The Centre for the Study
of Democracy in the
School of Policy Studies at
Queen's University

Ideas for good
government

138 Union Street, Rm 335
Kingston, Ontario
Canada K7L 3N6

**T:** (613) 533-6273
**F:** (613) 533-2135
**E:** csd@queensu.ca

www.queensu.ca/csd

Creating an International Network of Democracy Builders
Volume 1

# The Republic of Costa Rica: A Case Study on the Process of Democracy Building

By Jaime Ordóñez, Diego Padilla, Timothy Andrews Sayle & Patricia DeGennaro

August 29, 2008

Revised January 2009

This publication reports on project 104005-001 financed
by Canada's International Development Research Centre
www.idrc.ca

IDRC CRDI

Canada

# Executive Summary

The first section of this study presents an analysis of the Costa Rican historical background, and its construction between 1821 and 2000. In particular, we examine the period from 1821 to 1948, from the Independence to Civil War.

It is difficult to define a sole and exclusive turning point to explain the Costa Rican transition from authoritarian regimes and the political evolution towards democracy since most of the events of the 19th century lead, in one way or another, to the establishment of a pacific and civil political system. The creation of a constitutional system, the codification of norms, and liberal reforms gradually consolidated the Costa Rican Democracy.

The role of education is also of substantive importance for the definition of a Costa Rican idiosyncrasy and their unique development with regards to other countries in the region.

A social tendency in most Costa Rican policies, groups and civil movements before 1948 was fundamental for the interventionist character of the State apparatus in subsequent years, leading to particular social conditions fundamental to current contradictions between the requirements of a global society and the historical background of the country.

Costa Rica's second Republic begins in 1949. The strong political turmoil that Costa Rica experienced during the decade of the 1940's resulted in a deep set of social and political reforms, ultimately launching the Costa Rican version of the *welfare state*. The abolition of the army, an extensive social security and public health system, a huge investment in education, and the nationalization of the banking business, among other measures,

marked the dynamic three decades (1949-1980) in which Costa Rica almost quadrupled its national income and per-capita indicators.

But these measures notwithstanding, expansion processes have, since 1980, reversed and economically contracted, in part because of the weaknesses of foreign trade balances and the rapid increase of financial rates over Third World external debts, situations that have impacted much of Central America. The Costa Rican paradigm has undergone major reformations, which have been felt in social development and governmental policies in the new millennium.

The second part of this investigation presents the latest indicators of Costa Rica's democratic system and the historical nature of developments of national institutions. Here, we see the logic behind some of the challenges and contradictions of present-day Costa Rica.

Costa Rica's current economic and political situation has substantially departed from its past. Firstly, the historic bipartisan system has become a multi-partisan system. Secondly, economic and productive sectors have shifted significantly. Thirdly, changes in the formation of social classes, socio-economic levels, and political parties have had considerable effects on Costa Rican social institutions and living conditions. A succinct review of all these factors and the legality framework applicable is fundamental to drawing conclusions from the investigation.

# CONTENTS

# Acknowledgements

The Centre for the Study of Democracy is grateful to the International Development Research Centre for its funding of this project, and is especially grateful to our Costa Rican partner authors, Jaime Ordóñez & Diego Padilla. The authors themselves wish to express the highest gratitude to Deborah Rojas, Flora Aguilar, Alexandra Monturiol and Marcela Bravo for their collaboration in completing this study. Also, sincere thanks to the technical team of the Observatory of Democracy in Central America, Costa Rican Chapter, for facilitating the findings and research of the *First Central American Report of Legal and Institutional Governance*. Additional thanks to Timothy Andrew Sayle and Patricia DeGennaro for their insightful and engaging study on Costa Rican disarmament. Patricia DeGennaro is grateful to her research assistant Joel Gallo for putting together many of the tables in Appendix VI.

And final thanks to Ging Wong for his astute scholarly management and overview of this project, to Valerie Ashford for editorial support, and to Julie Burch for her coordination of the project.

Thomas S.Axworthy

Chair, Centre for the Study of Democracy

# Acronyms

| | |
|---|---|
| WTO | World Trade Organization |
| NAFTA | North American Free Trade Agreement |
| CAFTA | Free Trade Agreement for Central America and Dominican Republic. |
| CATO | A non-profit public policy research foundation headquartered in Washington, D.C. The Institute is named for Cato's Letters, a series of libertarian pamphlets that helped lay the philosophical foundation for the American Revolution. |
| FODESAF | Development Fund for Family Assignations. |
| CINDE | Costa Rica Investment and Development Board. |
| GNP | Gross National Product |
| GDP | Gross Domestic Product |
| GDI | Gender-related Development Index |
| GEM | Gender Empowerment Measure |
| IDD | Democratic Development Index |
| UNDP | United Nations Development Programme |

**Costa Rica's Political Parties**

| | |
|---|---|
| PLN | Partido Liberación Nacional (Nacional Liberation Party) |
| PUSC | Partido Unidad Social Cristiano (Social-Cristian Unity Party) |
| PAC | Partido Acción Ciudadana (Citizen Action Party) |
| PML | Partido Movimiento Libertario (Liberal Movement Party) |

# Tables and Figures

# Preface

Costa Rica is known as one of the most democratic and peaceful countries in the Western Hemisphere. A number of factors throughout the last 200 years have defined the particular political path that has brought this enviable condition about. After independence, the principal events of the 19th century led, in one way or another, to the establishment of a pacific and civil political society. On January 21st, 1825, the country approved its first Constitution -the so-called *"Ley Fundamental del Estado Libre de Costa Rica"* (Fundamental Law of the Free State of Costa Rica) - with 121 Articles divided into 14 chapters. This first constitutional body suffered a process of different reformulations and versions until 1871's liberal Constitution. Unlike other Central and Latin American countries, the paradoxically poor "Costa Rica" (with no natural resources, no gold, silver or other precious metals, not even with extended resources for agriculture) was able to move slowly toward consolidation of a modest but equalitarian society during most of the 19th and early 20th centuries.

Between 1949 and 1980, Costa Rica almost quadrupled its national income and per-capita indicators and established social guarantees for society in this dynamic period which saw the abolition of the army, widely extended social security and public health systems established, huge investments in education, and the nationalization of the banking business, among other measures. Generally, a causal element in social and political success in Costa Rica has been the balance between the State participation and market forces. Throughout the 20th century, this small country proved the efficacy of a pragmatic middle point by avoiding politically or economically dogmatic authoritarian interventionism, on one side, or an unregulated free market scheme, on the other side. The Costa Rican case has proved that an intelligent balance between the market and the State is integral to growth, development, equitable distribution and sustainable democracy.

New global challenges have confronted each end of the political/economic spectrum with difficult decisions. The ratification and implementation of CAFTA poses distinct

challenges to the country, which needs to undertake fundamental domestic reforms to transform the risks of liberalization to real opportunities for growth. Tax reform, (including more efficient tax collection) an increase in universal investments to education, health, and housing, appear to be fundamental pre-requirements to improve national competitiveness and for surviving in new global scenarios. Costa Rica, as always in its republican history, will need to seek the equilibrium and balances of development and democracy.

# Introduction

Sixty years after the reforms of the Second Republic of 1948, and 59 years after the proclamation of the current Political Constitution of 1949, any evaluation of Costa Rican democracy must pass through the lens of varied social, political, and economical factors. For years, this country has been considered one of the most stable democracies in Latin America, with remarkable human development indexes and an extended middle class, despite the fact that Costa Rican soil has no special natural resources and shows a modest per capita index, one no higher than many more underdeveloped countries.

Nevertheless, the key factor has been distribution. Costa Rica has been one of the few Latin American countries that, for decades, evidenced the viability of the ideas of John Maynard Keynes as a key to progress and the construction of middle classes. Successive governments since the 1950´s have systematically invested in human resources (education and health,) the creation of social infrastructure, governmental promotion of private investment, and in the expansion of the market, with noteworthy results.[1] This version of Central American *welfare State* seems to be a fundamental factor in explaining the success of Costa Rican democracy. This investigation seeks to prove that the orientation of the country's public policies has helped to show strong performances in a variety of social and economic indicators. Notwithstanding such an approach, multiple challenges with regard to the adequate distribution of wealth and to developing efficacy in the democratic system have been fundamental matters for Costa Rica throughout the past 60-year period.

The purpose of the present study is to explore not just the gradual nature of Costa Rica's evolution into democracy since its independence in 1821, but also to inquire about the complex interaction of social, economical, political, and legal frameworks that helped (or limited) the construction of the country during its last 180 years of republican life. The research is divided into two main sections:

---

[1] Ordóñez J. Retrieved from http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm on 08/11/08.

1. The first part develops a concise summary of some crucial facts of Costa Rican history, related to the construction of the current country political and social system.
2. The second section analyses many of the indicators related to the promotion of human development, and its correlative economic, social, and political rights, as a consequence of the gradual evolution of the historical process described in the previous section.

Additionally, current Costa Rican public institutions and policies are analyzed in relation to the challenges, demands, and internal problems posed by globalization and regionalization processes and their different, sometimes, contradictory effects over the country. Particular foci in this regard are the thresholds and margins of Costa Rica's economic and political capability within the spheres of the WTO and new NAFTA agreement. Multiple challenges confront the traditional protectionist policies of the Costa Rican *welfare State*, which is now entering into a tense structural contradiction with the tendencies of free trade, *aperturismo,* and commercial competition.

In this sense, a very careful and sensitive analysis about the impact of the bilateral free trade agreements (such as CAFTA,) the Association Agreement with the European Union, and the multilateral facets of WTO demands, appear to be key considerations in assessing the future and probable evolution of this tropical *welfare state*, and the trajectory of Costa Rican democracy.

# 1821 to 2000: Creation of Constitutional Government & Rule of Law

## *From 1821 to 1948 – Independence to Civil War.*

It is difficult to define a sole and exclusive turning point to explain the Costa Rican transition from authoritarian regimes and the political evolution towards democracy, since most events of the 19th century lead, in one way or another, to the establishment of a pacific and civil political system.[2] However, the installation of a Constitutional framework and a series of entrenched and enforceable rights were decisive in the construction of a Costa Rican political system. In this sense, liberal reforms launched by President Tomás Guardia in 1870 are widely recognized as significant landmarks of Costa Rica's democratic evolution within the 19th and early 20th century. In Guardia's administration, Costa Rica saw progressive institutional changes, including the establishment of democratic and social institutions such as the promotion of a free right to education, the abolishment of capital punishment, the secularization of the State, and related measures. The influence of French, Belgium, British, and Spanish constitutional and administrative law and their correlative institution-building mechanisms was widely studied for these purposes. In addition to Guardia, Bernardo Soto, Jesús Jimenez, Ricardo Jiménez Oreamuno, Alfredo González Flores and Cleto González-Víquez were decisive figures who led in this period from 1870 to 1940.

## *The First Constitution of 1825*

On May 14th 1838, the State of Costa Rica was definitively separated from the Central American Federation, which had been created after the independence of Central American countries from the sovereignty of the Kingdom of Spain. On September 6th, 1824, a Constitutional Congress began its sessions under the leadership of Agustín Gutiérrez y Lizaurzábal. Three days later, the Congress named a five-member commission to draft a Project of Constitution. The sources for the elaboration of such

[2] Retrieved from http://www.estadonacion.or.cr/Calidad02/calidad.html on 08/11/08.

project were extracted from the Federal Constitution, the Political Constitution of El Salvador of 1824, and even the Constitution of 1812. On January 21st, 1825, the "*Ley Fundamental del Estado Libre de Costa Rica*" (Fundamental Law of the Free State of Costa Rica) was approved, with 121 Articles divided into 14 chapters. This Constitution was very modern for its time and, in most respects, did not cohere with the juridical, economic, and social developments in Costa Rica at the time, and so brought about several reforms to articles related to the representative system, such as electoral rights.[3]

## *The "Ley de Bases y Garantías" of Braulio Carrillo*

The regulation of Civil Law began in 1841, under the dictatorship of Braulio Carrillo Colina. Indeed, in May of 1841, the Consultant Camera of the State presented a project for a General Code of the State containing Civil, Criminal, and Process regulations.[4] Such regulation represented the first major effort to declare the sovereign right of the Costa Rican population, proclaiming their own laws in multiple areas, rather than in constitutional and administrative law. Carillo´s Code had clear influence from the French public law system, as was the case of new codes drafted in most of the newly independent countries.

## *The Role Of Public Education In The Construction Of Costa Rican Civility*

Social and democratic development was always linked in Costa Rica to the strengthening of the educational system. This process began in 1814 with the creation of the *Casa de Enseñanza* (Teaching House) of Santo Tomás, which became a university in 1843 and functioned until 1888, when it closed its doors. The creation of academies of professionals in the late 19th and early 20th centuries was largely responsible for the rise in educational standards. The table below shows the growth in

[3] Sáenz Carbonell, J. 2004.

[4] Ibid.

the number of schools and the incorporation of students to the education system in the country[5] between 1821 and 1915.

| Number of Primary Schools in Costa Rica | | | | |
|---|---|---|---|---|
| Year | Schools | Students | Student per school | Total population |
| 1821 | 50 | 2.492 | 48.58 | 65.393 (1824) |
| 1838 | 41 | 2.415 | 58.90 | 78.365 |
| 1861 | 63 | 8000 | 126.98 | 120.499 |
| 1892 | 237 | 16815 | 70.94 | 243.205 |
| 1915 | 471 | 34703 | 73.67 | 430.701 |

The 1940 foundation of the University of Costa Rica during President Calderón Guardia's reign established the promotion of professionalism in Costa Rica. Subsequent reforms included the creation of a number of State universities such as the National University and the Technological Institute of Costa Rica, and later, the *Universidad Estatal a Distancia* (UNED.) These institutions were key facilitators in the creation and strengthening of middle classes, in the promotion of social and economic development, as seen in late 20th century democratic indicators.

## *The Secularization Process and Trends of the Late 19th Century*

After 1880, the Catholic Church (declared religion of the State until the present day by constitutional provision[6]) suffered serious transformation under the new objectives of public policy in Costa Rica. Liberal decision-makers intended to obtain, under varying circumstances, control of the State over most public matters, while simultaneously promoting a process of consolidation and centralization. In 1884, direct confrontation between the State and the Church began with the promulgation of anticlerical laws, which led to a number of political consequences, including the expulsion of the bishop Augusto Thiel, and the order of the Jesuits. Additionally, administration of cemeteries was removed from the Church and granted to the State, religious orders were prohibited

[5] Fumero Vargas, Ana María. 2005, p 4.

[6] Political Constitution of the Republic of Costa Rica. (1949) Article 79.

in the State, imposition of religious taxes was prohibited (without government authorization) and religious rites were restricted outside the churches[7].

## *Mimetic Processes of Legal and Institutional Reforms*

Beyond those first efforts described above, liberal governments in Costa Rica began the major process of legal reforms in the late 1860s, when President José María Castro Madriz (1866-1868) promoted the creation of a commission for legal codification. In 1880, the first draft of the *´Código Penal`* (criminal code) was completed, and it was finalized in 1920. In 1882, a commission was assembled to create the Civil Code and the Procedural Code. The following table shows the development of legal processes between 1878 and 1911:

| Codes, Laws and Executive Decrees 1878-1911 | |
|---|---|
| 1878 | *Ley de Vagos* (Laziness Law) |
| 1880 | *Reglamento de Coches* (Transport Rule) |
| 1884 | *Ley de Juegos* (Games Law) |
| 1884 | *Reglamento del Lazareto* (Lazareto Rule: Laws regarding Health) |
| 1885 | *Reglamento de Gallera* (Poultry Rule) |
| 1886 | *Reglamento de la Policía de Seguridad, Salubridad y Ornato de la Ciudad de San José* (Rule for the Security Police, Sanity and Adornment of the San Jose City) |
| 1886 | *Reforma Educativa* (Educational Reform) |
| 1894 | *Reglamento de Prostitución* (Prostitution Rule) |
| 1894 | *Ley de Profilaxis Venérea* (Venereal Prophylaxis Law) |
| 1897 | *Reglamento del Teatro Nacional* (Rule of the National Theatre) |
| 1903 | *Ley de Licores* (Liquors Law) |
| 1906 | *Reglamento de Policía* (Police Rule) |
| 1907 | *Reglamento de Policía de Orden y Seguridad de la Ciudad de San José* (Rule for the Order and Security Police of San Jose City) |
| 1908 | *Reglamento sobre Teatros y demás espectáculos públicos para la ciudad de San José* (Theatre and other public spectacles rule in the San Jose City) |
| 1911 | *Reglamentación para el Servicio Interior de la Policía de Teatros de esta Capital* (Rule for the internal service of the theatre police in the Capital City) |

[7] Fumero Vargas, Ana María. 2005, p 23.

## *The Beginning of the Social Movement: General Volio´s Partido Reformista*

Jorge Volio was the founder in 1920 and primary leader to 1930 of the *Partido Reformista* (Reformist Party,) an organization that faced strong opposition from the Catholic Church as well as from most traditional and conservative sectors. The *Partido Reformista* promoted reforms and public policies which sought to benefit population overall rather than those which sought only the promotion of export commodities for the most traditional and wealthy economic sector in the country (coffee producers and the new entrepreneurial class.) Instead, Volio´s political platform invested itself in opposition to North-American interventions in Latin America and the Caribbean, as well as to interference by the Catholic Church in political affairs. In this sense, the Reformist Party represented a direct threat to the considerable influence of the Costa Rican oligarchy, and the most conservative sectors, which had heretofore interfered in a number of political decisions.

In many ways, Jorge Volio was the first politician in Costa Rican history whose passion was in protection of the labour sector; his work provided a base for subsequent progressive political forces in the country, such as the future *Partido Vanguardia Popular*, the Communist Party, and even the Social-democratic and Christian-democratic movements of the late 1940s. In the 1930s, labour sector, small worker/ producers' votes drove the *Partido Reformista,* a success which spawned multiple political parties attractive to this sector and which to gained electoral support.[8]

## *Foundations of the Costa Rican Communist Party*

With the Great Depression of 1929-1930, a new Marxist political group emerged in Costa Rica, with a revolutionary political platform centered on the role of peasants, labour groups, and marginalized citizens. Unlike in other Latin American countries, this emergence was peacefully accepted in Costa Rica. The Communist Party had an important political presence from 1930 onwards, took a decisive part in the 1932

[8] Achio Fuentes, H, *et al*.(1979)La Social Democracia en Costa Rica. Liberación Nacional: Ideología o Práctica. Seminario de Teorías Políticas en Costa Rica. Universidad de costa Rica. p 5.

elections, and was a key protagonist in the strike of 1934 (*Huelga Bananera.*) Its most influential period occurred throughout the government of Teodoro Picado (1944-1948) when its members actively participated in the formulation of social policies, although in following years, despite the Communist Party's an active political role, it did lose political support and public adherence.[9]

## *The Bananera: United Fruit Company & Standards Fruit Company 1934 Strike*

The so-called Strike of 1934 is important in that it shows the degree of influence that the Communist Party had in that period. In 1930, the United Fruit Company, a North American company in charge of major commercial operations in the banana sector in Costa Rica and many other Latin American countries, agreed in contracts proposed by the Costa Rican government to new rules that would contribute to the development of the Costa Rican community. These contracts also established new taxes for banana exports, and a commitment from the company to build hospitals and dispensaries in order to reduce the death rate among workers in the banana plantations, who were exposed to serious health risks.

In 1932, the Congress of the Republic appointed a commission to evaluate the company's compliance to the 1930 contract-stipulated obligations, and found consistent series of violations. The United Fruit Company balked, and by 1934, the Communist Party (under the name of "*Bloque de Obreros y Campesinos*") supported an extended strike by labourers from the banana sector. This action made for notable precedent in subsequent fights for labour rights, many of which led to strikes during the second governing period of President Ricardo Jiménez.[10]

---

[9] Achio Fuentes *et al,* 1979, p 7.

[10] Ibíd p 8-9.

# Social Reforms from 1942 to 1948

## *"Partido Liberación Nacional" & "Centro Para El Estudio De Los Problemas Nacionales"*

The basis for the social democratic think-tank, "*Centro para el Estudio de los Problemas Nacionales*" was established in 1937 with the foundation of the Cultural Association of Law Students of Costa Rica. By September 1943, the Center had structured itself as an organization with commissions, an assembly of members, an executive committee, as well as other offices. These various commissions dealt with agriculture, industry, development, social and economic affairs, taxes, banking and commerce, education, internal government and legislation, foreign affairs, and health. The group gathered the most promising young intellectuals of the time, such as Rodrigo Facio, Luis Antonio Villalobos, Carlos Monge, and Fernando Fournier, who influenced the most important reforms that Costa Rica would see in the following decades.[11] As we will see, the Center influenced several major policies over the years, as well as several Costa Rican presidential administrations. However, its most important influence was on the foundation of the "*Partido Liberacion Nacional,*" the social democratic organization which has had the most significant influence on Costa Rica throughout the latter 20th century.

## *The Partido Republicano, Catholic Church & Communist Party Agreement*

The ´Vanguardia Popular Party` was formed in the wake of the Communist Party; this new political actor was embraced by the Catholic Church, which alliance created a new political coalition seeking social reforms, largely through a mixture of the *Rerum Novarum* Catholic encyclical, and progressive measures proposed by the communist politicians. The Catholic Church ensured that the influence of communism would be neutralized by isolating its political role in the promotion of the social reforms, but not in the most prominent and conspicuous political activities. As a result, in 1943 a

[11] Achio Fuentes, H, *et al*. 1979, p 21.

coalition was proposed between the Republican Party and the communist wing represented by *Partido Vanguardia Popular*. Rafael Ángel Calderón Guardia and Manuel Mora Valverde promoted the alliance between the two political groups, which in turn established many significant reforms having to do with the social rights of Costa Rican citizens. At this time, the "Center for the Study of National Problems" supported the alliance, pointing out that Costa Rican democracy lacked doctrinarian political parties, beyond the Communist Party.[12]

## *The "Caja Costarricense Del Seguro Social"*

Through Calderón Guardia's administration from 1940 to 1944, a series of social reforms were implemented. The socio-economic structure of the country changed and the ´Center for the Study of National Problems` supported most of these reforms, but was a little hesitant about establishing social guarantees that could jeopardize the liberal character of governmental tendencies.[13] In 1941, the Calderon administration launched the Law of Social Security, which established "obligatory insurance for all workers" and created the *´Caja Costarricense del Seguro Social,`* the primary social security and citizen health protection institutions, which again followed influence of the French, British and Belgium models."[14] Even today, this social security system provides fundamental protection and improvements in health; indicators in Costa Rica show the law's decisive contribution to human development over the last decades.

## *The Labour Code: Agreement Between Unions and the Entrepreneurial Sector*

As established in the previous section, the government of Rafael Ángel Calderón Guardia (1940-1944) was committed to the promotion of social reforms. In May of 1942, previous to the creation of the Constitutional Congress that implemented social reforms in the Political Constitution, President Calderón appointed a commission for

---

[12]. Achio Fuentes, H, *et al*. 1979, p 24-30.

[13] Ibíd p 33.

[14] Sáenz Carbonell, J. 2004.

the enactment of a Project of Labour Code. The Commission was headed by Carlos María Jiménez Ortiz, Secretary of Labour and Social Prevision, and the final project was presented to the Congress on April 12, 1943. The doctrine of the Labour Code responded to the Christian principles of social justice contained in the Vatican Encyclicals *Rerum Novarum*, *Quadragesimo Anno*, *Divinni Redemptoris,* and the Social Code of Desiré Mercier. On July of 1943, Congress approved the constitutional reforms regarding the social rights promoted by both the Catholic Church and the Communist Party. "In such a context of promotion of protection of the social rights of the individual, the Labour Code was approved on August 26 of that same year."[15]

## From 1949 to 2000 – The Second Republic

The strong political turmoil experienced by Costa Rica during the 1940s resulted in deep social and political reforms, effectively launching the Costa Rican version of the *welfare state*. The new Political Constitution represented new political and social agreement, and thus created the Second Republic. Reforms implemented in the 1949 Constitution included the abolition of the army, the establishment of extensive social security and public health systems, a huge investment in education, and the nationalization of the banking business. Among other measures, these reforms marked a dynamic period (1949-1980) of three decades in which Costa Rica almost quadrupled its national income and per-capita indicators. Political development in several countries in Latin America saw a generalized return to democracy after a period of authoritarian governments, but "Costa Rica was one of the three Latin American countries (along with Colombia and Venezuela) that remained democratic in the decade of the 70s and did not suffer the authoritarian setback of that decade."[16]

---

[15] Sáenz Carbonell, J. 2004

[16] Mora Alfaro, Jorge. Retrieved from http://mpra.ub.uni-muenchen.de/1529/ on 08/11/08.

## *The Constitution Of Partido Liberación Nacional (PLN)*

As a result of the national election of 1948, the Electoral tribunal provisionally declared Ulate, the new president on February 28th. However, a Social-Christian majority of Congress members was displeased with the result. On March 1st, in response to a claim by former President Calderón, Congress annulled the result of the electoral process, declaring it a fraud. Subsequently, a major revolutionary civilian movement against Congress's decision led to the Civil War of 1948. The Social-Democrat leader of the revolution, José Figueres Ferrer, demanded the reinstatement of the government of Ulate after vanquishing the conservative faction and called for the creation of a *Junta de Gobierno*, which lasted 18 months, until the reestablishment of the constitutional order and the creation of the new Political Constitution in 1949. The successful intervention of the social-democrat faction motivated significant participation in the following national elections, at the end of the Ulate's government in 1953. This was the basis for the creation of the *Partido Liberación Nacional* (National Liberation Party) on October 12, 1951."[17]

With the advent of the *Partido Liberación Nacional* in Costa Rica's political field, the 1950s to the late 1990s saw a bipartisan and predictable electoral system. Power was routinely disputed between the Social-Democrat *Partido Liberación Nacional* (PLN) and the Social-Christian conservative faction, *Partido Unidad Social Cristiana* (PUSC.) "This bi-partisan and alternate equilibrium of power brought stability and a long phase of growth and political modernization. During this period, electoral participation was regular, with 80% of registered voters participating in the elections between 1962 and 1994."[18]

## *The Subordination of Security Institutions to Civil Democratic Control*

Costa Rica abolished the army as a result of Article 12 of the Political Constitution of 1949; it is the first country in the world to undertake this civilian measure. President

[17] Achio Fuentes, H, *et al*. 1979, p 39-42

[18] Raventós, Ciska, *et al*. 2005.

Jose Figueres Ferrer promoted the abolition during *de facto* government of 1949, and announced that the military budget would be redirected in its entirety to public education. It was agreed that in the event of security concerns or extraordinary circumstances, a provisional military would be under civil power. Additionally, Articles 139 and 140 of the 1949 Political Constitution reinforced the subordination of police forces before the civil power represented by the executive power.

Abolishing the army has been considered one of the most audacious and positive decisions in Costa Rican history, a fundamental factor in the country's democratic system. In general terms, those constitutional norms have been strictly observed throughout recent decades, with the sole exception of Costa Rican police participation in the 1965 Dominican Republic conflict, when participation resulted from discussion of whether these forces were effectively acting under civil power, given the nature of the international obligations contained in continental agreements.[19]

## *Key Factors in Costa Rican Evolution According to Rodrigo Facio*

Rodrigo Facio was one of the most prominent intellectuals of the "*Centro para el Estudio de los Problemas Nacionales*" and an academic leader of the new Costa Rican social democratic sector which gained ascendancy after the 1948 Civil War. Facio also was member of the *Asamblea Constituyente,* which drafted the 1949 Political Constitution. His analyses, scholarly writings, and strategic documents on the re-organization of the Costa Rican state have been deeply influential; the systematic nature of Facio´s proposals is still useful to understanding key factors of Costa Rica's evolution between 1950 and 1990.

## *Constructing Social Capabilities (National Investment in Education and Public Health)*

The new *Junta de Gobierno* (headed by Figueres, but strongly influenced by Facio and the young social-democratic movement) not only abolished the army in addition to

[19] Asociación Estudios para el Futuro. (2007). Primer Informe Centroamericano de Gobernabilidad: Costa Rica. 1st Ed., San José, Costa Rica, p 337.

making a number of major reforms, sought to preserve many of the legal and institutional measures of the *old regime,* such as the *Caja Costaricense del Seguro Social*, the Labour Code, among other measures, but essentially, investment in public education became the priority for the Costa Rican presidential administration, and remains so to this day.

## *The Nationalization of Banking Business Between 1948 and 1982*

The *Partido Liberación Nacional's* social and economic reforms included the creation of a National Banking System, which was comprised of the following institutions:

- Banco de Costa Rica
- Banco Nacional de Costa Rica
- Banco Central de Costa Rica
- Banco Crédito Agrícola de Cartago
- Banco Anglo Costarricense

This system has been fundamental in offering loaning opportunities at a low cost for most of Costa Rica's population. As well, the general guidelines of the *Banco Central de Costa Rica* represent the cornerstones for macro-economical policies regarding financial matters.

## *Decentralization: The Regime of Autonomous Institutions*

Prior to 1950, decentralization in Costa Rica was limited by virtue of the unitary and presidential character of the State, as defined in the Political Constitution. Unlike federal government systems, decentralization was always characterized by a limited assignation of competences toward the municipal system. However, in the 1970s and 1980s a progressive movement towards decentralization emerged, based on the administrative principles of ¨transference of public competences,¨ following the paths of France, Italy and other nations. The promoters of decentralization processes seek to legitimize the power of local governments by delegating more competences and functions of the public administration. Such powers may influence regional development and facilitate "the adequate fulfillment of the necessities of the civilian

population in the country."[20] "The de-concentration processes, directed from a constitutional disposition,"[21] see delegation of competences of the State as a way of for improving public policies on several matters. In the wording of the constitution, the institutions of public insurance and banking systems are autonomous. The Legislative Assembly may create new institutions with the same character for the delegation of centralized competences.

## *Building Middle Classes: Costa Rican Policy Objectives from 1950 to 1980*

Between 1950-1980, the Costa Rican government established new policies on imports, and Costa Rica became part of the *Mercado Común Centroamericano* (Common Central American Market.)[22] During the 1980s and 1990s, Costa Rica ranked as a middle-high developed country in the *UNDP Human Development Index* (fluctuating between ranks 32 and 45.) In the two consecutive governmental periods of the *Partido Liberación Nacional,* between 1970-1974 and 1974-1978, the country experienced considerable expansion of middle-classes and a substantial development of GNP and per capita indexes. "The improving of the capability of the salaries was supported by the financial participation of the State in the implementation of the universal character of the social security, the family funds, and a widespread welfare housing program. However, these achievements were promoted with the aid of foreign investment."[23]

## *Transitions Between 1980 and 1986: The Central American Conflict*

Notwithstanding the improvements mentioned in the previous section, the expansion process began in 1980 to reverse and contract, economically. This condition was worsened by weakness in foreign trade balances, and the rapid increase of financial rates over "Third World" external debts, a hard reality affecting most of the Central

---

[20] Asociación Estudios para el Futuro. 2007, p 285.

[21] Political Constitution of the Republic of Costa Rica.1949, Articles 188, 189 and 190.

[22] Ferraro Castro, F. 1998. p 69-74.

[23] Alvarenga, Ana Patricia. 2005, p 42.

American region. The constant rise in prices reduced the acquisition capability of salaries; between 1980 and 1983, devaluation rose 500 %, which led to a tremendous increase in the cost of basic services such as energy and transport, which in turn led to civil protests, then violent confrontations between government and civil societies.

President Luis Alberto Monge Álvarez (1982-1986) pushed for agreements with the World Bank and the International Monetary Fund. In exchange, the IMF ensured the government would be obliged to reduce its already nominal interventionist character by diminishing State functions and the public expenditure. "Monge's administration created mechanisms to balance the possible negative consequences of such reforms as the creation of the *´Plan de Compensación Social`* in 1983. This initiative included policies for gradual salary increase, food distribution programmes, a welfare housing construction programme, and the distribution of land for the agrarian sector."[24]

## Early 21st Century Trends in Costa Rican Democracy

The balance of Costa Rican democracy between 1950 - 2000 is complex. On one hand, the country was certainly able for many decades to launch and sustain a notable progression of reforms, guided by the principles of the social-democratic paradigms; a welfare *state* model based on plural-and sometimes contradictory influences- such as the collectivist movements from the 1930s, the *Rerum Novarum Encyclical* influence and the neo-Keynesian role of the State as influenced by European economists and the UN-CEPAL proposals of Raul Prebish and associates. On the other hand, however, a number of challenges came with 1980s and 1990s. First, there has been the endemic disability of the political class to differentiate itself from economic lobbies and groups of interest, which have pushed for substantive tax reform and the modernization of fiscal policies. Costa Rica still has a very poor national tax collection, around 14% of

[24] Ibid.

the GNP, an extraordinarily weak figure compared to other countries with similar human development standards. As a result of this structural shortcoming, the country has been unable to strengthen its universal investment in education, health, and other important social services, which results in a cycle of fiscal uncertainty, a growing internal debt, and an inability to generate greater national competitiveness in terms of a qualified labour force, better infrastructure (roads, ports, and other basic requirements) to deal with the demands of a simultaneously regional and global economy. Most political, social, and academic actors in Costa Rica today imply through various means that the country is undergoing a difficult transition, is leaving behind its "golden age" of the last half century, and is facing complex challenges in the 21st century with old and exhausted instruments. Such tools had been useful even in the recent past but seem not capable of meeting the complicated demands of the new CAFTA economy of CAFTA and related global schemas. In the following sections, we briefly examination the economic and social factors that might help to assess trends and the possible evolution of Costa Rican democracy.

The current economic and political situation of Costa Rica is substantially unlike Oscar Arias' first Administration, which was from 1986 to 1990. Costa Rica's historically bipartisan system has evolved into a multi-partisan system, and there have been significant rearrangements of economic and productive sectors. These shifts mean changes in the formation of social classes, in socio-economic levels, and within political parties. Despite such unpredictability, comparative studies have evaluated Costa Rican democratic indicators positively in relation to available data from other Latin American countries. For instance, the Democratic Development Index, as seen in the table below, is largely positive:

**IDD-Latin America Evolution in 2002 - 2006 Periods**[25]

| Country | IDD-LAT 2002 | IDD-LAT 2003 | IDD-LAT 2004 | IDD-LAT 2005 | IDD-LAT 2006 |
|---|---|---|---|---|---|
| Argentina | 5247 | 3900 | 3918 | 4337 | 5330 |
| Chile | 8757 | 10031 | 10242 | 10435 | 10796 |
| Uruguay | 9736 | 9766 | 7517 | 8355 | 8397 |
| Paraguay | 2255 | 3214 | 1689 | 4493 | 3745 |
| Brazil | 3932 | 5028 | 3348 | 3820 | 4468 |
| Bolivia | 4150 | 2883 | 3343 | 3528 | 2726 |
| Perú | 4352 | 3602 | 3688 | 3126 | 3590 |
| Ecuador | 1694 | 2376 | 3122 | 3658 | 2237 |
| Colombia | 5254 | 4218 | 3054 | 2993 | 4362 |
| Venezuela | 2243 | 2811 | 1552 | 2581 | 2720 |
| Panamá | 8309 | 8028 | 6914 | 6918 | 6828 |
| Costa Rica | 8575 | 7847 | 8633 | 8510 | 9704 |
| Nicaragua | 2963 | 4230 | 3614 | 4032 | 3151 |
| ElSalvador | 5544 | 6273 | 4452 | 5053 | 4718 |
| Honduras | 3107 | 4098 | 4142 | 4332 | 4431 |
| Guatemala | 3992 | 2928 | 3884 | 1648 | 3834 |
| México | 6340 | 6623 | 6136 | 5522 | 5917 |
| R.Dominica | - | - | 4631 | 3823 | 4187 |

However, these comparative figures justify no complacency, in that democratic stability is always a concern. Comparing the Costa Rican case to other Latin American country cases, which historically have shown very low ranks in rule of law, transparency, control of corruption, and weak institutional modernization, it is not a significant victory; other countries such as Uruguay or Chile also indicate good performances, but are very non-democratic regions. Further, beyond the formal structure of Costa Rica's electoral system, the country lacks important public policies and deliveries in terms of civil society needs. As noted by the United Nations Development Program (UNDP,) Costa Rica, in spite its comparatively positive results, " faces three serious challenges for the promotion of democracy in the new millennium: 1) The adequate articulation of public policies to diminish the problems of accessibility and the creation of opportunities, including the promotion of civil, economic, and social rights; 2) The

[25] Retrieved from http://www.idd-lat.org/Web%20IDD-Lat2006/2006ebriefing.htm on 08/11/08.

creation of spaces for citizen participation; and 3) The promotion of social and cultural practices that avoid hierarchical and discriminatory relations."[26]

## *Constitutional/Legal Enforcement: The Supreme Constitutional Tribunal & General Law*

As mentioned, the Costa Rican legal society gradually implemented, over several decades, international legal and institutional bench-markers, including the development of an extended set of regulations in the area of Public Law, Constitutional Law, such as the Administrative General Law, the General Law for Administrative Contracting, as well as additional provisions such as the foundation of a specialized constitutional jurisdiction. Subsequent to those general administrative legal provisions generated during the latter 19th century, the modern Costa Rican Public Law system developed in the 1950s, with the promulgation of the Administrative General Law, the General Law for Administrative Contracting, the Procedural Code for Administrative Litigation and, more recently, the ¨*Ley de Ilícitos Financieros*."

In general terms, the country has experienced acceptable levels of constitutional and legal enforcement from 1950 to 2000. The enforceability and steadiness of such norms have been consistently proven by the correlative development of Costa Rican institutions. One of the fundamental strengthening measures made to the legal system was the creation of the Constitutional Chamber of the Supreme Court (Sala IV) in 1989. Even though constitutional cases had historically been resolved by the Supreme Court since the 19th century, the development of Law number 7135 or *Ley de la Jurisdicción Constitucional* (Law of the Constitutional Jurisdiction) updated the constitutional remedies and general mechanism of constitutional protection following the pattern of the French, Italian, British, Canadian and US constitutional models. Over the last few decades, the influence of the Spanish constitutional system has generated an extended dialogue on jurisprudence and comparative law exchange.

---

[26] Retrieved from http://www.nu.or.cr/pnudcr/index.php?option=com_content&task=view&id=111&Itemid=45 on 08/11/08.

Along with the improved functioning of the Constitutional Chamber, there has been considerable improvement in substantive remedies, procedures and a number of normative tools designed to protect the values and principles of the rule of law, the supremacy of the Constitutional body, equality before the law, and the impartial and fair administration of legal provisions. In general, international experts consider Costa Rica's legal developments within the last four or five decades efficient and well-implemented as a jurisdictional system. For instance, *la acción de inconstitucionalidad* ( "action of unconstitutionality") and the mechanism to protect constitutional guarantees have been consistently applied, among other measures such as the *habeas corpus* and the *recurso de amparo (*appeal for protection.*)*[27] Statistics show that the use of constitutional remedies in Costa Rica ranks as one of the most progressive in the world.

A major reform was experienced in 1978 with the approval of Law 6227 or General Law of Public Administration (*Ley General de la Administración Pública.*) Among other areas of regulation, this fundamental legal provision established the competences, functioning, areas of control, duties and rights and responsibilities of public institutions. In general terms, the technical notion of the *objective responsibility of the State,* a substantial advance in French, British, and Anglo-Saxon Public Law from the early 20th century, has advanced as well in Costa Rica over the past 40 years.

Articles 9 and 11 of the Political Constitution of 1949 define transparency and accountability of the State before citizens. Article 9 establishes the "responsible" character of the State, while Article 11 (reformed in 2000) deals with the general notion of *rule of law (principio de legalidad* ) and the mandatory transparency and accountability of the public functions.

The legal framework and implementation of the principles of public and governmental accountability have been established in laws such as the *Ley Orgánica de la Contraloría* (General Law of the Comptroller's Office,) Law number 7428-94, and the

---

[27] Asociación Estudios para el Futuro. (2007). Primer Informe Centroamericano de Gobernabilidad: Costa Rica. 1st Ed., San José, Costa Rica, p 366.

*Ley de Control Interno* (Law of Internal Control,) Law number 8292-02. Nevertheless, many experts feel that the efficacy of such laws has not been adequately implemented; by some, the political culture of the Costa Rican population has been deemed insufficient for the correct exigency of responsibility, and the civilian population lacks direct legal or institutional instruments to control public performance.[28]

# Political Factors: Political Culture & Civil Society Engagement

## *Reduction of Political Participation in the 1998, 2002 and 2006 Elections*

Costa Rican politics have eroded in some ways through the deep fracture between political parties and their historical constituencies. Beginning with the national elections of 1998, political participation has decreased substantially, a radical departure from the historical pattern of more than 80% for almost half a century to less than 70% in the 2006 election, including in the national referendum on CAFTA which saw only 60% effective ballots from all registered voters. Various factors have caused this significant break in Costa Rican ´political and electoral pacts.`

One cause for the decline is the increasing inability of many administrations to address some of the most endemic and critical social/ economic demands, such as poverty reduction; the country has suffered for decades a 20% rate of structural poverty, with most public policies having failed to reduce it, and contributing also is the failure of citizen security, one of the most rampant problems in current Costa Rican society. Further, the lack of strong ideological platforms in political parties has generated deterioration of electoral loyalties, caused political disenfranchisements, and evaporated the historical Social Democratic or Social-Christian constituencies, the two most important political parties of the last 50 years. Yet another weakening factor has

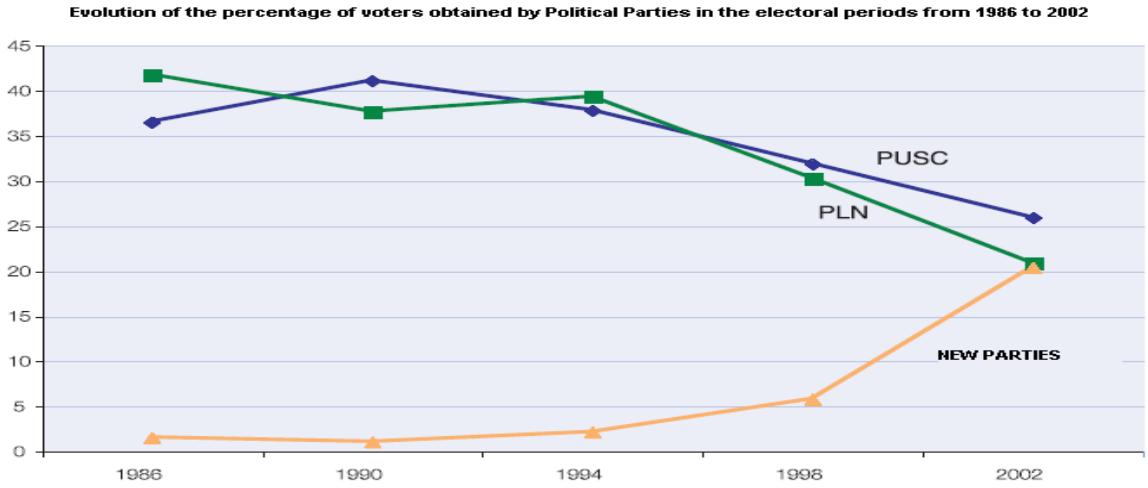
[28] Asociación Estudios para el Futuro. (2007). Primer Informe Centroamericano de Gobernabilidad: Costa Rica. 1st Ed., San José, Costa Rica, p 358-359.

been the increase in cases of corruption and the public mismanagement of public funds, these crimes committed by many of the most prominent politicians during the last decade. For instance, charges of corruption and subsequent imprisonment were faced by two former presidents, Miguel Angel Rodriguez Echeverria (1998-2002, who, upon receiving the charges, resigned as Secretary General of the Organization of American States) and Rafael Angel Calderon Fournier (1990-1994.) These disgraces have negatively affected public perceptions of the political area altogether. Both ex-presidents have been indicted but trials have yet to take place. Another former president, José Figueres Olsen (1994-1998,) opted to exile himself under similar circumstances, and his case was only recently discharged by the Public Prosecutor.

Because of these influences, *Partido Liberación Nacional* (PLN) has shown a consistent reduction in electoral support since 1986, excepting the 1994 elections. By 1998, the decrease of electoral support was even sharper and by 2002, the number of voters was only 50.1% of those who had supported that party in 1986. The *Partido Unidad Social Cristiana (*PUSC) enjoyed a period of increasing support until 1986, but then began to see a consistent decrease; by 2002, the number of voters for this party was only 29.1% of those registered in 1986. The only exceptions to this downward spiral of political support to parties in Costa Rica occurred in 2004, when two sons (Rafael Ángel Calderón Fournier and José Figueres Olsen) of popular party founders participated as candidates in the national elections.[29]

[29] Raventós, Ciska, et al. 2005.

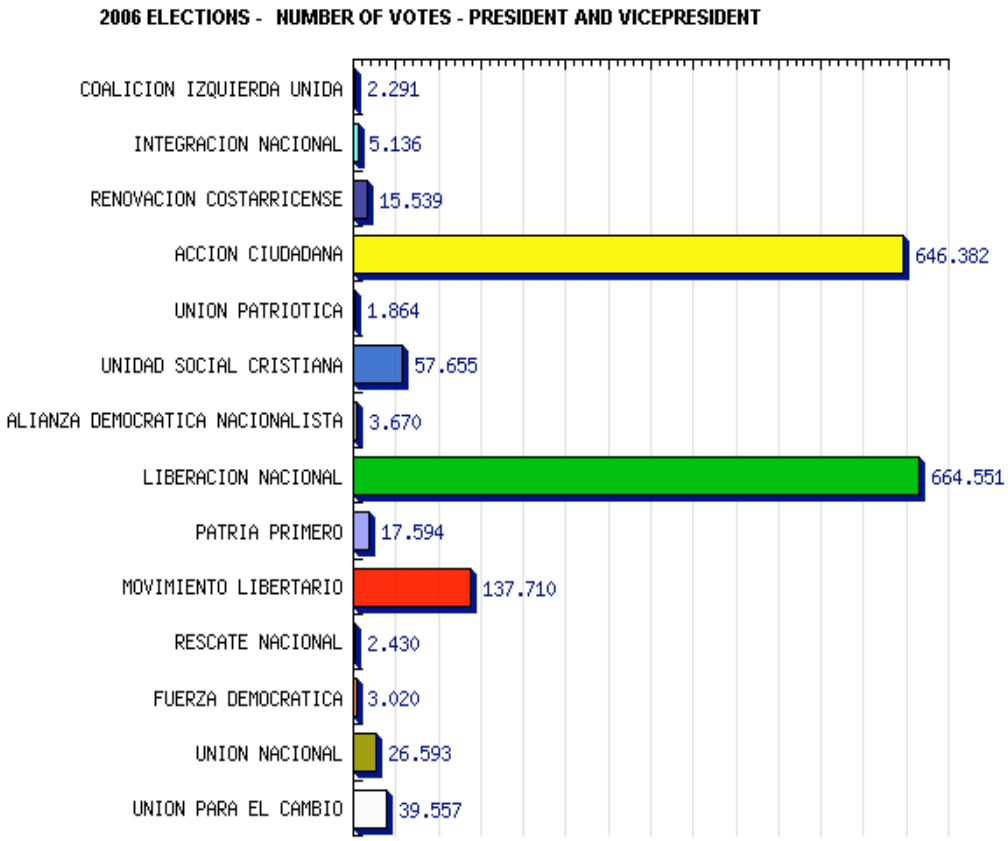
**Evolution of the percentage of voters obtained by political parties in electoral period 1986-2002**




## *New Political Actors: PAC, Partido Libertario & the Re-Accommodation of Constituencies*

As a result of many of these factors, the stable Costa Rican bipartisan model has been transformed during the last decade into a system of political and electoral uncertainty (following the trend of other Latin American countries.) The ideology and political range of social-democracy has been disputed lately between *Partido Liberación Nacional* (PLN) of President Oscar Arias (with 25 representatives in the Parliament) and *Partido Acción Ciudadana* (PAC,) led by the economist and former member of Arias' first government, Ottón Solís (with 17 representatives in the Parliament,) the main opposition party. Arias was elected over Solís by a small number of votes, less than 1% of the ballots, although the PLN was able to obtain a crucial advantage in parliamentary representation. The following graphic shows the results of the 2006 presidential and vice-presidential election:

**2006 Elections-number of votes-president and vice president[30]**




Other political parties, such as the *Partido Movimiento Libertario* (PML,) campaigned for the diminution of the State's capacities, the de-regulation of public subjects and competences, and the general promotion of free commerce. Such initiatives have been supported by the private sector and by companies pursuing reduced taxes and fiscal capabilities of the central government. The members of this political party (with the representation of seven representatives in the Parliament) are followers of the teachings of Hayek, Friedman and the *CATO Institute* of the United States.

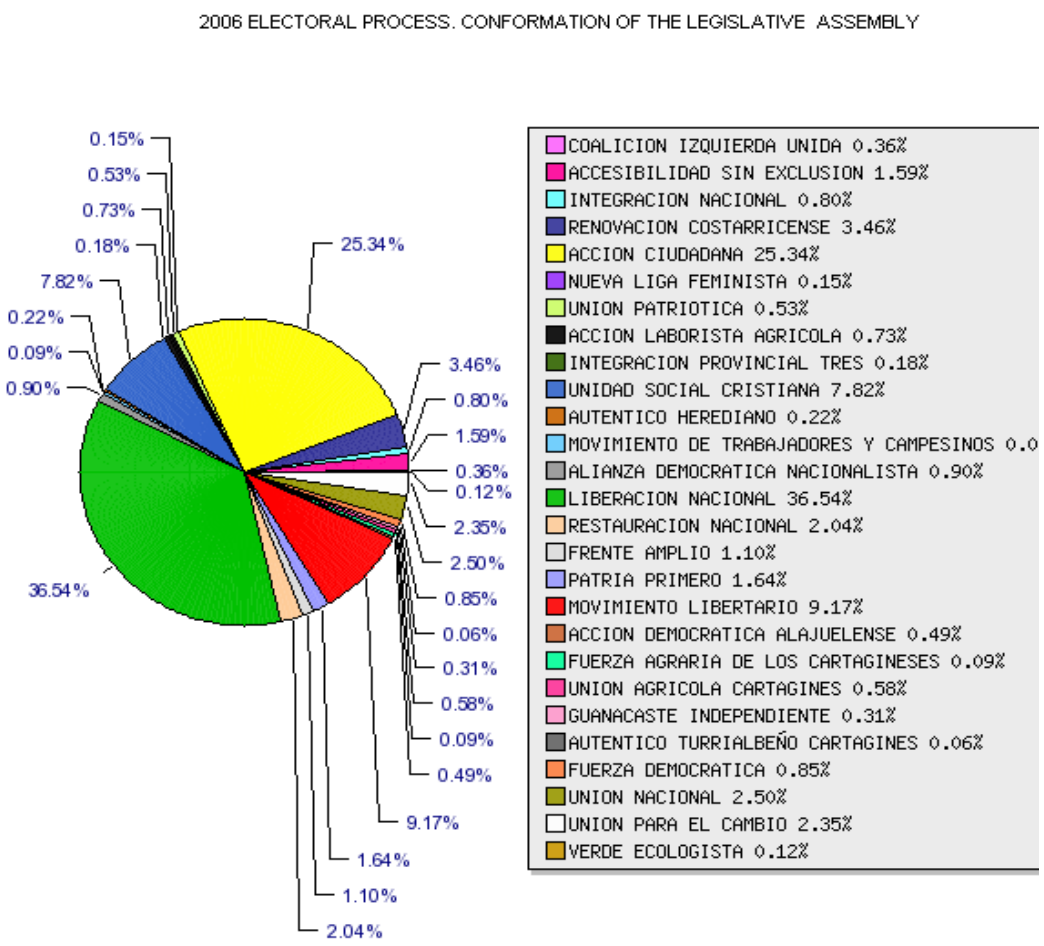
The *Partido Unidad Socialcristiana* (PUSC,) representing conservative sectors and Christian democrats inspired by the *Rerum Novarum* movement, lacked political force in the past election. Social Christians have been one of the two most relevant parties in the political scene over the past century and they have suddenly become a

[30] Retrieved from http://www.tse.go.cr/escrutinio_f2006/Presidenciales/0.htm on 08/11/08.

parliamentary minority, with just five representatives. The party's political future depends on the ability of its current leader, Rafael Angel Calderon Jr., to overcome judicial disputes.

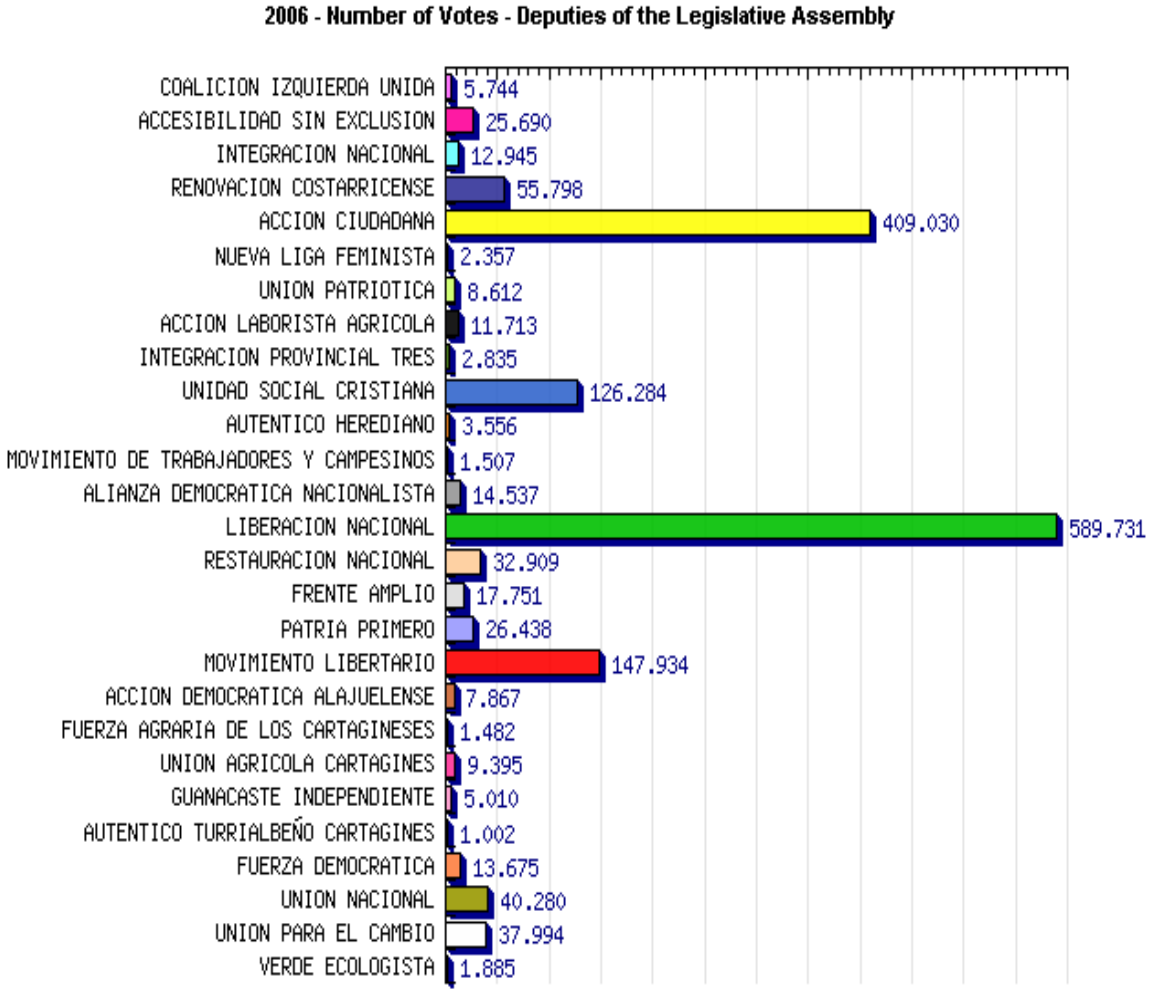
Other minority parties, some with only one deputy at the Legislative Assembly, have also contributed to the current parliamentary complexity by introducing yet more to negotiate. As in many other countries around the world, the current Costa Rican multi-partisan model has demonstrated itself as quite volatile in terms of negotiation and agreement. Costa Rica's political ability to consolidate structural and long–term pacts in the definition of public policies appears to be declining. Political agreement and parliamentary pacts appear increasingly difficult to have take place at the present time. The following graphics show the heterogeneous composition of the current Legislative Assembly:

## 2006 Electoral Process, Conformation of Legislative Assembly[31]




[31] Ibid.

## 2006-Number of Votes - Deputies of the Legislative Assembly[32]




[32] Retrieved from http://www.tse.go.cr/escrutinio_f2006/Diputados/0.htm on 08/11/08.

# Economic Factors

Over the last decades, Costa Rica has successfully transited from its traditional productive model (an agrarian economy based on the export of coffee and banana) to a broader and much more competitive system. Currently, tourism is the most lucrative source of income in the country. The agrarian economy has been diversely subsidized in part by tourism, high-tech manufacture, seed exchange, and flower exports:

> By the beginning of the 2000 decade, half the employments were already linked to the exportation sector and 80% of the soil for agricultural exploitation is used for exportation purposes. Even though Costa Rica has a small territory, it produces 97% of the manioc, 90% of the pineapple, 80% of the chayote, 80% of the yucca, 60% of the banana, 40% of the melon and 25% of the orange juice required in the United States; it also produces 41% of the pineapple, 30% of the melon, 28% of the ferns and 23% of the watermelon required in Europe."[33]

As a result of this transition, the World Bank has bestowed upon Costa Rica a reasonable bill of overall political and economic health. Conversely, the country has been one of the most vocal supporters of continental free trade, although ratification of Free Trade initiatives such as CAFTA have been deeply controversial, as will be discussed in the following section. In the 1980´s, Costa Rica developed a "free tax area" (*regimen de zonas francas*) and began to offer free trade benefits such as exemption from import duties on raw materials, capital goods, parts and components; unrestricted profit repatriation; tax exemption on profits for the first eight years and a 50% exemption for the following four years, all by way of promoting foreign investment.

CINDE, the Costa Rica Investment and Development Board (a private, non-profit organization that provides complete and updated information on the economy and the business environment in Costa Rica,) has been officially commissioned by the government to draw and advise foreign investors. High-tech companies such as Intel, Hewlett Packard and other US companies have been stimulating the export sector while

---

[33] Retrieved from Ordóñez, Jaime. http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm on 08/11/08.

traditional exports, such as coffee and bananas, are falling in percentages of overall figures. In this sense, "Costa Rica has been building during the last 20 years and acceptable competitive mechanism to attract high-tech companies. In a matter of two decades, the whole economic and labour structure of the country has changed significantly."[34]

| Costa Rica: Main Characteristics of Economic Development 1950-2005 | | | | |
|---|---|---|---|---|
| Characteristic | 1950 | 1960-1981 | Liberalization I (1982-1987) | Liberalization II (1988 - present) |
| Model | Internal | Beginning of liberaliza-tion | Liberalization of taxes, trade barriers | Continuance of liberalization |
| Type of economy | Agrarian | Industrial | Industrial | High-Tech. & Industrial |
| Concentration of the exportation | Very high | Beginning diversifica-tion | Diversification | Diversification |
| Commercial Policies | Restricted | MSI | Less restricted | Much less restricted |
| Main Exportations | Traditional | Traditional and Non-traditional | Basically non traditional | Basically non-traditional |
| Exchange policies | Direct Controls | Direct Controls | Indirect Controls | Indirect Controls |
| Public Sector | Reduced | Strong, active, with *deficit* | Weaker and with deficit | Weaker and with deficit |
| Public Debts | Low | Low but growing | Very High | Reduced but still high |
| Inflation/ Devaluation | Nothing | Very Low | Very High | High |
| Private Banking | Symbolic | Symbolic | Beginning of the Operations | Very active |
| Unemployment | Low | Low | High, then controlled | Low, but increasing |
| Ann. Econ. Growth | > 6% | > 6% | < 6% | > 5 % |
| Population (thousands) | 1.000 | 2.000 | 2.500 | 4.000 |

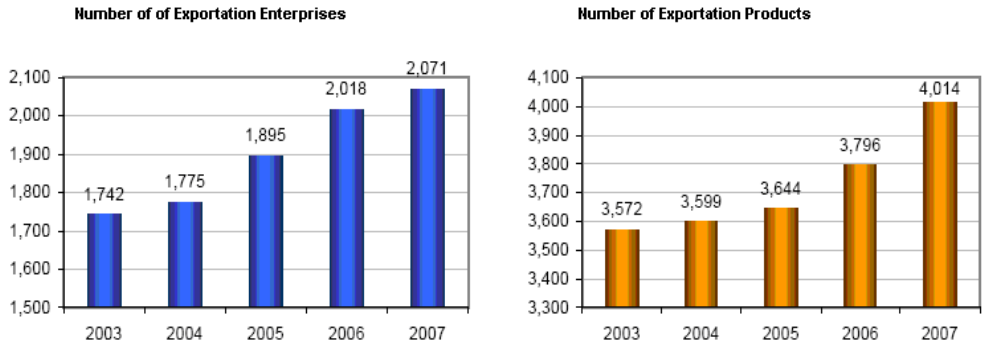
The tourism industry was developed as a non-traditional export product with considerable economic and social impact. In 1987, tourism represented just 3% of the GDP but by 1995, that figure grew to 9% of the GPD, which represented an income of US$659 millions. In 1993, the tourism sector became the first source of currency, exceeding export of bananas. Tourism also generated more than 128,000 new direct and

[34] Retrieved from http://www.businesscostarica.com/ on 08/11/08.

indirect jobs during the 1990s; "this economic sector helped to improve rural development due to the fact that most tourist regions are distant from the Central Area, basically in the area of Guanacaste, San Carlos, Limón y la Zona Sur."[35]

This fundamental transformation of the productive sector has significantly altered the structure of country revenues, as seen below:[36]

## Number of Exportation Enterprises and Products




The tax exemption regime (*régimen de zonas francas*) attracted foreign investment during the 1990s of such companies as INTEL, Abbot, and Procter & Gamble.

The profound transformation of the productive structure during the last decades has indeed changed the face of the country's economic activity. The following table illustrates, among other transformations, the growth of the commerce-area working force, which is a consequence of tourism, the most significant source of country revenues.

---

[35] Sánchez, José Alfredo. Retrieved from http://wruizc.files.wordpress.com/2008/06/el-turismo-en-costa-rica.pdf on 08/11/08.

[36] Retrieved from http://www.comex.go.cr/estadisticas/otras/Otras%20Estadisticas%20para%20Web%202008-principales.pdf on 08/11/08.

| Economically Active Population for Activity Area -- Number of Persons | | |
|---|---|---|
| **Area** | **1990** | **1999** |
| Agriculture | 270.371 | 270.843 |
| Public Services | 257.982 | 338.731 |
| Industry | 192.429 | 217.024 |
| Commerce | 167.268 | 286.558 |
| Construction | 70.753 | 89.514 |
| Transport | 42.368 | 77.004 |
| Financial Services | 34.893 | 68.580 |
| Electricity, Gas and Water | 12.779 | 13.562 |
| Mines | 1.842 | 2.299 |
| Not Specified | 15.977 | 19.337 |
| **Total** | **1.066.662** | **1.383.452** |

## *Commerce/Consumer Protection: Biased Notions of Monopolies & a Free Market*

Since 1994, the legal frameworks have been instituted to prevent monopolies, concentrations in productive areas, and abuses in commerce trade. The prohibitions of private monopolies from 1949 (Article 46 of the Political Constitution) were complemented in 1994 with the creation of the *Ley de Promoción de la Competencia y Defensa del Consumidor* (Law of Competence Promotion and the Defense of the Consumer,) Law number 7472-94. Article 1 of this law establishes the prohibition of the monopoly practices, and derogates regulations from other legislation that may not enhance competitiveness in economic operations.

To implement this legal provision, a Commission for the Promotion of Competence (*Comisión para promover la Competencia*) was established. However, despite these new regulations and the relatively small domestic market, Costa Rica does have many private monopolistic markets and practices, including areas such as gas, beverages, imports of cars and vehicles, mortar and cement and very sensitive sectors of the market related to food and basic needs. Since the creation of this Commission there

have been no real advances in the control of disproportionate or abusive practices.[37] On the contrary (and following the pattern of other Latin American countries,) a very conservative and influential economic and political sector in Costa Rica has managed to dismantle remaining public monopolies in sensitive areas such as communications (telephones, Internet) and insurance, as well as a number of other public services, but at the same time has rejected any mechanism of control over their own private monopolies.

## *Integration to Regional and Global Schemes and the CAFTA Debate*

Unlike many South American countries which have undergone a speedy process of privatization and *aperturismo,* generally characterized by the dismantling of many State competences and public roles, Costa Rica has stepped cautiously into the international economy. For instance, the energy, communications, and insurance sectors, among others, constituted a State monopoly until 2008 and the privatization process seemed to be slow, calculated, and carefully negotiated. In that sense, moderation appears to be one of the historical values of the Costa Rican character and political sociology.

A 2000 study by ECLACL on the impact of reforms in 9 selected countries in Latin America concluded that "the results of the reforms were not as positive as predicted by their promoters and not as bad as predicted by their detractors."[38] The nations were divided into radical reformers (Argentina, Bolivia, Chile, and Peru) and cautious reformers (Brazil, Colombia, Costa Rica, Jamaica, and México.) "The first ones are countries with very hard initial conditions, reason to make more radical and profound reforms. The second group of countries had a good initial performance, and pretended to maintain certain forces of their economies and societies; in this direction they decided to make gradual and selective reforms."[39]

---

[37] Asociación Estudios para el Futuro. (2007). Primer Informe Centroamericano de Gobernabilidad: Costa Rica. 1st Ed., San José, Costa Rica, p 397-398.

[38] Comisión Económica para América Latina y el Caribe. 2000, p 41.

[39] Mora Alfaro, Jorge. Retrieved from http://mpra.ub.uni-muenchen.de/1529/ on 08/11/08.

In any case—and despite the country's historical caution in the face of free trade demands and the lifting of barriers to regional and global markets— in 2007-8, Costa Rica has reckoned with one of the most intense and polarized ideological debates, in recent memory, in response to the referendum on ratification of the Central America Free Trade Agreement with the United States of America (CAFTA-DR.) The question has divided Costa Rica into two camps: those adamantly for and those equally adamantly against.

President Arias, supported by the national and foreign enterprise sector, has been in full support of the ratification of CAFTA. The president made ratification of this commercial agreement his central proposition in his first two years of government. Ottón Solís, the main political representative of the opposition, represents the middle-class, professional, public workers, and the academic sector, and has proposed renegotiation of the agreement invoking inadequate provision for telecommunications, social security, intellectual property, and settlement of disputes regarding foreign investment, to name a few concerns. Unable to garner public and legislative support for CAFTA amid broad-based public opposition, the Costa Rican government decided to submit, for the approval of CAFTA, the first referendum in the country's history; this took place on October 7, 2007. The final decision rested on the citizens' vote. Statistics presented by the *Tribunal Supremo de Elecciones* (Supreme Electoral Tribunal) revealed a "participation of 59.24% of registered voters. The final acceptance of the approval rested on a short difference less than 2% of the ballots, in favour to the acceptance of CAFTA. While the YES to CAFTA obtained 51.6% of the votes (cipher representing the acceptance to the treaty), the NO to CAFTA obtained 48.4%."[40] At the moment of this paper's drafting, June 2008, the Costa Rican parliament has been finalizing the approval of the 12 *leyes complementarias* (complementary or secondary laws) related to the implementation of CAFTA. However, the country remains deeply divided and continues to have intense debates on the provisions contained in this Treaty.

---

[40] Retrieved from http://www.tse.go.cr/ref/ref_def/pais.htm. on 08/11/08.

# Social Equity and Distribution

As indicated earlier in this study, despite the absence of natural resources, Costa Rica has, during the latter 19th century and most of the 20th century, created functional mechanisms of internal distribution and has positioned itself as a high-middle rank country in the Human Development Index of the U, fluctuating between ranks 28 to 45, and so has been able to transform a quite modest per-capita, no higher than US$ 5,000 annually since 1998 in such a way that most citizens benefit from social investments in extended education and health care, among other public services. Distribution and equity are the two words which define the singular Costa Rican case. The Human Development Report 2007-2008 evaluated the following elements of the Costa Rican development process:

| | | |
|---|---|---|
| Human Development Index Trends | 1975 | 0.746 |
| | 1980 | 0.772 |
| | 1985 | 0.774 |
| | 1990 | 0.794 |
| | 1995 | 0.814 |

The last indexes responded to, among other elements, the following indicators related to the creation of a democratic society with public services accessible for every citizen:

| Public Expenditure on Education (% of GDP), 1991 | |
|---|---|
| Public expenditure on education (% of GDP), 1991 | 3.4 |
| Public expenditure on education (% of total government expenditure), 1991 | 21.8 |
| Current public expenditure on pre & primary education, as % of all levels, 1991 | 38 |
| Current public expenditure on education, secondary (% of all levels), 1991 | 22 |
| Current public expenditure on education, tertiary (% of all levels), 1991 | 36 |
| Net primary enrolment rate (%), 1991 | 87 |
| Net secondary enrolment rate (%), 1991 | 38 |
| Children reaching grade 5 (% of grade 1 students), 1991 | 84 |
| Foreign direct investment, net inflows (% of GDP), 1990 | 2.2 |
| Private flows, other (% of GDP), 1990 | -0.9 |
| Debt service, total (% of GDP), 1990 | 6.8 |
| Total debt service, % of goods, services, exports, net income from abroad, 1990 | 23.9 |
| Public expenditure on education (% of GDP), 1991 | 3.4 |
| Debt service, total (% of GDP), 1990 | 6.8 |
| Seats in lower house or single house (% held by women), 1990 | 10.5 |

However, there is also bad news. “In spite of the acceptable performance of the country in human development indicators during the last two decades Costa Rica endures unsolved endemic social problems.”[41] For instance, the poverty index oscillates between 18%-22% of the population, and ameliorative programmes financed by the FODESAF *(Fondo de Desarrollo de Asignaciones Familiares* or “Development Fund for Family Assignations,”) which are limited to a small portion of sectors, have only reactively operated in such ways as to prevent greater poverty in times of sharp economic crisis rather than resolving the issue (as evidenced in Central America in 1980 and 1981.)

“The strategic solution of social investment in education, health, and housing (successfully implemented between 1950 and 1980) cannot be harmonized in more

[41] Costa Rica was generally classified among the main countries with medium human development in Latin America, with Chile, Uruguay and Argentina.

recent times with a poor fiscal balance and a reduced monetary solvency of the *Ministerio de Hacienda*."[42] An important concern relates to this matter, since the constitutional Article that ensures a monetary assignation of no less than 6% of the Gross Domestic Product (GDP) for public education has been neglected in past years. Actually, "the real investment in education has not reached more than 4,8% of the GNP from 2005 to 2007.[43] Besides, up to 2002 only one of every three children between ages 15 and 17 years old is attending to school, as evidenced recently by the Ministry of Education."[44]

## *Inequality & Evolution of the GINI-Coefficient in Costa Rica in the Last Decade*

In the words of the World Bank, the analytic definition of welfare is as follows:

> "'relative poverty` [is] defined as having little in a specific dimension compared to other members of society. This concept is based on the idea that the way individuals or households perceive their position in society is an important aspect of their welfare. To a certain extent, the use of a relative poverty line in the previous sections does capture this dimension of welfare by classifying as 'poor' those who have less than some societal norm."[45]

The Gini coefficient has helped to evaluate the evolution of inequality in Costa Rica. As indicated by the "*Ministerio de Planificación Nacional y Política Económica*" the Gini coefficient has not shown significant improvement since 1987, the beginning of Costa Rica's liberalization processes:

---

[42] Retrieved from https://www.hacienda.go.cr on 08/11/08.

[43] Ordóñez, J. Retrieved from http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm on 08/11/08.

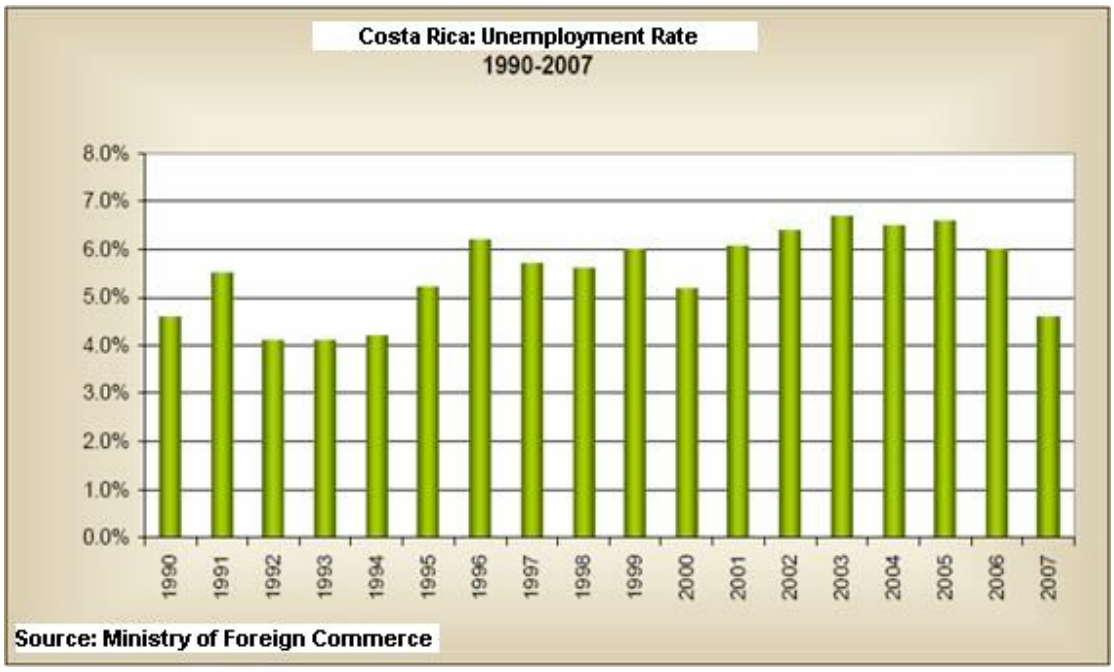
[44] Chavarría López, V. Retrieved from http://www.itcr.ac.cr/revistacomunicacion/Volumen%2012%20N%BA1y2%202003/pdf%27s/virginia.pdf on 08/11/08.

[45] Retrieved from http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html on 08/11/08.

| Gini Coefficient | | | |
|---|---|---|---|
| Year | | Year | |
| 1987 | 4032 | 1997 | 3820 |
| 1988 | 3884 | 1998 | 3909 |
| 1989 | 3747 | 1999 | 4019 |
| 1990 | 3758 | 2000 | 4131 |
| 1991 | 3932 | 2001 | 4345 |
| 1992 | 3799 | 2002 | 4320 |
| 1993 | 3800 | 2003 | 4266 |
| 1994 | 3891 | 2004 | 4195 |
| 1995 | 3790 | 2005 | 4078 |
| 1996 | 3952 | 2006 | 4230 |

A higher coefficient means that the country is failing in the distribution of national wealth and, in consequence, the gap between upper and lower classes widens. The evidence shows that Costa Rica is not enjoying any notable advances in terms of distribution, but on the contrary, is undergoing a minor but systematic trend of deterioration. Further, the *Misterio de Comercio Exterior* (Ministry of Foreign Commerce) table below indicates that the unemployment rate has not changed significantly in the last two decades:

**Costa Rica: Unemployment rate 1990-2007[46]**




## Internal Distribution of Wealth

As indicated by *Programa Estado de la Nación* (2004, 2005 and 2006,) overall poverty in Costa Rica, measured by total income, fluctuated from 18.5% to 21.7%. The percentage of those in poverty, and otherwise vulnerable persons rose slightly in these years. Studies have confirmed that poverty is focused in rural areas, especially in the Pacific and Caribbean coasts, in the provinces of Guanacaste, Puntarenas, and Limón. Various data indicate that poverty in the Central Region of Costa Rica represents only half the percentage of the poverty in other regions.[47] Many analysts have concluded that in order to see an equitable internal distribution of wealth, the country needs to globally diagnose economic and social indicators in order to structure reforms within administrative insufficiencies, especially in State finance and in the creation of effective controls over the administration of public funds.

---

[46] Retrieved from http://www.comex.go.cr/estadisticas/otras/Otras%20Estadisticas%20para%20Web%202008-desempleo.pdf on 08/11/08.

[47] Ordóñez, J. Retrieved from http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm on 08/11/08.

# The Need for Social, Fiscal, and Tax Reform: The 2004-2005 Fiscal Reform Project

Recent data from the Human Development Report of 2007-2008 revealed the following indicators regarding Costa Rica's performance in relation to the promotion of democracy in the country:

| Indicators regarding the Performance of Costa Rica in the Promotion of Democracy | |
|---|---|
| Human development index value, 2005 | 0.846 |
| GDP per capita (PPP US$), 2005 | 10180 |
| GDP index | 0.772 |
| GDP per capita (PPP US$), 2005 | 10180 |
| GDP (current US$ billions), 2005 | 20.0 |
| GDP per capita (US$), 2005 | 4627 |
| GDP per capita, annual growth rate (%), 1990-2005 | 2.3 |
| Population, total (millions), 2005 | 4.3 |
| Population, annual growth rate (%), 1975-2005 | 2.5 |
| Population, urban (% of total population), 2005 | 61.7 |
| Human poverty index (HPI-1) rank | 5 |
| Human Poverty Index (HPI-1) value (%) | 4.4 |
| Population, total (thousands), 2004 | 4327 |
| Population living below $1 a day (%), 1990-2005 | 3.3 |
| Population living below $2 a day (%), 1990-2005 | 9.8 |
| Population living below the national poverty line (%), 1990-2004 | 22.0 |
| Population undernourished (% of total population), 2002/04 | 5 |
| Employment, total (thousands), 1996-2005 | 1777 |
| Unemployed people (thousands), 1996-2005 | 126 |
| Unemployment rate Total (% of labour force), 1996-2005 | 6.6 |
| Unemployment rate (female rate as % of male rate), 1996-2005 | 192 |
| Inequality measures, ratio of richest 10% to poorest 10% | 37.8 |
| Inequality measures, ratio of richest 20% to poorest 20% | 15.6 |
| Official development assistance received (net disbursements) (US$ millions), 2005 | 29.5 |
| Life expectancy index | 0.891 |
| Public expenditure on health (% of GDP), 2004 | 5.1 |
| Education index | 0.876 |
| Public expenditure on education (% of GDP), 2002-05 | 4.9 |

| | |
|---|---|
| Adult literacy rate (% aged 15 and older), 1995-2005 | 94.9 |
| Combined gross enrolment ratio for primary, secondary & tertiary education (%), 2005 | 73.0 |
| Foreign direct investment, net inflows (% of GDP), 2005 | 4.3 |
| Debt service, total (% of GDP), 2005 | 3.0 |
| Debt service, total (% of exports of goods, services and net income from abroad), 2005 | 5.9 |
| Gender-related development index (GDI) rank, 2005 | 47 |
| Gender-related development index (GDI) value, 2005 | 0.842 |
| Gender empowerment measure (GEM) rank | 24 |
| Adult literacy rate, male (% aged 15 and older), 2005 | 94.7 |
| Adult literacy rate, female (% aged 15 and older), 2005 | 95.1 |
| Seats in parliament (% held by women) | 38.6 |
| Legislators, senior officials and managers (% female), 1999-2005 | 25 |
| Ratio of estimated female to male earned income | 0.53 |
| Economic activity index (1990=100), female (aged 15 and older), 2005 | 137 |
| Economic activity rate (female rate as % of male rate, aged 15 and older), 2005 | 56 |
| Year women received right to vote | 1949 |
| Year women received right to stand for election | 1949 |
| Year first woman elected (E) or appointed (A) to parliament | 1953 |
| Women in government at ministerial level (as % of total), 2005 | 25.0 |
| Seats in lower house or single house (% held by women), 2007 | 38.6 |

To establish broader access to democratic and civil rights, it seems that clear priorities are: the generation of measures to institute financial stability, and a re-thinking of the distribution of wealth as a means of growing the middle-classes. For the purpose of creating strong financial capacity in Costa Rica, the *Ministerio de Hacienda* (Ministry of Tax and customs) is developing a strategic plan for the period of 2008-2010 composed of four major objectives, which are to:

a) *Develop and maintain a sustainable fiscal policy;*
*b) Promote the integration of income areas;*
*c) Improve human and technological resources;*
*d) Retrieve State debts"* [48]

[48] Retrieved from https://www.hacienda.go.cr/NR/rdonlyres/3C7D4854-43F1-4402-BE7B-B860E03377AF/18426/estrategico1.doc on 08/11/08.

# Conclusion

One of the basic historical elements of Costa Rica's social and political success has been the reasonable balance between State participation and market forces. The country's strategic agenda has grown out of such pragmatic syncretism between Keynesians and protectionist defenders, on one side, and the promoters of free market and liberalization, on the other. Throughout the 20th century, the historical experience in Costa Rica has illustrated the pragmatic middle point. While the market matters enormously, the State is the decisive actor in growth, development, and distribution, not only as the facilitator of investment and social construction, but also as support for private and entrepreneurial groups in strategic areas. "The Costa Rican experience has evidenced that the development of democracy must be always sustained by a simple equation: the creation of opportunities in the market, along with the social development and distribution promoted by the State."[49] With respect to globalization, it seems that both sides of the structure coin have had to countenance some major political decisions. For instance, the ratification and implementation of a major international instrument such as CAFTA poses distinct trials, including fundamental domestic reforms to transform the risks of liberalization into real opportunities for growth. Tax reform, more efficient tax collection, an increase in universal investment in education, better health and housing programs to improve national competitiveness all appear to be basic prerequisites to surviving globalization. The prospect of these reforms bring worry and uncertainty. "During the last 5 years Costa Rica has been discussing a major plan for a fiscal and tax reform in the Legislative Assembly"[50] which encompasses various improvements in State finances. The drafters of the project see the main purpose of reform to be the fashioning of structural solutions to unbalanced public finances through the administration of public expenditure, economic reactivation, greater efficiency mechanisms, and a strengthening of tax administration, as well as the improvement of the mechanisms for transparency and accountability. An aggressive

[49] Ordóñez, J. Retrieved from http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm on 08/11/08.

[50] Retrieved from http://www.asamblea.go.cr/proyecto/dictamen/15516.doc on 08/11/08.

income tax reform (based on global tax mechanisms, instead of territorially based procedures,) includes capital gains income tax; a new VAT, including not only commodities, but the whole set of professional and technical services now offered in the country, and other important modifications, such as exchanges of technical information with the IRS. These are the structural components of this new plan. However, it seems that now, in 2008, the dissension generated by the CAFTA debates has left the Arias Administration unwilling to push for this tax reform anymore. This is bad news for Costa Rica, which is in urgent need of seeing improved fiscal policies, and fresh resources for public and social investment. Strong public policies on education, health, as well as the creation of labour and housing opportunities must be priorities in 21st century administrative policies. Costa Rica is facing an extraordinary season of challenges, risks and opportunities. For the coming future, it seems that only a very strong, new and plural "social agreement" - with the participation of most of the economic and political actors of Costa Rican society- will make possible the restructuring of the old values of democracy, equity and respect for human rights that for years have characterized Costa Rica, the so-called "Switzerland of Central America."

# References

Achio Fuentes, H, *et al*. (1979). *La Social Democracia en Costa Rica. Liberación Nacional: Ideología o Práctica*. Seminario de Teorías Políticas en costa Rica. Universidad de Costa Rica

Alvarenga, Ana Patricia. (N/D). *Los Ciudadanos y el Estado de Bienestar: Costa Rica en la Segunda Mitad del Siglo XX*. 1st Edition. Editorial de la Universidad de Costa Rica. San José, C.R.

Asociación Estudios para el Futuro. (2007). *Primer Informe Centroamericano de Gobernabilidad: Costa Rica*. 1st Ed., San José, Costa Rica

Center for International Development at Harvard University. Available at: http://www.cid.harvard.edu/cidtrade/issues/washington.html

Cermeño Vargas, Evelyn. (2001-2008). Democracia. *¿Un nuevo significado en Costa Rica?* Democracia Digital. Available at: http://www.democraciadigital.org/histoy_show.php?sec=3&cont_id=1147#_ftnref2

Chavarría López, Virginia. (enero-diciembre 2003). *Educación y democracia en Costa Rica: el nuevo orden político-económico y la educación media*. Revista Comunicación. Volumen 12, año 24, números 1 y 2 Available at: http://www.itcr.ac.cr/revistacomunicacion/Volumen%2012%20N%BA1y2%202003/pdf%27s/virginia.pdf

Comisión Económica para América Latina y el Caribe. (2000). *La brecha de la equidad. Una segunda evaluación*. Santiago de Chile: Comisión Económica para América Latina y el Caribe –CEPAL. Available at: http://www.eclac.cl/cgibin/getProd.asp?xml=/publicaciones/xml/3/4303/P4303.xml&xsl=/dds/tpl/p9f.xsl&base=/tpl/top-bottom.xslt

Doing Business in Costa Rica**.** (July 18, 2008). http://www.businesscostarica.com/

Facultad Latinoamericana de Ciencias Sociales. (2002). *Centroamérica en Cifras, 1980-2000*. FLACSO Universidad de Costa Rica. 1st Edition. San José, Costa Rica

Ferraro Castro, F. (1998). Estado y Desarrollo: El Caso de Costa Rica. 1º Edition. Asamblea Legislativa de la República de Costa Rica

Fumero Vargas, Ana María. (2005). *El Advenimiento de la Modernidad en Costa Rica (1850-1914)*. 1st Edition. Editorial de la Universidad de Costa Rica. San José, C. R.

Konrad Adenauer Foundation. *Democratic Development Index 2006*. Available at: http://www.idd-lat.org/Web%20IDD-Lat2006/2006ebriefing.htm

Ministerio de Comercio Exterior. (2003-2007). Indicadores Relacionados con el Comercio Available at: http://www.comex.go.cr/estadisticas/otras/Otras%20Estadisticas%20para%20Web%202008-principales.pdf

Ministerio de Comercio Exterior. (1990-2007). Tasa de Desempleo Abierto Available at: http://www.comex.go.cr/estadisticas/otras/Otras%20Estadisticas%20para%20Web%202008-desempleo.pdf

Ministerio de Hacienda. (2010). Plan Estratégico 2008-2010. Available at: https://www.hacienda.go.cr/Msib21/Espanol/Direccion%20General%20de%20Hacienda/planestr

Ministerio de Planificación Nacional y Política Económica. (2007). Coeficiente de Concentración de GINI (1987-2006). Available at: http://www.mideplan.go.cr/sides/social/09-08.htm.

Mora Alfaro, Jorge. (2005). *Socio Economic Development and poverty in Latin America and the Caribbean*. Programa Regional de Maestría en Desarrollo Comunitario. Universidad Nacional, Costa Rica. Available at: http://mpra.ub.uni-muenchen.de/1529/

Ordóñez J. (2006). *Costa Rica: cada día más cerca de Centroamérica (ARI)*.Madrid, Real Instituto Elcano. Available at:http://www.fundadesc.org/archivo/sesentaydos/agenda3.htm (Jun 18, 2008)

*Political Constitution of the Republic of Costa Rica.* (1949).

*Proyecto de Ley de Pacto Fiscal y Reforma Fiscal Estructural* (2006). Legislative File N.º 15.516 http://www.asamblea.go.cr/proyecto/dictamen/15516.doc Retrieved July 18, 2008.

Proyecto Estado de la Nación. (Retrieved July 18, 2008). *Informe de auditoria ciudadana sobre la calidad de la democracia en Costa Rica*. 1ª Ed. San José, Costa Rica (2001, 2004, 2005, 2006). lhttp://www.estadonacion.or.cr/Calidad02/calidad.html Raventós, Ciska, *et al*. *Abstencionistas en Costa Rica ¿Quiénes son y por qué no votan?* Editorial de la Universidad de Costa Rica: IIDH/CAPEL : TSE, (2005).

Sáenz Carbonell, J. (2004). *Los Sistemas Normativos en la Historia de Costa Rica*. Santo Domingo de Heredia, Ediciones Chico. 1st Edition.

Sánchez, José Alfredo, *et al*. (2008). *Turismo en Costa Rica: El Reto de la Competitividad*. Centro Latinoamericano de Competitividad y Desarrollo Sostenible del INCAE (Octubre, 1996). http://wruizc.files.wordpress.com/2008/06/el-turismo-en-costa-rica.pdf. Retrieved July 18, 2008.

Tribunal Supremo de Elecciones. *Elecciones 5 de Febrero 2006. Escrutinio Definitivo para la Elección de Diputados*. http://www.tse.go.cr/escrutiniof2006/Diputados/0.htm. Retrieved July 18, 2008.

Tribunal Supremo de Elecciones. *Elecciones 5 De Febrero 2006. Escrutinio Definitivo para La Elección de Presidente y Vicepresidentes*. http://www.tse.go.cr/escrutinio_f2006/Presidenciales/0.htm retrieved July 18, 2008.

Tribunal Supremo de Elecciones. *Resultados del escrutinio a nivel nacional. Referéndum 2007*. Available at http://www.tse.go.cr/ref/ref_def/pais.htm. Retrieved July 18, 2008.

UN Development Programme. *Democracia y Gobernabilidad.* Available at: http://www.nu.or.cr/pnudcr/index.php?option=com_content&task=view&id=111&Itemid=45

PNUD. (2007) *Human Development Report 2007-2008*. Green Ink Inc.

Vargas, Thelmo. Rasgos *Principales de Evolución de la Economía Costarricense (1988-2004)*. Available at: http://www.academiaca.or.cr/jornadas/IV%20Jornada/Rasgos%20Principales%20de%20Evolucion%20de%20la%20Economia%20Costarricense.pdf

World Bank. *Measuring Inequality*. Available at: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html

# Appendix I: Perlin's Theory of Change Model

## *1. Propositions About the Nature of Liberal Democracy*

### Operating Principle A:
### LIBERAL-CONSTITUTIONALISM

*Element A1: Constitutional Government*

a) Constitution establishing clear rules for the exercise of authority is relatively settled with amending procedures that do not permit arbitrary changes by incumbent elites.

b) Constitution is based on the principle of limited government with well-defined & effective limits on the general scope of government authority.

c) Constitution establishes independence of the judiciary.

d) Elites in other governmental institutions accept the judiciary's right to interpret & safeguard the constitution.

*Element A2: A Framework of Entrenched & Enforceable Rights*

a) Constitutional entrenchment of rights.

b) Enumeration of rights includes the protection of the basic freedoms (conscience, associations, speech,) political rights (to vote & seek office,) & legal rights (due process protections for persons suspected or accused of crimes.)

c) Substantive rights to protect & promote equality (e.g. for women, minorities, persons with disabilities.)
d) Mechanisms for giving effect to entrenched rights, including human rights codes & procedures for enforcing them, as well as government policies to give effect to rights through such mechanisms as support to affirmative action.

*Element A3: The rule of law incorporating the principles of the supremacy of the law, equality before the law, & the impartial & fair administration of the law*

a) Constitution clearly establishes the supremacy of the law & the principle that all persons, regardless of their role or status in society, are subject to the law.

b) All persons are assured of equal protection from the law.

c) All persons are entitled to equal treatment in the administration of the law.

d) Investigative & prosecutorial functions of law enforcement are exercised impartially & fairly.

e) Impartial & fair adjudication of the law occurs through an independent judiciary.

f) Exercise of due process in criminal proceedings recognizes the right of persons accused of a crime to protection against arbitrary acts & the means to provide an adequate defense.

g) Agents of state security are insulated from arbitrary use by elites in other governmental institutions.
h) There exist mechanisms of independent review & appeal for protecting citizens against abuses by law enforcement agencies & personnel.

*Element A4: Democratic control of internal & external security institutions*

a) There exist clearly defined & enforceable legal protections against the political use of military, intelligence, & law enforcement agencies & personnel.

b) There exist clearly defined lines of accountability of military, intelligence services, & law enforcement agencies to democratic institutions.

c) There exist clearly defined limits on authority of all agencies of law enforcement.

d) Independent mechanisms exist for reviewing & controlling the activities of intelligence agencies.

e) State security agents understand & act in a manner consistent with their responsibilities under a regime of entrenched rights.

## Operating Principle B: POPULAR SOVEREIGNTY EXPRESSED THROUGH INSTITUTIONS & PROCESSES OF REPRESENTATIVE DEMOCRACY

*Element B1: Governing institutions that are effective, responsive, & accountable to citizens.*

*The allocation of authority among different orders of government provides for governance that is effective, responsive & accountable to citizens.*

a) Central, regional, & local organs of government have appropriate levels of authority to exercise their responsibilities in a manner consistent with these objectives.

b) Central, regional, & local organs of government have appropriate levels of fiscal capacity to exercise their responsibilities in a manner consistent with these objectives.

*The organization of executive-legislative relations within governing institutions provides for governance that is effective, responsive & accountable to citizens.*

a) The organization of executive-legislative relations is based on settled principles that limit the possibility of inter-institutional or intra-institutional conflict.

b) The principle of the legitimacy of opposition in the legislature is recognized, institutionalized & provided adequate resources to be effective.

c) Legislature has appropriate procedures & resources for exercising scrutiny of the executive.

d) Legislature has appropriate resources to be effective in representing citizen interests in policy-making.

e) Members of the legislature are effectively connected to citizens.

*Administrative structures, procedures, & practices within governing institutions provide for governance that is effective, responsive & accountable to citizens.*

a) Competent, professional public service.

b) Appointments & promotions within administrative organs of government are based on the merit principle.

c) Policy-making procedures within the executive incorporating consultative mechanisms are designed to ensure representation of public opinion.

d) There is transparency & impartiality in administration of public spending.

e) There are institutions & processes to protect citizens from arbitrary actions by the executive (for example, freedom of information & privacy laws administered by officers accountable to legislature.)

f) There are processes to provide citizens with the means to appeal administrative decisions.

g) There are effective conflict of interest & other “anti-corruption” laws.

*Element B2:Political elites chosen through, regular, free & fair elections*

a) Universal franchise exists.

b) Formal rules & institutions exist to ensure independence of administration of elections.

c) Mechanisms are in place to ensure equality & fairness in system of voter registration.

d) Protections for secret ballot exist.

e) There exist mechanisms for ensuring equality & fairness in tabulation & reporting of election results.

f) Regulation of party & electoral campaign finance operates to ensure reasonable fairness in competition & to establish confidence in the integrity of the system.

*Element B3: A genuinely competitive system of party politics effectively representing a broad spectrum of societal interests & contributing to accommodation of diverse interests.*

a) There is an absence of barriers to forming parties & competing.

b) Internal party processes provide for open access to, & fairness in, nomination of candidates for office & selection of leaders.

b) Systems of Internal party governance are transparent & encourage citizen participation.

c) Election campaigns provide sufficient information to facilitate informed choice.

d) Regulation of party & electoral campaign finance ensures reasonable fairness in competition & establishes confidence in the integrity of the system.

e) Electoral system produces outcomes that fairly represent the distribution of party support.

f) There is an acceptance by all participants of the integrity & legitimacy of processes of party politics.

*Element B4: A system of political communication that ensures a free flow of information about public affairs.*

a) News media are politically independent whether state or privately owned.

b) The media accept that they have a responsibility to contribute to the public interest in a democracy.

c) In this regard, the media work constructively to inform citizens about public affairs in a free & impartial way.

d) Democratic values are embedded in the professional norms of journalism.

e) There are high standards of professional competence among journalists.

f) The legitimacy of independent media's role is accepted by political actors.

g). There are effective legal protections for independent journalism.

h) The media are free of political manipulation.

i) All significant political interests are accorded access to the media & can freely express their views.

*Element B5: A system of group politics that ensures the representation of citizen interests based on the principles of pluralist theory.*

a) There is an absence of barriers to interest group formation.

b) Government policy-makers & administrators recognize the legitimacy of advocacy.

c) There is open & equal access to decision-makers for advocacy groups.

d) Lobbying is regulated to ensure transparency & fairness in competition among groups.

e) Support is provided to disadvantaged or diffuse groups with weak financial & organizational resources to enable them to compete effectively.

## *2. Conditions Necessary to Achieve & Sustain Liberal Democracy*

*The information below distinguishes between conditions that are widely agreed to be an essential & integral part of a stable, self-sustaining, functioning democracy & those that facilitate the realization & sustainability of a functioning democracy. The importance of these "facilitating" conditions is more contentious.*

*Widely Agreed Condition 1: Political engagement of citizens*

a) Citizens participate in politics (minimum requirement is that those who are eligible will vote.)

b) Citizens are interested in, attentive to, & informed about public affairs.

*Widely Agreed Condition 2: Democratic Political Culture*

a) State elites & citizens are committed to liberal values:

- Individual autonomy
- The "freedoms"
- Equality before the law
- Political equality
- Equality of opportunity
- Justice

b) State elites & citizen are committed to democratic values:

- Decisions through discussion & debate
- Tolerance of dissenting opinion
- Acceptance of necessity to make decisions through accommodation & compromise

c) State elites & personnel know & respect the limits on their authority, understand their duties under a liberal-democratic constitution, & are committed to the legitimacy of the system.

d) Citizens are committed to the legitimacy of the system: they accept decisions with which they disagree because they recognize the legitimacy of the processes by which the decisions have been made.

*Widely Agreed Condition 3: Civil Society*

a) There exists a substantial network of active, autonomous, organized groups pursuing a multiplicity of diverse individual interests outside the sphere of state authority.

b) Group participation is voluntary.

c) Groups are free to form around any set of social, economic, or cultural interests.

b) There is widespread citizen participation in group activity.

c) Individuals have multiple group memberships reflecting differing aspects of their individuality.

*Facilitating Condition 1: Open, non-polarized, system of social stratification*

a) Large middle class.

b) Social mobility based on achievement.

c) Government policies promote equality of opportunity.

d) Government policies provide some measure of social justice: for example, equal access to adequate health services & social support for disadvantaged members of society.

*Facilitating Condition 2: A functioning market economy regulated to prevent disproportionate aggregations of power & ensure fairness in economic relations*

a) There are state policies & laws to establish the conditions necessary to ensure the integrity of market transactions, to preserve competition, & to maintain the stability of the monetary system.

b) There is state regulation to protect collective bargaining rights for labour.

c) There is state regulation of workplace conditions.

d) There is state regulation to protect consumer interest.

*Facilitating Condition 3: An internally cohesive political community*

a) In societies where there are significant ethno-cultural &/or linguistic cleavages there are effective state policies to promote tolerance & protect cultural minorities.

b) In culturally diverse societies government policies effectively promote commitment to shared values that underpin social cohesion.

c) In societies where there are distinctive regional sub-communities, based on a strong sense of regional identity & interests, state structures are designed & function effectively to give representation to & accommodate regional sub-community differences through:

• Adoption of the federal principle or devolution of significant powers on regional governments, &;

• National institutions that incorporate the principle of regional representation; informal practices to ensure that the principle of regional representation is observed in the national government.

# Appendix II: Costa Rica through the Perlin Model Lens

One way to draw more concrete conclusions about Costa Rica's development in terms of democracy is through the lens of George Perlin's Theory of Change model, which is a useful device in reducing the general penchant in analyses of democracy for rhetorical abstraction. Perlin has proposed a model of democratic development that can be used by policy-makers, program administrators, and practitioners to help define their objectives in particular situations and decide on the means that are most likely to help realize these objectives.

The model represents what a developed liberal democracy *should* look like, not in terms of characteristics of established regimes, but as an *ideal standard*. It is intended to serve as a reference point for evaluating where a particular country may be on the path to democratic development, for identifying areas where assistance may contribute to democratic development, and for assessing the probable effectiveness of particular forms of intervention. It establishes indicators that can be used to identify discrepancies between real political practice in a particular system and the most *desirable* forms of political practice. By seeking to explain these discrepancies, the analyst can assess their significance for overall system performance in realizing democratic development, and can evaluate the utility of potential methods for improving system performance. The table below offers a sketch of where Costa Rica's transition to democracy first manifested, where it now stands, and where it may be heading:

### *Operating Principle: Liberal Constitutionalism*

*Constitutional government*

*Framework of entrenched and enforceable rights*

> Since the independence in 1821, Costa Rica promoted a series of gradual implementations of norms in the context of a Constitutional framework.
>
> The enforceability and steadiness of such norms have been consistently proven by further development of institutions for the protection of the legal framework. Even though constitutional cases have, since the 19th century, been resolved by the Supreme Court, legal developments generated by Law 7135 or *Ley de la Jurisdicción Constitucional* (Law of the Constitutional Jurisdiction) has updated

constitutional remedies and mechanisms of constitutional protection, following French, Italian, British, Canadian and US constitutional models. Over the last decades, the influence of the Spanish constitutional model system has also generated extended dialogue on jurisprudence and comparative law exchange.

*Rule of law incorporating the principles of the supremacy of the law, equality before the law, and the impartial and fair administration of the law*

Along with improvements in the functioning of the Constitutional Chamber, there has been a considerable improvement in substantive remedies, procedures and the different normative tools for protecting the values and principles of the rule of law, the supremacy of the Constitutional body, the equality before the law, and the impartial and fair administration of legal provisions. In general, a number of international experts assert that Costa Rica has developed, over the last four or five decades, an efficient and well-implemented jurisdictional system. For instance, *la acción de inconstitucionalidad* ("action of unconstitutionality," a mechanism to protect constitutional guarantees) has been consistently and progressively used, as have measures such as *habeas corpus* and the *recurso de amparo* (appeal for protection). Statistics have shown that the use of constitutional remedies in Costa Rica ranks as one of the most extensive countries in the world.

*Democratic control of internal and external security institutions*

As a result of Article 12 of the Political Constitution of 1949, Costa Rica abolished the army, being the first country in the world to undertake this civilian measure promoted by President Jose Figueres Ferrer during de facto government of 1949. The entire military budget was diverted to public education. Additionally, it was agreed that in the event of State security concern or extraordinary circumstances, the formation of any temporary armed force would be under civil power. Additionally, Articles 139 and 140 of the 1949 Political Constitution reinforced the subordination of the police forces to civil power represented by the executive power.

Abolishing the army has been considered one of the most audacious and positive decisions in Costa Rican history, a fundamental factor in our strong civilian and democratic system. In general terms, those constitutional norms have been strictly observed over the last decades, the only exception being the involvement of Costa Rican polices forces in the 1965 Dominican Republic conflict. On this occasion, Costa Rican participation resulted from discussions of whether these forces were effectively acting under civil power, given the nature of the international obligations contained in continental agreements.

### *Popular Sovereignty Expressed Through Institutions*

*Political elites are chosen through regular, free and fair elections*

Articles 93 to 98 of the Political Constitution ensure direct, secret, universal, regular, free and fair elections. The Electoral Code further develops these Articles, and experts in electoral matters deem the implementation of such rules acceptable.

*A genuinely competitive system of party politics effectively representing a broad spectrum of societal interests and contributing to accommodation of diverse interests*

*A system of group politics that ensures the representation of citizen interests based on the principles of pluralist theory*

The Costa Rican bipartisan model was transformed over the last decade into a system of political and electoral uncertainty (following the trend of other Latin American countries). Figures show an increasing result in the diversification of political trends and their effects in the current Legislative Assembly. Broad spectrums of social interests, and a pluralist representation of society, are fairly represented within the 57 seats in Parliament. However, we see in this study that this immense divergence can hobble legislative consensus, and can weakens effective governance through legislative policies.

*Governing institutions that are effective, responsible and accountable to citizens*

Major reforms were undertaken in 1978 with the approval of Law 6227, "The General Law of Public Administration" (*Ley General de la Administración Pública*) to the legal framework for the public sector and the general activity, performance, and scope of governing institutions in Costa Rica. Among other regulations, this legal provision established the competencies, functioning, and areas of control, duties, rights and responsibilities of public institutions, with regard to both legitimate and illegitimate actions. In general terms, the technical notion of an objective responsibility of the State—a substantial advance in French, British and Anglo-Saxon Public Law from the first part of the 20th century, has evolved in Costa Rica as well over the last four decades.

Furthermore, Articles 9 and 11 of the Political Constitution of 1949 define the transparency and accountability of the State before citizens. Article 9 establishes the "responsible" character of the State, while Article 11 (reformed in 2000) deals with the general notion of rule of law (*principio de legalidad* ) and the mandatory transparency and accountability of the public functions.

The legal framework and implementation of the principles of public and governmental accountability has also been established in norms as the *Ley Orgánica de la Contraloría* ("General Law of the Comptroller's Office,") Law number 7428-94, and the *Ley de Control Interno* ("Law of Internal Control,") Law number 8292-02. Nevertheless, many experts in public affairs consider the efficacy of such norms inadequately implemented. The political culture of the Costa Rican population has been deemed insufficient for the correct exigency of responsibility. Besides, the civilian population lacks direct legal or institutional instruments to control public performance.

*A system of political communication that ensures free flow of information about public affairs*

The legal system in Costa Rica, established in constitutional norms, defines the public character of State policies. Publicity and flow of information are deemed fundamental to democratic society. In this sense, the creation of the *Defensoría de los Habitantes* ("Ombudsman,") in Law number 7319-92, seeks to guarantee the protection of the rights and interests of citizens before the actions of the State, including the publicity of its policies.

Other institutions, such as the *Autoridad Reguladora de los Servicios Público* ("Regulation Authority of the Public Services") and the *Contraloría General de la República* ("General Comptroller's Office") aid the flow of public information from the government to the civil population.

## *Conditions Necessary to Achieve and Sustain Liberal Democracy*

### Essential Conditions

*Essential Condition 1: Political engagement of citizens*

*Essential Condition 2: Democratic political culture*

*Essential Condition 3: Civil society*

Costa Rican politics have experienced slow erosion of the electoral system, and a fracture between the political parties and their historical constituencies. Beginning with the national elections of 1998, political participation has decreased substantially, changing the historical pattern--- from more than 80% of political participation that the country enjoyed for almost half a century--- to less than 70% in the 2006 election, including the national referendum of CAFTA, with only 60% of effective ballots from all the registered voters. A number of factors seem to have influenced this significant fracture of Costa Rican ´political and electoral pacts`.

First, the increasing inability of many administrations to address some of the most endemic and sharp social and economic demands, such as poverty reduction (the country has suffered, for decades, a 20% rate of structural poverty, most public policies having failed to reduce it,) as well as citizen security, one of the most currently crucial issues in current Costa Rican society. Secondly, the absence of strong party ideological platforms, has generating an extended process of deterioration of electoral loyalties, political dis-alignments, and the evaporation of the historical Social Democratic or Social-Christian constituencies, to refer to the two most important political parties of the last 50 years. Third, an increasing number of cases of corruption and public mismanagement of public funds, committed by many prominent politicians over the past ten years have had a deleterious effect. For instance, charges of corruption and the subsequent imprisonment of two former presidents, Miguel Angel Rodriguez Echeverria (1998-2002, who resigned, upon such charges, from his position as Secretary General of the Organization of American States,)-and Rafael Angel Calderon Fournier (1990-1994), deepened citizens' cynicism. Both ex-presidents were indicted but the trial has yet to take place. Another former president, José Figueres Olsen (1994-1998), opted to exile himself for the same reasons, and his case was discharged by the Public Prosecutor just recently. These factors have negatively affected citizens' behavior towards Costa Rican political parties since the 1990s.

## Facilitating Conditions

*Facilitating Condition 1: Open, non-polarized system of social stratification*

Throughout the late 19th and early 20th centuries, Costa Rica worked to create acceptable mechanisms of internal distribution, and to position itself as a high-middle ranking country in the Human Development Index of the UN, resulting in fluctuations between ranks 28 to 45. The country has been able to transform a quite modest per-capita, no higher than US$ 5,000 per year since the 1990's, (even lower than many other Latin American countries) in such a way that most citizens have benefited from such social investment in extended educational and health systems, as well as other public provision policies. However, the percentage of poverty, and the number of vulnerable persons has risen slightly in this period.

*Facilitating Condition 2: A functioning market economy regulated to prevent disproportionate aggregations of power and ensure fairness in economic relations*

Since 1994, the legal frameworks for public competence and the promotion of a market economy have been radically transformed in order to prevent monopolies, concentrations in productive areas, and abuses in commerce trade. The prohibition of private monopolies from 1949 (Article 46 of the Political Constitution) was complemented in 1994 with the creation of the *Ley de Promoción de la Competencia y Defensa del Consumidor* ("Law of Competence Promotion and the Defense of the Consumer,") Law number 7472-94. Article 1 of this law establishes a prohibition against monopoly practices, among other restrictions, to facilitate efficient functioning. The law overrides regulations from other legislation to enhance competitiveness in economic operations.

In order to implement this legal provision, a Commission for the Promotion of Competence (*Comisión para promover la Competencia*) was established. However, despite these new regulations, Costa Rica's small domestic market still includes many private monopolistic markets and practices, in such areas as gas, beverages, vehicle imports, mortar and cement and, worse, sensitive sectors of the market related to food and basic needs. Since the creation of this Commission there has been no significant advance in controlling disproportionate or abusive practices. On the contrary—and following the pattern of other Latin American countries—a very conservative and influential economic and political sector in Costa Rica has managed to dismantle remaining public monopolies in sensitive areas such as communications, (telephone, internet) and insurance, as well as other public services, but—at the same time—rejects any mechanism of control in their own private monopolies.

*Facilitating Condition 3: An internal cohesive political community*

Even though Costa Rica shows acceptable performance in development indicators, studies confirm that poverty is focused in rural areas, especially in the Pacific and Caribbean coasts, in the provinces of Guanacaste, Puntarenas, and in Limón. Until better wealth distribution is ensured, cohesion of Costa Rica's political community will be less than it should be.

# Appendix III: A Perlin Model Comparison between Costa Rica & Other Countries

| **Perlin's Ideal Standards for Liberal Democracy** | Costa Rica | China | Afghanistan | Bosnia | Mexico |
|---|---|---|---|---|---|
| Constitutional government | X | X | X | X | X |
| Framework of entrenched and enforceable rights | X | X | | X | X |
| Rule of law incorporating the principles of the supremacy of the law, equality before the law, and the impartial and fair administration of the law | X | X | | | X |
| Democratic control of internal and external security institutions | X | | | X | X |
| Governing institutions that are effective, responsible and accountable to citizens | | | | X | |
| Political elites are chosen through regular, free and fair elections | X | | | X | X |
| A genuinely competitive system of party politics effectively representing a broad spectrum of societal interests and contributing to accommodation of diverse interests | X | | | | |
| A system of political communication that ensures free flow of information about public affairs | | | | X | |
| A system of group politics that ensures the representation of citizen interests based on the principles of pluralist theory | X | | | | X |
| Political engagement of citizens | X | | | | X |
| Democratic political culture | | | | | |
| Civil society | X | | | | X |
| Open, non-polarized system of social stratification | | | | | |
| A functioning market economy regulated to prevent disproportionate aggregations of power and ensure fairness in economic relations | X | X | | | X |
| An internal cohesive political community | | | | | X |

# Appendix IV: Costa Rican Democracy: A Dividend of Disarmament?

Timothy Andrews Sayle and Patricia DeGennaro

## *Executive Summary*

A model democracy since the 1950's, Costa Rica is well known for its broad healthcare and education programs, as well as its decision to abolish its army in 1949. Costa Rica is unique in a region noted for its frequent incidence of military coups and rampant authoritarianism. Although the country's history has seen its share of violence and military coups, it appears to have found an effective liberal-constitutional framework that ensures its citizen's rights to popular sovereignty. How Costa Rica has avoided violence and disabling challenges to its political system since the 1950s is of great interest to students and practitioners of democratic development.

The political history of Costa Rica is instructive. It reveals a pattern of leaders who have understood that a standing army represents a threat to their rule, and although a number of such leaders routinely weakened the military, outright abolition was seen as a greater threat to the political ends sought by those in power. In 1948, when Jose Figueres assumed leadership of the country after a short civil war, he implemented a constitution disbanding the army while allowing a police force. Figueres had myriad reasons for disbanding the army, but the nobility of his decision should be understood as inflected by political ambition. A disbanded army could not challenge Figueres's temporary post-war rule, could not challenge future elections, and would allow for greater spending on the education and economic development Figueres felt essential to the country. Figueres's decision to sign a collective security agreement with the Organization of the American States further reduced the need for a defense Costa Rican army.

Upon abolition of the army, the Costa Rican government established civilian control over its military force as per its constitutional obligations. Of course, this process was and is

made easier by the absence of a standing army with no need for a high command or general staff. Costa Rica, does, however, follow other rules and practices to maintain civilian control and to prevent any growth of a military sphere of influence in politics:

- Constitutional stipulation requiring relatively high government spending on non-military programs, including education
- No security officer promotion to a rank higher than colonel
- Mandatory retirement for upper ranks of security forces with change of political administration
- Costa Rica relies on the Rio Treaty of the Organization of American States for collective security in the case of armed attack

The citizens of Costa Rica responded positively to the decision to abolish the army and fully endorsed the concept of a nation whose security forces could not become vehicles for political manipulation. Costa Rica now has international status as a non-violent nation proud to have 'more teachers than soldiers.' Money that would otherwise be spent on military force is instead invested in healthcare, education and other progressive economic development areas. One of the rewards of this social spending is a particularly Costa Rican pride in and political preference for leaders who respect the democratic process, espouse non-violent political solutions, and maintain strong civilian control of the state's small security and police force. Ultimately, the constitutional rules against a politically active armed force have strengthened national faith in the Costa Rican values of democracy.

## *Introduction*

According to the Perlin model, democratic development is "the establishment of institutions and processes of governance that promote and protect liberal democratic values." The development of these institutions and processes occur across two mutually reinforcing spectrums: Liberal-constitutionalism and popular sovereignty. Liberal-constitutionalism embodies the rules and structures of government that provide a framework within which democracy can function. A key element of liberal-constitutionalism is the clear limitation on the exercise of government authority. In a democracy, these rules are founded on respect for the supremacy of law, or "right over

might." There must exist not only clearly defined rules about when the government may use force but rules stating that the agents of force must be "insulated from arbitrary use by elites in other governmental institutions." In parallel with liberal-constitutionalism is popular sovereignty, which is the ability of the citizenry to choose their leaders and the correlative accountability of the government to its citizens. Popular sovereignty includes the right of a constituency to select its political representation through elections, rather than through choices made by a small cabal or even a *coup d'état*. Similarly, popular sovereignty ensures that elements of the state – particularly those in a position to use force such as the military – must refrain from affecting party politics.

There are scores of examples in world history demonstrating how democracies quickly cease to be democratic once a government ignores the prohibitions on the use of force, or when a military-backed usurper supplants popular sovereignty. Latin America has been plagued by military coups in the 20th century. From 1930-1990, the 37 countries of Latin America suffered 111 different coups.[51] As former US Deputy Assistant Secretary of State Arturo Valenzuela notes, it was the military that was largely responsible for rapid government cycling that essentially stifled democratic development:

> Ambition-driven generals might topple an elected president or bar the implementation of policies that the soldiers and their allies did not like…. Officers would arbitrate among factions and decide when to call for new elections to restore civilian rule, and coups in turn always enjoyed the complicity of civilian elites.[52]

But remarkably, a small beacon of democracy exists in the very region so pervasively stifled by excessive use of force and frequent military intervention in politics. Costa Rica has enjoyed an unbroken reign of democracy since the 1950s. Indeed, Costa Rica is recognized for its "democratic history of over 100 years and a reputation for

---

[51] Valenzuela, Arturo, "Latin American Presidencies Interrupted," *Journal of Democracy*, Vol. 15, No. 4 (October 2004) p 5.

[52] Ibid p 6.

egalitarianism, electoral honesty and peaceful transferences of electoral power."[53] By developing a liberal-constitutional prohibition on military force in 1948, there are very few means by which the state could overstep its limits on force. Because armed force is limited to a small, non-politicized security and police force, there is no leverage by which a usurper might turn elements of the state against the democratic choices made by the electorate.

In contrast to the examples of state brutality and military coups that prove the negative consequences of failing to institutionalize and limit government use of force, Costa Rica demonstrates the benefits reaped when care is taken to protect and enhance liberal-constitutional rules of force and respect for popular sovereignty. Moreover, the history of Costa Rica's decision to disband the Costa Rican Army illustrates the interconnectedness of Perlin's dual streams of democratic development, and the impact a liberal-constitutional decision can have on the entrenchment of notions of popular sovereignty in a country.

Costa Rica's constitution stipulates the government must spend at least 6% of its GDP on education (although some Congressional representatives are seeking 8%.) By contrast, military spending is 0.5% of Costa Rica's GDP. It is not uncommon to encounter the refrain, "Costa Rica has more teachers than soldiers," that they have no army, and that they model themselves after Switzerland, known, accurately or not, as the world's most impartial country. Neutrality is embraced and problems are solved "*a la tica,*" or through discussion, debate, negotiation, and compromise.[54] Where coups were once common, in a region where they still are, significant institutional change has fostered a surge of support for democracy and a conviction in the electorate that popular sovereignty must count.

---

[53] Pettiford, Lloyd. "Simply a Matter of Luck?: Why Costa Rica Remains a Democracy," *Democratization,* Vol. 6, No. 1 (Spring, 1999) p 94.

[54] Biesanz, Mavis Hiltunen et. al, *The Ticos: Culture and Social Change in Costa Rica*, 1999. Ameringer, Charles D., Democracy in Costa Rica, 1999

## A Military Past & the Lesson of Carillo

Since its independence from Spain in 1821, the "Rich Coast's" relatively poor endowment of natural resources obviated major internal conflict and external invasion; while other resource-rich countries in the region were carved in to vast plantations and *haciendas*, colonial exploiters largely ignored Costa Rica. Because Costa Rican settlers developed a communal sense of independence through relatively egalitarian distributions of land and wealth, social development occurred without any significant need for a major military force, although political violence –albeit on a small scale – was nonetheless a fact of life throughout the 19th century. After a peaceful transition to independent rule, Mexican machinations in the region sparked some violence, notable for its brevity and nominal casualties, between Costa Ricans who either supported or rejected possible annexation to Mexico. Ultimately, these skirmishes marked a solidification of independent and nationalist feeling in Costa Rica; following the conflict, the government cut the ranks of the army and created a Civil Guard under clear civilian control.[55] The political clout of the army itself was weakened, though the citizens who had participated in the fighting remained armed. These armed citizens would figure prominently in a challenge to Costa Rica's locus of political authority.

An 1843 law, *Ley de la Ambulancia*, stipulated that the capital should rotate every four years between Alajuela, Heredia, Cartago, and San Jose. One year later, a subsequent law was passed declaring the town of Murcielago to be absolute the capital. When Braulio Carillo was elected President in 1835, he abolished both laws and declared San Jose the capital, given the city's number of government buildings. This sparked a civil war in 1835, known as the *Guerra del la Liga*. Over 7,000 men, including some Salvadorians, fought for Carillo in defense of San Jose. [56]

---

[55] Holden, Robert H., *Armies without Nations: Public Violence and State Formation in Central America 1821-1960*, 2004 p 97.

[56] Worthington, Wayne Lamond, *Costa Rican Public Security Forces : A Model Armed Force for Emerging Nations*, University of Florida, 1966 p 83.

Carrillo won the *Guerra* and quickly moved to centralize the government while and effectively centralizing and weakening the army.[57] After holding and losing an election, Carrillo led a coup against his successor, took power and declared himself "President for life" in 1841. Carillo, like the leaders of Costa Rica after the first civil war, understood a standing army was a political liability, and so sought to diminish its role. However, he failed to recognize that a military force capable of supporting a coup was equally capable of the inverse; he was ousted one year later in a reverse-coup.

Not long after this war, Costa Rica faced its first military invasion. In 1856, a group of US expansionists led by William Walker tried to increase the American purview in Central America. Walker was not at all interested in extending US democratic rule, but sought instead to secure, for American barons needing slave labour, agricultural colonies in Central American. Citizens quickly organized, and a small civilian force fought off Walker's men, proving that a civilian call to arms for defense worked as well or better than a standing army.

Costa Rica's small military remained in place after Walker's failed invasion, largely as a tool of the political elite. Coups continued, but, somewhat paradoxically, power came to those whose leadership strategies were more cohesive than coercive. Even General Tomas Guardia, propelled to power by a coup in 1870, sought to increase civilian control over the military, hoping to end the cycle of coups, and to deter anyone within the state apparatus from use of force.[58] Guardia focused on developing state transportation infrastructure and education. For both political and fiscal reasons, he maintained only a few hundred soldiers, and what was not spent on military support went to cementing "the sacred right of Costa Ricans: the right to education."[59] The 1884 Constitution publicly affirmed the national values of peace, freedom and education. The school system, state finances, and development became institutionalized national priorities. Moreover,

---

[57] Ibid p 98-99.

[58] Lehoucq, Fabrice, "The Institutional Foundations of Democratic Cooperation in Costa Rica," *Journal of Latin American Studies*, Vol. 28, No. 2, 1996: p 329-355.

[59] Carballo, Jose Luis Vega, "The Dynamics of Early Militarism," in Edelman, Marc and Kenen, Joanne, Eds., *The Costa Rica Reader* (New York: Grove Press, 1989) p 47.

competitive elections began to take shape. Although corruption remained a factor in the budding democracy, constitutional changes helped establish deeper democratic foundations. This was not mere happenstance – Costa Rican leaders supported education spending because they believed an educated society made for a more democratically active one, and one less likely to take up arms against its government.[60]

Regardless of such progressive undertakings, would-be coup-plotters still routinely surfaced. Between 1889 and 1948, at least 4 coup attempts and 22 revolts sought to overthrow the central government.[61] Throughout these debacles, Carillo's warnings were re-illustrated; a military force installing a leader is just as capable of "uninstalling" him. Leader after leader diminished the military and any deepening of traditions or its sphere of influence beyond support of political intrigues. Costa Rican democratic development took the peculiar turn of seeing those in power strongly supportive of popular sovereignty, against a strong standing army, and fully in favour of the liberal-constitutional dictum of civilian control of the military, awhile those seeking power – even those who had been or would later be President – enlisted the military to support their coup efforts.

The cycle continued in to the 20th century. In January 1917, frustrated with austerity measures introduced by President Alfredo González Flores, Minister of War Frederico Tinoco Grandos seized power and attempted to crush opposition with the aid of military force. US President Woodrow Wilson refused to recognize Tinoco's government, and closed US capital markets to Costa Rica. Without foreign investment, Tinoco's popularity plummeted and he left power in 1919.[62] This coup was nearly the final straw for military involvement in politics. The Army, so closely linked to Tinoco, was fatally weakened by Tinoco's exit. Although nominally extant, the Army became politically insignificant and ineffectual, until its abolition after the 1948 civil war.[63]

---

[60] Ibid p 47.

[61] Yashar, Deborah J., *Demanding Democracy: Reform and Reaction in Costa Rica & Guatemala, 1870s-1950s*, Stanford University Press, 1997 p 53.

[62] Wilson, Bruce. *Costa Rica: Politics, Economics, and Democracy* (Boulder: Lynne Reinner Publishers, 1998) p 29.

[63] Ibid p 30.

## The Last Civil War

With substantial backing from conservative elements of the political elite, Dr. Rafael Ángel Calderon Guardia was elected President in 1940; it was expected that he would serve the interests of Costa Rica's coffee oligarchy. But he instead immediately implemented an array of socially progressive reforms; he pushed for changes in the labour code, in the social security system and to health care. His policies were highly popular with most Costa Ricans, and despite his declaration of war against Germany, he focused on social reforms rather than military build-up.

It became increasingly clear that the oligarchy would have to bear the cost of Calderon's progressive policies, and he became a target of their intense criticism. His rather free hand with business and political favours, by which he hoped to quell oligarchic discontent, resulted in charges of corruption on all sides. Calderon turned to the *Vanguardia Popular*, Costa Rica's communist party, for support. The communists, who pulled Calderon further to the left and away from his regular constituency, exploited the Calderon-communist alliance much to Calderon's detriment.

On 4 July 1942, a crowd of twenty thousand Costa Ricans gathered in a public square to hear Calderon give an address. When Calderon did not arrive, the crowd set off on a march to the *Casa Presidencial*, and during the march, members of the *Vanguardia Popular* began to smash the windows of small shops. With tensions already high after a recent German submarine attack, riots broke out. The uprising was long and gruesome, lasting several days. The crowd destroyed the livelihoods of many of the town's small business owners, damaged 123 buildings and it injured 76 people.[64]

The riots did much to polarize and radicalize Costa Rican society. José Figueres Ferrer, wealthy owner of a rope and bag factory, and a man with significant political ambition, took advantage of the unrest to discredit Calderon. Figueres bought radio time and reprimanded "those responsible for undermining the Republic and discrediting its

---

[64]Ameringer, Charles, *Don Pepe: A Political Biography of Jose Figueres of Costa Rica* (Albuquerque: University of New Mexico Press, 1978) p 18.

international action."[65] Figueres attacked Calderon as incompetent and a "demagogue who was leading the nation to financial, economic and social disaster."[66] Almost overnight, Figueres became a national hero, and because of his potential as a threat to the presidency, Calderon directed the police to storm the radio station, and had Figueres imprisoned.

Upon his release, Figueres left for Mexico. There, Figueres made friends with other exiled members of neighboring Latin American countries, many of whom had left in fear of their respective nations' dictatorships. The young men formed a militia and made a promise, known as the Caribbean Pact, to rid Latin America of authoritarian leadership. This cadre would later play a key role in Figueres' rise to power.

Figueres contested the 1944 election, which had been one of the most violent in Costa Rican history, with parties disrupting each other's campaigns, obstructing each other's rallies and much sabotaging of radio stations and newspapers.[67] General Rene Picado, commander of the army, was permitted to strengthen his force to aid the campaign of his brother, Calderon-supported Teodoro Picado Michalski. The small army, joined by political supporters, was responsible for many of the disruptions. In the end, stuffed ballot boxes gave Teodoro Picado the Presidency, and left Figueres with nothing.

The 1948 campaign four years later was even more turbulent; riots were common and the opposition candidate's supporters were violently harassed. Figueres did not run in this election. He backed Otilio Ulate, who was opposed to the Calderon-backed Santos Leon Hererra. Ulate wanted the elections monitored, after the 1944 ballot box stuffing, and when the *Calderonistas* refused, a brutal strike ensued. Looting was rampant, banks and businesses closed, and transportation stopped in San Jose.[68] The police killed eight

---

[65] Ibid p 19.

[66] Bell, John Patrick. *Crisis in Costa Rica: the 1948 Revolution* (Austin: University of Texas Press, 1971) p 37.

[67] Ibid p 25.

[68] "Costa Rica Capital Looted," *The New York Times*, July 29, 1947 p 10.

people.[69] The Costa Rican legislature finally agreed to establish a monitoring body for the election, but allegations of corruption continued even after the monitoring body determined Herrera had won. Meanwhile, infuriated by the killings and the monitoring results, Figueres collected arms and called upon the Caribbean Pact to help him resist. Public protest continued, and the *Calderonistas* dispatched a militia to fight the protesters. The legislature eventually overturned its initial decision and called the election null and void, but the violence continued and Figueres joined the battle on 11 March 1948.[70]

Throughout the civil war, the Costa Rican Army had been largely irrelevant. Weakened by successive leaders, most thoroughly by Tinoco's demise, it could bring little benefit to belligerents. Instead, the war was fought primarily between the police and government party militias on one side, and the opposition party militias on the other.[71] The Caribbean Pact, on the side of the opposition, finally encircled government forces in San Jose and brought Figueres to power.

Ulate understood the impossibility of a democratic mandate after civil war, and agreed that Figueres should have 18 months of rule to put the country back together.[72] As head of the 'Revolutionary Junta' and leader of the country, Figueres banned the Communist Party, nationalized the banks of Costa Rica and left the major elements of Calderon's social reforms in place. He granted nationals universal suffrage and focused on institutions of economic development and education. He had fought, he claimed, only "to restore the integrity of the electoral system, which had been established for some time but which had been violated during the 1940s."[73]

In the constitution established by the Junta to govern the future Presidents of the Second Republic, Figueres abolished the Costa Rican Army. Article 12 of the 1949 Constitution

---

[70] Ibid p 50.

[71] Holden, *Armies without Nations* p 216.

[72] Cozean, *Abolition of the Costa Rican Army* p 27.

[73] "Voices from Costa Rica, Interviews by Andrew Reding", *World Policy Journal*, Vol. 3, No. 2, Spring 1986 p 317-345.

stated:

> The Army as a permanent institution is abolished. There shall be the necessary police forces for surveillance and the preservation of the public order.Military forces may only be organized under a continental agreement or for the national defense; in either case, they shall always be subordinate to the civil power: they may not deliberate or make statements or representations individually or collectively.

Figueres's motives for abolishing the army are variously analyzed, but it has become Costa Rican legend that his decision was born of the nation's peaceful nature. There is little doubt that Figueres preferred to spend state money on butter or books over guns. In a symbolic gesture, the keys to a major military fortress were handed over to the Minister of Education to establish a museum. At the ceremony, Figueres announced:

> It is time for Costa Rica to return to her traditional position of having more teachers than soldiers. Costa Rica, her people and her government always have been devoted to democracy and now practice their belief by dissolving the army, because we believe a national police force is sufficient for the security of the country. We uphold the idea of a "new world" in America.[74]

It seems likely, however, that military dissolution was the only politically sensible option available to the junta.[75] By so doing, Figueres simply took the final step in a historical path. The abolishment "permanently removed a possible source of political instability from the Costa Rican polity."[76] No force could now challenge the popular sovereignty of the Costa Rican public by overruling their electoral decisions. At the same time, the regional context was extremely favourable for Figueres. Costa Rica, as a member of the Organization of American States, was a party to the Inter-American Treaty of Reciprocal Assistance (Rio Treaty.) The Rio Treaty, a collective security document, ensured that all signatories treat an attack against one member as an attack against all members. Upon

---

[74] Cozean, *Abolition of the Costa Rican Army* p 31.

[75] Wilson, *Costa Rica* p 43.

[76] Ibid.

Nicaragua's signing of the treaty, (Costa Rica's only serious external threat) the government waited only one month before abolishing the army.[77]

The impact of Figueres's military abolition was accute in the 1950s. By 1954, Figueres, elected president of Costa Rica, was extraordinarily unpopular with key figures of the Costa Rican political elite. He was detested by leadership on the left for fighting against the *Calderonistas* in the civil war, while the political right faulted him as a socialist and for not having removed Calderon's progressive reforms. Outside Costa Rica, the CIA, some figures in the State Department and the United Fruit Company hoped for an end to the Figueres presidency.[78] As we know from contemporary events in Guatemala, this mixture of enemies could spell disaster to an infant democracy. Despite the tensions of the early 1950s, which climaxed in 1954, Costa Rica remained essentially peaceful. Kirk Bowman explains why:

> There was no elite pact for democracy. Costa Rican culture did not inhibit a violent uprising. Institutions did not channel preferences toward support of ballots over bullets. Figueres survived for one reason only: without a military, the opposition did not have the means to overthrow him. [79]

In 1955, Figueres and Costa Rica faced a serious threat; Nicaraguan President Anastasio Somoza Garcia attacked Costa Rica in support of a *Calderonista* attempt to overthrow Figueres. Had Costa Rica had a military to ally with the rebels, Nicaragua would not have been involved. Since Somoza did support the invasion, Figueres was able to invoke the Rio Treaty, and the OAS – and particularly the arbiter of the region, the US – was obliged to defend Costa Rica. Gonzalo Facia, Figueres' right-hand man, argued after the invasion that a military would have been

> a force to unite the opposition. With a military, the calculus is completely different." The rebels, too, realized the difference: Rebel leader Miguel Ruiz Herrera bemoaned that if Costa Rica had its "own military caste and did not

---

[77] Holden, *Armies without Nations* p 218.

[78] Bowman, Kirk. "Democracy on the Brink: The First Figueres Presidency" in Palmer, Steven and Molina, Iván (eds.) *The Costa Rica Reader: History, Culture, Politics*. (Durham: Duke University Press, 2004) p 178.

[79] Ibid

> need to get weapons from Somoza, it would have been simple to unify the opposition and overthrow [Figueres] in 1955.[80]

The absence of a Costa Rican military benefited Figueres in 1954, but was his downfall in 1958, when he sought to retain his Presidency despite an electoral loss; there was no military to keep him in power.[81] But again, there was no military to prevent his return, and in 1970 he won the Presidency anew in a democratic election.

## Costa Rica's National Security Structure

Costa Rica did establish a police and security structure as allowed by the constitution. Currently, Costa Rica has a Police Force, a Border Guard, a Rural Guard, a Civil Guard and the recently formed Coast Guard. The country's policing and security forces number 8,400. The Civil Guard, a military-trained police force, is composed of just over half that number. The leadership of various Guard forces remains under direct civilian control as per the constitution. The forces are politically neutral and make no independent policy decisions. Costa Rica has additional police organizations, including customs, treasury, town and village, traffic, and immigration police, as well as a security and detective agency. Each police force has specific duties, with no overlapping responsibilities. Overlapping jurisdictions typically occur as a result of a politicized security force. These security units report to one of five different ministries. The Ministry of Security oversees the Civil Guard and the Detective Agency; the Ministry of Energy and Finance is in charge of the Treasury and Customs Police; the Ministry of Government oversees the Town and Village Police; the Ministry of Transportation administers the Traffic Police; and the Ministry of the President manages the Security Agency.

Significantly, successive Presidents have not tried to challenge low military spending, and some have used Costa Rica's national legend to project a message of disarmament outside Costa Rican borders. Oscar Arias Sanchez, elected president in 1986, came to power

---

[80] Ibid p 180.

[81] Ibid p 182.

frustrated by the continued guerrilla activity in the region. Guerrilla war was coming far to close to home; illicit Contra training was occurring on Costa Rican soil.

In an attempt to gather support to limit violence the region, Arias organized a meeting with the presidents of Guatemala, El Salvador, Honduras and Nicaragua to discuss proposals for peaceful solutions between the nations. The nations consequently signed a pact which established a cooperation effort to reduce regional volatility. The Oscar Arias Sanchez plan blocked outside aid for guerrilla forces, instituted peace talks, inhibited the use of a country's territory for aggressive measures, and promoted democratic freedoms. [82] Arias won the Nobel Peace Prize for his initiative, and invested the prize money in the Arias Foundation for Peace and Human Progress. Since, Arias and Costa Ricans generally have avidly supported nuclear disarmament, blocks to sales of small arms and weakening of world militaries.

## *Conclusion*

Arias' stated goal has been "to impress on [other leaders] the importance of preventing the rule of men with guns."[83] Panama's demilitarization is largely attributed to Arias' encouragement and the Costa Rican example, and some 20 nations now maintain no standing armies (See Appendix.) Certainly Costa Rica's democratic success is correlated with the absence of politicized army – but how are its lessons to be applied elsewhere?

One clear lesson is simply that, with no military, a military *coup d'etat* is impossible. In Costa Rica, politician after politician recognized this to one degree or another, and thus acted to successively diminish the army up to its abolition in 1948. But there are more nuanced lessons to be learned here as well; Robert Holden notes that:

> In truth, Costa Rica was not and never has been a nation without an army. Perhaps the real Costa Rican novelty was the army's stable subordination to civilian

---

[82] Nordland, Ron, et. al., "Why the Arias Plan is Failing," *Newsweek*, Vol. 111, No. 2, Jan 11, 1988, New York p 30.

[83] Richards, Chris, "About Face! A world without armies! Costa Rica's past President, Oscar Arias Sanchez, explains his vision to Chris Richards," *New Internationalist*, August 2005.

> government, an achievement that no Latin American government except for Mexico has been able to claim, before or since 1949.[84]

Whether one considers Costa Rica technically de-militarized or not, its civil control over military force provides a concrete example of mutually reinforcing liberal-constitutionality and popular sovereignty, which appears to have facilitated an exceptional case of democratic development.

In democratic development studies, military forces are an essential consideration. While there are certainly any number of successful democratic states that maintain a standing army, there is no doubt that militaries in Central America have traditionally represented a "formidable obstacle to democratization."[85] Popular sovereignty – one of the two fundamental elements of democracy according to the Perlin model – has often been dismissed by military or military-supported coups intent on selecting a leader without input from the citizenry.

In Costa Rica, protection of popular sovereignty is the outcome of a liberal-constitutional change. The 1949 constitution prohibited the institution – the army – that had participated in violations of popular sovereignty in the past. At the same time, the constitution established a process to relegate any other armed force to strict civilian control. Instituting civilian control of a military can be a painful process, often including purges of the officer corps and civilian officials controlling promotion boards without the experience (or interests) of a military elite.[86] Costa Rica has been lucky to experience no need for military protection from external threats, and, with public disinterest in a military developed most deeply during the Tinoco regime, its governance may appear uniquely possible only in Costa Rica. But the Costa Rican trajectory of demilitarization may well be transferable.

---

[84] Holden, *Armies without Nationsp* p 225.

[85] Ruhl, Mark J. "Curbing Central America's Militaries," *Journal of Democracy*, Vol. 15, No. 3, (July 2004) p 137.

[86] See Ruhl, "Curbing Central America's Militaries."

Figueres's invocation of the Rio Treaty in 1955 suggests that by virtue of having enmeshed itself in international law and collective security, the country did not need a standing army to protect itself from aggression. At the same time, Costa Rica has no need for a general staff with long-term strategic planning responsibilities, or any need for security officers above the rank of Colonel. A limited need for high-ranking officers prevents the development of a military caste or elite, and Costa Rican governments habitually retire senior security officers as administrations change. Retired officers are subsequently assisted in finding work, often in commercial business away from political intrigue. These measures tend to thwart senior officer territoriality, as well as extra-political challenge to the Presidency. Within its liberal-constitutional framework, the abolition of the Costa Rican army has established clear civilian control of its security forces, but the country's now-entrenched assumption of citizens' rights to popular sovereignty is equally material to understanding Costa Rican democracy. How did the nation's populace come to such an assumption?

Noted peace scholar Johann Galtung has suggested that the egalitarian nature of Costa Rica accounts for the abatement of military coups and the needlessness of an army.[87] Such an essentialist view ignores the Costa Rican history of military coups as well as the groundswell of support for some non-elected leaders. Something changed in the Costa Rican polity that caused citizens to accept no substitute for democratic elections, something that has cultivated in the Costa Rican citizenry an unqualified rejection of anything other than popular sovereignty. The change may have had as much or even more to do with the social spending allowed by diversion of military budgets to civilian matters.

In keeping with Figueres' symbolic conversion of a fortress to a museum, Costa Rica has kept military expenditures low and investment in economic development and education high. Overall, Costa Rica spends less on security as a percentage of GDP than the rest of the Latin America (See Appendix,) and leads regionally in health and education services. Lloyd Pettiford sees Costa Rica's spending on health, education and social security as a

[87] Harris, Geoff. "Military Expenditure and Social Development in Costa Rica: A Model for Small Countries?" *Pacifica Review*, Vol. 8, No. 1 (1996) p 97.

"non-traditional security agenda," which reduces any need for traditional (and coercive) security mechanisms. This state, ideal in some ways, has defined how Costa Ricans perceive the state, which is "seen as quite effective in resolving problems [and] public perception that problems are resolved has seen the extent of collective mobilization quite limited."[88] Even when noted Costa Rican analyst Fabrice Lahoucq warned of conflict in 1995, he guaranteed there would no military coup – not only due to the absence of an army, but "because the vast majority of Costa Ricans reject violence as a means of settling disputes."[89] Ultimately, the popular social spending that derives from low military spending combined with the success in meeting national objectives by non-violent means is mutually reinforcing.[90] Costa Ricans have steadily developed a cultural of democracy and non-violence, and since the elections of the 1950s, they have routinely chosen "ballots over bullets."

| Trends in Costa Rican Security, and Education Expenditures | | | |
|---|---|---|---|
| Year | Total | Education | Public Security |
| 1955-86 | 476201 | 14,097 (3.0) | 54,306 (11.4) |
| 1946 | -- | -- (12) | -- (13) |
| 1947 | -- | -- (12) | -- (18) |
| 1948 | -- | -- (19) | -- (25) |
| 1957 | 49234972 | 7,977,945 (26.2) | 2,052,630 (4.7) |
| 1958 | 51579444 | 9,317,269 (18.1) | 1,997,892 (3.9) |
| 1959 | 45340075 | 10,712,455 (20.3) | 2,007,216 (3.8) |
| 1960 | 56814707 | 11,661,639 (20.6) | 2,054,885 (3.6) |
| 1961 | 61654099 | 12,648,986 (20.5) | 2,034,336 (3.3) |
| 1963 | 636727676 | 14,693,719 (23.1) | 2,171,841 (3.4) |
| 1964 | 67941338 | 16,447,988 (24.2) | 2,101,594 (3.1) |
| 1965 | 75422637 | 16,742,098 (22.2) | 2,171,700 (2.9) |

[88] Pettiford, "Simply a Matter of Luck?" p 94.

[89] Lehoucq, "Costa Rica: Paradise in Doubt," p 140.

[90] Harris, "Military Expenditure and Social Development in Costa Rica," p 98.

| Latin America: Armed Forces Expenditure Statistics | | | |
|---|---|---|---|
| Country | Budget as % of GNP | Average Armed Forces as % of population | Expenses per member of Armed Forces |
| | Per Cent | Per Cent | U.S. $ |
| Argentina | 2.61 | 0.675 | 1408 |
| Bolivia | 1.16 | 0.409 | 284 |
| Brazil | 2.40 | 0.280 | 1716 |
| Chile | 2.43 | 0.558 | 2417 |
| Columbia | 1.32 | 0.167 | 3367 |
| **COSTA RICA** | **0.53** | **0.107** | **1944** |
| Cuba | 4.65 | 0.605 | 2428 |
| Dominican Rep. | 4.12 | 0.543 | 1774 |
| Ecuador | 2.10 | 0.422 | 1078 |
| El Salvador | 1.40 | 0.278 | 1049 |
| Guatemala | 1.37 | 0.228 | 1119 |
| Haiti | 1.57 | 0.128 | 1141 |
| Honduras | 1.18 | 0.210 | 1154 |
| Mexico | 0.74 | 0.154 | 1322 |
| Nicaragua | 1.38 | 0.310 | 904 |
| Panama | 0.27 | 0.313 | 303 |
| Paraguay | 2.53 | 0.537 | 550 |
| Peru | 3.42 | 0.370 | 1659 |
| Uruguay | 1.02 | 0.288 | 1875 |
| Venezuela | 2.10 | 0.312 | 6529 |

| List of Countries without Armed Forces | |
|---|---|
| Country | Comments |
| Andorra | Defense the responsibility of France or Spain, treaties June 3, 1993. |
| Costa Rica | Constitution (1949) forbids a standing military. |
| Dominica | None since 1981 (post-coup.) Defense: Regional Security System. |
| Grenada | No standing army since 1983, after the American-led invasion. Defense is the responsibility of the Regional Security System. |
| Haiti | Disbanded in June, 1995, but rebels have demanded its re-establishment. The National Police maintains some military units. |
| Iceland | No standing army since 1869. A member of NATO, defense agreement with the U.S. Maintains Expeditionary military peacekeeping forces, Air Defense System, Coast Guard, Police and Special Police forces. |
| Kiribati | The only forces permitted are the police and the coast guard. |
| Liechtenstein | Abolished their army in 1868 because it was too costly. Army did only exist in times of war. Protected by the Swiss army since then. |
| Marshall Isl's. | Defense is the responsibility of the US. |
| Mauritius | Has had a paramilitary police force since 1968. External security unofficially is the responsibility of India. |
| Micronesia | Defense is the responsibility of the US. |
| Monaco | Renounced military in 17th century because artillery had rendered it defenseless. Defense is the responsibility of France. |
| Nauru | Under informal agreement, defense the responsibility of Australia. |
| Palau | Along with the Philippines (1987 Constitution), the only country with an anti-nuclear constitution (adopted 1979). Defense is responsibility of US. |
| Panama | Not since 1990, parliamentary unanimous vote for constitutional change in 1994. Some units within Police, Coast Guard, Air Service, Institutional Security, have limited warfare capabilities. |
| San Marino | Maintains a ceremonial guard, a police and a border force. |
| Solomon Islands | Between 1998 and 2006 Australia and other Pacific countries finally intervened to restore peace and order. No standing army. |
| Saint Kitts and Nevis | Maintains a small defense force for internal purposes. Defense is the responsibility of Regional Security System. |
| Saint Lucia | Maintains a special service unit. Defense is the responsibility of Regional Security System. |
| Saint Vincent & the Grenadines | Maintains a special service unit. Defense is the responsibility of Regional Security System. |
| Samoa | No standing army. Defense is the responsibility of New Zealand. |
| Tuvalu | No army. Police force includes a Maritime Surveillance Unit. |
| Vanuatu | Has a small mobile military force. |
| Vatican City | The largely ceremonial Swiss Guard acts as a security police force. |

## *References*

Ameringer, Charles. (1982). *Democracy in Costa Rica*. New York: Praeger Publishers.

Ameringer, Charles. (1978). *Don Pepe: A Political Biography of José Figueres of Costa Rica*. Albuquerque: University of New Mexico Press.

Bell, John Patrick. (1971). *Crisis in Costa Rica: the 1948 Revolution*. Austin: University of Texas Press.

Berrigan, Frida and Wingo, Jonathan. (November 5, 2005). "The Bush Effect: U.S. Military Involvement in Latin America Rises, Development and Humanitarian Aid Fall". *The World Policy Institute*, New York.

Biesanz, Mavis Hiltunen, et. al. (1998). *The Ticos: Culture and Social Change in Costa Rica*. Lynne Rienner Publishers.

Bird, Leonard. (1984). *Costa Rica: The Unarmed Democracy*. London: Seven Hills Book Distributors.

Carballo, José Luis Vega. (1989). "The Dynamics of Early Militarism in Edelman". Marc Edelman and Joanne Kenen, Eds. *The Costa Rica Reader*. New York: Grove Pr.

Codey, Dennis. (August 23, 2003). "Academy Sparks Controversy." *National Catholic Reporter*, World Brief, Cozean, Jon, D. *Thesis: Abolition of the Costa Rican Army*. Washington, DC: George Washington University, 1966.

Duff, Ernest and McCamant, John F. (1976). *Violence and Repression in Latin America: A Quantitative and Historical Analysis*. New York: Free Press.

Edleman, Marc. (1989). "The Somozas' Properties in Northern Costa Rica". Marc Edelman and Joanne Kenen, Eds. *The Costa Rica Reader*. New York: Grove Pr.

Goertzel, Ted, G. (1984). "Costa Rica: Democracy and Antimilitarism," *Dissent*, Vol. 31, No. 3 :pp. 333-337.

Grimmet, Richard A. (2004). *International Small Arms and Light Weapons Transfers: US Policy*. Congressional Research Service for Congress.

Grimmet, Richard A. (October 23, 2006). *Conventional Arms Transfers to Developing Countries*. CRS Report for Congress.

Harris, Geoff. (1996). "Military Expenditure and Social Development in Costa Rica: A Model for Small Countries?" *Pacifica Review*, Vol. 8, No. 1.

Hakim, Peter and Lowenthal, Abraham F. (Summer, 1991). "Latin America's Fragile Democracies," *Journal of Democracy,* Vol. 2, No. 3.

Holden, Robert H. (2004). *Armies without Nations: Public Violence and State Formation in Central America 1821-1960*, London: Oxford University Press.

Hough, Lory. (Winter 2007). "Military Professionalism: A Student's Vision for Cameroon". *John F. Kennedy School of Government Bulletin*. Cambridge, MA: Harvard University.

Hoivik, Tord and Aas, Solveig. (1981). "Demilitarization in Costa Rica: A Farewell to Arms?" *Journal of Peace,* Vol. 18, No. 4, Oslo: International Peace Research Institute: pp. 333-351.

Jimenez, Marianela. (February 25, 2007). "Elderly American in Costa Rica Kills Gunman with Bare Hands". *Chicago Tribune.*

Klempner, Marc. (July 14, 2006). "Good News from Costa Rica," *National Catholic Reporter*.

Kipling, Gregory. (July-September 2002). "Old Guns for a New War: The Resurgence of Arms Smuggling in Costa Rica." *Peace Magazine*: p.6.

Kohn, Richard H. (1997). "How Democracies Control the Military," *Journal of Democracy,* Vol. 8, No. 4.

Lehoucq, Fabrice, and Molina, Ivan. (2002). *Stuffing the Ballot Box: Fraud, Electoral Reform, and Democratization in Costa Rica*. New York: Cambridge University Press.

--- (July 2005). "Costa Rica: Paradise in Doubt," *Journal of Democracy*, Vol. 16, No. 3.

Lehoucq, Fabrice. (1996). "The Institutional Foundations of Democratic Cooperation in Costa Rica". *Journal of Latin American Studies*, Vol. 28, No. 2: p. 329-355.

Lobe, Jim. (September 23, 2003). "Sharp Increase in U.S. Military Aid to Latin America". *OneWorld.net*, Nordland, Ron, et. Al. "Why the Arias Plan is Failing". *Newsweek*, Vol.111, Issue 2, Jan. 11, 1988, New York.

Palmer, Steven and Molina, Iván, eds. (2004). ) *The Costa Rica Reader: History, Culture, Politics*. Durham: Duke University Press.

Pettiford, Lloyd. (Spring, 1999). "Simple a Matter of Luck?: Why Costa Rica Remains a Democracy," *Democratization,* Vol. 6, No. 1.

Reding, Andrew. (Spring 1986). "Costa Rica: Democratic Model in Jeopardy". *World Policy Journal*, Vol. 3, No. 2: pp. 301-315.

-- (April 1986). "Unhidden Agenda". *Channels of Communication*, Vol. 6, No. 1: pp. 62-63.

-- (Spring 1986). "Voices from Costa Rica". Interviews by Andrew Reding, *World Policy Journal*, New York, Vol. 3, No.2.

Reiners, Fernando. (1991). "The Impact of Economic Stabilization and Adjustment on Education in Latin America." Comparative Education Review, Vol. 35, No. 2: p. 323.

Richards, Chris. (August 2005). "About Face! A world without armies! Costa Rica's past President, Oscar Arias Sanchez, explains his vision to Chris Richards," *New Internationalist*.

Ruhl, Mark J. (July 2004). "Curbing Central America's Militaries," *Journal of Democracy*, Vol. 15, No. 3.

Shirley, Mark. (Fall 2005). "Why is Sector Reform so Unpopular in Latin America?" *The Independent Review*, Vol. 10, No. 2: pp. 195-207.

"The Military Balance" (2003/2004). *International Institute for Strategic Studies*, London, UK.

Valenzuela, Arturo. (October, 2004). "Latin American Presidencies Interrupted" *Journal of Democracy,* Vol. 15, No. 4.

Veillette, Connie (Analyst in Latin American Affairs). (February 10, 2005). *Costa Rica: Background and U.S. Foreign Affairs*, Defense and Trade Division, CRS Report for Congress.

Wilson, Bruce. (1998). *Costa Rica: Politics, Economics, and Democracy*. Boulder: Lynne Reinner Publishers.

--- (Fall 2006). "Political Culture and Institutional Development in Costa Rica." *Political Science Quarterly*, Vol. 121, No. 3.

"World Development Report" (1984). *World Bank*, New York: p.224.

Worthington, Wayne Lamond. (1996). *Thesis: Costa Rican Public Security Forces: A Model Armed Force for Emerging Nations*. Florida: University of Florida.

Yashar, Deborah J. (1997). Demanding Democracy: Reform and Reaction in Costa Rica & Guatemala, 1870s-1950s. Stanford University Press.