

RECENT LITERATURE ON COSTA RICA'S ECONOMIC CRISIS*

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"CRISIS EN COSTA RICA: UN DEBATE." Issue number 8 of *Cuadernos Centroamericanos de Ciencias Sociales*. (San José: Confederación Superior Universitaria Centroamericana, 1981. Pp. 54.)

DE LA POBREZA A LA ABUNDANCIA EN COSTA RICA. By JORGE CORRALES. (San José: Editorial Studium-Universidad Autónoma de Centro América, 1981. Pp. 200.)

CRISIS ECONÓMICA EN COSTA RICA: UN ANÁLISIS ECONÓMICO DE LOS ÚLTIMOS VEINTE AÑOS. By HELIO FALLAS. (San José: Editorial Nueva Década, 1981. Pp. 139.)

CAPITALISMO Y CRISIS ECONÓMICA EN COSTA RICA: TREINTA AÑOS DE DESARROLLO. By SERGIO REUBEN SOTO. (San José: Editorial Porvenir, 1982. Pp. 266.)

LAS PERSPECTIVAS DEL REFORMISMO EN COSTA RICA. By MANUEL SOLÍS AND FRANCISCO ESQUIVEL. (San José: Departamento Ecuménico de Investigaciones-Editorial Universitaria Centroamericana, 1980. Pp. 100.)

Costa Rica, long considered a model of stability, political pluralism, and prosperity in the turbulent and impoverished Central American region, has recently experienced a dramatic economic decline. After maintaining a stable currency for seven years, the Costa Rican government decided in September 1980 to float the colón. Within twelve months, a de facto devaluation of over 450 percent took place. Prices, which in 1980 had risen a mere 18 percent, rose 65 percent in 1981, giving Costa Rica the third-highest rate of inflation in Latin America after Brazil and Argentina. Inflation is currently running at an annual rate of close to 100 percent, which may put Costa Rica in an unenviable first place among Latin American countries.¹ Per capita gross national product measured in colones declined 1.5 percent in 1980 and 5.5 percent in 1981; in dollar terms, however, Costa Rica's per capita income of 1,540 dollars, by far the highest in Central America, fell to less than 300 dollars.² Unemploy-

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ment, relatively low in the 1976–79 period, has doubled since 1980 to 9.2 percent; but the rapidity of this change and the high, but less easily measured, levels of underemployment magnify the official jobless rate, despite its appearing low in comparison with many Latin American countries.³ The country's foreign trade, with a chronic imbalance exacerbated in recent years by rising petroleum costs and declining coffee prices, has deteriorated to the point where the deficit in 1979 and 1980 was over one-half of total export earnings.⁴ The public-sector foreign debt has surpassed three billion dollars, giving Costa Rica one of the highest levels of per capita indebtedness in the world and forcing the government to declare a moratorium on payments of interest and principal. A 1982 estimate claimed that if the debt service schedule had not been renegotiated, interest obligations alone would have absorbed more than all of the country's export earnings.⁵ To complete this summary of indicators of Costa Rica's grave economic situation, the government deficit has risen to unprecedented proportions, forcing a partial dismantling of the extensive state-sponsored social-welfare apparatus. This action in turn has further contributed to lowering the living standards of the population.

The four books and one collection of articles under discussion here represent recent attempts by Costa Rican economists and social scientists to come to grips with the roots and political implications of the crisis. Although the approaches and conclusions of the authors differ considerably, all seem haunted by the spectre of what might be called the "Central Americanization" of a country whose democratic political tradition and high standard of living appeared to set it apart from the sharp class struggles and violent internal conflicts of its neighbors. In addition to a common concern with the structural and conjunctural causes of this economic decline, the works considered here pose a number of key questions whose final resolutions are still far from clear. Can the Costa Rican crisis be addressed effectively within the country's existing democratic institutional framework? Which social classes and economic interests will be forced to assume the burdens or pay the costs of resolving the crisis? How is the crisis of the entire Central American region likely to affect the internal political and economic situation of Costa Rica?

Manuel Solís's and Francisco Esquivel's *Las perspectivas del reformismo en Costa Rica*, published prior to the sudden economic deterioration of late 1980, opens with the disclaimer that it "is not a finished work, but rather a set of propositions to be considered . . . in the discussion currently occurring on the national level about the future of the country" (p. 7). With both this caveat and subsequent events in mind, one finds the prescience and clarity of the authors' presentation striking. Using a Marxist vocabulary and analytical framework, Solís and Esqui-

vel attempt to sketch a picture of the development of social classes and "class fractions" in Costa Rica since the period prior to the 1948 civil war. Their discussion focuses on the factors shaping the opportunities for political organization of different classes and fractions and, in the case of the various bourgeoisies, the possibilities for capital accumulation.

The first three chapters of *Las perspectivas* deal with the roots of the 1948 civil war and with the modernization of the state apparatus and the emergence of new social forces during the aftermath of the war. According to Solís and Esquivel, the Costa Rican "oligarchical bourgeoisie," which consolidated its hegemony in the first three decades of the twentieth century on the basis of coffee production and processing, coffee-related financial activities, and sugar mills, experienced few significant political challenges until the depression of the 1930s. The country's small population and large agricultural frontier meant that coffee-based capitalism developed without being able to rely on a large reserve army of labor and that a significant number of small and medium-sized coffee producers survived alongside the oligarchs. Few steps were taken toward an industrialization of the country, even during the 1930s crisis and World War II, in large part because of the limits imposed by the tiny domestic market and because of the oligarchy's fears that industry, aside from its low short-term profitability, would be likely to worsen the chronic labor shortage in the coffee sector.

The collapse of the coffee market in the 1930s brought about a severe economic contraction and a major state fiscal crisis. The depression paved the way for the rise of the Communist party and, after 1942, for an alliance between the communists and the Catholic reformist tendency of Calderón Guardia.⁶ The Calderón government's implementation of a progressive labor code and an obligatory social-security system did little to hurt the coffee bourgeoisie who, as employers of largely seasonal labor, were not bound by the provisions of the new legislation. This situation was not the case, however, with the urban petty bourgeoisie, involved primarily in commerce and small-scale industries that employed year-round labor. It was, in fact, these middle sectors, and not the *gran burguesía*, that were in direct confrontation with organized workers in the central part of the country. At the same time, the most militant and well-organized sector of the working class, the banana workers, was geographically isolated in the distant coastal enclaves.

It was this somewhat unusual configuration of social classes that gave rise to the peculiar alliances of 1948 and after. The working-class and communist pact with the calderonista reformers was opposed by an alliance of developmentalist, anti-imperialist (but anticommunist) social democrats drawn largely from the urban petty bourgeoisie, and of sectors of the oligarchy repulsed by calderonista corruption and fearful that

an eventual deepening of the reform process would affect their interests. Both partners in this alliance agreed as to the need to suppress the militant working class, but they diverged in their views on the desirability of reforms and the state's proper role as an agent of economic development.

Solís and Esquivel place great emphasis on the importance of the balance of forces within the coalition that triumphed in the 1948 conflict for understanding subsequent events. The social democrats hoped to create conditions that would permit their consolidation as a new sector of the bourgeoisie through the diversification of agricultural exports and industrialization. Their control of the arms that defeated the calderonista government and the communist militias gave them a decisive advantage over their erstwhile oligarchical allies. The period of rule-by-decree that followed the civil war allowed the social democratic forces to establish a number of measures, particularly the nationalization of banking and a tax on capital, that not only weakened the oligarchy but permitted the channeling of public resources to nontraditional sectors of the economy. The suppression of working-class organizations and the Communist party, which simplified the setting in motion of new processes of accumulation, was facilitated by the social democrats' claim to the reformist mantle. This claim in turn won them political support from the smallholding peasant sector and from a new constituency in the expanded state bureaucracy.

The consolidation of these emergent, reformist sectors of the bourgeoisie was eased both by the existence of geographical space not occupied by the coffee oligarchs and by the post-World War II international division of labor, which made possible a certain degree of industrialization in the periphery and created a more diversified demand for agricultural products. The "reformist project," as Solís and Esquivel term it, was not merely a gesture made to the social democrats' limited political constituency, but a necessary condition for capitalist expansion in Costa Rica. Given the absence of a significant reserve army of labor, the state was led to assume a major role in increasing the productivity of the workforce through education and training and in extending the productive period of the individual worker through the modernization of the health-care system.

One chapter of their book summarizes the modernization of the Costa Rican economy in the last three decades, emphasizing in particular the dominance of foreign capital in the industrial sector; another cursorily examines the evolution of center-periphery relations and the international monetary system during the same period. Solís and Esquivel then arrive at what in terms of the current crisis is undoubtedly the most interesting section of the book. Two chapters that describe the administrations of Presidents Daniel Oduber (1974–78) and Rodrigo Ca-

razo (whose term concluded in 1982, after the book's publication) make clear that the basic outlines of the crisis were evident long before 1980. The world recession of 1974–75, sparked in large part by the rising price of petroleum, had a devastating effect on Costa Rica's economy and, more particularly, on the Costa Rican government's ability to sustain the expansive fiscal policies that had powered the country's social and economic development since 1948. The disastrous balance-of-payments situation and the increased cost of credit were manifested in growing stagnation and an unprecedented level of inflation.⁷ The Oduber administration attempted with some success to attack the problems of balance of payments, government deficit, and inflation through restricting imports of luxury goods and limiting public spending.⁸ Although the effects of both the crisis and the government's anticrisis policies tended to augment tensions among and within social classes, the near fourfold increase in the price of coffee between 1975 and 1977 permitted the postponement of economic restructuring.

Rather than risk exacerbating political tensions by continuing the anticrisis measures of 1974–75, Oduber and the social democratic Partido Liberación Nacional (PLN) opted instead to use the liquidity brought by the coffee boom to embark on a program of vastly expanded public investment, particularly in the agricultural sector. Generous credit policies were established to stimulate agricultural-export development and huge direct investments were made in agricultural production and processing by the new state-controlled Corporación Costarricense de Desarrollo (CODESA). Industry, which had developed primarily under multinational ownership behind the high protectionist barriers of the Central American Common Market, received less-favored treatment because it was increasingly recognized that reliance on imported machinery and inputs was a major factor in the balance-of-payments crisis. By 1978, the PLN policy of favoring the countryside over the urban areas had cost it considerable political support and laid the groundwork for an eventual split between the agroexport and industrial fractions of the bourgeoisie.⁹

The election in 1978 of the Coalición Unidad's Rodrigo Carazo, an ex-PLN reformist turned Social Christian committed economically to a mild neoliberalism, resulted largely from eight years of PLN government that had alienated all sectors except those who immediately benefitted from PLN policies. Nevertheless, the application of the liberal solution to the crisis was constrained by contradictions within Carazo's governing coalition and within Costa Rican society as a whole. The principal components of the Coalición Unidad, the oligarchical bourgeoisie and the Carazo group, generally agreed on the kind of structural changes required and on which sectors of society should pay the costs of restructuring, according to Solís and Esquivel (pp. 82–83). These com-

ponents disagreed, however, about the pace of the necessary transformations and about the political feasibility of liberalizing the economy at the expense of the poor. Thus "a careful strategy of advances and retreats" was developed with respect to particular policies, such as salary demands or the liberalization of interest rates, that at times resulted as much from internal coalition maneuvering as from opposition generated in the affected sectors (p. 83). Much of what later came to be seen in Costa Rica as the Carazo administration's "ambiguity" or "inability to govern" must be considered in light of the political restraints limiting the application of the neoliberal model.

This realization brings us to the real political crux of the Costa Rican economic dilemma. Carazo, cognizant of the repressive implications of economic liberalization, refused in the last year of his administration to reach an accord with the International Monetary Fund because of the domestic political costs that such an agreement would have entailed. His sometime allies in the oligarchy, who were equally aware of but perhaps less daunted by the political risks of liberal restructuring, were unable to gain the kind of centralized control necessary to enforce their program. This contradiction between imposing the neoliberal program and preserving political hegemony over the subordinate social classes is thus not easily resolved in Costa Rica. As Solís and Esquivel suggest with considerable foresight, this problem is not exclusive to the Unidad government and is likely to manifest itself in similar or more severe forms during a social-democratic PLN administration in 1982. Subsequent events appear to support this conclusion, as will be discussed.

The reader unfamiliar with recent Costa Rican history may find the schematic nature of Solís and Esquivel's work somewhat frustrating because their references frequently presuppose a more detailed knowledge of national politics. For those versed in recent Costa Rican events or willing to view *Las perspectivas* as a complement to a wider consideration of the literature, however, the book is likely to provide useful insights not found elsewhere. Only occasionally does the book's synoptic tone become an obstacle to analysis. One wishes, for example, that a more profound treatment were given to the effectiveness of co-optive and repressive mechanisms designed to diminish the power of labor unions and other popular organizations. This question, fundamental to any understanding of the thirty-year success of the Costa Rican model of development, has already occasioned a considerable literature.¹⁰ Solís and Esquivel, however, ascribe the lack of working-class organization (outside of the banana zones) to legal-judicial obstacles and to "decisions" taken by the state and the bourgeoisie (p. 40). The fact that working classes elsewhere in the region have attained vastly greater organizational successes in the face of much more severe difficulties

than those existing in Costa Rica suggests that this issue deserves a deeper, possibly comparative treatment.

Sergio Reuben Soto's *Capitalismo y crisis económica en Costa Rica*, presented originally as an economics master's thesis in Mexico, is a more ambitious and less successful work than that of Solís and Esquivel. In contrast to these authors, whose use of Marxist categories is informed by a profound appreciation for the particularities of Costa Rican history and politics, Reuben appears preoccupied with vindicating Marx's "law of value" and establishing its relevance for an understanding of the last three decades of Costa Rican development. Nevertheless, his presentation of empirical data, drawn largely from censuses and official reports, is generally unconnected to his expressed theoretical concerns. The core of the book consists of two chapters on the agricultural and manufacturing sectors, both of which are essentially prolonged commentaries on trends in a series of economic, social, and demographic indicators. The theoretical appendix, in contrast, lists a number of "general theses" about the nature of capitalism, buttressed with copious citations from Marx's *Das Kapital*, and several "particular theses" based on a very limited reading of Costa Rican economic history that attempt to establish that Costa Rica has indeed undergone a transition from a "physiocratic" form of economic organization, in which land was the principal means of production, to a full-blown capitalism.

Perhaps more interesting than Reuben's theoretical musings are his concrete findings with respect to the recent evolution of agriculture and manufacturing. He demonstrates that the dramatic geographical expansion of the agricultural sector in the 1950–73 period has been accompanied by a slight decrease in the index of landownership concentration, as medium- and large-sized farms have consolidated at the expense of both peasant *minifundios* and giant, underutilized *latifundios*. The virtual disappearance in 1963–73 of a significant subsistence sector that produced for home consumption is one indicator of both increased market penetration and peasant proletarianization. The remarkable increase in the proportion of the total value of agricultural production that is exported (from 39 percent in 1946 to 61 percent in 1972) reflects, according to Reuben, a tendency towards unequal development or dualism in the sector, with highly capitalized farms opting to produce more lucrative items for foreign markets. In this picture of a rapidly modernizing agriculture, however, certain elements clearly appear to be contradictory, if not anachronistic. Such is the case with the expansion of pastures for extensive cattle grazing, where production per hectare has increased only slightly. Land use in general is shown to be "anarchic and irrational" (p. 73), with some four hundred thousand hectares of land unsuited for pasture being used for grazing and some three hundred thousand hectares of potential cropland in other uses.

Whether it is useful or even accurate to suggest, as does Reuben, that this type of agrarian development exemplifies the “*vía* farmer” described by Lenin is another question (p. 83). Certainly a rapid process of peasant differentiation has occurred, but this development has been accompanied by the rise of a new agrarian bourgeoisie drawn from the new urban sectors of industry and commerce, as Reuben shows elsewhere, as well as from the old landed oligarchy. The transformation of this latter group is, if anything, reminiscent of the so-called “*vía* junker.” Still, the effort to seek Marxist legitimacy by the mechanical use of categories drawn from the classics appears at this and other points to interfere with, rather than sharpen, the analysis.

The modernization and diversification of manufacturing has involved the elimination of artisanal production and the growth of larger, highly capitalized enterprises dependent on and often owned by foreign capital. The industrialization fomented by the Central American Common Market resulted in a highly oligopolistic ownership structure and, because of dependence on imported inputs and equipment, did not lead to a genuine process of import substitution. Moreover, Reuben shows convincingly that it is precisely intermediate goods necessary for a more autonomous industrialization that constitute the most sluggish sub-sector of manufacturing.

Reuben’s consideration of the post-1980 situation in Costa Rica, which occupies a mere thirteen pages, mentions five aspects of the crisis: the decrease in the growth rate, inflation, the scarcity of foreign exchange, decapitalization, and the government deficit. His discussion is not likely to provide new insights. The drastic devaluation of the colón, for example, is not discussed, even in his analysis of inflation, which centers entirely on the oligopolistic structure of industry. One area deserving of more detailed treatment that Reuben only mentions in very general terms (pp. 143–44) is the gradual shift during the last decade away from highly protected “integration industries” producing for the Central American market toward a “more rational” use of the country’s resources in the context of the international division of labor. This process (the immediate manifestations of which are the new emphasis on private and state-owned agroindustry and the efforts to attract *maquila* assembly plants to the new free-trade zones on the Atlantic and Pacific coasts) is likely to take on increasing significance as the IMF-sponsored restructuring of Costa Rica’s economy gets under way. In addition, the poor record of the publicly owned CODESA agroindustries (and other companies) has become in the eyes of many Costa Ricans a major factor in the current economic deterioration.

Capitalismo y crisis económica en Costa Rica promises more than it delivers. The lack of integration of the theoretical bases and empirical data, as well as the frequent, quasi-scriptural references to the Marxist

classics, make for tedious reading. The edition displays a lack of care in various details: four graphs that are mentioned at different points (pp. 61, 62, 69) do not appear in the book and small errors of fact undermine the reader's confidence.¹¹ Finally, it is disappointing that an author who in several places (pp. 36, 124–25) comments about the importance of the historically determined balance of social classes in molding the economic shape of society has written a book with so little concrete social or political content.

Any eventual efforts to solve Costa Rica's problems will clearly require a sober evaluation of the relative contribution by different elements to the current process of deterioration. Even though actual economic policy is likely to reflect a combination of external pressures and the demands of different classes and groups struggling to protect their interests, the continued existence in Costa Rica of possibilities for dialogue makes imperative open discussion of alternative explanations and possible solutions for the crisis. Of all the works considered here, *Crisis económica en Costa Rica: un análisis de los últimos veinte años* by Helio Fallas comes closest to making such an individual contribution.

Written with admirable clarity and a refreshing absence of both technical jargon and sectarian rhetoric, Fallas's book opens by enumerating the four most commonly held explanations for the crisis. These focus respectively on (1) the external sector, imported inflation, and declining terms of trade; (2) the problem of state intervention in the economy and the expanded public sector; (3) the economic mismanagement of the Carazo administration; and (4) the limits determined by the country's productive structure and the consequent "exhaustion" of the Costa Rican model of social and economic development. Although Fallas is inclined toward the latter explanation, he devotes considerable energy to specifying the interrelations and cumulative weight of different factors in the crisis. The logic of his argument is based on a study of key aspects of the productive structure, the external sector, the growth of the public sector, inflation, and poverty, and is buttressed with an ample, well-organized series of tables and graphs.

The post-1948 implantation of import-substitution industrialization in Costa Rica was justified at the time as an alternative to the previous agroexport model of development, which was subject to periodic crises that generated brusque variations in income, employment, and government revenues. Even after the Central American Common Market was formed in the 1960s, the type of self-sustaining, autonomous development envisioned by the Economic Commission on Latin America and other import-substitution advocates did not occur. Instead, Costa Rican industries suffered from a lack of integration between subsectors that increased dependence while small markets encouraged oligopoly. The industrialization of the country and the relative dynamism

of manufacturing as compared to agriculture, however, did not mean that the former agroexport model of development had been supplanted. On the contrary, as Fallas indicates, the continuing dependence of Costa Rica on coffee, bananas, and beef for roughly one-half of its export earnings and the growing signs of stagnation in the agricultural sector as a whole suggest that the current situation is really the result of crises in both the agroexport and the import-substitution models of development.

Without denying the devastating effect of the post-1973 petroleum price increases, Fallas points out that the earlier persistent trade deficits indicate deeper structural problems, especially the lack of diversification of agricultural exports. The expansion of the public sector in the period after 1973 was in large part an effort to contain the approaching crisis by creating employment opportunities and new investment. With the founding of CODESA, the new role of the *Estado empresario* was added to the existing concept of the state as a guarantor of social welfare and a facilitator of economic development. Fallas argues that without the economic participation of the public sector, whose contribution to gross domestic product increased from 12.8 percent in 1957 to 23.4 percent in 1978, it would have been impossible to maintain acceptable rates of economic growth and employment, particularly during the 1970s (p. 90). The birth of the *Estado empresario*, however, has not been accompanied by adequate institutional planning or by the elimination of the antiquated, regressive tax laws that have created budgetary rigidities and hindered the financing of new activities. The calamity then, according to Fallas, is not the growth of the public sector per se, without which social tensions might well have risen to levels incompatible with the continued survival of a democratic political system, but rather the expansion of this sector in the context of a stagnant productive structure. This structure, incapable of generating the wealth necessary to finance "nonproductive" social programs or of providing jobs for the increasing numbers of unemployed and underemployed, has remained intact so long largely as a result of state-sponsored efforts to attenuate its internal contradictions. But public-sector growth is now having severe repercussions on the private sector as it absorbs a rapidly increasing share of available credit and the inflationary effects of huge deficits contribute to economic contraction.

Fallas's study of income distribution suggests that the Costa Rican welfare state, while ameliorating certain symptoms of poverty, has failed to eliminate its structural causes. In a wide-ranging discussion that touches on the concentration of urban and rural property, the high level of organization of different business pressure groups, the weakness of labor unions, and the distribution of bank credit, Fallas argues that policymakers have failed to consider poverty as an aspect of income distribution and instead "have started state programs which are strictly

assistance-oriented and which deter the workers or the 'poor' from producing, generating wealth and accumulating capital" (p. 104). Income-distribution figures indicate that the relative position of the poorest 20 percent of Costa Rican families has deteriorated in the period since 1961 and that strategies designed to aid the poor have tended to benefit most those in the 40–60 percentile group. The income share of the upper 10 percent declined in 1961–71, but is once again tending to increase (p. 107). That the benefits of Costa Rica's development have accrued primarily to middle- and upper-income groups will not surprise those familiar with recent discussions on the difficulties of "reaching the rural poor."¹² Nevertheless, the persistence of severe poverty in the face of the undeniably significant ameliorative efforts of the Costa Rican government is another grim reminder of the limits of a welfare state inserted in a little-changed and crisis-ridden structure of production.

Jorge Corrales's book, *De la pobreza a la abundancia en Costa Rica*, is not an effort at black humor, as might be suggested by the title and the cover cartoons of a cigar-smoking empresario alternately frowning and smiling as he watches declining and rising graphs. It is instead a deadly serious neoliberal plea for a free-market solution to Costa Rica's economic problems. In Corrales's view, virtually the entire crisis can be attributed to the rapid growth and inherent inefficiency of the public sector. A position frequently espoused by representatives of the large agroexport interests in the opinion pages of Costa Rica's principal newspaper, *La Nación*, it shares a concern about the growth of the state in the context of a stagnating private sector with the position of social democratic theorists such as Fallas. Corrales, however, ascribes the causes of stagnation entirely to state interference in the economy and the solution he proposes is not the deepening of the historical commitment of the Costa Rican state to social welfare, but involves what is poetically termed "the roping in of the Leviathan."

The philosophical foundations of Corrales's neoliberal position are drawn largely from the works of Milton Friedman, Friedrich Hayek, and contemporary "supply side" theorists. His critique of recent Costa Rican development stresses the distortional effects of subsidized interest rates and prices, high tariff barriers, and overvalued currency, as well as the poor record of CODESA companies and the nationalized banking system.¹³ The solutions proposed include gradual reductions in protection levels, gradual currency devaluations, liberalization of interest rates, an increase in "temporary unemployment," and a constitutional amendment à la Aaron Wildavsky that would tie public-sector growth to increases in real GNP.¹⁴

Corrales's eagerness to blame state-sector growth for all of Costa Rica's troubles leads him to engage in some curious semantic and logical exercises in an effort to downplay the role of external factors. For ex-

ample, in his eagerness to defend a strict monetarist interpretation of inflation, he actually suggests that the rise in the price of petroleum is merely an "ad hoc artifice" for explaining the phenomenon of inflation because it is an increase in the cost of one particular product and not a rise in the *general* price level (pp. 42–51). A similar blindness with respect to the political determinants discussed by Fallas of Costa Rica's income distribution and productive structure is evident throughout the book.

The universalistic pretensions of liberal theorists have often been accompanied by an unwillingness to consider the specific characteristics of the economies for which they are prescribing their bitter medicine. For example, a real question that is not addressed by Corrales is whether the tiny market of a country like Costa Rica can function as an efficient allocator of resources. More importantly, the issue of liberalism's social costs, which could threaten the political liberty that is supposedly inseparable from "economic liberty," is consistently ignored or downplayed. Yet the vision of Costa Rica implicit in the liberal program is one of increased tensions. Under the banner of eliminating "moral" or "social risks," for example, Corrales argues that publicly subsidized university education encourages students to be lazy because they are not paying the costs of their education, that crop insurance encourages crop loss and agrarian reform encourages land speculation, that disability insurance invites accidents and socialized medicine a tendency to consult doctors too frequently at state expense, and that school meal programs bring about a deterioration of the family diet because parents expect the community to assume the responsibility of feeding their children (pp. 113ff.). The only concrete measure proposed by Corrales that would ameliorate the tensions involved in "stabilizing" this world of privilege, aside from a return to individual charity, is a possible "temporary subsidy" to the agroexport sector for the employment of unqualified labor expelled from the public sector. Finally, Corrales devotes no attention to the possibility that economic liberalization may be accompanied by processes of wealth concentration that would impinge on the efficient functioning of the all-important market.

The fact that the Costa Rican situation is changing constantly and rapidly places certain limits on the relevance of analyses of political events published months or even years after being written. "Crisis en Costa Rica: un debate," a special issue of the occasional paper series *Cuadernos Centroamericanos de Ciencias Sociales*, comes as close as possible to overcoming the obstacles posed by the delays inherent in book production. The five articles in the collection, including two by Solís and Esquivel, were originally presented at a round-table discussion at the University of Costa Rica in May 1981.¹⁵ The political aspects of the crisis, particularly the role of the Carazo administration and the significance of

the wider Central American context, are discussed in more detail in the *Cuadernos* articles than in any of the books considered here.

The revolutionary processes in Nicaragua, El Salvador, and Guatemala have had a variety of repercussions in Costa Rica. The 1979 war in Nicaragua, which disrupted Costa Rica's trade with the rest of the isthmus, was a factor of some importance in the growing stagnation that followed the coffee bonanza of 1977–78. More recently, the situation in the region has not only limited greatly new investment but has encouraged capital flight. It is still unclear, however, to what extent a conciliation between dominant and dominated classes (something apparently impossible in the nearby revolutionary contexts) is feasible in Costa Rica. Much depends on the resiliency of the Costa Rican political system and on the positions taken by the United States and international financial institutions. The possibility of using Costa Rica as a base for activities directed against revolutions elsewhere in the region and of turning the country into a "showcase" for capitalism and political pluralism have been raised as probable directions for U.S. and lending-agency policies. The unusual generosity of the most recent IMF accord, negotiated and then quickly abrogated in 1981, suggests that the showcase strategy may indeed be an important consideration in the future course of events. The Reagan administration's Caribbean Basin Initiative, announced after the *Cuadernos* articles were written, gives Costa Rica favored treatment and would tend to confirm the showcase plan. The recent formation by Costa Rica, Honduras, and El Salvador of the Central American Democratic Community suggests that the democratic credentials of Costa Rica are an important element in legitimizing the antirevolutionary strategy of other states in the region.

The resiliency of the Costa Rican political system is perhaps more of an unknown factor, even after the orderly elections and transfer of power to the new PLN administration of Luis Alberto Monge in 1982. The almost universal opposition of all sectors of Costa Rican society to the Carazo government in the last years of its administration brought the question of political legitimacy to the forefront for the first time in three decades. In this regard, the essay by José Luis Vega entitled "Decadencia política y crisis económica en Costa Rica" will be of particular interest. Vega argues that the Carazo administration's authoritarian style of government, characterized by excessive use of presidential decrees and constant clashes with the legislative branch and various interest groups, indicates that the *real* political system in the country is "anomic" in the face of the *formal* political system. He compares Carazo's ruling style to that of Jorge Pacheco Areco in Uruguay during the period just prior to the establishment of a "state of exception" that culminated in military dictatorship. The right-wing terrorist attacks in Costa Rica that led to the closing of the leftist Radio Noticias del Continente and a

brief outbreak in 1981 of urban guerrilla activity, which resulted in a crackdown directed at both Central American political exiles and progressive Costa Rican organizations, are other signs of potentially dangerous polarization.

In contrast to the other authors considered here, Vega attributes the growth of the public sector not only to the need to postpone an eventual crisis induced by stagnation, but to the momentum generated by the system of political patronage and prebends and the emergence of a "new political-bureaucratic oligarchy." This social group, ensconced in both major political parties, has usually been more concerned with the maneuvers necessary to conserve its privileges than with the problems of formulating a coherent development policy. As the crisis worsens, the struggle among different interests competing for the rapidly diminishing resources of the public sector has brought about a fragmentation of the major parties that further contributes to the paralysis of the political system.

None of the works reviewed here is recent enough to consider the situation under the new Monge PLN administration. Although Vega's dark predictions of a Uruguayan-style "solution" to the crisis may appear less likely than they did in mid-1981 during the "*desgobierno*" of Carazo, the fundamental contradiction between the austerity advocates and the continued existence of the welfare state and social peace is stronger than ever. The PLN, while continuing to support rhetorically national unity and universal sacrifice, is engaged in a policy of price liberalization that is drastically affecting the Costa Rican poor. It is also involved in a desperate search for foreign assistance that has foreseeable consequences for national sovereignty, in terms of both further transnationalization of the economy and increased vulnerability to foreign pressures to assume certain postures regarding conflicts in the rest of Central America.

Ironically, it has fallen to a PLN administration to carry out a large-scale restructuring of the social and economic system that the PLN constructed and that is more responsible than anything else for Costa Rica's remarkable development during the past thirty years. The efforts based on foreign aid to resolve the crisis, such as the Caribbean Basin Initiative, will not be realized for some time and, in any case, do not contemplate measures to reverse the massive cutbacks in social programs. Meanwhile, the process of economic deterioration and impoverishment continues at an accelerated rate. It is still too early to suggest where the tendencies and conflicts outlined above will ultimately lead; however, the record of other Latin American countries buffeted by hyperinflation and liberal austerity is not encouraging as regards the preservation of Costa Rica's social and political advances.

NOTES

1. Lidiette Brenes, "Política económica: la que más resiente el pueblo," *La Nación* (San José), 7 May 1982, p. 1B; "Anuncia que inflación será 90 por ciento," *La Nación*, 8 June 1982, p. 8A.
2. Lidiette Brenes, "La capacidad productiva disminuyó 3.5% en 1981," *La Nación*, 13 April 1982, p. 4A; "Commentary: The Region," *Mesoamerica* 1, no. 5 (May 1982): 2 (San José).
3. "Desempleo es de 9.2 por ciento," *La Nación*, 25 April 1982, p. 6A.
4. *Comercio Exterior de Costa Rica 1979 and 1980*.
5. Brenes, "Política económica . . ."
6. On the 1940s and the civil war, see Manuel Rojas Bolaños, *Lucha social y guerra civil en Costa Rica 1940–1948* (San José: Editorial Universitaria Centroamericana, 1979).
7. Real GNP growth fell from 5.5 percent in 1974 to 2.1 percent in 1975. Inflation rose from 4.6 percent in 1972, to 15.3 percent in 1973, to 30 percent in 1974. Solís and Esquivel, pp. 67–68.
8. The trade deficit in 1974 amounted to 63.4 percent of export earnings, the highest level ever. This indicator fell to 40.7 percent in 1975, as a result of import restrictions and related measures, and to 29.9 percent in 1976 as coffee prices skyrocketed. *Comercio Exterior de Costa Rica, 1974–76*.
9. Ironically, this split became serious not during the Oduber PLN administration, but during the post-1980 economic deterioration, when the question of devaluation and exchange rate policies became the focus of conflict between agroexporters and industrialists. The most graphic manifestation of the disparate positions of these two groups has been the increasing divergence in the editorial policies of the two principal San José newspapers. *La Nación* now lobbies unabashedly for agroexport interests, while *La Prensa Libre*, which speaks for the industrialists, advocates strong controls to end the devaluation of the colón.
10. For example, see the articles in the special issue of *Revista de Ciencias Sociales* entitled "Movimientos sindicales en Costa Rica," especially Carlos Alberto Abarca, "Luchas populares y organización obrera en Costa Rica (1950–1960)," *Revista de Ciencias Sociales* 15–16 (1978):34–54; also Diego Palma, "El Estado y la desmovilización social en Costa Rica," *Estudios Sociales Centroamericanos* 27 (1980):183–206.
11. For example, Reuben asserts (p. 76) that the 1963 agricultural census did not measure farm units smaller than one *manzana* (0.69 hectare) and that therefore it is impossible to analyze this category of minifundio in the period 1963–73. Compare the publication of the Dirección General de Estadística y Censos, *Censo agropecuario de 1963: fincas menores de una manzana y animales fuera de fincas* (San José: DGEC, 1963). Similarly, Costa Rica is said to have entered the Central American Common Market in 1964, apparently to allow the 1964 industrial census to be used as a baseline for studying CACM-induced change. In fact, Costa Rica agreed to enter the CACM in 1962 and actually did so in 1963.
12. See William C. Thiesenhusen, "Reaching the Rural Poor and the Poorest: A Goal Unmet," in *International Perspectives in Rural Sociology*, ed. Howard Newby (New York: John Wiley and Sons, 1978).
13. On CODESA, see Mylena Vega, *El Estado costarricense de 1974 a 1978: CODESA y la fracción industrial* (San José: Editorial Hoy, 1982).
14. Aaron Wildavsky, *How to Limit Government Spending* (Berkeley: University of California Press, 1980).
15. The articles, all in issue number 8 of *Cuadernos Centroamericanos de Ciencias Sociales* (1981), are: Carlos Araya Pochet, "La crisis en Costa Rica: algunos elementos históricos," pp. 6–8; Francisco Esquivel, "Dimensión económica de la crisis en Costa Rica," pp. 9–19; Manuel Solís, "Las perspectivas de la crisis en Costa Rica," pp. 20–30; Manuel Rojas, "Crisis en Costa Rica. Algunos elementos para su comprensión," pp. 31–37; and José Luis Vega Carballo, "Decadencia política y crisis económica en Costa Rica," pp. 38–54.