries, plus several international lenders (the Interamerican Development Bank, International Monetary Fund, Paris Club). These institutions, their policies heavily influenced by the United States' heavy voting weight on their policy boards, shared and promoted a neoliberal agenda for economic reform in developing countries.

These states and organizations combined to effectively force Costa Rica into three structural adjustment agreements (SAAs) in 1985, 1989, and 1995, with the Monge, Arias, and Figueres Olsen administrations, respectively. In exchange for the credit essential to restructure Costa Rica's foreign debt and keep the deeply indebted, foreign reserve–starved state and economy afloat, the United States, International Monetary Fund, Paris Club, and Interamerican Development Bank forced Costa Rica to enact neoliberal economic policies that revolutionized its development model. Supported by conservative domestic economic interests and by the neoliberal PUSC (which fortuitously avoided having to sign any of the SAAs), Costa Rica trimmed its public-sector payroll, social service programs (education, health), and infrastructure investment, privatized most of the nation's many publicly owned enterprises and banking, and cut subsidies to agricultural commodity producers, public utility consumers, and housing. The government began energetically promoting nontraditional exports, reducing trade barriers, and substantially integrating Costa Rica into the global economy.[24]

Successive governments in San José, through both legislation and executive decrees, adopted the neoliberal economic model (public-sector wage cuts and layoffs, privatization, and reductions in public services), which deviated from the social democratic development model in place since the 1950s.[25] These policy changes generated citizen mobilization and protest, but, as in the 1970s, again the government responded with amelioration. Repression remained low, real wages were kept up, and social assistance and housing subsidy programs rose sharply. Income distribution among classes remained fairly stable into the 1990s despite the economic turmoil. Voting for leftist parties remained low. Outside of protest mobilization, there appeared three significant signs that economic difficulties and the change of the economic model angered Costa Ricans: Voters ousted the governing party in successive elections in 1990, 1994, and 1998. Voter turnout in the 1998 election dropped from the usual level in the 80 percent range to only 71 percent and then failed to recover in the 2002 national election. The two-party system in place since the rise of the PUSC began to change, marked especially by a crisis in the long-dominant National Liberation Party.[26]

In contrast to these political discontents, the new development model's short- and middle-run economic successes made Costa Rica a poster child for neoliberalism. Its emphasis on nontraditional exports and liberalization of the economy, the settlement of the region's civil conflicts in the 1990s, and Costa Rica's significant human capital advantages together stimulated a period of rapid economic growth that continues at this writing. During the 1990s Costa Rica's combined rate of investment between government and private sector sources was high for the region in relative terms, but had contracted somewhat by 2000. Government spending on social services far exceeded any other country in the area. GDP per capita grew by nearly 25 percent between 1990 and the early 2000s, driven by a tourism boom, domestic and foreign investment, new computer assembly and online-services industries, and expanded textile manufacturing.[27]

In the early 2000s, problems arising under the new Costa Rican development model were still developing. According to Robinson, they included some of the following: Deregulation had allowed a new private banking system, increasingly dominated by international capital and promoting integration into the world capitalist economy. Investment in traditional agriculture and agricultural extension services had declined, as had production of domestically consumed agricultural commodities. These changes had pushed rural populations to urban areas in search of employment. Investment in industry, however, had lost ground to investment in the commercial sector and services. The informal sectors (petty commerce and services—often street vendors, unlicensed taxis, etc.) had grown rapidly, drawing those unable to find formal-sector employment. Female participation in the workforce had risen sharply without a proportionate accompanying public investment in family social services and child care. Large numbers of Nicaraguan immigrants had flooded Costa Rica to assume lower-skilled jobs in nontraditional agriculture, construction, and domestic service. Nicaraguan immigrant workers, vulnerable to police and immigration authorities, experienced employer victimization while exerting downward pressure on wages and undermining Costa Rican worker organization and mobilization efforts.[28]

The publication of data on income, inequality, and poverty lags behind social change, so we could not at this writing fully assess whether these negative trends would continue in Costa Rica. The evidence is conflicting. Inequality worsened measurably in the 1990s and early 2000s but then diminished slightly by a 2008 estimate.[29] The share of people living in poverty in 2004 was 20.5 percent, a level reduced from 26.2 percent in the early 1990s (see Table 2.1). In 2007 Costa Rica's GDP per capita was 67 percent higher than in 1990 (see Table 1.1), the best economic performance in the region.

In sum, external forces assisted by the debt crisis of the 1980s forced Costa Rica to adopt a neoliberal development model. Yet even when forced to adopt this set of distributively stingy policies, Costa Rican governments found ways to cushion some of the economic blows to citizens, managed a short-term macroeconomic turnaround, and found new industries to bolster economic output over the longer run. Time and future research will reveal whether the less advantageous macro- and microeconomic trends of the late 1990s and early 2000s will limit the well-being of poorer Costa Ricans. Throughout this difficult period, the overarching framework of the constitutional democratic regime established in the late 1940s and early 1950s remained solidly in place.

Changes in Politics and Parties

Despite the survival of the constitutional democratic regime, the revolution in the Costa Rican economic system began to affect the Costa Rican party system.[30] Scholars believe globalization and neoliberalism have had two main impacts on Latin American political parties: At the macro level, the structural constraints they impose have undermined ruling social democratic parties by undercutting their preferred redistributive and protectionist public policies, alienating working- and middle-class supporters of social democratic parties and boosting other parties more amenable to neoliberal reforms. At the micro level, social democratic parties have divided ideologically and lost programmatic focus as they became unable to campaign on either their traditional programs or required neoliberal reforms. Campaigns have thus turned to personalistic or populist electoral appeals to distract voters' attention from unpalatable economic options.[31] Similar effects have been observed for Costa Rica and its parties, undermining the long-dominant social democratic PLN and benefiting the newer PUSC. (See Appendix, Tables A.6 and A.7 for selected presidential and legislative election results.)

The PLN. Neoliberalism harmed the social democratic National Liberation Party because PLN presidents had to sign and implement all three structural adjustments accords. As Costa Rica's leftist parties declined in the 1970s and early 1980s, popular-sector interests within the PLN lost importance while the party's own emerging advocates of neoliberalism gained ground. The neoliberal imperative drove wedges between traditionalist social democrats and the PLN's neoliberal reformers. Having to govern while implementing structural adjustment also alienated the party's neoliberal technocrats in office from those Liberacionistas contemplating future presidential candidacies.[32]

By the late 1980s the PLN's message to voters, longtime supporters, and activists became muddled, as its actions in power undermined traditional Liberación ideology and policies. The PLN lost its perennial control of the Legislative Assembly from 1990 on and won the presidency only once during the 1990s. The PLN presidential vote share shrank steadily after 1986, when Arias captured 52.3 percent. The struggling party in 1994 nominated for president José Maria Figueres Olsen, son of PLN founder and two-time president José Figueres Ferrer. The family name helped the party win the presidency in 1994 but not a Legislative Assembly majority. Figueres Olsen had to implement the unpopular 1995 structural adjustment agreement, and his administration experienced several scandals. This record further eroded Liberación's support in elections, including the defection of some of its core voters. Turnout in the 1997 PLN presidential primary election fell sharply because of "the negative weight of an unpopular Liberación administration, . . . [and] a very fragmented party."[33]

Other factors—not all related to neoliberalism, to be sure—divided the party and reduced its discipline and appeal to voters and insider activists. These include the adoption of presidential primaries completely open to non-PLN members, the domination of presidential campaign organizations over the traditional party apparatus, and growing preeminence of technocrats over long-term party loyalists and activists. The rapid shift to retail campaigning (dominated by television) in the 1980s and the adoption of a primary nominating election for the presidency by the PLN combined to break down the PLN's tradition of face-to-face and grassroots organization and support. By the twenty-first century, Liberación seemed in dire straits. In the 2002 election the party split and many of its voters and top leaders defected to the new Citizen Action Party (Partido de Acción Ciudadana—PAC). As a result the PLN's presidential vote was only 31 percent, and it captured only 30 percent of the Legislative Assembly seats, its worst performance in five decades.[34] The PLN staged a comeback in 2006, although much of the PLN's success in the 2006 elections could be attributed to the persona of Oscar Arias. His return helped to increase the presidential vote share to 40 percent. The PLN also increased its share of the Assembly seats by 37 percent.

PUSC. As much as globalist pressures for neoliberalism harmed the PLN, they favored the formation and growth of the Social Christian Party. Rafael Angel Calderón Fournier's administration (1990 to 1994) in principle embraced structural adjustment, which had seriously lowered the short-term economic well-being of most Costa Ricans. By good luck, however, the party escaped any PUSC government having to actually sign a structural adjustment agreement. Thus the PLN got most of the blame for the resulting austerity policies. When the PUSC took power, it worked to offset the widespread decline of living standards in the 1980s and early 1990s and to avoid the political fallout by diverting public infrastructure and health and education spending into palliative social programs in housing and temporary welfare assistance.[35] In 2004, twin corruption scandals broke in Costa Rica implicating both immediately former PUSC presidents Calderón and Rodríguez and members of their administrations in various acts of bribe taking and campaign finance violations. Foreign firms appeared to be implicated in both cases. By 2006 the PUSC had all but collapsed from a lack of voter support.[36]

PAC. The PAC was founded in 2000 following a split in the PNL. By emphasizing citizen participation, transparency, and anti-neoliberalism, the party capitalized on the growing disenchantment with the status quo. The party reached out to popular organizations and promised to allocate 50 percent of its legislative seats to women, 10 percent higher than required by the 1996 quota law.[37] For a new party the PAC did very well in the 2002 elections; presidential candidate and party leader Ottón Solís captured 26 percent of the vote. The PAC's nearly 22 percent of the legislative vote won fourteen of fifty-seven seats in the Legislative Assembly (Asamblea Legislativa). By 2006, it was clear that the PAC had displaced the PUSC as the second party in Costa Rica's duopoly. Arias narrowly defeated Solís, who won nearly 40 percent of vote. The PAC also became the second-largest party in the legislature with seventeen seats.

Other Parties. The number of parties in Costa Rica increased from four in the 1953 Asamblea election to twenty-seven in 2006. The proliferation of small parties accelerated during the 1990s and early 2000s. Meanwhile, older parties of the left shrank and lost their representation in the Legislative Assembly. Several small regional parties, some of them also of long standing, contested the 2006 legislative election but none won seats.[38] The Libertarian Movement Party of Costa Rica (Partido Movimiento Libertario de Costa Rica—PML) was the most successful smaller party to emerge in the wake of growing discontent. The Libertarians won six seats (one more than PUSC) and 9 percent of the 2006 legislative vote.

Party System Legitimacy. We must ask whether party government could remain legitimate in Costa Rica under the onslaught of such difficulties. Would these trends threaten the vaunted democratic political system? Surveys after 1990 expressed citizens' declining satisfaction with parties and other national institutions and a waning interest in politics. Trust in parties in general declined between the early 1990s and 2002 and remained low thereafter. Costa Ricans reported the lowest support for their parties of any Central Americans in a 2008 survey.[39] Voter turnout declined steadily: from 80 percent in 1998 to 70 percent in 2002 and 65 percent in 2006—the lowest in recent history. Third-party votes in 1998 roughly doubled their levels in the previous three elections and then trebled again in 2002. In 2006 twenty-seven deputies from parties other than the PLN or PUSC were elected, six more than in 2002.[40] Because neither the PLN nor the PUSC could garner sufficient votes in 2002 to win the presidential election outright, the country conducted its first-ever runoff presidential election in 2002. The PLN struggled badly in 2002 and lost the presidency to the PUSC (see Appendix Table A.6). The PLN, however, came back in 2006 to narrowly defeat the PAC, which had effectively broken away from the PLN. As noted, the PUSC seemed to collapse entirely in the 2006 election. Costa Rica's political malaise, partly due to the shortcomings of the PUSC and PLN, had not, at this writing, spread into a larger disaffection of its citizens with the constitutional regime and democracy. It therefore remained an open question whether the party system would restabilize with two dominant parties, or whether the PLN might also collapse like the PUSC, leading to further realignment.

Contemporary Costa Rican Politics

The political and economic impact of the neoliberal model was palpable. Throughout the 1980s real wages and public investment, most notably in the areas of health and education, declined.[41] Between 1990 and 2000 Costa Rica fell twenty places to forty-eighth in the Index of Human Development.[42] In 2006 Costa Rica was ranked fiftieth, two places behind Cuba.[43] While overall poverty declined, there was evidence that the poorer segments of the population had grown increasingly vulnerable. The Gini coefficient measuring income inequality rose from .46 in 1996 to .50 in 2003. Although income inequality declined to .48 in 2008, the predominant longer-term trend since the 1990s had been toward greater income inequality.[44] Thus not even Costa Rica could blunt the effects of neoliberal policies.

Costa Rica's economy grew rapidly during the late 1990s due to the plant construction and sales of microchip producer Intel.[45] But the 2000 to 2003 period was one of stagnation, driven by declining prices for coffee and bananas and a drop in sales by Intel, which revealed the country's reliance on a few key exports.[46] Although remaining significantly better off than the rest of the region, unemployment and inflation increased. To manage its mounting deficit, the government cut spending and investment. Additionally, successive administrations experienced tremendous pressure from domestic elites and the international community to privatize several key state-owned enterprises—especially telecommunications—in an effort to forestall a potential fiscal crisis and meet IMF conditionality.[47]

Economic stagnation and neoliberal policies proved a volatile mix in the early 2000s. The administrations of both Rodríguez and Abel Pacheco de la Espriella pursued privatization amid both legislative and popular opposition to such policies. Rodríguez oversaw legislation that made it possible for foreign investors to provide public services. In 2000 the legislature approved the privatization of the Costa Rican Electrical Institute (ICE). Following some of the largest demonstrations in the country's history, the measure was ruled unconstitutional by the Constitutional Tribunal.[48] Public-sector employees were increasingly at odds with government policy. In 1999 some 15,000 striking teachers protested wages and disinvestment.[49] Large strikes by public workers, including those from the energy and telecommunications sectors and teachers, continued through the Pacheco administration. Pacheco, who pledged to address poverty during his campaign, instead deepened austerity measures to further cut spending. The Pacheco administration was plagued by public protest, legislative stagnation, and internal division. By July 2003 the president's approval rating fell to 10 percent, further conveying the increased dissatisfaction with politics as usual.[50] Adding to the dissatisfaction, extreme poverty increased from 5.1 percent in 2003 to 5.6 percent in 2004, due to high inflation driven by a 16 percent increase in food prices.[51] The economy recovered from 2004 through 2008, but a looming international recession held prospects for a sharp contraction in 2009 and beyond.

The debate over CAFTA dominated the 2006 election. PLN candidate Arias, like most of the candidates, supported the agreement. While the PAC's Solís did not embrace CAFTA, he did not reject it, either, arguing instead for the renegotiation of terms of the agreement and a dialogue with civil society. Both candidates pledged to address poverty and inequality, albeit by different means. Arias defeated Solís by about a single a percentage point, 40.5 to 40.3 percent (see Appendix Table A.6), the narrowest margin of victory in the country's history and with voter turnout also at its historic low. The PLN also won twenty-five seats in the legislature, followed by the PAC with seventeen seats (see Appendix Table A.7).

Nearly 40 percent of the seats in the legislature were held by women, the highest percentage in the region.

The debate over CAFTA did not end with the election. The TSE recommended that CAFTA should be submitted to a popular referendum. The Legislative Assembly concurred, making Costa Rica the only country to approve the measure through a popular vote. Although the treaty's constitutionality was challenged in advance of the referendum, the Supreme Court upheld its provisions.[52] CAFTA had grown increasingly unpopular among Costa Ricans during the previous two years of protests and criticisms; support slipped from 47 percent in 2005 to only 39 percent in 2007.[53] President Arias and business groups campaigned energetically in favor of the yes vote. An incendiary internal government memorandum surfaced less than a month before the vote. It proposed creating a "campaign of fear," by linking the anti-CAFTA campaign to regional leftist leaders Castro, Chávez, and Ortega and suggested reducing the municipal funds of mayors who were not supportive.[54] Despite the resulting scandal and resignation of one of the vice presidents linked to the memo, Costa Ricans approved the treaty 51.6 percent to 48.4 percent. The subsequent passage of thirteen enabling laws delayed final implementation until January 2009. Costa Rica was the last country to implement the agreement.

The implementation of CAFTA would necessitate the enactment of policies to offset the costs of CAFTA, particularly lost tax revenues that would lead to cuts in social spending.[55] Fiscal reform was key to reducing poverty and ameliorating inequalities brought about by neoliberal policies. Arias' promise to reduce poverty by 4 percent during his tenure had some measure of success, assisted by a brisk recovery from the slump of the early 2000s. The Costa Rican economy grew at a higher rate than the rest of the region, 8.8 percent in 2006 and 7.3 percent in 2007. Inflation remained elevated at about 10 percent and offset some of the gains of economic growth. According to INEC, poverty declined 3.5 percent and extreme poverty declined by 2.3 percent between 2005 and 2007. While the impending recession in 2009 would likely slow Costa Rica's economy, the country was much less dependent on remittances than its neighbors, leaving the country less vulnerable in that regard.

Conclusions

During the 1970s, Costa Rica at least partly ameliorated the growing difficulties afflicting working-class victims of rapid economic change and carried it off with low repression. Second, policy permitted working-class wages to recover or retain purchasing power, and shifted some wealth and income to certain lower-class groups. This combination of moderate repression and some accommodation of working-class interests, contrasted with high repression and no accommodation in Somoza's Nicaragua, Guatemala, and El Salvador, kept Costa Rica relatively politically stable.

Costa Rica's consolidated democratic regime weathered the 1970s and 1980s intact, but the country nevertheless experienced two major middle-term effects from its shifting role in the international political economy. External pressures both structural and political forced Costa Rica to abandon its long-standing social democratic economic model and embrace neoliberalism. This transformation undermined the traditional platform of the National Liberation Party and began to diminish its electoral success and erode its position as the system's dominant party. The new Social Christian Unity Party, more amenable to neoliberalism, formed and grew into a formidable competitor for the PLN. The PUSC appeared to have replaced the PLN as the dominant party in the political system when a series of scandals caused the PUSC to collapse in 2006.

By the early 2000s Costa Rica's erstwhile social democratic development model of the 1950s through the 1980s had vanished, and under the new development model the state reduced its promotion of equality-enhancing economic policies and human development. Such policies and their effects had once distinguished Costa Rica from its Central American neighbors and for decades validated the country's exceptionalist myth. Not only had this economic transformation begun to affect citizens' well-being, but it had surprisingly rapid effects on a once-stable political party system. The decline of the PUSC and the rise of the PAC were symptomatic of a growing dissatisfaction with the status quo. Shrinking margins in the legislature necessitated that the once-dominant PLN work with minority parties to enact its agenda, pulling the party toward the right. Whether this would give rise to a lasting change in the party system remained to be seen. The controversy surrounding CAFTA perhaps best exemplified the tension between those who wished to continue the neoliberal model and those who wished to preserve Costa Rica's welfare state. The long struggle over CAFTA led thousands of Costa Ricans into the streets, an expression of an increasingly polarized society.

Recommended Readings and Resources

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