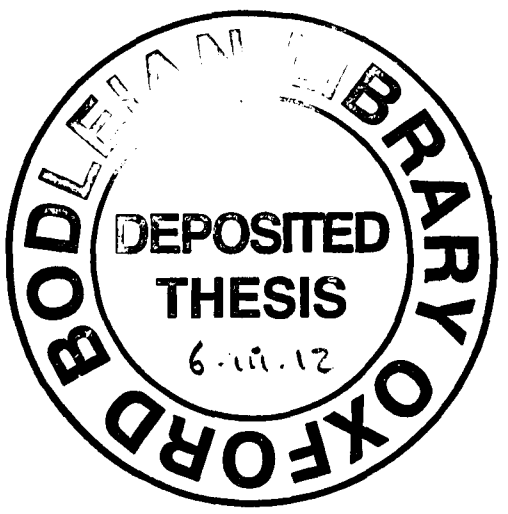
Elective Affinities:
Democratization and Human Development

Costa Rica and El Salvador in Comparative Perspective

Thesis submitted in partial fulfillment of the requirements for the Degree of Master of Letters in Development Studies

by

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I hereby certify that this thesis is the result of my own work except where otherwise indicated and due acknowledgement is given

Jairo Acuña Alfaro April, 2010

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Abstract

Democratization and human development (HD) are inherently controversial processes, which are viewed in this dissertation as elective affinities. This means that both can be seen as mutually inclusive and potentially reinforcing. Contrary to standard modernization theory, both processes are intertwined in an endogenous relationship. In principle, both have the same logic of inference: the promotion of individual freedoms and the expansion of well-being, both political and economic.

The purpose of this dissertation is to analyze how democratization can promote HD and how HD can promote democratization. In order to substantiate this argument the analysis focuses on three interrelated propositions arguing that: (1) Democratization and human development processes can be considered as mutually enhancing and complementary. This elective affinity occurs via their multifaceted characteristics as well as through their individual attributes. (2) Democratization and human development processes sometimes go through identifiable critical junctures or turning points. These turning points are path-dependent but not deterministic. (3) There are strong reciprocal connections between HD and democratization that form two chains which reinforce one another cumulatively over time.

This dissertation combines in a single study qualitative and quantitative research methods to explain the mutually enhancing relationship between human development and democratization processes. In addition to reviewing these interactions in general, the dissertation contains in-depth historical and contextual analysis of the Central American cases. In particular, it compares and contrasts Costa Rica and El Salvador, investigating the elective affinities of democratization and human development processes in identifiable stages of their turning points. The findings illustrate the benefits of method triangulation (i.e. paired-comparisons complemented with cross-country analyses) to explore the complementary features between both processes over time.

To my family,
for filling up my life in different ways:

Marcela, with love and companion,
José Alberto, with enthusiasm and encouragement,
Daniel, with joy and happiness,
and Tomás Jairo, with hope and future,

but above everything else, they make it worthwhile.

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Acronyms and abbreviations

AL	Alianza Liberal (political party Nicaragua)
ALIDES	Alianza Centroamericana para el Desarrollo Sostenible (Central American Alliance for Sustainable Development)
ARENA	Alianza Republicana Nacionalista (political party El Salvador)
BLM	Bowman, Lehoucq and Mahoney
BPR	Bloque Popular Revolucionario (Revolutionary Popular Block, El Salvador)
CACM	Central America Common Market
CID	Composite Index of Democracy
CNJ	Consejo Nacional de la Judicatura (El Salvador)
CNR	Comisión Nacional de Reconciliación (Guatemala)
CRM	Coordinadora Revolucionaria de Masas (Revolutionary Mass Coordination, El Salvador)
CU	Coalición Unidad (political party Costa Rica)
DCG	Democracia Cristiana Guatemalteca (political party Guatemala)
Dem	Democracy
EEAP	East Asia and the Pacific
EDI	Electoral Democracy Index
EG	Economic Growth
FAL	Fuerzas Armadas de Liberación (Armed Forces of Liberation, El Salvador)
FDNG	Frente Democrático Nueva Guatemala (political party Guatemala)
FLACSO	Facultad Latinoamericana de Ciencias Sociales
FMLN	Frente Farabundo Martí para la Liberación Nacional (political party El Salvador)
FODES	Fondo de Desarrollo Económico y Social (Economic and Social Development Fund, El Salvador)

FPL	Fuerzas Populares de Liberación (Popular Liberation Forces, El Salvador)
FRG	Frente Republicano Guatemalteco (political party Guatemala)
FSLN	Frente Sandinista para la Liberación Nacional (political party Nicaragua)
FUSADES	Fundación Salvadoreña para el Desarrollo Social y Económico (El Salvador)
GANA	Gran Alianza Nacional (political party Guatemala)
GAO	General Accounting Office (USA)
GDP	Gross Domestic Product
GNI	Gross National Income
GNPpc	Gross National Income per capita
HD	Human Development
HDI	Human Development Index
HDR	Human Development Report
HPI-1	Human Poverty Index for Developing Countries
IADB	Inter American Development Bank
ILO	International Labour Organization
IMAS	Instituto Mixto de Ayuda Social (Costa Rica)
JRG	Junta Revolucionaria de Gobierno (Revolutionary Government Board, El Salvador)
LDCs	Less Developed Countries
LO	Legal Opportunity
MENA	Middle East and North Africa
MIDEPLAN	Ministerio de Planificación Nacional y Política Económica (Ministry of Planning and Political Economy)
ML	Movimiento Libertario (political party Costa Rica)
MLN	Movimiento de Liberación Nacional (political party Guatemala)
MNR	Movimiento Nacional Revolucionario (National Revolutionary Movement, El Salvador)

OAS	Organization of American States
OdD	Observatorio del Desarrollo (research center, Costa Rica)
OFIPLAN	Oficina de Planificación Nacional (Office of National Planning)
OLS	Ordinary Least Squares
PAC	Partido Acción Ciudadana (political party Costa Rica)
PAE	Programa de Ajuste Estructural (Structural Adjustment Program)
PAN	Partido Avanzada Nacional (political party Guatemala)
PARLACEN	Parlamento Centroamericano (Central American Parliament)
PCS	Partido Comunista Salvadoreño (political party El Salvador)
PCSE	Panel Corrected Standard Errors
PDC	Partido Demócrata Cristiano (political parties in El Salvador and Honduras)
PEN	Programa Estado de la Nación (State of the Nation Program, Costa Rica)
PINU	Partido Innovación y Unidad (political party Honduras)
PL	Partido Liberal (political party Honduras)
PLC	Partido Liberal Constitucionalista (political party Nicaragua)
PLN	Partido Liberación Nacional (political party Costa Rica)
PN	Partido Nacional (political party Honduras)
PNC	Policía Nacional Civil (National Civil Police, El Salvador)
PNC	Partido de Conciliación Nacional (political party El Salvador)
PNUD	Programa de las Naciones Unidas para el Desarrollo
Polity IV	Project "Political Regime Characteristics and Transitions"
Polyarchy 2	Vanhanen's Index of Democracy
PPP	Purchasing Power Parity
PPS	Partido Popular Salvadoreño (political party El Salvador)
PRN	Plan de Reconstrucción Nacional (National Reconstruction Plan, El Salvador)

PRTC	Partido Revolucionario de los Trabajadores Centroamericanos (Central American Workers Revolutionary Party, El Salvador)
PUD	Partido Unificación Democrática (political party Honduras)
PUSC	Partido Unidad Social Cristiana ((political party Costa Rica)
R&D	Research and Development
RN	Resistencia Nacional (National Resistance, El Salvador)
TSCS	Times-Series Cross-Sectional
TSE	Tribunal Supremo Electoral (El Salvador)
TSE	Tribunal Supremo de Elecciones (Costa Rica)
UCN	Unión del Centro Nacional (political party Guatemala)
UDN	Unión Democrática Nacionalista (National Democratic Union, El Salvador)
UNDP	United Nations Development Programme
UNE	Unión Nacional de la Esperanza (political party Guatemala)
UNESCO	United Nations Education, Science and Culture Organization
UNO	Unión Nacional Opositora (National Opposing Union, coalitions of political parties in El Salvador and in Nicaragua)
URNG	Unión Revolucionaria Nacional Guatemalteca
USAID	United States Agency for International Development
WDI	World Development Indicators

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Introduction

Democratization and Human Development Processes: Why do they Matter?

This dissertation views democratization and human development as multidimensional and mutually inclusive processes. This is not the only way to conceptualize these terms, but this is the approach followed in this dissertation. From this standpoint, both processes are viewed as intertwined in a mutually enhancing relationship, in contradistinction to modernization theory postulates. At the conceptual level, both have similar logics of inference: the promotion of individual freedoms and the expansion of well-being. Democratization as the process and democracy as the end result can be seen both as a good and as a capability. It gives individuals the means to pursue the objectives they have reason to value (i.e. individual agency) and provide the framework for the expansion of freedoms. In tandem, HD views the expansion of freedoms, both as the primary end and as the principal means.

The relationship between democracy and development is a much debated topic in comparative politics, political economy and development studies. In general, the debate has focused on the conditions for democracy, rather than the elective affinities[1]

[1] The term "elective affinities" borrows from Howe (1978) and Dunn (2007) sociological and political analysis.

of both processes. Since Lipset's pioneering article,[2] the debate about the relationship between democracy and development has generated perhaps one of the largest bodies of research in comparative social sciences. For some, it is generally accepted that there is a relationship between economic development and democracy which can be demonstrated by quantitative empirical evidence,[3] while for others more in-depth historical comparative analyses are needed.[4] Hundreds of research papers have been written in order to explain why some countries are more democratic and developed and others are not. The results of these tests have enhanced rather than ended debates about democratization, as findings have not been consensual.

This dissertation argues that although at first glance the quantitative and empirical analyses may seem to dominate the literature arguments, the disagreement over the findings calls for more research that focuses in depth on the issue of the "elective affinities" of both processes. Therefore, the purpose of this dissertation is to provide an approximation as to how the contribution of democratization towards HD and vice-versa can be demonstrated and explained. To focus the discussion, the dissertation will concentrate in small countries, and using Central America's "democracy lop-sided pattern of development" as a comparative framework. In addition, different methods of research will be used to analyze and corroborate hypothesis.

There are plenty of definitions of democracy with variations on its conceptual meaning. In debates over the "meaning" of democracy, there is a dual tendency to specify the concept in a way that either includes too many attributes (maximalist

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[2] Lipset (1959).
[3] See Foweraker and Landman (2004), Przeworski et al (2000), Inglehart and Welzel (2005).
[4] See Acemoglu and Robinson (2006), Rueschemeyer et al (1992), Mahoney (2001a), Boix (2002: Chapter 3).

definition) or too few aspects (minimalist). The former has the potential to overburden the concept decreasing its usefulness by making it a concept with no empirical reference; while the latter may omit relevant attributes for the sake of simplicity. What is needed is a productive and constructive definition, as a neutral guide to measure the uneven performance of democracies. Therefore, this dissertation conceptualizes democratization processes organized around three main attributes:

(i) an open and participatory environment with political opportunities, including degree of competition of political parties and participation;

(ii) a sound and vigorous political environment, including the organization of the polity and the opportunity for contestation; and

(iii) a free and open living environment, where citizens enjoy political rights and civil liberties.

Although these attributes might be seen as overlapping, each one has central characteristics that differ from the others. The first attribute denotes how political opportunities work in practice. The second refers to how the polity is organized, the institutional arrangements and the processes put in place for its functioning. The third attribute refers to the extent to which individuals in a society exercise their citizenship and to what degree their civil liberties and political rights are respected and more importantly used.

On the other hand, the term development is also contested and there is a lively discussion about its definition and how to measure it. Over the last fifty years, much debate has surrounded its meaning, semantics and genesis. Maturing from the early

"basic needs" approach, a widely recognized framework to development argues that it is a process of expanding people's freedoms. Accordingly, development has to be concerned with improving the lives people lead, as well as enhancing freedoms. An adequate conception of development must go far beyond levels of income and economic growth.[5]

The Human Development Index (HDI) will be used as a proxy for development due to its conceptual approach. However, a forewarning is needed, since the human development approach goes beyond its own scale of measurement. The HDI reinforces a narrow interpretation of the HD concept as being about expanding education, health and decent living standards. This has obscured the more complex concept of HD as the expansion of capabilities that enable people to lead lives they value. The concept of human development is broader than the scale and political freedoms, participating in the life of one's community and physical security are often overlooked. But such capabilities are as universal and fundamental as being able to read or to enjoy good health. They are valued by all people and without them, other choices are foreclosed. They are not included in the HDI because they are difficult to measure appropriately, not because they are any less important to human development. The caveat is thus that considering this HD approach, democracy may be seen as overlapping in the analysis since the most encompassing of the scales measuring democracy attributes may implicitly include several of the capabilities not yet captured in the HDI but implicit in the human development concept.[6]

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[5] Sen (1999a).

[6] It is important to recognize the definition of development is clearly broader than the HDI. Inevitably, the HDI (even though it does not capture the complexity of the HD processes) is the only scale available for cross-sectional analyses, but it needs to be compared vis-à-vis other measures. This is especially important in the analysis and discussion about individual case studies.

Propositions

The purpose of this dissertation is to analyze how democratization can promote HD and how HD can promote democratization. The complementary hypothesis for this statement assumes that politics and the quality of policies matter for the quality of HD, and it calls for an investigation of the links that advance democracy and HD. These arguments call for an exploration of the chain of mechanisms that democratization puts in place to foster HD and vice-versa.

In order to substantiate the above hypothesis, this dissertation distills three interrelated propositions, using complementary methods of research:

Proposition 1. Democratization and human development processes can be considered as mutually enhancing and complementary. This elective affinity happens both via their multifaceted characteristics as well as through their individual attributes.

Proposition 2. Democratization and human development processes go through sometimes identifiable critical junctures or turning points. These turning points are path-dependent but not deterministic.

Proposition 3. There are strong reciprocal connections between HD and democratization that form two chains which reinforce one another cumulatively over time.

Contribution to Existing Research

Considering that the literature on the relationship between democracy and development has mostly focused on the conditions for the emergence and functioning of democracy, with a heavy emphasis on per capita income or economic growth as proxies for development, this dissertation will focus rather on a different argument about the relationship: that is, on the explanation of the mutually enhancing characteristics between democratization and HD in a broader context but focused in an unusually small and diverse geographic area. Moreover, a combination of research methods will be applied, including qualitative analysis to explore in depth the lines of transmission used by both processes, and quantitative analysis to complement and capture the extent of global trajectories.

The way of measuring development and democracy is also prone to criticism. Much of the existing literature on this topic uses minimalist proxies of development and democracy. This research will make use of the available HD indicators as a way to explore overall trajectories and differences at the macro-levels of development. The research assumes that development goes beyond narrow income or monetary scales of welfare or economic growth, to include education, health and well-being. On the other hand, this research will attest the need to conceptualize democracy at a middle-level and measure it in a continuum. For that, it builds upon a conceptual framework based on three complementary and overlapping attributes of democracy.

This dissertation aims to provide arguments on the need for and validity of combining quantitative and qualitative methods to explain the relationship between human development and democratization in a single study. In fact, the thesis attempts to explain the extent of the elective affinities of both processes. Costa Rica and El Salvador will be given special consideration and will be pair-compared, the former being a stable democracy, the latter having successfully made the transition from military-authoritarianism to electoral democracy.[7]

The time frame to be scrutinized (1972-2002) is also another contribution to the literature, as most research on this topic cover periods ending near 1990[8] (with the exception of some democracy data-sets), thus not including the democratic consolidation period after the end of the Cold War, when a large number of countries embarked on democratization processes.

The Case Studies: Why Costa Rica and El Salvador?

UNDP's 2002 Human Development Report (HDR) suggests that there are no automatic links between democracy and HD and cries out for research in order to understand what lies behind this relationship and to identify policies that make a difference in the quality of development.[9] The analysis in this dissertation will seek to

[7] The literature search done revealed that there is not a single study that compares these two countries. As such, this dissertation will be novel.
[8] For example, Lipset's (1959) initial debate covered the pre-1950s period, Przeworski et al (2000); and Boix (2002), cover the period from 1950 to 1990, and only the most recent work by Halperin et al (2005) covers from 1960 to 2000.
[9] UNDP (2002).

identify those policies at the macro level, and outline the differences in performance at the regional levels, especially in Central America.[10]

However, in order to gain in-depth understanding at the macro-level, the two smallest, but most economically and politically dynamic Central American countries (Costa Rica and El Salvador) will be pair-compared to provide a comprehensive analysis and corroboration of findings on the extent of the mutually enhancing relations between democratization and HD processes in small countries with low and middle-incomes. Indeed, both countries until the 1960s had small economies dependent for growth on the export of a few commodities: coffee and bananas in Costa Rica, and coffee and grains in El Salvador. Both countries began to industrialize in the 1960s by applying import-substitution industrialization models until the early 1980s and both switched back to an export-oriented model during the 1980s, by developing new export sectors and diversifying their economies (i.e. Costa Rica with tourism and highly-skilled services, and El Salvador with textiles, manufacturing and financial services).

Yet, despite these similarities, the two countries followed different political and developmental paths and consequently their comparison offers special insights which illustrate the reasons for which one country follows a certain development path rather than another. Moreover, the study of these two countries illustrates what the HD consequences have been and how both countries have been managing both democratization and HD processes over three decades. In that sense, Costa Rica has been selected as an example of a consolidated democracy with slight set-backs in development indicators, and El Salvador as a country which has made a successful

[10] The paired-comparison between Costa Rica and El Salvador has to be analyzed in the context of their regional neighbors. As such, a special chapter will provide an analysis of the trajectories taken by the countries of Central America.

transition towards democracy with improvements in development indicators in the last decade.

Costa Rica has been a stable democracy for more than 50 years, and it has also had a competitive political system for more than 100 years (in fact, after the USA, it has had the longest continuous period of stable presidential democracy on the continent). However, in the last fifteen years a steady decline (and fragmentation) of the two-party system, corruption scandals and public dissatisfaction with politics have started to erode the social and economic system, stagnating the country's once blooming development indicators with one of the highest inflation rates in the region (above 10%). Indeed, the XI State of the Nation Report, published in October 2005 revealed that real incomes in Costa Rican households went down, on average, by 6% between 2003 and 2004, and that poverty increased from 18.5% to 21.7% -the highest level in the last decade. The country has entered a development stage characterized by lower incomes, poverty stagnation and less social investment.

El Salvador, on the other hand, had a decade-long civil war in the 1980s. The 1992 Peace Agreement officially ended the conflict and paved the way for a now stable democracy in which no relevant anti-democratic actors threaten the system as such, and the population has slowly regained confidence in State institutions. Currently, El Salvador is consolidating a two-party system (in contrast with Costa Rica) with the FMLN and ARENA as major political actors, and although it faces serious deficiencies such as high crime rates, gross socio-economic differences, 48% of the population in poverty and 31% living under $1 a day, El Salvador's economy is among the most liberal in Latin America with one of the lowest inflation rates in the

region.[11] In fact, according to El Salvador's 2003 HDR from 1992 to 2002 poverty was reduced significantly, from 65% to 43%.

Thus, both countries show similar characteristics but striking differences that convert them into suitable case-studies for the analysis of patterns of democratic transition and consolidation, political systems derailments, social and economic improvements and HD advances and set-backs (see table 1). The case studies will focus on the chain and transmission mechanisms used in each country that advance (or slow down) human development. Moreover, the analysis provides a large amount of information related to processes before and after democratization and consolidation.

Through narratives and process-tracing, both cases will shed light on how elites and masses have learned how to operate a democratic system, and that such a system is preferable to any alternative -even if it does not solve problems of development and inequalities in the short-run. Moreover, the paired comparison will provide insights into the mechanisms available to different political regimes to advance human development, while scrutinizing democracy and HD performance in low and middle income countries, how capabilities are implemented and freedoms exercised.

[11] Bertelsmann (2005).

Table 1. Costa Rica and El Salvador. Selected Democracy and Development Indicators (1972-2002)

Indicator	Country	1975	1980	1985	1990	1995	2002
Composite Index of Democracy (CID)	Costa Rica	0.885	0.884	0.874	0.898	0.871	0.830
	El Salvador	0.529	0.293	0.642	0.584	0.646	0.684
	Central America	*0.480*	*0.430*	*0.590*	*0.670*	*0.640*	*0.690*
Human Development Index (HDI)	Costa Rica	0.745	0.770	0.774	0.791	0.810	0.834
	El Salvador	0.590	0.590	0.610	0.648	0.686	0.720
	Central America	*0.585*	*0.610*	*0.625*	*0.647*	*0.676*	*0.708*
Life Expectancy	Costa Rica	69.9	72.7	74.4	75.4	76.2	77.6
	El Salvador	57.5	57.1	60.9	65.6	68.5	70.1
	Central America	*59.0*	*61.1*	*63.7*	*66.4*	*68.2*	*69.6*
Literacy rates	Costa Rica	90.1	91.7	92.9	93.9	94.8	95.8
	El Salvador	62.0	65.8	69.0	72.4	75.9	79.7
	Central America	*62.6*	*65.8*	*68.8*	*71.6*	*74.4*	-
GDP per capita	Costa Rica	2,784	3,097	2,716	2,945	3,416	3,938
	El Salvador	1,779	1,596	1,333	1,377	1,676	1,758
	Central America	*1,503*	*1,539*	*1,331*	*1,362*	*1,536*	*1,692*
GDP growth %	Costa Rica	2.10	0.75	0.73	3.56	3.92	3.04
	El Salvador	2.92	(11.77)	0.62	4.83	6.40	2.11
	Central America	*1.79*	*(0.41)*	*0.17*	*2.30*	*4.73*	*2.08*

Note: Central America = average of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.
Sources: Own calculations for CID (see Appendix A); HDI from UNDP (see Appendix B) and other indicators from World Development Indicators (Nov. 2004).

Methodological Approach and Sources

If democratization and HD follow an elective affinity relationship in which both have the same logic of inference, and quantitative and qualitative research methods apply "a unified logic of inference to both",[12] it naturally follows that a combination of research methods is essential. There is a tendency in the social science literature to classify research methods either qualitatively or quantitatively. Indeed, most of the

[12] King et al (1994:3).

existing research on the relationship between democracy and development is based on one of the two approaches. This tradition has the advantage of formulating and testing of grand generalizations on the one hand, and of creating in-depth case studies on the other hand. However, the methodological argument of this dissertation is that it is necessary to go beyond narrow individual and separatist analyses to understand the relationship between development and democracy.

This dissertation falls within the rubric of comparative methods, both in terms of analytical substance and methodological strategy. A combined research methodology, that gives equal weight to both quantitative and qualitative analysis will be used. Some of the reasons for the integration of research methods include: (i) additional categories of information; (ii) improved accuracy in measuring a single phenomenon; (iii) qualitative depth; (iv) generalizability of findings across units and (v) historical interpretation.[13] However, there is much more than numbers and words and the split might be spurious.[14] The analysis of both development and democracy in the social science has shifted from one method to another. It is development that traditionally was seen as a quantitative matter (i.e. monetary income and economic growth), while democracy was analyzed in qualitative terms; however, over the last decades development has being analyzed qualitatively and democracy measured quantitatively.

The so-called "qualitative" section of this research is based on an extensive literature review on the origins, trends and evolution of Central America's democratization and HD processes since the late 1940s, but with relevance to the last 30 years in Costa

[13] Bulmer and Warwick (1993).
[14] Indeed, as suggested by Bernard (2002:23) "the split between the positivistic approach and the interpretative-phenomenological approach pervades the human sciences".

Rica and El Salvador. Also, it is based on in-depth fieldwork interviews carried out in Costa Rica in January - March 2006 and in El Salvador during October, 2006 and July, 2007. The objective of the interviews was to gain first-hand information in order to understand democracy's contribution towards HD in each country. In both cases, the sample was initially taken from people previously identified and selected given their academic or policy-making roles, in order to later continue with a snowballing sampling technique. These interviews were useful to set the scene, identify key issues in both countries' democratic development and policy-making effectiveness, as well as for the identification of further contacts.[15] A semi-structured questionnaire was designed in order to guide and focus the discussion. This instrument was planned with the purpose of asking a few initial questions to trigger off the discussion. At the same time, the responses were coded to provide a comparative analysis. The interviews were structured to give interviewees a certain amount of flexibility to enrich the perspectives and enlarge the points of view discussed.[16]

On the other hand, the "quantitative" section of the dissertation relies on the theoretical framework to be laid out in Chapter 1 and the empirical models parallel existing research. To test the relationship between the two processes the three attributes of democracy will be explored. To explain levels of development, the analyses will include socioeconomic variables commonly used in democratization studies and related to the definition of human development (including per capita GDP, levels of education measures and health indicators), and the HDI.

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[15] In total, more than 80 in-depth interviews where held in both countries with a variety of actors from the academia, policy-making, think-tanks, trade unions, media and business sectors.

[16] Since the interviews were conducted in Spanish, the notes are also in Spanish. Thus, when quotations are included in the analysis the translation is my own. The same applies to quotations from Spanish language documents.

Building Blocks: Overview of the Thesis

The dissertation is structured in six chapters, excluding this introduction and the conclusions. Chapter 1 is mainly about conceptualization, but also touches on methodological issues. It starts with the compulsory and inevitable literature review to place in context the relationship between two multidisciplinary processes. The chapter argues that the relationship is mutually enhancing forming an "elective affinity". This is a complex and intrinsically divisive task, but mandatory, as everything about this dissertation revolves around it. An appendix at the end of this dissertation has been included and should be considered a companion of Chapter 1 as it provides the methodological underpinnings on the measuring of democratization for the chapters that follow.

Chapter 2 is the quantitative section of the dissertation. This chapter provides a parsimonious empirical test of the relationship between democracy and HD, using time-series cross-sectional data on 164 countries from 1972 to 2002. The chapter specifies a similar partial model to those found in the global comparative literature on democracy and development in an effort to replicate earlier findings and advance propositions 1 and 3. The statistical analysis aims to show that the causal relationship forms two chains that run in both directions. This gives rise to virtuous and vicious circles, with good or bad performance on human development and democracy reinforcing each other.

Chapters 3 to 6 should be seen as a unit and encompass the "qualitative" component of the dissertation, as they present the comparative historical analysis of the case studies. Chapter 3 is a necessary background to understanding the region where the two cases develop. The chapter advances Proposition 1 of this dissertation beyond description, while scrutinizing a series of key issues regarding Central America's development processes (human, economic and political) and evaluating democratization's contribution to HD. In that sense, the chapter argues that Central American countries are moving towards a democracy-lopsided pattern of development. That is, besides remarkable advances in democratization, HD trajectories show a smaller net-gain.

Chapter 4 is in a position to provide a paired-comparison background analysis of Costa Rica and El Salvador. The chapter advances Proposition 2 on the circularity and complementarity of turning points. The chapter identifies a series of events that trigger changes in the direction of development paths. These turning points, though context-dependent are grouped into four categories - historical, institutional, developmental and political - that help to explain the relationship between democracy and human development. The chapter explores how each of these factors has had an impact in boosting development indicators or indeed how they have evolved to the detriment of the living conditions of Costa Ricans and Salvadorans.

Chapters 5 and 6 take in the core of the dissertation, as both explore in-depth the differences and similarities of Costa Rica and El Salvador's democratization and HD processes to advance Proposition 2. Chapter 5 is about Costa Rica and shows how interesting a case it is for its more than 50 years of uninterrupted political and

democratic processes; for its "successful" State-led economic development model adopted from 1949 to the late 1970s; and for having achieved developed-world levels in its social development indicators since the 1970s. Chapter 6 on El Salvador shows that it is also an interesting case study – but for its authoritarian-regime legacy and the successful negotiation of a Peace Agreement that stopped a decade-long civil war and incorporated the guerrilla groups into the political field (the transformation of bullets into ballots); for the structural mutation of development strategies adopted, both during and after the war; and for having achieved moderate levels in its social development indicators despite its small and transformed geographical area and a collapsed economy during the 1980s. Both chapters critically assess how democratization and its attributes' have contributed towards HD levels and conclude that although democracy is not at risk in either country, in Costa Rica there are signs that something has gone awry in its political and developmental model. In the case of El Salvador, despite significant achievements, poverty, violence and political polarization remain major threats to the consolidation of a development model in democracy, partly due to a weak institutional design.

Since each chapter recapitulates its own main findings at the end, the conclusions instead of summarizing them again, will scrutinize the main lessons drawn both from the case studies and the large N analysis. In doing so, the dissertation concludes discussing the resilient and recurrent themes that will emerge throughout the research: (i) the identification and mutually enhancing relationship, (ii) the contribution of democratization towards HD and vice-versa, (iii) democratization and HD turning points, and (iv) institutional arrangements and policy sequencing. The conclusions end suggesting new hypotheses and extensions for further research.

Chapter 1

Democratization and Human Development: Conceptualizing mutually reinforcing processes

1.1. Introduction

That democratization and human development are "elective affinities" is the main tenet of this chapter. This means that both democratization and human development (HD) have the same logic of inference related to the expansion of freedoms and human behaviours. That is, democratization and human development can constitute a virtuous circle, and that normatively they go hand-to-hand and both are forward-looking processes referring to cumulative changes. This chapter conceptualizes democratization as an extended process that should, at least over the long run, facilitate improvements in individuals' freedoms and capabilities, as compared to non-democracies. Moreover, while democratization may not necessarily lead to improvements in income levels (i.e. economic growth), it is associated with the sustainability of development levels, and above all, it expands human freedoms.

The chapter suggests that democratic regimes have tended to outperform non-democratic ones in terms of human development levels. This argument can be defended with the caveat that all such claims hinge on how the boundaries between democracies and non-democracies are drawn. Too sharp a distinction will be misleading as democracy is multi-dimensional and there are many hybrid cases. At a conceptual level democracy can be defined by deploying human development

categories and practices. From a broader, more abstract perspective, both democracy and human development can also be conceptualized as converging into a single image of the good society.[17]

In social sciences, democracy and development are perhaps the two terms that have generated the largest discussion on their meaning, measurement, significance, conditions, outcomes and sources. From Aristotle and Plato to Rousseau, from Adam Smith to Karl Marx and Max Weber, and recently, from Martin Lipset and Robert Dahl to Amartya Sen and Adam Przeworski, the discussion regarding the relationship between democracy and development is contested. Aristotle perhaps first initiated the argument stating that when some people are very wealthy and others have nothing, there will be either extreme democracy or absolute oligarchy, or despotism will come from either of those excesses. More recently Lipset contributed his well-known dictum: "the more well-to-do a nation, the greater the chances that it will sustain democracy".[18] A few years later, Dahl also hypothesized that the chances a country will develop and maintain a polyarchy depends upon the extent to which the country's society and economy "(a) provide literacy, education and communication, (b) create a pluralistic rather than a centrally dominated social order, (c) and prevent extreme inequalities".[19] This hypothesis has generated much debate, not only in comparative politics, but also in development studies because Dahl's conditions are partially independent and there are cases where one or two elements coexist both in democratic and non-democratic regimes.

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[17] See for example, Sen (1999a), Lasch (1991), and Whitehead (2002b).
[18] Lipset (1959:75).
[19] Dahl (1971:74).

The debate about the relationship between democracy and development has generated different conclusions depending on the size of the sample, democracy proxies and development indicators used. However, most of the literature focuses on the conditions for the emergence and functioning of democracy, with an emphasis on per capita income or economic growth. The argument of this dissertation reverses the direction of causal inquiry and focuses on the explanation as to how democratization can promote advances in human development and how HD can promote advances in democratization. In order to do so, it focuses on explaining the "elective affinities" of both processes in Central America, exploring in depth the case studies of Costa Rica and El Salvador from 1970 to 2002. The research aims to move a step forward by combining qualitative and quantitative methods of research (method triangulation) and includes a global macro-comparison to explore the complementarities between democracy and development. This thesis is particularly timely given the increased interest in the quality of democracy since the turn of the century.[20]

The 2002 HDR by UNDP suggests that there are no automatic links between democracy and human development and recommends further research in order to understand what lies behind this relationship and to identify policies that make a difference in the quality of development. The quantitative analysis of this dissertation will seek to identify those policies at the macro level, and outline the differences in performance at the regional level, especially in Central America.[21] Attention will be paid to the performance of democracy and its attributes, along with the HD indicators.

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[20] A useful starting point in the Latin American context is PNUD (2004) and in Costa Rica in particular, Estado de la Nación (2001a and 2001b).

[21] The pair-comparison between Costa Rica and El Salvador has to be analyzed in the context of their regional neighbors, and for that reason, Chapter 3 will focus on Central America. It will follow, and update, Mahoney's (2001a) comparative analysis of political regimes in Central America, which argues that despite their many similarities, Central American countries during the 20th Century were

The purpose of this chapter is to provide a framework to analyze *how* democratization can contribute to human development; both empirically and in terms of normative convergence on human freedoms. This chapter will argue that from a human development standpoint, democracy and development are endogenous but linked by a kind of "elective affinity" which suggests that over the long run there is no clash between them.[22] Instead, they tend to grow together as if "in symbiosis". This involves rejecting the suggestion that the type of regime does not matter, and to a lesser extent it also responds to O'Donnell's argument that "pending future and much needed research, we cannot say that a democratic regime in any strict sense *causes* advances in human development".[23] The aim of this dissertation is to explain how democracy matters and makes a difference in terms of the quality of development and to illustrate how democracies foster advances in human development levels.

The search for causal connections between democracy and human development is problematic as it is subject to different conceptions and understandings. Three avenues can be taken in this regard. First, an argument can be built from the assumption that democracy is a necessary condition for human development (yet, some deviant cases like Singapore and Hong Kong easily challenge and contradict this rationale). That is, while in some cases it may be necessary in others it may be insufficient. A second argument is to follow a probabilistic rather than a deterministic approach. However, a limitation with such a conception is that not all cases are

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characterized by remarkably different political regimes as legacies of the 19th Century liberal reform period.

[22] The research is also aware of what O'Donnell (1973) called, more than 35 years ago, the "universalistic fallacy", which assumes there exists a positive correlation between democracy and economic development operating in all places at all times.

[23] O'Donnell (2004:61), *italics* in original.

homogenous or stable over time, and many other factors are involved, like cultural values, historical trajectories as well as socio-economic conditions. A third argument that will be followed in this and subsequent chapters, is to treat democracy and human development as constitutive elements and consider them as "elective affinities". That is, base the argument on the premise that democracy and human development have a tendency to grow towards each other. A constitutive elements approach suggests that both processes have elements that overlap, but are also structured in a way that favours the development of the other (i.e. convergence). Such a line of reasoning is neither deterministic nor statistically probabilistic, but still provides a rationale for analyzing historical tendencies towards convergence.

The contents of the chapter seek to explain my reasoning on the conceptual and the mutually inclusive nature of the relationship between democracy and human development. It begins with the theoretical framework on the meaning of democracy and human development. This is important as it exposes the conceptual assumptions and portrays how both processes will be treated in the rest of the dissertation. The following chapter will then be in a position to discuss the literature on global trajectories of political regimes and development paths and set the record straight on the cross-country empirical evidence concerning the association between democracy and human development. The conclusions, therefore, put the discussion in perspective, outlining the dissertation's main contributions to scholarly research and provide the road map for the triangulation of methods of research in the next chapters.[24]

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[24] The methodological appendix at the end of this dissertation should be read as a companion to this chapter, as it explains how democracy will be measured for the purpose of this research. Consequently, it discusses the creation of the Composite Index of Democracy (CID), paying particular attention to coding rules.

1.2. Conceptualizing Democracy and Human Development

Conceptualizing democracy and human development is a complicated and inherently controversial enterprise, but it is required, as it guides the theoretical assumptions and claims of the dissertation. At first glance, the reader may rightly think that both democracy and human development – at least at the theoretical level – have the same logic of inference. That is, the promotion of individual freedoms and general welfare: "if we take a suitably broad concept of development to incorporate general well-being, including some basic civil and political freedoms, a democracy which ensures these freedoms is, almost by definition, more conducive to development on these counts than a non democratic regime".[25] Yet, it is a much more complex relationship, and at the empirical level, different surveys have come out with different conclusions. As will be reviewed here, a group of scholars argue that there is a negative relationship between democracy and development;[26] others argue a generally positive relationship;[27] and a third may be considered agnostic.[28]

For the purpose of having a deeper understanding of the relationship between these two processes, it is necessary to separate them, both conceptually and empirically. These processes must be: (i) disaggregated, to understand and capture specific and context-dependent attributes, and (ii) re-aggregated, to understand their overall significance and importance for the transformation of a society. This is a complex but mandatory task as everything that follows revolves around it.

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[25] Bardhan (1999:3).
[26] See for example the review by Sirowy and Inkeles (1991).
[27] Halperin et al (2005) is a recent example.
[28] Przeworski and Limongi (1993) and Przeworski et al (2000).

1.2.1. Democracy

Etymologically, democracy means a form of government in which the people rule. However, the phrase 'rule by the people' is highly ambiguous and open to multiple understandings. There is no definition of democracy with a timeless single meaning that is intrinsically derivable either from logical analysis or from empirical reference. The concept of democracy can be applied to a variety of units. However, in this dissertation it is focused on the modern state, which can be considered the main public decision-making arena.[29] A complete description of the meaning of democracy would lead to an unnecessary and tedious exploration of semantics and ideological perspectives. Contrary to recent calls for a consensual definition of democracy, this dissertation indicates in summary form the minimum characteristics a democracy should have, and based on these, attempts to build explanations for the functioning of democratic systems.[30]

Democracy is such a desirable label that control over its meaning necessarily becomes an object of political contestation. The outer boundaries of the concept are also to a significant extent consenting, because in any particular historical or cultural context they will depend on the status of overlapping concepts.[31] Democracy can be considered as composed of abstract components giving rise to a considerable variety of institutions and subtypes. This assumes that democratic practices produce a similarly varied set of effects and that "the specific form democracy takes is

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[29] Munck (2007:26).
[30] See for example PNUD (2004) for a good conceptual debate on the meaning of democracy and calls by Munck (2006 and 2007) for a consensual definition.
[31] Whitehead (2002).

contingent upon a country's socioeconomic conditions as well as its entrenched state structures and policy practices".[32] In fact, democracy is contestable "not just because our values may differ or because our political concepts may lack ultimate logical or empirical validation, but also because our political cognition is inherently critical and reflexive".[33]

There are plenty of definitions of democracy with variations in its conceptual meaning but with a set of core characteristics. The discussion between Dahl and Schumpeter is particularly revealing. Schumpeter defines democracy as a political method, since "the democratic method is that institutional arrangements for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for people's vote".[34] But this is a procedural conception and, as Dahl argues, it requires amendments, including the process of forming governments through the free competition among politicians for votes. In Dahl's words "the two processes - democratization and the development of public contestation - are not, in my view, identical ... a key characteristic of democracy is the continuing responsiveness of the government to the preferences of its citizens".[35] Therefore, not satisfied with Schumpeter's framework, Dahl introduced the concept of "polyarchy" as the necessary procedures for democratic principles.[36]

The debate about the conceptualization of democracy is quintessentially contestable. Therefore, it is important to keep in mind that "so serious is the conceptual disarray

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[32] Schmitter and Karl (1996:50).
[33] Whitehead (2002:18).
[34] Schumpeter (1942:246).
[35] Dahl (1971:1).
[36] Dahl [2006 (1956)]. But see Munck (2007:26-29) for a good discussion on the procedural conception of democracy as per Dahl and Schumpeter.

that more than 550 subtypes of democracy are identified in David Collier and Steven Levitsky's review of some 150 (most recent) studies".[37] At a minimum, democracy requires universal, adult suffrage; recurring free, competitive and fair elections; more than one political party; and alternative sources of information. Hence, "democracy accords its citizens ample freedom, political equality, and control over public policies and policy makers through the legitimate and lawful functioning of stable institutions".[38]

In debates over the meaning of democracy, there is a tendency to specify the concept in a way that either includes too many attributes – maximalist definition – or too few aspects – minimalist definition. The former has the potential to overburden the concept, decreasing its usefulness by making it a concept with no empirical reference (or too many); while the latter may omit relevant attributes from the definition for the sake of simplicity. What is needed is a productive and constructive definition, as a guide to measuring the uneven performance of democracies. Thus, the argument of this research is that there is no perfect democracy[39] and conceptually it must be defined at a middle level. It is not too minimal, neither too maximalist, and should be measured in a continuum. Yet, it includes three distinctive and basic attributes: electoral, institutional, and rights and freedoms. A mid-level definition of democracy that makes clear its conceptual shortcomings and minimum criteria is preferable due to its greater parsimony in making analytical arguments than the alternatives. Moreover, it has the potential to make the concept more suitable for empirical research.

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[37] As cited by Vanhanen (2003:48).
[38] Diamond and Morlino (2004:22).
[39] In the conceptualization debate, it is important to avoid the "definitional fallacy" of trying to define democracy according to certain features of a country termed democratic.

Therefore, this research is built on the argument that the definition of democracy can be organized around three distinctive but complementary and, to some extent, overlapping attributes. Below is an explanation of each of these attributes and their interrelations. Although they might not be seen as separate, each one has core characteristics that differ in substance from the others and are presented from the least to the most encompassing.

The most basic characteristic a political regime must have in order to be called a democracy is reasonably free and fair elections. This first attribute places a heavy prominence on elections and representatives that hold political offices. This attribute consists of the extent to which citizens implement their right to political participation through voting. The latter is the initial step in the distribution of power resources in competitive political systems, and determines political parties' participation in decision-making processes. A definition of democracy that illustrates the contemporary interpretation was proposed by Lipset, who defined democracy as "a political system which supplies regular constitutional opportunities for changing the governing officials, and a social mechanism which permits the largest possible part of the population to influence major decisions by choosing among contenders for political office".[40] Following this approach, some limit the definition of democracy to elections and the power involved in them, including the need to change governments.[41] Indeed, democracy has also been defined as "a regime in which those who govern are selected through contested elections".[42] These definitions while, useful in electoral terms (known also as electoral democracy), are narrow and

[40] Lipset (1959:71).
[41] Przeworski (2003).
[42] Przeworski, et al (2000:15).

minimalist, entailing the possibility of electoral participation and contestation, and may fail to consider the institutional and behavioural aspects of the functioning of democratic societies.

On the other hand, the second attribute of democracy is related to the institutional / political factors and puts emphasis on practices and institutions that characterize political regimes. At the center of this attribute is the analysis of the "polity", which is defined as a political or governmental organization.[43] This includes the analysis of how and by whom the authority is exercised and what its patterns are. This attribute of democracy deals with constitutional and institutional checks and balances mechanisms put in place in a political system that normatively aims to guarantee political opportunities for citizens. It also includes the degree of openness/closeness of the polity to the selection of the chief executive and legislative members; the constraints on the chief executive, including power distribution among the executive, legislative and judiciary; and complementing the first attribute, competitive political participation. Yet, this attribute may fail to capture the electoral and behavioural components of the functioning of democracy.

Experience suggests that democracy goes beyond clever institutional design. The third attribute of democracy is related to the degree to which individuals can exercise their rights, while at the same time considering the rights and liberties of others. This attribute sees procedures as necessary but insufficient to bring about democratic results.[44] Thus, it includes a sort of social contract between individuals in a society; a form of association to defend persons and goods with collective force and "under

[43] Marshall and Jaggers (2002).
[44] Dahl, et al (2003).

which each member, while uniting himself with the others, obeys no one but himself, and remains as free as before".[45] At the core of this attribute of democracy is respect for civil liberties and political rights. That is, it looks at behavioural elements for the functioning of democracy.

Figure 1.1 aims to depict the relationship and complementarities of these attributes. The first attribute aims to denote how political opportunities are put into action.[46] The institutional attribute refers to how the polity is organized; the constitutional and institutional arrangements; and the processes put in place for the functioning of the political system. The third attribute of democracy refers to the extent to which individuals in a society exercise their citizenship and to what degree their civil liberties and political rights are respected, and more importantly, used. Therefore, according to their function, this dissertation builds upon the argument that democracy should be conceptualized as a combination of three interrelated attributes (figure 1.1):

(i) an open and participatory environment with political opportunities, including the degree of competition of political parties and participation in political life,

(ii) a sound and vigorous political environment, including the organization of the polity and the opportunity of contestation; and

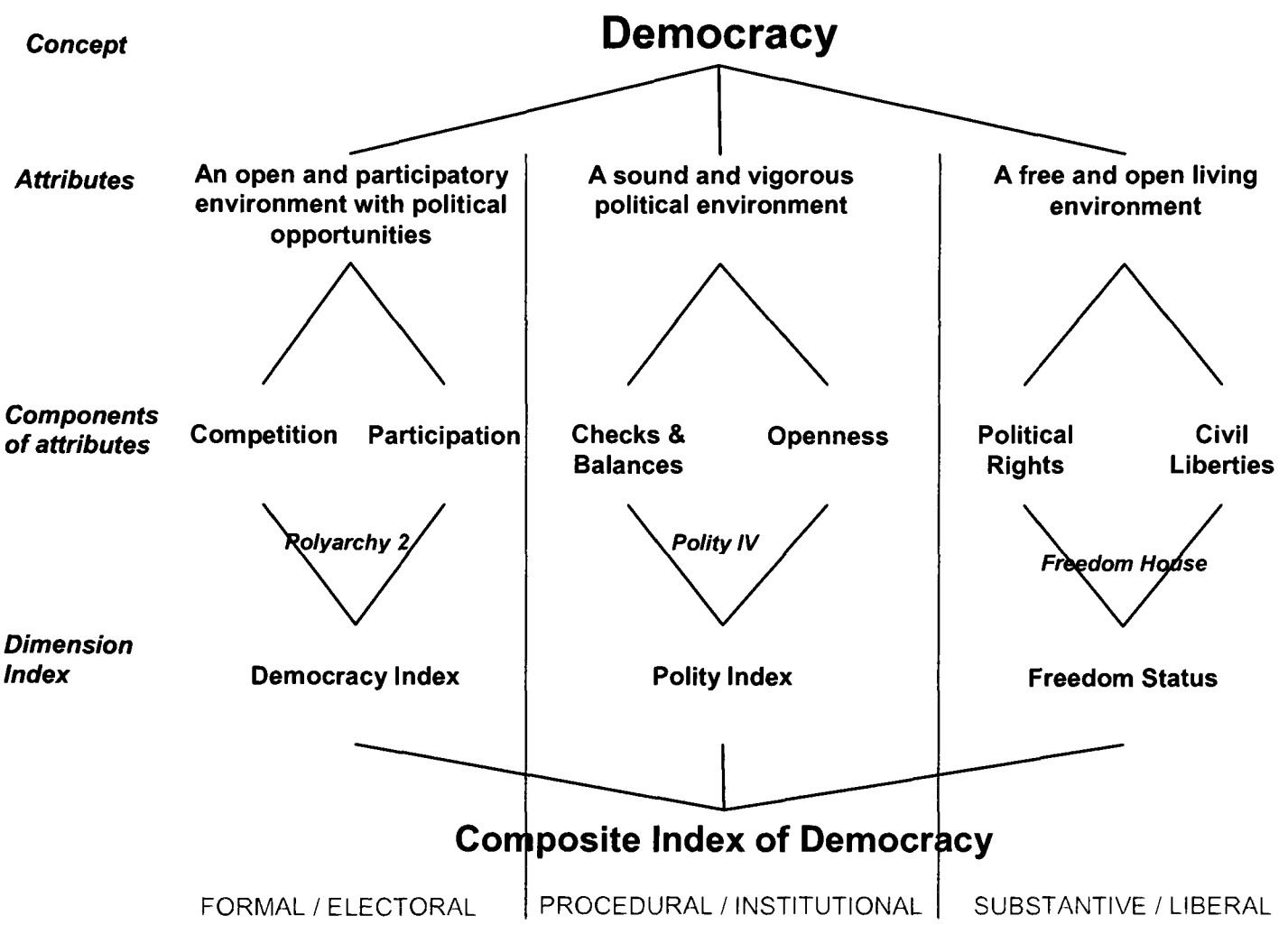
(iii) a free and open living environment, where citizens enjoy political rights and civil liberties, moving beyond elections and participation.

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[45] Rousseau (2003:2).

[46] To some extent this attribute parallels Sartori's (1965) procedural elements of democracy – at least regarding elements of pluralism and debate.

Figure 1.1. Composite Index of Democracy: Attributes and Components



Source: Author's own elaboration for illustrative purposes.

To sum up, putting these three attributes together makes democracy a matter of degree spanning a continuum, rather than an all-or-nothing affair. Democracy is not linear either. It has multiple demands, including voting and respect for election results, but "it also requires the protection of liberties and freedoms, respect for legal entitlements, and the guaranteeing of free discussion and uncensored distribution of news and fair comment".[47] By itself, such grouping is a contribution to the understanding of democracy's functioning and a way to analyze the mechanisms that contribute to or obstruct development, at aggregate and disaggregated levels.

[47] Sen (1999a:9).

The grouping is made in order to have a combination of a core set of characteristics that differentiates political regimes. It does not grade or rank democratic regimes; neither has it aimed to differentiate which countries are more democratic than others. The aggregation of democratic attributes is made in order to place political regimes in a continuum and explore their differences and contributions to development processes.

1.2.2. Development

The term development, like democracy, is a contested term and there is a lively debate among comparative scholars from different disciplines about its definition and measurement. Over the last fifty years, a large debate has surrounded the meaning and genesis of the word "development". In fact, the evolution of the concept of development from the 1950s onwards has been very broad. Briefly, it started with the influence of the Keynesian school of economic development. Then, during the 1960s and 1970s new dimensions were added. The United Nations introduced the concept of "human environment",[48] as well as the observations of the Club of Rome and its influential "Limits to Growth" thesis. Later on, the ILO and Frances Stewart among others introduced the "basic needs" approach,[49] later taken up by the World Bank before the Brundtland Commission (1986) introduced the concept of "sustainable development". Finally, in the 1990s new concepts were added: "human development" by the UNDP; the capabilities approach by Sen and Nussbaum, and the "culture of development" concept by UNESCO.

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[48] UN Conference in Stockholm in 1972.
[49] See Stewart (1985) on the basic needs approach to developing countries.

Overall, what most of these approaches contend is that successful development requires both a skilful and judicious balancing of market forces, and intelligent and equity-oriented government intervention in areas where market forces would lead to undesirable economic and political outcomes. Therefore, because of its multidisciplinary characteristics, development, like democracy, may also mean different things to different people. A widely recognized approach to development has been advanced by Amartya Sen, who argues that development is a process of expanding the freedoms[50] that people enjoy. This approach calls for the removal of the major forces constricting freedoms, including poverty, tyranny, poor economic opportunities, systematic social deprivation, neglect of public facilities, as well as intolerance of repressive states. For Sen, development is concerned with enhancing the lives people lead, as well as enhancing freedoms. As he stresses: "An adequate conception of development must go much beyond the accumulation of wealth and the growth of gross national product and other income-related variables. Without ignoring the importance of economic growth, we must look well beyond it".[51] The intellectual antecedents of this notion are well established in the original "basic needs" approach, which gives priority to meeting people's basic needs in order to ensure that there are sufficient, appropriately distributed basic needs and goods and services to sustain all human lives at a minimal decent level.

In a similar line of thinking and following the lead of the late Mahbub ul Haq, UNDP introduced the Human Development Index (HDI) in the early 1990s. The HDI, even

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[50] Which freedoms is Sen talking about? He takes an institutional approach and distinguishes five types of freedoms (instrumental) that link and strengthen one another and with the ends of enhancement of human freedom in general. They are: (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security. See Sen (1999b).

[51] Sen (1999b:14).

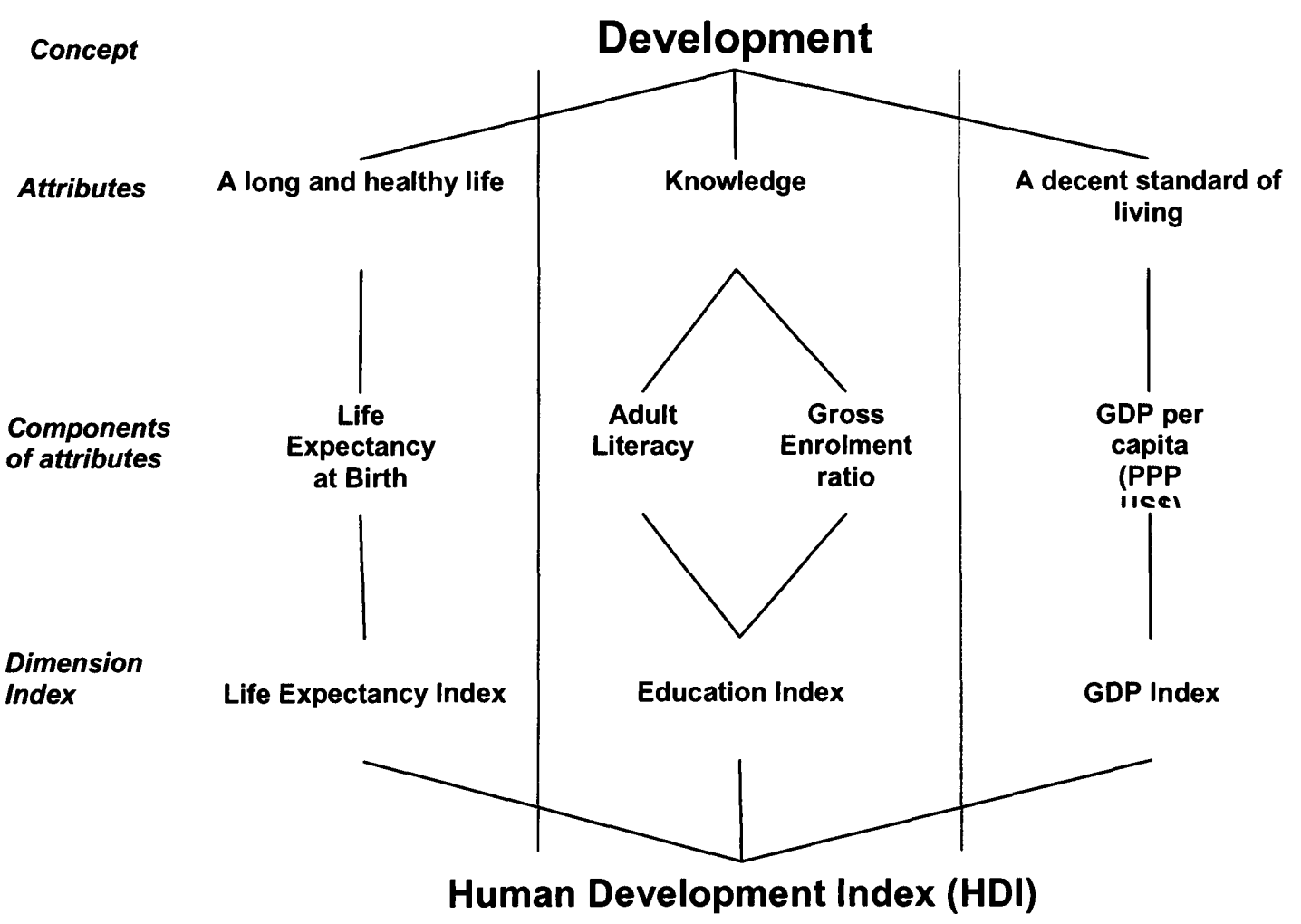
its critics agree, goes beyond narrow monetary income definitions of development and includes three broad indicators (see figure 1.2.):

(i) A long and healthy life, as measured by life expectancy at birth.

(ii) Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).

(iii) A decent standard of living, as measured by GDP per capita (PPP US$).

Figure 1.2. Human Development Index Components



Source: Author's own elaboration for illustrative purposes and adapted from UNDP (2002).

Thus, human development is a process of enlarging people's choices: "The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self respect".[52] As can be seen, HD has two sides. One, as argued by Sen is to do with the formation of human capabilities – such as improved health, knowledge and skills. The second relates to the use people make of their acquired capabilities – for leisure and productive purposes of being active in cultural, social and political affairs.[53] The capabilities approach helps in understanding development outcomes as it is concerned with what people are capable of doing or being. This is an example of the constitutive relationship between democracy and human development, where both overlap and converge in terms of the expansion of human freedoms.

Development may be operationalized as a multi-dimensional process involving major changes in individual behaviors, social structures, popular attitudes and national institutions. It is a process that includes the organization of economic, political and social systems, and pursues the acceleration of economic growth and poverty alleviation.[54] Furthermore, it is comprised of some basic goals, such as growth and equity (economics), and democracy and stability (politics).[55] Development deals with the economic, social, political and institutional mechanisms (both public and private) as well as improvements in standards of living for the poverty-stricken, malnourished and illiterate. Human development deals with enlarging people's choices in a way that enables them to lead longer, healthier and more productive lives,[56] as figure 2.2

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[52] UNDP (1990:10).
[53] UNDP (1990).
[54] Ray (1998) and Basu (1997).
[55] Huntington (1987).
[56] UNDP (1990).

shows. Consequently, human development advances with the growth of three components: (i) objective capabilities, based on socioeconomic resources, that enable people to act according to their own choices; (ii) subjective motivations, based on self-expression values, that emphasize acting according to the individual's autonomous choices and (iii) legal entitlements, based on civil rights and political liberties, that allow people to act on the basis of their autonomous choices.[57]

Yet, all too frequently the literature on democracy and development mixes human development with economic development or economic growth. Therefore, a distinction is required for the purposes of this dissertation, since the former is much richer and encompasses the latter. Economic growth is the process by which the productive capacity of an economy increases over time to bring about rising levels of national output and income. It refers to the rise in the value of the goods and services produced by an economy. It is conventionally measured as the percentage increase in real Gross Domestic Product (GDP) or Gross National Income (GNI). Theories of economic growth date as far back as Adam Smith, David Ricardo and Thomas Malthus, whose ideas included the basic approaches of competitive behavior and equilibrium dynamics, the role of diminishing returns and their relations to the accumulation of physical and human capital, the interplay between per capita income and the growth rate of the population, the effects of technological changes in the forms of production and the role of monopoly powers as incentives for technological advances.

[57] See Inglehart and Welzel (2005:152).

In the 1990s, attention was paid to empirical applications, in particular to the relation between theory and data, including assessments of robustness, the roles of increasing returns, research and development (R&D) activity, the diffusion of technology and human capital. More recently, research has focused on bottlenecks to growth and on growth dynamics, including the threefold taxonomy of geography, integration (trade) and institutions as proximate determinants of growth.[58] As such, simply stated, development refers to the process of improving the quality of life of all human lives. It is a process that deals with the economic, social, political and institutional mechanisms, both public and private, as well being about improvements in standards of living for the poverty-stricken, malnourished and illiterate.

The exploration of the links between economic growth (EG) and human development (HD) identifies two causal chains, one from economic growth to human development and the other in the reverse order, from HD to EG. Ideally both HD and EG should be jointly promoted, however HD should be given priority where a choice is necessary.[59] The influential work by Stewart and colleagues provides evidence for the connections between EG and HD. Viewing HD as the central objective of human activity and EG as potentially a very important instrument for advancing it, there are two chains; one runs from EG to HD, as the resources from national income are allocated to activities contributing to HD, the other runs from HD to EG, indicating how, in addition to being an end in itself, HD can help increase national income. EG leads to a greater extent to HD if it is accompanied by higher public expenditure on health and education, especially of the female population, and more equal income distribution. HD leads more strongly to EG if it is accompanied by adequate investment and

[58] Rodrik (2003).
[59] Stewart et al (2000).

effective policies. Countries that focus only on EG while neglecting HD will see their long-term growth prospects reduced. This is important as it shows that the quality of development matters and it calls for the prioritization of human development over economic growth or per capita income. There clearly exists a strong connection between economic growth and human development. On the one hand, EG provides the resources to permit sustained improvements in HD. On the other, improvements in the quality of the labour force are an important contributor to EG.

Country performance can be classified into four categories; virtuous, vicious and two types of lopsidedness: lopsided either with strong HD but weak EG (HD-lopsided), or lopsided with strong EG but weak HD (EG-lopsided). In a *virtuous circle*, good HD enhances growth, which in turn promotes HD, and so on. In a *vicious circle*, poor performance on HD tends to lead to poor growth performance which in turn depresses HD achievements and so on. In fact: "the stronger the linkages in the two chains ... the more pronounced the cycle of economic growth and HD, either in a positive or dampening direction. Where linkages are weak, cases of lopsided development occur".[60] For example, *EG-lopsided* will occur if good EG does not bring about good HD, because of weak linkages such as a low social expenditure ratio. On the other hand, *HD-Lopsided* may occur when, due to a dearth of complementary resources arising from low investment rates, good HD performance does not generate good EG,. Indeed, for Stewart and associates "such cases of lop-sided development are unlikely to persist. Either the weak partner in the cycle eventually acts as a brake on the other

[60] Stewart et al (2000:208).

partner, leading to a vicious cycle case, or, if the linkages are strengthened, possibly by a policy change, a virtuous cycle case results".[61]

To sum up, on the basis of long-run empirical analysis, Stewart et al have suggested a strong regional pattern with East Asian countries heavily represented in the virtuous circle, Latin America strongly represented in the HD-lopsided circle and sub-Saharan African countries in the vicious circle. Consequently, it is emphasized that a focus on HD must be included from the beginning of any reform program, since economic development (growth) will not be sustained unless preceded by improvements in human development.

1.3. On the Mutually Enhancing Relationship between Democratization and Human Development

The post World War II period gave birth to a whole range of new research questions and themes in the field of comparative politics, political economy and development studies. A pioneering article by Lipset illuminated the nature of the debate on the comparison of many countries and the relationship between well-being and democracy. To summarize, he found that democracy is positively related to economic development[62] and concluded, in accordance with modernization theory, that the chances to sustain democracy are greater for developed countries, pointing to the fact

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[61] Stewart et al (2000:209).

[62] Lipset's study (1959:76-77, table II) introduces four indices (i) wealth, per capita income in US$, thousands of persons per doctor, persons per motor vehicle, telephones, radios, and newspaper copies per 1,000 people; (ii) industrialization, measured by the percentage of males employed in agriculture and the per capita consumption of energy; (iii) education, measured by the percentage of the population that is literate and enrolment in primary school, post-primary school and higher education per 1,000 persons, and (iv) urbanization is measured by the percentage of cities with populations over 20,000 and over 100,000, as well as percentage of population in metropolitan areas.

that the general income level of a nation will also affect its receptivity to democratic political tolerance norms. Moreover, Lipset suggested that education is the most important single factor (far more significant than income or occupation) for democracy, since "the better educated the population of a country, the better the chances for democracy".[63]

Lipset's hypothesis and discussion was quickly advanced by Robert Dahl, who argued that "there is unquestionably a significant association between socioeconomic level and "political development"...there can no longer be any doubt that competitive politics and socioeconomic development do tend to run together".[64] However, Dahl questioned the existence of "threshold" levels below or above which the chances for democracy do not change enough to matter, and that the relationship was not linear. He even called for the need to explore and explain deviant cases and argued that to demonstrate that a relationship exists tells us nothing about causes. In that line of inquiry, perhaps influenced by Lipset and Dahl, the work carried out by Przeworski and colleagues has made a relevant contribution to the debate; they explore the impact of economic development on the stability of democratic regimes and suggest that there is a strong relationship between economic development (measured as per capita income) and democracy (measured dichotomously) from 1950 to 1990.

The line of argument made here is that democracies are fragile in poor countries inasmuch as "democracies never die in wealthy countries".[65] For instance, when analyzing the impact of economic development on regime dynamics, Przeworski et al

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[63] Lipset (1959:78). However, Lipset used a minimalist and narrow definition of democracy and its development variables may not reflect today's development thinking or the HD approach.
[64] Dahl (1971:63-64).
[65] Przeworski, et al (2000:111).

argue that "transitions to democracy are less likely in poor countries and in rich ones, but they are more likely at the intermediate income levels".[66] Przeworski and colleagues introduced a threshold and established that when annual income per capita falls below the $2,000 threshold, democracies have a one-in-ten chances of collapsing within a year, between annual per capita incomes of $2,001 and $5,000 the ratio falls to one in sixteen and above $6,055 annual per capita income, democracies, once established, appear to last indefinitely.[67]

In this statistical study, comparing many countries across a long period (N=4,126), Przeworki et al recognized the definitional predicament in their methods and the limitations of comparing predictions with observations. Following the lead of previous literature, the factors considered in their analysis included the level of development as measured by per capita income; the political legacy of countries, summarized in two dummy variables; political history; religious structure; the ethno-linguistic and religious fractionalization; and the international political environment. They conclude that the level of economic development is "by far the best predictor of political regimes. Yet there are countries in which dictatorships persist when all the observable conditions indicate they should not; there are others in which democracies flourish in spite of all the odds".[68] As such, Przeworski argued that there are no specific blueprints, however it must be emphasized "that any quest for democracy and

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[66] Przeworski, et al (2000:92).

[67] Przeworski, et al (2000:106-117). This study further posits that the type of regime does not affect development and that there is a trade-off between democracy and development. Moreover, it does not suggest what lines of transmission or process tracing are at the disposal of political regimes to advance development. Yet, from a methodological standpoint, it also portrays as its primary concern the analysis of the impact of democracy on development, and more precisely of political regimes on material well-being. However, for simplicity, it uses a binary classification of democracy, which by definition cannot capture marginal variations in the quality of democracies.

[68] Przeworksi et al (2000:88).

prosperity necessarily involves alternatives, choices and decisions".[69] Democracies are not all the same, and are defined as "systems of representation, arrangements for the division and supervision of powers, manners of organization of interests, legal doctrines, and bundles of rights and obligations associated with citizenship differ significantly across regimes that are generally recognized as democratic".[70]

On the other hand, studies on the determinants of economic growth[71] found an inverted U shape in the relationship between economic growth (as a proxy for development) and democracy (using Freedom House's political rights index, which will be discussed later). Barro (1997) suggests that the overall relation between growth and democracy is far from perfect. Also, it proposes that countries with middle levels of democracy seem to avoid low growth rates but not to have especially high growth rates. Thus, the study posits that "there is only the suggestion of a nonlinear relation in which more democracy raises growth when political freedoms are weak but depresses growth when a moderate amount of freedom is already established".[72] Hence, Barro cannot conclude from this evidence that more or less democracy is a critical element for economic growth, but inspection of his cross-country data suggests that countries with low rates of economic growth typically do not sustain democracy.[73] For example, his study suggests that political freedoms established in most of the newly independent African states in the early 1960s tended not to last. On the contrary, non-democratic places that experienced substantial

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[69] Przeworski (1995:ix).
[70] Przeworski (1995:40).
[71] Barro (1997) and Barro and Sala-i-Martin (2004).
[72] Barro (1997:61).
[73] Barro (1997:119) indicates that "increases in political rights initially increase growth but tend to retard growth once a moderate level of democracy has been attained. Growth is also stimulated by greater starting levels of life expectancy and of male secondary and higher schooling, lower fertility rates, and improvements in terms of trade".

economic development tended to become democratic (i.e. Chile, South Korea, Taiwan, Spain and Portugal). Also, the countries of Central and Eastern Europe, which had been reasonably advanced economically for some time, especially in terms of education, eventually became more democratic.

The 2004 global survey by Freedom House (which is commonly misinterpreted and used as a proxy measure of democracy),[74] ranks 192 countries in three categories: free, partly-free and not free. Using this categorization, in 2004 forty-six percent of the world countries were free (88 countries), while fifty-four percent were not free (55 partly free and 49 not free countries). Thus, the Freedom House cross-sectional survey indicates that "liberty is not the exclusive province of prosperous and wealthy countries".[75] The survey argues that there are 38 free countries (proxy as democratic) with an annual gross national income per capita (GNPpc) of $3,500 dollars or less, and of these, 15 countries have a per capita income of less than $1,500. The survey suggests that while there is a group of low-income countries with significantly lower freedom rankings, there are a high number of poor and developing countries that manifest a strong record of respect for political rights and civil liberties. Accordingly, the survey hints that democracy is not a luxury enjoyed only by advanced industrialized nations, as the above time-series cross-country analyses seem to indicate.

Research on the relationship between democracy and development usually focuses on exploring the direction of the association linking the two processes. Refining the

[74] Freedom House's survey does not measure democracy directly. The survey measures the degree of freedom in a society. The rationale for using it as a proxy for democracy is that the freer a country is, the more democratic it is. Moreover, both scales of political rights and civil liberties together intend to capture the most encompassing of democracy's attributes: the collection of rights and liberties.
[75] Karatnycky (2004:5).

debate, some argue that instead of a trade-off between democracy and development,[76] the two can be both compatible and complementary. Their argument is straightforward: developing countries (as a whole) with "more representative and pluralistic political systems have typically developed significantly more rapidly, broadly, and consistently than those with closed systems".[77] Moreover, their data and coverage provide evidence that over the past 40 years, autocracies have been more likely to experience economic collapse than democracies. Also, approximately two thirds of developing country democracies have exceeded the growth medians for their regions over the past 20 years – thus pointing to a "democracy dividend".

These findings come as a result of using the Polity IV democracy index (see appendix), and several development measures, going beyond economic growth. Moreover, the authors find that "democracies have, on average [medians], out-performed autocracies on virtually every aspect of development considered".[78] Another distinguishing characteristic of democratic growth is its relative stability. The authors posit that "even among low-income countries, democracies have demonstrated less volatility in their growth rates than autocracies ... [and that] citizens of democracies live longer, healthier, and more productive lives, on average, than those in autocracies".[79]

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[76] Nearly four decades ago, Bhagwati (1966) wrote of a trade-off or "cruel dilemma" which seemed to govern the relationship between democracy and economic development in the early years of the post-war period. However, as the same Bhagwati ratified thirty years later, this view was based on pessimistic and despondent arguments, and the "new view is that one does not have to choose between doing good and doing well, or to put it in a nutshell, that democracy does not handicap development, and in the right circumstances can even promote it" (1995:50).

[77] Halperin, et al (2005:10-11).

[78] Halperin et al. (2005:30).

[79] Halperin et al. (2005:33-35).

The former implies that democracy matters for development, as the Costa Rican case reveals in the Central American region[80] (however, being a democracy is not a *sine-qua-non* condition to ensure rapid development progress as the East Asian authoritarian countries demonstrate). Thus, developing and strengthening a democratic system is a necessary element in the process of development. The significance of democracy lies, as suggested by Sen, in three distinct virtues: (1) its *intrinsic importance*, (2) its *instrumental contribution*, and (3) its *constructive role* in the creation of values and norms. The intrinsic importance of democracy is associated with basic capabilities (i.e. political and social participation); its instrumental role is related to the enhancing of the hearing that people get in expressing and supporting their demands (i.e. claims of economic needs); and the understanding of economic needs in a social context will reflect its constructive role.[81]

Conversely, current literature does not make explicit arguments about the transmission mechanisms that democracies have to cause improvements in development in general nor human development in particular. Indeed, arguments in favor of democracy focus on one form or another of allocative efficiency, since democracies appear to better allocate scarce resources for productive use. The arguments are based upon somewhat vague assumptions. For example, since democratic governments are accountable to electorates, they have an incentive to maximize outputs (in contrast with authoritarians, who are not accountable and may look to maximize only their own rents). This argument is relatively weak, as authoritarian governments also need to have the support of some sectors of society.

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[80] Chapters 3, 4 and 5 will deal with the Costa Rican "exceptionalism".
[81] Sen (1999b).

Thus in cases of "benevolent" dictatorships,[82] redistribution mechanisms may be put in place to alleviate the conditions of the poor, as in the case of Cuba,[83] where a large amount of public expenditure is spent on education and health issues.[84]

On the other hand, the argument is usually restricted to the holding of elections, and it is already known that democracy goes beyond elections,[85] which can be manipulated and divert attention to other institutional aspects or the collection of rights and liberties in a democracy. Indeed, elections can even be deeply misleading and defective if different parties do not have an adequate opportunity for news and fair comment. "[T]he electoral regime is a basic and fundamental element of democracy, but democracy involves more than the mere holding of elections".[86] This is a point to which I will return later on, especially in Chapter 3 on the Central American experience of elections.

Another assumption is that democracies better protect property rights, thus allowing a longer-term perspective to investors;[87] however Pinochet's case in Chile casts doubts on this approach. The argument is based on the assumption that in a democracy rules are clearer and transparent, and therefore investors can rely on a degree of certainty and stability when planning investments in the medium and long term. Liberal democracies thus have developed the institutional and legal means for achieving the rule of law and sovereignty. The institutional means include party political

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[82] The phrase "benevolent" dictatorship was coined by Przeworski et al (2000).
[83] In fact, Cuba holds systematic elections for the selection of members of the legislative in which a high voter turnout is registered. However, no political parties are involved in the elections as they are intended to convey the "popular will". Yet, as is known, this does not make Cuba a democracy.
[84] Foweraker et al (2003).
[85] Bertelsmann (2006), PNUD (2004) and IADB (2002).
[86] As UNDP (2004:33) has posited.
[87] Keefer (2004).

competition and electoral participation, while the legal means are mainly expressed through the panoply of rights, including property rights, political rights, civil rights and minority rights.[88] Nevertheless, democratic performance is not the same as the simple protection of property rights. The latter differs from government effectiveness, as the protection of rights and investments are common to all forms of government, whether democratic or not.

There is also an argument that the free flow of information in democracies improves the quality of economic decisions and the role of the press and opposition can even prevent economic calamities, such as famine.[89] Sen argues that no famine has occurred in a democratic or independent country, with a relatively free press and free flow of information.[90] In fact the recent cases of Ethiopia and Somalia, as well as those of other dictatorial regimes like the Soviet Union in the 1930s, China from 1958 to 1961, North Korea and Sudan, or the cases of Ireland and India under colonial regimes, may confirm this premise. A recent example is the situation in Niger (the poorest country in the world) in 2005.[91] Of the 12 million inhabitants, one third, almost 3.8 million people, were on the brink of dying of hunger (that is to say, almost the total population of democratic Costa Rica). The UN even predicted that one in ten children could die if they did not receive immediate assistance. This was a human tragedy among the worst disasters in Africa in the last 10 years, reaching more than 8 million people also in neighboring Mali, Mauritania and Burkina Faso. Commentators blamed the catastrophe on a drought, combined with a plague of locusts that ruined an already precarious harvest. Some analysts dared to blame a lack of international

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[88] Foweraker at al (2003).
[89] Sen (1999a) and (1999b).
[90] Banik (2002) doctoral dissertation tests Sen's argument and cast doubts on India's democratic capacity to avert famines.
[91] According to UNDP's HDR of 2005 and 2006, Niger ranked in the last position in the HDI.

cooperation. Interestingly, reference was seldom made to the internal political situation.

Although recently Niger has flirted with democracy, maintaining regular elections and civil governments for example, it is still a long way from being labeled a functioning democracy. In fact, three indicators of democracy (Freedom House, Polity IV and Polyarchy 2) rank Niger as a defective democracy, with a closed political system and limited press liberties. Although President Mamadou Tandja's victory in the general elections in December 2004 marked the first "democratic" re-election of a government in Niger's history, its democracy is deficient. Key indicators such as free and fair elections, and freedom of association are fairly well developed; freedom of the press is severely restricted and the judiciary and public administration do not function properly.[92] In fact, the 2004 report by Freedom House ranks Niger as a "partly-free" country. It received a downward qualification due to attacks against the opposition, the press, workers and human rights activists preceded by a riot and insubordination of the Armed Forces. Indeed, the Report posits that "the government of Niger continued to infringe on freedom of the press in 2003 with the detention of several journalists".[93]

Democratic theory, among other things, indicates that by means of the free flow of information, the quality of economic decisions can be improved. It also states that a free press and a vibrant opposition can even anticipate economic calamities; whereas public policies in non-democratic regimes are not open to criticism because of the absence of opposition groups in parliament, a free press and fair and transparent

[92] Bertelsmann (2005).
[93] Freedom House (2004).

multi-party elections. In fact, as Sen (1999a) argues, it is indeed the lack of opposition that allows that deeply defective policies to continue although they can mean the deaths of thousands of people.

Although natural disasters can cause famines, many countries with similar natural problems, or even worse, have managed them better, due to the opportune intervention of responsive governments to alleviate poverty. Famines are easy to prevent if there are serious efforts to do so, and a democratic government that faces elections and criticism on the part of opposition groups and the independent press, cannot do other than make serious efforts.[94] The positive role of civil liberties and political rights applies to the prevention of economic and social disasters in general. When things go right and everything is routinely good, this instrumental role of democracy may not be missed. It is when things go wrong that political incentives in democracies obtain value. That is to say, the protective powers of democracies happen inadvertently when a country does not face serious failures. In addition, Sen is cautious to affirm that democracies are better at fostering human development, arguing that "while we must acknowledge the importance of democratic institutions, they cannot be viewed as mechanical devices for development".[95] For Sen, it is up to the agency and capabilities of individuals to make use of the available opportunities of articulation and participation, and much depends on how freedoms are actually exercised.

1.4. Conclusions

[94] Sen (1999a).
[95] Sen (1999b:158).

It is now time to present a few concluding remarks to put the discussion in perspective and outline the dissertation's proposed contributions. This chapter has presented the theoretical framework that will guide the remaining chapters. It has been a difficult and complicated task; but a compulsory undertaking as everything that follows is based upon this framework and since democratization and HD are complex and multidimensional processes spanning a continuum. Neither is linear, their interaction is not deterministic but forms an "elective affinity" in which normatively each is drawn to the other.

Development is much more than monetary income – which in any case is a crude measure that fails to capture distributional issues and the extent to which citizens' basic needs are met. For the purpose of this dissertation, its definition includes Sen's "development as freedom" and the capabilities framework, as measured by UNDP's human development approach and supplementary indicators such as health, education and income. Human development is about people, about expanding their freedoms and choices to lead lives they value.[96] This dissertation argues that democracy is the most comprehensive political system able to allow individuals to exercise their freedoms and implement their capabilities.

This chapter therefore, has suggested that from a human development perspective, democracy and development are endogenous and affine processes. That is, while democracy is not necessary to bring about economic development, in the long run, democratic attributes contribute to the sustainability of development levels. The

[96] As pointed out by UNDP (2002).

chapter has also suggested that democracy and HD underline the same logic of inference related to the expansion of human freedoms.

It can also be concluded that a combination of research methods is an appropriate way forward – as opposed to relying on one data collection method in particular. Indeed, "much of the best social research can combine quantitative and qualitative data, precisely because there is no contradiction between the fundamental processes of inference involved in them".[97] Therefore, the following chapters will triangulate methods of research. The aim is to provide valid and tested answers aligned with the same structure and research questions in order to test the extent of the contribution of democracy to human development.[98]

Before proceeding to the next chapter a warning is needed. As explained in the introduction, the purpose of this dissertation is not to redefine or even refine the human development approach, but to explore the extent to which democratization contributes to improvements in human development and viceversa. It is important to recognize that the HD approach is clearly broader than the HDI instrument. This distinction is crucial for the purposes of this research, which includes a quantitative assessment that requires a proxy to compare a sample of countries across time. The HDI (even though it does not capture the complexity of the HD processes) is perhaps the most common measurement available for the large "N" analysis, but it needs to be compared with other forms of measurement. This is especially important in the discussion around the small "N" case studies, as a way to show the complexities and nuances at the national level. Due to the aggregation of the HDI, this research claims

[97] King et al (2004:183).
[98] As suggested in Warwick (1993), King et al (1994) and Brady and Collier (2004).

that there is a need to unbundle (or disaggregate) the HDI using other development measures. These include the three indicators in the index (education, health and income), as well as growth, economic development and poverty. This is done in order to substantiate the arguments made regarding the contribution of democracy towards human development. Therefore, recognizing these limitations, this research makes use of other scales and indicators and does not rely only on the aggregative HDI.

The CID, combining the most used democratization indicators, will be used (see appendix for an explanation of its construction). The rationale for combining democracy indices instead of relying on one in particular, is meant to control the different effects they may have on validating the hypotheses stated. However, this CID will not be the only explanatory variable for development; the aggregation will be useful also when including the democracy attributes components and exploring the extent of their contribution to HD. Hence, while constructing a composite index, the aggregation will also allow disaggregating and testing each attribute's contribution to human development independently.

To offer a fairly balanced methodology, including qualitative and quantitative methods, the research will be based on the assumption that democracy is rooted in a series of propositions. They are: (i) the factors that maintain democratic stability may not be the same that brought it into existence; (ii) not all causal links run from social and economic to political factors; (iii) not all causal links run from beliefs and attitudes to actions; (iv) the genesis of democracy is not uniform, there are many roads to democracy; and finally (v) empirical data in support of a generic theory must

cover a time period from just before until just after the advent of democracy.[99] As such, the quantitative section of this research will include as many countries as possible and cover the longest time period possible (ideally from 1970 to 2002). By itself, this triangulation is a contribution to existing literature on the relationship between democracy and development.

[99] These propositions were originally underlined by Rustow (1970).

Chapter 2

Democratization and the Human Development Sequence: A Revised Cross-Country Comparison

2.1. Introduction

If one conclusion is to be drawn from the preceding conceptual chapter, let it be that democratization and human development are intertwined and form some kind of "elective affinity". That is, democracy should be considered a capability - a *potentiality*. If we accept Sen's argument that at the individual level it is reasonable to extend the analysis to the societal level, then, paraphrasing Sen, democracy becomes an "opportunity freedom". The capability of a person is a "derived notion" that reflects and focuses on the ability of human beings to lead lives they have reason to value and to enhance the substantive choices they have.[100] Among the list of central human functional capabilities, two are particularly relevant for this reasoning: (i) *practical reason,* defined as being able to form a conception of the good and to engage in critical reflection about the planning of one's own life, and (ii) *control over one's* environment, in particular politically or being able to participate effectively in

[100] Sen (1989 and 1997).

political choices that governs one's life, having the right of political participation, protection of speech and association and so forth.[101]

At the societal level, democracy is a capability as it focuses and reflects on freedoms. The actual choosing of these freedoms among societal groups leads to different ways of living. Therefore, this chapter focuses the analysis in terms of *vicious*, *virtuous* and *lop-sided* processes of democratization and HD. The purpose of the chapter is to sharpen current understanding of the relationship between democratization and HD processes at the empirical and global levels. In doing so, this chapter will argue that there exists a strong connection between HD and democracy. On the one hand, democracy provides the political and social environment in which individuals can freely choose how to exercise their capabilities as well as permitting sustained improvements in HD by providing stability. On the other hand, improvements in the quality of life (education, health and income) are important contributors to democratic consolidation and stability.

Conceptually, this chapter relies on the theoretical framework laid out in Chapter 1 and the empirical models parallel Stewart and associates' on the sequencing priorities for HD and EG.[102] Stewart et al argue that when a choice is necessary, HD should be given priority over economic growth. Therefore, the exploration of the relationship between HD and democratization will revolve around this suggestion (see figure 2.1). If democratization is found to have an influence on HD, the former will also affect EG (sequence i). In the case that democracy is found not to influence HD, two sequencing

[101] Nussbaum (2000:78-80). Other central human functional capabilities identified by Nussbaum include: life; bodily health; bodily integrity; senses, imagination and thought; emotions; affiliation; other species; play and material control over one's environment.
[102] Stewart et al (2000).

options are possible: on the one hand democratization may still affect EG (sequence iii.a), or conversely, EG will have stronger influences on democratization but not HD (sequence iii.b). If democratization and HD are found to have equivalence, both will influence EG (sequence ii).

Figure 2.1. Possible Sequencing Options for Policy Reform

Starting point: HD >EG and therefore HD → EG (from Stewart et al [2000])

i.	Dem > HD *then*	Dem > EG *and*	Dem → HD → EG
ii.	Dem = HD *then*	Dem > EG *and*	Dem → HD → EG *or* HD → Dem → EG
iii.	Dem < HD *then*	*a)* Dem > EG *and* *b)* Dem < EG *and*	HD → Dem → EG *or* HD → EG → Dem

Dem = Democratization, HD = HD, EG = EG
Source: Author's own elaboration for illustrative purposes.

To explore these possible sequencing options for policy reform, this chapter is structured in two sections. The first section aims to set the record straight on the cross-country empirical evidence concerning the association between democratization and human development in the last three decades. Secondly, the chapter deepens the discussion with a typology of country cases, some representing the mutual enhancement of HD and democratization and some demonstrating asymmetric performance. This section will investigate the movement of countries from one category to another between 1975 and 2002, related also to the theoretical arguments and the experience of movements from Costa Rica and El Salvador (see discussion in chapters five and six respectively). The conclusions will reflect on possible implications for macro-public policy and sequencing priority for policy reforms as identified in figure 2.1.

2.2. Democracy and Human Development: A Comparative Survey

Following Lipset's (1959) pioneering article the relationship between democracy and development has generated what may be the largest body of research in comparative politics. Indeed, "it is generally accepted that there is a relationship between economic development and democracy which can be demonstrated by quantitative empirical evidence".[103] However, it is important to consider that the literature on the relationship between democracy and development has mainly focused on the conditions for the functioning of democracy, with a heavy emphasis on per capita income or EG as proxies for development. The results of these tests have enhanced rather than resolved debates in development studies, as findings have been contradictory (while some note weak negative relations, others find strongly positive or even no association). Indeed, it has been suggested that using the same models of democratization and the same country-years, with different measures of democracy generates different results.[104]

This dissertation's argument begins with the basic premise that HD is the central objective of human activity[105] and treats democracy as *potentially* a very important instrument for advancing it. Conceptually, both democracy and HD have the same logic of inference: the expansion of capabilities and the exercise of liberties. Indeed, from the HD perspective, the relationship may be seen as endogenous, as individuals can only fully exercise their capabilities in a democratic environment. Democracy's three merits identified by Sen, related to its intrinsic importance, its instrumental

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[103] Foweraker and Landman (2004:1).
[104] See discussion on Chapter 1 and Casper and Tufis (2003).
[105] As argued by Stewart et al (2000).

contribution and its constructive role, are intertwined with the three main attributes of democracy. Yet, as the experience of Central America suggests (see Chapter 3) the merits of democracy can also have subdued effects upon development processes if democracy is left adrift and its processes do not rest upon the provision of balanced opportunities for human beings. The installation of a formally democratic national regime (a transition "in the narrow sense") does not solve all development ailments and democratic institutions may not be seen as mechanical devises for development.[106] But such a transition opens up the opportunity for broader socio-economic processes of democratization that make it possible to achieve or look after the functionings that individuals have reason to value. Democracy at least enables an environment in which individuals have the opportunity to implement their capabilities and exercise their freedoms in order to expand their human potential.

Thus, in what follows, the association between democracy and human development will be assessed using simple two-by-two tables that will provide illustrations of bivariate relationships. Traditionally, scholars have used a broad range of methods (quantitative and qualitative) when trying to prove whether there is a relationship between development and democracy. However, quantitative analyses have dominated the discussion. For simplicity and measurement standards these studies have used similar indicators of development and democracy. The former normally measured as per capita income (and we have argued that development goes much further beyond that), while the latter has mostly been treated as a dichotomous variable (we have argued that democracy is a long-term process with different levels and stages). The quantitative exercises have used statistical and econometric

[106] Sen (1999a, b).

techniques. These studies[107] have provided contradictory explanations for the relationship and suggest four broad possible directions:

(1) development is conducive to democracy ("development first" and modernization theory approaches),
(2) non-democratic regimes are better at bringing economic development (Lee hypothesis),
(3) democracy is needed in order to sustain development (Sen);
(4) there is no relationship between economic development and democracy.

While some statistical investigations note a weakly negative relation, others find a strongly positive one. Of these four possible explanations, the data from 1972 to 2002 suggest the third is the most plausible and this dissertation builds upon it. Democracy is needed in order not just to bring about development, but more comprehensively to sustain and maintain development levels.

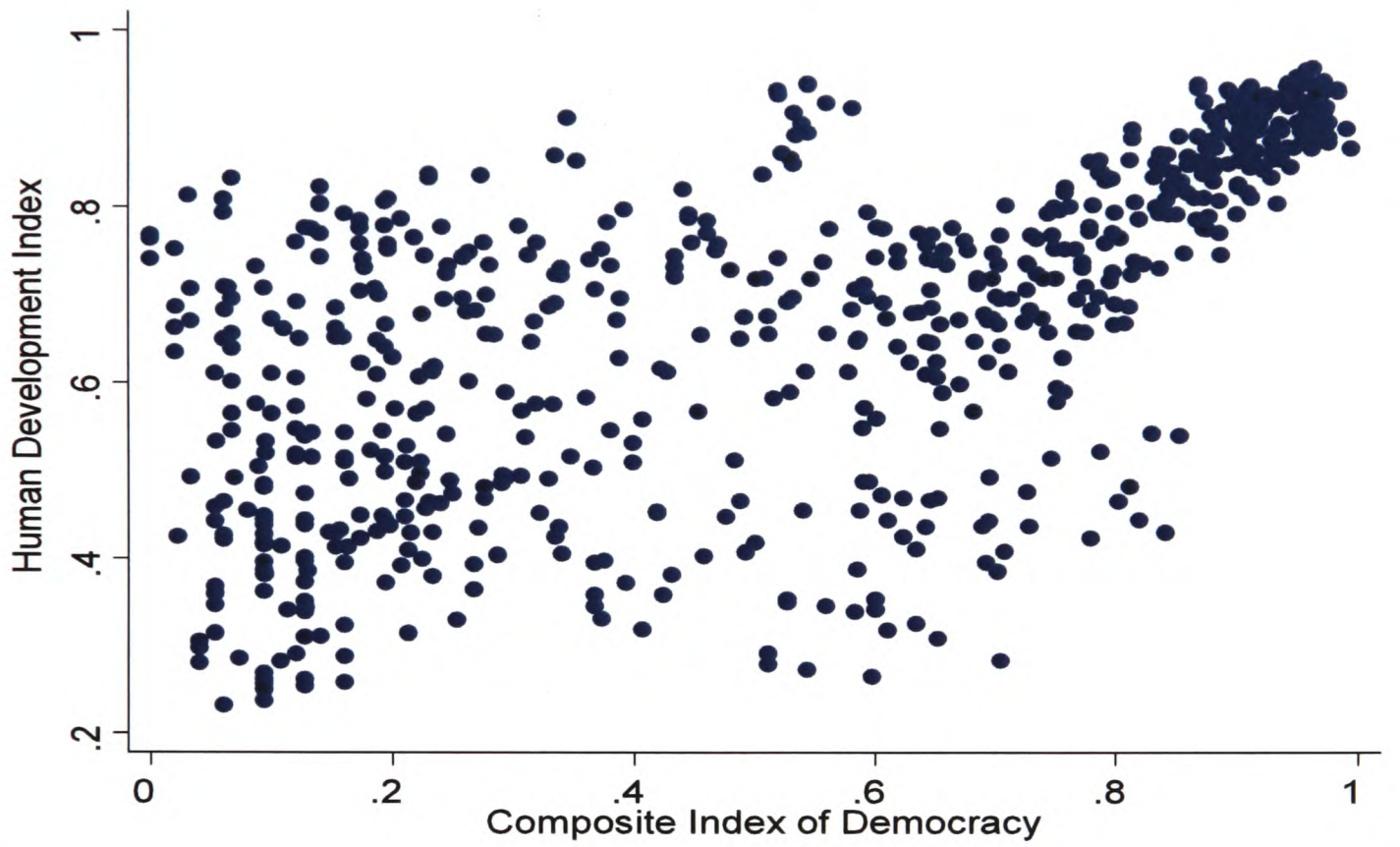
In addition, as Sen has pointed out, the question also involves a fundamental issue of methods of research. That is, it is not enough only to look at statistical connections, it is also necessary to examine and to scrutinize the causal processes that are involved in human development, and how democratization can contribute to it. Yet a recurrent problem of the existing empirical research is the use of narrow measurements of both processes (mostly income per capita for development and a dichotomous variable to measure democracy). Therefore, there is a tangible need to explore composite and aggregative approaches that can be unbundled at the same time.

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[107] Including for example: Lipset (1959), Barro (1997), Przeworski et al, (2000), Drazen (2000), Boix (2002), and Barro and Sala-i-Martin (2004).

Democratic principles fall naturally and inescapably on the HD perspective. When citizens can exercise their civil rights and political liberties (attribute 1 of the Composite Index of Democracy, CID) theoretically, a country should have higher levels of human development as individuals have more opportunities to lead the lives they value. Expanding their real freedoms (or capabilities) should lead to better living conditions. In addition, when societies openly and transparently establish and enforce the rules of the game; when individuals are assured that the institutions and procedures through which they can express effective preferences about alternative policies and leaders are respected; when there are institutionalized constraints on the exercise of power by the executive (attribute 2 of CID); and when the guarantee of civil liberties for all citizens in their daily lives and in acts of political participation is enacted (attribute 3 of CID), it is also expected that societies may achieve higher human development scores. Yet, a close look at the statistical association between human development and democracy (see graph 2.1) may seem to suggest there is a weak established pattern for the past 30 years, with the group of high industrialized countries grouped in the north-east quadrant of the graph.

Graph 2.1. Human Development and Democracy 1975-2002

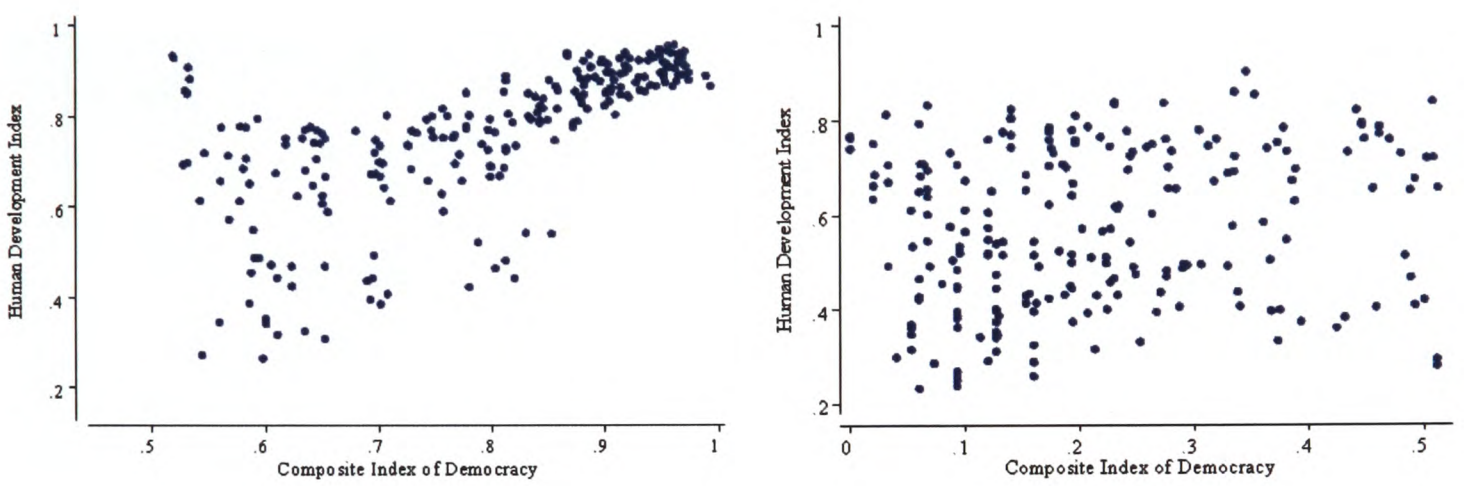


Source: UNDP for HDI (see appendix B) and own calculations for CID (see appendix A).

However a closer examination of the association using the threshold values assigned to the CID to classify political regimes as democracies and non-democracies (see Appendix) suggests that in the case of countries obtaining scores of 0.517 or higher in the indicator (considered as democracies), there is a tendency to obtain higher human development scores with higher democracy scores at the upper right of the scatter (see graph 2.2a). While for the cases of countries with scores of 0.516 or less in the CID (non-democracies), no pattern at all is shown (see graph 2.2b). Non-democratic countries can however achieve moderate and high levels of human development. Although there seems to be no direct links between democratization and HD, the higher the democracy scores, the greater the chances of obtaining higher HD scores as well.

Graph 2.2. HD and Democracy by Democracy scores, 1975-2002

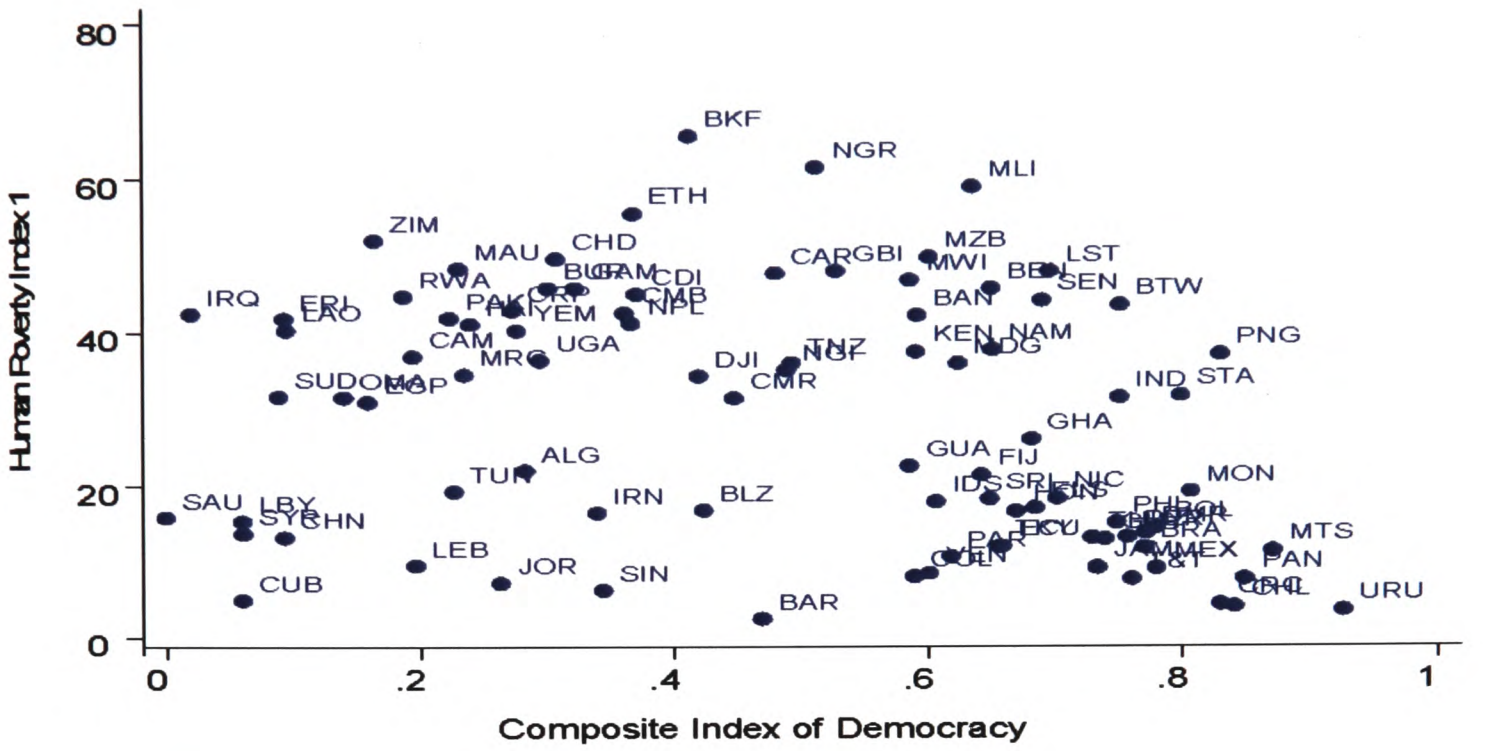
2.2a. Democracies **2.2b. Non-Democracies**



Source: UNDP for HDI and own calculations for CID (see appendix A).

A similar pattern is suggested with a cross-sectional examination of the association between democracy and the human poverty index for developing countries. The scatter plot of all developing countries suggests an inverted U-shape association if the Middle East and oil producing countries are excluded. Countries with the lowest democracy scores like Cuba, Jordan, China, Syria and Libya, have similar levels of human poverty as countries with the highest CID scores such as Costa Rica, Chile, Uruguay and Panama. Yet, countries ranked in the middle of the CID (or with low democracy classification) such as Mali, Nigeria and Malawi, show the worst deprivations in terms of human poverty.

Graph 2.3. Human Poverty and Democracy, 2002



Source: UNDP for HPI-1 and own calculations for CID (see appendix).

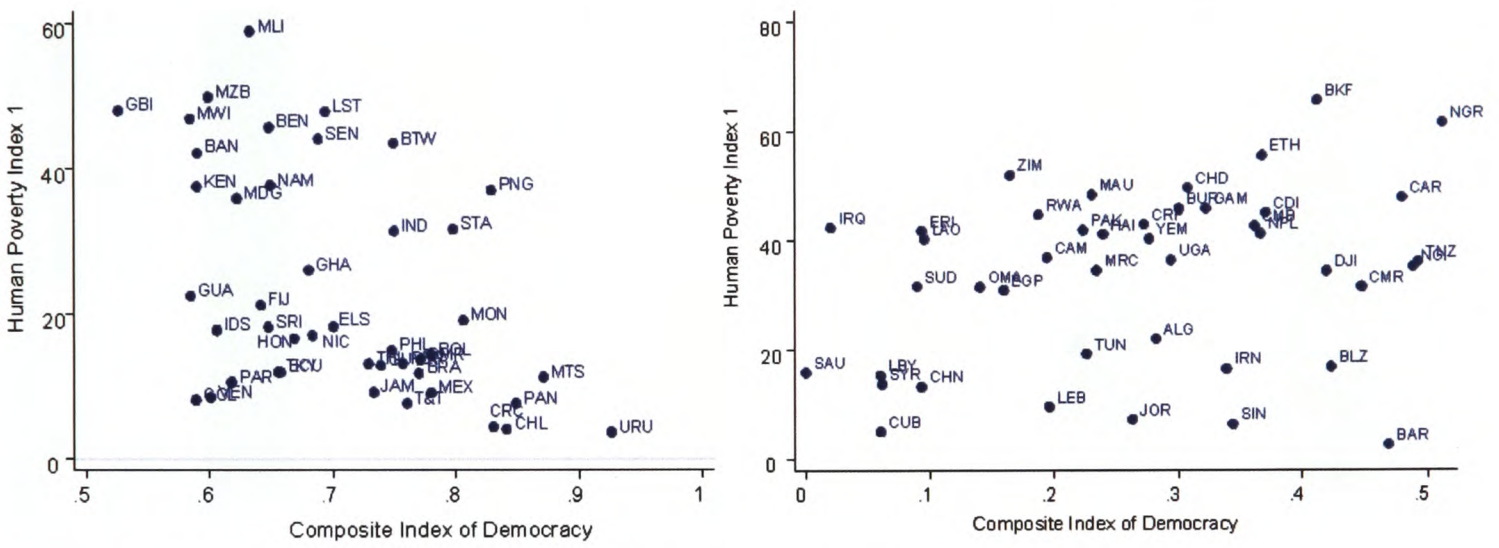
Yet again, when splitting the countries according to the threshold values assigned to the CID, the non-democratic regimes are much more disperse than democratic regimes (see graphs 2.4a and 2.4b). These findings suggest a more linear negative relationship between democratic-scoring countries with human poverty, than non-democratic ones. It also suggests that, excluding outliers like Singapore and Iran from the democratic regimes, the more democratic the countries are, the less human poverty their citizens will experience. The case of Singapore here seems to confirm the Lee hypothesis (named after Lee Kuan-Yew, Singapore's leader and former president) that non-democratic regimes are better at bringing about economic development and reducing poverty and that when a certain developmental level has been reached, the probabilities for a transition to democracy increase exponentially.[108] However, this hypothesis is sustainable only in the very few and well-known cases of East Asia, and not in Africa or the Latin American region (with the exception of

[108] Przeworksi et al (2000).

Cuba, which, even though it has reduced poverty, lacks economic growth). Therefore, it is necessary to look at the majority of countries and not only at the few exceptional outliers.

Graph 2.4. Human Poverty and Democracy by Democracy scores, 1975-2002

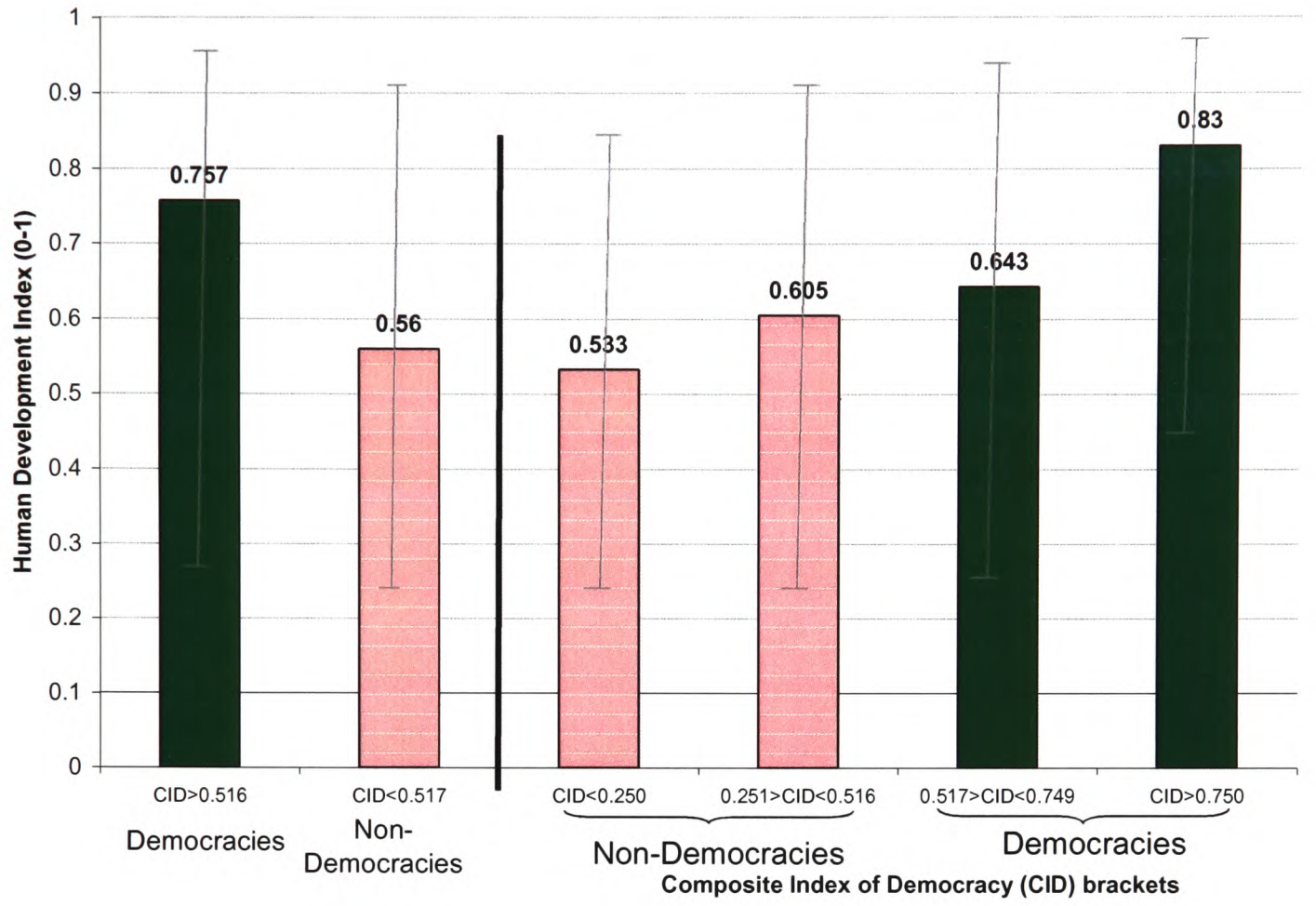
2.4a. Democracies **2.4b. Non-Democracies**



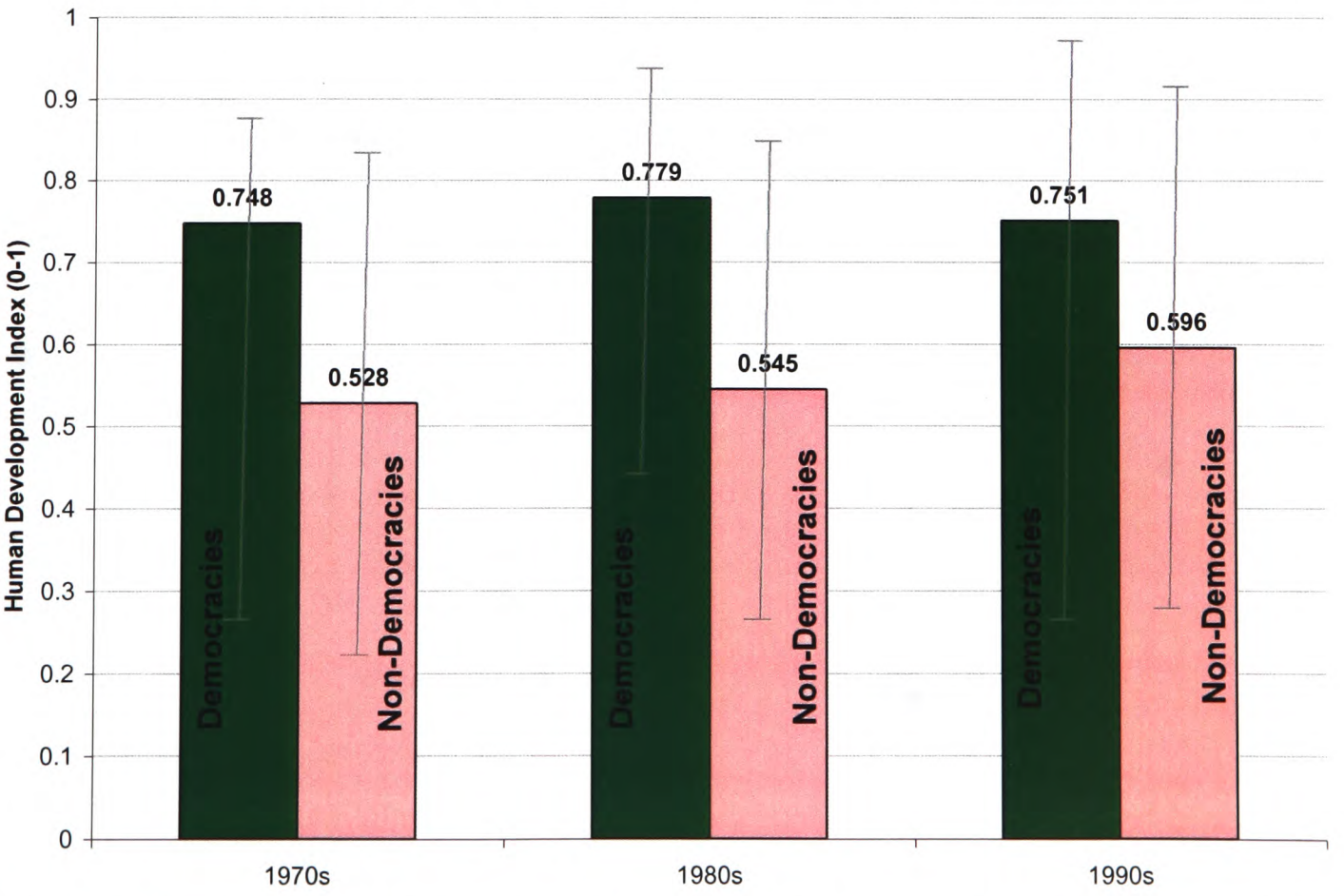
Source: UNDP for HPI-1 and own calculations for CID (see appendix).

So far, this chapter has dealt with general descriptions of democracy and its attributes and the human development approach. Taking the discussion one step further regarding the associations between democracy and HD, the data suggests that democratic regimes, on average, outperform non-democracies in terms of human development and its individual variables (education, health and income). Dividing the CID into democracies and non-democracies, in all development indicators (human development, education, health and income) democratic-scoring countries outperform non-democratic ones between 1972 and 2002. This suggests that democracies are better at promoting and causing advances in human development. Thus, setting the record straight, democracies have outperformed non-democracies in every aspect of human development considered. When a full sample of countries is considered, democracies have achieved consistently higher levels of human development than non-democracies in the past three decades (see graphs 2.5 and 2.6).

Graph 2.5. Mean Levels of Human Development Index (1975-2002)



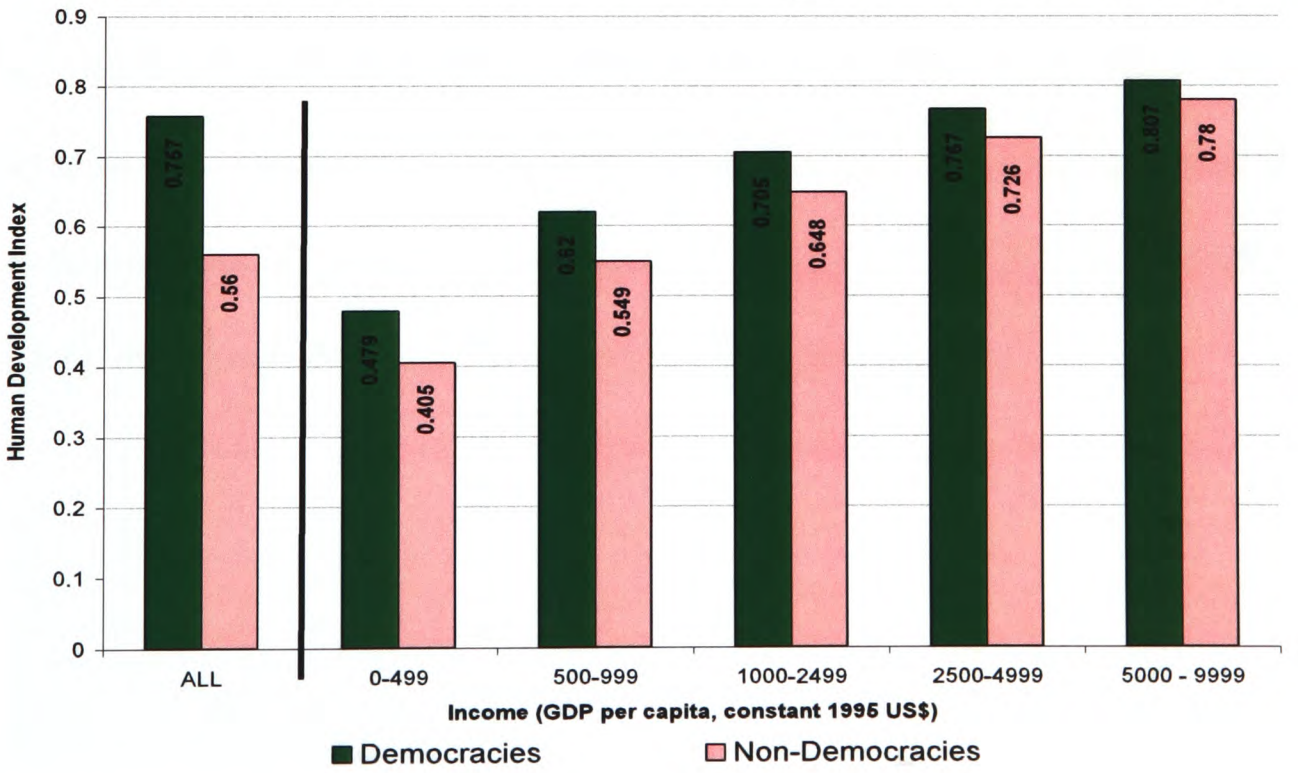
Graph 2.6. Mean Levels of Human Development by Decade



Note: The thin gray vertical lines represent an approximation of the variation in the sample, with the highest and lowest scores. *Source: UNDP for HDI and see appendix A for CID.*

The relationship becomes even stronger at higher levels of democracy, where countries tend to achieve higher levels of human development.[109] This translates to almost a 50% advantage in human development levels (0.757 versus 0.560 in the human development index). This difference in itself is not startling considering that the figures include countries at different levels of income per capita, since it has "long been recognized by all sides that most prosperous states in the world are well-established democracies".[110] The real debate therefore, is whether middle and low income democracies are capable of sustaining higher human development levels than non-democracies. Reducing the sample to middle and low income countries, graph 2.7 shows little discernible difference with the overall trends in graphs 2.5 and 2.6. The average human development levels are higher for democracies than for non-democracies for each income group considered.

Graph 2.7. Mean Levels of Human Development Index (1975-2002)



Source: UNDP for HDI and see appendix A for CID.

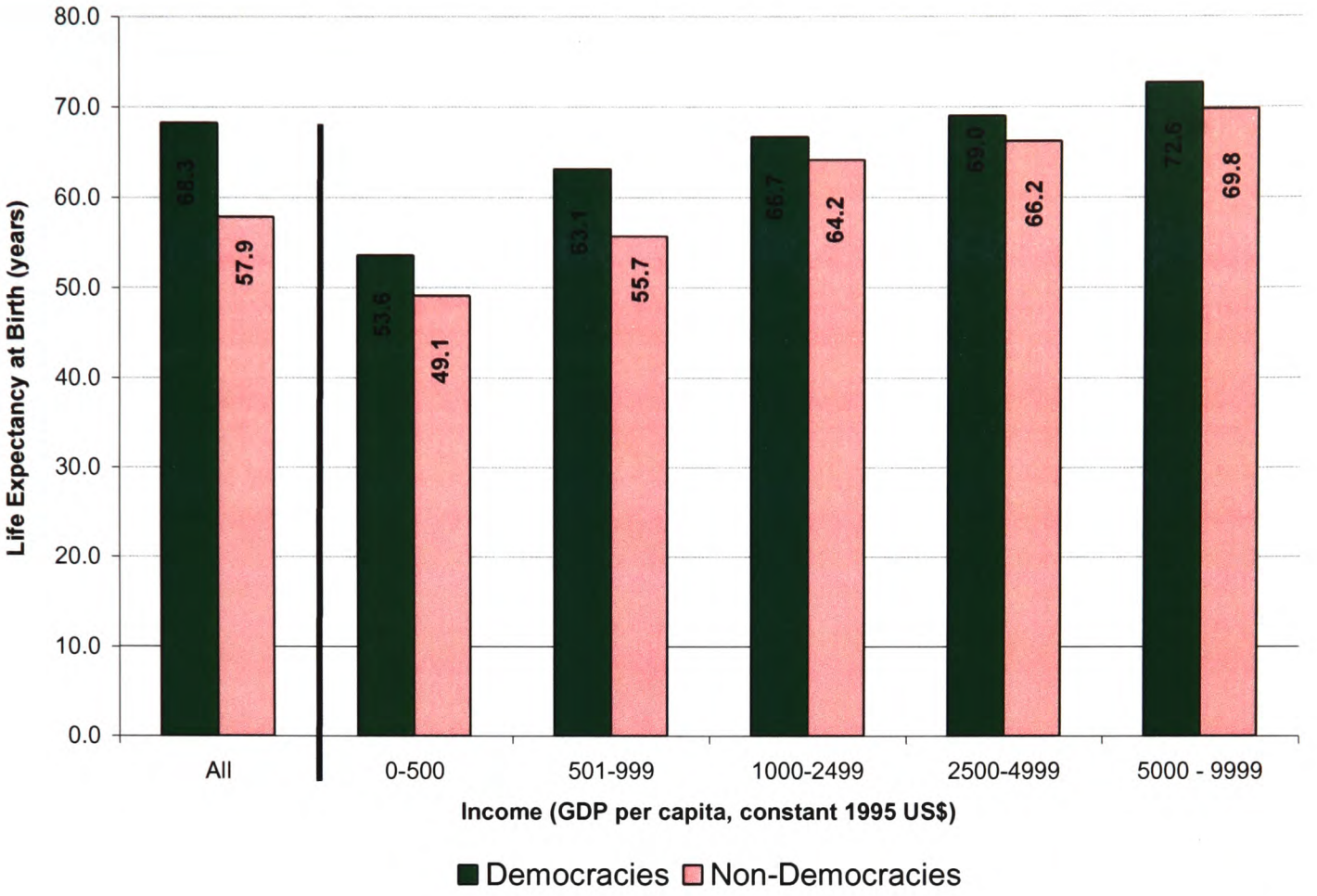
[109] Graph 2.6 suggests a reduction in human development levels in democracies during the 1990s with respect to the 1980s. However, it is due to the fact that countries in low human development levels have trespassed the threshold democracy score during the 1990s. This has reduced the mean HDI for democracies, while increased it for non-democracies.

[110] Halperin et al (2005:30).

Although economic growth is perhaps the most commonly cited way to compare one country's development with another's, it is in many ways a reductionist approach and an inadequate indicator of socio-economic progress. Therefore, this dissertation uses a more holistic approach with the human development index. Yet, it must be recognized that on average human development indicators tend to fall and rise with income.[111] Some countries have an HDI score far below their income levels, while others invert this relationship. For example "Bahrain has an average income almost twice the level of Chile but, despite recent progress, lower HDI rank because it underperforms on education and illiteracy".[112] Also, the HDI is a less effective measure of cross-country performance the higher the country's scoring, since near universal literacy and education enrolment, allied to upper limits of health (life expectancy), tend to equalize scores among countries. Keeping this in mind, the following graphs show that in the middle to low tier of the HDI rankings citizens living in democratic countries live longer, healthier and more productive lives on average, than those in non-democracies. On average, citizens in democracies live ten more years than individuals in non-democracies. Although the gap closes in middle and low income countries (see graph 2.8), on average democracies are healthier places to live in.

[111] See for example UNDP (2006:263-265).
[112] UNDP (2006:264).

Graph 2.8. Mean Health Levels (1972-2002)



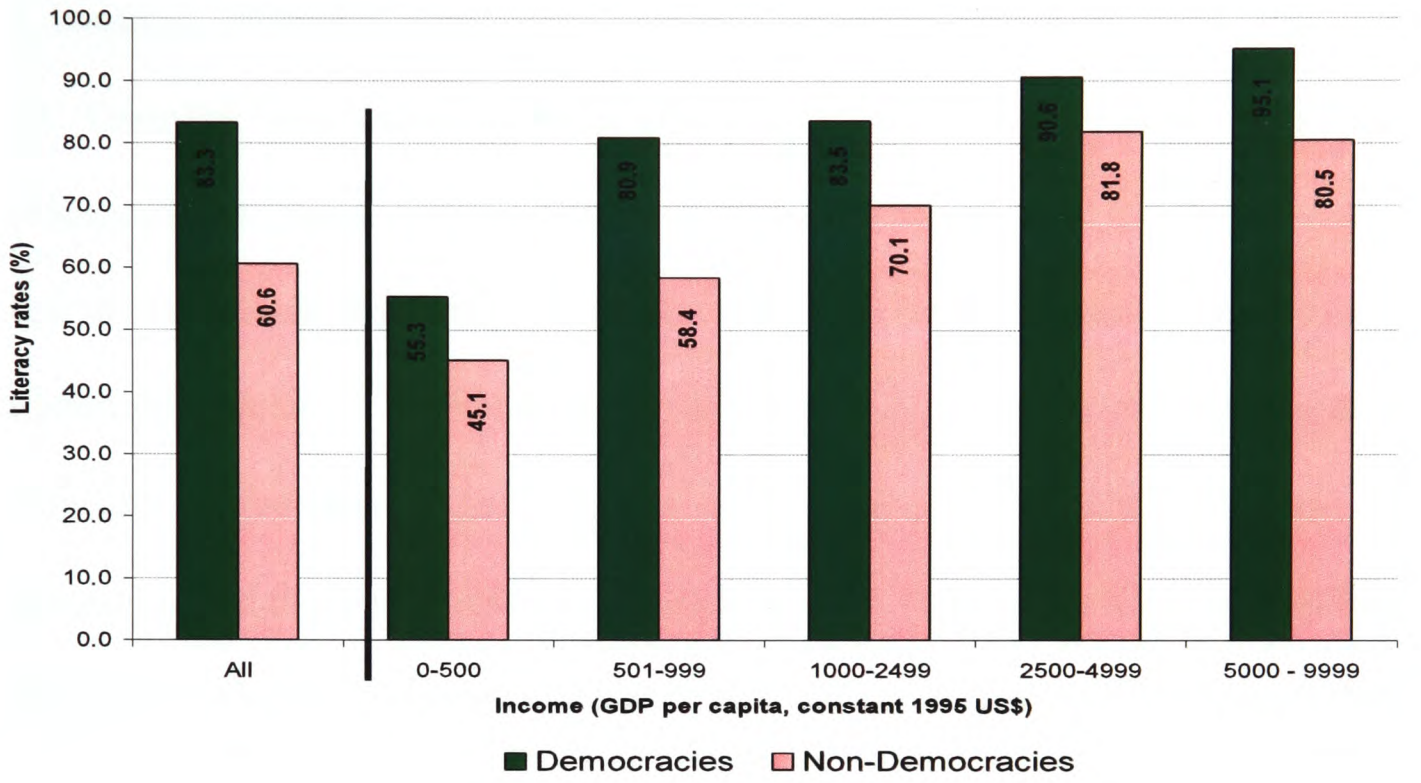
Source: World Development Indicators (November 2004) for life expectancy rates and see appendix A for CID.

Education is the other human development component and graph 2.9 also shows that democracies are more congenial places to learn. On average, at each income category considered, citizens in democratic countries achieved higher education levels as measured by literacy rates. Considering all countries, democracies on average had a literacy rate of 83.3%, compared to 60.6% from non-democracies. This is not surprising, since "considering secondary school enrollment .... low income democracies have typically realized enrolment levels nearly double to those of autocracies".[113] These findings seem to confirm Lipset's suggestion of more than fifty years ago, that education is far more important than income or occupation, since the better educated the population of a country, the better the chances for

[113] Halperin et al (2005:36-37).

democracy.[114] As such, it is expected that the higher one's education, the more likely one is to believe in democratic values and support democratic practices.

Graph 2.9. Mean Education Levels (1972-2002)



Source: World Development Indicators (November 2004) for literacy rates and see appendix for CID.

Fortunately, the analysis of the relationship between democracy and development does not consist exclusively of quantitative methods of research. In fact, scholars have stressed the need to analyze the relationship from a more holistic and qualitative-discursive standpoint. It has been suggested that it would be useful to supplement standard social science procedures of objectification, including the elaboration of decontextualized quantitative indicators, and more historical and contextual (narrative or configurative) methods of judgment and interpretation.[115] A group of comparative scholars has tried to pursue a more qualitative macro-historical analysis to explain the factors of the relationship which seem to happen in a "black box". These

[114] See Lipset (1959:78-79).
[115] Whitehead (2002).

comparisons, due to the advanced fieldwork, the historical interpretation required and other difficulties, are made comparing a few countries (small N analysis), rather than global studies.[116]

For instance, in an influential and pioneering four-country comparison (England, USA, Germany and Russia), democracy was defined as "a system in which the problems of government are resolved on the basis of an appeal to the preferences of autonomous individuals, through periodic use of a majority voting mechanism open to the adult population".[117] In this study, the author concentrates on historical sequences and factors unique to the individual cases while drawing larger inferences about the more general relationship between development and democracy. This methodology allows de Schweinitz to conclude that the rise of the democratic political community has been associated with industrialization and economic growth; however, these must be seen as "necessary but not sufficient" conditions for the emergence of democracy. A growing number of comparative scholars have tried to pursue similar qualitative macro-historical analyses to explain the factors of the relationship and the preconditions for the functioning of democracy.

Moreover, a survey of the literature on democratization offers a number of general propositions about factors facilitating or obstructing development. The most notable include the fact that there are few preconditions for the emergence of democracy; no single factor is sufficient or necessary for the emergence of democracy; the emergence of democracy in a country is the result of a combination of causes; the

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[116] Landman (2000) summarized a sample of such studies, both comparing a few countries, including Rueschemeyer et al (1992); de Schweinitz (1964); Moore (1966), Mahoney (2001a); as well as single-country studies, including, but not limited to Putnam (1993), Waisman (1989), Holm (1996), Kaviraj (1996), and Moon and Kim (1996).

[117] De Schweinitz (1964:14-15).

causes responsible for the emergence of democracy are not the same as those promoting its consolidation; the combination of causes promoting democratic transition and consolidation vary from country to country, and the combination of causes generally responsible for one wave of democratization differs from those responsible for other waves.[118]

Another recent four-country comparison (Great Britain, Argentina, Singapore and South Africa) developed a framework for analyzing the creation and consolidation of democracy.[119] The authors argue that different social groups prefer different political institutions because of the way resources and political power are allocated. As such, democracy is preferred by the majority of citizens but opposed by the elites. Non-democracy, however, is not stable when citizens can threaten social disorder and revolution. Thus, by democratizing, elites transfer political power to the citizens, aiming to ensure social stability. Therefore, democracy consolidates when elites do not have a strong incentive to overthrow it, which is dependent, among other things, on the strength of civil society; the structure of political institutions; the nature of political and economic crises and the way they are solved; the level of human development and the structure of the economy.

2.3. Virtuous, Vicious and Lop-Sided Interactions between Democratization and Human Development

The elective affinity approach of this thesis considers democratization – HD processes compatible and over the long run interdependent. Another way to empirically

[118] See Shin (1994:151).
[119] Acemoglu and Robinson (2006).

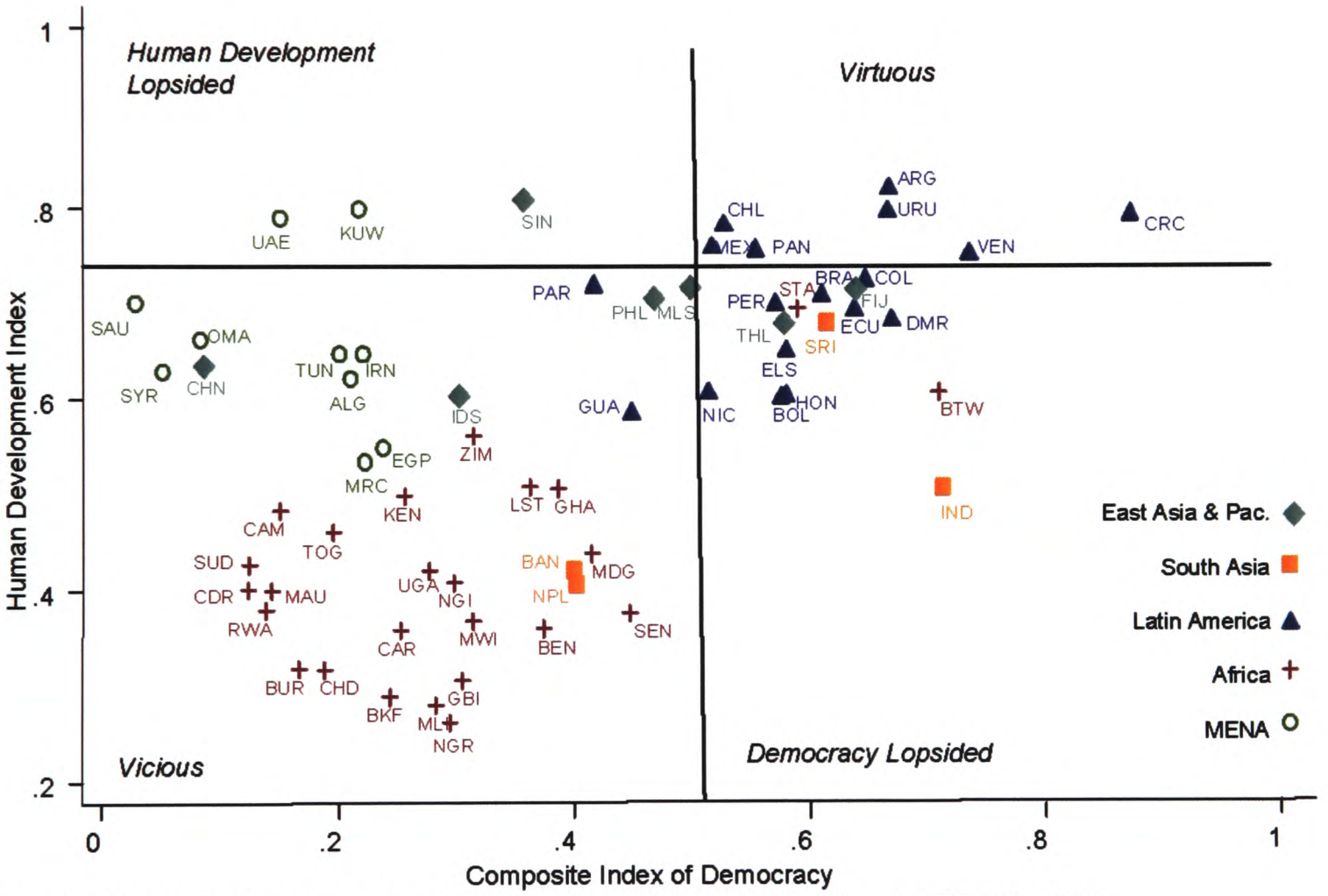
demonstrate the linkages is by way of introducing a framework of development patterns. Countries can be on a cumulative reinforcing upward spiral, with high levels of democracy leading to higher levels of HD and high HD in turn further promoting democratization processes. Conversely, weak HD results in low democracy levels and consequently poor progress towards democratization. Country performance can therefore be classified into four categories: *virtuous*, *vicious* and two types of lop-sidedness, i.e. lopsided with strong democracy/weak HD (*democracy-lopsided*); and lopsided with strong HD/weak democracy (*HD-lopsided*). In the virtuous circle democracy enhances HD, which in turn promotes democratization; in the vicious circle, poor performance on HD tends to lead to poor advances in democratization which in turn depresses HD achievements, and so on. Where linkages are weak, cases of lop-sided development may occur. On the one hand, HD may not bring about democratization (as in the case of Cuba for example); on the other hand, democratization may not generate advances in HD as it currently persists in most Central American countries.

Visually, this can be classified comparing countries performance on HD and democracy using the threshold values of 0.750 for high HD levels,[120] and the minimum threshold for the democracy score (0.517). Graph 2.10 shows this classification for 1975 to 2002 for all developing countries for which data is available. The vertical and horizontal axes represent the average performance for the period. OECD countries are not included as they were all predominantly in the virtuous category during the period under study. Dividing the graph in quadrants, countries positioned in the NE quadrant are in a virtuous circle, while those in the SW quadrant

[120] UNDP's classification suggests a threshold value of 0.8 to be considered in the high HD category.

are in a vicious circle. Countries that score above the democracy but below the HD thresholds are democracy-lopsided (SE quadrant). Finally, countries that have higher HD levels and low democratization scores are HD-lopsided (NW quadrant).

Graph 2.10. Developing Countries. Classification of Democracy and HD Performance (1975-2002)



Source: Own calculations based on CID (see Chapter 2, Appendix A) and UNDP for HDI.

As can be seen in graph 2.10, strong regional patterns emerge. African countries are heavily represented in the vicious quadrant (with the exception of Botswana and South Africa in the democracy lopsided quadrant). Middle Eastern and North African countries are predominantly in the western quadrants, with UAE and Kuwait in the HD lopsided quadrant. South Asian countries are distributed among the southern quadrants. Bangladesh and Nepal are in the vicious quadrant and India and Sri Lanka

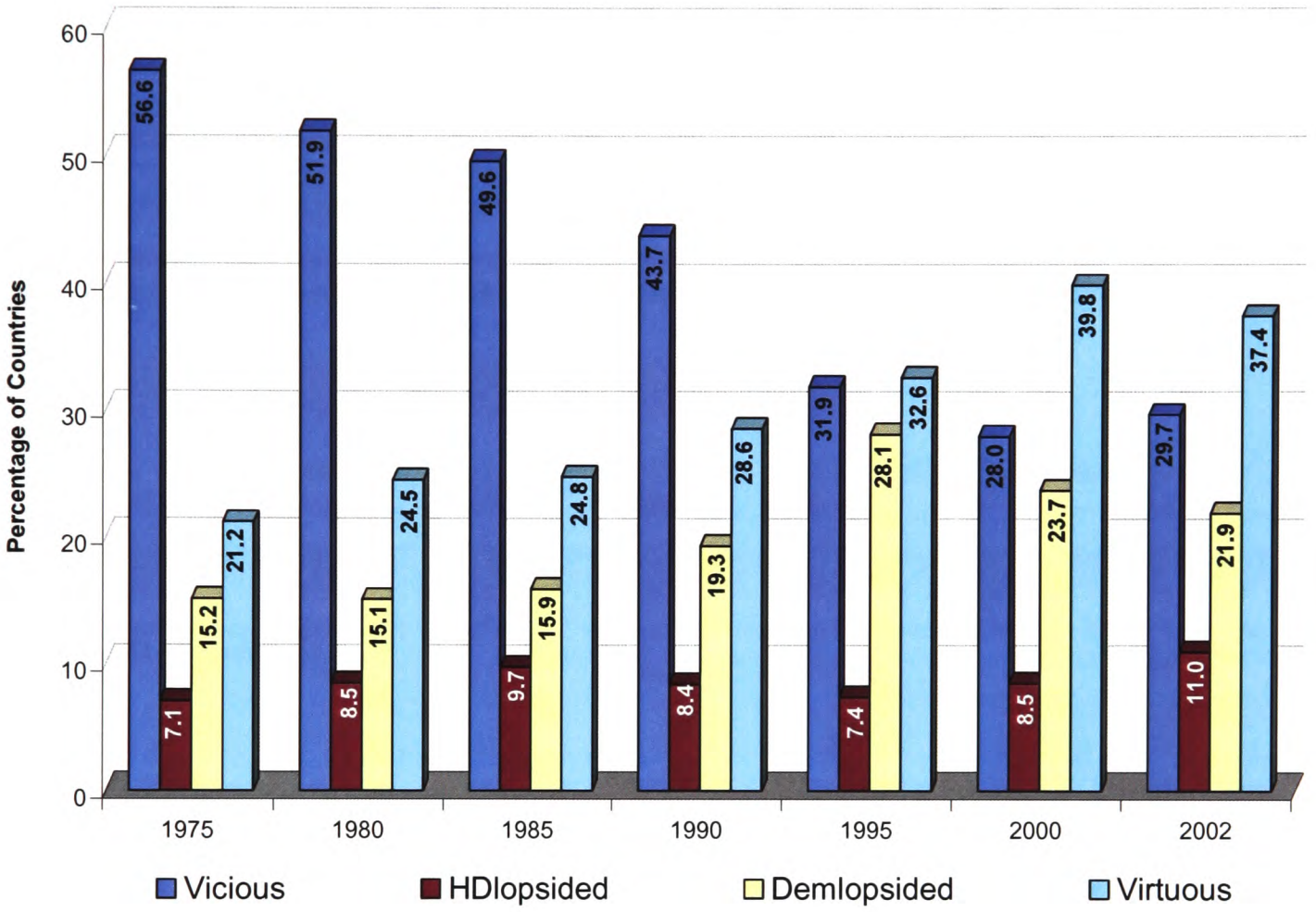
are in the democracy lopsided quadrant. East Asian and the Pacific countries are in three quadrants: Singapore is in the HD lopsided quadrant; China, Indonesia, Philippines and Malaysia are in the vicious quadrant, and Fiji and Thailand are in the democracy lopsided quadrant.

One of the striking features of this display is that only Latin American countries are in the virtuous quadrant and none are in the HD lopsided quadrant. Latin American countries' average position is in the middle of the quadrants; two countries' average performance is in the vicious quadrant (Guatemala and Paraguay); nine are in the democracy lopsided quadrant and seven are in the virtuous quadrant. This suggests that even non-democratic regimes have been established in the region during the period of study. The transition towards democracy, together with political instability has meant a positive movement towards improvements in living conditions for Latin American citizens. The two countries studied later in greater detail in this dissertation are located in the virtuous quadrant (Costa Rica) and in the democracy lopsided quadrant (El Salvador)

Graph 2.11 depicts the movement of countries from one quadrant to another, suggesting a strong pattern. The graph shows a systematic reduction of countries in the vicious circle category, from 56.6% in 1975 to fewer than 30% in 2000. The beneficiary of this reduction is the virtuous category. In 1975 only 21.2% of developing countries were in this quadrant, yet by 2000 nearly two out of five countries were in the virtuous quadrant. The lopsided quadrants have been more stable, with fewer countries moving into or out of the quadrant.

Graph 2.11. Variation in Classification of Countries

Performance over Time (1975-2002)



Source: Author's own elaboration.

However, the important issue for policy analysis is to investigate how countries move over time and how they move from one category to another and ideally, towards inclusion in the virtuous circle category. Much can be learnt about this by looking at table 2.1 and figure 2.2 which explores the movements of countries over the past three decades. Taking the movements of countries during the period under study, it is interesting to note at the global level that country movements are mostly East to West or West to East. That is, countries move from the vicious and HD lopsided quadrants to the virtuous and democracy lopsided quadrants or vice versa. Vertical movements

seem to be one way (South to North; that is from vicious to HD lopsided or from democracy lopsided to the virtuous quadrant), with the exception of Belize that moved forth and back from vicious to HD lopsided due to reductions in HD levels. No country has moved between all four quadrants. Only three countries have remained in the democracy lopsided circle quadrant throughout (Botswana, India and Sri Lanka). Out of the 17 countries that have remained in the vicious circle category throughout, 16 are from Africa (ten from Sub Sahara, six from North Africa) and one from East Asia (China). HD-lopsidedness is a temporary condition in all cases except for Kuwait that remained in the NW quadrant throughout, and UAE, Singapore and Barbados, which have stayed in that category since 1980. Only one country has crossed quadrants diagonally (Peru), from vicious to virtuous, but exceptionally close to the HDI threshold.

Table 2.1 tracks movements in a sample of 87 developing countries.[121] As expected the movements along the CID axis are more elastic than the movements along the HDI grid. Therefore, there has been a concentration of movement along the democracy lopsided quadrant. Indeed, of the actual 79 movements between quadrants, nearly 50% were from the vicious circle to the democracy lopsidedness (37 movements). Thirteen were the reverse, from the democracy lopsidedness to the vicious circle quadrant, and 11 moved from the SE quadrant to the virtuous circle quadrant. On the other hand, of the movements to and from the HD lopsidedness seven went from the vicious circle quadrant, two countries moved to the vicious quadrant and eight moved into the virtuous category (four from Eastern European

[121] The reduction of the sample was intentional and systematic. OECD countries were excluded as they are all in the virtuous circle quadrant. Also, in order to have a comparative consistency, countries with more than two missing observations were excluded, with the exception of the newly independent EECA countries for which data is only available after 1990.

countries and four from Latin American countries). And more importantly, only one country (Argentina) moved out of the virtuous circle quadrant. This suggests that countries once positioned in the NE quadrant tend to stay there indefinitely in a virtual spiral relationship.

At the regional level, even though African countries have also experienced reduced HD levels, they have not moved out of the vicious category due to their low levels of HD. No African country has moved into any of the Northern quadrants (HD lopsided or virtuous circle). Out of the 25 countries sampled in Sub Sahara Africa, only Botswana remained in the democracy lopsided circle throughout. Ten Sub Saharan Africa countries in the vicious circle category in 1975 remained in that category throughout. Three countries (Ghana, Nigeria, Zimbabwe) moved from the vicious circle quadrant to the democracy lopsided quadrant from 1975 to 1980, but all three returned to the vicious circle quadrant in 1985. Three countries (Ghana, Nigeria, Zimbabwe) moved from the vicious circle quadrant to the democracy lopsided quadrant between 1990 and 1995, but two (Niger and Lesotho) returned to the vicious circle quadrant in 1985, and the Central African Republic (CAR) had a CID score of .579 in 2000 but .479 in 2002 (within the margin of error). Ghana and Senegal moved into the democracy lopsided circle in 2000.

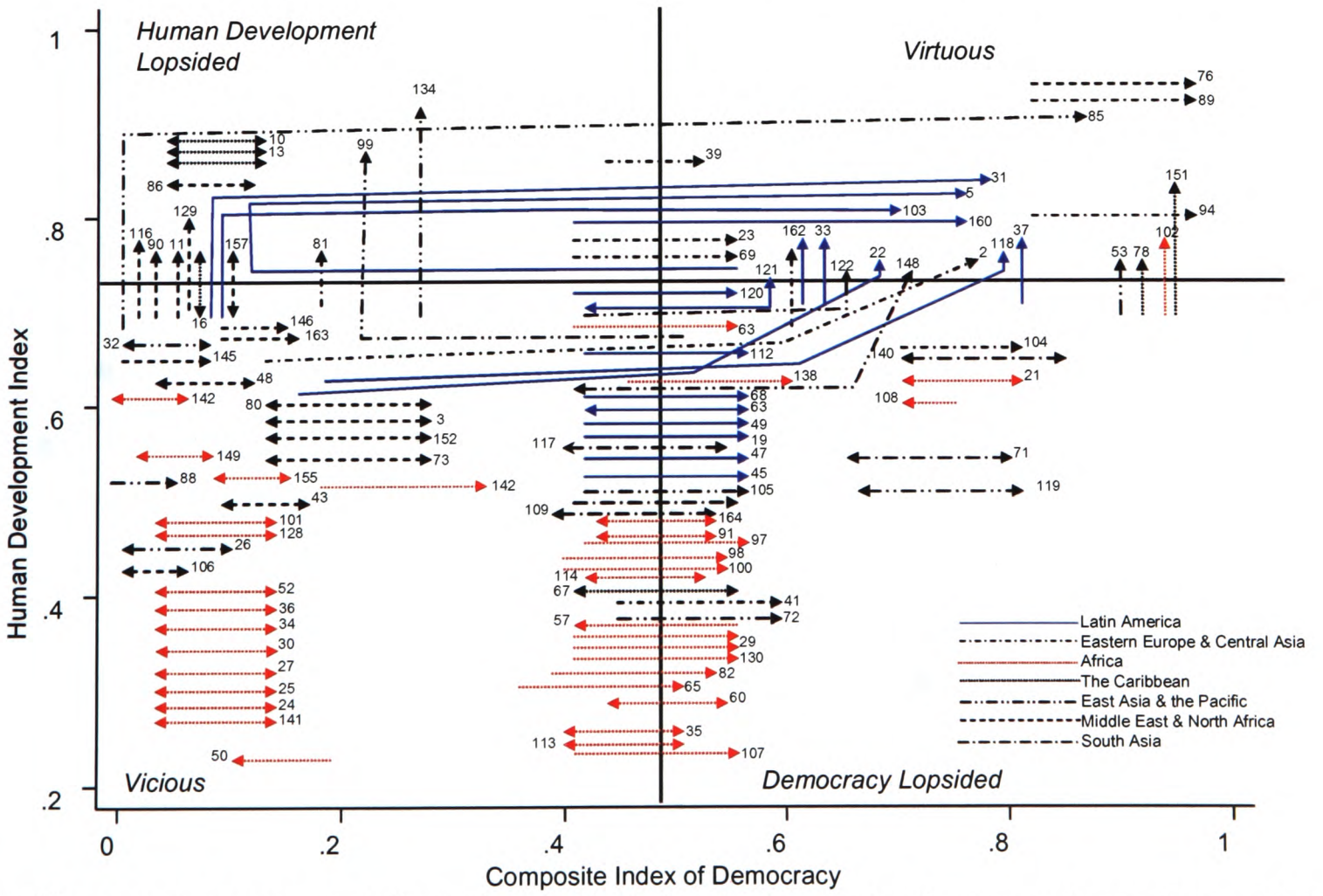
Table 2.1. Virtuous, Vicious and Lop-Sided Performance (1975-2002)

		1975	1980	1985	1990	1995	2000	2002
Latin America								
5	Argentina	Virtuous	HDlopsided	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous
19	Bolivia	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
22	Brazil	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided	Virtuous	Virtuous
31	Chile	Vicious	Vicious	HDlopsided	Virtuous	Virtuous	Virtuous	Virtuous
33	Colombia	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Virtuous	Virtuous	Virtuous
37	Costa Rica	Demlopsided	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous
45	Dom. Rep.	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
47	Ecuador	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided	-	Demlopsided
49	El Salvador	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
63	Guatemala	Vicious	Vicious	Vicious	Demlopsided**	Vicious	Demlopsided	Demlopsided
68	Honduras	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
103	Mexico	Vicious	Vicious	HDlopsided	HDlopsided	Virtuous	Virtuous	Virtuous
112	Nicaragua	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided	Demlopsided
118	Panama	Vicious	Vicious	Vicious	Demlopsided	Virtuous	Virtuous	Virtuous
120	Paraguay	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
121	Peru	Vicious	Demlopsided	Demlopsided	Demlopsided	Vicious	-	Virtuous***
160	Uruguay	HDlopsided	HDlopsided	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous
162	Venezuela	Demlopsided	Demlopsided	Demlopsided	Virtuous	Virtuous	Virtuous	Virtuous
Eastern Europe and Central Asia								
2	Albania	-	-	Vicious	Vicious	Demlopsided	Demlopised	Virtuous
6	Armenia	-	-	-	-	Demlopsided	-	Virtuous
9	Azerbaijan	-	-	-	-	-	-	Vicious
14	Belarus	-	-	-	-	HDlopsided	HDlopsided	HDlopsided
23	Bulgaria	-	HDlopsided	HDlopsided	Virtuous	Virtuous	Virtuous	Virtuous
39	Croatia	-	-	-	-	HDlopsided	Virtuous	Virtuous
41	Czech Rep.	-	-	Vicious	Vicious	Vicious	Demlopsided	-
51	Estonia	-	-	-	-	Virtuous	Virtuous	Virtuous
81	Kazakhstan	-	-	-	-	Vicious	Vicious	HDlopsided
89	Latvia	-	-	-	-	Virtuous	Virtuous	Virtuous
94	Lithuania	-	-	-	-	Virtuous	Virtuous	Virtuous
104	Moldova	-	-	-	-	Demlopsided	Demlopsided	Demlopsided
126	Romania	-	-	-	HDlopsided	Virtuous	Virtuous	Virtuous
127	Russia	-	-	-	HDlopsided	Virtuous	-	Virtuous
136	Slovenia	-	-	-	-	Virtuous	Virtuous	Virtuous
146	Tajikistan	-	-	-	-	Vicious	Vicious	Vicious
156	Ukraine	-	-	-	-	Virtuous	Virtuous	Virtuous
Africa								
17	Benin	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
21	Botswana	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
24	Burkina Faso	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
25	Burundi	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
27	Cameroon	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
29	C.A.Rep.	Vicious	Vicious	Vicious	Vicious	Demlopsided	-	Vicious *
30	Chad	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
36	Congo	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
52	Ethiopia	-	-	Vicious	Vicious	Vicious	Vicious	Vicious
60	Ghana	Vicious	Demlopsided	Vicious	Vicious	Vicious	Demlopsided	Demlopsided
65	Guinea-Biss.	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
82	Kenya	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Demlopsided
91	Lesotho	Vicious	Vicious	Vicious	Vicious	Demlopsided	Vicious	Demlopsided
97	Madagascar	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
98	Malawi	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
100	Mali	Vicious	Vicious	Vicious	Vicious	Demlopsided	-	Demlopsided
101	Mauritania	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
113	Niger	Vicious	Vicious	Vicious	Vicious	Demlopsided	Vicious	Vicious
114	Nigeria	Vicious	Demlopsided	Vicious	Vicious	Vicious	-	Vicious
128	Rwanda	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
130	Senegal	Vicious	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided
138	South Africa	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
141	Sudan	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
149	Togo	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
164	Zimbabwe	Vicious	Demlopsided	Vicious	Vicious	Vicious	Vicious	Vicious
The Caribbean								
13	Barbados	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided
66	Guyana	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
78	Jamaica	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Virtuous	Virtuous
151	Trin. & Tob.	Demlopsided	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous

		1975	1980	1985	1990	1995	2000	2002
East Asia and the Pacific								
32	China	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
53	Fiji	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Virtuous	Virtuous
72	Indonesia	Vicious	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided
85	Korea, South	Vicious	Vicious	HDlopsided	Virtuous	Virtuous	Virtuous	Virtuous
99	Malaysia	Demlopsided	Demlopsided	Demlopsided	Vicious	HDlopsided	HDlopsided	HDlopsided
122	Philippines	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	-	Virtuous+
134	Singapore	Vicious	HDlopsided	HDlopsided	HDlopsided	HDlopsided	-	HDlopsided
148	Thailand	Demlopsided	Vicious	Vicious	Demlopsided	Demlopsided	-	Virtuous
Middle East and North Africa								
3	Algeria	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
48	Egypt	Vicious	Vicious	Vicious	Vicious	Vicious	-	Vicious
73	Iran	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
86	Kuwait	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided	HDlopsided
106	Morocco	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
116	Oman	Vicious	Vicious	Vicious	Vicious	HDlopsided	HDlopsided	HDlopsided
117	Pakistan	Demlopsided	Vicious	Vicious	Demlopsided	Demlopsided	-	Vicious
129	Saudi Arabia	Vicious	Vicious	Vicious	Vicious	Vicious	HDlopsided	HDlopsided
145	Syria	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
152	Tunisia	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious	Vicious
157	U.A.E.	Vicious	HDlopsided	HDlopsided	HDlopsided	HDlopsided	-	HDlopsided
South Asia								
12	Bangladesh	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Demlopsided
71	India	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided
109	Nepal	Vicious	Vicious	Vicious	Vicious	Demlopsided	Demlopsided	Vicious
140	Sri Lanka	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided	Demlopsided

** CAR had a CID score of .579 in 2000 but .479 in 2002 (within margin of error).*
*** GUA had a CID score of .515 in 1990 (within margin of error).*
**** PER had a HDI score of .752 in 2002, very close to the value threshold of .750.*
+ PHL had a HDI score of .753 in 2002, very close to the value threshold of .750.
Source: Author's own elaboration for illustrative purposes.

Figure 2.1. Countries HD - Democracy Quadrant Changes Over Time (1975-2002)



Note: The country movements indicate the quadrants in which countries have moved over time, and do not necessarily indicate their actual location relative to the axe
Source: Author's own elaboration for illustrative purposes.

Latin America experienced movement in four quadrants. This is the region with the most changes as no Latin America country remained in the same quadrant throughout. One country (Argentina) began in the virtuous circle category in 1975, but returned to the HD lopsided quadrant in 1980, when democracy collapsed and the military took power. Of the 13 countries that began in the vicious category in 1975, only three (Dominican Republic, Ecuador and Peru) moved to the democracy lopsided category in 1980. Argentina and Uruguay have never been in a Southern quadrant. Costa Rica[122] moved from the democracy lopsided quadrant in 1975 to the virtuous quadrant in 1980 and remained there, along with Argentina and Uruguay. Colombia followed Costa Rica, joining the virtuous quadrant in 1995. El Salvador stayed in the vicious circle quadrant between 1975 and 1980, moving to the democracy lopsided quadrant in 1985, one year after the 1984 presidential election and amidst its civil war.[123] Of the ten countries in the vicious quadrant in 1980, two (Chile and Mexico) moved North to the HD lopsided category. Chile moved to the virtuous quadrant in 1985, with Mexico joining in 1995. Four remained in that category (Guatemala, Nicaragua, Panama and Paraguay). The last country to move out of the vicious quadrant was Paraguay which moved to the democracy lopsided quadrant in 1995. Peru reverted from the democracy lopsided quadrant in 1990 to the vicious quadrant in 1995, but bounced back in 2002 as the only country in the world that moved from vicious to virtuous, although, it had an HDI score of .752 in 2002, very close to the threshold value of .750.

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[122] Chapter 5 provides a detailed account of Costa Rica's movement/transition from democracy lopsided to virtuous quadrants.

[123] Consequently, Chapter 6 provides a detailed account of El Salvador's movement/transition from vicious to democracy lopsided quadrants.

East Asian and the Pacific countries also experienced movements in the four quadrants. In 1975 five out of eight countries were in the vicious quadrant. The remaining three (Fiji, Malaysia and Thailand) were in the democracy lopsided quadrant. Thailand moved to the vicious quadrant as early as 1980 before, in 1990, returning to the democracy lopsided quadrant. Fiji remained in the SE quadrant until 2000 when it moved to the virtuous quadrant. Only China remained in the same category (vicious circle) throughout. South Korea leaped from the vicious circle in 1985 to the virtuous circle in 1990, after a brief outing in the HD lopsided quadrant.

South Asian countries moved along the Southern quadrants only. The four South Asian countries sampled have never moved into the HD lopsided or virtuous circle categories. India and Sri Lanka have remained in the democracy lopsided pattern throughout. Bangladesh and Nepal stationed in the vicious circle from 1975 to 1990 moved into the democracy lopsided quadrant in 1995. The exception was Nepal, which returned to the vicious circle quadrant in 2002.

Middle Eastern and North African countries have moved between three quadrants, but none have yet entered the virtuous quadrant. Six out of ten countries remain in the vicious circle category. Kuwait is the only country in the world to have remained in the HD lopsided circle throughout, followed by the UAE which moved from the vicious quadrant in 1975 to the HD lopsided quadrant in 1980. Pakistan flirted with democracy in 1975, 1990 and 1995, but reverted to the vicious quadrant in 1980-1985 and 2002. Oman and Saudi Arabia moved from the vicious circle to the HD lopsided pattern, the former as early as 1995 while the latter in 2000.

Although there is not enough information and data available to cover the three decades of this study, data suggests that Eastern European and Central Asian countries tend to remain in the same quadrant. Bulgaria, with the longest data availability, shows a transition from the HD lopsided quadrant in 1980 and 1985 to the virtuous quadrant after 1990. Albania and Czech Republic moved from a vicious circle to democracy lopsided pattern. The former made the transition in 1995, and the latter in 2000.

The analysis shows that it has been extremely unusual to move to the virtuous circle directly via the vicious pattern, and countries have deviated to either one of the lopsidedness circles. The exploration of country movements suggests that only three countries have moved from the vicious circle quadrant to the HD lopsidedness quadrant to later move into the virtuous quadrant (South Korea, Chile and Mexico), as opposed to six countries that moved from the vicious quadrant, to the democracy lopsidedness quadrant and the virtuous quadrant (Panama, Albania, Thailand, Brazil, Philippines and Peru). Four countries moved from HD lopsidedness to the virtuous quadrant (Croatia, Bulgaria, Hungary, Uruguay), but three made the transition from the advantage point of Eastern Europe and currently two are members of the European Union and the third has the status of candidate country. Surprisingly, the majority of countries in the virtuous quadrant moved there from the democracy lopsided quadrant: in addition to the six mentioned earlier are Trinidad and Tobago, Mauritius, Jamaica, Fiji, Costa Rica, Colombia and Venezuela.

The democratic gains of the past three decades should not be taken for granted. As the exploration of country movements suggests, new democracies are constantly at risk at

lower levels of HD. Movements from democracy lopsided back to the vicious circle are not seen. It is the democratic practice over time that guaranteed the sustainability of HD.

2.4. Conclusions

The empirical findings of this chapter have macro policy implications for sequencing priorities. The evidence suggests the existence of iterative processes between improvements in HD and expansion of opportunities via democratic means. Moreover, by investigating the relative importance of various partial links connecting HD and democracy, this chapter has identified the direction policy might take to strengthen such links and move countries towards a virtuous circle of development. The exploration of country movements showed countries can move into the virtuous circle either from the HD or the democracy-lopsided categories. However, of the 22 country movements into the vicious circle category 14 were made from the democracy-lopsided pattern, and eight from the HD-lopsided circle. Of these eight horizontal movements, one had previously been in the virtuous circle.

The analysis has shown that the relationship between democracy and HD runs in both directions, consistent with this thesis's suggestion that both processes are compatible and complementary and also supportive of the "elective affinities" stance. This gives rise to virtuous or vicious circles, with good or bad performance on HD and democracy reinforcing each other cumulatively. In this sense, one important conclusion concerns the desirable phasing of macro policy reforms. It has been argued

that "economic and social policy has tended to focus priority on getting the economic fundamentals "right" as a necessary precondition for EG, while arguing that HD improvement must await such EG".[124] Stewart and colleagues did not deny the importance of economic reforms, but found the emphasis must be on HD from the beginning of any reform period, and that EG will not be sustained unless preceded by HD improvements. In a sentence, they found that HD should be given sequencing priority over EG where a choice is necessary.

This chapter, as with the rest of this dissertation, conveys a suggestion on the linkages between democracy and HD. Over the long run, democracy as a political system persists in influencing HD levels positively and more strongly than HD influences democracy. This chapter consequently found that democratization has precedence over HD. Therefore, logically it follows that if democratization has precedence over HD and HD should be given priority over EG, democracy should be given sequencing priority over EG as well (sequence *i* from figure 2.1). The chief lesson may well be that democracy and HD may be considered twin pillars on which to build prosperity and sustainability.

This chapter has investigated the linkages between democratization and HD using a large data set. Now it is time to reduce the sample size to explore these linkages with a small but heterogeneous region (Central America) and then move to a pair comparison. The upcoming discussions on Central American trajectories aim to highlight divergent paths and shed light on the argument that democracy on its own is not enough to generate sustained advances in human development. However, it is a

[124] Stewart et al (2000:213).

necessary condition for HD[125]. As will be demonstrated later in this thesis, in Costa Rica political elites agreed to expand freedoms that were grasped by the polity earlier than El Salvador. This had a fairly direct impact on the well-being of the population, and an indirect influence on economic outcomes and social changes, as the country's development model matured. In El Salvador political elites opted for repression over democracy, with brief interludes or patchy attempts to expand freedoms that could not be positively grasped by the polity. The restriction of freedoms made dormant the development model until the re-start of the democratization process in the early 1990s. As will be seen in the next few chapters Costa Rica is an example of a transition from a democracy-lopsided pattern of development to a virtuous one; while El Salvador moved from the vicious circle to the democracy-lopsided pattern of development.

[125] Caveat: Singapore is a notable exception. Yet in Singapore important freedoms are still restrictive to its population.

Chapter 3

Central American Trajectories:
Tracing Democratization and Human Development Processes

3.1. Introduction

This thesis is about understanding the elective affinity of democratization and human development, and in doing so, it performs a comparative analysis of the cases of El Salvador and Costa Rica. Both countries are analyzed in the chapters to follow. A necessary first step is to understand the context in which these two countries developed, including the influence of their neighbors of Guatemala, Honduras and Nicaragua. This is important, as only three decades ago Central America was a region in despair. Civil wars raged, economic crises erupted, poverty increased, and non-democratic regimes were the norm (with the exception of Costa Rica).

The proposition to be advanced in this chapter is that Central American countries are moving towards a democracy-lopsided pattern of development. That is, together with advances in democratization trajectories, human development trajectories are making gains. This chapter scrutinizes a series of key issues regarding Central America's development (human, economic and political) processes in the last thirty years, as an *entree* to the case studies of Costa Rica and El Salvador that follow. Such an evaluation has become urgent, since after peace was established in the late 1980s

social science research has neglected Central America as a focus region despite its distinctive features and potential for productive comparison with the rest of Latin America and other developing countries. The method applied in this chapter consists of a review of a sample of studies and writings on the evolution of democracy and development strategies and indicators in Central America. The approach will be comparative, identifying the political and economic asymmetries of these countries, which in the last three decades have shown substantial differences among their democratization and development indicators.

The chapter is structured in three sections. The first section evaluates the trajectories of democracy's contribution towards human development in Central America from 1972 to the present. This section details the mutation of democracy and its attributes using the CID developed in Chapter 1, and presents its value in contrast to existing alternative measures. The evaluation includes the unpacking of democracy attributes in order to portray the individual evolution of each attribute in this small geographical region. The second section will then be in a position to assess development performance since the 1970s with the purpose of demonstrating the social and economic advances during democratization processes at various levels.

There exists a connection between democratization and HD. As such, the third section shifts the focus of the analysis to bring together the political and developmental aspects. This section explores their empirical connections using a typology of country cases, some representing the mutual enhancement and some demonstrating asymmetric performance. This section investigates the movement of Central American countries from one category to another that suggests a robust democracy-

lopsided pattern of development. The final section points to the need to scrutinize conflicting periods in the movements of countries within and between the patterns of development. In sum, the chapter conveys the importance of unbundling case studies to understand these trajectories in depth.

3.2. An Intricate and Open-Ended Democratization Process

To understand Central America's convulsive and volatile political systems it is necessary to briefly look back to the history of this small area, and then to explain how remarkable it is that the region has democratized given contrasting political regimes. The sequence of events at a particular time in the history of societies is particularly important. In this sense, North noted the importance of history in the evolution of societies and described path-dependency as related to the role played by institutions in a society.[126] Central America is not an exception to this argument, where the influence of colonial heritage was present in the 1970s and 1980s wars and confrontations, as well as during previous years of non-democratic rule. At first glance, Central America looks like a relatively homogenous geographic area in which five small nations share colonial and historical characteristics.[127] Although many analysts have made important contributions in unraveling the political differences among these five Central American countries, few have attempted a methodological

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[126] North (1990:9). The basic assumption of path-dependency is that "once a particular event transpires, be it a war, election, revolution or important decision, the course of events that succeed it is altered forever", Landman (2000:65).

[127] Among others, these include a common colonial heritage, agricultural commodities, cultural orientation, religion, language, and geographic location.

approach at the middle level,[128] in which Central America is neither studied at the general level, in which all five countries are treated as equals, or as individual case studies that overlook similarities among them.[129]

Central America has been characterized as "a land of revolutions, bankrupt governments, and absconding presidents, and a haven for fugitives from justice from more settled countries".[130] This description could have been made at the dawn of the twenty-first century; however it was written in 1918 and may be taken as an indication that not much has changed in the region since then. The argument extends even further: Central American countries were ruled for more than three hundred years by officials and laws imposed by an outside force, and when this was withdrawn that "order" fell to pieces: coups, peasant revolts, electoral frauds, revolutions, military authoritarianism and traditional dictatorships were the norm during most of the twentieth century. The exception was Costa Rica, which consolidated its democratic path faster than its neighbors (see Chapters 4 and 5).

Ironically, Munro -at least theoretically- assumed Central American countries were democracies, while recognizing that elections soon became a farce in the late nineteenth century, mainly because of ignorance and the indifference of the population and "the establishment of stable governments seemed impossible. Conflicting ambitions, mutual persecutions, and sectional jealousy, as well as differences over religious or economic questions, divided the political leaders of the

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[128] See for example Gudmundson and Lindo-Fuentes (1995); Mahoney (2001a) and (2001b); Bowman, et al (2005); Yashar (1997).

[129] Indeed, as argued by Gudmundson and Lindo-Fuentes (1995:3) "historiography shows two tendencies ... it either stresses trends common to all of Central America using broad brush strokes that obscure the individuality of each case or concentrates on specific countries without making any substantial effort to refer to what was happening in the others".

[130] Munro (1918:xiii).

community into vindictively hostile factions, which had no means of settling their disputes except by an appeal to arms".[131] In each country there was a small but powerful upper class, consisting of the so-called "principal families", where nearly every member was actively engaged in politics. Indeed, decades later Stone argued that there has been a clear dynasty in the exercise of power since colonial times. Following meticulous genealogical research, he concluded that the ruling classes in Central America have a common ancestry.[132]

Political institutions are the *Achilles' heel* in Central American democracies and may constitute the *Gordian knot* that impedes greater advances in terms of human development. Indeed, since the early twentieth century -continuing with Munro- the majority of Central American governments were republican only on paper, although forms of various constitutions were observed: "Elections are held regularly in all of the five republics, but they are controlled by the administration, which almost invariably secures the triumph of the official ticket".[133] The military supported the government, whose highest officers were usually influential and trusted members of the president's party. The continued existence of the administration depended upon their loyalty. Corruption seems to have been the norm rather than the exception, from the postal clerk who stole illustrated reviews out of the mailboxes, to the president and ministers who earned profits from the granting of concessions and contracts. This

[131] For Munro (1918:11), Costa Rica was an exception, since: "public schools have been established and the percentage of illiteracy is comparatively insignificant, the peasants are assuming a more influential place in the community".
[132] Stone (1990:4) for example noted that: "many rulers from Central American nations have been and continue to be related to their counterparts in others" and provided plenty of examples that showed the existence of the great ruling class of Central American "family".
[133] Munro (1918:34).

is perhaps due to the fact that public officials were subject to so little control by public opinion.[134] It was so then and it continues still today, almost a century later.

However, a closer and deeper look reveals that in terms of political characteristics, three different types of political regimes characterized the five nations of the isthmus: military-authoritarianism in Guatemala and El Salvador, traditional-dictatorship in Honduras and Nicaragua, and progressive democracy in Costa Rica.[135] In a historical comparative analysis of political regimes in Central America, Mahoney argues that the political differences of Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua are legacies of the nineteenth century liberal reform period. Liberalism was defined as an ideology and political practice that promoted the expansion of commercial agriculture and the incorporation of national economies into the international market in Central America.[136] Such a definition highlights the specifics of political leadership and the transformations that actually took place, not only in policy-making, but also in economic and societal changes. In that sense, and as argued by Mahoney, "one or two presidents were especially influential in each country during the liberal reform years, leading periods of full-blown liberalism and enacting policy legislation that defined the overall direction of change for the entire era".[137]

Central America's twentieth century was both boisterous and obstreperous, in political and developmental terms. An example of the former is the number of revolts and coups and counter-coups imposed by the military in many countries (the last one

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[134] Munro (1918:42-48).
[135] Mahoney (2001a:xi).
[136] See Mahoney (2001a:31-35).
[137] Mahoney (2001a:13).

as late as 1993 in the failed self-coup by Serrano-Elias in Guatemala[138]). Without trying to overemphasize the political evolution of Central America, this was the experience for most of the century. It was revolt after revolt, coup after coup and military intervention in political affairs that dominated the landscape.

3.2.1. The Measurement of Democracy in Central America

The measurement of democracy is intrinsically debatable as its definition is quintessentially contested[139] and the coding employed may suffer from measurement problems (recall discussion in Chapter 2 and appendix A). Three examples from the general to the specific measurement of democracy in Central America are briefly discussed below. At the worldwide measurement level the seminal work of Przeworki and colleagues, treats democracy as an "all-or-nothing" process. Democracy is measured as a dichotomous variable, linked to the proverbial statement that women are either pregnant or non-pregnant.[140] The coding then assigns observations the values of 0 whenever each country is not a democracy in a given year and 1 otherwise. Even though this classification is highly correlated with other continuous measures of democracy, this leaves no room for the discussion of marginal changes in the direction of democratization processes.

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[138] Ironically, Serrano's ascendancy to the presidency meant the first democratic hand-over since 1951 in Guatemala. However, given the internal and external pressures, on May 1993, Serrano illegally suspended the constitution, dissolved Congress and the Supreme Court, imposed censorship and tried to restrict civil freedoms, allegedly to combat corruption (perhaps influenced by the recent self-coup of Fujimori in Peru in 1992). He was replaced briefly by his Vice-President Gustavo Espina, but later succeeded by the former Human Rights Procurator, Ramiro de León.

[139] O'Donnell (2007:6) and Whitehead (2002).

[140] Przeworski et al (2000).

Another example is Boix's study of democracy and redistribution. Boix defines a democracy as when a country has met three conditions: (1) the legislature is elected in free multiparty elections; (2) the executive is directly or indirectly elected in popular election and is responsible either directly to voters or to a legislature elected according to the first condition, and (3) a majority of the population (more precisely, at least 50 percent of adult men) has the right to vote.[141] A review of his data appendix suggests some possible measurement errors. For example, Costa Rica is ranked as authoritarian from 1938 to 1947. Yet, the 1940 and 1944 elections were not as problematic as the 1948 one that led to civil war, the overthrow of the government and the establishment of a de-facto Government Junta for eighteen months thereafter. In fact, the de-facto government led to the formation of the "Second Republic" and began the consolidation of democracy. Nicaragua is ranked democratic from 1984 when the peace process was signed in 1986 and the Sandinistas continued to rule the country until 1990 after the elections. Nicaragua's transition in 1984 was from an autocratic regime to a presidential system, not necessarily a democracy.

A third example is Bowman, Lehoucq and Mahoney (BLM),[142] who attempt to categorize long term comparisons of democratic trajectories. BLM, in an effort to overcome deficiencies inherent in binary classification, produced an alternative tri-classification of political democracy in Central America from 1900 to 2000. BLM coded country-years *vis-à-vis* their fuzzy-set membership[143] in the category of political democracy using a three level scale: 1.00 represents full membership (democracy); 0.50 represents a cross-over case that is partially in and partially out of democracy and 0.00 represents a case that is fully out of democracy

[141] Boix (2002:66)
[142] Henceforth BLM (2005).
[143] Following Ragin (2000).

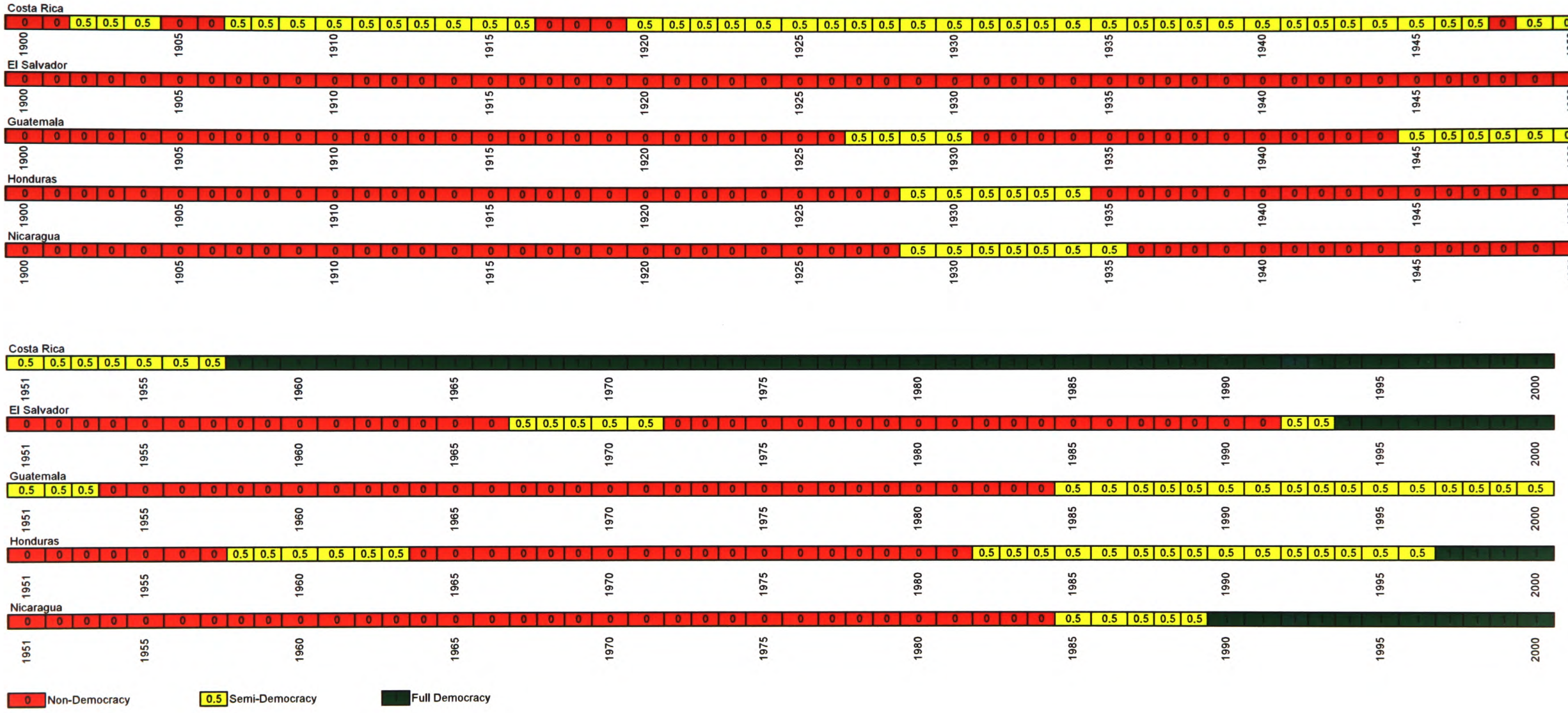
(authoritarianism). The index comprises five dimensions: broad political liberties, competitive elections, inclusive participation, civilian supremacy and national sovereignty.

Figure 3.1 shows the patterns of political democracy suggested by BLM. As can be seen the first half of the twentieth century was very unstable in the lower end of their categorization, as none of the five Central American countries achieved full membership to democracy. It captures well Costa Rica's democratic interlude in 1917-1919 under General Tinoco and the brief civil war of 1948. However, it classifies Costa Rica as fully democratic as early as 1958, but as will be seen in the following chapter, Costa Rica only achieved full democracy in 1975 with the incorporation of the communist party into the political and electoral processes. Moreover, countries like El Salvador, Guatemala and Honduras experienced very brief periods of democratic hope in the 1944-47 period. In April 1944 for example, in El Salvador Hernández-Martínez amended the constitution to permit himself a fourth term in office, disenchanting officers from the army and air force leading them to stage a coup (see Chapter 4). Indeed, "after Martínez's fall, democracy seemed to be on the political horizon in El Salvador. Provisional President Menéndez lifted the state of siege, issued a general amnesty for political prisoners, and abolished Martínez's personal secret police force".[144] However, this episode is not captured in BLM's index. At the other end of the scale the transformation of the region in terms of political liberties can be noted. Four countries were assigned a full membership to democracy at different times, starting with Costa Rica in 1958, Nicaragua in 1990, El Salvador in 1994 (although elections where held regularly since the early 1980s) and

[144] Mahoney (2001a:208).

Honduras in 1997. As of 2000 it only remained for Guatemala to achieve full membership, as it was assigned by the researchers a score of 0.50, neither democratic nor authoritarian. Although this index neatly captures the region's political democracy evolution in the twentieth century, it is too restricted to political / electoral dimensions of democracy and does not capture the institutional complexities that enable democracies to function.

Figure 3.1. Central America. BLM Democratization Index (1900-2000)



Source: Bowman et al (2005).

What seems to be important in the understanding of democratization in Central America during the early twentieth century is the short 1944-1948 period, where four out of five countries experienced civic movements or democratization attempts. Three ended harsh military regimes, with the fall of generals Martínez, Ubico and Carías in El Salvador, Guatemala and Honduras, respectively. The other case was Costa Rica, where an electoral fraud triggered a short civil war. Of these movements, only the latter was successful in the transition towards democracy and still prevails today. The other three countries reverted to non-democratic regimes and Nicaragua continued under the leadership of the Somoza dynasty. There then followed a period of repression and authoritarianism until the Cold War conflict heated up in the 1980s in the Central American isthmus and civil wars erupted.

The authoritarian regimes in Central America defined political opponents as foes and used force and coercion to violently avoid any form of opposition. When sporadic and individual actions occurred (as weak attempts to democratize), punishment, repression and political persecution were the reactions from the authorities.[145] Nothing much changed in the political field until the end of the 1970s when discontent became evident and organized. It erupted first in Guatemala as early as 1962/63, followed by Nicaragua in 1978/79 and last in El Salvador in 1979/80. Guerrilla forces with different characteristics confronted the repressive governments of Central America and their US supported armies during the 1980s.

During 1986 and 1987, the "Esquipulas Process" was established, in which the Central American heads of state agreed on economic cooperation and a framework for

[145] Torres-Rivas (2006).

peaceful conflict resolution. The "Esquipulas II Accord" emerged from this and was signed in Guatemala City by the five presidents on August 7, 1987. This agreement defined a number of measures to promote national reconciliation (including dialogue, amnesty and a National Reconciliation Commission, chapter 1), an end to hostilities (chapter 2), democratization (chapter 3), free elections (chapter 4), the termination of all assistance to irregular forces (chapter 5), negotiations on arms controls (chapter 7), assistance to refugees and displaced (chapter 8), cooperation, democracy and freedom (chapter 9), verification and international follow-up (chapter 10), and a specific road map (chapter 11). In subsequent years, Esquipulas laid the groundwork for the 1990 Oslo Accord, a preliminary agreement between the Guatemalan National Reconciliation Commission (CNR) and the Guatemalan National Revolutionary Unity (URNG) which brought an end to more than three decades of strife in Guatemala, and also inspired a return to liberal democracy in Nicaragua in 1990 and the signing of a general peace agreement in El Salvador in 1992.

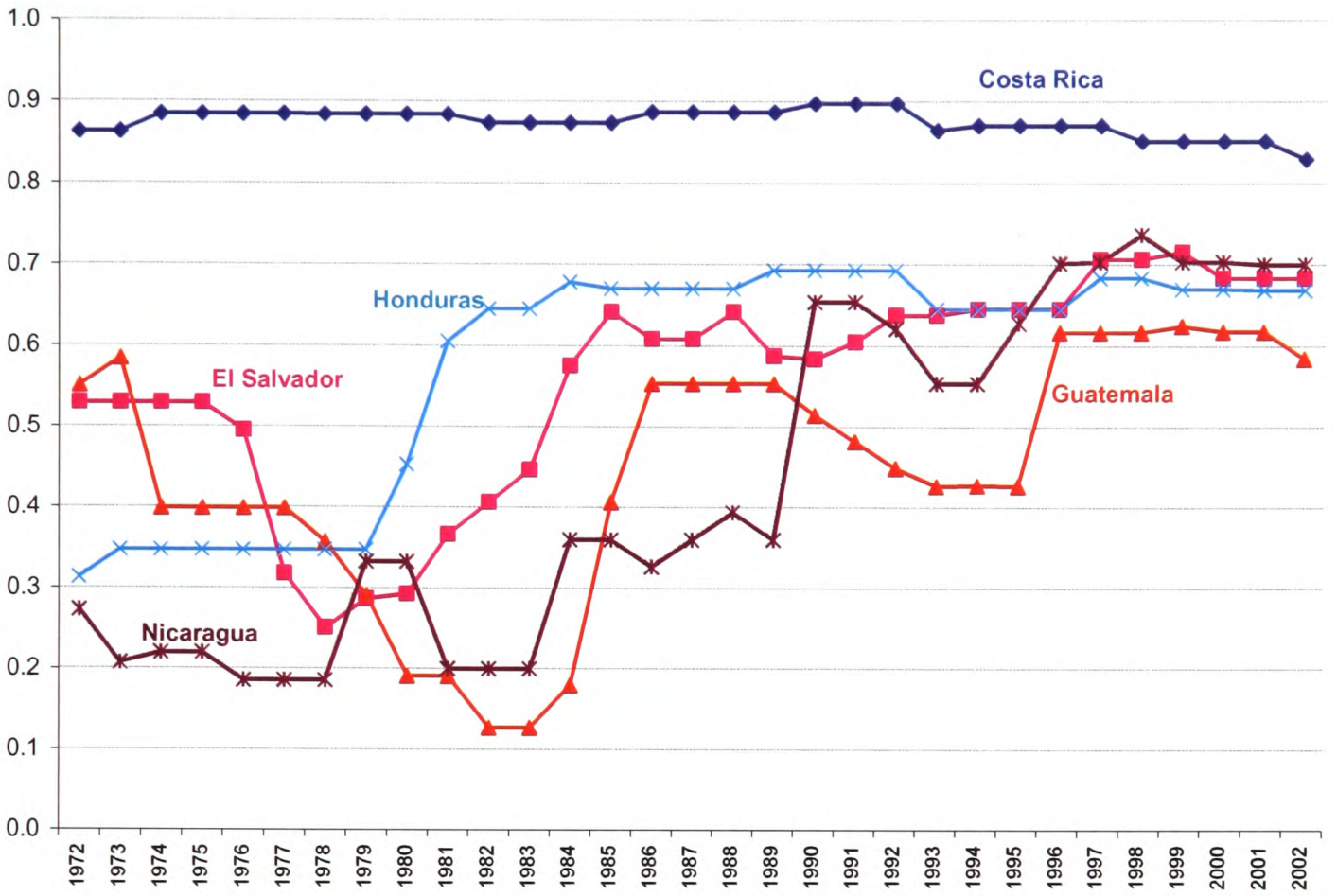
Today Central America is different to the "hybrid regimes"[146] of two decades ago. How different it is and the precise nature of each country's individual characteristics cannot be analyzed using binary measures of democracy. As argued in Chapter 2, this thesis considers democracy as a matter of degree, spanning a continuum. As such, it uses an alternative CID as an aggregate and continuous indicator of the three main attributes of democracy. This measure captures marginal changes in the direction of democratization processes in Central America, both at the regional level, as well as at country level specifics.

[146] See for example Karl (1995), Diamond (2002).

As can be noted in graph 3.1, the 1970s and 1980s were times of great political turmoil in the region, with the exception of Costa Rica with a high score of 0.8 (on a scale of 0 to 1), but later slightly decreasing in the early 1990s (for an explanation of Costa Rica's decreasing democracy indicator see Chapters 4 and 5). Guatemala is the country that suffers the deepest reversal in democratic terms, plummeting from 0.52 in 1973 to 0.15 in 1982 and 1983 when the country was immersed in perhaps Central America's worst civil war. Honduras followed Costa Rica in the democratization path as early as 1980, and El Salvador, despite a crude civil war in the 1980s, seemed to have started its democratization process as early as 1983, with a new Political Constitution (for an explanation of El Salvador's increasing democracy indicator see chapters 4 and 6). As a result of the Sandinista take over of power in 1979 during the 1980s Nicaragua experienced an unstable democratization process. Following elections in 1990, when the Sandinistas surprisingly conceded defeat and gave power to Violeta Chamorro, its democracy indicator stabilized, even though it experienced a brief deterioration in the 1993-95 period. However, borrowing Linz and Stepan's famous dictum, since 1996 and the ascendancy of Guatemala to democracy in the region it seems democracy has become the "only game in town".[147]

[147] Linz and Stepan (1996:5). For example, the recent election of Daniel Ortega in Nicaragua (October, 2006) seems to confirm this.

Graph 3.1. Central America. Composite Index of Democracy (1972-2002)



Source: Own calculations based on CID (see Chapter 2 and appendix A).

3.2.2. Unpacking Democracy Attributes

Democratization as an open-ended process,[148] overlapping with but not reducible to advances in human development, can most fruitfully be analyzed at the middle level of generalization (neither in minimalist nor maximalist terms). For that purpose, this research "unpacks" the democracy variable[149] to understand the individual evolution each attribute has had in the last thirty years. Table 3.1 plots the democratic transformation in Central America from the late 1970s at the start of the revolts in the region to the dawn of the twenty-first century.

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[148] Whitehead (2002).
[149] As suggested by Foweraker (2005) and Foweraker and Landman (2004).

In all three democracy attributes the region made substantial improvements in a relatively short period (if Costa Rica is excluded from the sample, the transformation is more remarkable, see parenthesis in the table). The Central American countries awoke in the twenty-first century from a nightmare of decades of authoritarian repression and presenting strikingly different situations. The changes are significant considering the weak legacy in which to anchor democratization processes. They are also notable because of the short period in which they took place, along with the fact that "they have taken place in some of the continent's poorest countries, in the midst of civil strife, and with the end of the Cold War having a less-than-expected impact".[150]

Table 3.1. Central America. Democratic Transformation (1978-2002)

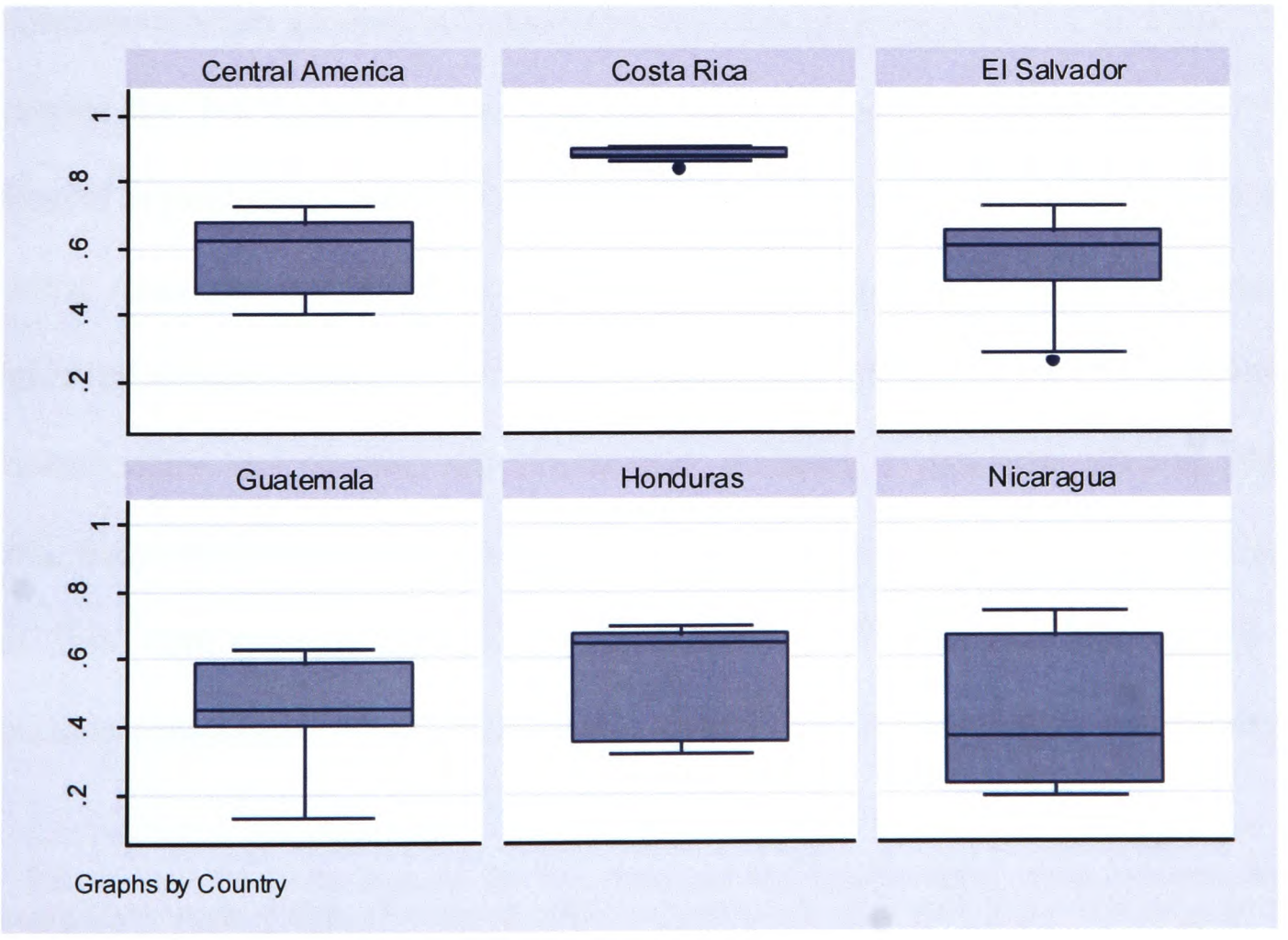
Variable	Year	Mean	Std. Dev.	Min.	Max	Obs.
Composite Index of Democracy	1978	.407 *(.286)*	.278 *(.081)*	.187 *(.187)*	.890 *(.359)*	5 *(4)*
	2002	.697 *(.663)*	.088 *(.052)*	.587 *(.587)*	.834 *(.706)*	5 *(4)*
Democracy Attributes						
Open and Participatory Environment	1978	.169 *(.099)*	.173 *(.085)*	0 *(0)*	.451 *(.202)*	5 *(4)*
	2002	.286 *(.274)*	.103 *(.115)*	.133 *(.133)*	.397 *(.397)*	5 *(4)*
Institutional / Political Environment	1978	.4 *(.25)*	.358 *(.147)*	.1 *(.1)*	1 *(.45)*	5 *(4)*
	2002	.9 *(.875)*	.061 *(.028)*	.85 *(.85)*	1 *(.9)*	5 *(4)*
Collection of Rights and Liberties	1978	.533 *(.416)*	.280 *(.117)*	.333 *(.333)*	1 *(.583)*	5 *(4)*
	2002	.700 *(.646)*	.151 *(.104)*	.5 *(.5)*	.917 *(.75)*	5 *(4)*

Note: In parenthesis (), excluding Costa Rica.
Source: Own calculations based on CID (see appendix A).

[150] Karl (1995:72).

A visually explicative way to show this transformation graphically is with box-plots (see graph 3.2). These graphs examine the distribution of democracy across the entire region and in each country individually. The wider the box, the greater the variation experienced. As expected, since 1972 Costa Rica presents the most stable case at the upper democratic scoring, with the other countries showing a greater variation in time. Furthermore, to some extent the cases of Costa Rica and El Salvador show the 95th percentile stretched out away from the box. This may suggest a negative skew or that the rankings for these two countries tend to be lower than expected and thus reinforce the importance of a paired comparison study of them (see the next three chapters).

Graph 3.2. Central America. Box-Plots of Democratic Transformation (1972-2002)



Source: Own calculations based on CID (see Chapter 2, appendix A).

In comparative perspective it is interesting to note that when democracy scores (CID) with all three attributes are plotted graphically the, differences in types and degrees of

democracies are revealed (see graph 3.3). At the general level, it is appealing to notice that the three attribute measures follow the same pattern as an indication that the three attributes of democracy run in parallel and are measuring related attributes within different political regimes (for an explanation of the attributes see the conceptual discussion in Chapter 2, and the empirical findings in Chapter 7). Throughout the period under study Latin American countries rank consistently lower in the open and participatory environment attribute of democracy. Also, from 1972 to 1985 on average the region achieved higher scores in terms of the collection of rights and liberties, but from 1985 onwards, institutional / political environment has gained prominence.[151]

Furthermore, when grouped in Latin American subregions (see graph 3.3), from 1984 onwards the five Southern Cone countries score consistently higher scores on the electoral organization aspects of democracy (participation and competition) than the Central American and Andean counterparts. Central America,[152] since 1979 scored higher institutional rankings than freedoms and in the Andean countries the difference between rights and liberties and institutional attributes is less from 1972 to 1982. Also, from 1972 to 1989 the Southern Cone countries score the lowest CID scores, but from 1990 onwards perform slightly better than the other two sub regions. A plausible explanation of this finding is related to the indication that the transition

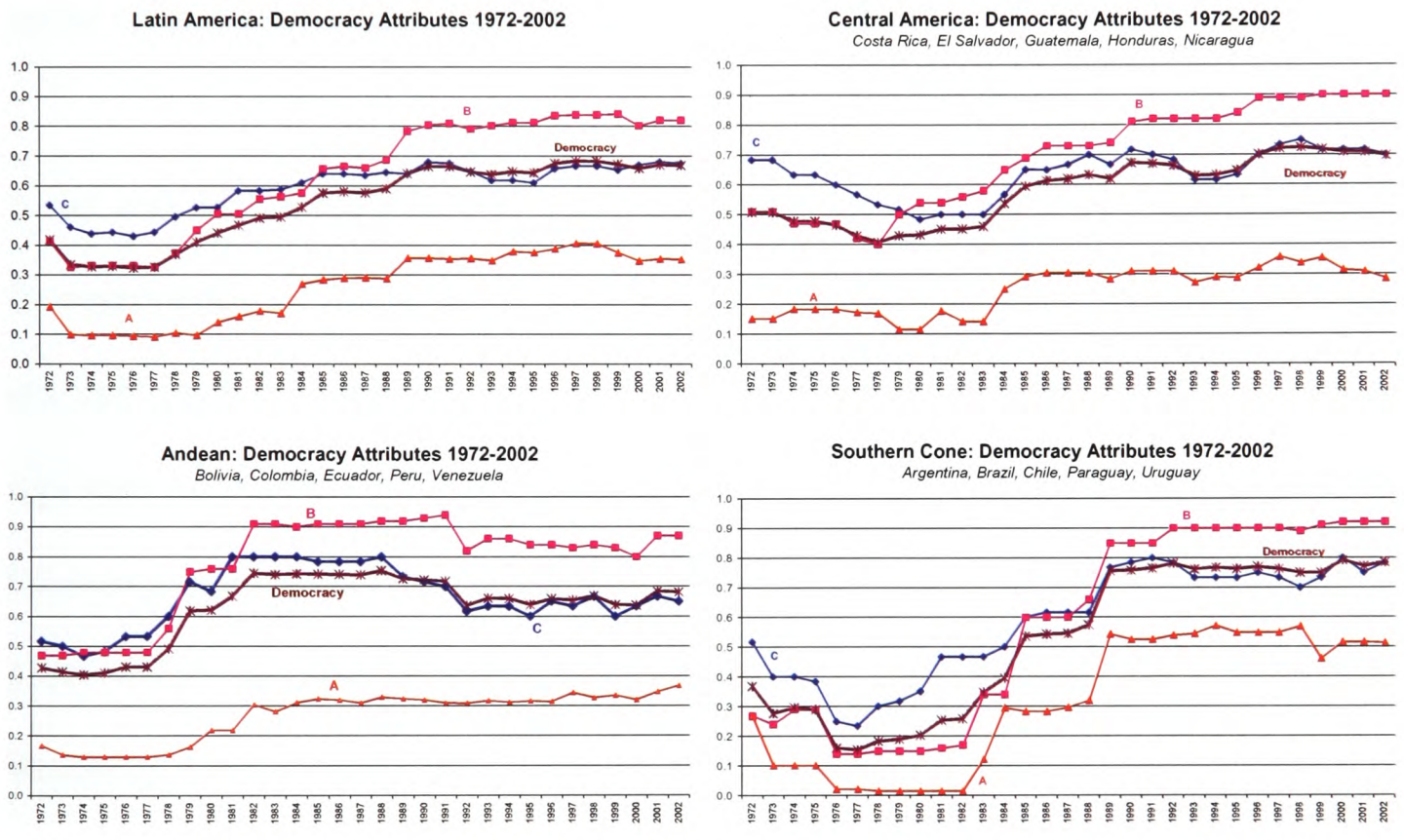
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[151] This is opposite to the case of the East Asia and the Pacific region, where countries have systematically obtained higher procedural scores than substantive, particularly from 1976 onwards. The Eastern Europe and Central Asia region suggests a clear example of the domino effect from the Berlin Wall's fall, when in 1989 most of the countries embraced democratic regimes. However a word of caution seems relevant here which challenges the reliability and validity of these indicators. It is interesting to note that in the span of one year, *as per magical effects*, the entire region became democratic. The Middle East and North Africa is perhaps the only region where democracy and its attributes are still lagging behind, and it has not yet even reached the minimum threshold assigned to each democracy attribute.

[152] Includes Costa Rica and thus it is pushing up the indicators. When Costa Rica is excluded from the analysis, the measures reduce systematically, as shown in the table 3.1.

period and the consolidation of democracy in these countries yielded better dividends. In terms of electoral democracy, the three regions scored their lowest levels in the late 1970s and early 1980s.

Graph 3.3. Latin America. Democracy and Attributes by Subregions (1972-2002)



(A) Open and Participatory Environment with Political Opportunities; (B) Institutional / Political Environment; (C) Collection of Rights and Liberties.
Source: Own calculations based on CID (see appendix A).

How can these findings be interpreted for the Central America context? Does it mean that during the transition period governments were initially more concerned with the freedoms attribute (political rights and civil liberties), and lately the emphases shifted to institutional rules and opportunities for contestation? Or is it a reflection of the elasticity of the measures used? The latter might simply be that outputs, such as political rights and civil liberties or perceptions thereof are less elastic than processes and institutional arrangements, and more difficult to change. Yet, the purpose of the CID is not to rank countries in a scale and compare them from more autocratic to

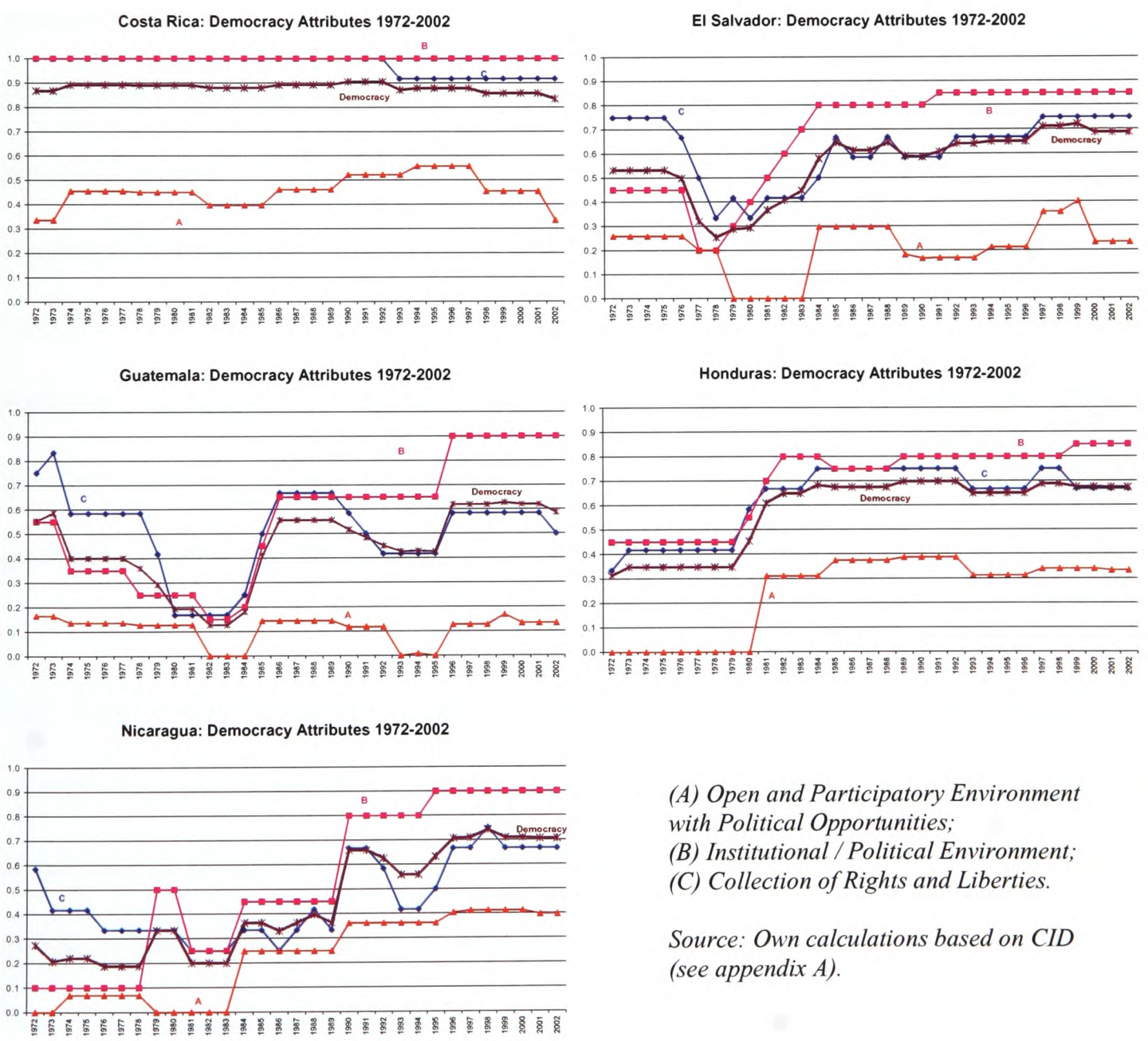
more democratic. The objective is not to grade countries (i.e. to say that Costa Rica is more democratic than El Salvador or Venezuela), but to group sub-regions/countries in categories according to their democratic attributes performance. A grouping as such, permits us to highlight divergent cases when the indicators differ at some points in time. For example, although the three indicators or attributes are highly correlated, within some countries the attributes diverge at given years.

In the case of Central America (see graph 3.4), Guatemala and Nicaragua highlight divergent cases on the ranking of democracy attributes. In Guatemala, the freedoms and institutional indicators diverge from 1984 onwards, and Nicaragua's indicators also show contradictory patterns from 1989 (the year before the electoral defeat of the Sandinista government), with the institutional indicators stabilizing at the level of 0.900 while the freedoms attribute decreases from 0.650 in 1989 to 0.420 in 1992, increasing again to the point of 0.750 in 1998 to drop again to 0.675 in 1999. In terms of electoral democracy the indicator captures neatly how after the 1979 overthrow of Somoza, the Sandinista regime impeded the participation and competition between political parties until the 1984 election that saw Daniel Ortega win the Executive for the first time.

El Salvador is an interesting case. It shows how the collection of rights and freedoms started to deteriorate markedly in 1975 and led to the outbreak of the coup and civil war in 1979 that lasted for the next twelve years. The freedoms score in 1975 was 0.75, which plummeted to 0.33 in 1978. The electoral attribute even reached the lowest possible classification, as formal democracy was absent from 1980 until 1984, with the new elections that saw José N. Duarte win the presidency that he had lost

earlier. Yet, the institutional attribute seems to have been given priority by the Executive since the early 1980s. As the indicator shows, a steady increase can be observed from 1978 with a score of 0.20 to 1984 with a score of 0.80, signaling the drafting of the new Political Constitution in 1983 that meant the strengthening of institutional aspects of the polity.

Graph 3.4. Central America. Democracy and Attributes by Countries (1972-2002)



(A) Open and Participatory Environment with Political Opportunities;
(B) Institutional / Political Environment;
(C) Collection of Rights and Liberties.

Source: Own calculations based on CID (see appendix A).

Honduras' transition to democracy was enhanced as early as 1981 when the electoral attribute jumps from 0 to 0.31, in tandem with the recuperation of the institutional and

freedom levels: the former rose from 0.42 in 1979, to 0.74 in 1984, while the latter increased from 0.45 in 1979 to 0.80 in 1982. Costa Rica confirms its exceptionality, since all three democracy attributes are the highest in the region, with the smallest variance in the period from 1972 to 2002 (see graph 3.4).

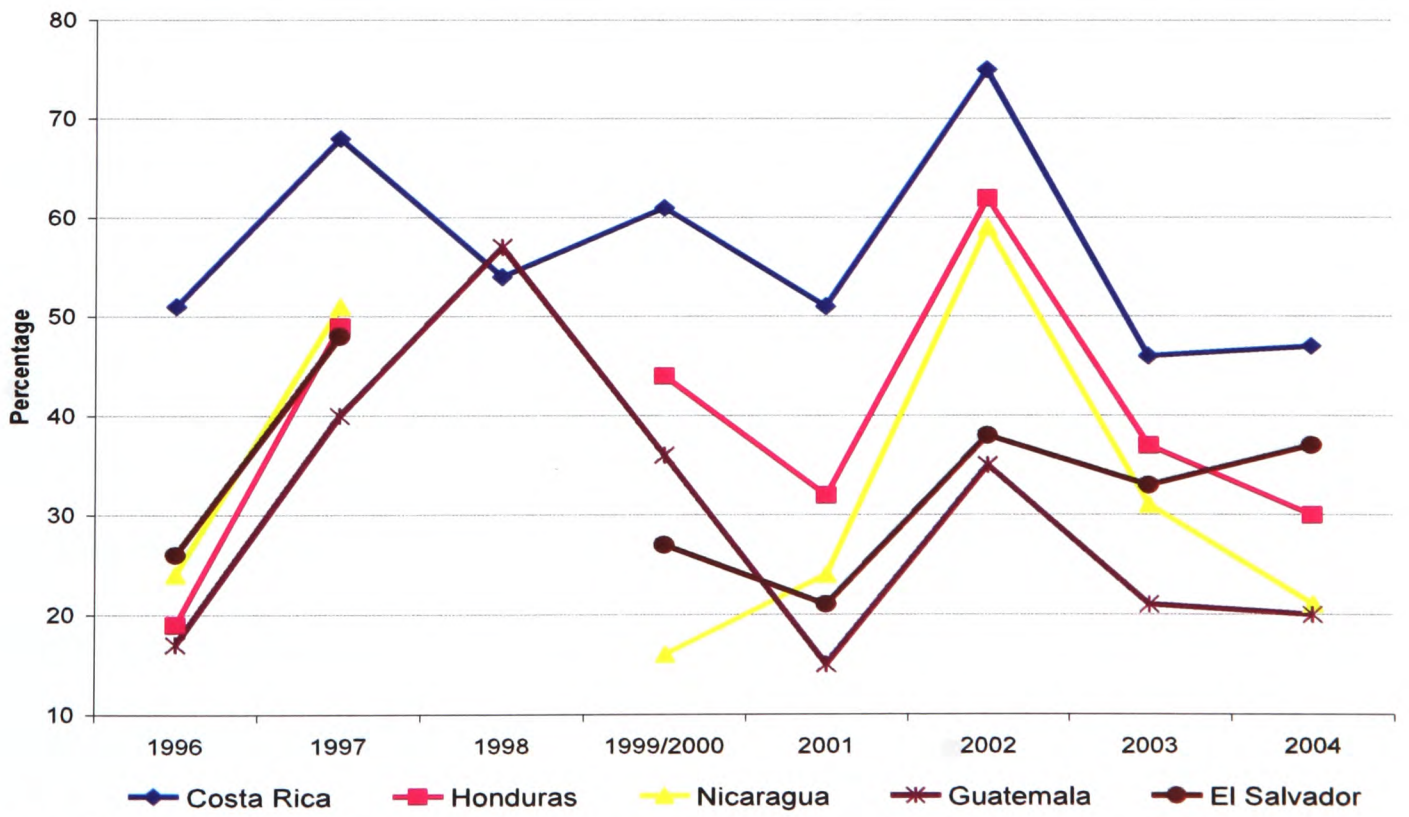
Central America has entered a new phase of democratization. The structural barriers to democratization were recognized at the highest political level during the Esquipulas peace process. The Esquipulas II Agreement mentioned for the first time in history the presidential compromise towards democracy in the region. Items 3 and 4 in the Agreement exhort to undertake a "pluralistic and participative democratization process", respect for Human Rights and the celebration of "free, pluralist and honest elections". Furthermore, the Central American Alliance for Sustainable Development (ALIDES) signed in 1994 by the Central American presidents reinforced their previous commitment, as democracy was included as one of seven principles and the first base for sustainable development. Indeed, democracy is today a constitutional guarantee in all five Central America countries.

Yet, despite this remarkable democratic mutation, the improvement has not been enough to meet popular expectations. In fact, a crucial issue when unpacking democracy attributes is why Central Americans are so unsatisfied with democracy.[153] Public opinion studies show dissatisfaction with democracy over the last ten years.

[153] Perhaps the first Central American analyst to stress this democratic dissatisfaction was Rodolfo Cerdas, with his 1993 publication "El Desencanto Democrático" (The Democratic Disenchantment). Even though his focus was merely on political parties, it was a first call of attention to the forthcoming citizen perception on the functioning of democracy and their governments in Central America specifically, and Latin America generally.

Latinobarómetro[154] data show a downward trend in terms of public satisfaction with democracy, commonly associated with government performance.[155] For example, after a rise in satisfaction with democracy from 1996 to 1997, almost a decade later, on average, Central Americans had a 49% of satisfaction with democracy, declining to 32% in 2004. As can be seen in graph 3.5, individually, Costa Ricans satisfaction decreased from a regional record of 68% in 1997 to 47% in 2004; El Salvador's decreased from 48% to 37% respectively (even though it scored a record low of 21% in 2001); Guatemala decreased from 40% in 1997 to 20% in 2004; Honduras, from 49% to 30%, while Nicaraguans satisfaction fell from 51% to 21% in the same period. In fact, in all Central American countries, the proportion of citizens unsatisfied with democracy is more than those satisfied with it, including a lack of trust in political parties (see graph 3.5).[156]

Graph 3.5. Central America. Satisfaction towards Democracy (1996-2004)



Source: Data provided by Latinobarómetro (www.latinobarometro.org)

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[154] Latinobarómetro is a public opinion project intended to capture annually the opinions, attitudes, behaviors and values of citizens in 18 Latin American countries since a pilot study carried out in 1988 (Lagos, 2005). See www.latinobarometro.org.

[155] Cerdas and Zovatto (2005:8).

[156] As argued by Sonnleitner (2005).

Although satisfaction with democracy is conceptually distinct from support for the system these results are also consistent with UNDP's 2004 report on Democracy in Latin America. While satisfaction of democracy involves a dimension of legitimacy and acceptance of values, such as freedoms and tolerance, support for democracy suggests support for the government system. In that sense, it is not surprising to see that UNDP's Support to Democracy Index is highest in Costa Rica at 53.8% and lowest in El Salvador at 35% among the respondents who declared to be "democrats" (the scores for the other three countries are worryingly low: Guatemala 42%, Honduras, 46.2% and Nicaragua, 38.7%). In fact, whereas Latinobarometro suggests that support for democracy in Latin American from 1996 to 2004 oscillated between 61% and 53%, respectively, preference for democracy in Central America also underwent a downward trend, from 63% in 1996 to 50% in 2004.

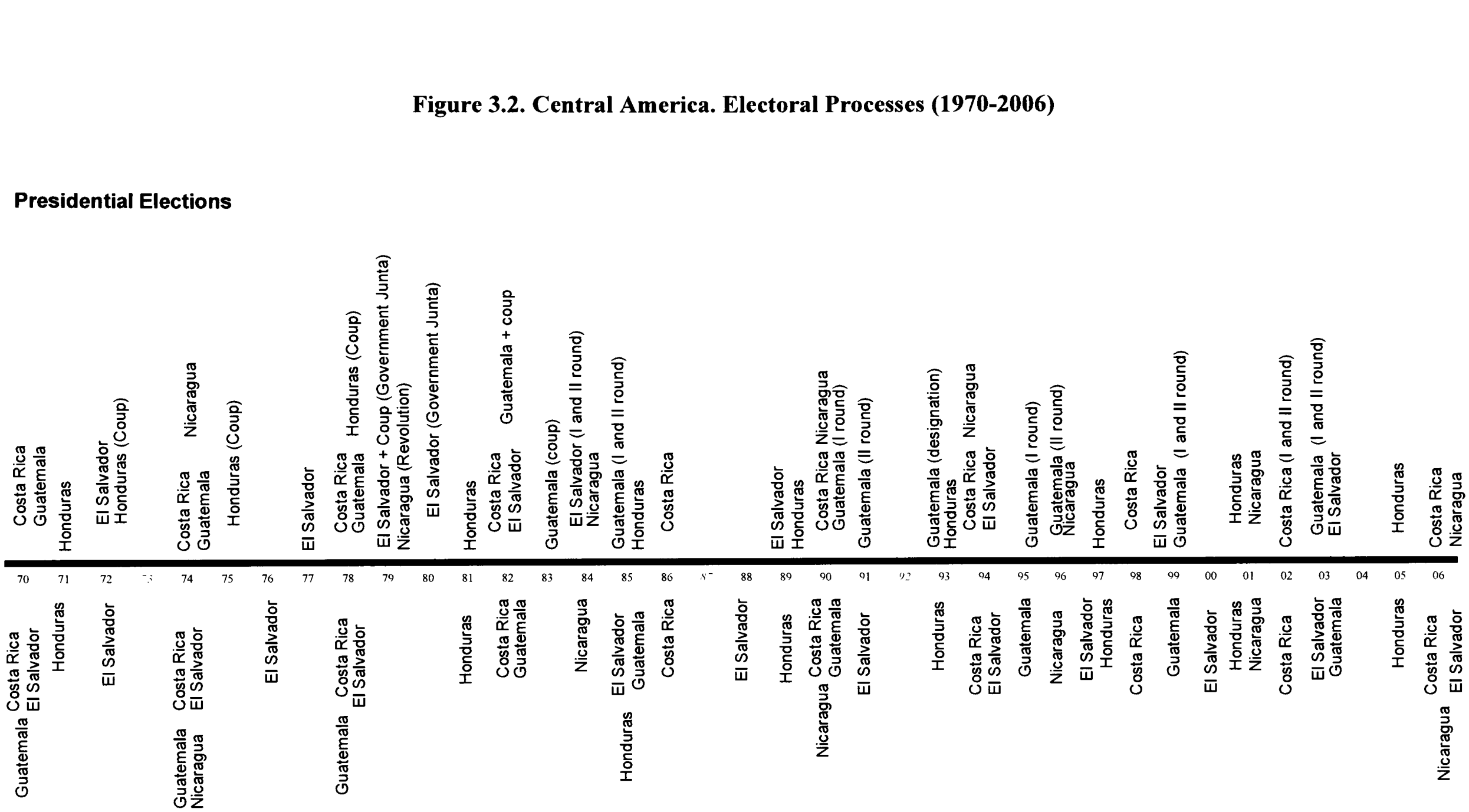
In political terms, elections have been held regularly. However, the electoral systems in some countries still present institutional deficits. In fact, as can be seen in figure 3.2, only in 1973, 1987, 1992 and 2004 have elections not occurred. This situation may suggest an electoral saturation. In electoral terms, the democratization process is not necessarily perceived as a fundamental change by the population, since authoritarian regimes also held elections. However, in the last 20 years electoral processes have been consolidating as mechanisms to choose governments. In general, it can be said elections are now freer and more honest than previously, at different levels per country. For example, the electoral calendar has been respected according to constitutional dispositions (Guatemala is the exception, after a failed *coup d'état* in

1993). Yet, at the institutional level, in spite of these advances, there still persist important legal and institutional challenges to guarantee elections as free, clean, competitive and decisive, that actually every vote weighs equally, and that the political parties have reasonably similar opportunities to participate in the electoral processes.[157]

[157] See for instance Artiga (2006) and Estado de la Región (2003). In spite of important advances in terms of the purity of the suffrage and changes in the electoral organs, another important institutional challenge is the operation of the electoral authorities. In fact, a potential source of problems is the integration of the higher-level authorities in electoral institutions. Most countries operate a scheme of "reciprocal partisan monitoring". Only Costa Rica has advanced towards a system of integration and a mechanism of selection of electoral authorities, giving them the necessary independence from other powers of the State and political parties.

Figure 3.2. Central America. Electoral Processes (1970-2006)

Presidential Elections



Legislative Elections

Source: Adapted from FLACSO – OdD (2006).

In the discussion on the role of political parties it is frequently argued that these are fragile "electoral machineries". Nevertheless, the study and analyses of the indicators of the system of political parties in Central America suggests symptoms of continuity and change. It is difficult and to some extent risky to describe countries in the isthmus as bipartisan or multiparty systems. Each election seems to defy these classifications. For example, Costa Rica has shown a reordering of the bipartisan forces. Costa Rica has had a dominant political party (PLN) around which have orbited other political groups (mainly PUSC and PAC, but also ML). In Honduras, the political system stays stable., Despite the appearance of stability before the 2006 elections, Nicaragua is experiencing an important sprouting of political forces. Like Costa Rica, Nicaragua has had a dominant party (FSLN) around which orbit coalitions of parties in each election. The difference with Costa Rica is the degree of ideological polarization of the political forces. While in the former, tendencies are centripetal, in Nicaragua (similar to the Salvadoran case) the polarization is towards the extremes: FSLN and FMLN towards the left and ARENA, AL and the PLC towards the right.

On the other hand, countries with systems traditionally considered multiparty, display different behaviors. Guatemala registers a slow movement towards a greater concentration of the vote, although the average is still low and with an important volatility of the partisan supply. El Salvador on the other hand, has begun an important process towards a polarizing bipartisanism (FMLN and ARENA). The number of political parties in Central America has increased dramatically. This diversity of political parties sometimes obstructs a smooth practice of politics. For example, while in Guatemala in the elections of 1983 five parties had representation in the Congress, with one dominant (FDNG) with 50%, in the elections of the 2002

the number of parties with representation duplicated and no one obtained more than 30% of seats. Nicaragua had an exceptional situation in the elections of 1996, when eleven parties obtained legislative representation, as opposed to four parties in the elections of 1990 (see table 3.3). Nevertheless, this situation reverted in the two elections of 2002 and 2006, when a smaller number of parties achieved legislative representation.

With the exception of Honduran parties and the political structure of their national congress, the other countries show signs of change. In Costa Rica, the PLN has been able to recover from the deterioration of the 2002 elections and the PUSC has collapsed. As a result the PAC and ML haveemerged as the second political force of importance in the Legislative Assembly. In El Salvador, the polarizing bipartisanship between the FMLN and ARENA tends to accentuate with each election in the absence of ideological options from the center. Guatemala accentuated its multiparty system, with alarming levels of instability and fragility. In fact, no political party in Guatemala has been able to maintain its electoral volume in two consecutive elections and they are established with the sole purpose of catapulting some candidate to the Executive, without the necessary endorsement for good government.[158]

[158] In recent years in each country two parties have established themselves as dominant forces (PLN and PUSC in Costa Rica; ARENA and FMLN in El Salvador; PAN and FRG in Guatemala; PL and PN in Honduras; FSLN and PLC in Nicaragua), around which orbit smaller parties. These groupings include the PAC, ML, PDC, GANA, PINU, AL, respectively. These third forces have therefore become important political actors when debilitating the concentration of the vote in both divided majority, especially in Costa Rica, El Salvador and Honduras. In Costa Rica for example, the PAC seems to have emerged as the second political force due to the electoral collapse of the PUSC in 2006.

Table 3.3. Central America. Political Structure of National Congresses (1981-2004)

	Costa Rica					El Salvador				Guatemala									Honduras					Nicaragua				
	CU	PLN	PUSC	PAC	Other	ARENA	FMLN	PDC	Other	PAN	DCG	UCN	MLN	FRG	FDNG	GANA	UNE	Other	PLH	PDC	PINU	PN	PUD	UNO	FSLN	AL	PLC	Other
81																			53.7		1.2	3.7	41.5					
82	31.6	57.9			10.6 (3)																							
83													31.8		50			18.1 (3)										
84																												
85					23.3				27(5)																			
86		50.9	43.9		5.4(3)	21.7		55	(3)		51	22							50	1.5	1.5	47						
87																												
88								36.6	11.7 (1)																			
88						51.7																						
89																			43.8		0.8	55.5						
90		43.9	50.9		5.4(3)					10.3	23.3			10.3	35.3			21.6 (2)						55.4	42.4			2.2(2)
91									22.6																			
91						46.4		31	(4)																			
92																												
93																			55.5		1.6	43						
94		49.1	43.9		7.1(3)	46.4	25	21.4	7.2(3)	28.8	16.2	8.7		41.3				5.0(2)										
95										53.7	3.7	2.5		26.2	7.5			7.3(4)										
96																								1.1	39.8	45.2		14.2 (8)
97						33.3	32.1	11.9	22.7 (5)										52.3	1.6	2.3	43	0.8					
98		40.4	47.4		12.6 (5)																							
99										29.8	1.6			50.8				17.7 (6)										
00									22.7																			
00						34.5	36.9	6	(3)																			
01																						47.7			46.7	51.1		2.2(1)
02		29.8	33.3	24.6	12.3 (2)														43	2.3	3.1		3.9					
03									25(2)	10.8	0.6			27.2		29.7	20.3	11.4 (6)										
04																												

Costa Rica: CU, Coalición Unidad; PLN, Liberación Nacional; PUSC, Unidad Social Cristiana; PAC, Acción Ciudadana.
El Salvador: ARENA, Alianza Republicana Nacionalista; FMLN, Frente Farabundo Martí para la Liberación Nacional; PDC, Demócrata Cristiana.
Guatemala: PAN, Avanzada Nacional; DCG, Democracia Cristiana Guatemalteca; UCN, Unión del Centro Nacional; MLN, Movimiento de Liberación Nacional; FRG, Frente Republicano Guatemalteco.
FDNG, Frente Democrático Nueva Guatemala; GANA, Gran Alianza Nacional; UNE, Unión Nacional de la Esperanza.
Honduras: PL, Liberal; PDC, Demócrata Cristiano; PINU, Innovación y Unidad; PN, Nacional; PUD, Unificación Democrática.
Nicaragua: UNO, Unión Nacional Opositora; FSLN, Frente Sandinista para la Liberación Nacional; AL, Alianza Liberal; PLC, Liberal Constitucionalista.

Note: Number of other political parties with Congressional representation in parenthesis ().

Source: FLACSO-OdD (2005), Political Database of the Americas, Georgetown University-OAS (2007)

Considering these institutional deficiencies and that "the development and strengthening of democratic regimes rely not just on political will, but also on economic resources, administrative capabilities and technical skills",[159] the next section turns to the developmental performance of Central America since the 1970s. The intention is to understand the human development levels and restrictions (poverty, inequality) upon which these political institutions have operated at various levels in Central America.

3.3. Assessing Human Development Performance since 1970

Munro's characterization of the isthmus' developmental backwardness deserves to be quoted at length. After an extensive period of fieldwork across the region, he concluded that:

> "The backwardness of the five republics of Central America was in large part due to the isolation in which they were kept by Spain during the three centuries of their existence as colonies. Their development was restricted until the beginning of the nineteenth century ... the economic development of the five republics was held back by internal conditions, for the political disturbances which characterized their first half century under republican institutions, and which are still prevalent in some of them, made large scale agriculture difficult and unprofitable, and discouraged commerce. The civil wars often drew

[159] Vilas (1996:461).

> laborers away from plantations at the time when their services were most needed, and caused a periodic destruction of property and a laying waste of planted fields. In Guatemala, Costa Rica and Salvador *[sic]*, where revolutions have been less common during the last generation, the wealthier classes have become very prosperous through the production and exportation of coffee, but Honduras and Nicaragua, because of the almost continuous fighting between rival factions, are today but little better off than in 1821".[160]

This paragraph could have well been written at the dawn of the twenty-first century and with a few clarifications, it resembles the path traveled by Central America in terms of development opportunities. The internal conditions and political disturbances mentioned by Munro kept impeding the Central American countries to invest in profitable activities and promote HD more actively. Although the liberal elite believed in the notions of progress and economic development and sought to integrate the Central America countries with the rest of the world, the political systems that were set up came to be known as "republican dictatorships"[161] with variations for each country.[162]

Historically, development in Central America has been blocked by elite-class alliances between the export sector and the governmental hierarchy.[163] Indeed, the prevalence of non-democratic regimes dominated by the military in the second half of

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[160] Munro (1918:14-15)
[161] Skidmore and Smith (1984:293).
[162] As mentioned by Mahoney (2001a), and documented by Yashar (1997) for the cases of Guatemala and Costa Rica between 1870 and 1950.
[163] Like the type of regimes suggested by Huntington (1968), but on the contrary, in the Central American context it has been proved that they have not promoted development as his revised-modernization theory assumes.

the twentieth century is no surprise. Costa Rica is the exception with a total of 50 years of civilian governments. Seligson noted the region suffered "an almost unbroken chain of dictatorial rule and military domination in which civil rights, popular participation and governmental accountability have been conspicuously absent".[164] This means that citizens' needs and desires have been extensively ignored by their rulers, and national sovereignty has been narrowed by heavy-handed and repressive foreign states and powerful trans-national corporations. In fact, during the 1970s and 1980s the Central American armies were stimulated to perform activities outside their traditional tasks of sovereignty defense and law and order, for example. They were involved in banking and educational duties and assumed the role of civil police, showing a high degree of corruption and deviation from their original boundaries.

The extension of democracy in the 1980s increased the freedom of citizens across the region to express their views, choose their leaders, organize politically, and gain access to information about their government.[165] It should not be surprising that citizens in new democratic systems tend to be unsatisfied with the regime's performance. However a distinction must be made regarding the source of this lack of satisfaction with democracy. Central America has experienced a remarkable democratic transformation in a very short period of time (see table 3.1 and graph 3.1). Perhaps no other region in the world has been able to peacefully resolve prolonged civil wars through a combination of regional and national actions, not derived from political or military interventions. This can be summarized in the unique three-fold mutation experienced in less than twenty years: (i) from war to peace (even though

[164] Seligson (1987:167).
[165] IADB (2002:267).

violence and citizen security remain a serious problem in post conflict countries like El Salvador and Guatemala); (ii) from peace to democracy (though still unfinished with the persistence of authoritarian enclaves in El Salvador, Guatemala and Nicaragua); (iii) from democracy to development (perhaps the most retarded and requiring longer term strategies, since Nicaragua and Honduras remain the two poorest countries in Latin America and Guatemala is among the most unequal in the world).

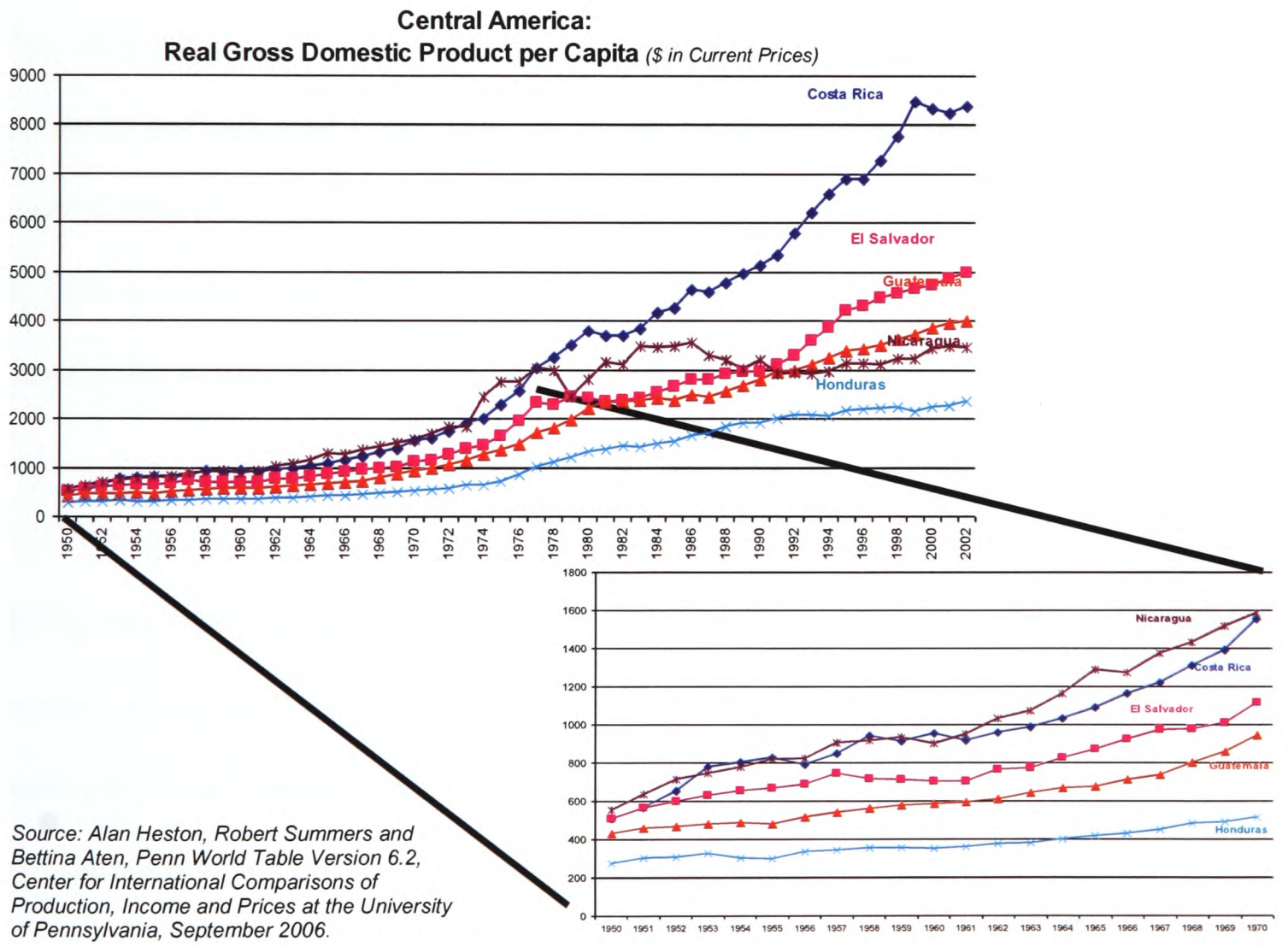
Yet, despite these significant accomplishments, "there is still reason for disappointment with respect to the results and processes of democratic governance in the region".[166] For example, in eight of the 18 Latin American countries, the average citizen was worse off in 2000 than in 1980, including three of the five Central American countries (Guatemala, Honduras and Nicaragua), although improvements in education and health meant improvements in terms of the overall HDI. That is, even though Central American democracies are not prosperous in terms of per capita income, during the last twenty years they have become more congenial places to learn and live.

Central America made little progress in terms of economic development. Graph 3.6 depicts the real gross domestic product per capita between 1950 and 2002 for all five Central American countries. As can be seen, between 1950 and 1970 it was very low among the five countries (see insert graph 3.6). Nicaragua had the highest rate of per capita GDP during the 1960s (even higher than Costa Rica's). During the late 1970s the benefits of democratization started to pay dividends, since Costa Rica's income

[166] IADB (2002:8).

expanded in comparison to its neighbors, as civil wars started in Guatemala, Nicaragua and El Salvador respectively. Thus, while three decades ago Nicaragua had the highest per capita income in the region, at the start of the twenty-first century, Nicaraguan citizens were worse off than in 1980, while Honduras has not been able yet to improve income indicators and lagged behind the region during the second half of the century.

Graph 3.6. Central America Real GDP per capita (1950-2002) (US$ current prices)



Source: Alan Heston, Robert Summers and Bettina Aten, Penn World Table Version 6.2, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September 2006.

Bulmer-Thomas noted in the late 1980s that "as measured by the growth of gross domestic product per head, the region's performance compares favorably with the rest of Latin America and other less developed countries (LDCs). At the same time, political convulsion has become more acute, and in no part of the isthmus - not even

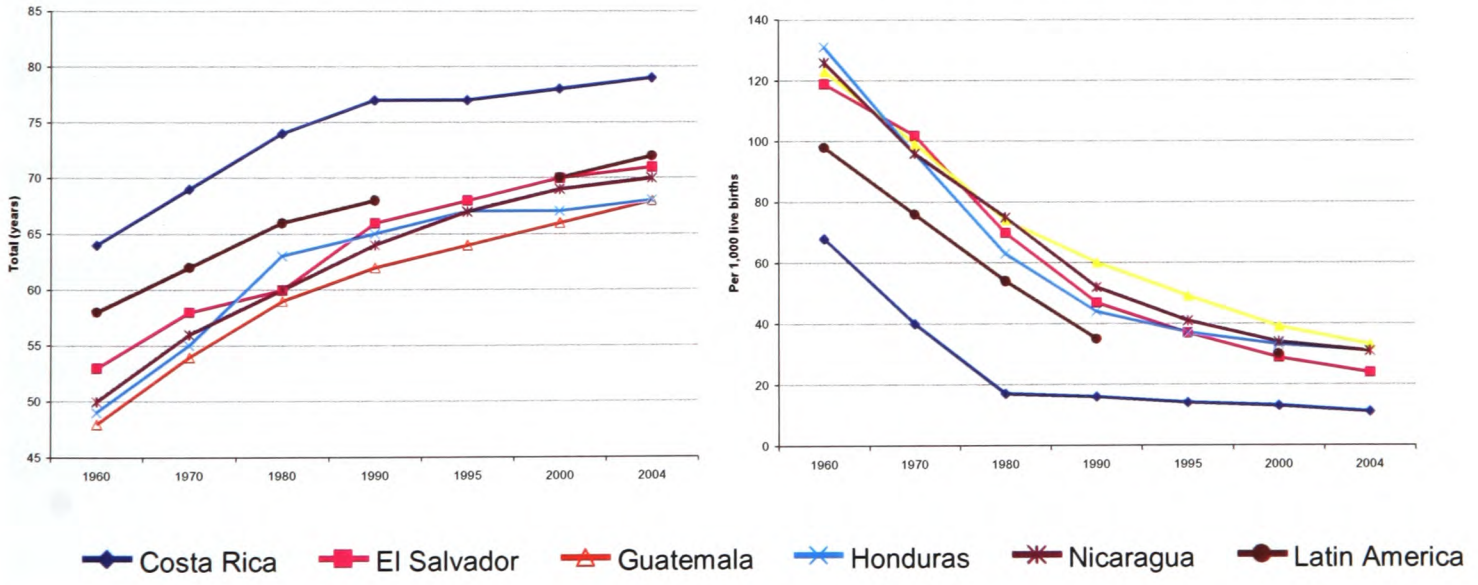
Costa Rica - is political stability assured".[167] This argument summarizes the paradoxes of Central America's development since the collapse of the Central American Common Market. On the whole, with the confrontations in the 1970s and 80s, a new developmental challenge started. In face of the challenges of globalization, Central America re-started a democratization process. Prior to the "lost decade" for Latin America, an impressive Central American economic model was based on three pillars: (i) rapid growth of traditional exports; (ii) a strong exchange rate regime, and (iii) the establishment and functioning of the Central American Common Market.[168] But, surprisingly for most Central Americans, this model collapsed in the 1980s primarily because of political reasons. Indeed, a review of the political economy of Central America in the 1980s identified that the seeds of the crisis, could be explained by four interrelated causes: (i) political unrest, (ii) uneven development, (iii) structural flaws in development strategies, and (iv) global recession.[169]

It is widely known that the context for economic development in Central America during the 1980s was not positive. Indeed, during the period of most intensive conflict in the region, the GDP per capita felt by 15%. With the exception of Costa Rica, the region embarked upon the process of democratization with indices of infant mortality, life expectancy at birth, access to potable water, malnutrition, illiteracy and persons per doctor that were worse than those for the rest of Latin America.[170] However, it may be said that according to social indicators, besides the bad performances at the end of the 1970s and the 1980s, Central American countries managed to improve (although unevenly) the living conditions of their citizens. Despite this positive social

[167] Bulmer-Thomas (1988:19).
[168] Bulmer-Thomas (1991).
[169] See Feinberg and Bagley (1986).
[170] Dunkerley (1994).

development, the late 1970s and 1980s were the worst of times for the Central American countries in economic terms. Indeed if one looks at the growth rates, since the early 1970s the economic performance of these countries has been very unstable. A dangerous decline from 1977 reached its lowest rate in 1982 (-6.4 GDP per capita). The cruel confrontation and civil wars (i.e. El Salvador, Guatemala and Nicaragua), led to more than 250,000 killings and around 2.5 million displaced. Indeed 1979 has been identified as a historical moment, marking a watershed in the sub-region's development and the beginning of an economic crisis even deeper than the 1930s.[171] It was not until 1987 that the region began to stabilize its growth at modest, but positive rates.[172]

Graph 3.7. Central America. Selected Health Indicators (1960-2004)



Source: World Development Indicators and HPNstats, World Bank

In terms of education indicators, while in the 1950s the number of Central Americans able to read and write was about 44%, by the start of 2000s it reached an impressive 74%. Costa Rica had the highest rates and Guatemala the lowest. Yet, in terms of

[171] Bulmer-Thomas (1987).

[172] This last phenomenon can be correlated with the signing of Esquipulas II -the peace treaty that began the pacification for the region and hence initiated the democratic transition, and a more coherent development process.

educational attainment the improvements are still modest, with significant within region variation (see table 3.3). For example, the sub-region's average years of schooling remains very low (5 years), and while the isthmus has reduced by half the number of people with no schooling the percentage of population aged 25 and over who have completed primary level education has not improved since the 1960s. Guatemala and El Salvador present the lowest scores of schooling, though at the post-secondary level the latter has the second-best scores.

Though the progress achieved has been remarkable, with the exception of Costa Rica Central America still lags behind Latin America. Even though there has been progress at the secondary and tertiary levels, this is increasing the education gap. Of the top 12.1% of the population aged 25 and over who access post-secondary training, only 8.2% finish it, while nearly 12.2% of the bottom half of the population complete the first level (see table 3.3). This is of crucial significance since "human capital, particularly that attained through education has been emphasized as a critical determinant of economic progress"[173] and more importantly for the purposes of this dissertation "the better educated the population of a country, the better the chances for democracy".[174] Costa Rica, the country with the highest educational attainment levels has enjoyed a better record of living standards and democratic life. And Guatemala, Honduras and Nicaragua, with the lowest education attainments present the highest poverty levels along with the most fragile democratic systems.

[173] Barro and Lee (2000:1).
[174] Lipset (1959:79).

Table 3.3. Central America. Educational Attainment (1960-2000)

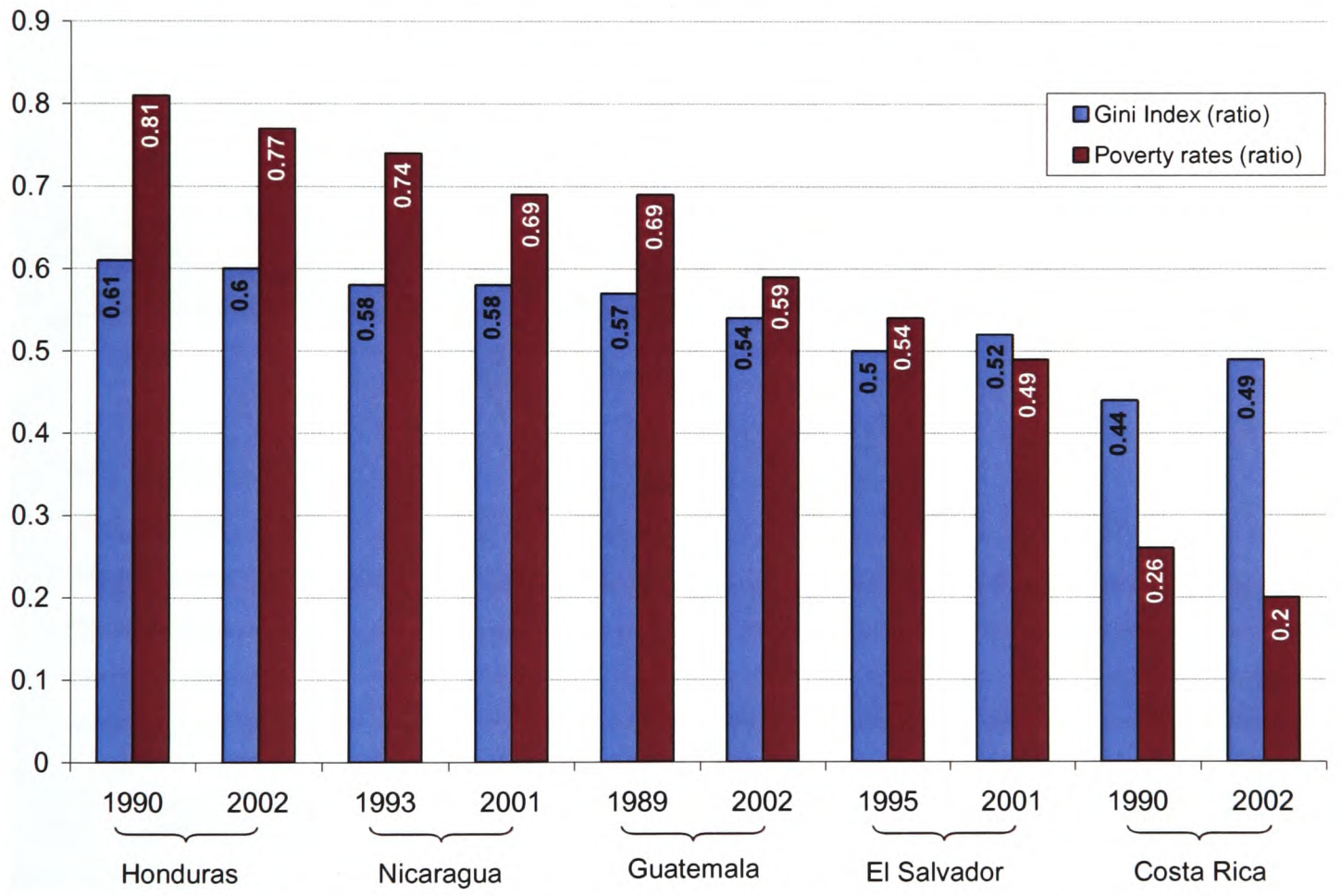
			Highest Level Obtained						
			First Level		Second Level		Post-Secondary		Average Years of School
		No School	Total	Complete	Total	Complete	Total	Complete	
			(Percentage of the population aged 25 and over)						
Costa Rica	1960	17.7	72.8	21.0	6.8	2.4	2.7	1.8	3.86
	1970	20.6	68.7	12.1	7.6	2.9	3.1	2.1	3.61
	1980	14.5	66.8	16.0	10.3	4.4	8.4	5.7	4.70
	1990	10.8	62.2	14.0	13.2	5.5	13.8	9.4	5.57
	2000	9.4	60.7	13.6	11.3	4.7	18.6	12.7	6.0
El Salvador	1960	61.8	33.2	5.1	4.6	2.0	0.5	0.3	1.70
	1970	54.2	37.9	8.0	6.0	2.5	1.9	1.3	2.29
	1980	36.0	52.0	11.5	8.7	3.6	3.3	2.2	3.30
	1990	37.1	45.9	10.2	9.8	4.0	6.3	4.3	3.58
	2000	35.0	45.6	10.1	8.8	3.7	10.6	7.2	4.5
Guatemala	1960	69.2	26.7	7.2	3.6	1.0	0.5	0.3	1.43
	1970	68.4	26.9	6.2	3.7	1.1	1.0	0.7	1.49
	1980	54.7	35.7	8.0	7.4	2.2	2.2	1.5	2.34
	1990	52.9	35.9	8.0	6.7	2.0	4.4	3.0	2.60
	2000	47.1	37.6	8.3	9.5	2.8	5.8	4.0	3.12
Honduras	1960	60.9	34.9	6.9	3.5	1.6	0.6	0.4	1.69
	1970	61.9	34.2	7.9	3.1	1.8	0.9	0.6	1.70
	1980	49.0	44.4	8.6	4.8	2.8	1.8	1.2	2.33
	1990	31.9	52.6	11.5	11.0	6.3	4.5	3.1	3.69
	2000	25.9	57.0	12.4	10.6	6.0	6.5	4.4	4.08
Nicaragua	1960	59.0	33.7	9.1	4.7	1.4	2.5	1.7	2.09
	1970	53.9	34.6	7.9	6.9	2.0	4.5	3.1	2.59
	1980	48.9	39.1	8.7	6.5	1.9	5.6	3.8	2.86
	1990	41.3	40.6	9.0	10.2	3.0	7.9	5.4	3.60
	2000	31.7	43.0	9.5	16.5	4.8	8.9	6.0	4.4
Central America									
	2000	26.6	47.3	12.2	14.0	6.1	12.1	8.2	5.0
Latin America									
	2000	17.7	50.6	14.4	19.9	8.4	11.8	7.7	5.7

Source: Barro and Lee (2000).

On poverty and inequality, it is difficult to find reliable time-series data comparable across Central American countries. This is mainly due to the fact that household surveys and national censuses were not normalized until the 1990s. However, it can be noted that in the 1990s and early 2000s, although poverty was reduced in relative terms it increased in absolute numbers. This poverty reduction was achieved in parallel to the democratization processes started in the late 1980s, as well as to the

economic reactivation with the end of the armed conflicts. Nonetheless, the incidence of poverty remains high with the exception of Costa Rica. Using poverty-line methods, in 1990 there were about 16.8 million poor inhabitants, in contrast with 18.8 million by 2002. In the case of extreme poverty, the number increased from 7.6 million to 8.5 million from 1990 to 2001.[175]

Graph 3.8. Central America. Income Inequalities (Gini) and Poverty Rates (1989-2002)



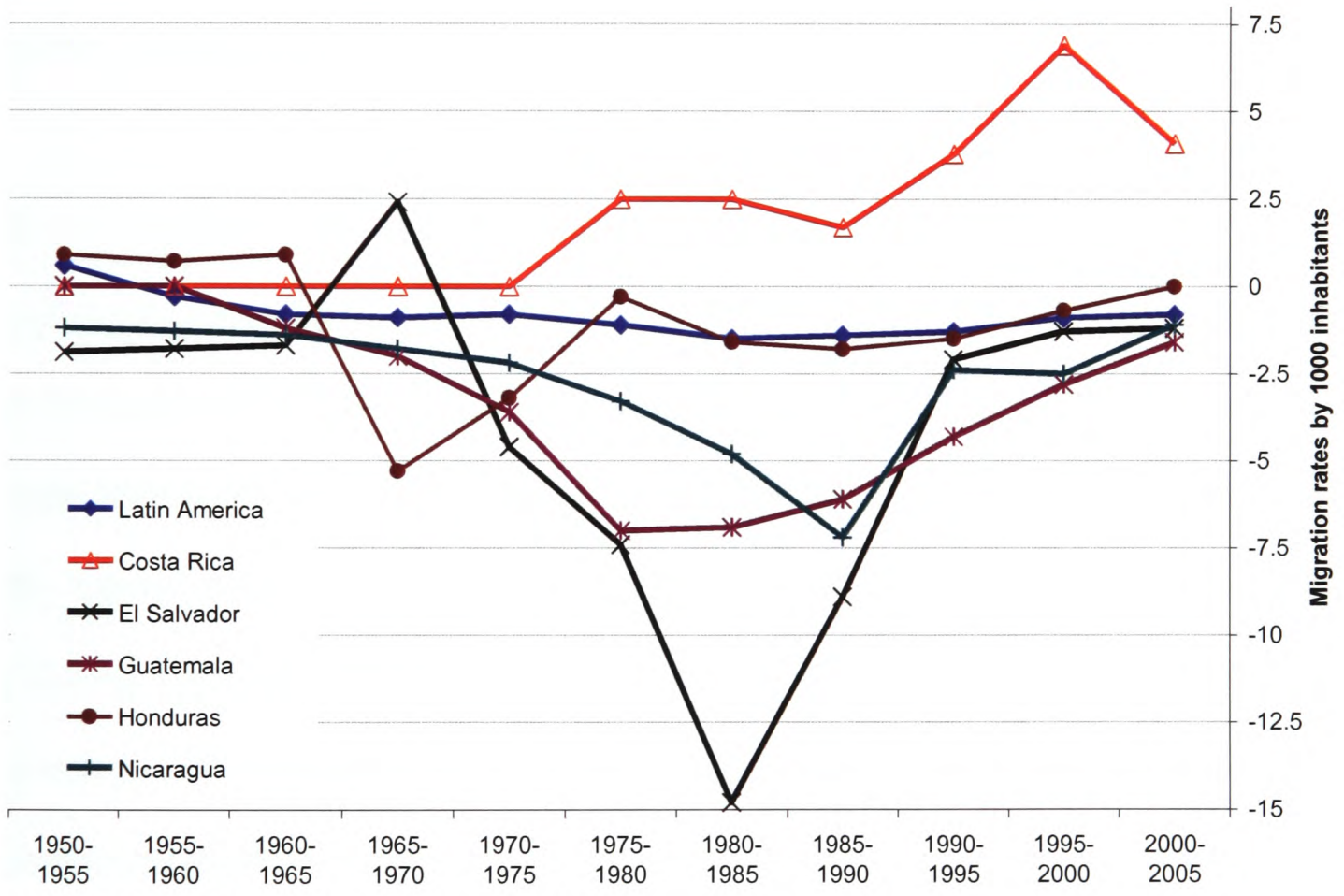
Source: Adapted from Hammill (2006) and based on household surveys and CEPAL (2006).

Yet, using household surveys for each country, Guatemala and Honduras slightly decreased income inequality, while Costa Rica and El Salvador increased it over the period 1990 to 2002 (see graph 3.8). Nicaragua records no discernible change from 1993 to 2001 in the Gini Index. Costa Rica's income inequality index rose by 5 points. However, despite this rise, Costa Rica maintains the lowest level of income

[175] See Estado de la Región (2003:Chapter 2), Hammill (2006), CEPAL (2006) and Calix (2007).

inequality and poverty rates.[176] In fact, in terms of poverty reduction, Guatemala experienced the biggest decline (about 10%), followed by Costa Rica (6%), El Salvador[177] and Nicaragua (5%) and Honduras (4%). This is perhaps one of the most important challenges for the stability and survival of democracy today in Central America.

Graph 3.9. Central America. Migration Rates (1950-2005)



Notes: 2000-2005 are preliminary estimates.
Source: Adapted from CEPAL (2003), table 27.

Another important development phenomenon that shapes human development trajectories in Central America relates to migration flows (see graph 3.9). Migration can be considered as the antithesis of human development.[178] Historically, these poor countries have expelled their population in search of better economic opportunities and living standards. Of the five Central America countries, Costa Rica and El

[176] See Hammill (2006:26-27).
[177] The poverty reduction in El Salvador, as will be further explored in chapter six, is even more impressive considering in 1991 it was about 66%, lowered to 43% in 2002. See PNUD (2005b).
[178] See El Salvador's HDR at PNUD (2005a).

Salvador are the two opposites. The former is the only one that presents a positive migration rate during the second half of the twentieth century, increasing in the last two decades due to migration flows mainly from Nicaraguans. El Salvador's migration rates dramatically increased during the 1980-85 period that marked the start of the civil war. The exception is the 1965-1970 period that reflects a positive trend, due to the short-conflict with Honduras in the late 1960s in which Salvadorans who had previously migrated to Honduras had to return to their own country during the so-called "football war" between these two countries.

Yet, even if the Central American countries seem to have achieved modest economic and developmental progress there are basic development gaps which must be closed. For example, in Costa Rica life expectancy is about 78.3 years. In Nicaragua it is eight years less (70.0). The average GDP per capita in US dollars (PPP) is $3,800; but the highest ($9,481) in Costa Rica, differs greatly from the poorest in Honduras ($2,876). Furthermore, poverty indicators are still alarming: 39% of Nicaraguans lack access to safe drinking water; 60% of Salvadorians do not have any kind of social security, or access to health services. Also, 69% of Nicaraguans do not have access to sanitation services, and 27% of Guatemalan children (below five years-old) are malnourished. Human development indices are substantially different; while Costa Rica ranked fourth in Latin America (0.841, 48 worldwide), Guatemala ranked last in Latin American and 118th worldwide with a HDI of 0.673 (worst than Viet Nam's HDI 0.709 score).[179]

[179] UNDP (2006).

The next section addresses the empirical connections between democracy and HD in Central America. The focus of analysis shifts to bring together the political and developmental aspects and explore the links using a typology that investigates the movement of Central American countries from one category to another. It suggests a strong democracy-lopsided pattern of development in the isthmus.

3.4. A Democracy-Lopsided Pattern of Human Development in Central America

The legacies of nineteenth century liberalism period were regime inheritances during most of the twentieth century, with Guatemala and El Salvador as military-authoritarianism, Costa Rica as a liberal democracy and Honduras and Nicaragua as traditional dictatorships.[180] These regime heritages ended approximately at the same time in El Salvador and Nicaragua (1979), Honduras (1982) and Guatemala (1986). These four countries started a democratization process in the mid 1980s.

Even though Central American countries continued making progress in terms of income per capita (with the exception of Nicaragua), education, health and the overall HDI, the latter's improvements were marginal. Coming from a period of economic growth in the 1960s and early 1970s, the democratization advances in the 1980s and 1990s brought only a small net gain in terms of the HDI over the 27-year period between 1975 and 2002 (see table 3.4, far right column). This small gain is not surprising, especially considering that the HDI aggregation as a composite index indicates small changes over time. These changes over five year intervals did not vary

[180] Mahoney (2001a).

tangibly following the democratization processes triggered in the mid 1980s. Table 3.4 indicates the rates of growth of the HDI in the period between 1975 and 1980. Percentage changes are presented at five year intervals.

Table 3.4. Central America. Human Development Index Growth (1975-2002)

	1980/1975	1985/1980	1990/1985	1995/1990	2000/1995	2002/2000	2002/1975
Costa Rica	1.03	1.01	1.02	1.02	1.02	1.01	**1.12**
El Salvador	1.00	1.03	1.06	1.06	1.04	1.01	**1.22**
Guatemala	1.07	1.02	1.04	1.05	1.05	1.01	**1.27**
Honduras	1.10	1.05	1.04	1.04	...	...	**1.30**
Nicaragua	1.02	1.01	1.01	1.06	1.03	1.04	**1.18**

Source: Calculations based on UNDP (2005).

Thus, considering democracy and HD processes as compatible and interdependent, this thesis' framework assumes that countries can be on a mutually reinforcing upward spiral, with high levels of democracy leading to higher levels of HD and high HD in turn further promoting democratization processes. Conversely, weak HD results in low democracy levels and consequently poor progress towards democratization. Country performance can therefore be classified into four categories: *virtuous*, *vicious* and two types of lop-sidedness, i.e. lopsided with strong democracy/weak human development (called *democracy-lopsided*); and lopsided with strong human development/weak democracy (called *human development-lopsided*).[181] In the virtuous circle democracy enhances human development, which in turn promotes democratization; in the vicious circle, poor performance on HD tends to lead to poor advances in democratization which in turn depresses HD achievements, and so on. Where linkages are weak, cases of lop-sided development may occur. On the one hand, HD may not bring about democratization (as in the case of Cuba for

[181] The lopsidedness idea is taken from Stewart et al (2000) paper on the linkages between economic growth and human development. Chapter seven will further explore the causal chains between democracy and human development in a larger sample of developing countries from 1972 to 2002.

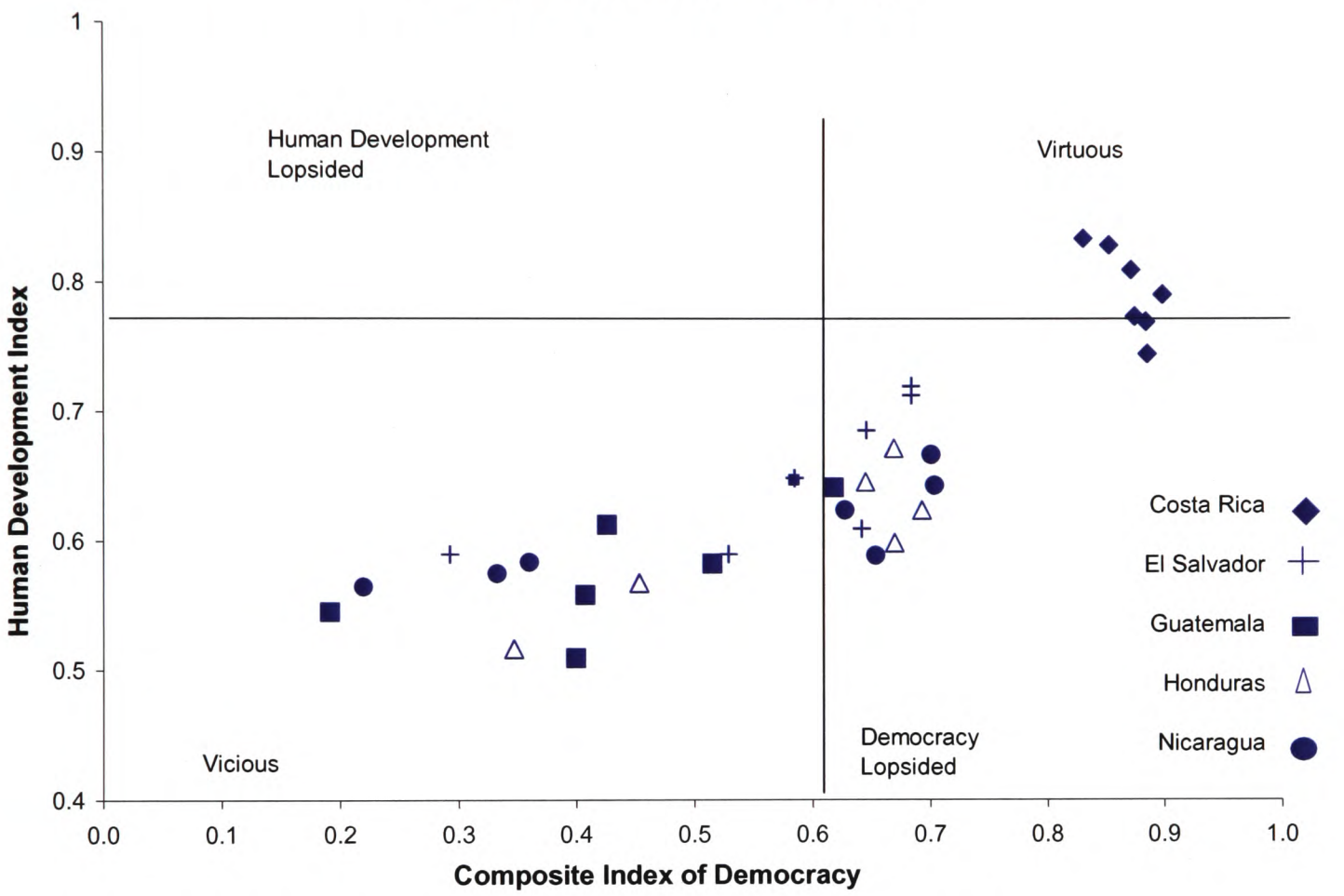
example); on the other hand, democratization may not generate advances in HD as it currently persist in most of Latin American countries (and Central America is not an exception).

Visually, this can be classified comparing countries performance on HD and democracy using the threshold values of 0.750 for high HD levels and the average democracy score for Central American countries in the period 1972 to 2002 (0.574). Dividing graph 3.10 in quadrants, countries positioned in the NE quadrant will be in a virtuous circle, while those in the SW quadrant will be in a vicious pattern. Countries that score above the democracy but below the human development thresholds will be democracy-lopsided (SE quadrant). Finally, countries that experience human development-lopsided will have higher human development levels and low democratization scores (NW quadrant).

Graph 3.10 suggests a steady transition from a vicious circle of low democracy and low HD levels, towards a democracy-lopsided pattern of development. Costa Rica is the exception, positioning itself in a virtuous circle of democracy and HD since the 1980s, although with a small reversal in the quality of its democracy in the early 2000s, but with slight improvements in HD levels. Of the other four countries, El Salvador seems to be the only one following Costa Rica's trajectory towards a virtuous circle. Indeed, this country began to differentiate itself from Guatemala, Honduras and Nicaragua in the early 1990s. In contradistinction from modernization

theory assumptions, it seems Central American countries have moved in the opposite direction, first strengthening their democratic institutions and processes.[182]

Graph 3.10: Central America. A Democracy-Lopsided Pattern of Development (1975-2002)



Source: Own Calculations based on CID (see appendix A) and UNDP (2005).

Individually countries followed different trajectories over time. No country in a vicious circle in the 1970s and 1980s remained in that category throughout, although all moved into the democracy-lopsided category. The most obvious is Costa Rica. It had the advantage of having higher levels of democracy and HD in 1975 and moved with greater ease than the rest of Central America to the democracy-lopsided pattern in the late 1970s and early 1980s and to the virtuous quadrant in the late 1980s. Honduras and El Salvador were the first countries in the region to move into the

[182] The same trajectory from the vicious circle to a democracy-lopsidedness pattern of development is suggested using income as a proxy for economic development. Costa Rica is the exception again in a virtuous circle. The other four countries moved from a vicious circle to a democracy-lopsided pattern, with El Salvador again distancing from Guatemala, Honduras and Nicaragua. None of the Central American countries experienced economic development-lopsidedness.

democracy-lopsided category in the mid 1980s. Honduras experienced a brief reversal in its CID score in the 1995-2000 period, although it remained in the SE quadrant.

El Salvador, for reasons that will be explained in detail in the following chapter, moved to the vicious category between 1975 and 1980. In 1985 it moved to the democracy-lopsided category during a civil war, perhaps due to the holding of presidential elections in 1984 and 1989 and legislative elections in 1985 and 1988. El Salvador's CID score deteriorated in the late 1990s, but with the signing of the peace agreement in 1992 it started to differentiate itself from the other three countries with an increase in its HD levels and modest improvements in democratization.

Table 3.5. Central America. Vicious, Virtuous and lop-sided trajectories (1975-2002)

	1975	1980	1985	1990	1995	2000	2002
Costa Rica	D-lop	D-lop	Virtuous	Virtuous	Virtuous	Virtuous	Virtuous
El Salvador	Vicious	Vicious	D-lop	D-lop	D-lop	D-lop	D-lop
Guatemala	Vicious	Vicious	Vicious	Vicious	Vicious	D-lop	D-lop
Honduras	Vicious	Vicious	D-lop	D-lop	D-lop	D-lop	D-lop
Nicaragua	Vicious	Vicious	Vicious	D-lop	D-lop	D-lop	D-lop

Note: D-lop = Democracy lopsided. The arrows indicate the trajectory of the country movement from the previous five years. The vertical axes measure HD levels, and the horizontal axes democratization.

The remaining two countries, Nicaragua and Guatemala, were the latecomers in transiting towards the democracy-lopsided category. Although Nicaragua made improvements in its democratization score in the mid 1970s, the overthrow of Somoza

and the start of the Sandinista regime in the late 1970s meant a brief reversal in the early 1980s. The 1984 elections meant the country moved toward the democracy lopsided category as early as 1985. Guatemala, on the other hand, had a large reversal in its CID from 1975 to 1980. However, it continued its pattern of improvements in democratization and moved into the democracy-lopsided category in the late 1990s (table 3.5 portrays the trajectories and movements in categories of Central American countries from 1975 to 2002).

These findings have a policy implication that will be explored and analyzed in the following chapters when pair-comparing Costa Rica and El Salvador. These findings also cast doubts on the directionality and linearity portrayed by modernization theory, as it is through democratic improvements that Central American countries have, and can from now on, advance their development levels. Even though reversion to a vicious circle is always possible (as the empirical evidence suggests in Chapter 2), it is an indication that Central American countries need to invest more resources in the promotion of HD without losing sight of the consolidation of democratic processes. The round of elections (presidential and legislative) in 2006 was an indication that democratic practices are establishing strong roots in the region.

3.5. Conclusions

Democratization has constituted a major political turning point in Latin America. With exceptions, incumbent presidents and most congress-people are now elected in competitive elections under at least minimal standards of freedom and fairness.

Central America is not an exception to this. And yet, the democratic quality of these democratic regimes is highly uneven. Scholars have analyzed this cross-national variety by considering democratization as a multi-dimensional phenomenon made up of a number of conceptually relevant properties that must be present before defining a fully-fledged democratic regime. The result is a growing field of study seeking to measure and explain what kind of democracies are emerging, while also attempting to identify the critical factors (i.e. institutional design, development, power distribution) affecting their quality. Several issues still need to be addressed: which institutional constraints are most critical in improving the quality of democracy? Do uneven levels of democracy influence uneven levels of development and inequality? Or is the causal direction the other way around, with unequal resource distributions affecting the viability of democratic governance? What role do capabilities and freedoms have in advancing democracy and HD?

Twenty years after this political turning point, poverty and inequality still linger in every one of these countries. In the south, Costa Rica is among the high HD countries with the other four countries performing poorly in the medium HD category. In political terms, it can be said that the region has experienced a three-fold alteration in just twenty years: i) from war to peace, ii) from peace to democracy, and iii) from democracy to development. The first switch has been largely accomplished. Although the second evolution, as this chapter has demonstrated, has been remarkable, there are still important challenges. The third move, from democracy to development is also far from accomplished, with poverty and inequality remaining serious problems. This Chapter explored and documented each of these three transformations. The main conclusion is that the process of deepening democracy in the region needs to be

accompanied by improvements in the living conditions of the population, with a particular focus on strengthening the HD indicators. More importantly, attention should be paid to closing the growing inequality gap and reducing poverty at the local levels.

If one lesson is to be learnt from this chapter it is that Central American countries have transited towards a process of improvements in the degree of openness and liberties of the political systems. Elections are now the norm, political institutions have been built and are in a process of consolidation, and civil rights and political liberties are broadly respected. Compared with the political situation of 20 years ago, it is a sea change in Central American politics.

The analysis of the Central American trajectories points to the need to scrutinize the conflicting periods in the movements of countries within and between the categories aforementioned. This thesis pursues this kind of analysis, by unbundling Costa Rica and El Salvador as case studies to understand these trajectories in depth. The next chapter focuses on the analysis of the key turning points (both political and developmental) for both countries that help to explain the changes in direction of the arrows in table 3.5, leaving for Chapters 5 and 6 the detailed and individual analysis of the importance of democracy for HD in Costa Rica and El Salvador, respectively. Such an approach aims to provide greater clarity to the argument that democratization and human development are mutually enhancing processes over the long run.

Chapter 4

Democratization and Human Development Dynamics in Costa Rica and El Salvador: Focusing on Key Turning Points

4.1. Introduction

In the field of comparative political economy, including political science and development studies, there is a growing literature around the concepts of critical junctures and turning points.[183] This literature usually emphasizes path-dependency arguments, implies a causal logic about the enduring impact of choices made at certain moments in history and is too often associated with moments of change and transition.[184] Empirical analyses of this strand of thinking include the work by Collier and Collier (1991) in eight Latin American countries, followed by Mahoney's (2001) comparative analysis of the political development of Central America. In both cases, authors aim to explain divergent paths in different countries. Turning points can happen both inside countries as well as outside, and it is important to recognize they are not deterministic and contingency and counterfactual analyses become key elements in their study.

[183] These concepts are often used interchangeably and usually extended to include other synonyms as 'crisis', 'unsettle time', 'transition', and 'formative moments', etc. I will use the term "turning points" throughout this analysis. In addition, they are mostly used in the analysis of historical institutionalization, institutional design and dependency theory.

[184] Capoccia and Kelemen (2006:25) warn that "transformational change is not necessarily the result of a critical juncture, but can be result of an incremental process". While I agree with this interpretation, I will focus the analysis to explaining also how turning points may not necessarily produce the intended outcome and in the logical course of history turn itself into an antecedent condition of cleavage (see figure 4.1).

The objective of this chapter is to advance the argument on the mutually enhancing processes of democratisation and human development by deepening the analysis at the paired-comparison level. It does so by way of weaving historical, institutional, developmental and political factors in both Costa Rica and El Salvador.

The pair comparison is not meant to give predictions, but rather explanations that look closely at how selected turning points influence each other as they are not completely self-contained. A caveat to consider is the fact that turning points, although path-dependent, are not deterministic.[185] This assumption implies the recognition that these are not a guarantee of how actors will behave after a decision has been made (i.e. after writing a new constitution or changes in the rules of the game for elections). But it is useful as it helps reduce the balance of possibilities and structure of choices.

Therefore the use of a paired-comparison helps to identify contingent and structural explanations and narrow down counterfactual possibilities. The previous chapter studied democratization and development trajectories in Costa Rica and El Salvador in comparison to neighboring countries. Both countries share a colonial heritage, and similar agricultural commodities. These include an agricultural coffee industry in the early to mid twentieth century and a lack of domestic energy resources making them vulnerable to international fluctuations and foreign exchange export revenues. In addition, both countries portray structural differences in institutional innovations and HD levels; including population densities, agricultural commodities and ethnicity

[185] In a critique of what he calls the "transitology" literature of the 1980s and 1990s, Dobry (2000) refers to "bifurcations" or fork type critical junctures or conjectures. That is, at some moments in history, decisions regarding democratisation and/or human development processes may produce unexpected consequences. Therefore, even considering the path-dependent argument in a particular critical junctures, external factors not accounted for in the historical narrative chosen by the researcher, may influence the outcome.

variations. Such a blend of similarities and differences makes the study of El Salvador and Costa Rica troublesome from the standpoint of the "most-similar" or "most-different" system designs.[186]

For instance, the key turning points analyzed are potentially favourable for HD, but not a guarantee, and are partially political but not entirely so, as they also include historical and developmental elements and characteristics. However, the connections are theoretically present (i.e. both processes have similar logic of inference, see discussion in Chapter 1) but they are not automatic (as will be discussed in this Chapter). Moreover, new patterns emerge in both countries with the development of each of the analysed turning points, including for example, changes in expectations of actors both in political and developmental terms as the time horizon increases with the settling of clearer rules of the game in political terms. Also, greater stability and the absence of violence brings favourable investment conditions (social and commercial). Possibilities for cooperation among and between political actors increases (moving away from "partidocracies"), which is instrumental in correcting ill-defined and implemented policies. This leads the way to enhanced forms of trust and predictability. Another pattern may relate to the containment of political instrumental forms of violence, which is good for HD processes in all counts.

These are some of the main reasons why a pair comparison between Costa Rica and El Salvador including a decomposition of democratization and human development

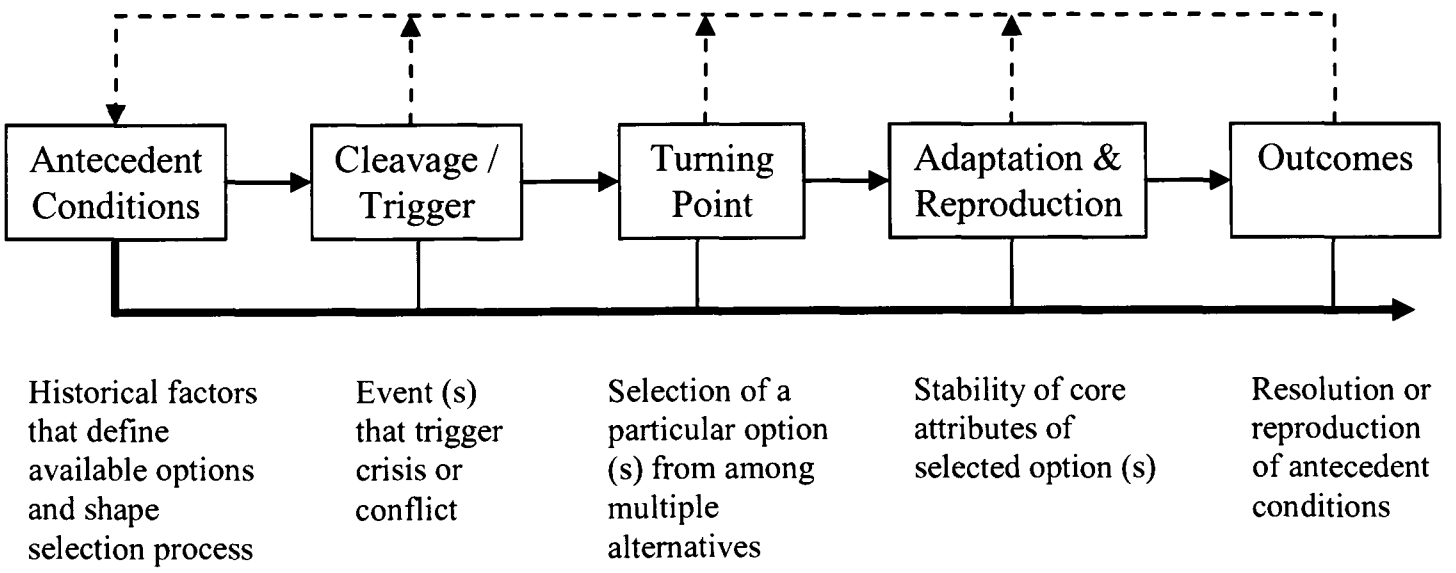
[186] This pair comparison does not fall into either category. However, it is an apposite pairing, not only because it has not been made before, but also because these are conceivably the two most dynamic economies of Central America (see discussion in Chapter 3), their political systems are the most consolidated (see discussion in Chapters 5 and 6) and because this research aims to enhance the understanding on the elective affinities between democratisation and HD processes in small and low and middle-income countries.

processes are worth exploring. The analysis now turns to the explanation of the importance of focusing on these key turning points before weaving the analysis.

4.2. Defining Turning Points

The pair comparison builds upon the identification of "key turning points". These are defined as periods of "significant change, which typically occur in distinct ways in different countries and which [are] hypothesized to produce distinct legacies".[187] The sequence of events is important, since the events that follow will revolve around decisions made in the past. This is the basic assumption of path dependence. Yet, as Mahoney (2002) argues, path dependence cannot simply be used as a blanket label to describe explanations that examine temporarily sequenced variables. For this reason, this chapter builds upon the key turning points faced by Costa Rican and Salvadoran policymakers. Figure 4.1 summarizes the analytical framework of this chapter.

Figure 4.1. Analytic Framework of the Key Turning Points Explanation



Source: Adapted from Collier and Collier (1991:30, fig.1.1) and Mahoney (2001a:4, fig. 1.1).

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[187] Collier and Collier (1991:29). Mahoney (2002) defines critical junctures as "choice point[s] when [a] particular option is adopted among two or more alternatives" predetermined by what he calls antecedent conditions. More recently Capoccia and Kelemen (2006:7) define them as "*relatively* short periods of time during which there is a *substantially* heightened probability that agents' choices will affect the outcome of interest" (italics in original).

This framework considers the historical conditions that define available options and shape selection processes that have an impact in future events. At points in the historical evolution of a particular society, some events either act as triggers of a crisis or conflict, or a period of development. Once those triggers have been activated, a selection must be made from multiple alternatives. This is called a key turning point. Its duration is not predetermined and varies greatly from country to country and according to the nature of the crisis (i.e. war, economic recession, social inequalities). This is followed by a period of adaptation and reproduction of the selected option(s) within the institutional framework of the society. Finally, it produces an outcome. The latter may either resolve the situation and contribute towards better living conditions (i.e. better HD) or quite the contrary, reproduce and extend the historical factors the predetermined the cleavage.

This framework builds upon Collier and Collier (1991), Dobry (2000) and Mahoney (2001a). However, it goes further by also investigating the interdependence of the democratization (political) and HD components of sequential developments. Once an outcome has been achieved, in the following round of historical events it may trigger another one. This interdependency argument (dotted line in figure 4.1) is lacking in Collier and Collier's seminal study and could be the reason why they conclude that the connection between many of the economic changes and specific political transitions and regimes outcomes analyzed in the 1970s and 1980s in eight Latin American countries, is not as direct as some of the literature would seem to suggest.[188]

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[188] Collier and Collier (1991:768). Indeed, Peters et al. (2005:1277) identify Collier and Collier's analysis within historical institutionalist theory, which accords history a more logical trajectory, and "leads scholars to investigate the persistence of the victorious policy option, instead of bringing out the complexity and uncertainty that characterize formative moments in the creation of policies". One way

The examination of the Costa Rican and Salvadoran cases aims to identify interconnections of antecedent conditions, turning points and outcomes.

The dominant strand of thinking in social sciences is that history matters, and as such the analysis of these turning points starts evaluating the extent of the failed democratization episodes of 1932 and 1944 in El Salvador and the formation of the "Second Republic" in Costa Rica in the late 1940s. The resilience of history in the evolution of societies and its path-dependency is related to the role played by institutions in a society. Thus, the second key turning point evaluates the institutional engineering in each country. The analysis points to the end of institutional military rule in the late 1970s and the decade long civil war in the 1980s in El Salvador and the institutional redesign in Costa Rica with the establishment of the Constitutional Court in the late 1980s.

The third and fourth categories of turning points indicate developmental and political matters. The developmental category encompasses the analysis of the structural mutation of the development models in Costa Rica and El Salvador. Under this pair comparison framework, the term structural mutation of the development model is context specific. It refers to the period during the 1980s, in which both countries dramatically shifted their development strategies and agendas. Costa Rica shifted from a strong state intervention system to the gradual introduction of liberalization policies; while El Salvador experienced a troika of development policies, varying from highly dependent agro-exports to a state-driven model to greater participation of the private sector and market freedom. On political matters, the events analyzed in

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to overcome this methodological deficiency is by way of considering the turning points not deterministic, but part of an evolving system of political and development transformation.

each country are the weakening and fragmentation of the political system in Costa Rica and the political polarization of a two-party system in El Salvador.

Last but not least, the usefulness of an analysis of sequential key turning points is that it allows the identification of successful and not-so-successful policy options at particular points in time. The eight turning points are not all successful in the sense they have not all promoted democratization or HD improvements. For instance, in the case of Costa Rica, these include the impact of the 1981-82 economic crisis on the development model and the fragmentation of party politics. Therefore, it is interesting to note how HD levels continued to increase, while measured democracy levels briefly decreased. In El Salvador, these include the failed democratization episodes and the civil war in the 1980s.

In sum and in temporal order, the key turning points analyzed in each country are (i) the start of the early democratization process in the late 1940s in Costa Rica and the failed democratization episodes of 1932 and 1944 that delayed democratization in El Salvador; (ii) the institutional design changes brought about mainly by the establishment of the Constitutional Court in Costa Rica, and the end of institutional military rule in the late 1970s and the decade long civil war in the 1980s in El Salvador, (iii) the structural mutation of the development model in the 1980s in both countries, and (iv) the weakening and fragmentation of the political system in Costa Rica, and the extreme polarization of political parties in El Salvador. The scientific treatment of these turning points will provide clues to explain the hypothesis of the mutually enhancing relationship between democratization and human development processes.

4.3. The Pair Comparison: Focusing on Key Turning Points

Costa Rica

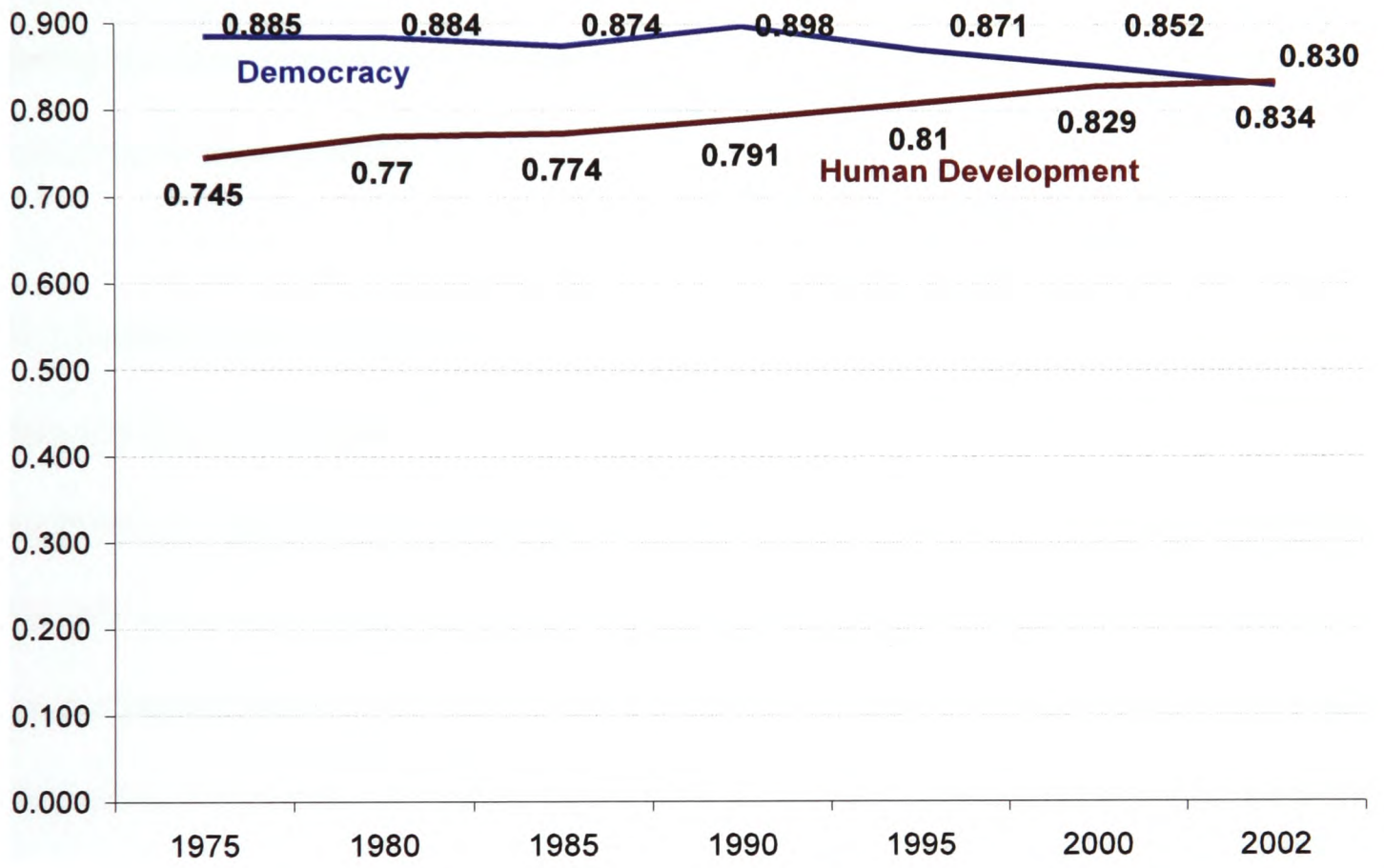
Democratization and development appear to have been both compatible and complementary in Costa Rica, especially in the three decades after the inauguration of the Second Republic and with the 1949 Political Constitution. Over thirty years, based on a strong state interventionist framework, the country was able to reduce poverty and improve the living standards of most Costa Ricans. Freedoms and capabilities, in terms of Sen's perspective,[189] were broadly expanded (though still limited until the creation of the Constitutional Court) and people increasingly had the opportunity to choose among the things they valued and had reason to choose from.

Two facts suggest that Costa Rica's political system, although not in crisis, has weakened markedly in the past few years. Comparing the country's policy-making performance in two cross-country measures, Lehoucq noted that "in 2005, the World Economic Forum ranked Costa Rica as having the 64th most competitive economy in the world, a fall of 14 places since 2004. The 2006 Bertelsmann Management Index, a composite measure of the ability of a political system to forge consensus, has Costa Rica slipping from 8th to 19th place since 2003".[190] The second fact, as graph 4.1 suggests, is taken from the Composite Index of Democracy developed in this dissertation, which shows a slight decrease in the grading of Costa Rica since 1990, while at the same time the HDI has constantly increased since 1975, with a lower

[189] Sen (1999a and b).
[190] Lehoucq (2006:166).

speed between 1980 and 1985.[191] The HDI and HPI-1 are highly correlated[192] and, as shown in Chapter 3, in the five years intervals between 1990-1995 and 1995-2000 the rate of growth of the HDI was just two percent in each period.

Graph 4.1. Costa Rica. Democracy and HD (1975-2002)



Source: Own calculations for CID (see appendix A) and UNDP for HDI.

El Salvador

If the analysis of Costa Rica's turning points indicates a steady transformation between the 1948 Civil War and the early 1980s and a swift mutation of the development model in the 1980s and 1990s, El Salvador's sequence of events points to an abrupt and unparalleled transformation of its political regime and development model in a short period. The recent resurgence of El Salvador's democratic

[191] To some extent, this is possible given both the high levels of democracy and HD of the country. As discussed in Chapter 3, Costa Rica is the only Central American country in a virtuous circle, where democracy and HD reinforce one another cumulatively. Therefore, given the high levels of democracy scored by Costa Rica, its reduction is minimal given the compatibility with the high HD levels.
[192] See Appendix B.

institutions, the increasing polarization of its political parties and the puzzling complexity of its development model transformation make El Salvador an ideal country to compare Costa Rica with. A country with only short lived previous democratic history, El Salvador embarked on a democratization process motivated by the devastating outcomes of a decade-long civil war during the 1980s. Furthermore, during the democratization process many social, economic and political changes have transformed the country in the last quarter of a century.

El Salvador's 2003 HD Report argues that "there is a direct and positive link between democratic governance and HD".[193] This report stresses that the international experience suggests that governments with greater citizens' legitimacy, political stability and with transparency and efficiency in public administration, are linked with greater production growth rates, income increases, social indicators improvement and, in general, with better HD rates. Yet, it fails to identify the key drivers that maintain and increase the trend towards greater poverty reduction and boost development indicators in a war-torn country. Nor does the report identify any time lags involved or for how long policy changes affect changes in HD indicators.

As in the case of Costa Rica, El Salvador transformed the structure of its economy during the 1980s. Moreover, since the early 1990s the country boosted its HD indicators like never before in its history (see Chapter 6), while at the same time its political system moved towards a transition from authoritarianism to democracy.[194] In 2002 and 2005, the World Economic Forum ranked El Salvador as having the 63rd and 64th most competitive economy in the world, respectively. The 2006 Bertelsmann

[193] PNUD (2003:263).
[194] As conceptualized by O'Donnell et al (1986).

Management Index had El Salvador moving up from 41st to 27th place since 2003. According to the ranking, El Salvador has moved from a ranking of moderate success to a successful position with weaknesses. Graph 4.2 indicates this in terms of both the HDI and the CID.[195]

El Salvador, in the second half of the 1970s froze its HDI, at the same time as its autocratic indicators deteriorated. During the first half of the 1980s it made marginal improvements in development, but gained substantially in terms of democracy (during this period a constitution was promulgated and free elections were held for the first time in decades, won by a civilian candidate). In the second half of the 1980s HD further increased, but democracy experienced a brief slip, recovering during the 1990s, and moving along the same levels as HDI tendencies.[196]

This is a major achievement in El Salvador's troubled history, yet the puzzling questions still unanswered refer to how a fragile democratic model can be strengthened in a highly polarized political, social and economic environment,[197] and how democratization can bring about development outcomes, especially in a context where democracy has no history. To what extent has El Salvador the ability to maintain and build upon improvements in democracy is especially troubling,

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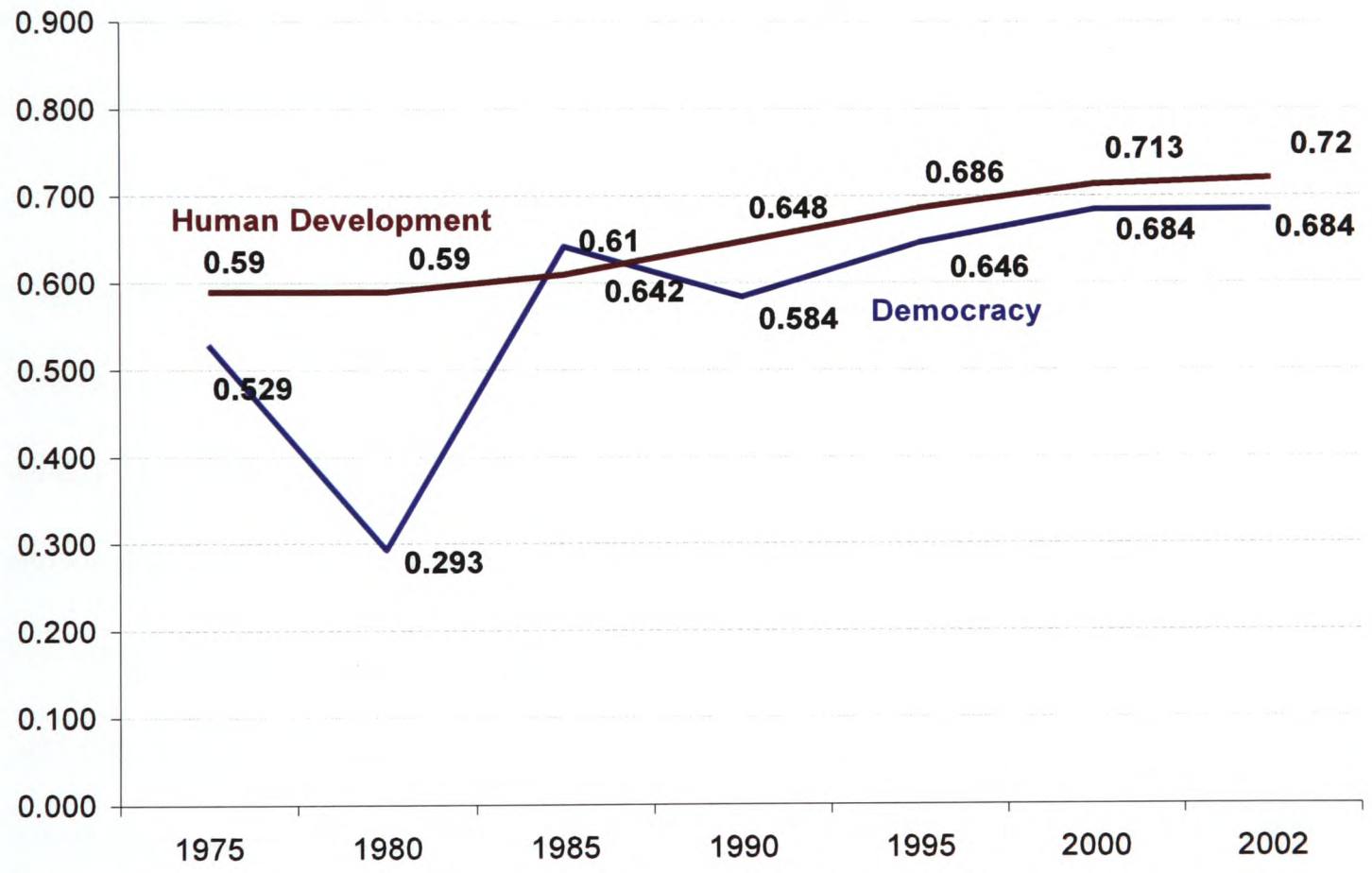
[195] It is important to recall here that although El Salvador has made substantial changes in both indicators, I am not suggesting it is on a path of convergence with Costa Rica, which undoubtedly enjoys higher democracy and HD scores. This is an important point to clarify given that as shown in graph 4.1, Costa Rica's democratic indicators have slightly decreased, but these changes are based on a high level of democracy, where changes are subtle and to some extent marginal.

[196] These advances in HD are noteworthy. And to some extent, it helps explain the significant reduction in poverty levels during the 1990s. As was seen in Appendix B in Chapter 2, HD is highly correlated with the HPI-1.

[197] Polarization was stressed as perhaps the most difficult problem in Salvadoran politics during most of the interviews held in San Salvador. This was strongly stressed in particular by Majano [02/02/2006], Trigueros [04/10/2006], Pleitez-Chavez [04/10/2006], Pleitez [06/10/2006], Siman [09/10/2006], Briones [09/10/2006], Rubio [16/10/2006], Magaña [17/10/2006], Alfaro [18/10/2006], Salguero [18/10/2006] and Rivera [19/10/2006]

considering that the human and social development indicators are related to those left behind by the migrants. For example, the 2005 HD Report for El Salvador reports that Salvadorans living in the USA enjoy higher rates of HDI and on average live for ten more years, are more educated, and enjoy an income three times greater than those who remain in the country.[198]

Graph 4.2. El Salvador. Democracy and HD (1975-2002)



Source: Own calculations for CID (see appendix A) and UNDP for HDI.

In sum, some puzzling questions still need to be addressed. For example, in Costa Rica during the early democratisation process made improvements in terms of HD over three decades, however, that same political system has been unable to reduce the share of Costa Ricans living in poverty which has remained at around 20 percent of the population since the mid-1980s, and the provision of public goods (i.e. health and

[198] PNUD (2005a: inside back cover).

education) has deteriorated[199] so markedly in recent years. Why is it that while the public-health system did manage to lower infant-mortality rates to developed-world levels by the 1970s, it has been much less successful at providing more advanced health care on a timely basis? And, why if Costa Rica's development performance remains superior by developing-world standards, is the country's ability to maintain and build upon past successes in doubt?[200]

In El Salvador, the key turning points identified have gradually opened spaces for political and economic participation, and installed democracy as the "only game in town".[201] The initial institutional reforms of the 1990s paid dividends and re-established patterns of development in the country. However, due to natural friction and the inevitability of a pacted reform as in El Salvador, the initial impulse has lost inertia, and the political system is giving signs of the need to embark on a second round of reforms. Moreover, the analysis of these key turning points will shed light on the argument that democracy in El Salvador can be considered rather stable with no anti-democratic actors threatening the system as such. Yet, since the dawn of the twenty-first century these political arrangements have deteriorated, forming a difficult policy cycle in which non-cooperation among political parties obstructs the policy making process, impeding further increases in HD as well as reductions in poverty levels and income inequalities.

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[199] See Estado de la Nación (2005).

[200] Lehoucq's (2005) offers a compelling analysis from the electoral point of view, but not of the institutional factors (i.e. internal Congress rules), which are also important.

[201] Paraphrasing the ambiguous assertion made by Przeworki (1985) and famously advanced by Linz and Stepan (1996).

The answers to the above questions are not arrived at by the study of a single event or factor and may lie in a series of key turning points that have gradually evolved and transformed structurally political and development dynamics.

4.3.1. Early vs. Delayed Democratization

In Costa Rica, the early 1930s, although traumatic in terms of economic recession, did not represent a substantial threat to the political process. The outbreak of brief and unstable military rule in 1917-1919 was already overcome and the country was transiting towards the consolidation of institutional rules.[202] Costa Rica's short-lived civil war in 1948 was triggered by a series of deficiencies in the political system, including constant fraudulent elections. In 1949 a Constitutional Assembly drafted a new political constitution that expressively confirmed Costa Rica as a democratic Republic (i.e. by giving preponderance to the Electoral Tribunal as guarantor and responsible of the electoral processes), maintained strong support for individual rights, and reinforced the social security system inaugurated in the early 1940s. The constitution included a number of important social guarantees, such as a minimum wage, the length of the working week, rights of workers and employers to organize, and a social security net covering medical care.

The constitution also decentralized decision-making power,[203] with more than fifty articles detailing individual and social rights and guarantees, as well as numerous other articles that outlined both limits to expectations from the state, such as freedoms

[202] With the possible exception of the electoral rules as elections continued to be manipulated by the political elites. See for instance Lehoucq and Molina (2002).
[203] Wilson (1994).

of religion (Article 75), education rights (Articles 76-89), and voting rights (Articles 93-98). Moreover, Article 50 of the Political Constitution establishes that the "[s]tate shall procure the greatest welfare of all inhabitants of the country, organizing and promoting production and the most adequate distribution of wealth". It also emphasizes that "every person has the right to a healthy and ecologically balanced environment, being therefore entitled to denounce any acts that may infringe said right and claim redress for the damage caused".

The post 1949 period is synonymous with considerable state-led economic growth coupled with significant improvements in social well-being; the period between 1950 and 1980 has been considered as the golden age of Costa Rica's development based on a modernizing, mesocratic and inclusive developmental model.[204] A complex network of state institutions (centralized and decentralized) in support of improving the living conditions of its inhabitants was nested during this period. The developmental model implemented was one of strong state intervention. Indeed, as documented by the State of the Nation report in 2005, during the "democratic instauration" period (1949-1975), ninety-four public institutions were created at an average of 3.6 institutions per year.[205]

Furthermore, between 1976 and 2004, also known as the "democratic enlargement" period, 167 new institutions were created, at an average of six per year.[206] This period

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[204] Rovira (2001).
[205] Estado de la Nación (2005), based on Alfaro (2005). Chapter 5 provides an explanation of the institutional innovation aftermaths of the 1948 Civil War and their consequences in HD levels.
[206] These "institutionalization" periods are in great contrast with the previous "republican regime" from 1821 to 1888 when only 41 institutions were created (average of 0.6 per year): the "liberalization from the republican regime" period from 1889 to 1918, when 29 institutions were created at an average of 1 per year and the "political inclusion" period from 1919 to 1948 with an average of 1.2 institutions created per year (Alfaro, 2005).

marked the demise of the interventionist system covering the 1981-82 economic crisis. It includes the creation of new state Ministries, such as Housing, Commerce, Planning and Environment; the finance sector was given a boost, not only with liberalization of banking but also the creation of investment funds and pension plans.

If the 1948 civil war "stands as the inevitable point of reference for much of the country's contemporary political history",[207] undoubtedly the 1949 Political Constitution marked a structural turn point in Costa Rica's history. It began the consolidation of the democratic process, while also establishing the basis of the institutional framework to be founded on HD promotion rather than economic growth.[208] However, over the years, this complex network of institutions, embraced by the social democrats of the National Liberation Party which dominated Costa Rican politics since the early 1950s, has become difficult to disentangle.[209]

The institutional constraints imposed by the political system were not allowing policy-makers to make decisions in an expedite way, and there were no articulations or representation channels in public institutions. With the advent of the second international oil crisis in the late 1970s, it became evident that this institutional framework was not capable of responding to the new challenges imposed by the external variations in the economy, and the country entered into the 1980s with a rigid, decentralized and unarticulated institutional framework, as well as weak political parties.[210]

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[207] Casas (2005:62).
[208] Gutiérrez-Espeleta [31/01/2006].
[209] Hidalgo (2003), citing Rovira (1982).
[210] In fact, all interviewees agreed that the country's development and democratic systems were adrift in the sense that the political systems is not "communicating" with the economic system (i.e. policy-making effectiveness and legislative productivity). For example, the institutional 'paralysis' originated

In contrast, in El Salvador, a strong legacy from the liberal reform period[211] shaped much of the political interaction in the twentieth century and has proved difficult to overcome. The military has had a strong influence in policy matters and, in fact, ruled the country during much of the last century, although peace was achieved fifteen years ago. In this long history of failed democratisation attempts two main episodes contrast the prevailing "iron" fist rule exercised by the military: the rural uprising / peasant revolt of 1932; and the renewed democratic hope of 1944.

Since independence the country was constantly in a state of civil war and democracy was not given any chance to flourish, in contrast to Costa Rica.[212] During the first quarter of the twentieth century, labour movements emerged (perhaps motivated by the Russian or Mexican revolutions), progressive presidents expanded the political arena by incorporating the middle and working-class sectors, while triggering the opposition of powerful coffee oligarchs and military officers. This elite-led democratization period soon faced the shutting down of democracy, and in the early 1930s the reformist government of Pío Romero Bosque[213] (1927-1931) was succeeded by Arturo Araujo in what are considered the first competitive elections in the history of El Salvador[214] with the participation of popular groups as independent political

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with the 1982 crises, has affected social policy over economic policy; however, the economic crisis had not yet generated a political crisis. For some, there is a conflict between the political and economic systems and the question to be answered is: "Which economic system better adjusts to the political system and vice-versa?" (Lizano [06/02/2006], Mata [01/03/2006]).

[211] See Chapter 3 of this dissertation, Dunkerley (1988) and Mahoney (2001a).

[212] For example, of the nine presidents between 1871 and 1913, four were overthrown, two were pressed for an election loss, one was defeated in an external war, another was assassinated and just one left office because of an election loss (Mahoney, 2001a:138). The period from 1913 to 1927 saw six presidents leaving office as a result of electoral processes.

[213] Also known as the "father of democracy" in El Salvador, Romero's government balanced concession and repression and allowed civil liberties and the organization of popular movements.

[214] Mahoney (2001a:201) argues that despite some irregularities, "this election and presidential transfer amounted to the most democratic moment in Salvadoran history before 1979".

forces.[215] However, due to the economic collapse, the economic elite boycotted the government. Political openings to the workers and peasants manifested in strikes in April and May of that year and the students' demonstrations of July led to martial laws to restore political order. The chaos was fertile ground for a military coup that ousted Araujo and installed General Hernández Martinez as president. This transition began El Salvador's longest personalistic-dictatorship sympathetic to dominant-class interests.

The government of Hernández Martínez (1931-1944) coincided with Ubico's dictatorial regime in Guatemala, and both can be considered the culmination of reactions to political openings in the late 1920s.[216] Yet, El Salvador reverted to a military-authoritarian regime, including the official discouragement of organized labour movements and the suppressing of voluntary organizations. Indeed, one of the initial measures of Hernandez was the suppression of the peasant or "indigenous" revolt of 1932 (also known as *la matanza,* the massacre), where an estimated 15,000 to 30,000 people were killed after the 'rebels' had surrendered,[217] including the emblematic leader of the Salvadoran Communist Party *(Partido Comunista Salvadoreño, PCS)*, Agustín Farabundo-Marti who was killed by order of a military tribunal.

In 1944 Hernandez-Martínez tried to amend the constitution to allow himself a fourth term in office; this led to disenchantment among officers from the air force and the army, who staged a coup. It was followed by civic protest movements and US pressure, forcing Hernández to resign on May 9. It followed that "after Martinez' fall,

[215] Wilson (1978:221).
[216] Mahoney (2001a:205).
[217] White (1973:122) and Wilson (1978:231).

democracy seemed to be on the political horizon in El Salvador".[218] But the renewed democratic hopes were soon dashed and in October 21, 1944, the military leadership carried out a new *coup d'etat* and held elections in March 1945 to bring General Salvador Castaneda to power. This new transition set the scene for 29 years of institutional military rule. Ironically, "[E]lectoral-based military rule was so well institutionalized and provided such a consistent basis for political administration that one could argue that, with the exception of Costa Rica, El Salvador had the region's most procedurally stable regime".[219]

Yet again, repression and rising social and political polarization led the way to the 1979 insurrection and coup that marked the end of institutional military control over government affairs. This started a non-democratic civilian regime in which formal elections were used to select top government officials, amid civil war and peace negotiations until 1992. In terms of development, the legacy of the military is evident in the depressed social indicators achieved by the 1970s. The unequal distribution of land and the high incidence of rural poverty are the outcome of the liaison between a coercive state apparatus and economic elites. As posited by Wood, "by the 1920s, the landed elite together with immigrant families that invested in coffee mills and export firms began to coalesce into an oligarchy of a few dozen families"[220]. Even though the economy became more diverse, economic power remained extremely concentrated and close relations between local landlords and military commanders, including the "permanent billeting" of state security forces on some estates, lasted until the outbreak of the civil war in the 1980s.

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[218] Mahoney (2001a:209).
[219] Mahoney (2001a:241). However, Dunkerley (1988:352) goes even further to argue that "in many senses the government of El Salvador between 1950 and 1979 may be seen as more efficacious, stable and consistent than that of any other regional state except Costa Rica".
[220] Wood (2005:181).

In a nutshell, El Salvador's political history from the 1920s to the 1980s was one of overthrows, given the loss of equilibrium between political openness and repression. President Araujo was deposed by a coup in 1931 for giving too many concessions, General Hernández-Martínez fell after 12 years in power due to his excessive repression; Menéndez fell out in October 1944 for giving concessions; Castaneda Castro in December 1948, and Lemus in October 1960 both went down due to repression[221] and General Carlos Humberto Romero fell in 1979 due to a notoriously repressive administration, lack of political opportunities and corruption.

Given such a pattern, Salvadorans had little reason to expect any change in their circumstances. Government spending was mainly focused on the military with little devoted to social issues. Thus, it is not surprising that by 1971 the illiteracy rate was 63% of the adult population.[222] Education thus provided little opportunity for social mobility and very few people completed primary education.

4.3.2. Institutional Design Changes

Costa Rica's development model introduced in the early 1950s produced some of the highest social indicators in the developing world. Yet, in terms of the freedoms enjoyed by individuals and Sen's HD approach, it is interesting to note that, other than elections every four years, it was achieved with limited channels for individuals to appeal the decisions of governments or to have their social and economic rights

[221] White (1973).
[222] Wood (2005).

enforced. This is particularly relevant since titles IV and V of the Political Constitution grant individuals a wide range of rights and liberties (i.e. right to life, movement, privacy, association, equality). But the mechanisms actually used to enact those rights were limited and often dismissed *ad portas* by both the Supreme Court and the Government. For example, between 1949 and 1989, there was just one case of unconstitutionality presented by someone injured at work. However, the case was rejected in April 13, 1965, and thereafter "claims by workers ... were routinely rejected ... minority parties, including the Communist Party (declared illegal after the 1948 Civil War), failed to have any success at the Supreme Court. Thus, the paucity of cases filed with the prereformed Supreme Court reflects the lack of an effective LO [Legal Opportunity] available to interest groups or aggrieved individuals".[223]

The New Constitutional Court

Parallel to the 1980s economic crisis, there was a fear among the political elites that due to the pressing economic needs the country was facing, a crisis of political legitimacy could mean a collapse of the democratic regime (as happened in Uruguay in 1973). Furthermore, internal factors, like corruption scandals affecting some court magistrates in the early 1980s, as well as coup-threats during the Carazo (1978-1982) and Monge (1982-1986) administrations, fuelled an in-depth discussion on the need to modify the Political Constitution, enlarge the Supreme Court membership and establish a Constitutional Court. In fact, in August 1989, after years of discussion, the Legislative Assembly was persuaded to amend Articles 10 and 48 of the Political

[223] Wilson and Rodriguez (2006:331).

Constitution to create a constitutional chamber[224] of the Supreme Court by passing Law No. 7128.

The court quickly shook the country's judicial system and since its inception has touched virtually every aspect of the country's social, economic and political life.[225] The caseload management is just a brief example of this revolution: in the 40 year period before the creation of the Constitutional branch of the Supreme Court, there were only 347 cases of unconstitutionality taken to the Supreme Court, of which 327 were resolved.[226] However, since it started operations in 1989, the average number of cases presented to the Constitutional Court has grown exponentially. The average number of *"recursos de amparo"*, more than tripled in the first 12 years of operation (it jumped from 3,553 cases in 1990 to 11,665 in 2002). The same can be said about habeas corpus cases and the number of unconstitutionality cases, which averages about 300 cases per year.[227]

In this regard, the Constitutional Court's heightened access has led to a subtle, yet fundamental, redistribution of power in society and politics, resulting in a decentralization of policy-making power.[228] The Court rules on mundane cases such as a ten year-old school boy complaining because his school bus arrives late, to the re-election of the president, universal access to health care and free trade agreements. The Constitutional Court has meant an opportunity and mechanism for usually

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[224] The Constitutional Court mandate is to "guarantee the supremacy of the norms and constitutional principles, international laws and community law in force in the Republic, their uniform interpretation and application like fundamental rights and freedoms consecrated in the Constitution or in international instruments in force in Costa Rica" (www.poder-judicial.go.cr/salaconstitucional, accessed on April, 2006).
[225] See for example Wilson (2005).
[226] Wilson and Handberg (2000).
[227] The caseload can be consulted on-line at www.poder-judicial.go.cr/salaconstitution along with the individual resolution and votes.
[228] Wilson and Rodríguez (2006).

neglected groups to have their rights and freedoms respected and in some cases reinstated. The new legal opportunities provided by this chamber of the Supreme Court are are even greater because citizens can file complaints relatively easily, cheaply and with no requirement for legal counsel (with the exception of unconstitutionality cases). Anybody, at any time (24 hours a day, 365 days a year) can file a case in any language and by any means.

However, at the political level in general, and at the institutional level in particular, the experts interviewed in Costa Rica expressed mixed views about the impact of the Constitutional Court on politics and the policy-making process. For some legal experts, the Constitutional Court has not been consistent with its sentences and the political effects are contradictory. On the one hand, it has to some extent limited political clientelism, and on the other hand, it is concentrating political power in itself. A clear example of the latter is that the Legislative Assembly has lost its ability to legislate; since all new laws have to pass a strict constitutionality test. Examples include the re-election ruling,[229] sending a clear signal to the Legislative Assembly and other branches of government that all laws and decrees would have to pass a constitutionality test.

Another milestone in the "re-equilibration of political power across institutions"[230] was brought out during the interviews held in Costa Rica. Before 1990 deputies to the

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[229] In 1969 a Constitutional Amendment prohibited presidential reelection. This was accepted as legitimate and remained unchallenged until the late 1990s, when former President Oscar Arias, first encouraged PLN deputies to introduce the bill to Congress and later filed a claim to the Constitutional Court, which he lost. However, in 2003 a second case of unconstitutionality was filed by two lawyers who argued that the prohibition on reelection was discriminatory and questioned the right of the Legislative Assembly to pass such a constitutional amendment. On April, 2003, on a five to seven split decision, the Constitutional Court annulled the prohibition on presidential reelection (Res. 2003-02771).

[230] Borrowing from Wilson (2005).

Legislative Assembly used to attach to the legislation on the national budget "small legislations" in which they included "pork barrels" for their communities. A decision from the Constitutional Court (Vote 121-89),[231] declared this practice unconstitutional. Hence, deputies and political parties were no longer allowed to satisfy the demand of their constituencies through this mechanism, generating a lot of dispersion and lack of funds available for congressmen who lost credibility with their representatives, and also cohesiveness among party members. In developmental terms, this also meant a reduction in monies usually allocated for "developmental" projects at the local level. Included in these "pork barrel" practices were projects related to the construction of sanitation facilities, school classrooms, fixing of roads, and so forth.

This has also contributed towards the deterioration of political parties and the legislative-executive gridlock experienced during the last three administrations. Legislative productivity decreased dramatically and because of agreements between the different political parties policy-making processes have become very problematic. As expressed by a former president "it has been precisely the *failure* of the two main political parties to reach and implement agreements that has caused Costa Rica's recent political problems".[232] This failure can be linked to the enforcement of constitutional rules, since historically legislators believed they had absolute power to legislate. With the new court, this informal "faculty" by congressmen was truncated and forced political actors to govern and operate within a constitutional framework that was being obviated in the past.

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[231] I am grateful to Villalobos [27/02/2006] who brought this vote to my attention. For Villalobos, since 1990 the decision-making problems in Costa Rica accentuates, starting with this ruling of the Constitutional Court, which eliminates any bargaining power of the deputies with their constituencies, in his words "this blocked the Congress in its policy-making processes".
[232] Rodríguez-Echeverría (2006:162), *emphasis* in original.

Another effect of the Constitutional Court on the redistribution of political power relates to the 1981 change in the Legislative Assembly procedures that ended the power of a two-thirds majority to force a vote on any issue. When the Court began its operations in 1990, the institutional changes of the previous years began to make their full influence, as the Court began to enforce formal Assembly procedures, which had previously been ignored in practice. Before then, according to most political scientists interviewed in Costa Rica, agreements between the PLN and the then second major political party kept the system working well, and to a significant degree, the achievements in terms of HD indicators rested on a rule that allowed two-thirds of the Legislative Assembly to end a debate on a measure and put it to a vote. As argued by a former president:

> "The increasing difficulty of achieving interparty agreements and the impossibility of getting the Assembly to vote are the barriers that stand in the way of accelerated structural reforms and hence of improved prospects for economic growth and poverty alleviation. New parties have been emerging since 2002 primarily because of struggles with the PLN and the Left more broadly."[233]

As such, one "institutional" example of this change is that while from the early 1950s to the late 1980s the country's core political institutions were not altered, the exception was precisely the creation of the Constitutional Court in 1989.[234]

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[233] Rodríguez-Echeverría (2006:163).
[234] Wilson and Rodriguez-Cordero (2006).

In contrast with Costa Rica's institutional design changes, El Salvador's turning point was the end of institutional military regimes. In El Salvador political unrest increased in the mid 1970s due to pressing socioeconomic inequalities, the beginning of the second international oil crisis, the drop in international coffee prices, and land concentration. The 1979 coup has to be analyzed in tandem with a political panorama marked by repression, electoral frauds and permanent violation of human rights. In the early 1970s several insurgency groups were formed, including the Popular Liberation Forces (*Fuerzas Populares de Liberación, FPL*). Indeed, the FPL is perhaps the first guerrilla organization of the country to proclaim the need for armed fighting and whose objectives were to procure a revolutionary popular government by means of a "prolonged popular war" strategy.[235] By the mid 1970s other guerrilla organizations[236] with similar objectives were created in an effort to counterbalance the high levels of repression from the hard-line military regime. By 1980 the dispersed insurgency groups allied around the Revolutionary Mass Coordination (*Coordinadora Revolucionaria de Masas, CRM*) to strengthen their operations and on January 10, 1981 the FMLN launched a generalized attack on the government, which resulted in the regime receiving immediate military aid from the US, including military advisors.[237]

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[235] According to Rubio et al (2004) and Rubio [16/10/2006].

[236] National Resistance (*Resistencia Nacional, RN*) in 1972; the Central American Workers Revolutionary Party (*Partido Revolucionario de los Trabajadores Centroamericanos, PRTC*) in 1973, the Revolutionary Popular Block (*Bloque Popular Revolucionario, BPR*) in 1975, and lately the Armed Forces of Liberation (*Fuerzas Armadas de Liberación, FAL*) in 1979, as the armed body of the Communist Party.

[237] But not all opposition groups were among guerrilla organizations. During the 1970s important political parties in opposition gained prominence, including the Christian Democratic Party (*Partido Demócrata Cristiano, PDC*) and the National Revolutionary Movement (*Movimiento Nacional Revolucionario, MNR)* whom with the National Democratic Union (*Unión Democrática Nacionalista, UDN)* formed the National Opposing Union (*Unión Nacional Opositora, UNO)*. The evident electoral frauds of 1972 and 1977, gave evidence of the lack of democratic mechanisms, strengthening and providing legitimacy to both the insurgency and political parties.

The overthrown of Romero in 1979 is relevant, since it was the last *coup d'etat* in the country's history and meant the end of 18 years of governmental rule by the PCN and the establishment of an unstable Revolutionary Government Junta (*Junta Revolucionaria de Gobierno, JRG*).[238] It also represented the collapse of the oligarchic state, and ended a long history of institutional military control over government. This gave way to a non-democratic civilian regime in which formal elections were used to select top governmental officials. At the same time, given the history of the country, there were no signs that this would be the last coup. It also marked the beginning of twelve years of chaotic civil war. Considering a revolutionary guerrilla (in formation) was the only contender for power in the aftermath of this repression, the dual transition from war to peace and from authoritarianism to democracy is nothing short of remarkable.[239]

The JRG was replaced in 1982 by Constitutional Assembly elections. The newly formed ARENA party won a plurality of seats, and with the support of allied parties it quickly commanded a majority. Nevertheless, given the lack of agreement among the political parties on whom to elect as president, the opposition of the United States to the nomination of Roberto D'Aubuisson and after two months of intense negotiations, the independent Alvaro Magaña was chosen as president.[240] The Constitutional Assembly drafted and promulgated the current 1983 Political Constitution. This

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[238] In October, 1979, a group of "young army officers" staged Romero's coup. The established JRG governed between 15 October 1979 and 2 May 1982. This Junta was formed by two reformist military officers (Adolfo Majano and Jaime Gutiérrez) and three civilians (Guillermo Ungo, Mario Andino and Ramón Mayorga). The JRG had the support of certain progressive and intellectual groups and were inspired by moderate politics, initiating a program of land reform and nationalization of the banking, coffee and sugar industries. Yet, hard-line military officers maintained the same close ties with rightist "death squads". A few months later, the JRG soon failed to maintain order and exercise power, and internal contradictions became evident. On January 1980 the three civilian members resigned, and while they were soon replaced by José Morales and Héctor Dada, the latter resigned in March, to be replaced by José Napoleón Duarte of the PDC, who had seen his election taken away in the 1972 fraud.

[239] See Wood (2005:180) on this double transition.

[240] Magaña [05/10/2006].

started a sustained and systematic democratization phase, even though this is perhaps the only Political Constitution in the country's history that has not been drafted and promulgated as the outcome of a *coup d'etat,*[241] it was drafted during the civil war and had to be amended as part of the 1992 Peace Accords.

Civil War

It has been argued that the historical context and the origins of the 1980s armed conflict are due to socio-politico as well as economic factors. Most research has emphasized the political aspects of it and the insurgency against the US policy of *containment*. Yet, fewer have explored the internal economic conditions and the impact on the development model of the country.[242] The war in El Salvador had many losers and no winners.[243] The outbreak of the civil war in the early 1980s was the result of decades of political exclusion, a lack of economic opportunities, increasing social and economic exclusion and external shocks. Consequently, development was postponed during the 1980s. In terms of the composite HDI (see graph 4.2), it remained stagnant from 1975 to 1980 with a value of 0.59 and marginally increased by 0.02 points in 1985 and a further 0.03 points increase in 1990. This was the result of a decline of 28% in national output from 1978 to 1982 and production stagnation from 1982 to 1989. Moreover, from 1979 to 1982 approximately 237 businesses closed temporarily or permanently affecting an estimated 24,794 jobs.[244] In economic

[241] See Segovia (1998:18) and Samayoa (2003:353).
[242] Segovia (2002:2, fn.4).
[243] This statement contradicts Schafik Handal's famous words at the Chapultepec Ceremony of 1992 of "sin vencedores ni vencidos" (Samayoa, 2003, p.596), used by La Prensa newspaper in New York as its headline title in January 17, 1992 and later used also by Villalobos (2000) as title of a book.
[244] This has been documented by Segovia (1996a:35, table 3.1).

terms, it took more than 22 years since 1978 to recover the country's per capita income.[245]

Estimates vary on the costs of the armed conflict that raged during the 1980s: 75,000[246] to 120,000 deaths,[247] thousands of people wounded, orphaned, and disabled; and the migration of some 20% of the population.[248] Internal migration also accelerated, as families and especially young men fled the violence of contested rural areas in search of the relatively safe cities. The urban population rose to 61.3% in 2001 from 41.5% in the 1980s.[249] War-related damages have been estimated at US$1.5 billion dollars in infrastructure, and replacement costs of about US$1.63 billion, roughly 18% of 1990 GDP.[250] Indeed, the Duarte government's objectives during the 1984-89 period were basically to "administer the crises" as it recognized that the economic crises could not be solved before resolving the armed conflict.[251] The administration thus aimed to obtain low but positive growth rates in an effort to assure a more equal distribution for resources.

During the years of the armed conflict, the economy was based on official donations.[252] These flows of money, mainly from the United States, allowed some room to maneuver for a government facing a depressed agricultural export sector, a product of the international economic crisis and internal political crisis. For example, in 1987 US aid to El Salvador rose to an estimated US$557.8 millions from US$264.2

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[245] PNUD (2003:263).
[246] Segovia (1996a); Wood (2005) and Boyce (1996).
[247] Torres-Rivas (2006).
[248] Segovia (1996a). It is even estimated that every family in El Salvador has at least one distant relative (i.e. cousin, nephew, aunt or uncle) in exile.
[249] Wood (2005).
[250] Segovia (1996b).
[251] As argued by Segovia (2002:21).
[252] See Rivera (2002).

millions in 1982. On average, over this period, economic aid exceeded military aid by more than a two-to-one ratio. Economic aid was provided in the form of Economic Support Funds, food aid, and development aid administered by USAID. The regular appropriation for military aid was US$116.5 millions in 1987.[253] Aid thus played a crucial role in the survival of the Salvadoran government and the ability of the military to contain the insurgency. Yet, as aid declined with the end of the Cold War and the Salvadoran conflict in the early 1990s, it was replaced by private remittances from Salvadorans who had migrated mainly to the United States.

An additional factor that has received scant attention in the scholarly literature is that in 1982, when the repression and killing of opposition leaders and activists was rampant and when the civil war expanded to most of the national territory, the JRG called for elections to the Constitutional Assembly. Ironically, amid its worst civil war and the international economic crisis El Salvador promulgated a new Political Constitution based on that of 1950. After the 1886 and 1841 Constitutions that lasted 28 and 53 years respectively, this one has become one of the longest to remain in effect. This is a remarkable sign of stability and continuity, particularly once the fact that most of the political opposition was exiled or hidden is taken into consideration. Thus, with ARENA's legislative majority, the 1983 Political Constitution was promulgated, excluding the sectors that adhered to the rebel forces of the *FMLN*.[254]

However, this meant that a weak institutional design was put in place, and when the peace negotiations started in 1989, there were fierce discussions concerning the Constitutional Reforms. It must be remembered that just one month after the passing

[253] Estimates from US Library of Congress. *El Salvador Country Study*. http://countrystudies.us/el-salvador [accessed on December, 2006].
[254] Samayoa (2003:359).

of the Constitution, the FMLN released a declaration entitled "Proposal for Integration and Platform of a Provisional Government with Ample Participation". The document aimed to start peace negotiations, derogate the Constitution, recognise the military zones under the control of the guerrillas, integrate the negotiated government Junta, and form a new Supreme Court.[255] As expected, the proposal was rejected by the Government and discussions were halted. The Constitution was put into force and article 85 reasserted the Government as "republican, democratic and representative" but not participative. The political system was pluralist and political parties were the only means to exercise the representation of the polity. Consequently, if the insurgents wanted to participate in political processes, they had to negotiate their incorporation into the constitutional framework, subject to the principles of a representative democracy.[256]

4.3.3. Structural Mutation of the Development Models

The increase of the oil price in the late 1970s as well as the increase in international interest rates in early 1980 prompted a serious crisis in Central America. In both Costa Rica and El Salvador, it was not just an economic crisis, although the economic aspect was the most important and was directly related to the institutional framework. It was also an institutional, legislative, and agrarian crisis.[257] It was a profound structural crisis for the model of development due to the incompatibility of the

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[255] Idem, p.41.

[256] As part of the peace negotiations, the Government of El Salvador and the FMLN reached an historic agreement on April 1991 in Mexico regarding the constitutional reforms. The *Mexican Accords* included a detailed political text with fifty-seven points and three transitory petitions to amend twenty-four articles of the Constitution and a document of political accords for the development of a constitutional reform.

[257] Hidalgo (2003), citing Gutiérrez et al (1985).

politico-institutional framework with economic requirements. Therefore, the 1981-82 economic crisis meant another key turning point in Costa Rica's developmental model. Before the crisis the development model was characterized by the dominance of the *PLN* social-democrat orientation. After 1948 the country followed a state-led economic development model, which resulted in significant economic growth and major improvements of social indicators.

For one interviewee it was evident where the problem in Costa Rica was: "Political discourse in support of democracy increases in crisis and decreases with the consolidation of democracy ... development is left unattended".[258] And indeed, the 1981-82 crisis, although not cyclical in economic terms, in political terms was both structural and cyclical. From a retrospective standpoint, Costa Rican political history is composed of a series of periods in which democracy has been "hospitalized" since independence in 1821.[259] These "hospitalization" periods include the 1889 and 1917 Carrillo and Tinoco dictatorships, respectively; the 1948 Civil War, and the 1981-82 economic crises. The latter was a "request" of the system for structural change of the developmental model. In political terms it was significant since in 1981 President Carazo experienced coup-threats that never materialized, and President Monge had to reshuffle his entire cabinet ministries[260] in August 1984 to avoid a coup.

In fact, no administration since 1985 has been able to create a coalition of forces capable of implementing a coherent development program related to the

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[258] Solís-Fallas [03/02/2006].
[259] The "hospitalization" hypothesis was a point emphasized by Montealegre [20/02/2006].
[260] The Ministry of Foreign Affairs first resigned in late 1983, but in 1984 the Vice-President Fait and the Executive President of the Central Bank Castillo resigned (to postulate their names for the party primaries), as well as the substitution of the Ministries of Export, Planning and Political Economy (Hidalgo, 2003:82).

modernization of the state apparatus.[261] This political stalemate means there can be no agreement on a development project such as was achieved in the post civil war period. The fragmentation of the political system has meant that since 1994 no political party has been able to secure a simple majority in the Legislative Assembly.

The crisis also triggered a gradual process of social change[262] and structural transformation. After 1985 the country started to implement a series of economic policies based on trade openness, the reduction of the size and functions of the state, the promotion of non-traditional exports and the liberalization of the economy.[263] These reforms meant a rapid transition from a political economy model based on protectionism, state intervention in the development of the industrial sector and domestic Central American demand, to a political economy model based on openness, reform of the state, agricultural exports and international demand. A neoliberal reform process, including a series of structural adjustment programs (known as PAE I, PAE II and PAE III) were approved in 1985, 1989 and 1995. Interestingly, it was the social democratic party (*PLN*) that started the implementation of the developmental model of the Second Republic after 1948 that shifted to the liberalization approach. The PLN won the first official election in 1953 since the new constitution, and two consecutive elections in 1982 and 1986 when the developmental model changed due to the crisis.[264]

The crisis of the developmental model triggered a political crisis that weakened democracy and the capacity of the state to adjust and reform to new demands. When

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[261] See particularly, Lizano (1999).
[262] Rovira (2001) and Rovira [08/03/2006].
[263] Estado de la Nación (2001a).
[264] Wilson (1994) provides an in-depth analysis of the shift from the social democratic model to neo-liberal economic policies.

asked what was the most important political problem obstructing development interviewees unanimously agreed it was the lack of agreement by political elites and political parties to identify a sound and coherent development agenda (i.e. policy-making effectiveness). Interviewees contrasted the problem with the aftermath of the 1948 Civil War, when political elites agreed (formally and informally) to strengthen democracy following political decisions based on social and economic factors.[265] Deneulin has observed that the 1980s crisis profoundly changed the socio-historical reality, introducing a break in the overwhelming consensus that prevailed among its citizens around the idea of social democracy and the role of the state. The globalization process forced a shift from a state-driven development model in Costa Rica to greater participation of the private sector in the economy and more market freedom.[266]

While these structural mutations of the development model were in the process of consolidation in Costa Rica, the last quarter of the twentieth century was a period of instability for El Salvador, not just within the political arena, but also for the country's development model. Indeed, the profound structural transformations of that period have no precedent in the history of the county. A history of repression and exclusion (political and economic) could not be sustained any longer,[267] and the civil war exploded with the January 1981 FMLN "offensive". Yet, amid the political and military storm, the country had to face the international economic crisis of the 1980s and navigate the waters of structural transformation of its developmental model at a speed and pace that few other countries have had to face. As a result, El Salvador

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[265] Factors included weak political parties, a lack of political leaders with credibility, corruption taming, and citizens' dissatisfaction with politicians and politics.
[266] See Deneulin (2005) and Sánchez-Ancochea (2005).
[267] Santamaría [20/10/2006].

registered changes that modified the overall functioning of the economy and its development pattern. Social relations were altered. For example, the proportion of the population living in urban areas rose from 35% to 51% by the end of the 1990s.[268]

In a short period, El Salvador transited through different development policies in search of a new development model. From a relatively rigid agro export oligarchic model, in which production functions were controlled by a few (who controlled the political and military powers), the 1980s saw the beginnings of a structural transformation in which the state aimed to lay its hands on the economy. It then reverted in 1989 to a "neoliberal" model based again on the privatization of state institutions, openness to trade, and liberalization of the economy. In approximately 15 years, the country went through three different and antagonistic political and economic strategies, in a clear mutation (transformation) of its development model.

In the early 1980s the PDC government began to implement a reformist agenda. It aimed to solve structural problems it considered to be the causes of the civil war. The program of structural reform included agrarian reform, the nationalization of the coffee and sugar trade, and banking. However, breaking the relationship between the agro export oligarchy and financial institutions proved difficult. Duarte's administration (1984-89) seeking a modest consolidation of the new development model, had to confront changes in USAID policies and aid conditionality in order to implement its reformist agenda and reduce state regulations. Following the defeat of the PDC in the 1989 elections, the first ARENA administration (1989-94)

[268] Zamora (2001).

implemented an alliance with the private sector that had been broken with the PDC.[269] The new development model was based on a FUSADES proposal of private initiative, privatization and liberalization of the economy.[270]

ARENA embarked on a new set of stabilization and adjustment policies including a major reform in trade and tax regimes backed by international financial institutions. The new strategy included the liberalization of interest rates and prices, the abolishment of state monopolies on coffee and sugar, and the re-privatization of the banks. According to the strategy, non-traditional exports would drive the economy. In the short term, the strategy paid dividends as the economy grew, inflation was controlled, and the initiation of peace brought stability. However, in the long run, it ceased to be as productive, even though President Calderón-Sol further deepened the reforms initiated by his predecessor Cristiani aiming to increase foreign direct investment (i.e. maquilas).

In sum, the 1980s was a decade not only of political turmoil but also a period of public policies aimed at establishing a new development model for the country. It was a period in which the socio-economic and historical reality of the country changed abruptly, introducing a break in the overwhelming commodity dependency of the economy. Thus, amid a civil war, the international economic crisis, and partially forced by the globalization process, El Salvador's development model shifted. From a highly dependent agro export model, it shifted to a short-lived and incomplete state-driven model and then to a model involving greater participation of the private sector in the economy and more market freedom.

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[269] Segovia (2002:30).
[270] Trigueros [04/10/2006] and Rivera [19/10/2006].

The Missing Reform

The 1992 Chapultepec Peace Accords meant the culmination of the negotiation between the FMLN guerrilla groups and the Government of El Salvador with the purpose of ending the civil war through political means. It also promoted democracy, guaranteed human rights and unified Salvadoran society.[271] Each one of these aspects is included in different sections of the Agreement.[272] Yet, from the beginning of the negotiation process in 1989, the Government of El Salvador made clear that macroeconomic stabilization and adjustment policies would not be discussed.[273] At the same time, the FMLN remained particularly interested in pressing military and political rather than socioeconomic issues in their negotiation agenda. In fact, about 90% of the Peace Agreement is related directly or indirectly to demilitarization.[274]

As a result, economic development issues were not included in the Peace Accords of 1992, and allowed the governing party (ARENA) to continue its economic program of openness and privatization. At most, economic issues were included at the end of the negotiations, but centered on a narrow set of concerns related to the reintegration of ex combatants into civil life through land distribution (titling and access to credits). It has even been argued that, "the agreement mandated thorough-going democratization of political institutions, but its socioeconomic reforms promised little more than excombatants' reintegration into civilian life; the poverty and inequality impelling the

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[271] See Córdova (1993), Villalobos (2000) and Samayoa (2003).

[272] For example, the end of the armed conflict was included in chapters I and VII related to the Armed Forces and the End of the Armed Conflict respectively. Democratisation, was included in the institutional engineering put in place not only with the overhaul of the Electoral System in chapter IV and the Political Participation of the FMLN included in chapter VI, but also with chapters I, II, III and V related to the Armed Forces, National Civil Police, Judicial System, and Socio-Economic issues, respectively.

[273] Wood and Segovia (1995).

[274] As expressed by former PDC Presidential Candidate Zamora (2001:68).

war were not addressed".[275] Chapter V of the Agreement, focussing on Economic and Social issues, was mainly about social and agricultural issues. Broadly, it included the transfer of land to people demobilized from both armies and previous owners who had had to leave their land due to the war; a revision of the policies for credits to the agricultural sector and small and medium enterprises; the execution of a National Reconstruction Plan (*Plan de Reconstrucción Nacional, PRN*), with infrastructure projects and programmes of reinsertion into productive activities for war-demobilized people; the application of measures to alleviate the costs of the adjustment programs; the establishment of convenient ways for foreign direct aid destined to encourage community level projects, and the creation of a Concertation Forum for Social and Economic matters with participation of the government, private sector and workers.[276]

This 'omission' had a strong influence on the weak institutional design put in place during the 1980s, and there seems to have been no consensus on how to finance the peace implementation, nor on who would pay the costs of peace, given the significant resources required for the implementation of the peace agreement. In fact, "at the time of the signing of the Accords, no overall assessment of the cost of the implementation of the agreement existed; only initial estimates for reconstruction based on a preliminary version of the PRN existed".[277] Estimates on the financial resources required to implement the institutional reforms adopted in the agreements were done two years after the signing of the agreement. Indeed, according to a General Accounting Office (GAO) report, an estimated US$534.5 millions were required for the institutional reforms alone.[278] Of this, the Government of El Salvador initially

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[275] Wood and Segovia (1995:2079).
[276] AMDV, et al (2005).
[277] Wood and Segovia (1995:2088).
[278] Cited by Samayoa (2003:197-199).

committed US$232 millions and international donors another US$53 millions, leaving a shortfall of US$248 millions.

Another estimate of the financial resources required to revitalize El Salvador's economy, including the PRN made by a Consultative Group, foresaw a total of US$1.829 millions. However, by April 1993 the country faced a shortfall of US$820 millions, reduced to US$681.9 millions in January 1994.[279] Perhaps this is what the UN Peace Mediator meant when he decried the lack of coordination in the post-war reconstruction and macroeconomic policies in El Salvador. Using a dramatic metaphor to depict the difficulties of achieving the consolidation of the peace process, Alvaro de Soto and Graciela del Castillo compared El Salvador to a patient lying "on the operating table with the left and right sides of his body separated by a curtain and unrelated surgery being performed on each side".[280]

Yet, even if it is true that the transition lacked stronger social and economic reforms, it must be recognized that in the last eighteen years, El Salvador has passed, with relative tranquility and stability, through political and economic situations that in previous years, and in other countries, erupted into violence and open military confrontation. Examples include the privatization of state institutions and the structural mutation of the development model. Other examples are related to the extreme political polarization with two major political forces from the extremes of the ideological spectrum.

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[279] Wood and Segovia (1995:2090, table 3).
[280] de Soto and del Castillo (1994:74).

The analysis now turns to the fourth key turning point: the fragmentation of political parties in Costa Rica paired with El Salvador's polarization of its social and political system.

4.3.4. Democratic Politics

Fragmentation of Political Parties in Costa Rica

Costa Rica's presidential system has been catalogued as one of the weakest in Latin America.[281] Indeed, the 1949 Constitution, along with the creation of autonomous and semi-autonomous institutions, devolved power beyond the presidency and made the Legislative Assembly the more powerful policy-making body. Moreover, the 1969 constitutional amendment to Article 32 that prohibited presidential re-election further weakened the presidency, making presidents "lame ducks" upon their inauguration,[282] with little influence over deputies' voting behaviors. However true this argument may be, it is also true the there was a ban on the immediate re-election of legislators. From the early 1950s until the late 1970s this was fairly problematic, since presidents could seek re-election, so it was in the interest of legislators to show strong loyalty to their party. As one former congressman and cabinet minister confirmed, the loyalty of party members to the Chief Executive was very important in the policy making process.[283] Usually when proposing and passing legislation, forging coalitions and implementing social and economic policy, presidents had considerable support from congressmen belonging to their party.

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[281] Mainwaring and Shugart (1997).
[282] Wilson (2005:53).
[283] Echeverria-Brealy [07/03/2006].

However, the ban on presidential re-election and the death of the founder and leader of the PLN and former President José Figueres-Ferrer in 1990 meant a weakening of the social democracy and its party leadership. Some have noted a party dealignment[284] since the early 1990s due to struggles amongst the new leadership seeking control over the party, the introduction of internal democratic processes within the party, and the exit of many political leaders from the PLN to form other parties based on the social democratic ideology.[285]

Thus, although political parties play a vital role in the definition of development agendas, Costa Rican parties have weakened markedly and today are seen as "electoral machineries"[286]. Currently, there are no incentives in the political system to forge legislative coalitions around common government programs. This supposes a legislative process characterized by the formation of alliances around specific projects, rather than around general development models.[287] This was a reiterated response from interviewees when explaining the lack of political capacity to adopt and implement reforms. Moreover, the inefficacy of state apparatus and the exhaustion of the welfare development model have motivated concerns over the legitimacy of the political power exercise, including the central political institutions and political machineries, which are chiefly perceived as merely interested in the

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[284] Sánchez (2004).

[285] Undoubtedly, the first prominent political figure to exit the PLN was Rodrigo Carazo-Odio, who in the late 1970s challenged the leadership of "Pepe" Figueres and indeed won the 1978 election with Coalición Unidad. This was later followed by Walter Coto in 1998, former deputy and President of the Legislative Assembly and Secretary General from 1988 to 1992 who ran for president in the 1998 elections without success. Other leaders who "auto-exiled" from the party are Ottón Solís Fallas (former Minister of Planning and Political Economy), Jose Miguel Corrales (former presidential Candidate and Member of Parliament), Luis Guillermo Solís (former Secretary General), Mariano Figueres (son of José Figueres-Ferrer), Alberto Cañas (former President of the Legislative Assembly), Luis Alberto Monge (former President 1982-1986 and member of the Constitutional Assembly in 1949).

[286] This issue is not unique to Costa Rica. Indeed, as Angell (2004) has posited, recent research has demonstrated a general international trend of increasing dissatisfaction with parties and increasing electoral dealignment. The *Latinobarómetro* data hints to this point in Latin America since 1995.

[287] Urcuyo (2003:26) and Urcuyo [24/02/2006].

acquisition of political power rather than on good governance and a good administration.

This situation is clearly linked with the new rules of the game established by the Constitutional Court since 1990, with both the enforcement of the 1981 Assembly procedures and the elimination of "pork-barrels". This has meant a fragmentation of political parties, loss of internal cohesion and consensus among party members over the decisions of party rulers, and the emergence of new parties (mainly from PLN dissidents and thus from a centre-left perspective). This weakening of political parties is perhaps the main problem in the policy-making process. Historically, party fragmentation has been common since the 1953 elections. The average number of parties presented in the Legislative Assembly since 1970 has been about five, and the number of seats held by parties other than the two major parties was fourteen in the 1974 legislature, twenty-one in 2002 and fifteen in 2006.[288] Thus party fragmentation is not a new element in Costa Rican politics; of the fifteen consecutive elections since 1953, eight governments have not had legislative control (i.e. simple majority). Of the seven governments with legislative control, the PLN has gained the majority in five of them.[289]

What seems to be difficult to disentangle is what these political parties represent. Perhaps with the exception of the PLN with an ideology based on the Social Democracy doctrine (though in recent terms it has adopted "neoliberal" type policies while in government) the PUSC with a Social Christian ideology and the *Movimiento*

[288] See TSE data at www.tse.go.cr, and Chapter 5.

[289] It is interesting to note that during the 1982, 1986 and 1990 elections the governing party obtained a majority in the legislative as well; the PLN in the first two and the PUSC in the latter. This is particularly relevant since during that period the country was recovering from its worst economic-crisis.

Libertario (right wing party), the rest of the parties revolve around charismatic leaders and are personalistic in nature. For example, in the 2006 presidential ballot, of the fourteen candidates three were former PLN members (Ottón Solís, Antonio Alvarez and Humberto Arce); two were former PAC members (Humberto Arce and Juan J. Vargas); two had participated in the last three elections (Walter Muñoz and Vladimir de la Cruz) without obtaining more than 5% of the popular vote; the ADN candidate was a former PUSC cabinet minister; the PUN candidate was the former Ombudsman, and one candidate (Alvaro Montero) could not even register his candidates as vice-presidents.

This fragmentation was constantly mentioned by interviewees in San José. For example, when asked to mention the major political problem in the country, respondents seemed to agree on the atomization of political forces in the Legislative Assembly,[290] lack of political leadership,[291] and the ideological dissolution of political parties.[292] These are particularly relevant and have a direct effect both on the definition of public policies and development processes.

One additional factor that has contributed to the current political fragmentation is corruption. The analysis of the interviews held in Costa Rica reveals that it is seen as a problem in regards to development and a threat to the functioning of democracy, especially the 2004 corruption scandals[293] in which two former presidents (from the

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[290] Barahona [23/01/2006], Rovira [08/03/2006], Ulibarri [06/03/2006], Gutiérrez-Gutiérrez [02/03/2006], Segura [28/02/2006], Mata [01/03/2006] and Lizano [06/02/2006].
[291] Blanco [15/02/2006], Echeverría-Brealey [07/03/2006] and Rodríguez [22/02/2006].
[292] Ordoñez [01/02/2006], Sojo [03/03/2006].
[293] The 2004 corruption scandals involved accusations against former Presidents Calderon-Fournier (1990-1994), and Rodriguez-Echeverria (1998-2002). The former case involves the Social Security System and a loan from the Finnish Government for US$32.5 million, approved by the Legislative Assembly in 2001 and later increased to US$39.5 million, where US$7 million seems to have been used to pay commissions to politicians and members of the Board of the Social Security Institute. The

governing party) were arrested and jailed and a third has also been accused of wrongdoings[294]. Though corruption is not new in the country, citizens' perception that the political elite are becoming very corrupt is a factor to be considered.[295] Indeed, the 2004 scandals forced the debacle of the second political force, the *Partido Unidad Social Cristiana (PUSC)*, which governed the country during two consecutive Administrations (Miguel A. Rodriguez, from 1998 to 2002 and Abel Pacheco, from 2002 to 2006). In the 2006 election, the PUSC obtained only four members of parliament, in contrast to the 19 obtained in the 2002 election, and its presidential candidate, Ricardo Toledo, achieved barely 3.55% of the votes, an all time low for his political party.

Polarization of Political Parties in El Salvador

Now turning the analysis to the democratic politics in El Salvador, it is worth mentioning that the Chapultepec Peace Agreement was nothing less than the most important political reform in the contemporaneous era in terms of political demilitarization, institutionalization of public security, conversion of the guerrilla groups (coalesced under the FMLN) into a political party, and modification of the

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second case, involving President Rodriguez involves the telecommunications institute, which in 2001 gave the French company ALCATEL a contract valued at US$149 million. It is argued that the French company paid about US$9.6 million in commissions to Costa Rican politicians (see Acuña, 2004). A third president Figueres-Olsen (1994-1998) had to quit the World Economic Forum after following the questioning of the contract between Alcatel and the government. The contract brought him 400 million colones (nearly US$1 million). The secretary of his party received a similar amount for checking orthographic mistakes on the document of the contract.

[294] One positive outcome of these cases is that the independence of government branches was strengthened. Indeed, Costa Rica is perhaps the only country in the world where two former presidents have been jailed at the same time on corruption scandals and where the governing party is the same as the accused. Although the cases were the outcome of an independent media and robust investigative journalism, the Attorney General did not lose any time deciding to begin the judicial process. Indeed, the cases corroborate the argument that the Public Ministry is nos more active and better resourced to handle corruption cases (Gutierrez-Saxe, 2004). This suggests the consolidation of democracy in the country, as the "only game in town" and the strong independence of powers.

[295] See Salazar (2004).

electoral system as well as changes to the Judicial System.[296] The core of the peace agreement was extensive reform of the coercive apparatus of the state. The agreement refined previously negotiated institutional reforms in the Mexican Accords of April 1991 related to reforms to the Constitution. During the 1990s several institutional reforms were implemented, including the creation of the *Procuraduría para la Defensa de los Derechos Humanos* (ombudsman office), the National Academy of Public Security (created as an autonomous entity directed by civilians) and the National Civil Police (*Policía Nacional Civil, PNC)*, separated from the military and subject to civilian leadership. The administration of justice also underwent constitutional changes and the electoral system was modified.

El Salvador's political party system can be considered the most polarized in Central America.[297] The political bargaining process and the lack of dialogue mechanisms are forming a vicious cycle in which non-cooperation among political parties obstructs the policy-making processes, making progress in HD difficult. In fact, the rate of poverty has not been reduced in the past five years, besides substantial reductions in previous years.[298]

Yet, going deeper into the analysis, it is interesting to note the voting behavior of Salvadorans (before, during and after the war). In terms of the legislative elections, as expected, before the war the elections were controlled by the "official party" which gained majority in every election. Indeed, in 1976 the *Partido de Conciliación Nacional (PCN)* obtained all seats of the Legislative and in 1978, lost just two seats to

[296] Córdova and Cruz (2005:10), and Whitehead, et al (2005:13).
[297] This is a point heavily stressed by Artiga [06/10/2006) during the interview. Borrowing from Peeler (2004), it can also be characterized as "inchoate".
[298] See PNUD (2005a and 2005b) and Chapter 6 on this dissertation.

the *Partido Popular Salvadoreño (PPS)*. The PCN was the political umbrella used by the military to exercise its influence, creating a strong political base of support during the 1960s and 1970s. During the civil war in the 1980s, the *Partido Demócrata Cristiano (PDC)* regained political power, and won the presidential elections in 1984. The *Alianza Republicana Nacionalista (ARENA)* - formed in 1981 by a group of entrepreneurs and professionals with a strong anti-communist discourse,[299] slowly gained prominence. Yet it has not been able to obtain a simple majority in the legislative, although it has obtained the most seats since 1988 with the exception of the 2000 and 2003 elections, and has won the last four presidential elections. What seems to be happening is the consolidation of a multi-party system with two clearly dominant and polarized parties, with ARENA and FMLN obtaining about 85% of legislative seats, and thus holding bargaining power over the other centre ideology minority parties (PDC, PCN and CD).

Elections in El Salvador have become a zero sum game, where ARENA has won the executive in the post-war era and the FMLN slowly but steadily has increased its presence in the legislative (obtaining the highest number of seats in the 2000 and 2003 legislative elections).[300] However, the tendency is for ARENA to maintain a 20% difference in the executive elections and a virtual draw in the legislative elections. In the ideological spectrum, the FMLN represents the left and ARENA the right, with very little opportunities to negotiate and jointly design public policies. In the centre, three minority political parties play the role of "brokers" in the political bargaining

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[299] Whitehead, et al (2005:47).

[300] Yet, even though the FMLN has increased the number of votes in the legislative elections, it is showing signs of having reached a ceiling of 39% of total votes for the executive. Moreover, the FMLN has experienced internal ruptures that have impeded it to maintain its legislative seats to the end of the legislative periods, undermining governance at the national level and making political negotiations even more difficult.

processes (PDC, PCN and CD). Indeed, it has been argued that El Salvador is currently the most polarized political system in Central America.[301] In terms of ideological distance between FMLN and ARENA it has been on average 0.90 for the legislative elections since 1997. The effective number of parties in presidential elections in El Salvador was 3.2 in 1984, three in 1994 and 2.2 in 2004, while at the legislative level this relationship has decreased from 4.1, 3.5, 3.5 to 3.0 for the 1997, 2000, 2003 and 2006 elections.[302]

Thus, contrary to the Costa Rican case, El Salvador's political system seems to be in the process of consolidating a polarized two party system. It has evolved greatly since the signing of the peace accords and the incorporation of the FMLN in the political arena for the 1994 elections. Some analysts argue that El Salvador is today an "electoral democracy".[303] However, even if respect for elections is a solid feature in Salvadoran politics, major reforms still lie ahead. According to one interviewee, "democracy has become a legal formalism for the functioning of political parties, instead of safeguarding the interests of citizens ... and the major deficit in the democratic system lies in the lack of representation of political parties itself".[304] Moreover, according to a former president "we are not living in a true democratic system" and even though some progress has been made, political parties are still "the most serious problem of democracy" given the "radicalization and polarization of political positions ... the lack of political maturity (both in FMLN and ARENA) and

[301] Artiga (2006), FUSADES (2005) and Cruz (2004).
[302] Artiga (2006).
[303] PNUD (2004).
[304] Dada-Sánchez [05/10/2006].

the lack of representation mechanisms... all these are disfiguring and impeding democracy".[305]

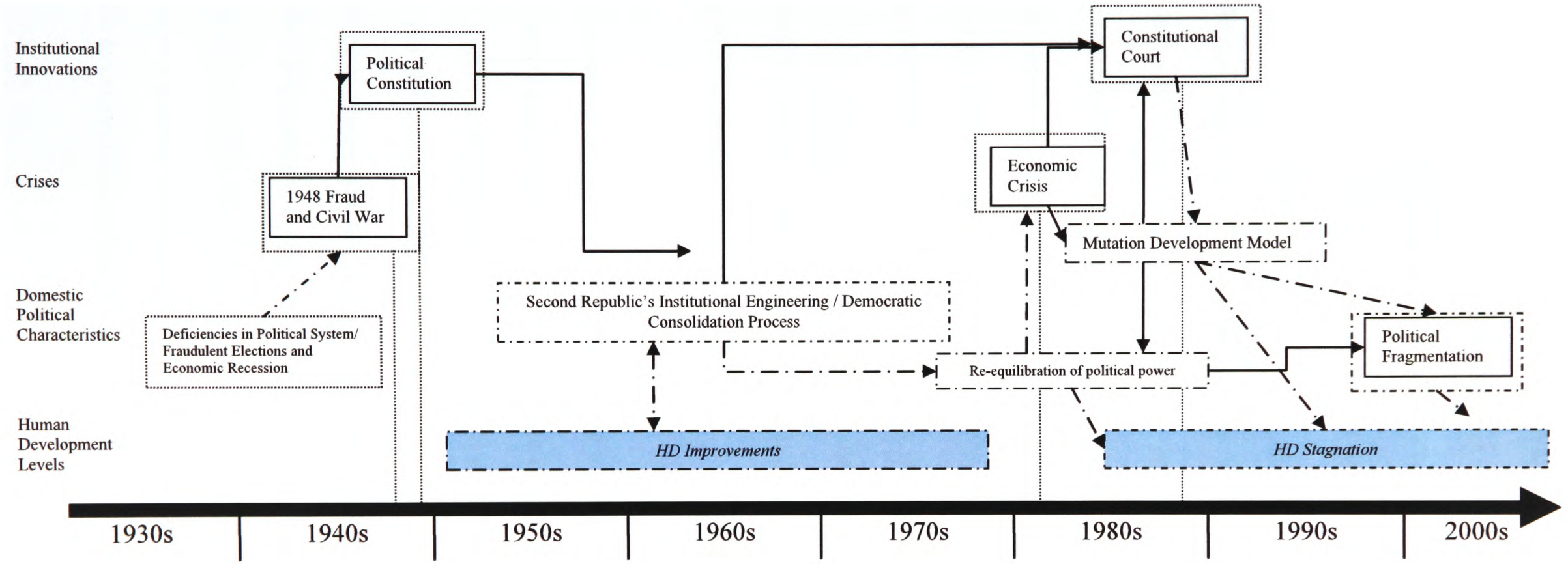
* * *

As a visual aid to the readers, figures 4.2 and 4.3 illustrate the evolution and interdependence of these key turning points that have taken place in Costa Rica and in El Salvador individually. Each interaction between the antecedent conditions, the cleavages or triggers, turning points, periods of adaptation and outcomes have been analyzed. As can be seen in figure 4.2 for the case of Costa Rica, the HD levels experienced a boost between the 1950s and 1970s, after the promulgation of the Political Constitution in 1949 and during the period of adaptation and reproduction of the institutional engineering process, which dominated domestic political characteristics. Despite a remarkable state-led development model, the late 1970s and early 1980s economic crises, along with the new equilibrium of political power, meant the structural transformation of the development model. Institutional innovation in the late 1980s set the scene for the new aforementioned equilibrium. To some extent, this contributed to the fragmentation of the political system and the lack of a consensus on the development path. This situation has formed a difficult cycle in the policy making process, which is adapting and reproducing patterns that force coalition-building in order to pass of any legislation concerning development issues (an in-depth assessment of development in the country is carried out in Chapter 5).

[305] Calderón-Sol [20/10/2006].

A preliminary conclusion of the Costa Rican explanation of key turning points is that the country had a gradual transformation in the early second half of the twentieth century. The deficiencies of its political system were gradually overcome during the golden age of Costa Rica's democracy and development processes. This led to a rapid recuperation after the economic crisis of the 1980s and the mutation of its development model (to be further explored in Chapter 5).

Figure 4.2. Costa Rica's Turning Points Interdependence Explanation



Key to figure 4.2:

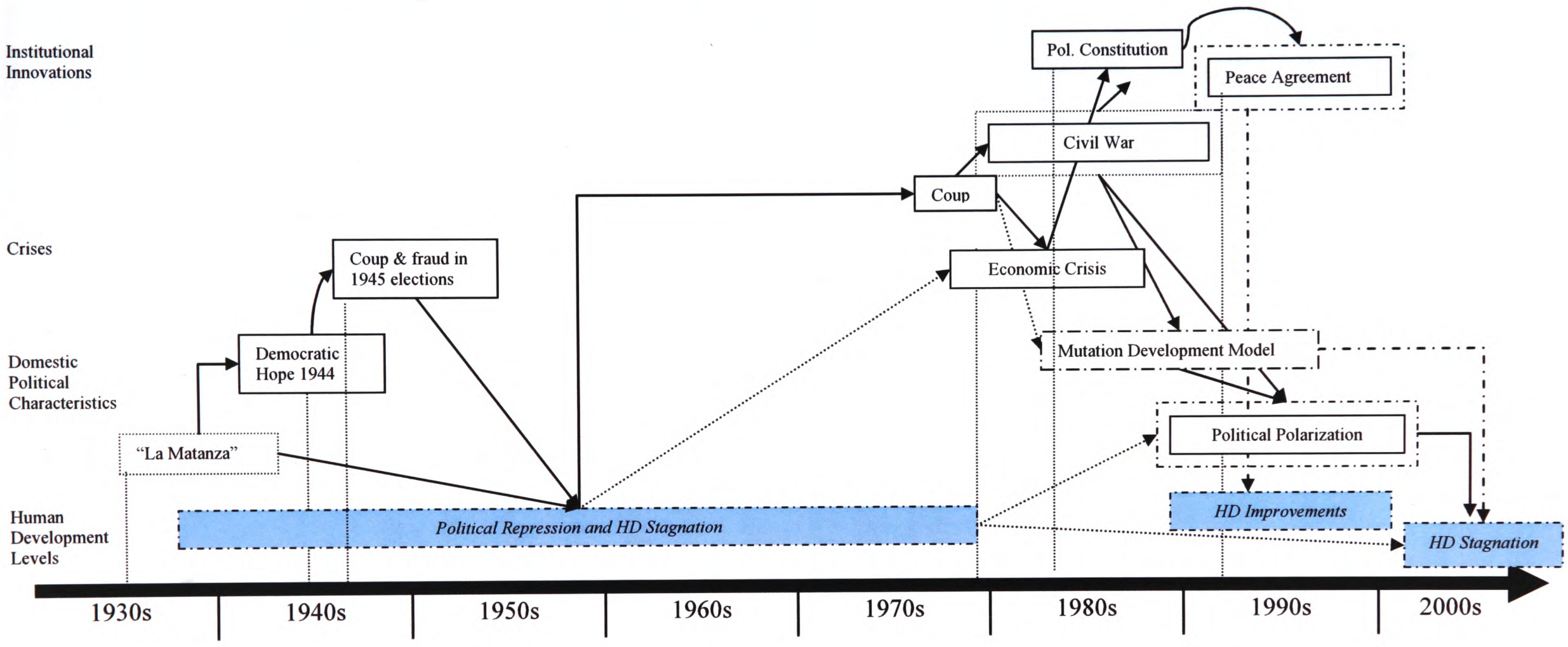
Antecedent Conditions | Trigger | Turning Point → | Adaptation and Reproduction | *Outcome*

As in the case of Costa Rica, figure 4.3 provides a visual sketch of the evolution and interdependence of the key turning points in El Salvador. As can be seen, political repression before the 1970s meant stagnation in HD levels, triggering the last military coup in 1979, followed by a turbulent period of changes and structural transformation. During the civil war in the 1980s, a new Political Constitution was promulgated, presidential and legislative elections were held and three different development models were discussed and tried. In the early 1990s, the signing of the peace agreements raised new hopes in the country and indeed, HD improvements rose rapidly (an in-depth assessment of development in the country is carried out in Chapter 6). Yet, sequentially, political polarization exacerbated and the betterment of living conditions was halted. As in the case of Costa Rica, this situation has clearly formed an entangled cycle in the policy making process, which is adapting and reproducing patterns that have led to reduction in the progress towards higher HD levels in El Salvador.

A conjecture of the Salvadoran explanation of key turning points signals to the fact that the country had an abrupt transformation in the last quarter of the twentieth century. This led to a short-lived reduction in poverty levels after the Peace Agreement was signed in 1992 and the mutation of its development model.[306] The deficiencies of its political system have started to show signs of resurgence, calling for a new set of institutional reforms. The structural transformation of the development model is still in process and has led to a political polarization unparalleled in Central America. The conclusions will then be in a position to draw comparisons between the Costa Rica and El Salvador cases in order to outline the interdependence of the key turning points' explanation.

[306] To be further explored in Chapter 6.

Figure 4.3. El Salvador's Turning Points Interdependence Explanation



Key to figure 4.3:

Antecedent Conditions | Trigger | Turning Point → | Adaptation and Reproduction | *Outcome*

4.4. Conclusions

The introduction to this thesis began by describing Costa Rica and El Salvador as two small countries sharing similar historical characteristics. This basic portrait was further refined in Chapter 3, where it was suggested that Costa Rica and El Salvador were the most dynamic economies and polities in a relatively small geographical area. This Chapter replaced these basic assumptions with a more textured analysis of the workings of democracy and HD in both countries. In doing so, it evaluated four key turning points in each country. The eight turning points were identified as a result of fieldwork interviews and contextualized as the resilient moments in the democratization processes of both countries. These turning points responded to previous events that triggered a crisis or conflict taking into account the historical factors that had defined available options and shaped the selection process in each country. The Chapter then presented an interdependent model for the explanation of these key turning points, including the interaction of institutional innovations and the levels of HD present in each case. This perspective shed light on the counterfactuals and non-deterministic characteristics of the core attributes of the turning point in question. This model presented the outcomes as the resolution or reproduction of antecedent conditions in the events that followed.

The structured paired history of turning points presented is a reminder that democratization and development processes are in constant evolution. The Costa Rican democratic model seems to be in neutral and the benefits of rising HD levels are not being distributed equally among the population at the dawn of the twenty-first

century. Costa Ricans' discomfort is evident. Even though party fragmentation has been a constant since democracy was reinstated in 1949, Costa Rica has embarked upon an institutional framework that limits political clientelism, eliminates pork-barrel politics and grants citizens access to reclaim their rights to be reinstated; all without a strong economic/financial base. While this enforces and strengthens citizenship rights, the model concentrates power in the Constitutional Court that practically rules on every single aspect of the country's political and development processes.

In El Salvador, despite the creation and strengthening of important institutions, such as the Electoral Tribunal, the Ombudsman's Office and the Consumer's Ombudsman, a second generation of reforms to align institutions to democratic norms, depoliticize institutions and give independence to state powers is much needed. For example, the selection process of top executives is still highly politicized, in particular the composition of the Electoral Tribunal. Also, other institutions necessary for development have been shut down or merged into other institutions, including the Ministry of Planning and the Social Development Coordination.[307] Despite significant changes, El Salvador's ability to maintain and build upon improvements in terms of HD and poverty reduction is in doubt. Although statistical estimates suggest that poverty has been reduced, methodological deficiencies call for careful interpretation (Chapter 6) and inequality still lingers in the country. Moreover, violence and citizen security are considered to be among the country's major problems, to the extent that the population - ironically- currently has reason to feel more insecure than during the

[307] I am grateful to Alvaro Magaña for reminding me about this issue [personal communication, 02/03/2007].

years of armed conflict in the 1980s.[308] Indeed, during the field trip of October 2006, it was possible to visually corroborate the perverse coexistence of three countries in one: (i) a small but extremely affluent society; (ii) organized crime pervading the formal and informal sectors of the economy; (iii) a large population living in poverty.

Costa Rica has made substantial advances in both democratization and HD, especially when compared with its neighboring countries in Central America (as shown in Chapter 3). Along with Chile and Uruguay, it is now among the top three countries in terms of HD as measured by UNDP. Furthermore, its political stability and continuity as measured by many international agencies also come out top in the Latin American region. El Salvador has made considerable advances in both processes of democratization and HD. However, a great deal needs to be done to consolidate both processes. Since independence in 1821, democracy was an orphan in El Salvador up until the late 1980s. Consequently, HD has been an elusive process. A long history of exclusion (political, social and economic) erupted in an expansive and crude civil war in the 1980s. This was a decade of changes and defining moments for the smallest of Central American countries, both in political and economic terms. Indeed, in the last 25 years, the country has seen rapid structural transformation in political, social and economic terms. In political terms the country has learned to live by the day-to-day give-and-take of democratic processes. In social terms, migration has become an important factor for good and bad, and in economic terms, the country abandoned one development model, briefly experimented with another, and due to globalization forces it ended up adopting an economic liberalization model.

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[308] During a taxi ride in San Salvador (October, 2006), from one interview to another and when passing in front of the Presidential Residence in Colonia Escalón, the driver told me that he felt more secure during the war because "then everyone knew who was fighting against whom". In contrast, delinquency does not distinguish who the enemies are and as such he felt insecure in the streets.

One element that must be evident to the reader is that democratization and HD are evolutionary processes that never remain static. Costa Rica's experience suggests that democratization and HD have been both compatible and complementary. In the case of El Salvador, although fifteen or twenty years are a relatively short period in which to evaluate how democratization and HD process grow hand-in-hand, major advances have taken place.

Democratization processes are the subject of controversies, and are open to individual interpretation. We may be far from achieving a single, lasting and consensual definition. In Costa Rica, since the 1948 Civil War, democracy has been assumed to be a given. In fact, it is recognized as one of the oldest and most stable democracies on the continent. This chapter has shed light on the relationship between the political and democratic mechanisms and HD. In the years following the foundation of the "Second Republic", the reforms implemented yielded dividends. The distribution of the limited resources was done in a relatively egalitarian form, the middle-income class was enlarged, and social guarantees were strengthened, as was education, access to health care and sanitation. In short, the institutional engineering implemented under the democratic model of the early 1950s allowed Costa Rica to excel within the Latin American context in terms of economic, social and political indicators, and to reach developed-world levels of HD.

In the case of El Salvador, peace and stabilization brought about by the 1992 Peace Agreement has meant unprecedented levels of stability for most of the population. Nonetheless, violence is one of the most serious problems and threats to democratic

consolidation. El Salvador is a country where democracy had no roots or history when it embarked on its democratic transition in the 1980s. The analysis of this chapter has shed light on the fact that the institutional engineering since the 1980s was based on conflict.

The analysis of the interviews held in Costa Rica and El Salvador points to the perception that political management is key for a successful democracy, that a sustainable transformation is inconceivable without social cohesion, and that there exist numerous views regarding the practice of democracy. More importantly, structural and institutional deficits persist in the organization of the polity and threaten development sustainability. Though political parties' fragmentation is not necessarily a bad thing,[309] the forming of coalitions becomes an important factor for the sustainability of development policies in the country. According to the interviews held in San Jose, it is imperative in Costa Rica to re-establish mechanisms of political representation and build coalitions around development programs.

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In the next two chapters the key turning points illustrated here will provide useful suggestions for identifying the importance of democracy for HD in Costa Rica and El Salvador. More importantly, they will provide the basis for understanding the contribution of each attribute of democracy at a particular time in each country. These turning points should be kept in mind by the reader as everything that unfolds within the democratization and development processes in these two countries revolves around them.

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[309] I am grateful to Alan Angell, University Professor in Latin American Politics at the University of Oxford, for bringing this issue to my attention during a seminar in Oxford on June 02, 2006.

Chapter 5

The Importance of Democratization for Human Development: The Case of Costa Rica

5.1. Introduction

For political scientists, Costa Rica is an interesting case study because of its more than 50 years of uninterrupted political and democratic success (unique in Latin America); for economists, it is for its "successful" state-led economic development model adopted from 1949 to the late 1970s; and for development studies experts, it is an interesting case for having achieved developed-world levels in its social development indicators since the 1970s. However, Costa Rica's "paradise" is in doubt and something has gone awry in the country's political and developmental model.[310] The aim of this chapter is to critically assess how democracy and its attributes have contributed towards human development in Costa Rica from 1972 to 2002.

This chapter builds upon the key turning points discussed in the previous chapter. It starts from the basic premise that the golden age of the country's democratic and HD progress began to falter at the time of the international crisis of 1981-82, with the structural mutation of the development model (at first an economic crisis on the development model that turned into a political crisis). The chapter reflects on the argument that institutional design changes have markedly weakened the capacity of

[310] Borrowing from Lehoucq (2005), but also see Reading (1986), Cerdas (1993) and Seligson (2002).

the state to reform and adjust to new demands, while at the same time the political fragmentation and institutional design obstructs expeditious decision-making processes, hindering further HD advances. The purpose of this chapter is not to propose a blueprint for a coherent development programme for Costa Rica, but to examine each democratization attributes' impact on HD levels. The chapter also emphasizes institutional changes that cause adjustments to the mutually inclusive relationship between democracy and HD.

For Sen, "democracy does not serve as an automatic remedy of ailments as quinine works to remedy malaria. The opportunity it opens up has to be positively grabbed in order to achieve the desired effect".[311] This is something Costa Rican political elites seem to have understood before Sen's proposal.[312] Indeed, as portrayed in Chapter four, after the 1948 Civil War, Costa Rican society was able to link social expectations with political disposition in order to set-up the most significant process of social, economic and institutional reform in its history. With the strengthening of democracy with the 1949 Constitution,[313] the country experienced a subsequent period of development planning with substantial improvements in the living conditions of its inhabitants for the following 30 years. Within this framework, the influence of democracy in HD will be studied in the Costa Rican case. This chapter, besides exploring the extent to which the strengthening of democracy in the late 1940s meant substantial improvements in terms of HD, explores the reasons why the

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[311] Sen (1999b:155).

[312] In 1915 President Gonzalez-Flores affirmed that in poverty democracy could not flourish and two years later he was deposed by a military coup. In 1948 Figueres–Ferrer, instead of abolishing his enemy's social guarantees, affirmed that when the armed conflicted ended, the main objective of the new government would be to start a war on poverty (Formoso [2006]).

[313] Article 1 of the 1949 Political Constitution clearly states that "Costa Rica is a free and independent *democratic* Republic", and article 9, modified on July 2003 states that "The Government of the Republic is popular, representative, *participative*, alternative and responsible. It is exercised by three distinct and independent branches: Legislative, Executive, and Judicial" (emphasis added).

capacity to deliver public goods, of that same political system, has been put into doubt.

Three sections articulate this chapter. The first part links the previous discussion on the four key turning points for Costa Rica in an effort to understand in-depth the democratization and HD patterns. The second section aims to evaluate the importance of democratization for human development. In doing so, it analyzes the operationalization, at the national level, of each one of the CID attributes. The third section will then be in a favorable position to analyze the maturing of the development model. In particular it assesses how the practice of democracy has created opportunities to foster HD levels. This sequence should be reasonably obvious: understand first what works and why, and then determine the degree to which what has worked has had an impact on development levels. The chapter's conclusions then will identify the implications and current challenges of the practice of Costa Rica's democratic system for HD processes.

5.2. Understanding Costa Rica's Democratization and Human Development

At the dawn of the twentieth-century Costa Rica was a very small economy, largely dependent on two commodity products: the export of coffee and bananas. Moreover, its political system had deficiencies not entirely unlike those found in the rest of Central America.[314] From 1917 to 1919 the country experienced a brief dictatorial interlude, coup threats were common and the elections were regularly tamed as not free and unfair. Democracy functioned restrictively: women were not allowed to vote,

[314] Lehoucq and Molina (2002), for example, unraveled the sequence of frauds and electoral reform deficiencies of the first half of the century.

the black population had limited citizenship rights and were restricted from entering the capital city of San José, elections were frequently fraudulent, presidential candidates were largely chosen by a small oligarchic elite,[315] corruption flourished and there was a weakening of political rights and individual guarantees. In terms of development, Costa Ricans were largely illiterate and poor, housing was limited, endemic ills were widespread, most of the population were shoeless, transportation was deficient and some population groups were largely excluded from the urban centers of the central valley.[316]

In political terms, the interwar period in Costa Rica was one of adaptation and accommodation. The fall of Tinoco's dictatorship in 1919 meant the emergence of pluralistic political forces and the consolidation of trade unions. In the 1920s and 1930s the Communist party was strengthened along with liberal institutions, a prominent Catholic Church, and perhaps the most influential epistemic community of the country (the Center for the Study of National Problems). Perhaps influenced more by the European social democratic and development models, Costa Rica increased the number of public employees (i.e. teachers and public servants), and invested in social security system, infrastructure and sanitation. This was in sharp contrast to the rest of Central America, which were more influenced by the Mexican Revolution of the time.

Political problems were among the triggers of the 1948 civil war, leading to the rupture of the embattled liberal state and bringing about the establishment of the "Second Republic" with the Political Constitution of 1949. This meant the start of the implementation of a development model based on state intervention and a new

[315] See for example Stone (1975 and 1990) who traces the family interconnections among political elites in Costa Rica and Central America, respectively.
[316] Garnier et al (1998).

political scheme. As a result of the 1948 Civil War and the new constitution, the small Costa Rican army was abolished, the social guarantees safeguarded, and new social institutions created and consolidated, including the social security system, the nationalization of the banking system, the female vote, the Electoral Tribunal with characteristics of an independent state branch, the General Comptrollership, the civil service, the state-run energy and telecommunications company, and many others. These institutions had a marked social rather than economic orientation. These measures triggered a period of rapid changes and substantial improvements in terms of HD levels, as compared to the Costa Rica's Central American neighbours and the Latin American region in general.[317]

A key factor in the development of policies geared towards improving social indicators can be found in the political set-up. After the short civil war, the Governing Board *(Junta de Gobierno)*, headed by José Figueres-Ferrer was formed by men that had his absolute confidence and loyalty, whom had fought during the March and April events that lead to the death of about 2,000 Costa Ricans.[318] Once it took office on 8 May, 1948, the provisional Governing Board eliminated the 1871 Constitution, with the exception of the chapters on social, national and individual guarantees. It was a *de facto* government, without a legislative assembly, allowing it to put into operation legislation targeted towards improving the living conditions of Costa Ricans without major obstacles to policy design and implementation.[319] During the 18 months in power, the Governing Board also called for elections for a Constitutional

[317] See for example Estado de la Nación (2001a) and Chapter 3 on this dissertation.
[318] Rodríguez-Vega (2003).
[319] This is perhaps the most prolific period in the legislation of the country, when 834 decrees with rank of law were emitted in just 18 months (www.elespiritudel48.org, accessed on April, 2006).

Assembly,[320] and restricted the free assembly of the Communist Party, declaring a ban on any political party "that opposes the regime of the representative government".[321] The *Junta de Gobierno*, in a short period of time, marked a new style of making politics and shaped future political bargaining and coalition-making practices in the country. The political processes paid particular attention to administrative modernization, respect for elections, economic development, and strengthening and widening of social legislation.[322] Moreover, it marked the birth of the National Liberation Party, under the leadership of Figueres-Ferrer, which became the most dominant party in contemporary Costa Rican politics.

Costa Rica is one of the most stable democracies in the Latin American region, with a political system deeply rooted in a sharp independence of political powers, constitutional adherence, freedom of expression and respect for elections. Moreover, it is a democracy based on consent and mutual cooperation among political parties that kept the system functioning well from the late 1940s to late 1970s. Some argue the contrary and claim the democratic culture in the 1950s is a "myth" and democracy was not installed in Costa Rica as a pact between the political elites after the 1948 Civil War.[323] However, it was the levels of consensus and consent in the early 1950s that allowed the initial steps towards the consolidation of democracy. It was strong and consensual enough to avoid a democratic breakdown as happened in Guatemala, El Salvador and Honduras (three countries that had the opportunity to start a transition

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[320] Two important sectors did not participate in the Assembly: The Communist Party due to the ban imposed by the Governing Board, and the "Calderonistas" or people who followed their deposed leader Rafael Angel Calderon-Guardia, who was exiled in Nicaragua.
[321] Rodríguez-Vega (2003:249).
[322] Idem.
[323] Bowman (2000:91 and 2002:69-140). Yet, if "Democracy did not come to Costa Rica through an elite pact after the 1948 Civil War" (Bowman [2002:138]) how can the lack of a democratic breakdown, as opposed to the rest of Central America, be explained? This thesis argues this was possible due to the prevailing strong consensus and cooperation amid political leaders.

towards democracy at the end of the 1940s). In fact, Lipset's argument on the importance of consent and cooperation in politics, to some extent, mirrors Costa Rica's experience of the period, in contradiction to the latter argument:

> "Surprising as it may sound, a stable democracy requires the manifestation of conflict or cleavage so that there will be struggle over ruling positions, challenges to parties in power, and shift of parties in office; but without consensus – a political system allowing the peaceful "play" of power, the adherence by the "outs" to decisions made by the "ins", and the recognition by the "ins" of the rights of the "outs" – there can be no democracy".[324]

As a result, today Costa Ricans enjoy developed-world levels of HD in terms of health and education, and its GDP per capita increased three-fold since the 1950s. Some signs of success are an illiteracy rate that dropped from 21.2% in the 1950s to 6.1% in 1990; an infant mortality that fell from 90.2 per thousand births to 14.8 per thousand over the same period; an average life expectancy that rose by twenty years (from 55.6 to 76 years); pensions that went from covering almost no workers to covering almost half the workforce, and universal health-insurance coverage.[325]

Additionally, when asked about the causality of the relationship between democracy and development, the vast majority of interviewees in San José responded affirmatively on the direction from democracy to development. This is perhaps due to Costa Rica's recent history in which democracy and development have been both

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[324] Lipset (1981:1).
[325] Rodríguez-Echeverria (2006:162).

compatible and complementary, and the institutional engineering of the 1950s that gave emphasis to social aspects of development (i.e. education, social security and health).[326] A few interviewees responded that there is no trade-off between democracy and development,[327] that both processes cohabit and cannot be separated,[328] that one depends on the other,[329] and that both processes are essential for an integral life.[330] Only two (female) interviewees responded that economic development was preferable to democracy,[331] however one emphasized that development should be inclusive.[332]

Though the country's development performance was remarkable during the 1950-1980 period, the internal and external factors that brought about the international economic crisis of 1981-82, contributed towards the hindrance of HD levels. Costa Rica, in the last two decades, has been less successful at providing more advanced health care on a timely basis; the quality of public education has deteriorated[333] markedly and social policy has been unable to reduce the proportion of Costa Ricans living in poverty. The latter has remained constant since the mid-1980s, affecting around 20% of the population.[334]

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[326] Gutiérrez-Espeleta [31/01/2006]. Interviewees also expressed that it may be easier to correct and reverse development deficiencies in a democratic framework, and that democracy allows the expansion of other dimensions (i.e. HD).
[327] Trejos-Escalante [10/02/2006].
[328] Vargas-Cullel [27/01/2006].
[329] Lizano [06/02/2006], in line with the mutually inclusive relationship argument followed in this dissertation.
[330] Vargas-Barrantes [07/03/2006].
[331] Mata [01/03/2006].
[332] White [01/03/2006].
[333] Estado de la Nación (2005a).
[334] Estado de la Nación (various years), Rodriguez-Vega (2003) and Lehoucq (2006).

5.3. The Importance of Democratization for Human Development

Does democratization help development? Conventional wisdom in the 1960s and 1970s was pessimistic on the contribution of democratization towards development. Indeed, modernization theory dominated the debate on this relationship. Lipset pioneered this debate by arguing that as a country grows richer, its citizens will become more prosperous, demanding more freedoms and a larger say in how they are governed. Development, therefore, was viewed in stages, in which initially it will lead to higher incomes followed by social change and at last to democracy.[335] It was assumed that democracy was the crowning achievement of the development process and countries could only aspire to democratize after they had achieved certain development thresholds.[336] However, recent scholarship argues that democratization matters for human development, and that there is not a trade-off between democracy and development.[337] After much research on the causality in the relationship between these two processes, scholarship no longer seeks mono-causal relationships. Neither is this the purpose of this chapter, but to ask the question of "how" democracy promotes (or obstructs) human development. This section and the following, attempt to answer that question by way of unbundling at the national level the troika of democracy attributes: (i) an open and participatory environment with political opportunities; (ii) the institutional / political environment, and (iii) the collection of rights and freedoms.

Caution is taken in the analysis, as "democracy is not necessarily better for development"[338] nor will it always cause advances in HD. The merits of democracy,

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[335] See discussion on chapter two and Lipset (1959 and 1981).
[336] See for instance Huntington (1987) and Przeworksi et al (2000).
[337] See for instance Sen (1999a), Bhagwati (2002), Halperin et al (2005), Dervis (2006).
[338] Bhagwati (2002:151).

as argued in this and the following chapter, sometimes may contradict the development processes. This argument is based on the assumption that democratic politics may promote redistributive rather than productive actions, create monopolies rather than competitive conditions, restrict opportunities rather than expand them, and may not induce proper investment in education and health. The analysis to some extent sheds light on the argument that the transaction costs of the political and economic processes, together with the subjective models of the actors, under certain conditions, may lead them to move incrementally towards more efficient outcomes (i.e. higher HD levels). Yet, it is through democratic mechanisms of engagement, cooperation, information flows and thrust that the innovative and entrepreneurial processes so essential for development can be sustained.

The study of democratic attributes' contribution towards HD is aptly relevant considering the transition towards democracy experienced in Central America. Democracy is intrinsically important in human life, has an instrumental role in generating political incentives, and facilitates a constructive function in the formation of values. Furthermore, "no evaluation of the democratic form of government can be completed without considering each".[339] The direct importance of democracy is related to the expansion of possibilities, capabilities and options open to citizens; the instrumental role is expressed in the enhancement of the hearing that people may receive when expressing and supporting their claims to political attention and economic needs, and the constructive role in the conceptualization of needs. These three merits of democracy are intertwined with democracy's three main attributes.

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[339] Sen (1999b:158).

As argued in the conceptual framework (Chapter 2) democracy is rooted in three main attributes.[340] The analysis of the open and participatory environment with the political opportunities attribute in Costa Rica will include an assessment of the consolidation of the Electoral Tribunal, but with decreasing levels of political participation as expressed by declining voter-turnout rates; and a fragile political party system (a two-party system based on one more dominant). The institutional / political environment attribute will be analyzed based on the assumption that the institutional engineering of the Second Republic was based on social services delivery and the modernization of the state bureaucracy for development. The third attribute will be analyzed based on the collection of rights and freedoms enjoyed by Costa Ricans.

5.3.1. Open and Participatory Environment with Political Opportunities

Conventional wisdom argues that since democratic governments have to win elections and face public criticism, they have strong incentives to undertake measures to avert economic and social crises and promote development for the majority of citizens. Elections are important political and developmental factors not only because they provide people with the opportunity to determine who should govern and according to which principles, but also because they provide the opportunity to scrutinize and criticize authorities and to enjoy the freedom to choose between different political parties, while also opens up the opportunity to correct deficient public policies.

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[340] Coincidentally, Costa Rica's Citizen Audit on the Quality of Democracy uses a similar conceptual framework drawing from O'Donnell where democracy is an inclusive concept composed of: i) a system for the election of governments, ii) a way to organize state institutions, and iii) a mode of living between individuals (Estado de la Nación [2001a:40-41 and 2001b]).

In that sense, perhaps one of the major achievements of the 1948 political crisis was the emergence of "an independent and powerful institution ending in Costa Rica the old problem of electoral irregularities".[341] This is indeed more relevant if one takes into account that electoral frauds were common in Costa Rica[342] and the 1948 election was the immediate trigger that started the civil war (even though the armed movement had been in preparation since 1942[343]). Figueres-Ferrer, the civil war leader stated that the "revolution was not intended solely to depose a government and establish a new one, neither to re-establish in Costa Rica the electoral rights, but it was intended to establish the "Second Republic", and change the social and economic development models of the Costa Rican state".[344]

Article 9 of the Political Constitution establishes that the Government is exercised by three distinct and independent branches: Legislative, Executive, and Judicial, and that none of these branches may delegate the exercise of their own functions. It also stresses that "a Supreme Electoral Tribunal, with the rank and independence of the Government Branches, has the exclusive and independent responsibility of the organization, direction and supervision of suffrage-related acts, as well as any other functions vested in it by this Constitution and the laws".[345] Moreover, the Constitution gives the Electoral Tribunal extraordinary powers to guarantee the impartiality,

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[341] Rodríguez-Vega (2003:254).

[342] Lehoucq and Molina (2002) conclude that parties gradually transformed a fraud-ridden political system into one renowned for its stability and fair elections by the mid-twentieth century.

[343] In 1942 Figueres-Ferrer was expelled of the country due to a speech he gave in radio America Latina against the Government of the then President Calderon-Guardia. When Figueres-Ferrer returned from exile on 23 May, 1944, he contacted persons who were against the Government Party (presided by Teodoro Picado) and whose candidate was Calderon-Guardia, founded the Acción Demócrata Party and later jointly with the Center for the Study of the National Problems, found the Social Democrat Party, predecessor of the National Liberation Party *(Partido Liberación Nacional, PLN)* (www.elespiritudel48.org and Oconitrillo [1982]).

[344] *"El Espíritu del 48"* (The 48 Spirit), a website (www.elespiritudel48.org) dedicated to preserve the values and ideals that inspired the 1948 Revolution. It contains a vast amount of literature on the history, and major official documents of that Revolution as well as the provisional Government and the Constitutional Assembly.

[345] Added by Law No. 5704, on 5 June 1975.

transparency and openness of the electoral process.[346] For example, electoral laws can only be modified by a qualified majority (two-thirds) of the Congress. However, during electoral periods, modifications to the electoral legislation are not possible if the Tribunal does not see them as fit, since it has veto powers. The Tribunal interprets, with exclusive and compulsory effect, all constitutional and legal provisions on electoral matters. The Electoral Tribunal also adopts, with respect to the public force, pertinent measures to ensure that elections are carried out under conditions of unrestricted freedom and guarantees; it also conducts the official count of the votes cast in the elections for President and Vice Presidents of the Republic, members of the Legislative Assembly, members of Municipal Governments and Representatives to Constitutional Assemblies; and issues the official declaration of the election of the President and Vice Presidents of the Republic within thirty days following the date of the election.

Indeed, since 1953 the Electoral Tribunal has overseen 14 consecutive elections for President and Vice-President and representatives of the Legislative Assembly (see table 5.1). In none of these elections have there been serious charges of fraud or irregularities. The exceptions are the 1966 and 2006 elections, which were the closest in terms of vote difference. In 1966 the opposition candidate José J. Trejos defeated the official candidate, Daniel Oduber by just 4,220 votes (1.89% of total votes). And most recently in 2006,[347] opposition candidate Oscar Arias-Sánchez, was re-elected with a difference of 18,169 votes (2.7% of total votes) over the opposition candidate Ottón Solís-Fallas of the Citizen Action Party (*PAC*).

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[346] "The organization, direction, and supervision of acts pertaining to suffrage are the exclusive function of the Supreme Electoral Tribunal, which does enjoy independence in the performance of its duties. All other electoral organs are subordinate to the Tribunal" Article 99, Political Constitution.

[347] The 2006 elections have been the lowest in terms of participation with a rate of absenteeism of nearly 35 percent (TSE [2006]).

Of these fourteen democratic elections, the PLN has obtained eight presidents (60%); the PUSC, three (25%); and one each for *Unión Nacional*, *Unificación Nacional* and *Coalición Unidad*. Moreover, although immediate re-election is forbidden, the only two presidents to be re-elected have been Figueres-Ferrer and Oscar Arias, both PLN militants and the only period when the PLN has lost two consecutive elections was in the 2002 elections (see table 5.1). This helped to achieve continuity in certain public policies, especially from 1953 to 1982, regarding social security and state intervention in economic activities, under a social-democratic framework.

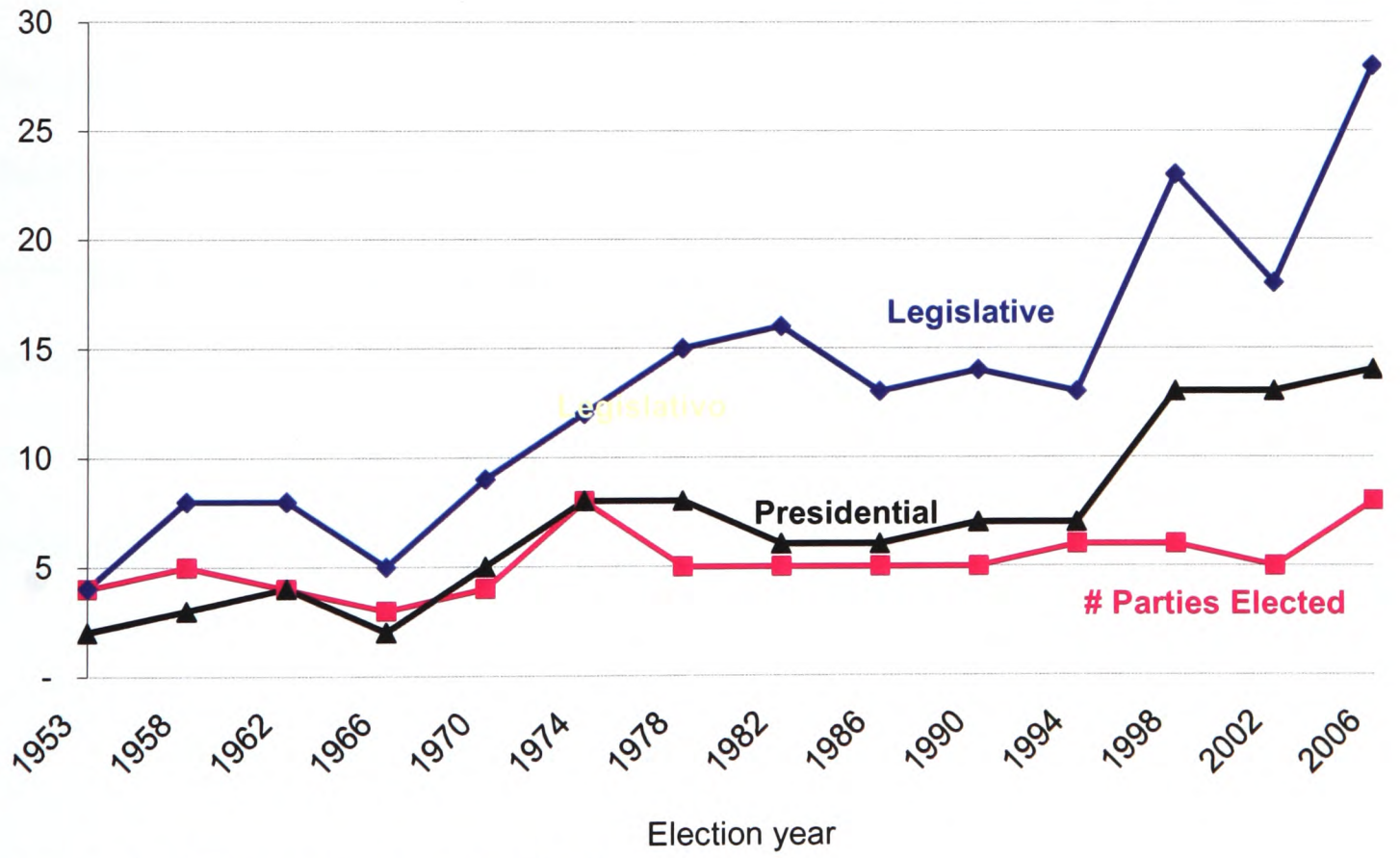
Table 5.1. Costa Rica. Elections and Chief Executives (1940-2006)

Date	Chief Executive	Party	Means	Type of Government	Legislative Control
1940-1944	Rafael A. Calderón G.	P. Republicano Nacional	Election	Civilian	--
1944-1948	Teodoro Picado M.	P. Republicano Nacional (allied with P. Vanguardia Popular)	Election (fraudulent)	Civilian	--
1948-1949	José Figueres F.	Governing Board	Civil War	Provisional	--
1949-1953	Otilio Ulate B.	P. Unión Nacional	Hand-over	Civilian	PUN
1953-1958	José Figueres F.	P. Liberación Nacional (PLN)	Election	Civilian	PLN
1958-1962	Mario Echandi F.	P. Union Nacional	Election	Civilian	No majority
1962-1966	Francisco Orlich B.	P. Liberación Nacional (PLN)	Election	Civilian	PLN
1966-1970	José J. Trejos F.	P. Unificación Nacional	Election	Civilian	No majority
1970-1974	José Figueres F.	P. Liberación Nacional (PLN)	Election	Civilian	PLN
1974-1978	Daniel Oduber Q.	P. Liberación Nacional (PLN)	Election	Civilian	No majority
1978-1982	Rodrigo Carazo O.	Coalición Unidad	Election	Civilian	No majority
1982-1986	Luis A. Monge A.	P. Liberación Nacional (PLN)	Election	Civilian	PLN
1986-1990	Oscar Arias S.	P. Liberación Nacional (PLN)	Election	Civilian	PLN
1990-1994	Rafael A. Calderón F.	P. Unidad Social Cristiana (PUSC)	Election	Civilian	PUSC
1994-1998	José M. Figueres O.	P. Liberación Nacional (PLN)	Election	Civilian	No majority
1998-2002	Miguel A. Rodríguez E.	P. Unidad Social Cristiana (PUSC)	Election	Civilian	No majority
2002-2006	Abel Pacheco de la E.	P. Unidad Social Cristiana (PUSC)	Election	Civilian	No majority
2006-2010	Oscar Arias S.	P. Liberación Nacional (PLN)	Election	Civilian	No majority

Yet, this attribute of democracy is not only about elections and political participation. This attribute also includes the degree of competition of political parties and their influence in shaping public policies. In terms of the policy-making process, the number of political parties in Costa Rica has dramatically increased from the 1953

elections, when only two parties participated, to 2006, when more than a dozen parties were seeking the Chief Executive office and twenty-eight were seeking legislative representation (see graph 5.1). This diversity of political parties, in the opinion of some interviewees, is to be blamed for having obstructed a smoother implementation of policies, along with a quasi-paralysis of the policy-making processes in the last 15 years in Costa Rica. For example, when asked about the most important political problem that obstructs development, respondents seem to concur it was the lack of agreement by political elites and political parties to identify a sound and coherent development agenda (i.e. policy-making effectiveness).[348]

Graph 5.1. Costa Rica. Political Parties in Elections (1953-2006)



Source: TSE. http://www.tse.go.cr/ppart.html

[348] For some interviewees (Urcuyo [24/02/2006] and Cerdas-Cruz [13/02/2006]) the only way to move out of the current paralysis in politics and speed-up the policy-making effectiveness is via a political reform to make the country either a semi-presidential or parliamentarian system. Indeed, in 2001 President Rodriguez proposed a constitutional reform that would have moved the country from a presidential to a semi-presidential system. See also Urcuyo (2003).

An important characteristic of the Costa Rica political system is that legislators are prohibited from seeking immediate re-election. This situation impedes a legislative career and politicians often switch from Legislative to Executive positions with government changes. As per the Legislative, this situation creates a dissatisfaction and lack of representation of Legislators from their constituents. Indeed, public opinion polls usually rank the Legislative Assembly as one of the most distrusted institutions. Also, it creates a constant change of new legislators every four years, which hovered at 80% for many years; what is surprising is that it increased to 88% in the 2006 elections.[349] As can be seen in table 5.2, the number of seats held by other parties has been high in the last two elections (comparable to the 1953, 1958 and 1974 elections), and as mentioned earlier, governing parties have not been able to secure a simple majority since the 1994 election.[350] Furthermore, the loyalty levels of members of parliament towards the political parties that nominated them has substantially decreased, and in the 2002-2006 legislature, more than 20% of deputies had been separated from their parties, contributing towards the fragmentation of the Legislative and the difficulties reaching agreements. These problems have been accentuated in the last ten years, especially with the elimination of "pork-barrel" legislation, the enforcement of assembly rules, and the ban on re-election.

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[349] Personal correspondence with Bruce M. Wilson, Associate Professor of Political Science at the University of Central Florida, 10 May 2006.

[350] As will be seen later on, this situation has generated a situation in which the policy-making process has become very unstable, as the Executive cannot hold the needed majority to pass legislation in major decision making issues. For example, a fiscal reform package could not be voted for in the four years of President Pacheco Administration, besides being perhaps the single most important problem to advance development in the country.

Table 5.2. Costa Rica. Legislative Composition (1953-2006)

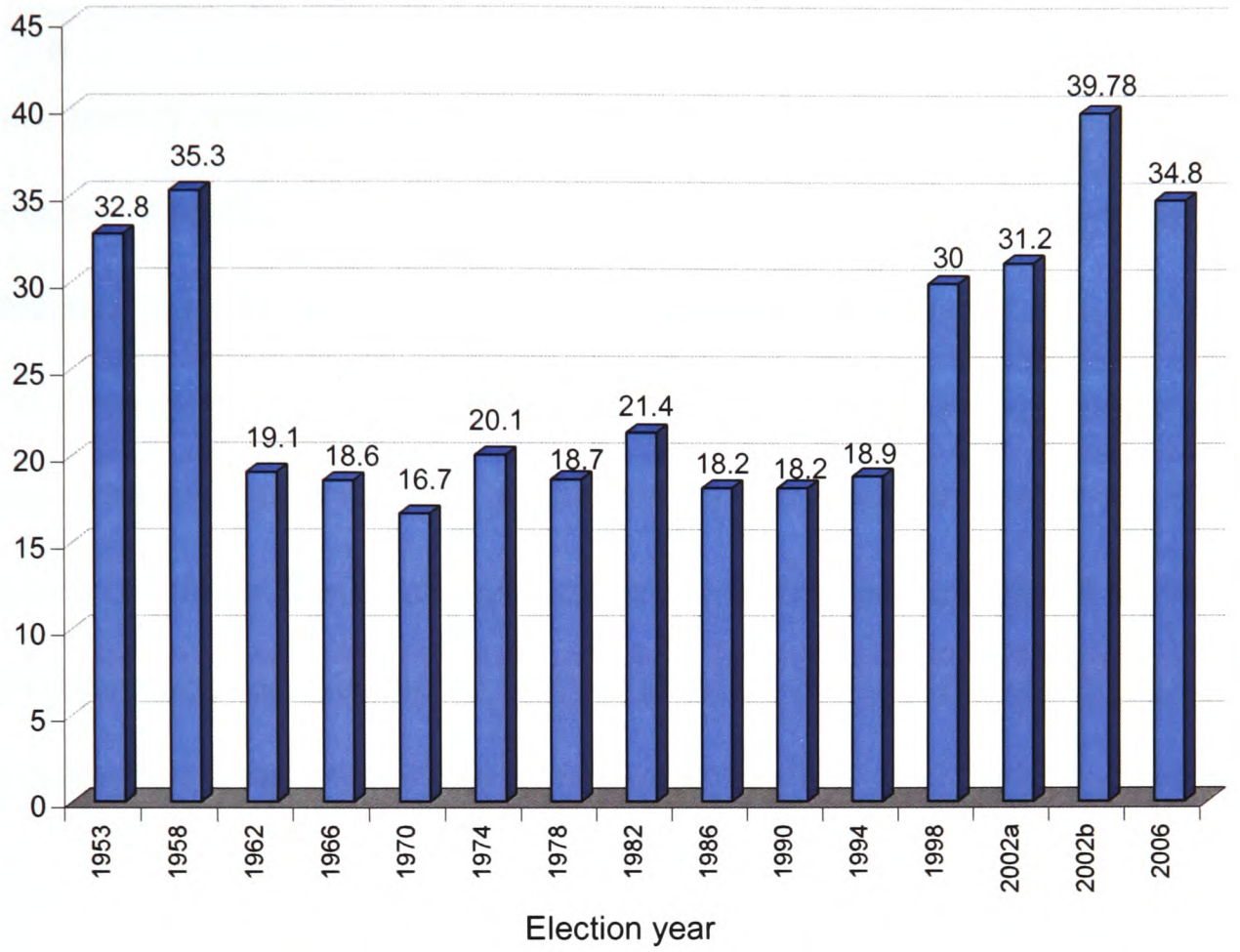
Election Year	# Parties Contesting	# Parties Elected	# of Seats to PLN	# of Seats to main opposition party[a]	# of Seats to others
1953[b]	4	4	30	-	15
1958[b]	8	5	20	11	14
1962[c]	8	4	29	28	1
1966	5	3	29	26	2
1970	9	4	32	22	3
1974	12	8	27	16	14
1978	15	5	25	27[d]	4
1982	16	5	33	18[e]	6
1986	13	5	29	25[e]	3
1990	14	5	25	29[e]	3
1994	13	6	28	25[e]	4
1998	23	6	23	27[e]	7
2002[g]	18	5	17	19[e]	21
2006	28	8	25	17[f]	15

[a] Main opposition party to PLN. [b] Assembly had 45 seats until 1962 election, when number sore to 57 [c] Assembly has 57 seats from 1962 on. [d] Coalición Unidad. [e] PUSC. [f] PAC. [g] The 2002 – 2006 was characterized for a multi-fragment Assembly, and lack of party loyalty by MPs.
Source: Booth, 1998; TSE, www.tse.go.cr/ppart.html and La Nación, 16 March, 2006.

Even though the number of political parties has dramatically increased in the last fifty years, citizens' participation in elections has decreased substantially. Once the electoral process had been established, since the 1962 election voter-turnout rates have steadily decreased, especially since the 1998 election (70%),[351] and the elections of 2006 (65%). Graph 5.2 shows the declining pattern of citizen participation in elections, with three key moments: i) the 1953 and 1958 elections, when democracy started its consolidation; ii) from 1962 to 1994, with high levels of political participation in elections, and iii) from 1998 to 2006, where citizens seemed to feel dissatisfied with the political process and voter-turnout was thus worryingly low.

[351] Raventós et al (2005).

Graph 5.2. Costa Rica. Electoral Absenteeism (1953-2006) (%)



Notes: 2002a: first round in February; 2002b: second round in April.
Source: Adapted from Raventós, et al 2005 and TSE (www.tse.go.cr/escrutinios_2002.html#).

To sum up, the respect for elections is a solid institutional feature in Costa Rican politics. As argued by a prominent academic interviewed in San Jose, this is perhaps the one that best works in Costa Rica since three general conditions are met: "i) there is uncertainty about results; ii) there is certainty about the procedure and iii) the losers keep playing".[352] Undoubtedly, Costa Rica is a competitive democracy. Yet, beyond this degree of competition it is important to understand its institutionalization levels, which are usually taken as given. It is now time to turn to the institutional features of democracy and their relationship to development.

[352] Sojo [03/03/2006].

5.3.2. Institutional / Political Environment

The institutional attribute of democracy refers to a sound and vigorous political environment. lt implies the organization of the polity, the institutional arrangements and processes put in place to ensure the functioning of the political system. Indeed, it refers to the way in which state institutions are organized and its relations in terms of openness with the society in the policy-making processes. It is also based on the recognition of human dignity, the protection of civil rights and political liberties, and the promotion and enlargement of opportunities for the exercise of citizen rights in public matters and to make governments accountable.[353]

In the debate about the relationship between democracy and development, institutions are particularly important. Institutions can be either formal or informal and are essentially "the rules of the game in a society" serving as a guide to human interaction.[354] Institutions matter as they structure incentives in human exchange, whether political, economic or social. Moreover, institutional change outlines the way societies transform and they are crucial for understanding historical change. Some even argue that "without the formal institutions, and a strong state to enforce them, there will be no democracy".[355] The Costa Rican model has been singled out for its differences with the rest of Latin America, due to a series of institutions and organizations that allowed the country to improve the living conditions of its

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[353] Estado de la Nación (2001a:40) and see also discussion on chapter two.
[354] North (1990:3).
[355] Leftwich (2005:698) further argues the relationship between democratic and developmental institutions is problematic and often tense. Yet, as will be seen later on, the Costa Rican case, at least from the three decades from 1948, exemplifies a development model in which democratic strengthening was accompanied by substantial improvements in development issues, and the institutional engineering (formal and informal) precisely advanced both democracy and development.

inhabitants in a relatively short period. By the end of the 1950s new public institutions were created, promoting a more equitable development.[356]

Returning to the formal and informal mechanisms put in place after the 1948 revolution, it is important to recall two cases to support the argument of the chapter that the consensus reached in the late 1940s was strong. The first one was when Figueres-Ferrer formed a pact with the opposition party candidate Ulate-Blanco on May 10, 1948 to ensure an orderly transfer of political power and the consequent transition towards democracy. The *Ulate-Figueres Pact*, included seven agreements: i) established the Provisional Government to rule the country for the next 18 months, with the right to emit decrees and legislation, ii) calls for elections of a Constitutional Assembly; iii) draft a Political Constitution to be submitted for consideration of the Constitutional Assembly; iv) the provisional government will recognize and declare immediately that on February 8, 1948, Ulate was legitimately elected President of Costa Rica; v) the provisional government will request the Constitutional Assembly to ratify the election of Ulate, in order for him to exercise the presidency in the first constitutional period of the Second Republic; vi) the provisional government will integrate the National Electoral Tribunal, and vii) both parties agree not to engage in electoral politics for a period of six months.

Secondly, as agreed in the Ulate-Figueres Pact, the provisional Government called for elections for a Constituent Assembly to write a new political constitution. Elections were held on December 1948 and on January 15, 1949 the Assembly was installed

[356] As mentioned earlier, it was during this early period that the army was abolished as a permanent institution, the banking sector was nationalized, the generation of electricity and telecommunication were made public monopolies and primary and secondary education were made universal. In these ways, a relatively integrated society was formed as counterbalance to the legal-political structures of the state.

with a very diverse composition. The Social Democrat Party (Figueres' party), could elect only four deputies, in contrast with 34 members from National Unity (Ulate's party), six from the Constitutional Party and one from National Confraternity.[357] The original proposal put forward by Figueres and the Provisional Government was rejected by the Assembly who decided to write the new constitution based on the 1871 Constitution. This was a major blow to the ambitions of the social democrats, but, nevertheless, it was accepted.

The stability brought with the 1949 Constitution meant that the democratic model was to be based on a strong state institutional base in which social aspects of development gained prevalence over economic development. The major role of institutions in a society is to reduce uncertainty by establishing a stable structure for human interaction.[358] In this sense, the institutional behavior of the politically relevant strata of the country and the respect for agreements and the majority proved a well structured path to re-establish democratic norms in the country. This also paved the way for substantial interaction among the political elites and the electorate (as seen earlier, on and after the 1962 elections, political participation increased substantially). Moreover, besides the institutional engineering of the 1949 Constitution, a series of public institutions were created and consolidated, with an important degree of independence from government and administration.[359]

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[357] Oconitrillo (1982:162).
[358] As argued by North (1990).
[359] These included the National Insurance Institute (created in 1924), the University of Costa Rica (created in 1941), the Social Security Institute (created in 1943), the Central Bank (1950), the Urban Housing Institute (1954), the Tourism Institute (1955), the Water and Sanitation National Service (1961), the Institute of Lands and Colonization (1962), the Administrative Board for Ports and Economic Development in the Atlantic Basin (1963), the National Training Institute (1965), the Community Development and Popular Bank (1969), and the Institute of Social Assistance (1970).

That is, in the three decades after 1948, "the state became the principal promoter of national development. It assumed new social and economic duties, about a hundred institutions were created and public employment rose from 6% of total labour population to nearly 20%".[360] That is, a state institutionalism based on a sharp division for powers – Executive, Legislative and Judiciary – with a broad social representation and a process of advancing the technical and professional expertise of civil servants. For the latter, the civil service played a major role in improving the government's way of doing business by assuring employment continuity irrespective of the normal changes of government after each election.

These institutional design changes and innovations played a major role in boosting Costa Rica's development indicators. Although the democratic process meant a change of government every four years, a continuity of social policy can be noted, with the social democrat party as the main instrument of gradual and progressive change. Examples of this public-policy continuity can be noted with the policy of increasing salaries,[361] payment of an extra month's salary at the end of the year for workers in the public and private sectors, legal norms that regulate relations between employers, employees and corporations, social funds, housing benefits and nutrition assistance for the poor, local health centers, access to potable water and sanitation and public schooling, among others in support of HD and capabilities fostering.

However, given the amount of institutional independence and the growth of the Costa Rican population in the 1950s and 1970s it became evident it was necessary to

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[360] Garnier et al (1998:17).

[361] A Tri-Partite Commission (Government, Employers and Trade Unions) negotiates increases to the minimum salary twice a year. In some cases, salary increases have obviated the Commission and been declared by Executive decree, calling into question the nature and effectiveness of the Commission.

increase coordination and planning as was done with the relationship between the Executive and Legislative on matters of policy-making. In 1968 a constitutional amendment was passed in which autonomous institutions kept their administrative independence but were "subject to the legislation regarding government priorities". In the 1970s a new National Planning legislation was passed creating the Office of National Planning (OFIPLAN) as well as the Law 4646 on the appointment and selection of the boards of public institutions. The former was created in order to better coordinate the activities of public institutions linked to the policy priorities of the government, and the latter as a mechanism to assure government control of the function and activities of autonomous institutions. OFIPLAN was later renamed MIDEPLAN and given ministerial rank in the early 1980s.[362] MIDEPLAN was given the responsibility to advise, inform and coordinate the planning process of the Costa Rican state. The National Development Plan was meant to be the umbrella to guarantee a common vision and strategy of development in the short, medium and long terms.

Nonetheless, despite the improvements in the policy-making process the country's economy remained dependent on two commodity products for export: coffee and bananas. Thus when the international prices of coffee and bananas fell in the late 1970s and international interest rates went up in the early 1980s, "the situation became unsustainable and a profound economic and political crisis erupted".[363] The effects of this crisis, which is perhaps the main event in the last quarter of the century in Costa Rica,[364] were reviewed in the previous chapter. At this point, what is

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[362] By Law N° 6812 of 14 September, 1982, OFIPLAN was renamed to *Ministerio de Planificación Nacional y Política Económica (MIDEPLAN)*.
[363] Hidalgo (2003:41).
[364] Estado de la Nación (2001a:133).

important to note is that since the crisis erupted, of the three attributes of democracy, the majority of interviewees in Costa Rica responded that the institutional / political attribute has become the weakest in the country.

Analysis of the interviews suggests that institutional constraints imposed by the political system are not allowing policy-makers to make decisions in an expedite way. There are also no articulations or representation channels in public institutions. Although, the three attributes of democracy are mutually important and complementary for the functioning of democracy, some argue that the most important attribute for the functioning of democracy is the institutional one.[365] For an academic, for example, "without this, the others are unreal"; for a former minister "while the institutional is the most important, it is difficult to imagine it without the others"; and for an entrepreneur and senior political advisor it is the most important as it establishes the rules of the game by which individuals must operate within the democratic system.

For another group of interviewees, this attribute is the weakest as it relates to the dwindling of state functions, the shift from expansion to retardation of the educational system and its gradual quality deterioration. It is also the weakest in terms of the evident corrosion of political parties since the late 1970s.[366] The institutional arrangements in place in the political system are neither allowing nor producing decision-making processes.[367] Specifically, it was argued during one of the interviews that due to the instability in the rules of the game and the deterioration of public

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[365] Ordoñez [01/02/2006], Trejos-Escalante [10/02/2006], Montealegre [20/02/2006], Barrantes [23/02/2006], Villalobos [27/02/2006], White [01/03/2006], Mata [01/03/2006], Urbina [03/03/2006], Rovira [08/03/2006].
[366] Rodríguez [22/02/2006].
[367] White [01/03/2006].

institutions, the policy-making process was stagnated and decisions could not be taken in important development issues.[368] Indeed, in the view of one prestigious Costa Rican academic this attribute "is the weakest... the country is entangled in an institutional system that does not allow the consolidation of democracy or the quality of development".[369]

Thus, for example, ironically, the enforcement of the Assembly procedures has produced endless discussions but no votes on passing specific legislation. In 2002, incumbent candidate Pacheco won the election and two of his political campaign promises were the negotiation of a free trade agreement with the United States, as well as to pass a fiscal reform to improve public finances. For the latter, for example, after four years of discussion in the Congress, and its constant blockage by the right-wing Movimiento Libertario (ML) party who tabled thousands of motions and requests to the Constitutional Court, the bill was not made subject to a vote, and the fiscal problems worsened in the country. As per the trade agreement, Costa Rica had to go through a long and tedious process to sign it. President Pacheco was hesitant in sending the agreement to the Legislative Assembly due to pressures from trade unions and social movements who were mainly opposed to the liberalization of the telecommunications sector agreed in the deal.[370]

Democracy has complex demands, which certainly in the case of Costa Rica have included guaranteeing an institutional framework for development. The institutional

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[368] Urbina [03/03/2006].
[369] Rojas-Bolaños [07/03/2006].
[370] Although President Arias has openly supported the agreement, and sent it for discussion to the Legislative Assembly, it has not been possible to have a vote on it. Moreover, at the time of writing, the TSE approved a request to subject CAFTA to a referendum, making it the first time in the history of democratic Costa Rica. On July 03, 2007 the agreement passed the "constitutionality test" when the Constitutional Court ruled the treaty does not conflict with the Constitution (Vote #09469-2007).

engineering of the three decades after the 1948 Revolution allowed the opportunity to improve the living conditions of Costa Ricans to developed-world levels.[371] The institutional attribute also has an instrumental value in the sense that it enhances formal and informal arrangements that support the openness of the decision-making processes. In the case of Costa Rica, the institutional engineering put in place since 1948 have forced public institutions to be more responsive to citizens' needs (i.e. health, education, electricity, communications), especially with the advent of the Constitutional Court. This leads to the third distinct virtue of democracy argued by Sen: its constructive role. That is, with institutions for development, democratic Costa Rica has had the capability to construct a development model to support the immediate needs of its citizens.[372]

It is by now conventional wisdom that "institutions matter"[373] and few would doubt the proposition that political institutions matter for economic development. Yet it is not always exactly clear how they matter. Indeed, robust generalizations and systematic evidence on how they matter are lacking.[374] In some circumstances, institutions can have a negative impact on development processes. The interconnection between this attribute of democracy and its intrinsic value suggests that if combined correctly, institutions for democracy can be harmonious with institutions for development and vice–versa, a statement that reinforces the elective

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[371] In 1948 Figueres-Ferrer, expressed that he wished Costa Rica to achieve a life expectancy of 70 years by the end of the Century. That dream was achieved as early as 1978 when the life expectancy reached a record level of 72 years (Garnier et al [1998]).

[372] An example of this is the *Instituto Mixto de Ayuda Social (IMAS)* created in 1971 with the purpose to manage the implementation of the National Anti-Poverty Plan.

[373] See for example North (1990), Acemoglu and Robinson (2006), Rodrik (2000), Wilson and Rodriguez (2006).

[374] See for example the discussion by Rodrik (2000:140).

affinities argument of democratization with human development advanced in this dissertation.

Hence, borrowing from Sen "we have to look also at the impact of democracy and political freedoms on the lives and capabilities of the citizens".[375] The following section addresses this by examining the connections between political rights and civil liberties as means and opportunities for individuals to draw attention to general needs and to demand appropriate public action beyond electoral periods.

5.3.3. Collection of Rights and Liberties

The collection of rights and liberties attribute of democracy refers to a free and open living environment, including the extent that individuals in a society exercise their citizenship and to what degree their civil liberties and political rights are respected and more importantly used. This attribute goes beyond elections and participation, and institutional design.

This is perhaps one of the most consolidated characteristics of Costa Rican democracy nowadays, as recognized by Freedom House ratings of civil liberties and political rights. However, it has not always been the case. Indeed, after the 1948 revolution and with the Political Constitution of 1949 certain sectors of the society were prevented from exercising their freedoms fully. The political functioning was limited and democracy was constrained. Women were not allowed to vote, the black population had limited citizenship rights, elections were fraudulent, political elites were chosen

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[375] Sen (1999b:150).

by a small oligarchic elite, and there was a weakening of political rights and individual guarantees. Indeed, it has been argued that: "the political system kept an anti-democratic exclusion during the 1949 – 1975 period".[376] For example, the losers from the civil war were left "out of the game", the provisional government jailed many opposition leaders and in some cases even the government did not stop the killing of some political and trade union leaders. In terms of political freedoms, Article 98 of the Political Constitution banned "anti-democratic" parties. Thus, in 1953 the Legislative Assembly did not permit the electoral participation of the Independent Progressive Party; in 1958 of the Popular Union Party; in 1962, the Socialist Party and in 1964, the Popular Socialist Alliance Party.[377] This series of exclusions generated a lot of political tension after the 1948 Civil War. The *Partido Republicano Nacional*, for example, did not recognize the legitimacy of the political system and attempted two military coups in 1948 and 1955, while its leader Calderón-Guardia was held in exile in neighbouring Nicaragua.

Other liberties were also restricted, including the freedom to organize in unions. In 1949 eighty percent of trade unions that were installed the previous year disappeared, and in 1971 the Labour Minister publicly recognized that "union rights properly do not exist".[378] Information flows were also very restricted in the sense that important newspapers like *La Tribuna*, *Trabajo*, *Adelante* among others, were closed. Indeed, in 1954, a presidential decree was passed (the "*Volio Sancho*" decree) prohibiting the publication, import, sales, exhibition or circulation of magazines, books, brochures or any other media with a communist ideology / tendency or pornographic content.

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[376] Estado de la Nación (2001a:125).
[377] Idem, footnote 22, p.130.
[378] Aguilar (1989), cited by Estado de la Nación (2001a:126).

Hence, it is not until 1975 that the political regime in Costa Rica can be catalogued as fully democratic. In that year, the Legislative Assembly abolished the second paragraph of Article 98 of the Political Constitution which did not allow the participation of "anti-democratic" political parties. The original article states "the prohibition of the functioning of political parties that due to its ideological programs, means of action or international links, tend to destroy the fundamentals of the Costa Rican democratic organization".[379]

Thus, from early 1970s onwards Costa Rican democracy has been ranked at the top of various indices. For example, since 1972 Freedom House's index of political rights and civil liberties (graph 5.3) has ranked the country at the pinnacle of its rankings, at the same level as developed-world democracies like the United States and Sweden. This is particularly important when Costa Rica is compared to its Central American neighbours. According to interviewees in San Jose, this characteristic of Costa Rica's democracy is the one that functions best due to the a political culture that has a profound respect for fundamental rights and a "culture of respect".[380] For others, in Costa Rica "at the end of the day, citizens can freely exercise their political rights with their vote every four years and civil liberties every day".[381] And for a renowned journalist, this attribute works and to some extent "the affirmative action to widen rights and liberties has advanced development"[382] in Costa Rica. Yet, only one interviewee responded that this attribute of democracy is the weakest in the country,

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[379] Rodríguez-Vega (2003:251). The article currently states that "[a]ll citizens have the right to organize themselves in parties in order to participate in national politics, provided that such parties are committed in their platforms to respect the constitutional order of the Republic". Moreover, "political parties shall express the political pluralism, contribute to the formation and manifestation of popular will and be fundamental instruments for political participation. Their creation and the exercise of their activities shall be free within respect of the Constitution and the law. Their internal structure and operation shall be democratic".

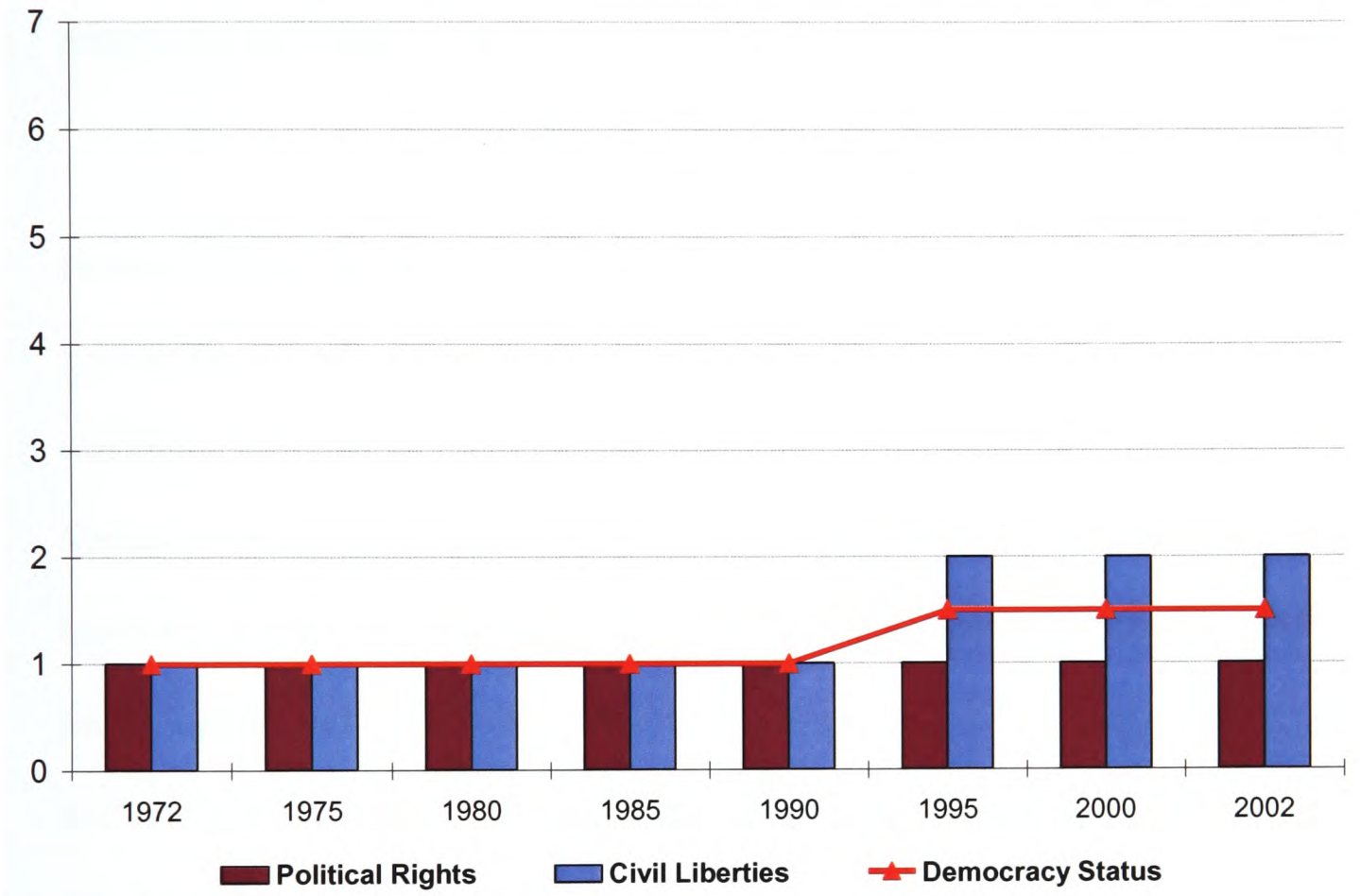
[380] Hernández-Valle [28/02/2006].

[381] Segura [28/02/2006].

[382] Ulibarri [06/03/2006].

since "the exercise of citizenship confronts formal opposition forces, where it is believed that democracy is a monopoly of political parties".[383]

Graph 5.3. Costa Rica. Civil Liberties and Political Rights (1972-2002)



Note: Lower scores indicate better performance.
Source: Adapted from Freedom House (www.freedomhouse.org)

Democracy's complex demands include the guaranteeing of civil liberties and political rights, and as Sen argues "the objective of development relates to the valuation of the actual freedoms enjoyed by the people involved".[384] In that sense, the role of the collection of rights and freedoms attribute of democracy has to be seen in the context of the interconnections between political freedoms and the fulfillment of economic needs. In this case the connections have an intrinsic value for Costa Ricans in the sense that they can freely exercise their capabilities

[383] Vargas-Barrantes [07/03/2006].
[384] Sen (1999b:53).

(including that of political and social participation). The instrumental role is expressed in the ability of individuals to have a voice in expressing and supporting their claims to political attention; while the constructive role is linked to the conceptualization of needs and the values, national identity and support of democratic institutions.[385]

However, one must be cautious with the level of analysis in here. In some cases the merits of democracy proposed by Sen may have a negative impact as well. For example, in the case of rights and liberties, the political scientist and sociologist Vargas-Cullel rightly argues that since 1986, due to the closeness of the electoral spectrum political parties started to grant rights in response to citizens' calls for more rights and democratic reforms – including more participation and accountability in public affairs. This is in line with the interconnection between this attribute and Sen's instrumental role as explained earlier. However, this practice was usually seen as a matter of constitutional and institutional engineering, without considering "costs" associated with the enforcement and compliance of those rights. There is an increasing gap between the "real" political economy of public finances, as set by economic authorities, and the constitutionally and legally mandated political economy of rights enacted. As Vargas-Cullel suggested in Costa Rica, the result

> "is the devaluation of citizen rights and the systematic violation of constitutional and legal norms by democratically elected

[385] Rodríguez and Madrigal (2004), using public opinion surveys on the support towards the political system in Costa Rica concluded that a vast majority of Costa Ricans express national identity and preference towards democracy.

> governments ... In the end, a democracy that is unable to pay for citizen rights has a poor democratic quality even if it meets the procedural standards of a polyarchy".[386]

Perhaps this is what Crozier and colleagues referred to as "democratic overload" in industrialized countries. For them "the democratic expansion of political participation and involvement has created an "overload" on government and the imbalanced expansion of governmental activities, exacerbating inflationary tendencies in the economy".[387] Yet, what are the implications of this in a country like Costa Rica? Recent years have seen the expansion of the demands on government from individuals and groups alike. The expansion takes the form of the development of new groups, the diversification of political means to secure groups' ends, the increasing expectation that the government has the responsibility to meet individuals' and groups' needs, and an escalation of what those needs should be. This enlargement in some instances tends to favour individual or groups' needs over the general common good.

Clear examples of this include recent votes by the Constitutional Court on health and social security issues. On February 2002, the Court ordered the Social Security System to "take immediately all the actions needed in order that Gabriela Guzman can work in a latex free environment".[388] This resolution required the immediate purchase of latex free equipment to be used by those affected, and more importantly it obliged all public hospitals in the country to modify their purchasing processes to prohibit the use of latex products. The decision was not necessarily based on efficiency or quality

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[386] Vargas-Cullel [27/01/2006].
[387] Crozier et al (1975:161).
[388] Constitutional Court Vote #1432-03 on 21 February, 2002. Gabriela Guzman is a nurse in a public hospital.

assurance merits, but to safeguard the rights of a nurse allergic to a product. Furthermore, five other resolutions by the Constitutional Court are examples of the democratic "dysfunction" where the interests of an individual or group are safeguarded to the detriment of the collective.[389] These resolutions related to HIV/AIDS patients who complained that they did not receive proper medical services and expensive medication. Indeed, these resolutions coerced the Social Security System into not acquiring generic medication which is much more expensive. This, in some instances, has forced the Social Security System, due to budgetary restrictions, not to buy other medication that could protect larger segments of the population from less complicated life-threatening diseases.

The pre-eminence of political freedoms and democracy in the case of Costa Rica has been analyzed in terms of both democracy's attributes (electoral, institutional and liberties) and democracy's merits (intrinsic relevance, instrumental importance and constructive role). Democracy has to be seen as creating a set of opportunities and the use of these opportunities is different both across periods and across countries. In sum, the positive role of civil liberties and political rights applies to development processes as well. When things go right and everything is routinely good, the instrumental role of democracy may not be missed.[390] It is when things go wrong that the political incentives in democracies acquire greater value and discussion. That is to say, the protective powers of democracies happen inadvertent when a country does not face serious calamities, as happened in Costa Rica in the three decades after 1949.

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[389] Constitutional Court Votes #813-07, 8634-06, 2884-06, 8633-04 and 7981-04.

[390] Along this line of analysis was the comment made a former Costa Rican President, when asked about what was the main problem in Costa Rican politics, his answer was that "when something is in problem, people notice something is lacking; but when things run smoothly, nobody asks where democracy is". Carazo-Odio [21/02/2006].

5.4. Maturing of Development Model

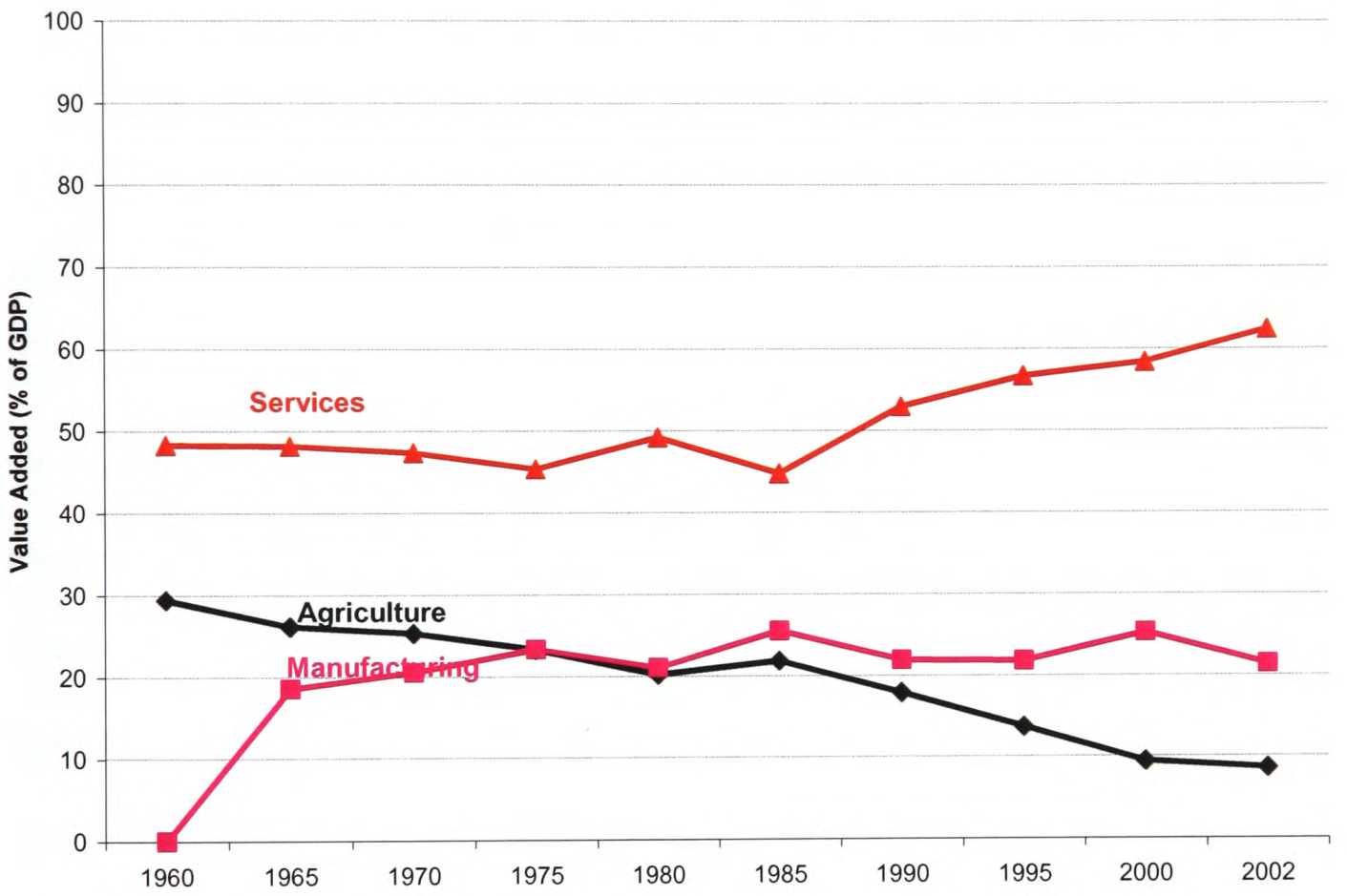
"Democracy has to be seen as creating a set of opportunities, and the use of these opportunities calls for analysis of a different kind, dealing with the *practice* of democratic and political rights".[391] The latter was evaluated in the preceding sections, with the addition of the institutional / political environment that explains Costa Rica's exceptionalism in Central America. Thus, having evaluated democracy's trends in Costa Rica, it is now time to briefly assess the importance of domestic political characteristics and institutional innovations for HD levels in the last three decades. Although the key turning point in the country's model of development is precisely the structural mutation of the development model, it cannot be viewed separately from the other key turning points if significant changes are to be highlighted.

In terms of the structure of the economy, a structural transformation of the development model emerged. For instance, during the 1981-82 crisis the secondary and tertiary sectors suffered a reversal in terms of their contribution to total GDP, in contrast to the primary sector, which experienced a 2% increase. Since the 1960s the tertiary sector has been the most important in terms of contribution to GDP and since the 1990s it has become by far the most important in the Costa Rican economy, representing about 62% of total GDP in 2002 (see graph 5.4). On the other hand, the agriculture sector has represented less than 15% of GDP since 1990 and less than 10% since 2000 (table 5.3 shows the remarkable reduction of agriculture workers from 66% in 1940 to 15% in 2003). Furthermore, the reduction in the contribution of the service sector to total production during the 1980-85 period was particularly shocking

[391] Sen (1999b:155).

in terms of total GDP growth as it remained stagnant during the first half of the 1980s. However, from 1985 to 2002, total GDP more than doubled, rising from 7.6 billion dollars to 16.6.[392]

Graph 5.4. Costa Rica. Gross Domestic Product Structure (1960-2002)



Source: World Bank, WDI (November, 2004).

Although the effect of the crisis was acute in a comparative perspective it was relatively shorter and less intense than in the rest of Central America. At least Costa Rica did not experience the hyperinflation levels of Nicaragua in the late 1980s.[393] Indeed, as early as 1983 the Costa Rican economy began to show signs of recovery and its social indicators recuperated, including poverty levels, literacy rates, life

[392] See table 5.3 and WDI (September, 2005).
[393] See for example Bulmer-Thomas (1991) and Acuña-Alfaro (2000).

expectancy and unemployment rates.[394] One important characteristic of the economic crisis is that the levels of literacy and life expectancy did not decrease (see table 5.3). Also interestingly, the crisis did not mean the destabilization of the political system (in contradistinction to the rest of Central America, where internal civil wars erupted). This is perhaps due to the strong institutional innovations put in place, as well as the Costa Rican tradition of respect for the democratic order.

Yet, high public support did not mean that the population was satisfied. In fact, between 1980 and 1982 there were 82 strikes and several violent outbreaks by civil society organizations and the population at large.[395] In rural areas new organizations were created, while in urban centers social movements were on the rise, especially those related to housing protests[396] (47.3% of 167 movements registered by the media between 1984 and 1990 were related to housing issues) and about one third were related to public services tariffs (29.9%). The relevant issue here is that besides the rise in social conflicts, it did not generate political movements with anti-systemic characteristics.[397] Social movements operated within a democratic framework and never sought to destabilize the status-quo or replace governments, but acted as pressure groups to demand better provision of public services from the government and the correction of public policies.

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[394] The United States' support and aid, given its geopolitical external policies, was an important factor the contributed to the rapid recovery of the Costa Rican economy. Indeed, between 1982 and 1985, the country received on a daily basis nearly US$1 in aid (Estado de la Nación:2001a) and between 1982 and 1988 of the more than US$1 billion of U.S. aid that went to Costa Rica, US$830 million was in the form of grants (Wilson, 1994:168, fn62).

[395] Hidalgo (2003:75).

[396] According to Marta Trejos [03/03/2006], leader of one of the largest housing movements in the late 1970s and early 1980s, "peoples' aspirations were concentrated on having a house, given the conditions of that period". And as such, the movement organized around 40,000 persons, in a process that lasted about six years until a communal housing project was built in Guararí in Heredia.

[397] Estado de la Nación (2001a:134).

Table 5.3. Costa Rica. Social and Economic Indicators (1940-2003)

Indicator	1940	1950	1960	1970	1980	1990	2000	2003
Human Development Index (HDI)			0.55	0.65	0.75	0.85	0.79	0.83
Population (in thousands)	656	812	1,199	1,758	2,302	3,050	3,925	4,169
Metropolitan Area Population (in thousands)		190	320	475	647	843	1,044	
GDP per capita (US$1990)	702	847	1,080	1,501	2,032	1,829	3,315	3,227
Poverty (% of households)			50	29	19	27	21	18
Illiteracy Rates (% of 12 year-olds and older)	27	21	16	13	10	7	5	
Average length of schooling of population older than 25 year-olds (years)		3.1	3.6	5.3	5.9		7.4	
Life Expectancy at birth (years)	46.9	55.6	62.5	65.4	72.6	76.7	77.7	78.4
Infant Mortality Rate (per thousand births)	123	90	68	61	19	15	10	10
Population with access to potable water (per thousand inhabitants)			640	770	860	941	974	
Social Security Contributively Coverage (%)		8	15	39	70	82	88	85
Active persons in agriculture (%)	66	63	59	49	35	25	20	15
Central Government Deficit / GDP (%)		0.03	0.94	1.40	8.97	3.40	3	2.90
Internal Debt / GDP (%)		4.1	4.2	9.6	14.8	20.5	37.8	39.3
Total Government Spending / GDP (%)		2.1	4.9	6.6	12.2	12	15.6	16.4

Source: Estado de la Nación, with information from several sources (www.estadonacion.or.cr).

Indeed, the period between 1950 and 1980 can be catalogued as the golden age of development[398] (product of internal political transformations) in Costa Rica (see table 5.3). However, mainly due to internal and external factors of the 1981-82 crisis, it has come to an end.[399] Poverty levels for example were reduced to 19% in 1980, from 50% in 1960. However, poverty increased to 27% in 1990, to remain at about 20% since the mid 1990s. Migration to the Central Valley nearly duplicated the population living in the Metropolitan Area between 1980 and 2000. GDP per capita was higher in 1980 than in 1990. And even though there have been changes in the HDI methodology, it reached an all-time record high of 0.85 in 1999 to later reduce to 0.79

[398] Rovira (2001).
[399] To some extent, it has come to an end due also to the impact of globalization. See for example Sánchez-Ancochea (2005).

in 2000. Undoubtedly, democracy and its attributes contributed to boosting social and economic indicators between 1950 and 1980. However, ironically democracy has not been able to provide timely development outcomes in the past decade.

One plausible explanation to the above is that at higher HD levels, improvements are more subtle and marginal. It was relatively easier in the early stages of democratization to boost development indicators (for instance, poverty was about 50%). However, as HD levels increased, the bench-mark for improvements was higher. That is to say, once a certain threshold has been achieved, the speed and rate of increases slows down. The early democratization period in Costa Rica meant institutional innovations focused on improving the living conditions of its inhabitants. Poverty was halved in about 30 years, and all HD related indicators improved substantially during that period. However, the period of structural transformation of the development model and the subsequent democratic politics (i.e. political parties fragmentation) has been less successful in providing more advanced development outcomes as they are among developed-world levels.

Furthermore, we have to examine the impact of democracy on the lives and capabilities of the individuals.[400] It is particularly relevant in this context to examine the connection between democracy and HD, on the one hand, and the prevention of major crises (such as civil wars or *coups d'etat*), on the other. Democracy gives people the opportunity to draw attention to general needs, and to demand appropriate public policies. As the argument continues, governmental responses to the acute suffering of people often depend on the pressure that is put on the government. This is

[400] Sen (1999b).

where the collection of rights and freedoms have made a difference in Costa Rica, while it led to a civil war in El Salvador in the 1980s.

The achievements of democracy in Costa Rica depend not only on the rules and procedures that are adopted and safeguarded, but also on the way the opportunities were used by citizens and the extent to which they could increase their capabilities. Democracy has created a set of opportunities that were seized early by Costa Ricans; however its sustainability depends on a variety of factors, including the vigour of multiparty politics as well as the dynamism of HD processes. In fact, it can be argued that the contribution of democracy in Costa Rica has not, by any means, been confined to the prevention of civil wars. Despite the limits of its practices and the vulnerabilities it has shown in recent years, democracy has given Costa Rica an unparalleled stability in Latin America, despite recent events in HD and democratic processes and a massive inflow of migrants that put pressure on social security services.

5.5. Conclusions

This chapter has evaluated each democratic attribute's merits in promoting or obstructing HD levels in Costa Rica. It offered an account on the importance of democratization for HD (including education, health and income), by evaluating the democratic stability of the country with attention to changes in several development indicators.

The institutional arrangements (formal and informal) made in Costa Rica during the 1950s were heavily based on cooperation and consent. However, after the 1981-82 crisis that led to the structural transformation of the development model those political arrangements have deteriorated. To some extent, this weakening has forced the country into an iniquitous circle in which non-cooperation among political parties (partly due to the new institutional design changes) obstruct policy-making processes, contributing to the hindrance of HD levels.

This chapter has suggested that the "democratic politics" of Costa Rica has been characterized by party fragmentation since democracy was reinstated in the early 1950s. Yet, in the last two decades, Costa Rica has embarked upon a set of institutional design changes that limits political clientelism, eliminates pork-barrel politics and enables citizens to reclaim their rights. While it enforces and strengthens citizenship rights on one hand, this model is concentrating power in the Constitutional Court, which practically rules on every single aspect of the country's political and development processes.

Democracy has been analyzed based on its three interrelated attributes (an open and participatory environment with political opportunities; the institutional / political environment, and the collection of rights and freedoms), intertwined with democracy's three merits proposed by Sen (intrinsic importance, instrumental value and constructive role). Moreover, it was argued that the merits of democracy can also have negative impacts upon development processes if democracy is left adrift and its processes do not rest upon the provision of balanced opportunities for human beings. Democracy in Costa Rica was strengthened from 1950 to 1980 along with

improvements in the quality of living of its inhabitants. And although democracy is certainly not at risk today, its political processes are adrift and have entered into a difficult cycle to accelerate HD processes. The greatest risk is that due to the constant dissatisfaction of citizens with politics a country that is historically accustomed to ideologically centrist political parties may want to experiment with leftist and populist parties as happened in the 2006 elections in some Latin American countries (i.e. Venezuela, Bolivia, Ecuador and Nicaragua).

Thus, when it comes to the contribution of democratization to HD levels the experience of Costa Rica is initially straightforward and shaped by the institutional design changes and the actual exercise of Costa Ricans' collection of rights and liberties. Yet, recent political developments suggest a mixed experience. The early democratization process led to significant progress in terms of HD indicators. However, the lesson of the last two decades, both in terms of theory and practice in Costa Rica indicates that even if democratization is not a necessary condition to boost HD it is instrumental as HD and democratization reinforce each other (i.e. elective affinities). The following chapter examines how this experience compares to that of El Salvador.

Chapter 6

The Importance of Democratization for Human Development: The Case of El Salvador

6.1. Introduction

Among other things, for political scientists El Salvador is an interesting case for its authoritarian-regime legacy and the successful negotiation of a peace agreement that halted a decade-long civil war and incorporated the guerrilla groups into the political field (the transformation of bullets into ballots); for economists, it is for the structural mutation of development strategies adopted, both during and after the war; and for development studies experts, it is for having achieved moderate levels in its social development indicators despite its small geographical area and a collapsed economy during the 1980s. The aim of this chapter is to critically assess how democracy and its attributes have contributed towards human development levels in El Salvador from 1972 to 2002.

The chapter starts from the premise that the democratization process initiated in the mid 1980s in El Salvador led to a significant process of dialogue that continued until the signing of the Chapultepec Peace Accords in 1992. Thus, after 15 years of peace, signs of a "democratic capital"[401] are slowly starting to appear, along with a

[401] See Persson and Tabellini (2006).

"democratic overload".[402] Moreover, the legacies of a history of draconian military rule have started to (re)emerge with a never-ending civil war discourse. The Peace Accords meant the beginnings of what seemed to be a genuine transition to democracy, and some progress was made in terms of poverty reduction and improvements in HD levels. Yet, the current levels of violence (political and social) threaten the viability of the political system, casting doubts on the ability of democracy and the capacity of the state to adjust and reform to new demands.

As in the previous chapter, the purpose here is not to propose a road map for a coherent development programme in El Salvador, but to examine each democracy attribute's contribution to HD levels. The narrative presented argues that a major threat to the stability of democracy and the improvement of HD is partly due to institutional deficiencies. Some visible symptoms are partly due to a weak institutional design in place and the lack of consensus on the development model. While El Salvador enjoys a reasonably open and participatory environment with political opportunities as well as a free and open living environment; the institutional / political environment has become the *Gordian knot* in terms of improving both HD and democratic outcomes.

In an effort to parallel the discussion on Costa Rica, the analysis starts by gauging the four key turning points for El Salvador (discussed in Chapter 4). This is done in order to understand the democratization and HD patterns. The second section endeavours to assess the importance of democratization for human development, by analyzing each of the CID attributes. The latter section analyzes the latent / dormant development

[402] See Crozier et al (1975) and Gerring et al (2005).

model. In particular it assesses how the practice of democracy has created opportunities to foster HD levels, especially after the signing of the peace accords in 1992. The sequence of analysis matches the chapter's findings with inferences drawn from the Costa Rican experience. Overall, this comparison identifies the implications and current challenges for the practice of democracy on HD processes.

6.2. Understanding El Salvador's Democratization and Human Development

El Salvador is the smaller of the continental Latin American countries, the only one without an indigenous population, ethnic or racial minorities (perhaps with the exception of Uruguay) and the only one to the North of the Equator without an Atlantic coast. It has a population density of about 320 hab/km^2. As a result every part of the landscape has been seriously altered by human imprint.[403] The population density gets even worse in the urban areas of San Salvador's Metropolitan Area, where the lack of social spaces like parks and recreation centres is evident in urban conglomerates like San Salvador, Antiguo Cuscatlán, Soyapango, Ilopango, Mejicanos and San Martín.[404] The country is divided into 14 Departments.[405] Fourteen political constitutions have been promulgated[406] and it used to be said that *"14 families"* have concentrated economic and political powers since colonial times.[407]

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[403] See the seminal description by Browning (1975).

[404] This was corroborated during a fieldwork trip to these urban centres during my visit to El Salvador in October, 2006. Indeed, I was particularly shocked to see the extent to which the informal sector of the economy had almost completely taken over the commercial avenues and streets with their vending carts placed without any order or control. I am grateful to "Lucas" a former guerilla rebel and currently member of the Civil National Police for his guidance and assistance in enabling me to safely tour these insecure cities.

[405] In alphabetical order: Ahuachapán, Cabañas, Chalatenango, Cuscatlán, La Libertad, La Paz, La Unión, Morazán, San Miguel, San Salvador, San Vicente, Santa Ana, Sonsonate and Usulatán.

[406] In chronological order: 1824, 1841, 1869, 1871, 1872, 1880, 1883, 1886, 1939, 1944, 1945, 1950, 1962, 1983.

[407] Though, Bulmer-Thomas (1987:340) notes that in fact some sixty families, rather than fourteen, have dominated Salvadoran economics and politics. This is still a remarkable degree of concentration.

The political history of El Salvador is shaped by the prevalence of military-authoritarian regimes since independence,[408] and with the dominance of liberals in political power (with the exception of the conservative Francisco Dueñas in 1863-1871). Since independence there has been a general acceptance of the liberal position that the state should not interfere in the market or economic mechanisms. As Chapter 3 indicated, President Zaldívar (1876-1883) represents the period of full-blown liberalism in the country, where the state was seen merely as the guarantor of the free operation of the market, communal properties were abolished and replaced by private property (frequently poor landowners lost their land to lenders or lawyers), the army was strengthened, and social movements were quickly and brutally repressed.[409]

Liberals ruled the country from 1860 to 1927 without major opposition from the conservatives. Yet, two strands of liberals can be identified. On one hand, there were the *pragmatists* (i.e. Barrios, Zaldívar, Figueroa, Regalado, Escalón, Meléndez and Quiñónez) who preached the economic thesis of liberalism and, on the other hand, there were the *idealists* (i.e. Gonzalez, Valle, Menéndez, Gutiérrez and Araujo) who emphasized political issues, in particular free expression.[410] Indeed, as one prominent Salvadoran historian noted: "The history of the economy of nineteenth-century El Salvador is, by and large, the history of the free market playing in a small and unprepared country. With market forces operating openly and freely, the role of the state was to take clues from them, to facilitate their action, and to reinforce them".[411]

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[408] Mahoney (2001a).
[409] White (1973).
[410] Idem p.105.
[411] Lindo-Fuentes (1990:188).

Thus, similar to Costa Rica, in El Salvador liberalism had a strong hold among the elite, and throughout the nineteenth-century intellectuals favoured economic and social modernization.[412] Despite being highly specialized in the same economic activities, particularly coffee, there are large differences in the paths of political development experienced by Costa Rica and El Salvador. While Costa Rica was a country born liberal,[413] El Salvador's geographic proximity to Guatemala meant the country was deeply entangled with the Central American federation experiment. On-going political disagreements prevented it from successfully implementing enduring liberal reforms (indeed, from 1824 to 1886 the elites promulgated eight different political constitutions).

The political history of El Salvador, as accounted for in Chapters 3 and 4, is a history of two parties profoundly divided, with constant coups and military interventions. Military coercion was the most important means used by the government to assure the operation of a small but powerful oligarchy. Elites kept a close grip on power with the support of the military, only loosened briefly in the late 1920s and mid-1940s. In the rest of the periods, the elites chose repression over democracy. Occasional elections were held, but were closely controlled by the military and the outcome was almost always known in advance.[414] As an end result the country fell into sustained guerrilla war for more than a decade. In the midst of the civil war, democratization attempts occurred with relatively free and fair elections for the legislative in 1985, 1988, and

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[412] See for example White (1973), Williams (1994) and Mahoney (2001a).
[413] Mahoney (2001a and 2001b).
[414] Or at least provisions were made to secure victory. For example, it is said that in 1929, "the dictator of El Salvador, General Romero, announced that his country was about to join the family of civilized nations by celebrating the first free and fair election. He issued a *decreto-ley* [law-decree] that specified when elections would take place, who would be qualified to vote, what the ballots would look like, when the polling places would be open, and so forth. The last point declared that 'Army contingents will be stationed in the polling stations in case the Opposition wins" (Przeworski et al [2000:17]).

1991 and for the executive in 1984 an 1989. The civil war ended in 1992 and it was only in 1994 that the first election took place with the participation of the main left-wing group, the FMLN.

The history of El Salvador before the 1980s was of sporadic and fragile episodes of democratization and limited path-dependence to initiate a sustained democratization process. The country did not even comply with minimum norms to be called a "delegative democracy"[415] or a "polyarchy",[416] and had a very low political culture.[417] It was a country accustomed to change presidents via *coups d'état*, ruled by military-authoritarian regimes and with constant changes of the political constitution. Ironically, amid its worst civil war, a political constitution was promulgated in 1983 that states El Salvador's government is

> "republican, democratic and representative. The political system is pluralist and is expressed through the political parties, which are the only instruments to exercise people's representation within the Government. The norms, organization and functioning will be subject to the principles of representative democracy".[418]

After years of constant and meaningless constitutional changes, the scene was set to stick this time around with the rules of the game promulgated in 1983.[419]

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[415] O'Donnell (1996).
[416] Dahl (1971).
[417] Cruz (2001) in the sense proposed by Almond and Verba (1963).
[418] Article 85, Political Constitution.
[419] Yet, during the peace negotiations, the constitutional reforms played an important role and as such the Constitution had to be amended. As commented by one key peace negotiator: "la Constitución de 1983 se convirtió en una especie de "Escritura Sagrada", a la que se remitieron los grupos políticos e ideológicos de extrema derecha en sus diversas campañas orientadas a bloquear cualquier arreglo negociado del conflicto. Habían manoseado periódicamente la Constitución durante 150 años con

The Chapultepec Agreement in 1992 brought unprecedented peace and stabilization to a historically obstreperous country. In the decade following the peace agreement, Salvadorans witnessed a remarkable reduction of poverty levels and improvements in HD indicators. To some extent, these changes were expected given the previously unbalanced and exclusionary developmental model and the sustained and growing inflow of external resources to the poorest sectors of the country. Yet, signs of state incapacity to continue deepening the fight against poverty and the legacies of a polarized society (socially and economically) have re-emerged. Even though the democratization process has been strengthened, the current levels of violence, poverty and polarization cast doubts on the Salvadoran state's capacity to provide sustained development improvements. This troika of development problems has not been solved with the current institutional design in place.

Yet, before embarking on the analysis of the importance of each democracy attribute for human development in El Salvador, the reader must be aware of two caveats. First, migration and remittances (external resources) have become both a curse and a blessing in development outcomes; and secondly, there are some methodological deficiencies in poverty calculations. The economic boom experienced in the early 1990s was largely due to the inflow of external resources, including both remittances and international cooperation.[420] Remittances as a percentage of GDP have grown

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propósitos casi siempre mezquinos, *pero para hacer la paz, después de diez años de enconada guerra civil, sobre todo si esta significaba cambios reales en la estructura y en las reglas de juego del sistema político, la Constitución parecía sagrada e intocable*" (Samayoa [2003:360]). Italics are mine.

[420] During the 1980s economic deficits were financed by the inflow of official donations (especially from USAID). However, with the end of the civil conflict and the fall of the Berlin Wall, the US aid towards El Salvador declined considerably. However, a social phenomenon product of the civil war started to have an enormous contribution toward the national economy. Salvadorans who migrated in the 1980s started sending remittances to alleviate living conditions of their relatives back in El

exponentially; as early as 1990 remittances represented nearly 6% of total GDP and by 2003 skyrocketed to 14% and 16% by 2004.[421] Migration and remittances have thus become a crucial sector for development policies in El Salvador,[422] and as such the UNDP dedicated the 2005 National HDR to this theme. In sum, the report concluded that 90% of Salvadoran migrants lived in the United States, and that 22% of Salvadoran households are recipients of remittances. The municipality that received the highest rate of remittances is *Concepción de Oriente* in La Unión with 63% of households (and a HDI of 0.623), and *Santa Catarina Masahuat* in Sonsonante with the fewest households (0.6%) receiving remittances (with an HDI of 0.615).[423]

It is important to understand migration's causes as well as consequences. Migration and the inflow of remittances have contributed to HD advances. It has become an important source of income for a large proportion of families, who have started investing it in productive activities, health improvements, education and technical training, moving beyond the initial stages of survival and maintenance. Indeed, this flow of remittances had a major impact on the subsequent period of poverty reduction experienced over the last 15 years in El Salvador. In 1992 remittances prevented that 4% of the rural population fell into absolute poverty, and by 2002 it contributed to prevent a further 8.6% falling into absolute poverty levels.[424] More than half of the poverty reduction registered in rural absolute poverty during the last 10 years can be

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Salvador. Family remittances substituted official donations during the 1990s. See Rivera (2002) detailed explanation of El Salvador economy in the 1990s.

[421] It is further estimated that remittances represent 133% of total exports, 655% of foreign direct investment, 140% of fiscal burden, 91% of the general budget, 202% of social expenditure and 86% of commercial gap (PNUD [2005a:6]).

[422] Rivera (2002) argues this has had a type of "Dutch disease" influence in the country's economy. See for example pages 109-114 and 122-141 for a detailed model on this "Dutch disease" influence on interest rates.

[423] PNUD (2005a).

[424] PNUD (2003:68).

explained by increases in remittances. However, migration's other face of the coin, is the separation of families, a lack of social cohesion, and a brain-drain since it is predominately young and productive persons who migrate. The latter seems to be having a strong effect on the social capital of the country, as expressed in violence and crime rates.

Migration is an important factor in human development.[425] People decided to migrate not just as a result of the civil war that erupted in El Salvador in the 1980s, but also because of the lack of employment and economic and social opportunities. Indeed, migration is not a new phenomenon in El Salvador. Between 1970 and 1979 migration grew at about 73%. In the 1980s and in the 1990s it grew 307%.[426] Estimates on migration are contentious and there is no consensus on the actual numbers published in El Salvador or by the US Census. However, being cautious in the analysis, the flow of migrants can be estimated per decade. During the 1970s an estimated 73,641 Salvadoran migrated. In the 1980s, during the conflict, the numbers doubled to 127,450, and during the 1990s, especially after 1996, the number of migrants increased to an unprecedented 519,314. By the 2000s, estimates of Salvadorans living abroad vary between 800 thousand and 2.7 million. Of these 90% migrated to the United States, 6% to Mexico and Central America, about 1% to Australia and less than 0.5% to the rest of the world.[427]

El Salvador still faces major challenges sustaining HD levels. For instance, inequality in income distribution has not been reduced. According to the *2004 Household and Multi-Purpose Survey*, 34.7% of total income was concentrated in the richest 10% of

[425] PNUD (2005a).
[426] PNUD (2005a:34).
[427] PNUD (2005a:31-40).

the population, while the poorest 10% received only 1% of total income. The economy remains stagnant. Economic growth rates have descended from a yearly average of 6.1% from 1991 to 1995, to 2.0% between 1999 and 2004. Given that the population has grown at a rate of 2%, per capita GDP growth is virtually zero. The fiscal situation has also deteriorated, due to the pension scheme and expenses related to reconstruction after the 2001 earthquakes, the tropical storm "Stan" that hit the country in 2005, and the eruption of Ilamatepec volcano. Women continue to have fewer opportunities than men, even though 40% of households are headed by a woman. Their literacy rate and salaries are, respectively, about 6% and 9% lower than men's,. They occupy 33.5% of the executive and administrative jobs, and 44.9% of professional and technical positions. In addition, only two out of ten key positions in Government are occupied by women. In the political arena, only 6.5% of mayors are women and female participation in municipal councils is lower than 20%. And even though the level of basic social services coverage has increased, significant problems remail. For example, on average youngsters spent 5.6 years in schools; 24% of the population have no access to health services; social security is virtually non existent in rural areas and only reaches 39% of the economically active urban population (EAP); 22% of children do not get inoculations; 35% of the population lacks decent housing conditions; 42.4% do not have access to potable water, and 20% do not have electricity.[428]

Despite improvements made in El Salvador since 1992 with a new democratic regime which seems to be providing HD outcomes, the statistics mentioned above should be analyzed and interpreted with caution. Indeed, during fieldwork some interviewees

[428] PNUD (2005a).

(who asked not to be identified) complained about data manipulation and methodological deficiencies in the calculation of poverty indicators. Moreover, during a fieldwork trip to the cities of San Salvador, Soyapango and Ilopango, widespread poverty, delinquency, lack of sanitation and poor housing conditions were evident in three of the most developed municipalities.[429] Therefore, poverty remains high and is probably underestimated due to methodological deficiencies and assumptions that may have lost credibility. Two examples of this situation are: (i) the last census was carried out in 1992, and therefore population statistics are based on estimates, and (ii) migration levels are difficult to measure, and the high levels of migration of El Salvador make it difficult to properly capture the effect on poverty rates.

UNDP has called attention to the fact that perhaps migration has contributed to create a new El Salvador, which is still unknown.[430] That is, with such levels of migration and the high level of variation in estimates, evaluating poverty lines based on annual household surveys is problematic. In El Salvador, the value of the poverty line is based on a basket of goods whose composition was elaborated based on a survey of income and expenditures in 1991 by the no longer existing Ministry of Planning. Another methodological deficiency relates to the assumption that the cost of the extended basket of goods (relative poverty line) is double the basic basket (absolute poverty line), even though in the last ten years the prices of some products in the former have increased between four and ten (i.e. electricity, housing and education) times more than the same goods in the latter.[431]

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[429] And during a bus travel from San Salvador to Guatemala, as the border was approached, living conditions deteriorated, to the extent that malnourished and naked children walking next to the roads by their isolated, wobbly and filthy houses could be spotted from the bus window.
[430] PNUD (2005a).
[431] See PNUD (2003:13 and 55). Unfortunately, during the time of writing the latest population census was in the surveying process and results were not known. Though, it was partially revealed to the press

6.3. The Importance of Democratization for Human Development

Previous chapters have argued that the virtues of democracy can have both positive and negative effects on HD levels. Democracy *potentially* increases human capital levels the longer it is in place. Democratization triggers a process in which policies and institutions are refined, since politicians have to learn how to govern, citizens learn how to vote and politicians learn how to respond to those demands. As such, a sustained experience of democracy enhances stability and consensus building.[432] El Salvador, as a young democracy, tends to be boisterous, and progress has been remarkable given the internal political contradictions and the pre-1980s constant uncoordinated competitive theft by "roving bandits" that destroyed the incentive to invest and produce, leaving little for the population.[433]

El Salvador may be seen as an example of Olson's theory of groups and logic of collective action. For decades "roving bandits" destroyed incentives; but when the transition to democracy started in the late 1980s these bandits were replaced by "stationary bandits".[434] The difference might be that the new "stationary bandits" took on the primordial function of government, protecting the citizens and property against the "roving bandits", with an incentive to encourage a degree of economic success, expecting to be in power long enough to take a share of it. This is so in Olson's argument since "the incentives that guide a tyrant to moderate his exactions therefore

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that population levels were overestimated (see La Prensa Grafica, El Diario de Hoy). However, these methodological deficiencies call for the need to undertake new population censuses at least once every ten years. But more importantly, it calls for an institutional strengthening of the *Dirección General de Censos y Estadísticas*, towards a semiautonomous agency not dependent on the Ministry of Economy.

[432] See for example Gerring et al (2005).

[433] Borrowing from Olson's (1993) analysis of dictatorships, democracy and development.

[434] Olson (1971, 1993 and 2000).

work far more powerfully in a democracy".[435] Olson saw the move from roving bandits to stationary bandits as paving the way for democracy, which improves incentives for good government by more closely aligning it with the wishes of the polity. While El Salvador no longer has "roving bandits", the time has come to test whether the new "stationary bandits" are willing to share power at the 2009 elections.

Taking this into consideration, the analysis now turns to the individual assessment of democracy attributes in an effort to understand their contribution towards HD levels. The analysis of the open and participatory environment with political opportunities in El Salvador will include an examination of the increasing levels of political participation as expressed by increasing voter-turnout rates (however, still at low levels of participation) but with a politicized Electoral Tribunal. Furthermore, it will include an analysis of the difference between the legislative and presidential voting behaviors, and an assessment of the consolidation of a two party system in a highly polarized political regime. On the other hand, the institutional/political environment will be analyzed considering the institutional engineering of the Peace Accords in 1992 based on the 1983 Constitution; the institutional bargaining and the problems of political pacts. The free and open living environment (collection of rights and liberties) will be analyzed based on the enlargement of freedom of expression, mass media, civil and political rights on the rise, but not on the economic base for enforcement, and the diminishing role of social movements and weak trade unions.

[435] Economist (2000:74).

6.3.1. Open and Participatory Environment with Political Opportunities

It is generally believed that competitive elections are inherently good. They put pressure on governments to perform and provide public goods to the majority of the electorate in order to win the next elections. However, the case of El Salvador also shows that elections can be deceptive since they were constantly controlled by the military establishment to install their chosen leaders. Up to the 1980s, presidents were either designated by the military as a result of a *coup d'etat* or the elections were manipulated (see table 6.1). Indeed, the last coup in 1979 and the subsequent civil war were orchestrated given the systematic blockage of openness attempts. Therefore, the civil war of the 1980s was the inevitable result of a combination of factors, but fundamentally it was caused by the limitations imposed by the military regime on the political liberalization demanded by Salvadorans.[436]

[436] Whitehead et al (2005:12).

Table 6.1. El Salvador. Elections and Chief Executives (1931-2006)

Date	Chief Executive	Party	Means	Type of Government	Legislative Control
1931-44	M. Hernández M.	--	Coup d'état	Military	..
1944	Andres I. Menéndez	--		Provisional	..
1944-45	Osmin Aguirre	--		Provisional	..
1945-48	Salvador Castaneda	--	Election (fraud)	Civil-Military	..
1948-50	Rev. Council of Gov.	--	Coup d'état	Civil-military	..
1950-56	Oscar Osorio	--	Election (fraud)	Military	..
1956-60	José María Lemus	Unificación Democrática, PUD	Election (fraud)	Military	..
1960-61	Government junta	--	Coup d'état	Civil-military	..
1961-62	Directory	--	Coup d'état	Civil-military	..
1962	Eusebio R. Cordón	--	Exec. Decree	Civil-military	..
1963-67	Julio Adalberto R.	Conciliación Nacional, PCN	Election (one cand.)	Military	PCN
1967-72	Fidel Sánchez H.	PCN	Election (fraud)	Military	PCN
1972-77	Arturo A. Molina	PCN	Election (fraud)	Military	PCN
1977-79	Carlos H. Romero	PCN	Election (fraud)	Military	PCN
1979-80	Government junta	--	Coup d'état	Civil-military	..
1980-82	Government junta (José N. Duarte)	Demócrata Cristiano, PDC	Civil Members Resignation	Civil-military	..
1982-84	Alvaro A. Magaña	Independent	Const. Assembly	Civilian	No majority
1984-89	José N. Duarte	PDC	Election	Civilian	PDC
1989-94	Alfredo Cristiani	Alianza Republicana Nacionalista, ARENA	Election	Civilian	No majority
1994-99	A. Calderón Sol	ARENA	Election	Civilian	No majority
1999-04	Francisco Flores	ARENA	Election	Civilian	No majority
2004-09	Elias Antonio Saca	ARENA	Election	Civilian	No majority

In this regard, in the Electoral Democracy Index (EDI) developed by UNDP, El Salvador ranked as a full electoral democracy in 1994.[437] Even though this index should be treated cautiously as it is not measuring a fully fledged democracy,[438] it is important, given that in 1960 El Salvador's score was zero, and thus confirms the long transition towards more pluralistic forms of government and the turnover on the openness of the political system. Yet, the index show signs of openness since 1977, when the country scored 0.69 in a scale from 0 to 1, to later reverse to 0.56 in 1985 and 1990, and increase to 0.75 in 1991, 1992 and 1993, before reaching the highest mark in 1994 and thereafter. The score for 1977 is highly contested, since the election

[437] For information on the EDI see PNUD (2004), specially the accompanied statistical appendix.
[438] This index takes a minimalist conception to measure the possibility of voting, the free and fairness of elections and the public offices elected. According to the index's methodology, a score of 0.0 indicates a non-democratic regime, and any number greater than 0.0 some gradation of democracy. That is, the higher the score, the more electoral democracy exists.

that year was fraudulent, not to mention the winning candidate was from the "official party" and continued along the lines of the military-authoritarian type of government (see table 6.1). Indeed, the levels of repression during Romero's government were a trigger of the civil revolts in 1979.

One question asked during the fieldwork interviews held in El Salvador concerned the strongest and weakest attribute of democracy in the country. Most of the interviewees expressed that this electoral attribute was the strongest in the sense that elections were relatively free and fair, (or at least without major problems irrespective of the closeness of the results),[439] that political parties can be established irrespective of their political ideology and that the electoral rules are well known in advance. One interviewee even mentioned the change in the political system and the non-interference of the military: "I value that the military is no longer solving electoral problems".[440] None of the interviewees mentioned this attribute as the weakest. Yet, one academic was cautious in agreeing with the statement that El Salvador had reached an "electoral democracy", mentioning that the political system was more a "civil dictatorship or competitive elitism" than a complete democracy.[441] For others, major reforms still lie ahead, including a change to a proportional representation system at the local level, since currently there is a system of "winner takes it all" irrespective of the number of votes obtained by the opposition parties.[442] Also, a discussion has been held for a long time now about the possibility of voting overseas,

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[439] During the local elections held in March 2006, the FMLN won the elections in the capital city of San Salvador for just 44 votes over ARENA, and surprisingly no serious accusations were made.
[440] Pleitez [06/10/2006].
[441] Artiga [06/10/2006].
[442] On this matter, a former president defended the current system based on the argument that there was a lack of political culture in the country and lax accountability mechanisms at the local level. His argument is that with the control of the local government, the authorities can more efficiently administer the resources and implement public policies in a more expedite manner, without the need to worry about bargaining processes or concessions to other parties (Calderón-Sol [20/10/2006]).

especially considering the migration estimates (mainly in the USA, which has come to be known as the *"Departamento 15"*).

Elections in El Salvador have been held for a long time. Indeed, the 1950 Political Constitution established the Central Elections Council *(Consejo Central de Elecciones)* as the maximum authority in electoral matters with the purpose of guaranteeing the electoral process.[443] Yet the means used to achieve the chief executive office from 1950 to 1979 were through one executive decree, three coups and six fraudulent elections (see table 6.1). Four historical periods can be identified in the evolution of El Salvador's political system: (i) a one party system from 1930 to 1961, characterized by military rule and the official party ideology; (ii) the polarized two party system from 1963 to 1979, when electoral competitiveness was introduced with the presence of opposition parties in the Congress and Municipalities; (iii) the transition period, during a decade long civil-war, and (iv) a multiparty system with two polarized but dominant parties since 1992.[444]

It was not until 1992 and as a product of the peace agreements that a new Supreme Electoral Tribunal (*Tribunal Supremo Electoral, TSE*) was formed and included in the Political Constitution in Chapter VII. This Tribunal has a mixed integration with political designation and, contrary to Costa Rica's TSE, it has neither law initiative nor budgetary autonomy.[445] The TSE has two main functions: it has an administrative duty to plan, organize, direct and execute the electoral processes in El Salvador, for the election of the President and Vice-President, deputies to the Central American Parliament, deputies to the Legislative Assembly and Municipal Authorities; and has

[443] A brief history of the Electoral Tribunal of El Salvador can be found at www.tse.gob.sv.
[444] Zamora (2003) provides an analysis of these four periods.
[445] Estado de la Región (2003:252).

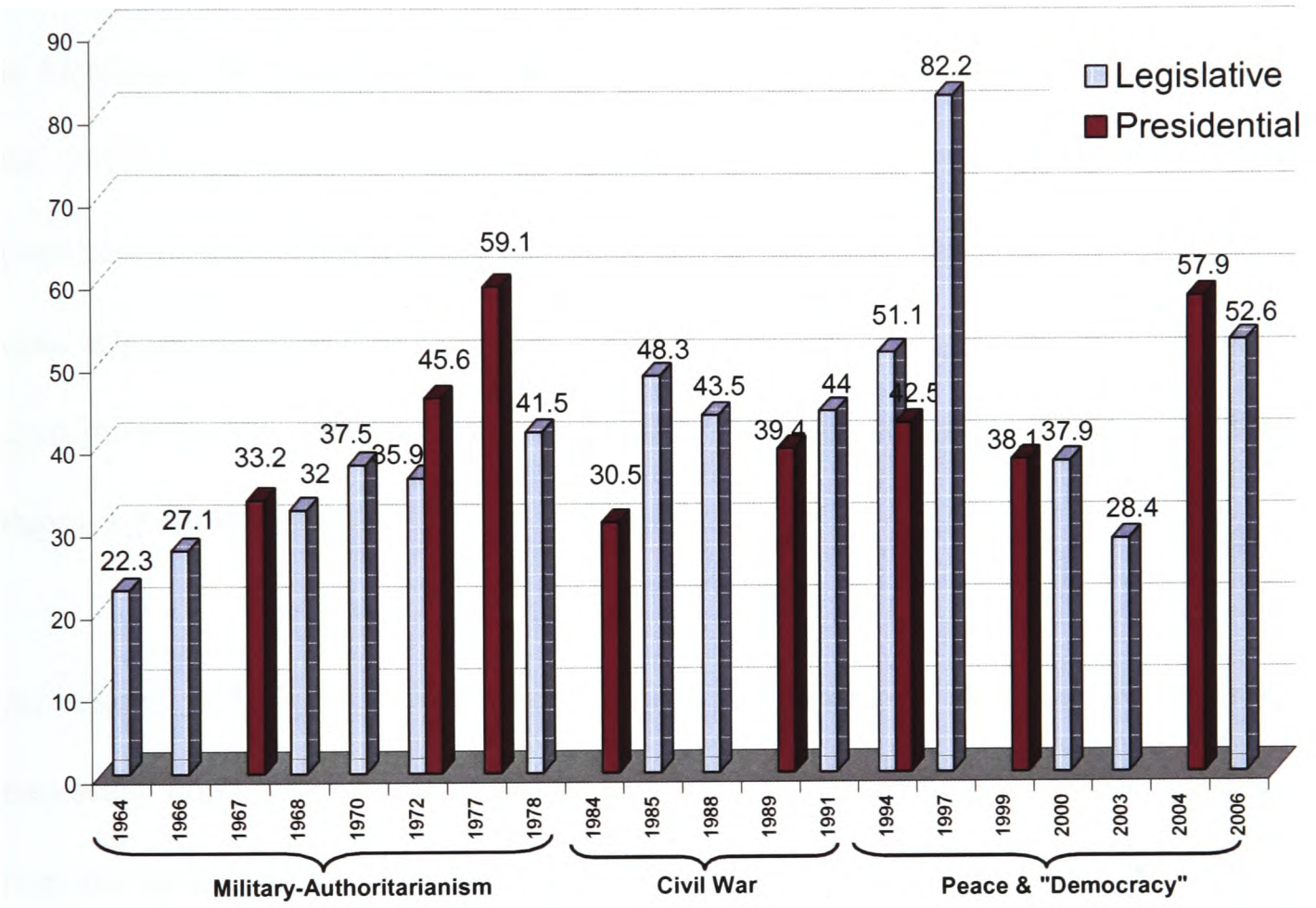
a jurisdictional function to safeguard electoral justice.[446] As per Article 208 of the Political Constitution, it is composed of five members elected by the Legislative Assembly. Three are selected based on a proposal sent by the three political parties that received the most votes in the last presidential election, and the other two members are selected with 2/3 majority of the Legislative from two shortlists of non-partisan candidates proposed by the Supreme Court. The president of the Tribunal is proposed by the party or coalition with the most votes in the last presidential election.

El Salvador until the 2004 elections experienced relatively low voter turnout rates,[447] and there was a difference in voting behaviour for presidential and legislative elections (particularly during the post war era). High levels of absenteeism together with political interference in the TSE remains a serious problem for the legitimacy of the political system in El Salvador (particularly, after the Peace Accords). Interestingly, during the 1980s electoral participation amid the civil war did not decrease, and for the legislative elections it slightly increased. Yet, the electoral participation in the legislative elections of 2000 and 2003 decreased, while the 1997 legislative election was an all time record for voter turnout of over 80% (see graph 6.1). Although the presidential and legislative elections of 2004 and 2006 respectively, experienced a slight increase and for the first time since the war started in 1979 the presidential elections had a greater number of voters than the following legislative elections. According to some analysts the electoral strategies during the

[446] Yet, by 1999 El Salvador was the Central American country that invested the less in the electoral organism. See PNUD (1999:101).
[447] For electoral participation it is understood the number of votes divided by the voting age population, expressed as a percentage, as per IDEA's Voter Turnout Dataset (www.idea-int.org/vt).

war years may have helped contribute to the lack of confidence in the electoral processes.[448] In fact, there were no conditions for anopen and competitive election.

Graph 6.1. El Salvador. Electoral Participation (1964-2006) (%)



Source: IDEA Voter Turnout Database (www.idea-int.og/vt) and Molina, 2005.

Elections can be unrepresentative if there is an insufficient flow of information on the proposals from all the political parties. In this respect, ARENA and FMLN are the most dominant parties in El Salvador today. The former's funding is provided by the national business elites, while FMLN's funds, although in lesser amounts, are supposed to come from external sources. Additionally, the state has the obligation to finance the parties that receive the most votes, and ARENA and FMLN receive the largest proportion. The other three parties (PCD, PCN and CD) are thus minorities,

[448] See for example Baloyra (1995), Cruz (2001) and Whitehead et al (2005).

not just because they receive fewer votes, also because of their financial constraints. They are financially disadvantaged (both during the campaigning periods and in their ability to sustain a stable and coherent party structure). For a former president "El Salvador has no true political parties but electoral machineries that operate around election periods".[449] The role of the media here plays a crucial role. During fieldwork in October 2006, none of the political television programs had a guest from outside the FMLN or ARENA. Thus it is greatly limiting the possibility of informing the population about other political options and their proposals for development. The only case where mention was given to the PCN, as will be seen later, was due to a corruption and money-laundering scandal involving a *diputado suplente* (substitute deputy) from this party.[450]

As argued in Chapter 2 and made evident in Chapter 3, electoral processes are a necessary condition, but not enough to have a democratic government. Democracy requires an institutional framework to operationalize the electoral results, design and implement public policies and deliver public goods. The next section addresses the *institutional / political* arrangements put in place in El Salvador as mechanisms to foster both human development and democracy. Empowerment of social actors will be discussed later when analyzing the third attribute of democracy on the collection of rights and liberties.

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[449] Calderón-Sol [20/10/2006]. The same comment was made by several Costa Ricans about Costa Rican political parties during the fieldwork interviews done in San José, for example Echeverria-Brealey [07/03/2006], Carazo-Odio [21/02/2006], Cerdas [13/02/2006].

[450] Yet, as will be explained in section 6.3.3, important and positive changes on freedom of expression and media openness have been achieved.

6.3.2. Institutional / Political Environment

As per conventional wisdom, institutions matter for development. Institutions are not just the rules of the game[451]. They also create incentives that structure cooperation in a democratic environment. Recent scholarly work has focused on "what" institutions are good for development and "how" can institutional change be achieved. Yet, little has been done on the timing of the institutional reform.[452] Institutions are permanently evolving and should be viewed as long-term and open-ended processes. Perhaps there is no measurable end-point, but rather processes of social, political and economic construction. The goals of institutional reform remain subject to revision and adjustment by future generations of citizens, and they may vary over time. Thus, there is not a right or wrong institutional design in *strictu senso*. What might be required is an evaluation of how institutional arrangements agreed at a certain point in time or as a product of natural human interaction and evolution are being implemented and delivering public goods. The analysis of institutional design changes in El Salvador sheds light on the need to initiate a second set of institutional reforms.

Institutions are rarely created from scratch; on the contrary, institutions constitute a compromise from previous arrangements. In that sense, the military-authoritarian legacy is still present and shapes much of the political culture of confrontation in El Salvador. Its current institutional/political arrangements are basically a by-product of

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[451] North (1990).

[452] The exception is perhaps Thelen (2004) and Thelen and Streeck (2005) who study the origins, development and effects of institutional arrangements. Yet, these analyses are across the developed western countries.

the civil conflict of the 1980s and the peace agreement of 1992, with the two major political parties becoming "social belligerent fronts".[453]

Despite significant progress and the beginning of the transition towards democracy in El Salvador,[454] after 15 years the post-war political process has not yet healed the legacy of inequality, political exclusion, poverty, and insecurity.[455] Moreover, the institutional engineering of the Peace Accords in 1992 (mostly based on the 1983 Constitution) was based on a conflict environment and not on peace and democracy. Indeed, of the three attributes of democracy, the majority of interviewees in San Salvador responded that the institutional/political is perhaps the most important for the functioning of democracy, but ironically it is also considered the weakest. It seems that the institutional constraints imposed by the political system are not allowing policy-makers to make decisions in an expeditious way. There are also no articulations or representational channels in public institutions.

As one experienced politician and long-time member of the Legislative Assembly noted, "the institutional is the most important attribute for the functioning of democracy since it is the base that supervises the democratic rules of the game".[456] Yet, more importantly, this argument assumes that there is not an institutional culture in the country due to the legacies of authoritarianism and political arrangements are still made in parallel given the lack of rule of law and enforceability. Indeed, for another interviewee from the commercial sector, "there is a lack of institutional

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[453] Whitehead et al (2005:80), see also Córdova and Cruz (2005).
[454] Given the experience of military-authoritarian regimes of the past, even the current low-quality democracy marks a fundamental sea change in Salvadoran politics (Wood, 2005).
[455] Wood (2005).
[456] Dada-Hirezi [17/10/2006].

accountability by the political actors and many political pacts are made to solve issues of immunity, impunity and impartiality".[457]

An important legacy of the military-authoritarian regimes that prevailed before the 1980s relates to the high levels of personal and institutional distrust, evident during the peace negotiations. Indeed, as narrated by one key negotiator: "distrust among the parties was extreme. Nobody talked about adversaries, but about enemies ... in this context, the paranoia could translate to accusations of betrayal if any personal exchange (not friendship) that crossed the ideological frontier was given".[458] Even though it is difficult to prove how this lack of trust that permeated the negotiations translated into some of the agreements reached, some evidence may indicate it. This lack of cooperation and consent during the peace negotiation was made evident in the institutional engineering and the new rules of the game. Indeed, there are constitutive elements of a "political culture defined by high levels of distrust in public matters".[459]

For example, even though the Supreme Electoral Tribunal was transformed, its composition was politicized to include three members from the political parties that obtained the largest proportion of the votes in the last presidential election. This politicization of the TSE became evident as early as 1997, when the autonomy and authority of the TSE was altered when the Legislative Assembly started a process that modified the electoral rules, including the removal of a Magistrate, the prorogation for the inscription of a political party, an increase in the number of votes required for the

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[457] Magaña, J.M. [17/10/2006].
[458] Samayoa (2003:16-17). But the level of distrust is not only among political parties and politicians. According to a public opinion survey carried out by IUDOP in 2004, 76.9% of Salvadoran did not feel secure in the bus, 69.6% in the market, 49.4% in their own car, 38.3% in their own neighbourhood, 22.7% in their home, while 28.6% considered his/her neighbours not to be trustworthy.
[459] FUSADES (2005:9).

inscription of political parties and an "authentic interpretation" about the decree on the conditions for political parties' coalitions in order to avoid the dissolution of the Democratic Party.[460] Yet, the problem was repeated – as expressed by a political scientist – after the 2003 legislative elections, when three political parties did not reach the threshold needed to maintain their political party status. Thus when the Supreme Court of Justice asked the Electoral Tribunal to start the process of cancelling the status of these political parties, it triggered an intense process of political bargaining and negotiation amongst the political parties and the TSE. The outcome was an "agreement" of non-cancellation, given the fact that those political parties that had not reached the minimum threshold still maintained representation in the Legislative Assembly.[461] This is also an illustration of the perception among political elites and individual citizens of the lack of autonomy from the Judiciary. Together with political parties and the Legislative Assembly, the Supreme Court is one of the most distrusted institutions in El Salvador.[462] And there also remain some problems of access to justice and slow judicial processes.[463]

It is believed that the chances of the judicialization of politics in highly polarized political systems are higher than in multiparty or parliamentary systems.[464] Indeed, one question that needs to be addressed in El Salvador's institutional engineering of the 1990s is to what extent the Supreme Court was becoming a determinant actor in

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[460] PNUD (1999:100).
[461] Artiga [06/10/2006].
[462] Córdova and Cruz (2005).
[463] FUSADES (2005). For example, a public opinion survey by IUDOP in 2004 revealed and alarming level of deficient institutional response from the judiciary to acts of violence and unusual low numbers of violent crimes reported of only 37% to the authorities in 2003 (i.e. *PNC, Fiscalía*, judge, other institution). From those crimes reported, the respondents mentioned that in 43.2% of the occasions the authorities have done nothing, 25.5% did not know the results, 16.3% said an investigation was underway, 5.5% mentioned the perpetrator was caught but later freed by a judge, 4.4% that a suspect was caught and just 1.5% expressed the perpetrator was condemned.
[464] See Ferejohn and Pasquino (2002).

the ratification of public policies. During the Flores administration and due to the increase of FMLN seats in the Legislative, the disputes between the Executive and Legislative increased, giving the Supreme Court a new arbitration role. As can be seen in table 6.2, the number of executive vetoes[465] increased dramatically, as well as the number of *Actions for Constitutional Protection (Recursos de Amparo).* This represented a change in the way political processes were conducted in El Salvador during the last 20 years and pressured the Judicial System to provide interpretations of the Constitution. Moreover, it is a sign of the lack of cooperation between the two major political forces.

Table 6.2. El Salvador. Vetoes, Actions for Constitutional Protection and Unconstitutional Actions (1985-2003)

Years	*Legislative Control*	*Executive Control*	*Executive Vetoes*	*Actions for Constitutional Protection*	Unconstitutional Actions
1985-1988	PDC	PDC	2	-	-
1988-1991	Arena + PCN	PDC (1988) ARENA (since 1989)	18 vetoes (1988)	-	-
1991-1994	Arena + PCN	ARENA	1	-	-
1994-1997	ARENA + PCN	ARENA	0	331 (1995) 379 (1996) 465 (1996)	20 (1995) 40 (1996) 24 (1997)
1997-2000	ARENA + PCN (1988) FMLN + PCN (since 1999)	ARENA	4 (1999)	596 (1998) 960 (1999) 707 (2000)	24 (1998) 27 (1999) 44 (2000)
2000-2003	FMLN + PCN	ARENA	41	745 (2001) 1361 (2002) 1011 (2003)	35 (2001) 44 (2002) 62 (2003)

Sources: FUSADES (2005), Whitehead et al (2005) and La Prensa Gráfica.

[465] The Flores Administration (1999-2004) promulgated a total of 58 vetoes. For some authors, these were used mainly due to the constant fight between the three state branches (Salguero, 2006), and to changes in the balance of power in the legislative, when the FMLN obtained more seats than ARENA (Whitehead, et al, 2005). Yet, for some interviewees, it was due to lack of dialogue mechanisms implemented during Flores' administration (Trigueros [04/10/2006], Pleitez [06/10/2006], Simán [09/10/2006], Briones [09/10/2006), and Dada-Hirezi [17/10/2006]).

The use of veto powers can indeed be viewed as an expression of the deep polarization that exists in El Salvador. In fact, given the absence of trust among political parties, a vicious circle has been set in motion in which any action by the other political party is seen as an act that feeds into the polarization and impedes expeditious decision making for development processes.

Thus, given the low levels of conflict resolution between the Legislative and the Executive, the Supreme Court has become an influential actor, both in shaping public policies and in maintaining the status quo. In these circumstances, the policy-making processes rely heavily on the judiciary and as such those interested in judiciary decisions tend to influence it by controlling the nomination of judges and magistrates. It is in this context that judicialization of politics tends to produce polarization within the Judicial Branch.[466] Even with the creation of the *Consejo Nacional de la Judicatura (CNJ)* and through constitutional reform,[467] the nomination process has not been exempt of suspicion and criticism. In April 2006, President Saca was asked, during his routine press conference, about the possibility of electing the new members of the Supreme Court by political quotas (two from ARENA and PCN each, and one from the PDC).[468]

What is important here is to recognize that the Judicial Branch must act independently and any suspicion about the legitimacy of the judiciary can forestall its credibility and the possibility that it can comply with its moderating function in controlling political

[466] As argued by Ferejohn and Pasquino (2002) and Angell et al (2005).
[467] The reform implies that magistrates are now mostly selected on the basis of their technical merits and professional competence rather than their participation in politics.
[468] Casa Presidencial, Press Conference transcript, April 28, 2006.

power.[469] Ultimately, an independent and efficient judicial system is important for development, as it sets the penalties and punishments in favour of peaceful human interaction.[470] In the same way that "crime erodes public support for democracy and hurts the economy"[471] an efficient and independent judiciary increases human capital and government effectiveness and provides incentives for institutional interactions that foster HD.

Other examples of the lack of independence of the judiciary and the frictions with the Executive and Legislative bodies include the declaration that the anti-gangs legislation of President Flores was unconstitutional, and the resolution that limits the faculties of the Probity section of the Court - itself related to the petition of banking information - to investigate cases of corruption and money-laundering from public officials.[472] On the latter, corruption indeed is seen as a problem in regards to development and a threat to the functioning of democracy.[473] For example, during my fieldwork, a substitute deputy of the Legislative Assembly (Roberto Silva from PCN) was involved in a money-laundering scandal and irregular contracts with several local governments. With great difficulty a Legislative Commission was set up to investigate the probes and determine whether immunity should and could be removed in order to start a judicial investigation. Two weeks later another corruption scandal involving an ARENA deputy to the Central American Parliament (PARLACEN) was revealed.

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[469] As argued in FUSADES (2005).
[470] On this, Becker (1968) argued the importance of judicial efficiency as a means to cover the costs of committing illegal actions. However, UNDP estimated that in El Salvador in 1999 only a small proportion of trials finished with a firm sentence. Moreover, UNDP's evidence suggested a lack of efficiency on the resolution of homicides, with an astounding rate of impunity of 99% of all homicide cases (PNUD, 1999:87).
[471] Carothers (1998:2).
[472] See for example, AMDV et al (2005). The latter was an issue raised as a red flag for the functioning of democracy during the interviews held in San Salvador with a senior public official (Magaña, A. [05/10/2006]) and the director of a think-tank (Rivera [19/10/2006]).
[473] Siman [09/10/2006] and Briones [09/10/2006].

However, this time there was no consensus among political parties on whether an investigative process should be undertaken. Some argued with regard to the second case that the Commission already had enough work.[474]

A final example of the lack of independence of the Judiciary and the institutional conflicts between the Legislative and Executive is the polemic resolution for the increase from 6% to 8% of the Economic and Social Development Fund *(Fondo de Desarrollo Económico y Social, FODES)* budget. The relationship between the Executive and local governments has also been conflictive and uncooperative. Starting with the electoral rules, there is no proportional representation in the election of local governments, so that municipalities are governed exclusively by one political party or by pre-established alliances between two political parties. These arrangements generate frictions between the central government and the municipalities when they are from different parties but cooperative in the case of the ARENA governments.

A review of transfers made between 1998 and 2003 suggested the municipalities that received more funds from the government are those governed by ARENA, with almost 50% of FODES' transfers; while FMLN municipalities received only 29%, even though the FMLN governed in the most populated municipalities.[475] Graph 6.2 suggests that taking into consideration the transfers made between 2003 and 2005 to

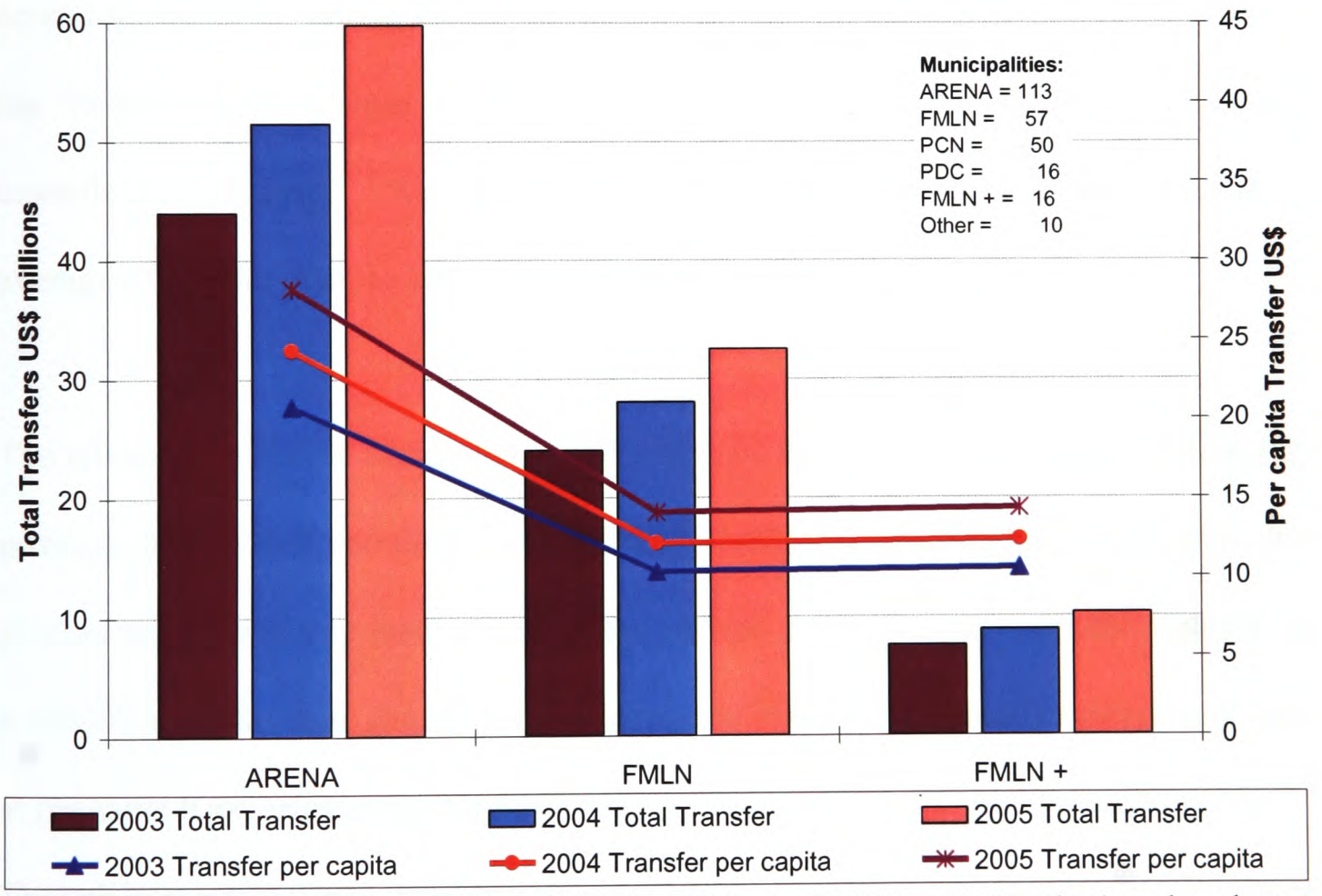
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[474] A newspaper note of 27 October 2006 claimed political parties accused each other and the reasons given by some deputies for not investigating the case were: "I would not accept to act as prosecutor in this case because it will be too much work to what I already have" (ARENA); "now that the case is from a member of ARENA, the prosecutor should be from the PCN" (FMLN); "I don't think there is anyone interested since there are no lawyers" (PCN) (Diario de Hoy, p.12).

[475] Rodriguez (2003). In practice, more than half of the country's population is governed by the FMLN at the local level, including (since 1997) the continuous administration of five departmental capital cities (San Salvador, Santa Ana, Santa Tecla, Zacatecoluca and Chalatenango), and the majority of municipalities in San Salvador's Greater Metropolitan Area.

ARENA and FMLN municipalities, the former received the largest amounts. This is to be expected, since ARENA governs more than twice the number of municipalities governed by FMLN. Yet, when taking into account the size of the municipalities as expressed in per capita transfers, the governing party seems to be unwilling to give any concessions that might affect its control of the budget.[476] The transfer per capita received by FMLN governed municipalities is less than half of that received by ARENA governed municipalities.

Graph 6.2. El Salvador. FODES' Transfers (2003-2005)



Note: FMLN + indicates those municipalities in which the FMLN won the elections based on a coalition platform with CDU, PDC or PCN.

Source: Own calculation with information from FUSADES and PNUD (2005a) for population data.

[476] Rodriguez (2003:991).

In sum "institutional development refers to the process of improving the ability of institutions to make effective use of the human and financial resources available".[477] In that sense it can be inferred that in El Salvador the institutional engineering of the Peace Accords proved to be positive and effective during the initial phases of implementation. At the political level, important institutional changes took place in the transformation of the authoritarian regime towards a more inclusive and competitive political regime. The institutional changes promoted by the Peace Accords fostered a political system based on the principles of legality and legitimacy. At the economic development level, those reforms allowed the stabilization of the economy, the reactivation of economic growth and the reduction of poverty. Indeed the country showed signs of having experienced significant changes to advance towards development.[478] Economic growth rates during the early 1990s reached an average of 6% per year, to later reduce systematically.

The advances achieved during the initial stages of the peace period were substantially positive, but serious economic and political challenges remain. For this reason, the process of modernizing institutional arrangements and initiating a "second impulse of reforms" with the dual aim of consolidating the institutions already established, and, at the same time, triggering increases in economic growth and consequently in HD.[479] Though the institutional attribute of democracy is seen as the weakest of the three

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[477] Israel (1989:1).
[478] See Córdova et al (1998).
[479] On this an important step has been taken, for example, with the creation in October 2005 of the *Defensoría del Consumidor* (Consumers Ombudsman). This institution, in its first year of inception, has had a major impact on the protection of consumers' rights, recovering nearly US$10 million in favour of consumers. This *Defensoría* has emphasized its work in areas related to telecommunications, electricity, water, finance, food, housing; and has attended more than 42,000 citizens, who have made more than 8,500 claims of which 90% were resolved in favor of the consumers. Among the first year achievements are the compensation to nearly one million telephone users that received a deficient service from the telephone company and played a broker role between the San Salvador Municipality and a private service for the reactivation of public lighting projects (Defensoría del Consumidor, 2006).

attributes of democracy, it must be recognized that important institutional changes have been put in place in the last 15 years. The 1983 Political Constitution laid out an institutional design to deal with a conflict environment. A result of the peace negotiation was that the amendment of the institutional design towards a more open and pluralistic mode of government.

Several hypotheses can be made on which institutional design arrangement has been put in place in El Salvador and to what extent it has promoted the consolidation of democracy and fostered HD. The discussion about the institutional/political attribute of democracy has shed light on the fact that there is not a right or wrong institutional design in El Salvador. It has evolved as a consequence of political circumstances, and it can be argued, that slowly but steadily, the degree of openness of the polity is moving in the right direction. The peace agreements produced a set of incentives that shaped a new impulse of institutional reforms. Those reforms, often called "first generation" in El Salvador, proved consequential with the political realities of the country and provided the base for an impressive rate of economic growth (even though they did not include socio-economic reforms) and the incorporation of the opposition parties into the political processes (mainly the transformation of the FMLN). With the passage of time the initial impulse has lost momentum and as argued by a former president "a second generation of reforms is needed".[480]

Now, the analysis turns to the collection of rights and liberties Salvadorans have enjoyed (or neglected of) in the last 30 years. If the discussion on Costa Rica highlighted the need to look also at the mutually enhancing relationships between

[480] Calderón-Sol [20/10/2006].

political freedoms and human development, the experience of El Salvador seems even more remarkable given its recent civil war and the history of civil and political rights repression. The following section examines the acquaintances between freedoms as means and opportunities for individuals to draw attention to general needs and to demand appropriate public action.

6.3.3. Collection of Rights and Liberties

At this point, it should not be a surprise for the reader to hear that the Chapultepec Accords in 1992 brought a sea of change in the collection of rights and liberties enjoyed by Salvadorans. At this attribute's level, interviewees expressed that civil liberties and political rights can now be freely exercised, and indeed there has been an explosion of media programs (TV, radio and newspapers), where citizens can call, participate and express whatever they want and feel needs to be addressed by the government and political parties.[481]

However, the process to safeguard and guarantee citizen's rights has been long, costly, and in not a few cases meant the loss of human lives. Indeed, one of the fundamental causes of the crude and long civil war of the 1980s was precisely the systematic closure of mechanisms and channels to exercise political and social rights. Workers' rights and trade unions in El Salvador can be traced back to 1918 with the first strikes and manifestations as early as 1920-22 and the first established and

[481] Although two interviewees argued that perhaps this attribute is the weakest, arguing that "there re no participation mechanisms at the local level, where there remains a culture of 'vassalage' as well as a lack of understanding of the citizens' rights" (Escoto [05/10/2006]) and that the weakness of democracy in El Salvador is "precisely the functioning of these democratic dispositions" as expressed by the collection of rights and freedoms enjoyed by Salvadorans (Artiga [06/10/2006])

organized groups in 1924.[482] It is with Pio Romero's administration in the late 1920s that a clear rupture can be traced with the legacy of authoritarianism. *Don Pío* (as he was called) organized elections at the municipal and presidential levels and allowed social movements to organize and hold events (i.e. social manifestations). However, this was a very short-lived experience of openness and given the rise in strikes and social revolts, Araujo's regime opted to repress them while at the same time allowing the participation of the recently formed Communist Party in the 1931 municipal elections. At these elections, "the communists won a few municipalities in the west, however their victory was denied and they were not allowed to exercise power".[483]

With the fall of Hernández-Martínez in 1944 a new period started. The 1948 coup allowed workers to assemble and in 1950 the *Ley de Sindicatos de Trabajadores* (Trade Unions' Workers Law) and the *Ley de Contratación Colectiva* (Collective Contracts Law) were promulgated. In that same year, and under the auspices of the Catholic Church, the *Unión Nacional de Obreros Católicos (UNOC)*[484] was formed. However, by the end of 1951 the Government once again opted to repress social movements, through more tactical and strategic actions than open repression and bloodshed. The Communist Party was banned and "illegal" parties operated from the 1950s to the 1970s.[485] The polarization culture in El Salvador also transferred to social movements and trade unions. In this case, during the second half of the twentieth century, trade unions were either leftist or rightist. The former, allied to the

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[482] As documented by Larin (1971) and Osorio (2003).
[483] White (1973:121). The latter, was precisely the trigger for the Communist Party to start the rebellion it had earlier been preparing with rural peasants. The rebellion took strength in rural areas and for some analysts it was more of a rural movement than the workings of the Communist Party. In any case, the results was total bloodshed and the start of the most repressive regime of El Salvador's history with General Hernández-Martínez. In the following 14 years association rights were abolished and unions were declared illegal. Trade union leaders had no choice than to work underground, or opted to get organized through cooperatives. Though, as argued by Osorio (2003:144) most of them failed.
[484] National Union of Catholic Workers.
[485] White (1973).

Communist Party and the latter immersed in the institutional reforms carried out by the respective governmental administration.[486]

Thus, even though syndication has been permitted since the 1950s,[487] El Salvador recently (2006) ratified ILO's Convention 87 concerning the Freedom of Association and the Protection of the Right to Organise (1948), and Convention 98 related to the Right to Organise and Collective Bargaining (1949).[488] As it was before the 1980s, the labour movement (and other social movements in general) continued to be disarticulated, dispersed, and with profound internal divisions. Indeed, it is estimated that less than 5% of the workers are affiliated to any of the 14 trade unions, and barely 3% are protected under a collective labour contract. In the private sector, trade unions and other types of workers' associations are practically non-existent, with the exception perhaps of small productive cooperatives in rural areas.[489]

The bargaining power of trade unions is very weak and most policy-making discussions are between the two major political parties. A recent example of this is the contrasting levels of discussion for the ratification of the trade agreement with the United States in El Salvador and Costa Rica. While in the former the discussion of the trade deal was the fastest in the isthmus (indeed, El Salvador was the first country to ratify it), the latter at the time of writing had not ratified it. Perhaps the major impediment in Costa Rica is a strong opposition from the trade unions who have

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[486] Yet, distrust was also present as a constant in the country's culture. As expressed by White (1973:277) and after an immersion in the country: "all union organization as well as cooperatives, do not grow in part due to suspicious by the majority of Salvadorans towards the organizers, as it is believed they funded them for their own personal benefit".

[487] I am grateful to Claudia Umaña, Roberto Vidales and Rafael Pleitez from FUSADES for bringing this issue to my attention during a discussion meeting in San Salvador on July 20, 2007.

[488] As opposed to Costa Rica that ratified both Conventions as early as 1960. I am grateful to Magaña [05/10/2006] who during our discussions in San Salvador graciously bought this issue to my attention.

[489] Anner (1996).

staged several street demonstrations against the treaty, such as the "combo ICE" in 2000 (a public sector mass demonstration that impeded plans to privatize the telecommunications sector; see Chapter 5).

El Salvador, as a post-conflict society does not yet have a consolidated political system nor consolidated political institutions. The country's society is culturally violent and lives in insecurity; social trust is virtually non existent and citizenship rights are based on conflict and political clientelism.[490] Since the signing of the Chapultepec Agreement, social and political opposition forces started to enjoy greater spaces of liberty and coverage in the main media sources of the country. This has been particularly relevant in media organizations that closed their communication channels to others during the 1980s, including the two major newspapers of the country (*El Diario de Hoy* and *La Prensa Gráfica*) and the main TV stations grouped at the *Tele Corporación Salvadoreña (TCS)*. Nowadays, the main leaders of the two major political parties, as well as the peace negotiators enjoy the opportunity of publishing Op Ed pieces in newspapers (indeed, some of them have reserved weekly or monthly columns). The same applies to the "opposition" media, such as TV stations 12, 21 and 33, radio stations such as *Radio Corporación Salvadoreña (RCS)*, *Radio Sonora* and *Radio Cuscatlán*, as well as the newspaper *Diario Latino*. The latter is managed by the FMLN.

Since the Chapultepec Agreement, El Salvador has won freedom of expression, pluralism and tolerance more than in its entire history. As expressed by a former key peace negotiator from the FMLN: "nobody can complain now in El Salvador that

[490] Whitehead et al (2005).

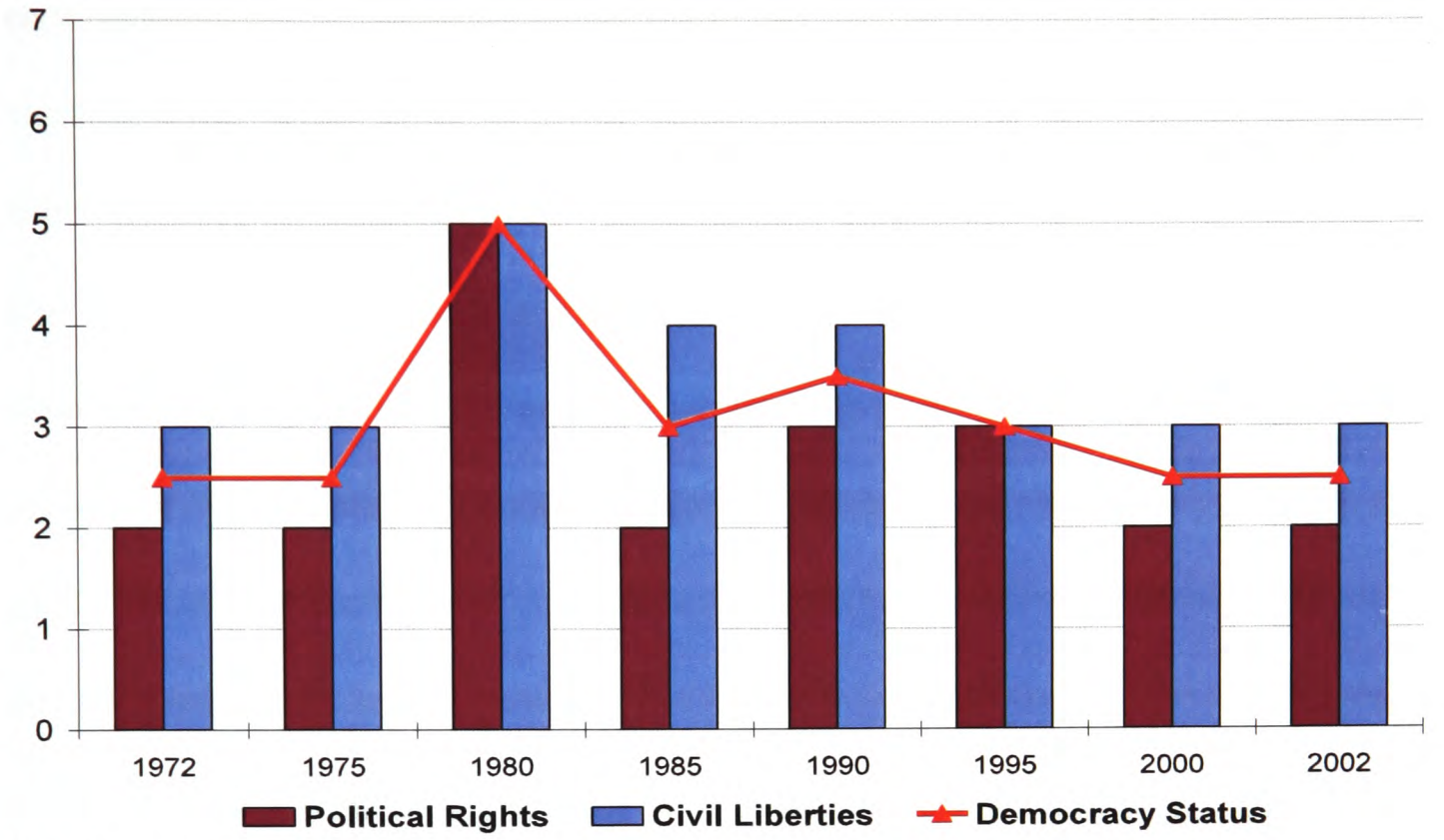
there is a lack of space to express his/her ideas",[491] in a time when media has become the space for debate that earlier was confined to street confrontations. Non-governmental organizations, especially those dedicated to human rights, played a crucial role during the war. However, once the conflict ended, their role diminished[492] and instead epistemic communities have proliferated in the country, the product of international cooperation or as a result of international negotiation processes.[493]

As suggested in Chapter 5 in the case of Costa Rica, this attribute of democracy is measured by Freedom House's ratings of civil liberties and political rights. For El Salvador it can be noted that since the 1980s steady progress has been made in these two indicators. Since 1985 the country was catalogued as "partly free" and since 2000 as "free" or democratic. This is relevant when analyzed in comparative perspective across time. Before 1979 civil liberties were frequently repressed and political rights were constantly abused, but the situation was reversed and nowadays Salvadorans enjoy greater citizenship rights (see graph 6.3).

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[491] Samayoa (2003:627).
[492] See Popkin (2000:192-196).
[493] Yet a small group clearly influences policy making processes in Government (including FUSADES and the Private Sector National Association). Other influential research centers and think-tanks include FUNDE, FUNDAUNGO, FESPAD, FEPADE, IDHUCA, AMDV, CDC, CIDAI, CESPAD, among others.

Graph 6.3. El Salvador. Civil Liberties and Political Rights (1972-2002)



Note: Lower scores indicate better performance.
Source: Adapted from Freedom House (www.freedomhouse.org)

Moreover, according to interviewees in San Salvador, this "new"[494] characteristic of El Salvador's democracy is the one that functions best, since it is through "individual initiative that democracy as a political system has been able to sustain and improved development outcomes".[495] For others, there has been an "improvement in the promotion and defense of human rights in light of state abuses",[496] at the same time that this attribute "is at its highest in El Salvador and nowadays anyone can protest freely without risking his/her physical integrity".[497]

Freedom of expression and liberty are slowly establishing roots in El Salvador. In 2003 14.1% of Salvadorans thought the country was not democratic versus 68.3% that

[494] In the own words of one interviewee in San Salvador: "freedom of expression did not exist in the country before the advent of democracy with the 1992 Peace Accords" (Dada-Sánchez [05/10/2006]).
[495] Priamo [05/10/2006].
[496] Dada-Sánchez [05/10/2006].
[497] Ruiz [16/10/2006].

responded the country was democratic; including 14.3% that thought the country was very democratic. Of those who responded that the country was very democratic, an overwhelming 49.8% said it was due to the existence of liberties. This is particularly relevant, considering that in 1997 freedom of expression was seen as a reason for 25.7% of respondents, and that while the fact that there was no longer a dictator was mentioned by 21.1% in 1997, it reduced drastically to 3.1% in 2003.[498] This is a slow process of accumulation and accommodation, since citizens need not only learn their rights, but also to experiment in a trial and error format which rights and liberties can be exercised. Thus, as mentioned by the majority of interviewees, the country seems to be on the right track in terms of granting citizenship rights.

A public opinion survey carried out in 2004 revealed that half of the population did not trust the central government or the municipalities.[499] This lack of trust makes links between public officials and citizens difficult. For democracy is a matter of masses as well as elites, and "it is not only the effective presence and practice of civil liberties and minority rights that can deliver the substance of democracy to the individuals who compose the polity".[500] The challenge will be thus to recover citizen's trust in public institutions while at the same time providing development outcomes. Yet, as in the rest of Latin America, despite two decades of reforms, El Salvador's development is as elusive as ever.

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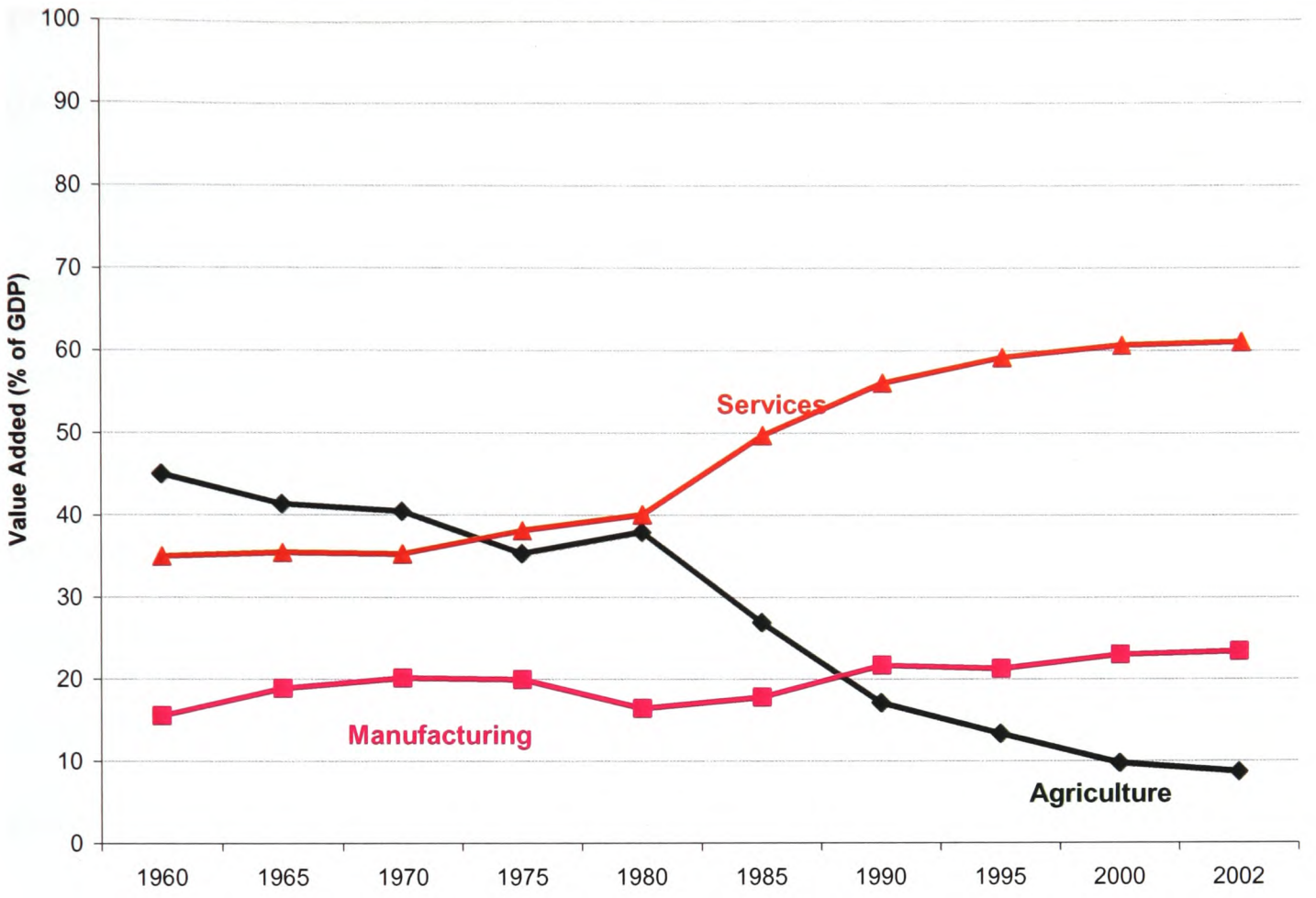
[498] See Cruz (2004:43-44).
[499] See FUSADES (2005).
[500] Foweraker et al (2003:195).

6.4. A Latent (Dormant) Development Model

Like Costa Rica, in the 1960s El Salvador's small economy was heavily dependent on the export of a few commodities: coffee and grains. The country also began to industrialize in the 1960s by applying import-substitution industrialization models. In the early 1980s it switched back to an export-oriented model by developing new export sectors and diversifying its economy (i.e. textiles). This strategy did not pay dividends mainly due to the outbreak of the civil war in the early 1980s, the small size of the economy and its social structure. Indeed, El Salvador's living standards were similar to its neighboring Central American countries (with the exception of Costa Rica). During the 1981-82 international economic crisis, the primary sector started an irreversible downward trend; the secondary sector suffered a reversal in terms of its contribution to total GDP during 1980 – 1985. In contrast the tertiary sector consolidated its position within the economy. Since 1975 the tertiary sector has become by far the most important in El Salvador's economy, increasing its share of GDP from 38% in 1975 to about 61% in 2002, while agriculture has contributed less than 10% since 2000 (see graph 6.4). Furthermore, the advent of the civil war meant, as expected, a drop in total GDP. Gross Domestic Product in 1980 was less than in 1975; in 1985 it reduced even further; in 1990 it increased but was still lower than the level achieved in 1975, and was not until 1995 that it stabilized following the boom experienced at the end of the civil conflict.[501]

[501] See Rivera (2002) and PNUD (2005a).

Graph 6.4. El Salvador. Gross Domestic Product Structure (1960-2002)



Source: World Bank, WDI (November, 2004).

This pattern reflects El Salvador's socio-economic changes that modified the functioning of the economy. Those changes, as discussed in Chapter 4, were the result of structural transformations[502] that modified social relationships, accelerating the transition from an agrarian society to the service sector having a direct incidence in the balance of political power within economic groups. During the "lost decade", El Salvador's economy was transformed structurally along the lines of the civil conflict. The agro-export model adopted in the 1970s was replaced and a new transition towards a more modern economy started, where the tertiary sector and the financial system played the dominant roles (see graph 6.4).

[502] As argued by Segovia (2002).

One of the major causes of the confrontation was the excessive and extensive repression to which Salvadorans were subjected during the military regimes. However, a dimension that cannot be neglected is the poor living conditions and lack of economic opportunities for the majority of Salvadorans.[503] As early as 1961 the richest 20% of the population accumulated more than 61% of total income and enjoyed on average an annual per capita income of US$1,022, while the poorest 20% had to survive with less than 5.5% of total income and US$92 per capita. Ten years later, even though the richest lost 10% of income participation in favor of the middle income groups, the poorest 20% saw also a reduction of 2% in its share of total income. By 1979, the year of the last military coup in the country, the poorest 20% reduced their participation in the economy, obtaining just 2% of total income (US$47 per capita), while the richest 20% increased their share of total income to 66% (US$1,548). This trend reflects that on average the poorest and the middle income groups of the population were worse off in 1979 than 18 years earlier (especially the poorest 20% that experienced a reduction in their share of total income by more than half). On the other hand, even with the brief recession experienced by the richest 20% in 1969, by 1979 this group had recovered and was better off than in 1961 by 50% of per capita income.[504]

As expected, this concentration of wealth was analogous to land concentration and increases in landless households. During the 1960s and 1970s, land reform programs were implemented, including the legalization of land titles to the poor. However, perhaps the best way to get poor people to lose their property is by way of giving

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[503] Córdova et al (1998), citing information from ECLAC, documented the growing income and wealth inequalities in the 1960s and 1970s.
[504] See PNUD (2005b).

them the title to sell it.[505] Thus, while in 1961 the percentage of landless households was about 12%, by 1975 it had reached almost 41%. Parallel to this, in just four years, between 1971 and 1975, households with land properties of more than ten hectares decreased by 63% (from about 20 thousand households to about seven thousand).[506] The situation was exacerbated by the lack of employment opportunities for the landless who had to emigrate either to the cities, to neighboring countries[507] and more recently *en masse* to the United States.

A major economic factor that propelled the civil confrontation was undoubtedly the state of poverty in which Salvadorans lived before the outbreak of civil war. In 1980 it was estimated that nearly 68% of the population lived in poverty (50.6% in extreme poverty and 17.5% in relative poverty). The situation was even worse in rural areas, where extreme poverty was nearly 55%.[508] Thus, "during the 1970s El Salvador experienced the final phase of a historical cycle characterized by the accumulation of many problems to which the sole answer for many was violence".[509] Indeed, these shortcomings (growing income and wealth inequalities, land concentration, unemployment and poverty) together with an unstable political regime characterized by depriving citizens of their civil liberties and political rights and a constant state of repression, were among the triggers of the outbreak of the 1980s civil war.[510]

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[505] As argued by White (1973).
[506] Córdova et al (1998:8).
[507] El Salvador's population growth rate of the 1960s was perhaps among the highest in the world at 3.4% annually, and given the lack of economic opportunities in the country, forced the population to migrate. Indeed, as posited by White (1973:181): "By 1969 under-employed in rural areas of El Salvador had two alternatives: go to the cities or cross the border to the relatively unpopulated Honduras". And in 1969 due to a political and military dispute with Honduras, poor and landless Salvadorans had to return to the country exacerbating social conditions and increasing unemployment rates.
[508] Córdova et al (1988).
[509] Torres-Rivas (1997:209).
[510] It must be remembered the war started at the same time that the international economic crisis hit the Central American isthmus.

Civil wars are known to be one of the most potent causes of human suffering and underdevelopment.[511] This was not an exception in El Salvador, and its economy suffered heavily during the entire decade. Indeed, El Salvador's economy functioned based on donations that provided the country with a margin to maneuver, in spite of a stagnant export sector and the international debt crisis.[512] Hence, "as the nation slid into open civil war, economic production rapidly declined from its 1978 peak: between 1978 and 1982 GDP per capita fell almost 28 percent in real terms".[513] The purchasing power of Salvadorans consequently declined considerable, since "between 1980 and 1991 real wages for agricultural workers declined by 63%".[514] As an outcome of the war, in economic terms, it can be said that with the war El Salvador backtracked by 25 years, since by 2002 the country had not yet reached the average per capita GDP reached in 1978.[515]

In fact, "even without civil war, El Salvador would have suffered serious economic setbacks"[516] due to the global economic conditions at the beginning of the decade that caused serious difficulties for most developing countries. Among others, these included the second international oil crisis, the decline of coffee prices in the international markets, the rise of interest rates and capital flight and lack of foreign investment. Adding to these problems was the 1986 earthquake that partially destroyed the capital city of San Salvador, accentuating the hardships of Salvadoran

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[511] See Fitzgerald and Stewart (2000).
[512] Rivera (2002).
[513] Wood (2000:54)
[514] Idem p.58.
[515] PNUD (2003:263).
[516] Murray (1992:106).

citizens[517]. Thus, the 1980s, as in the rest of Central American countries (and as argued in Chapter 3) was a decade of economic decline and stagnation.

During the 1980s, this small Central American country experienced three simultaneous processes that shaped much of the social, political and economic relations: civil war, political transition and economic transformation. Even though it is difficult to establish the reasons for the start of the civil war, it is said that the attacks by the FMLN guerrilla groups of January 1981 started the conflict that would last 11 years. During this period, political processes and conducts were modified, allowing the participation of more political parties and actors and a compromise to safeguard electoral processes. A new political constitution was promulgated in 1983 and a civilian was elected president in 1984 and allowed to finish his constitutional term for the first time in the history of the country. Moreover, in 1989, for the first time in history there was a peaceful transfer of power from a civilian-elected president to another civilian-elected President. In economic terms, the country virtually abandoned the primary sector, maintained secondary activities and strengthened the services and banking services sector, and development remained as elusive as ever with poverty and inequality lingering.

The 1990s started with great optimism. President Cristiani announced in 1989 that negotiations would take place directly between the FMLN guerrilla groups, the Government of El Salvador and the military. After three years of intense negotiations and diplomatic mediation, peace was achieved.[518] The Chapultepec Agreement in

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[517] It was estimated that the October 1986 earthquake "left more than 300,000 people homeless and resulted in $1 billion in material damages to the capital city of San Salvador alone" (Murray [1992:106]).

[518] See Samayoa (2003) for a detailed account of the "Pacted Reform".

1992 gave a boost to the economic sectors and created a wave of investments in the country. Indeed, the rate of growth during Cristiani's government (1989-1994) was 5.9% annually (with a remarkable peak of 7.4 and 7.5 in two consecutive years, 1993 and 1994). During Armando Calderon Sol's presidency (1994-1999) the annual growth rate fell to an average of 3.9%, while during Francisco Flores' presidency (1999-2004) growth was further decreased to just 1.9% annually (due to the effects of the 2001 dollarization, earthquakes and the 2004 "Stan" tropical storm that may have been a cause of low growth rates in the last administration).[519]

In terms of health indicators, Salvadorans live nowadays, on average, 12 more years than in the early 1970s, literacy rates increased from just 59.6% in 1972 to 79.6% in 2002 and the overall HDI increased 22% from 1975 to 2002. Largely Salvadorans live better today than two decades ago, both in terms of economic development and political liberties and freedoms. However, poverty, although reduced from 65.9% in 1991 to 43% in 2002 (a remarkable reduction of 23% in just 12 years) is still high and the speed of reduction has decreased in the last five years (since 2000, for example, it has been stagnant at around 43%).[520]

To safeguard and continue improvements on the recent achievements of democracy in El Salvador will depend not only on the new rules and procedures adopted and safeguarded, but also on the way the opportunities are used by the citizens and the extent they are able to increase their capabilities. Democracy seems to be opening a set of new opportunities that need to be seized by Salvadorans. Moreover, as in the case of Costa Rica, its sustainability will depend on a variety of factors including the

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[519] See Rivera (2002), Segovia (2002).
[520] See PNUD (2005b).

vigour of multiparty politics as well as the dynamism of HD processes. Despite the limits of its practices and the vulnerabilities it has shown in recent years, democracy has given Salvadorans unparalleled HD levels compared with its previous independent history.

6.5. Conclusions

This chapter has evaluated each democratic attribute's merits in promoting or obstructing HD levels in El Salvador. It is now time to offer a few concluding remarks on the importance of democratization. This is done by way of evaluating the democratic stability in contemporary El Salvador, paying particular attention to the HD indicators, and by acknowledging that the availability of reliable data has become a major concern in El Salvador, not just for the pre-1970s period, but also thereafter. A problem with poverty indicators is that Household and Multiple Purpose Surveys have traditionally underestimated income, especially for the households in the bottom deciles.[521]

In particular, the preceding pages identified the implications and current challenges for the practice of democracy on HD processes and confirmed some of the findings of the Costa Rican case. However, as expected, a degree of diversion was corroborated. It can be said now with confidence that the Peace Agreement of 1992 brought unprecedented levels of political stability that have lasted for more than 15 years. This

[521] As argued by Belt and Lardé de Palomo (1995). Moreover, information on social indicators before the 1970s is not readily available, and those made available are not reliable due to major methodological deficiencies. At most, the researcher has to rely on narrative and qualitative descriptions made by writers of the time, including Munro (1918) descriptions (mentioned in chapter 4), as well as Anderson (1971), Browning (1971) and White (1973) seminal studies that provide snapshots of the living conditions in El Salvador before the 1970s.

has paid dividends in terms of living conditions and advances in terms of HD indicators. Since the signing of the peace El Salvador has enjoyed a sterling period of advances in its economic and social indicators, allowing the country to rise 12 positions in the global ranking of the HDI. In 1998 El Salvador ranked 115 among the world, and in 2006 it reached position number 103 (the second highest in Central America, following Costa Rica). A UNDP report summarized the main achievements that have contributed towards these advances: income per capita in real terms increased by 19%; income poverty (below the basic consumption basket) was reduced from 59.7% in 1991 to 34.6% in 2004; illiteracy rates reduced from 28% in the early 1990s to 15.5% in 2004 (ten years and above); infant mortality reduced from 52 children per thousand births in 1988-93 to 25 in 1993-1998; chronic malnutrition among children younger than five years–old was reduced from 31.7% to 18.9% during the same period, while global malnutrition was reduced from 16.1% to 10.3%, and housing deficits were also reduced from 55% in 1992 to 35% in 2004.[522]

To some extent, the institutional arrangement (formal and informal) made in the late 1980s and early 1990s lacked cooperation and consent. Nonetheless, considering those arrangements were agreed during a civil war and that in general terms they have been accepted, this is a major achievement and promising field for future improvements. The narrative presented in this chapter has confirmed this and to some extent is a reminder of the need to undertake a profound set of institutional reforms, including for example the depoliticization of state institutions. The Costa Rican experience, presented in the preceding chapter, establishes fertile ground upon which these reforms can be built. For example, the Costa Rican narrative suggested that the

[522] PNUD (2005b).

merits of democracy can also have negative impacts upon the provision of opportunities if it is left adrift, but that overall, democratization and human development are mutually reinforcing processes.

Conclusions

This dissertation has proposed a framework for thinking about how democratization and human development processes interact and cumulatively reinforce one another. In doing so, the analysis has revolved around the argument of an "elective affinity" between both processes. In addition, in an attempt to focus the discussion, this dissertation has emphasized the systematic and scientific analysis of a single, compact but heterogeneous region. Therefore, the collective experience of Central America was scrutinized, in particular the pairing of Costa Rica and El Salvador in comparative perspective. The dissertation also highlighted the benefits of method triangulation by increasing the number of observations.

The pursued framework is not the only way to conceptualize these processes, and it can be said that there are no simple truths about this relationship. Each of the statements made in this dissertation is more controversial than it may appear. Perhaps more than any field in development studies or comparative politics, the study of the relationship between democracy and development is saturated with preconceptions and disguised facts and opinions. In this sense, this dissertation has had to deal with and overcome various forms of conventional wisdom concerning one of the most debatable relationships in the social sciences. Yet, what this dissertation adds to the

existing discourse and academic debate is the "elective affinities" between both processes and on the potentialities of a mutual and upward spiraling relationship.

Since each preceding chapter has already summarized its central findings, these conclusions highlight the most recurrent themes that have emerged in the dissertation. These final remarks will begin with the identification of a mutually reinforcing relationship of democratization and human development processes. It will be followed by a review of the central tenets of each of the propositions that were laid out in the introduction and scrutinized throughout the dissertation, including the contribution of democratization toward HD, institutional arrangements and policy options, and the identification of turning points. The conclusions then turn to the road ahead and reflect on some suggestions for further research.

1. Identification of a Mutually Enhancing Relationship

To make sense of the method triangulation of this dissertation, a summary of the central conceptual finding becomes a useful starting point: the "elective affinity" regarding the relationship between democratization and human development processes. For decades, much debate has surrounded the exact nature of the relationship between socioeconomic modernization, democratization and development. For some researchers and practitioners, this relationship is almost as puzzling today as it was five decades ago.[523] In fact, a large literature has been

[523] See in particular Dahl (1997).

devoted to trying to explain why some countries are more democratic and developed than others. Yet, the results have not been consensual.

A recurrent problem in the literature, especially in statistical exercises, is related to the specification of the models and the identification of variables to test the nature of the relationship.[524] To estimate the causal effect of development on democracy, or the other way around, the variables chosen must be uncorrelated with the error terms. In statistical jargon, the development proxy should be exogenous from democracy. However, a central tenet of this dissertation is that at the conceptual level democratization and HD have similar logics of inference related to the expansion of individual freedoms and the promotion of capabilities. From this point of view, human development is a larger concept that is more secured and more fully realized under democratic frameworks (remember, for example, the discussion in Chapter 2 where democratic countries were shown to score higher on HD indices). That is, the relationship between democracy and human development, as conceptualized in this research, is mutually reinforcing and potentially spirals upwards with mutually enhancing stages of development.

Yet, it is also evident that the human development approach goes beyond the HDI instrument. The HDI reinforces a narrow and somewhat arbitrary interpretation of the human development concept as being about expanding education, health and decent living standards. This has obscured the more complex concept of human development as the expansion of capabilities that widen people's choices to lead lives they value. This distinction has been crucial in this dissertation, as it includes a quantitative

[524] See for instance the discussion in Munck and Verkuilen (2002), Bhagwati (2002), Casper and Tufis (2003) and Robinson (2006).

assessment that requires a proxy to compare a sample of countries across time in a systematic fashion. The HDI (as recognized since Chapter 1) was an appropriate index for cross-sectional (large "N") analyses in Chapter 2.[525] The Human Development Index was needed for the cross-sectional comparative analysis but is also a reason why the large "N" is so approximate and needs to be checked and confirmed by comparative in-depth case studies. The Human Development Index is still a narrow indicator and HD is a much broader and encompassing concept. Due to the aggregation of the HDI, this dissertation has claimed that there is a need to unbundle (or disaggregate) the HDI using other development indices, including three other indicators in the index (education, health and income), in order to substantiate the arguments made about the mutually enhancing relationship between democratization and HD. Recognizing these limitations this dissertation used other indices and indicators and did not rely only on the aggregative HDI. The latter would have been a reductionist and minimalist approach, and for the purpose of having a deeper understanding of the relationship between these two processes, it was necessary to separate them both conceptually and empirically. These processes were aggregated to understand and capture specific and context-dependent attributes; and also disaggregated, to understand their overall significance and importance for a society's transformation. This was a complex task, but necessary, as everything revolved around it.

To complement these findings and investigate the mutually reinforcing nature of the relationship in greater historical depth, this dissertation proceeded to unravel the historical comparative paths of democratization and human development dynamics in

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[525] This dissertation traces HDI across a number of years; something that has not been done in any large "N" analysis I have encountered.

Costa Rica and El Salvador (Chapters 4 to 6). The combination of research methods allowed the dissertation to explore multiple angles of this complicated relationship. The in-depth exploration of the country cases shed light on the importance of path-dependence and the logic of sequencing for democratization and HD. In short, the experiences of Costa Rica and El Salvador highlighted the elective affinities between democratization and HD, and, on the other hand, highlighted the large shifts in political experiences in the last two decades.

The dissertation, in addition to the pair comparison, aimed to complement and substantiate the arguments of the qualitative side of the research with an empirical test of the relationship between democratization and HD. This additional step purported to complement the qualitative findings by way of performing a method triangulation[526] approach. The statistical analysis used time-series cross-sectional data for 164 countries from 1972 to 2002 and suggested that the relationship between democratization and HD runs in both directions, in agreement with the suggestion of this thesis regarding the compatibility and complementarity of both processes. In this sense, Chapter 2 argued for the importance of a combination of research methods, including qualitative analysis, to explore in depth the lines of transmission used by democracies to advance HD, and quantitative analysis to capture the extent of global trajectories. Chapter 2 also sharpened current understanding of the two-way relationship between the processes of democratization and HD at the empirical and global level.

[526] See King et al (1994) and Brady et al (2004: especially section IV).

2. On the Contribution of Democratization for Human Development

Disaggregating the relationship between democratization and HD was useful to understand and highlight the fact that the contribution of democracy towards HD does not happen monotonically, but through multiple entry points (i.e. through their multifaceted characteristics, as well as through their individual attributes). In that sense, the revision of linkages between the three attributes of democracy and the three merits of HD were instrumental in understanding this intrinsically aggregative relationship, not only at the national level, but also from a comparative perspective. This became clearer when the analysis shifted from the large "N" proposition to the discussion about Central America and the failed attempts to democratize and develop in countries like Guatemala and Nicaragua, as opposed to countries like Costa Rica and El Salvador.

Although it is through democratic mechanisms of engagement, cooperation, information flows and trust that the innovative and entrepreneurial processes so essential for development can be sustained, the merits of democracy may produce at least short-term negative feedback on HD processes (remember, for example, the discussion about Guatemala on Chapter 3). As argued in Chapters 5 and 6, democratic politics may promote redistributive rather than productive actions, restrict opportunities rather than expand them and may not induce proper investments in education and health. The analysis of Central America in Chapter 3 sheds light on the argument that the transaction costs of the political and economic processes together

with the subjective models of the actors do not lead them to move incrementally towards more efficient outcomes (i.e. higher human development levels). Guatemala and Nicaragua may be the clearest examples of this.

The study of democratic attributes' contribution towards human development is relevant considering the transition towards democracy experienced by all five Central American countries in the last two decades. If one lesson is to be learnt from them, it may well be that democracy is intrinsically important in human life and has an instrumental role in generating political incentives. The direct importance of democracy is related to the expansion of possibilities, capabilities and options open to citizens; the instrumental role is expressed in the enhancement of voice / participation that people get in expressing and supporting their claims to political attention and economic needs, and the constructive role in the conceptualization of needs. These three merits of democracy[527] are intertwined with democracy's three main attributes.

As argued in Chapter 1, democracy is rooted in three main attributes. Each one of these attributes was scrutinized in the pair comparison of Costa Rica and El Salvador. First, the analysis of the open and participatory environment with political opportunities attribute in Costa Rica included an assessment of the consolidation of the Electoral Tribunal but with decreasing levels of political participation as expressed by declining voter-turnout rates; and a fragile political party system (a two-party system based on one dominant). In El Salvador, on the other hand, the analysis included an examination of the increasing levels of political participation as expressed

[527] Proposed by Sen (1999a and 1999b).

by increasing voter-turnout rates (however, still at low levels of participation) but with a politicized Electoral Tribunal.

Second, the institutional / political environment attribute in the Costa Rican case was analyzed based on the assumption that the institutional engineering of the Second Republic was based on social services delivery and the modernization of the state bureaucracy for the purposes of development. In the case of El Salvador, the institutional engineering of the Peace Accords in 1992 based on the 1983 Constitution and the institutional bargaining and the problems of political pacts were considered. The third attribute was analyzed in both countries based on the collection of rights and freedoms. In particular, the analysis emphasized the enlargement of freedom of expression, the mass media, civil and political rights, but not the economic base for enforcement in both countries; and the diminishing role of social movements and weak trade unions in El Salvador.

In short, the analytical conclusion to be drawn from the comparison from these two countries is that democracy should be considered a capability (i.e. a potentiality). Chapters 4 to 6 documented that at the societal level democracy is a capability as it focuses and reflects on freedoms. The actual choosing of those freedoms by societal groups leads to different ways of living. The preceding discussions on Costa Rica and El Salvador highlighted divergent paths and shed light on the argument that democracy, while necessary for HD, is not enough by itself to generate sustained advances in human development. In Costa Rica, the relevant strata of the political elite earlier agreed to expand freedoms for the population. This had an almost direct impact on well-being, and an indirect role in influencing economic outcomes and

social change, as the development model of the country matured. In El Salvador, elites chose repression, with brief interludes or attempts to expand freedoms. This made the development model dormant until the democratization process restarted in the early 1990s. Therefore, there is a need to identify and explore the circularity and interdependence of democratization and human development turning points.

3. On Democratization and Human Development Turning Points

This dissertation began by portraying Costa Rica and El Salvador as two small countries sharing social, political and historical characteristics, among themselves, but also with neighbouring Guatemala, Honduras and Nicaragua. As the dissertation progressed, differences in institutional innovations and HD levels were discussed. Indeed, it was further suggested that such a blend of similarities and differences made their comparison difficult from a methodological standpoint. However, this pair comparison was appropriate as it shed light on the importance of understanding historical trajectories and how they evolve cumulatively to advance democratization and HD processes. Chapter 4, for example, discussed at length the proposition that turning points help to identify contingent and structural explanations and narrow down counterfactual possibilities. Even though they are path-dependent, turning points are not deterministic, and while potentially favourable for HD, they are not guarantees. Comparative historical analysis can explore how institutional arrangements (formal and informal) may lead to longer periods of development improvements. Yet the comparison also confirms that interdependence works both ways: institutional arrangements for the establishment of democracy may deteriorate

and induce vicious circles in which non-cooperation among political actors can obstruct policy-making processes and lead to HD stasis.

This explanation was substantiated with the analysis of four key turning points in each country. These were defined as periods of significant changes that typically occur in distinct ways in different countries and which are hypothesized to produce distinct legacies.[528] Therefore, the examination of the Costa Rican and Salvadoran cases identified the interconnections between antecedent conditions, turning points and outcomes. The analysis of these turning points began by evaluating the extent of the failed democratization episodes of 1932 and 1944 in El Salvador and the formation of the "Second Republic" in Costa Rica in the late 1940s. The second key turning point was evaluated based on the resilience of history in the evolution of societies and its path-dependency, related to the role played by political institutions. The analysis pointed to the end of institutional military rule in the late 1970s and the decade-long civil war in the 1980s in El Salvador, and the institutional redesign in Costa Rica with the establishment of the Constitutional Court in the late 1980s.

The third and fourth turning points diverted attention towards developmental and political matters. In short, if the analysis of Costa Rica's turning points indicated a swift mutation of its development model, El Salvador's sequence of events pointed to an abrupt and unparalleled transformation of its political regime and development model. The developmental category encompassed the analysis of the 1980s, in which both countries dramatically shifted their development strategies and agendas. On political matters, the events analyzed in each country were the weakening and

[528] Building on the work of Dobry (2000) Collier and Collier (1991), Mahoney (2001a), Abbot (2001) and Peters et al (2005).

fragmentation of the political system in Costa Rica and the consolidation of the political polarization of a two-party system in El Salvador.

The analysis of the turning points highlighted both the interdependence and the path-dependency of institutional design changes. The evidence presented for both cases suggests the circularity of institutional antecedents, cleavages or triggers, periods of adaptation and reproduction and outcomes. Chapter 4 is a reminder of the timing of political and institutional reforms and that interdependence works both ways. Institutional design changes for the establishment of democracy or for improvements in human development, can lead to setbacks and development stasis, independently of levels of cooperation and consent. Therefore, a major role of the political innovator is to identify the most suitable moment(s) around which to sequence institutional arrangements and reforms.[529] An essential consideration is that in democracy, these arrangements are cyclical and political actors must agree on certain minimum levels of consent and cooperation in order to ensure the necessary certainty and assurance of the repetitive nature of the game. Costa Rica has made steady progress towards this, while El Salvador awaits improvements in its political actors.

The eight turning points discussed (four in each country) signaled resilient moments in the democratization processes of both countries, as they responded to previous events (path-dependence), taking into account historical factors. The paired narrative presented also contains a reminder of the insidious coexistence of democracy and poverty and inequality, and the disenchantment of ordinary citizens with political processes. In short, democratization and HD are dynamic evolutionary processes. Yet

[529] A similar argument is made by Grindle (2007:554) when she argues that governance needs to be "assessed in the light of historical evidence, sequence and timing, and they should be selected carefully in terms of their contribution to particular ends such as poverty reduction and democracy".

although Costa Rica's long experience with democracy and El Salvador's recent transition suggest they are both compatible and complementary, the political processes unleashed by democracy may sometimes be contradictory and obstruct HD.

Nonetheless, an important lesson learnt is that although democratization processes potentially increase HD, its "consolidation" is not enough to sustain development indicators. The nature of the elective affinity when contrasted with comparative historical evidence signals the existence of vicious as well as virtuous circles that operate cumulatively. Fortunately, countries can make the transition from the vicious circle to a democracy-lopsided pattern (as in the case of Central America in Chapter 3) or into a HD-lopsided pattern (in tandem with modernization theory and as in the case of the Asian "tigers"). Yet despite the implicit normative assumption,[530] the empirical evidence indicates that countries can revert to the vicious circle because of weak democratization or developmental innovations. Therefore, there is a need to understand institutional arrangements and policy sequencing.

4. On Institutional Arrangements and Policy Sequencing

Chapters 5 and 6 explored some of the institutional arrangements in each country, whilst keeping in mind the key turning points, as they provided useful suggestions for the identification of the importance of democratization for HD. The turning points also provided the basis for understanding the contribution of each attribute of democracy at a particular time in each country. An important conclusion is that

[530] Normatively, both processes of democratization and human development are upwards not downwards. To some point, this normative thrust may be cause a disconnection between the idealized and the obtained end results (between what people think and what they perceive).

institutional arrangements walk a tightrope between improving the functioning of democracy and HD levels and leading to the deterioration of public policies for development. In some instances, these arrangements may fall into a vicious circle in which non-cooperation obstructs policy-making processes, which works to the detriment of HD levels.

In scrutinizing Costa Rica and El Salvador, this dissertation has evaluated each democratic attribute's contribution towards HD levels. Thus, it offered an account of the importance of democratization for HD by evaluating the democratic stability of Costa Rica and the implications and current challenges for the practice of democracy in El Salvador (but also, for neighbouring countries like Honduras, Guatemala and Nicaragua). The institutional arrangements (formal and informal) made in Costa Rica in the 1950s were heavily based on cooperation and consent. However, since the 1980s crisis that led to the structural mutation of the development model, these arrangements have deteriorated. In the case of El Salvador, the institutional engineering of the late 1980s and early 1990s lacked cooperation and consent. However, considering provisions were the result of pacts made during a civil war which, in general terms, were accepted by the population, they represent a promising area for further institutional reforms.

Costa Rica, for example, is a country where the notion of bipartisanship has been historically blur and volatile. Thus, Chapter 5 mirrors the fragmentation and centripetal nature of competitive forces among political actors. These forces have set the country on a path of institutional design changes that, while legally strengthening citizenship rights, are becoming a financial burden and tend to concentrate power in

the Constitutional Court which rules on practically every single aspect of the country's politics and economics. On the other hand and perhaps as an opposite example, Chapter 6 on El Salvador is a reminder of the centrifugal nature of competitive forces in the political system that seem to be establishing a polarized bipartisan system with fewer opportunities for negotiation between the two main political actors. Nevertheless, the institutional design changes derived from the peace agreements have brought unprecedented levels of political stability and some sense of fairness and uncertainty to the rules of the democratic game. The narrative presented to some extent maintains the need to continue deepening institutional reforms, including the depoliticization of state institutions.

On the other hand, the empirical findings have policy implications for sequencing priorities. The evidence suggests the existence of iterative processes between improvements in HD and the expansion of opportunities by democratic means. This gives rise to virtuous or vicious circles, with good or bad performance on HD and democracy reinforcing each other cumulatively. The analysis conveyed a partial suggestion of the linkages over the long run: democratization – as a political process – persists in influencing HD levels positively and more strongly than the other way around. An important conclusion is that democracy portrays the institutional and normative framework on which to root and sustain HD improvements.

The dissertation pointed to the importance of shifting research methods in order to explore the vicious, virtuous and lop-sided patterns of democracy and HD on a global scale. Central America in general may be the exception that confirms the rule of modernization theory, as it made the transition from a vicious circle to a democracy-

lopsided pattern over the last 30 years (Chapter 3). Costa Rica is an example of a transition from a democracy-lopsided pattern of development to a virtuous one (Chapter 5); while El Salvador moved from the vicious circle to the democracy-lopsided pattern of development (Chapter 6). This dissertation argued that, whenever possible, qualitative findings should be used to interpret quantitative findings to investigate the reasons for the deviant juncture in historical time-series and vice versa in an effort to use different kinds of evidence together and in sequence to address the same research problem.

5. The Road Ahead – Agenda for Further Research

Starting with the cross-country analysis, an exploration of country movements through each of the quadrants identified becomes urgent. That is, the initial suggestions derived from Chapter 2 lend robust support for continuing empirical and narrative explanations of what makes countries move from one quadrant to another; in particular, what make countries move toward a virtuous circle (either from the democracy-lopsided pattern or the human development-lopsided pattern). Furthermore, it would be interesting to explore the residuals from regressing HDI on democracy on the quadrants and then look at those countries that are real outliers in a systematic and comparative manner.

At the theoretical level, the study of the attributes of democracy in this dissertation has demonstrated the benefits of unbundling and disaggregating democratisation indicators. However, further research is needed in order to understand the actual

transmission mechanisms used and promoted via democratic means that have a direct influence on improving human development levels. In that sense, some questions worth addressing are: How can the democratic and human development performance in small and low-income countries be explained? How can the development performance of military-authoritarian small countries be explained? What role do capabilities and freedoms have in advancing democracy and human development? And how do democratic countries spur democracy and human development?

Furthermore, the pair comparison between Costa Rica and El Salvador has shed light on the importance of political institutions, not just for political and democratic stability but also for development promotion. For example, the Costa Rican narrative pointed to the ever increasing influence of the Constitutional Court in shaping political alliances and re-organizing public administration matters. In the case of El Salvador, the politicization and lack of political independence of key regulatory agencies is still a burden for development processes. This dissertation illustrates the background for further analysis on the role of institutional design and the politics of democracy, regulation and collective action in Costa Rica and El Salvador. The analysis of the institutions for development in this dissertation has suggested that policy stability and coherence depend on the mechanisms by which policies are discussed and implemented. In this sense, it becomes urgent to unpack different patterns of policymaking in Central America. Such research will highlight how institutional mechanisms (formal and informal) can affect and eventually transform the quality and coherence of public policies.

At the comparative historical level of analysis, the so-called "third wave" of democratization has meant the emergence of new rules of the game in many democracies. Central America is no exception, and given the state of the debate on the relationship between democracy and human development, a feasible agenda for further research relates to the expansion of countries to analyze. Central America appears an interesting and suitable laboratory in which to extend the kind of analysis and framework proposed in this dissertation.[531] That is, the paired-comparison of Costa Rica and El Salvador could be complemented with in-depth analysis of the contribution of democracy (and each of its three attributes) towards HD levels in Guatemala, Honduras and Nicaragua. At a more ambitious level, it will be interesting to compare successful democratic "oases" at an inter-regional level, including for example Costa Rica, Uruguay, and Botswana and perhaps (on a much bigger scale) even India.

But also, it might be worth to explore less successful cases within the Central American laboratory. For instance, a pair – comparison of Guatemala and Nicaragua would be revealing in many aspects, and may include explanations of Guatemala as a case of negative and tragic turning point in the late 1940s and early 1950s (as discussed in chapter 3) and Nicaragua as a case of potential opportunities but weak political consolidation. In terms of research methods, such an approach would provide useful arguments on the potentiality elements of the mutually enhancing relationship between democratization and HD, and also on the importance of triangulation at the smaller "n" levels. Even, an exploration of Central America's smallest country not

[531] To some extent, this becomes an obvious extension for further research considering this dissertation has started the analysis in this small geographic region and given its extraordinary diversity and similarities, and its differentiated democratization experiences (as demonstrated in Chapter 3).

included in this dissertation, Belize, might provide an interesting case study on how external factors drive democratization processes while reinforcing HD trajectories.

* * *

To sum up, and to come full circle, perhaps the main message portrayed in this dissertation is that democratization and human development, although controversial and multidisciplinary processes are mutually inclusive and potentially reinforcing. Democratization and HD processes can be in a mutually reinforcing spiral (virtuous circle) where both processes reinforce one another, or in a mutually disruptive framework (vicious circle). Moreover, where weak linkages appear in either process, cases of lopsidedness may occur. The pair comparison of Costa Rica and El Salvador signaled the fact that despite democratization advances, if democracy is left adrift, it may induce countries into development stasis or cause them to miss development opportunities. Yet no indication was found in either country that democracy causes permanent reversals in terms of human development or that it is resistant to change, and it was found to be the precedent normative framework, ahead of human development and economic growth.

Appendix:
Measuring Democracy and its Attributes

This appendix provides a discussion of some problems of measurement of democracy and argues that as it is a long-term and complex process it must be measured in continuous terms and based on composite indicators (that at the same time can be disaggregated or unpacked).

Given the myriad definitions of democracy suggested in the literature, extending beyond conceptualization and empirically measuring the degree of democracy is a major challenge. It is difficult not just because of the contestability of the concept, but also because democracy is a social process constructed over a long period of time, with open-ended outcomes and with different degrees of consolidation and sustainability across countries.

From a methodological standpoint, democracy has been traditionally analyzed qualitatively and defined in historical and contextual terms. Nonetheless, recent quantitative research, extending beyond conceptualization, has built datasets on the measurement of democracy. The most common of these databases include democracy indices developed by Arat, Banks, Freedom House, Gasiorowski, Mainwaring et al, Poe and Tate, Polity, Przeworski et al, Vanhanen, among others.[532] Yet the measurement levels and variables analyzed differ from study to study, some of them are objective, others subjective; some define democracy using a scale, while others take an "all-or-nothing" approach and measure it dichotomously or trichotomously. However, recent scholarly debate is perhaps now shifting from a conceptualization debate to the best fit for measurement.[533] The debate is especially concentrating on whether democracy should be measured dichotomously or as a continuum.

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[532] Bowman et al (2005) have made a valuable attempt to measure democracy in Central America from 1900 to 2000. This is discussed in more detail in Chapter 3.
[533] See the discussion of Munck and Verkuilen (2002) on the measurement of democracy.

Although the most common comparisons among alternative indices, via correlation tests on aggregate data, have consistently shown a high level of correlation, a distinction must be made between validity and reliability,[534] and also between correlation and causation. Indeed, this high correlation may be calling for a democracy measurement that takes into account the most widely used datasets in a combined framework. Such an approach permits the researcher to avoid problems of maximalist and minimalist definitions and to extract the best of each measure, while leaving aside potential weaknesses (i.e. diffusing charges of bias in each measure). Moreover, it treats democracy as a continuous rather than a dichotomous variable, the latter being normally used in the statistical literature and not particularly true for democracies, as the current debate on the quality of democracy assures.[535]

For the quantitative analysis of this dissertation, democracy will be measured using three indices: Polyarchy 2, Polity IV and Freedom House. As can be seen in figure 2.1, the Polyarchy 2 indicator (developed by Vanhanen) measures the electoral attribute of democracy using two simple and straightforward indices: competition and participation. This is a combined index yielding higher scores as voter turnout becomes higher and the power concentration of the parliamentary parties becomes lower. Also, because this index is solely based on electoral data, it is classified as an index of formal/electoral democracy, rather than democracy itself.[536] On this one should be aware of the "electoral fallacy", which all too easily equates elections with democracy.[537]

Vanhanen's Index of Democracy compares and analyses 170 countries from 1810 to 2002. The hypothesis draws on a Darwinian interpretation of political power, and assumes that democratization takes place under circumstances in which power resources have become so extensively distributed that no group is able to repress its competitors or to maintain its supremacy any longer. Thus, democracy is limited to the electoral and participatory aspects of political regimes, and is defined as a

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[534] Validity refers to whether the indicator measures what it is meant to, and reliability concerns its precision and consistency, as well as the possibility for extension and replication.
[535] See for example Whitehead (2002); Foweraker et al (2003); Diamond and Morlino (2004); O'Donnell, et al (2004); Inglehart and Welzel (2005)
[536] As argued by Inglehart and Welzel (2005).
[537] Paraphrasing Linz and Stepan (1996).

"political system in which ideologically and socially different groups are legally entitled to compete for political power and in which institutional power holders are elected by the people and responsible to the people".[538]

This definition follows his original conception from the 1970s to measure democratization in terms of competition and participation. These two indicators, according to Vanhanen, can be applied to all countries since the nineteenth century, and are able to indicate crucial differences between political systems from the perspective of democracy. Moreover, his measurement of democracy is similar to Dahl's opposition and participation. It contains two variables with equal weighting:[539]

(i) Competition, understood as the share of votes cast for small parties in parliamentary or presidential elections, or both, and calculated by subtracting the percentage of votes won by the largest party from 100 (if data on the distribution of votes is not available, the value of this variable is calculated on the basis of the distribution of seats in parliament);

(ii) Participation, as the percentage of the population who actually voted in these elections (complemented with referendums as an additional dimension of political participation), calculated from the total population, since there is more statistical data available on total populations than electoral populations.[540]

Some methodological caveats on the construction of these two indicators are crucial for its interpretation. For example, in the Competition variable, to reduce charges of bias towards two-party systems, the author decided – arbitrarily – to determine the upper limit of the smaller parties' share at 70 percent. According to Vanhanen "this cut off point diminishes the bias caused by electoral and party systems".[541] Furthermore, the Participation variable also has a 70 percent cut-off point, due to the indicator's deficiency in differentiating electoral population from total population, as this makes poorer societies (which systematically have a larger share of young

[538] Vanhanen (2003:49).
[539] According to Munck and Vekuilen (2002), this index of democracy is simpler than any of the alternative measures of democracy, as it uses only two indicators and both of them are based, in principle, on objectively quantitative data.
[540] Vanhanen (2003:56).
[541] Vanhanen (2003:59).

people) appear less democratic. Also, the latter is due to the fact that "the degree of participation has rarely risen above 70 percent".[542] Thus Polyarchy's Index of Democratization weighs both variables in equal terms and combines them by multiplying them and dividing the product by 100.

Secondly, a sound and vigorous political environment encompasses the institutional attribute and is measured by the Polity IV Project. This indicator measures concepts of "authority patterns", and as it is based on institutional provisions for the competitiveness of political recruitment, constraints on the executive power, and openness of the political competition, it focuses on procedures regulating the operation of state institutions that direct societies. This top-down perspective certainly taps an important element of democracy.[543] This indicator measures institutional aspects of democracy, based on a concept of authority patterns.[544]

The Polity IV Project "Political Regime Characteristics and Transitions" contains coded annual information on regime and authority characteristics for all independent states (with total populations greater than 500,000) in the global state system and covers the years 1800-2003. This index views democracy in two dimensions: democracy (or institutional openness of the political system) and autocracy (or degree of institutional checks and balances of political regimes). The dimensions are then coded on a ten point scale for the two broad dimensions, which are combined into a final -10 to +10 score by subtracting autocracy from democracy.[545]

The Polity democracy (openness) score measures the institutional features of political competition and participation, as three essential, interdependent elements: (i) the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders; (ii) the existence of institutionalized constraints on the exercise of power by the executive; and (iii) the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation. Other aspects of plural democracy, such as the rule of law, systems of checks and balances, freedom of the press, and so on are means to achieve, or specific

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[542] Vanhanen (2003:60).
[543] Inglehart and Welzel (2005).
[544] Eckstein and Gurr (1975).
[545] Marshall and Jaggers (2002).

manifestations of, these general principles.[546] Thus, the Democracy indicator is an additive eleven-point scale (0-10). The operational indicator of democracy is derived from coding of the competitiveness of political participation, the openness and competitiveness of executive recruitment, and constraints on the chief executive, using different weights.

On the other hand, the autocracy (checks and balances) indicator is operationalized in terms of the presence of a distinctive set of political characteristics. In their mature form, autocracies sharply restrict or suppress competitive political participation. Their chief executives are chosen in a regularized process of selection within the political elite, and once in office they exercise power with few institutional constraints. Most modern autocracies also exercise a high degree of directiveness over social and economic activity, but it is regarded as a function of political ideology and choice, not a defining property of autocracy. An eleven-point Autocracy scale is constructed additively. As per the previous indicator, the operational indicator of autocracy is derived from the coding of the competitiveness of political participation, the regulation of participation, the openness and competitiveness of executive recruitment, and constraints on the chief executive, using different weights.

Thirdly, the collection of rights and freedoms attribute, related to a free and open life environment, is also measured annually by Freedom House, using a series of checklist assessments. Using a bottom-up approach, this is more directly relevant to people's effective choices than the other two indicators. It indicates the extent to which ordinary citizens are entitled to civil and political rights, closer to the concept of liberal democracy,[547] which includes both "negative" freedoms from the state (civil liberties) and "positive" freedoms over the state (political rights).[548]

The Freedom in the World survey provides an annual evaluation of the state of global freedom as experienced by individuals.[549] The survey was first developed by

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[546] Paradoxically, the index does not include coded data on civil liberties.
[547] Proposed by Berlin (1969) and Rose (1995).
[548] Inglehart and Welzel (2005).
[549] The research and ratings process involves nearly two dozen analyst/writers and senior-level academic advisors. The reviewers use a broad range of sources of information in preparing their reports, including foreign and domestic news reports, academic analyses, nongovernmental organizations, think tanks, individual professional contacts, and visits to the region. The country and

Raymond Gastil in the 1950s and from 1972 it has been annualized for more than 180 countries. Freedom is understood as "the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination".[550] Thus, this index measures freedom according to two broad categories: political rights and civil liberties, rating countries from 1 (free) to 7 (not-free).[551] Political rights enable people to participate freely in the political process, including the right to vote, to compete for public office, and to elect representatives who have a decisive impact on public policies and are accountable to the electorate. Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state.

The political rights dimension considers to what extent the system offers voters the opportunity to choose freely from among candidates and to what extent the candidates are chosen independently of the state. However, formal electoral procedures are not the only factors that determine the real distribution of power. In addition, elected governments must exhibit levels of accountability, openness and transparency between elections. The civil liberties dimension, on the other hand, does not equate constitutional guarantees of human rights with the on-the-ground fulfillment of these rights. Both laws and actual practices are factored into the ratings decisions.

The ratings process is based on a checklist of ten political rights questions (plus two discretionary questions), grouped into four subcategories, and 15 civil liberties questions, grouped into four subcategories. Raw points are awarded for each of these questions on a scale of 0 to 4, where zero points represent the smallest degree and 4 the greatest degree of rights or liberties present. The highest number of points that can

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territory ratings are proposed by the writers of each related report. The ratings are reviewed on a comparative basis in a series of regional meetings — Sub-Saharan Africa, Asia-Pacific, Central and Eastern Europe and the Former Soviet Union, Middle East and North Africa, Latin America and the Caribbean, and Western Europe — involving the writers and academic advisors with expertise in each region. The ratings are compared to the previous year's findings, and any major proposed numerical shifts or category changes are subjected to more intensive scrutiny. These reviews are followed by cross-regional assessments in which efforts are made to ensure comparability and consistency in the findings. Some of the key country reports are also reviewed by the academic advisors. The survey's methodology is reviewed periodically by an advisory committee on methodological issues (source http://freedomhouse.org/ratings/index.htm).

[550] Freedom House (2004).

[551] All too easily, these rankings are used as proxies of democracy, when in fact they are measuring the collection of rights and liberties in political regimes. Intuitively, the freer a country is the more democratic it is.

be awarded on the political rights checklist is 40 (or a total of up to 4 points for each of the 10 questions). The highest number of points that can be awarded on the civil liberties checklist is 60 (or a total of up to 4 points for each of the 15 questions).

Methodologically, a country is assigned a numerical rating on a scale of 1 to 7 based on the total number of raw points awarded for the political rights and civil liberties checklist questions. For both checklists, 1 represents the most free and 7 the least free; each 1 to 7 rating corresponds to a range of total raw scores. Then, each pair of political rights and civil liberties ratings is averaged to determine an overall status of Free (1.0 - 2.5), Partly Free (3.0 - 5.0) or Not Free (5.5 - 7.0).

Some of the reasons for using and aggregating these three indicators for the large "N" quantitative analysis in this dissertation are:

i. They are the most widely used measures in democratization studies;[552]
ii. They are the most consistent in terms of Dahl's definition of democracy, including attributes of contestation or competition, participation or inclusion, along with the political regime environment, and civil and political rights and liberties;
iii. They provide empirical information on the three main attributes of democracy (allowing for larger cross-regional and cross-national comparisons);
iv. They are highly correlated with each other (correlation coefficient ranging from .81 to .92), indicating that the three of them run in parallel and that they are measuring related attributes within political regimes;
v. They provide enough information for constructing a global CID to be evaluated with other regional variations;
vi. They provide annualized information dating back for more than thirty-two years in a systematic approach.

It must be recognized that although these indices are highly correlated, that does not mean they can be interchanged. These highly correlated measures can produce

[552] Munck and Verkuilen (2002).

different results.[553] In order to correct the problems of non-interchangeability of these three measurements identified, the method of this dissertation is to build a measurement model combining the existing indicators into a new and reliable measurement of democracy (see figure 2.1) which extends beyond electoral democracy. Following Casper and Tufis contribution to the attention to the reliability issue of democracy scales, Freedom House, Polity IV and Polyarchy 2 indicators will be combined to produce a composite measurement of democracy with increased validity and reliability. This combination helps the avoidance of measurement-biased estimation that may exist in hundreds of past democracy research papers, as well as reduces the chances that countries are ranked on methodological quirks and diffuse charges of bias.[554]

To sum up, conceptualization and measurement are perhaps the major obstacles to integrating theory, research and experience in comparative politics. This is especially true when democracy is the process to be scrutinized. Indeed, the previous discussion has suggested two groups of scholars have been prominent in the conceptualization and measurement of democracy in the last thirty years. The first group is composed of thinkers like Dahl, Diamond, O'Donnell, Shapiro and Whitehead, who have extensively conceptualized the core meaning of democracy and democratization. The second group includes intellectuals such as Bollen, Cutright, Gastil, Gurr, Jaggers, Lijphart, Lipset, Marshall, Mainwaring, Przeworski et al, and Vanhanen, who besides conceptualizing, have designed specific ways to measure democracy. The following section provides an explanation of how these forms of measuring democratic attributes can be combined to generate a scale for the assessment of democratic effectiveness. Democracy is a matter of degree, spanning a continuum,[555] therefore the need to avoid simply binary classifications which use a dichotomous variable to assess democracy's performance.[556]

Aggregation: The Composite Index of Democracy

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[553] See Casper and Tufis (2003).
[554] An example is Halperin et al (2005).
[555] As exposed by Inglehart and Welzel (2005).
[556] Such as Przeworksi et al (2000) and Boix (2002).

The above-mentioned indices measure different attributes of democracy using different scales. What follows is an explanation of how these measures are combined into the CID. In this section, the coding and aggregation rules for classifying political systems are explained. In total, there are 164 individual countries, with annual data from 1972 to 2002 making a total of 5,084 observations.

The coding follows standard practice. Starting with the Freedom House rankings, as the freedom score is ranked from 1 to 7, 1 being the "most free" and 7 the "least free", both scales (for political rights and civil liberties) are inverted and added together to create a 12-point scale so the order of the rankings goes from lowest to highest. Zero is now the least free and 12 is the "freest". Secondly, as the Polity Index is originally scaled from -10 to +10, then a positive ordering is made, ranking countries from 0 (not democratic) to 20 (most democratic). On the other hand, the Polyarchy index has a ranking from 0 to 70, so it is just transposed. Finally, all three indices are weighted in a scale from 0 to 1.

Thus with such consistent rankings it is possible to aggregate the index indicators into the CID. The coding of these three attributes also ranges from 0 to 1 on a graded scale, implying that there are different types and degrees of democracy. Each attribute is also weighted differently to compensate for some deficiencies in the original rankings of each measure. For instance, although the Polyarchy index measures voter turnout, it takes into account not only the adult population eligible to vote, but total population, thus it reduces the rankings as a large population is included in the index although is not legally able to vote. Indeed, the Polyarchy index, consistently and systematically, ranks lowest of the three in all countries with a few exceptions.

Empirical data on the three attributes of democracy make it possible to compare countries according to their level of democracy. However, because this ranking forms a continuum from 0 to 1, it does not tell us directly at what stage political systems are autocracies or democracies. Intuitively, countries with higher values are democracies and countries with lower index values are non-democracies. For this, a threshold

value must be introduced to distinguish political regimes.[557] Each attribute of the CID has its own threshold value, with the caveat that in the trichotomous distinction made by Freedom House it is not very clear where a country ceases to be a democracy and becomes an autocracy. I will assign a threshold of 9.0 on the inverted index, which is equal to 0.750 in the final index indicator.[558]

The Polity index also has a natural ranking from 0 to 20. The values of the autocracy variable are negative and the values of the democracy variable are positive, hence the threshold is naturally in the middle point. In our transposed indicator it will be a score of 10, and in the final index indicator a score of 0.500. The Polyarchy index on the other hand, uses a threshold value which is a bit more complicated. Vanhanen's selected value for Competition is 30% and 20% for Participation. Hence, since both dimensions of democracy are assumed to be equally important, a country must cross both threshold values if it is to be classified as such: "it would be not enough to define a threshold value of democracy merely for the Index of Democratization".[559] Thus the threshold of the electoral attribute of democracy produced by the minimum thresholds of Competition and Participation is 6.0 index points [i.e. 30(20)/100=6], this value in the transposed index variable for Polyarchy will be 0.085, which seems consistent with the low scores of this index.

The weighting is thus equal for the collection of rights and liberties and institutional attributes but half for the electoral attribute in the composite index. Hence, the threshold value of the CID will be set at 0.517, from:

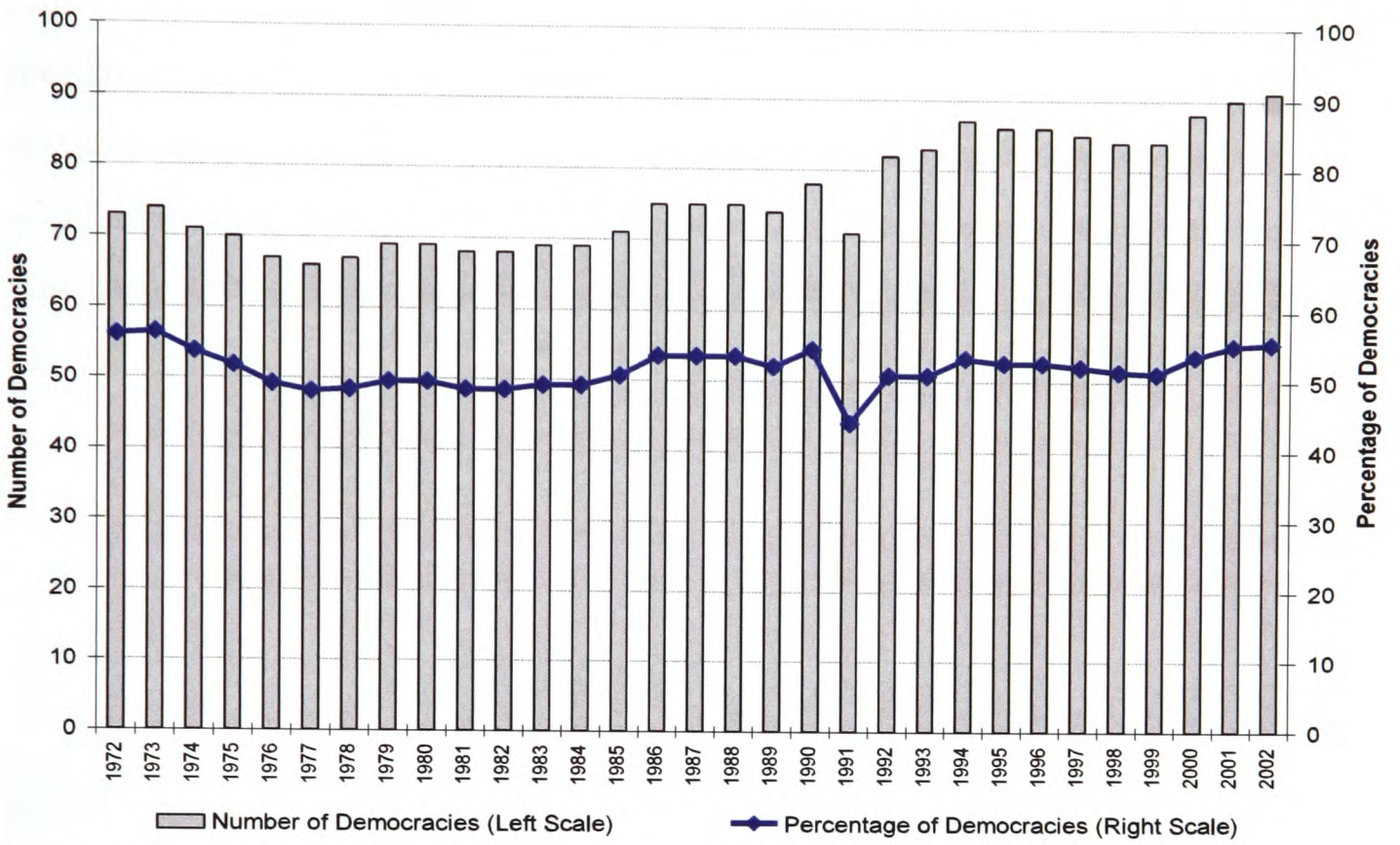
0.085 Participation/ Electoral	(0.2)	+	0.500 Institutional/ Political	(0.4)	+	0.750 Rights/ Liberties	(0.4)	=	0.517 CID

[557] These threshold values are arbitrary however following the logic of graded measures the index measures continuity from non-democracy to democracy. The minimum threshold value can be used to classify political regimes into democracies and non-democracies, below the threshold value the index measures degree of autocracy, not democracy.
[558] This is the highest of the threshold values, and includes countries ranked as "free" according to Freedom House's scale.
[559] Vanhanen (2003:65).

An interesting finding of such a grouping of countries is that it challenges the "waves" approach proposed by Huntington and others. At least at the global level, graph 2.A.1 suggests a slow but steady rate of growth of democratic regimes. While in 1972 there were 73 democratic regimes (out of 130) or 56%, in 1974 there were 71 (out of 132 or 54%), in 1983 there were 69 (out of 140 or 49%), in 1993 there were 83 (out of 163 or 51%) and in 2002, there were 102 democratic countries representing 55% of the world's independent nations (164 countries) To me, this last percentage doesn't seem correct. Surprisingly, at the same time, the number of electoral democracies ranked by Freedom House in 2002 held steady at 121 of the world's 192 governments (63 percent), and Polity IV's ranking, which classified 55% of all governments in the world as democratic in 2003. This matches the highest number and proportion in the thirty-year period under study and means that over the last thirty years, the number of democratic countries has not increased dramatically as the "wave" metaphor would suggest, but steadily and slowly democracy is gaining adepts, "all of which cumulatively represents a momentous change in the political landscape of the world".[560] Moreover, it confirms the premise that democracy must be conceived beyond elections, as some electoral democracies do not necessarily achieve higher levels of institutional design or the exercise of civil liberties and political rights.

[560] Karatnycky (2003:100).

Graph A.1. Number and Proportion of Democracies in the World, 1972-2002



Source: Own calculations based on CID.

Moreover, each of the dates of the "waves" of democracy is open to debate from a regional perspective. For example, regarding the third wave: "if 1974 was the start of the "third wave" in southern Europe, it was also the beginning of a much darker period in South America",[561] not to mention Central America, where civil war and violence erupted at the end of the decade and peaked in the 1980s (see Chapter 3). Also, it is an indication that democracy does not happen overnight as it is not just the result of clever elite bargaining and constitutional engineering.[562] It is also a matter of the masses where "it is only the effective presence and practice of civil liberties and minority rights that can deliver the substance of democracy to the individuals who compose the polity".[563]

When computed the three attribute indicators of democracy show high correlations at the global level, with correlations varying from 0.836 between the collection of rights and the electoral attribute, to 0.837 between procedural/institutional and the electoral

[561] Whitehead (2004:1) and as will be shown in Chapter 3 for the Central American case.
[562] Inglehart and Welzel (2005).
[563] Foweraker, et al (2003:195). Indeed, in the CID, Portugal achieves a democratic score in 1976, and not in 1974, which is the date of the end of Salazar's "Estado Novo". It must be remembered that Salazar died in 1970, though the transition to democracy started in 1968 when Marcelo Caetano succeeded Salazar.

attribute, to the highest between the collection of rights and procedural/institutional of 0.895. When correlated with the CID, as expected the correlations are stronger, from 0.903 to 0.972, all at the 99% confidence interval (see table 2.A.1). These high correlations are not surprising. Quite the contrary, they are expected and reveal a not very large democratic gap between what these indicators are measuring. Indeed, it is a partial indication that the indicators selected provide a valid parameter to group democratic attributes, as they are measuring correlated characteristics within different political regimes.

Table A.1. Democracy and its Attributes Correlations

	Electoral Attribute of Democracy (Polyarchy2)	Procedural/Institutional Attribute of Democracy (Polity IV)	Collection of Rights and Freedoms Attribute (Freedom House)
Electoral Attribute of Democracy (Polyarchy2)	1 (4,580)		
Procedural/Institutional Attribute of Democracy (Polity IV)	0.837 (4195)	1 (4218)	
Collection of Rights and Freedoms Attribute (Freedom House)	0.836 (4,539)	0.895 (4,216)	1 (4,570)
CID (Composite Index of Democracy)	0.903 (4,193)	0.972 (4,193)	0.968 (4,193)

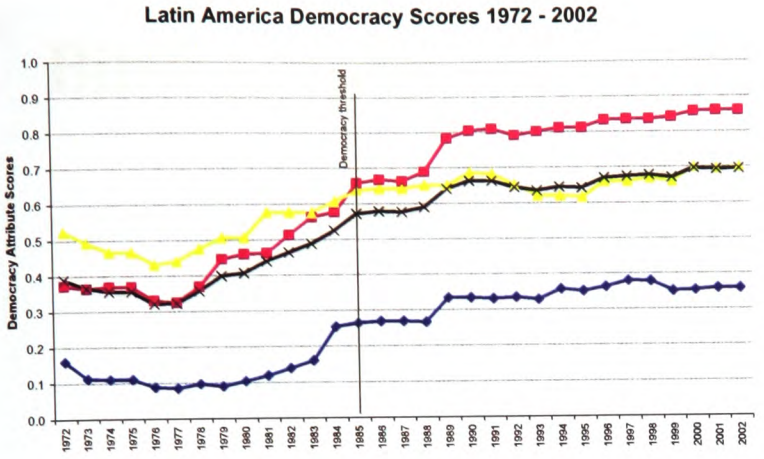
Note: Number of Observations in parenthesis ( ). Correlations reported are pairwise.

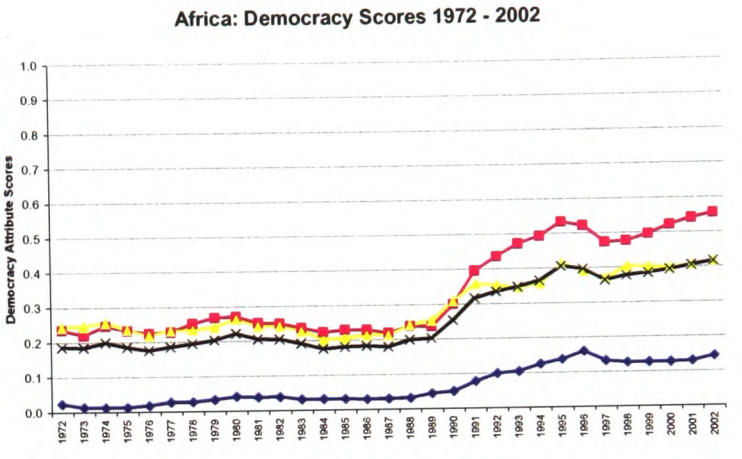
Interestingly, when plotting graphically the CID with each of its three attributes, differences in types and degrees of democracies are revealed (see graph 2.A.2). At the general level, it is tempting to note that the three attribute measures follow the same pattern (as suggested by the high correlations mentioned earlier). However, it is also an indication that the three attributes of democracy run in parallel and they are measuring related attributes within different political regimes. Another finding is that, throughout the entire period under study, Latin American countries rank consistently lower in electoral attribute scores. Also, from 1972 to 1985 the region achieved higher scores on average on the collection of rights and freedoms, but from 1985 onwards, procedural/institutional democracy has gained prominence. This is the opposite of the case of the East Asia and the Pacific region, where countries have systematically obtained higher procedural than substantive scores, accentuated from 1976 onwards.

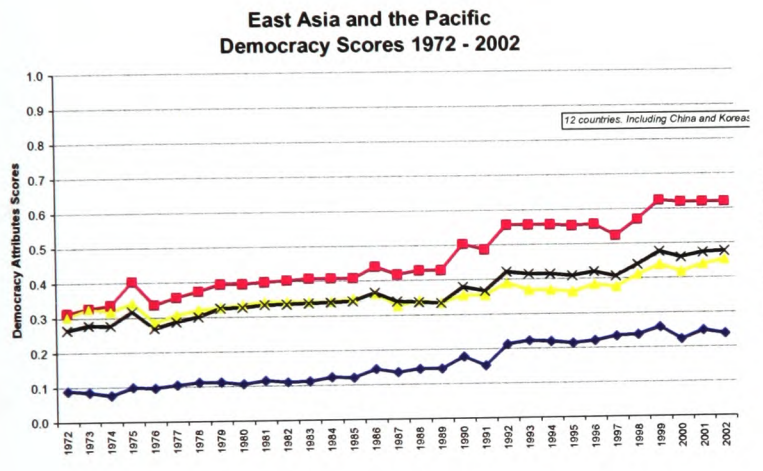
The Eastern Europe and Central Asia region suggests a clear example of the domino effect from the fall of the Berlin Wall in 1989, when most of the countries embraced democratic regimes. However a word of caution seems relevant here to challenge the reliability and validity of these indicators. It is interesting to note that in just one year, *as if by magic*, the entire region became democratic. The Middle East and North Africa is perhaps the only region where democracy and its attributes are still lagging behind, as it has not yet even reached the minimum threshold assigned to each democracy attribute.

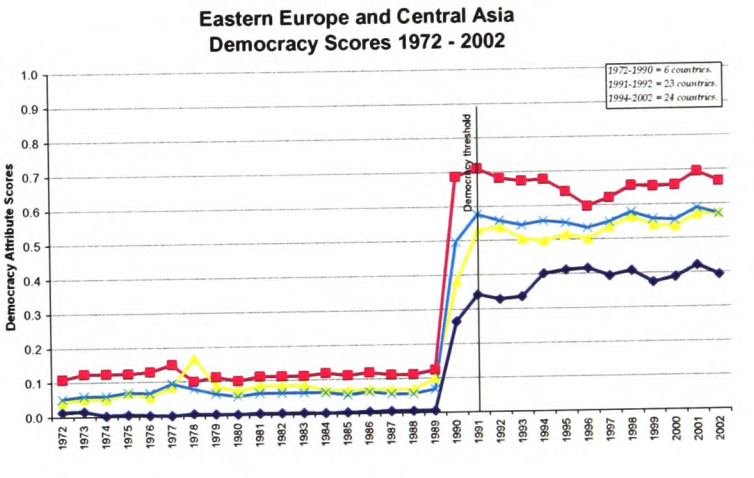
As can be noted, several uses can be made of this exercise of highlighting countries' performance in each of its democracy attributes and on the CID. The purpose of the CID is not to rank countries on a scale and compare them from more autocratic to more democratic. The objective is not to grade countries or region (i.e. to say that Latin America is more democratic than Africa), but to group sub-regions/countries in categories according to their democratic attributes performance. A grouping as such permits the highlighting of "divergent cases" when the indicators differ at some points in time.

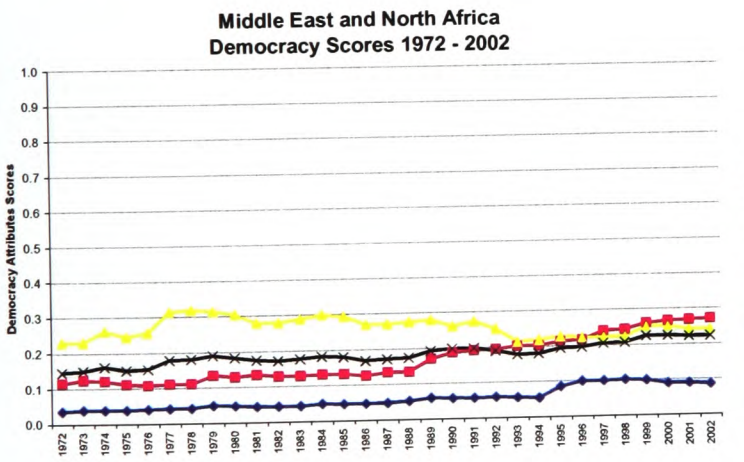
Graph A.2. Regional Variations in Democracy Scores, 1972-2002

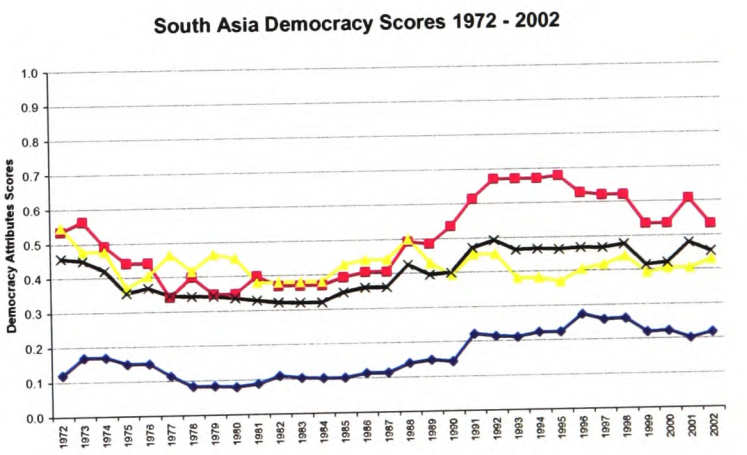


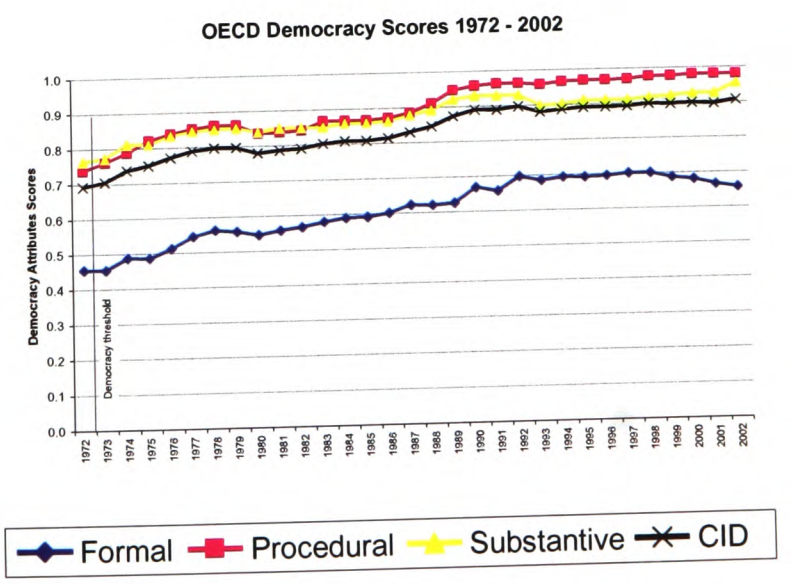












Sources: Own calculations based on Polity IV, Polyarchy 2 and Freedom House.

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