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CENTRALIZATION AND SCOPE: POLITICAL STRUCTURE AND
POLICY PERFORMANCE IN COSTA RICA AND EL SALVADOR

Alfred G. Cuzan

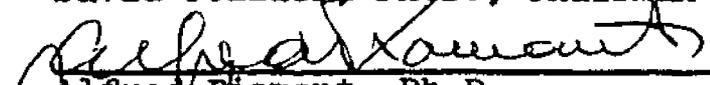
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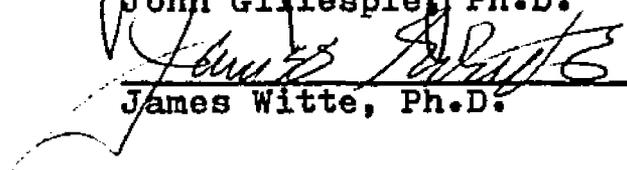
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This dissertation is dedicated to Linda, with love.

Alfred G. Cuzan
Miami, Florida
October, 1975

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CHAPTER I

TWO VIEWS ON CENTRALIZATION

Theories of comparative politics and administration assign a central role to the state in the development process.¹ Economic growth is said to require the active involvement of the state in building infrastructure, allocating capital, directing private investments, planning for future needs, and managing economic enterprises. Nations struggling to rise above poverty and backwardness are generally advised to widen the scope or range of functions of the public sector in order to re-order priorities with a view towards long-term economic development.

However, whether centralized or decentralized governmental structures are the most capable of absorbing the recommended expansion of state activity is an unresolved question. Theorists disagree regarding the probable effects of political and administrative centralization² on policy performance and the rational development of resources. On the one hand, the "monistic" or "bureaucratic" school argues that only a "centralized and unified polity"³ is capable of

mobilizing collective efforts in a large enough scale to promote economic development. Centralized institutions are needed to determine priorities and to coordinate the development of resources at the national level, where the parochialism of local interests will not impede development programs. Either the central bureaucracy or a mass political party, unencumbered by traditional interests rooted at the local level, are the most effective structures for bringing about rapid economic growth.⁴

On the other hand, advocates of a "pluralist," "balanced growth," or "collegial" model counter that centralized bureaucracies tend to become rigid and arrogant, and to lose, distort, or misinterpret valuable information concerning local preferences and conditions. As a consequence, attractive economic alternatives will be missed and costly mistakes will be made by central bureaucrats positioned at the highest ranks of an administrative hierarchy which is out of touch with political and economic realities. Development policies can best be pursued in a system where autonomous decision-makers can trade information over a wide range of possible alternatives and are free to pursue objectives without having to clear their decisions with a center far removed from the area of operations.⁵

Each school claims that its solution is more likely to yield levels of policy performance which are conducive to

economic development. Thus, researchers are confronted with two contradictory hypotheses:

H¹: To be effective, an expansion in the scope of governmental activity must be managed by centralized institutions organized at the national level.

H²: To be effective, an expansion in the scope of governmental activity must be managed by a multi-level, decentralized organizational structure.

The purpose of this study is to explore these rival hypotheses through the analysis of data on the performance of regimes and institutions in two Central American nations, Costa Rica and El Salvador. At both the national and sub-national levels, institutional arrangements are analyzed which closely approximate the ideal-type put forward by each tradition, making possible a systematic comparative evaluation of the two rival approaches.

Centralism in Latin America

Latin America presents the researcher with a useful context in which to explore the empirical relevance of the two models under discussion. Since World War II, the area has been intensely preoccupied with issues of development. In practically all Latin American countries, governments have expanded the scope of their activities, directing policies and resources toward the achievement of developmental goals.⁶

Latin America is also a place where a high level of centralization has been the prevalent organizational norm. With a few exceptions, countries in this part of the world

are governed by what Jacques Lambert calls systems of "presidential dominance."⁷ Highly centralized structures concentrate power in national bureaucracies headed by strong executives. In most countries, the legislature and the judiciary are subordinate to the president; local governments function more as extension agencies for a ministry than as units of self-rule.⁸

According to historians, political centralism in Latin America is a legacy of Spanish colonialism, which was organized as a formal pyramid of administrative control, at the apex of which governed the King and his Council of the Indies. Rules were written in Madrid and imposed on the colonies through a hierarchy of subordinates. Government in the colonies was fundamentally an exercise in the implementation of laws enacted in Spain. When the empire collapsed, most of the continent disintegrated into civil war. But after several decades of fighting, the model of centralized administration was adopted almost intact by the various republics; the King was simply replaced by presidents or military strongmen.⁹

Specialists on Latin America are divided on the policy record of centralism. While some writers such as Charles Anderson, James Busey, and William Stokes argue that it has been one of the major obstacles to genuine development, others like Jacques Lambert and Claudio Veliz maintain that

it deserves credit for the development which has already taken place, and that it is the only hope for the future.

In defense of the latter view, Veliz writes that:

The principal feature of contemporary Latin American nationalism . . . is the return to a type of political behavior firmly rooted in an autochthonous centralist tradition. On this tradition is founded the structure of institutions and political habits of Latin Americans; on it, as well, are based the organizational successes of the past decades. Latin Americans are increasingly conscious that in harnessing the momentum of this tradition to the needs of national development, they will acquire understanding and mastery of the problems of their nations.¹⁰

Other writers disagree, and argue that present organizational arrangements are antiquated, inefficient, and highly vulnerable to the ravages of political violence.

Stokes aptly sums up this position:

. . . There have been leaders of the most valiant courage and the greatest virtue and integrity in every Latin American country who have attempted to make politics the reasoned art of democratic compromise. When such men have relied upon centralized power, they have invariably fallen short of their ideals. When they have permitted such principles as individualism, voluntarism, and decentralization to operate, as in Uruguay, Argentina, Chile and Costa Rica in certain periods of the histories of these countries, better results have been achieved.¹¹

These contradictory assessments on the merits of centralism in Latin America warrant empirical research. Although centralism is a tradition of the region, individual countries differ in the degree of centralization of their decision-making structures. Moreover, centralization is not uniform within the countries themselves. Variations in

centralization among policy areas is common, and even in the same policy area a mixed approach which combines features of both centralized and decentralized administration is sometimes present. This study focuses on such differences between and within two Latin American countries as a means of testing the two rival hypotheses regarding centralization and policy performance.

A Two-Country Comparative Study

The countries chosen for this study are the Central American republics of Costa Rica and El Salvador. Their governments have been actively involved in development projects since 1960, but they differ significantly in the degree of centralization of their political and administrative structures. El Salvador conforms to the Latin American pattern of centralized administration. It typifies the model of presidential dominance. As Busey puts it: "In El Salvador . . . the President is the government, and the government is the President."¹²

On the other hand, Costa Rica is the Central American country which most closely resembles the pluralist model of organization. As a whole, it is relatively decentralized, as there is no hierarchical presidential structure which unifies all the constituent elements within a centralized network of command. The legislature, the judiciary, local governments, and many administrative agencies operate in relative

independence from the executive. However, important subunits within the Costa Rican system are themselves quite centralized. The most important examples are the large autonomous agencies in charge of specialized functions. While they are relatively free from presidential control, their internal structures lean towards the monistic model of organization and thus tend to clash with the larger pluralist system.

The fact that Costa Rica combines centralized and decentralized characteristics provides a useful opportunity to pursue a dual research strategy. The first stage of the present analysis compares and contrasts Costa Rica and El Salvador as two distinct models of organization, one pluralist, the other bureaucratic. Contrasts in centralization and scope are analyzed, and their consequences for policy performance are then assessed. The second stage of the analysis consists of one chapter which explores within-nation differences regarding the management and development of a public resource in Costa Rica. There, the performance of a monistic autonomous agency is contrasted to the performance of local boards and municipal departments. The analysis sheds light on important structural contradictions present in Costa Rica today.

The rest of this chapter presents the three concepts which are critical to the analysis: centralization, scope,

and policy performance. Chapter II compares Costa Rica and El Salvador on these three variables. Chapter III contrasts two representative case studies of development projects -- one from each country -- to illustrate the processes by which the two organizational structures produce different patterns of policy outcomes. Chapter IV focuses on central-local conflicts over the control and development of potable water resources in Costa Rica. Finally, Chapter V presents a model of public organization which provides criteria for the optimal assignment of roles and distribution of authority between central and local institutions in the development process.

Definition of Concepts

Three concepts occupy a central role in this study: centralization, scope, and policy performance. Centralization refers to the concentration of authority over persons and resources among governmental institutions in a political system. The more authority is concentrated in fewer offices and officials, the more centralized the political system.

Centralization has two dimensions: horizontal and vertical. Horizontal centralization refers to the distribution of authority among institutions at the same level of government. At the national level, these include the presidency, ministries, executive boards and authorities, the congress, the courts, and political parties. The more authority is concentrated in the office of the chief executive or

president, the greater the horizontal centralization at the national level. Vertical centralization has to do with the distribution of authority among levels of government -- national, regional, and local. The more authority is held at the national level, and the lower the autonomy of local and regional governments, the greater the vertical centralization.

It is clear that these two dimensions of centralization conform to the well-known concepts of the "separation of powers" and "federalism." However, because the distribution of authority takes different forms and varies considerably in degree in countries other than the United States, the terms "horizontal" and "vertical" centralization are preferred.

Scope refers to what La Palombara calls the "magnitude" of public institutions, or the range of functions and activities undertaken by governments.¹³ There are also two dimensions to scope: proportional and absolute. The former is subsumed under the public-private dichotomy: ". . . the ratio of political activity, however institutionalized, to all other activity that takes place in society."¹⁴ The amount of public activity in a country may be measured by dividing total public expenditures by Gross National Product.¹⁵ While this indicator is useful, it leaves out the extent of governmental regulation over social and economic activity,

something which cannot be encompassed within a single index and of which only very general "more-than," "less-than" statements can be made at this time.

The absolute dimension of scope deals with the level and generality of public activities, that is, the number of people that are actually serviced by government and the quality of services provided. The scope of the state can be increased without significantly affecting the private sector directly: a dam can be built to supply electricity to a rural area that had done without it; a water board can improve the level of service to a neighborhood by building larger storage tanks and installing wider mains in order to supply water 24 hours a day rather than during evening hours only. In neither case is the government moving directly to absorb the private sector as when, for example, a private railroad is nationalized through government purchase or expropriation and assigned to a ministry to manage. It is this second, more limited dimension of scope which is emphasized in the case studies of Chapters III and IV.

Policy performance refers to the degree of success achieved by public institutions and programs in serving the relevant publics under their jurisdictions. Three aspects of policy performance are examined here: (1) efficiency of public investments in resource development; (2) equity in the allocation of costs and benefits of government programs; and

(3) the level of deprivation and violence associated with public policy.

Efficiency is a means to evaluate the "outputs" of governments in relation to their "inputs," or the familiar cost-benefit analysis, i.e., what is given up in order to produce a given amount of a good or service? The greater the return of public investments, the more efficient they are. Another way of conceptualizing efficiency is to say that whenever a government is confronted with several alternatives to produce a desired outcome, efficiency requires that the least-cost alternative must be chosen over the others. If this "least cost" strategy is not followed consistently, resources will be tied up in projects that are not the most economical for society, and labor and capital will be wasted.¹⁶

Equity refers to the degree of fairness by which the costs and benefits of public projects are allocated throughout the population. Equity requires that those who benefit from a public project contribute their fair share of the costs, particularly if they happen to be among the better-off members of society, and that those who pay the costs of a public project receive their fair share of the benefits, especially if they fall within the least privileged sectors of the population. Equity is related to efficiency because when the costs of public projects are not paid by those who benefit

from them, powerful incentives exist to invest public resources in projects that are uneconomical from the perspective of the nation as a whole, and thus are a drag on economic development.¹⁷ Who benefits and who pays are questions that will be asked of every project analyzed here.

Finally, the use of violence, whether by government officials or their opponents, indicates that policy performance is not altogether satisfactory. Violence on the part of non office-holders indicates resistance to and unhappiness with official decisions. Governmental repression of violent dissent is a reflection of the inability or unwillingness of the authorities to adjust policies to meet the demands of those dissatisfied with the results of existing policies. Yet violence is costly and is negatively associated with efficiency, as it diverts energy and resources away from constructive tasks. In the pursuit of it, valuable human lives are lost and property destroyed; leadership talent which is needed to manage industry, agriculture, commerce and public services, is wasted on military campaigns and police activities. Thus, to the extent that resources are diverted from the process of accumulating capital and into destructive or repressive activities, violence exerts a negative influence on economic development.¹⁸

On the basis of these three interrelated aspects of policy performance, the functioning of centralized and

decentralized political structures will be analyzed. If one system can be shown to be more efficient, more equitable, and less prone to violence than another, then it will be judged to be more desirable than its rival. Whether the monistic or the pluralist model proves to be preferable for developing countries is a question which this study hopes to answer by presenting data on their respective prototypes, El Salvador and Costa Rica.

Footnotes

1. Esman (1971) writes that ". . . Every respectable theory of development assigns a major role to government. . . ." (p. 70). See also the essays included in La Palombara (1963) and Montgomery and Siffin (1966).
2. Of politics and administration, Riggs (1970) writes that they are two dimensions of the same process, like buying and selling are both part of an exchange. Since politics requires the administration of policy decisions, and since administration includes the determination of policy, politics and administration will be used interchangeably in this study, unless otherwise specified.
3. Eisenstadt (1963). For an excellent summary of the arguments of each school, see Krane (1974). See also Diamant (1966), Heady (1971), and Ilchman (1971).
4. Hosleitz (1963) prefers a modernized bureaucracy while Sjoberg (1971) proposes the mass party.
5. Riggs (1963), (1970), and (1971); see also Ilchman (1971) and Tullock (1965).
6. Anderson (1967) and Wynia (1972).
7. Lambert (1967).
8. Adams (1967), Hanson (1974), Meecham (1967), Gomez (1967) and Veliz (1968).
9. Hanson (1974), Lambert (1967), and Veliz (1968).
10. Veliz (1968), p. 83.
11. Stokes (1967), p. 173. See also Busey (1975), (1964), Anderson (1967), and Payne (1965).
12. Busey (1964), p. 72.
13. La Palombara (1963), p. 42.
14. Ibid.
15. See Krane (1974) and Morrison and Stevenson (1972).

16. Ostrom (1968).

17. It may be argued that income differentials require governments to transfer resources from the rich to the poor. However, this study takes the position that such income transfers are most efficiently accomplished through direct cash payments to individuals and local governments, and not through the cumbersome and inefficient method of undertaking uneconomical projects in backward areas, a strategy which usually ends up subsidizing the administrative bureaucracy rather than the underprivileged. As will be shown, programs in which beneficiaries do not pay the full costs of public projects tend to allocate costs and benefits in the least desirable fashion, i.e., from poor areas to more developed regions. See Wildavsky, (1966).

18. Gurr (1971).

CHAPTER II

CENTRALIZATION, SCOPE AND POLICY PERFORMANCE:

AN AGGREGATE VIEW

The first test to be performed on the relative merits of the pluralist and monistic hypotheses is based on an aggregate comparison of Costa Rica and El Salvador on centralization, scope, and policy performance. A brief description of each country is first presented to show that they are similar in enough ways to make the comparison a meaningful one. Differences in scope and their economic consequences are then examined. Third, horizontal and vertical structures are analyzed to determine differences on centralization. Finally, an over-all assessment of the impact of centralization on policy performance is attempted.

The Setting¹

Costa Rica and El Salvador are sufficiently similar to offer the basis for a reasonably good paired comparison. Both are tropical, mountainous, coffee-producing countries; both are small in area and population. In each country,

separate mountain ranges and towering volcanoes surround a central region of plateaus and valleys several thousand feet above sea level where most of the coffee is grown and the majority of the population lives. Neither country has a large Indian population. Rather, they are inhabited by whites and mestizos for the most part, although Indian characteristics and heritage are more evident in El Salvador. On the other hand, about 50,000 Costa Ricans in the Atlantic province of Limon are descended from Jamaican blacks; they speak a local dialect derived from English. In both countries, less than 40 percent of the population lives in urban areas, and approximately 10 percent of the total population lives within the political jurisdiction of the capital city. When the entire metropolitan area is included, the proportion is 25 percent in Costa Rica and almost 20 percent in El Salvador. The countries differ, however, on literacy rates, per capita income and other indicators of "modernity" on which Costa Rica generally scores higher (see Table 1).

The social and political evolution of Costa Rica and El Salvador has not been the same. During colonial times, the two countries were part of the same Captaincy General governed from Guatemala. After independence from Spain was declared in 1821, they joined Guatemala, Honduras, and Nicaragua in several unsuccessful attempts at forging a Central American federation. Since 1838, the countries have remained separate.

TABLE 1
 COMPARATIVE STATISTICS
Costa Rica - El Salvador
 1971 - 1973

Variable	Country	
	Costa Rica	El Salvador
Area in square miles	19,600	8,260
Population	1,900,000	3,760,000
Population density per square mile	97	454
Percent urban	34	38
Percent illiterate	11	42
Life expectancy, in years	67	55
Gross National Product, in billions of dollars	.9	1.0
Gross National Product per capita, in dollars	500	291
Agriculture as a percentage of Gross Domestic Product	23.6	27.4
Motor cars/1,000 population	22.6	10.2
Telephones/1,000 population	35.1	11.3
Radio receivers/1,000 population	72.0	117.7
Television sets/1,000 population	57.6	26.7
Newspaper circulation/1,000 population	102.0	106.1

Sources: James L. Busey (1973) Latin American Political Guide, Manitou Springs, Col.; Juniper Editions; Progreso: Revista del Desarrollo Latinoamericano, Septiembre, 1971; and Statistical Yearbook for Latin America (1973), New York: United Nations.

As in much of Latin America, El Salvador's agricultural economy was built upon a highly unequal division of the land and a system of land tenure in which a considerable number of farms were not owned by those who worked them. In 1961, 43 percent of all farms comprising eight percent of the cultivated land surface was rented.² Since the time of the Spanish conquest, most of the best land came under the control of a rural oligarchy. A rigid class structure dividing a wealthy, cultured aristocracy from the illiterate, impoverished peasantry emerged. A military establishment was built up to enforce the status quo under a succession of authoritarian governments. Through the years, the Army became the most important social group after the aristocracy.

The system has undergone periodic convulsions. In 1932, a peasant uprising led and organized in part by communists was crushed by General Maximiliano Hernandez Martinez, who had become president following a coup the year before.³ General Martinez's reign lasted until 1944 when a general strike toppled him. Four years later, another coup brought to power a group of younger Army officers who were no longer satisfied with their role as protectors of the oligarchy. A number of measures were instituted by which the Army came to assume a more active role in the economy and society of El Salvador. El Salvador is basically a one-party, authoritarian state ruled by the military in which civil liberties are restricted and the press exercises prudent self-censorship.

In Costa Rica, a social and political system quite different from the Latin American norm took root. A more equitable distribution of land tenure gave rise to a society in which the class structure developed less rigid divisions than in neighboring countries. In 1963, 76 percent of all agricultural units comprising 87 percent of the cultivated land was being worked by its owners.⁴ Although Costa Rica has had its share of political violence and authoritarianism, it has been spared long periods of repressive regimes so prevalent in El Salvador. Only six of fifty Costa Rican presidents have been military men. Since the turn of the century, the country has experienced only two major outbreaks of political violence, in 1914-1919, and 1948-1949. Since 1952, Costa Rica has enjoyed a relatively stable, democratic political system in which opposing parties have alternated the presidency and shared power in the congress. The press functions freely. James Busey ranks the country as the most democratic of Latin America.⁵

This short introduction to the two countries indicates that while they share similar physical and economic characteristics, their social systems differ on several important aspects. In Costa Rica, land tenure is less concentrated, the social structure is more egalitarian, and the government is more democratic than in El Salvador. Because the degree of democracy is a structural characteristic of

political systems, differences between the two countries on this variable will be examined. Less attention is paid to differences in land tenure and egalitarianism. Although it is important to keep them in mind as the analysis proceeds, they do not play a significant independent role in this study.

Scope

As in much of Latin America, scope has expanded rapidly in Costa Rica and El Salvador during the last three decades.⁶ During and after World War II, ownership of public utilities and transportation facilities was transferred to state agencies, and government assumed a larger regulatory role over the economy. In both countries, electric production, telephone service, rail and air transport, social security services, domestic and international marketing of foodstuffs, production and distribution of alcoholic beverages, are now among the many and varied activities reserved for public enterprises. In addition, central banking, detailed labor legislation, price, wage, and rent controls, tariffs against foreign commodities, and a complicated structure of tax exemptions and fiscal incentives designed to promote industrialization are characteristics of both Costa Rica and El Salvador.

In both countries, the way scope was expanded had adverse consequences on prices. In the first place, increases

in the money supply, deficit spending, and the delivery of free social services tended to increase aggregate demand. On the other hand, price controls, tariffs, and restrictive economic policies tended to reduce aggregate supply. As a result, high prices for imports, shortages of regulated items, bottlenecks in the administration of social services, black markets and contraband are present in both Costa Rica and El Salvador.⁷

However, scope was expanded earlier and is greater in Costa Rica than in El Salvador. For example, social security, a labor code, and related welfare state legislation were instituted in Costa Rica during the 1940's while similar measures were not enacted in El Salvador until 1960-1961.⁸ Table 2 shows that on three out of four indicators of scope, Costa Rica scores higher than El Salvador. The only exception is government fixed investment as a percentage of total fixed investment, on which El Salvador scored higher in 1972.

One must also note that in Costa Rica the insurance business is a government monopoly, that private banks are prohibited from accepting time deposits or issuing checking accounts, and that there are no private universities. In El Salvador, on the other hand, there is a private Catholic university, and the insurance and banking fields are largely within the private sector. A comparison of national agencies engaged in similar functions in the two countries reveals

TABLE 2
INDICATORS OF SCOPE
Costa Rica - El Salvador
1972 - 1973

Variable	Country	
	Costa Rica	El Salvador
Public expenditures as a percentage of Gross Domestic Product ^a	25	17
Government fixed investment as a percentage of total fixed investment ^b	25	30
Government consumption as a percentage of total consumption ^b	17	10
Percentage of the labor force employed by government	15 ^c	10 ^d

- Sources: ^aContraloria General de la Republica, Memoria Anual, 1972. (1973) San Jose, Costa Rica; and Consejo Nacional de Planificacion Economica, Plan de Desarrollo Economico y Social, 1973-1977, San Salvador, El Salvador.
- ^bUnited Nations, Economic Survey of Latin America, 1972. (1974) New York.
- ^cLa Nacion, September 27, 1973, p. 6.
- ^dIn the San Salvador metropolitan area only, according to an economist at the University of Simeon Canas. Since government offices are concentrated in the capital, for the country as a whole, the figure has to be lower than that.

that those operating in Costa Rica do more than their counterparts in El Salvador. For example, both the Costa Rican National Production Council (CNP) and the Salvadorean Institute of Supply Regulation (IRA), are in charge of regulating the price of basic staples -- beans, rice, corn -- and marketing them at prices low enough to benefit low income groups. In El Salvador, IRA purchases staples in the local and world markets and sells them wholesale to small private grocery stores for resale to the public at lower than average prices. In Costa Rica, however, the Council has gone into the retail business itself and operates dozens of outlets all over the country.⁹

Costa Rica's higher level of scope has not been attained without a price. The nation's central government is heavily in debt. Twenty-five percent of its 1974 expenditures were interest payments on the debt.¹⁰ In El Salvador the proportion was 3.4 percent.¹¹ Between 1965 and 1972, retail prices increased by 23 percent in Costa Rica compared to only eight percent in El Salvador.¹² In 1971, the value of Costa Rican imports exceeded that of exports by 55 percent; in El Salvador, the proportion was only eight percent.¹³

While scope is presently greater in Costa Rica, it is increasing rapidly in El Salvador and may soon catch up. The government's National Planning Council (CONAPLAN) estimates that public expenditures will take up almost 25 percent of

the Gross National Product between 1975 and 1977.¹⁴ Ambitious programs in electric production, irrigation, hospitals, tourist facilities and schools are planned for the next few years.

Thus the broad historical context of the present analysis is one of increasing scope in both Costa Rica and El Salvador. The trend appears to be irreversible as ideology and political circumstances have combined to limit and regulate the sphere of private activity.¹⁵ Differences in scope notwithstanding, the question to be answered in this study is whether centralized or decentralized structures are the most appropriate ways of absorbing its observed expansion.

Horizontal Centralization

Costa Rica and El Salvador differ significantly on horizontal centralization. National political institutions in Costa Rica are characterized by a genuine separation of powers, a decentralized administrative structure, and a competitive party system. By contrast, the pre-eminence of the presidency is a central fact of Salvadorean politics. All instruments of government are dependent on this office through an intricate web of centralized control.

Costa Rica is governed by the 1949 Constitution. This document was written by an elected constitutional assembly at a time when fear of the executive was very strong in the country. The powers of the president were circumscribed

while those of the legislative and judicial branches were strengthened. The electoral system was placed outside the control of the president or the congress. Appointed officials were given long tenure to protect them from political pressures. El Salvador is governed by a constitution promulgated in 1962. The assembly which wrote it was composed entirely of members of the National Conciliation Party, the electoral instrument of the Armed Forces. The constitution did not provide for adequate safeguards against electoral fraud, thus making it easy for the official party to perpetuate itself in power.

Horizontal Centralization in Costa Rica¹⁶

The Costa Rican president is a relatively weak figure compared to his counterpart in El Salvador. The constitution and the organic laws of numerous autonomous agencies determine how a large portion of public moneys is spent. The president cannot veto the national budget as passed by the congress. Vice-presidents and ministers often disagree publicly with him on important issues, and fights among ministers are common. The president's control over the police forces is not absolute. There exist three national police forces, each under a different ministry. In addition, there is a judicial police in charge of investigating crimes. The constitution also requires the president to allocate police forces to the congress and empowers the Supreme Electoral

Tribunal to assume at least nominal control over the police during election time. There is no army in Costa Rica. The president is elected for four years and cannot succeed himself, but must wait eight years before running for the office again. Presidents affiliated with three different parties have held office since 1950.

The national administration is horizontally decentralized across 51 major and dozens of minor autonomous and semi-autonomous institutions which administer 50 percent of all public expenditures in relative independence from the president. The largest of these agencies are governed by a seven-member board of directors appointed by the president and his ministers for eight-year terms in such a way that every new administration appoints three board members at the outset of its term. The agencies are free from ministerial supervision or review. Their budgets are prepared independently of the executive and are approved only by the Comptroller General's Office, which is under the authority of the congress. They remain separate "islands of power" within the Costa Rican administrative structure, not easily brought under the dominion of presidents and their ministers.¹⁷

The Costa Rican congress has recently been described as one of the most influential in the world.¹⁸ It is a unicameral body composed of 57 members elected through a party list system for a period of four years. The congressmen

cannot be re-elected and must wait four years before they can run again. Each province constitutes an at-large electoral district and is assigned representatives according to its population. For 25 years, the National Liberation Party (PLN) has been the most important party in the congress, controlling most leadership positions. However, its legislative control has never been overwhelming, except for the 1953-1958 period when the party held 30 out of 45 seats. Table 3 shows the number of congressional seats won by the PLN between 1958 and 1974. In 1962 and in 1966, the party won a precarious one-vote majority and in the 1974 election it fell short of an absolute majority. Table 4 gives the results of the 1974 congressional election.

Party discipline is high by U.S. standards. Dissidents have been sanctioned and even expelled from some parties. Nevertheless, even the PLN, widely regarded as the most disciplined of the major parties, is not always successful in keeping the membership in line. During 1970-1974, PLN representatives voted to override several vetoes of PLN President Jose Figueres, whose administration was severely criticized by fellow party members in the congress.

The congress is aided in its duties by a watch-dog agency, the Comptroller General's Office (Contraloria), which approves all public expenditures, supervises the administration, has broad investigative powers, and acts as a

TABLE 3
 CONGRESSIONAL SEATS WON BY THE NATIONAL LIBERATION
 PARTY
 1958 - 1974

<u>Party</u>	<u>Number of Seats</u>				
	1958	1962	1966	1970	1974
National Liberation	30	29	29	32	27
Other parties	<u>15</u>	<u>28</u>	<u>28</u>	<u>25</u>	<u>30</u>
	45	57	57	57	57

Source: Supreme Electoral Tribunal, San Jose, Costa Rica.

TABLE 4
 CONGRESSIONAL ELECTION RESULTS
 Costa Rica, 1974

<u>Party</u>	<u>Number of Seats</u>
National Liberation	27
National Unification	16
National Independent	6
Democratic Renovation	3
Socialist Action	2
Other	<u>3</u>
	57

Source: La Nacion, March 7, 1974, p. 8-A.

multi-purpose administrative tribunal, interpreting laws and regulations. The office is headed by a comptroller and an assistant comptroller elected by the congress for eight years midway through a presidential term.

The judiciary is composed of a 17-member Supreme Court and several lower courts. Supreme Court justices are elected by the congress for eight-year terms. They are automatically re-elected unless the congress decides otherwise by a two-thirds vote. The Court can declare a law unconstitutional by a two-thirds vote. This two-third majority requirement operates to the disadvantage of the Court, which is wary of passing on the constitutionality of laws unless they clearly deviate from the letter of the constitution. This timidity deprives the country of many unwritten constitutional norms. However, the Court has not hesitated to issue injunctions against arbitrary executive decrees. In 1972 and again in 1973, it ruled in favor of individual requests for protection (amparo) against the president or his ministers.¹⁹

The Costa Rican electoral system is regulated and administered by the Supreme Electoral Tribunal (TSE), a "fourth branch" of the government.²⁰ Its members are appointed for six-years by the Supreme Court, by a two-thirds vote of its membership. The Tribunal can veto legislation on electoral matters. The congress can override a veto by a two-thirds vote, but not during the six months before and

four months after an election. According to Charles Denton, the independence of the Tribunal has insured that Costa Rican elections are among the most honest in the world.²¹ At the time of the 1974 elections, all of the parties involved expressed their confidence in the integrity of the TSE, and election results were universally accepted as valid.

Horizontal Centralization in El Salvador²²

The president in El Salvador is far more powerful than his counterpart in Costa Rica. His control over public expenditures is almost total. Twelve ministries administer 65 percent of all public expenditures. In addition, the executive must approve the budgets of the autonomous agencies. All presidents since 1960 have been military officers and members of the National Conciliation Party. The army, the navy, the air force, and the national guard are consolidated under the Ministry of Defense. Army officers occupy key posts in the national administration as ministers and as directors and managers of autonomous agencies.

The autonomous agencies have little independence from the executive. The president appoints the chairman of the board who in most cases exercises administrative control with the assistance of a general manager. Directors are appointed by the various ministries. Their terms of office vary between two and five years, depending on the agency. Every autonomous institution is attached to a parent ministry

which oversees activities and plans. Budgets must be approved by the respective ministries for submission to the Ministry of the Treasury, which in turn forwards them to the National Planning Council (CONAPLAN), a presidential agency, for final executive approval.

The Salvadorean congress is unicameral, composed of 52 members elected at large on a party list from each of 14 departments. In 1967, Charles Anderson described it as ". . . little more than a rubber stamp, convened to maintain constitutional proprieties for the strong executive leader."²³ That observation remains true today.

The weakness of the Salvadorean congress lies in the fact that it is under the near-absolute control of one political party. Since 1962, the National Conciliation Party (PCN) has won approximately two-thirds of all legislative seats, except during the 1968 election. Table 5 shows the party distribution in the congress during the last two legislative sessions, 1972-1974 and 1974-1976. As can be appreciated, the combined forces of the opposition number less than one-third of the total membership and its effectiveness is thus limited to "moral power" as an opposition Congressman put it in an interview. The PCN majority votes unanimously with the president on all important issues. No vetoes have been overridden in recent times.

TABLE 5
NUMBER OF CONGRESSMEN BY PARTY
IN EL SALVADOR

Party	Number of Seats	
	1972-1974	1974-1976
National Conciliation	39	36
National Opposition Union	8	15
Democratic Independent United Front	1	1
Salvadorean Popular Party	4	0
	52	52

Source: Central Electoral Council, San Salvador, El Salvador.

A number of constitutional provisions combine to weaken the position of the congress vis-a-vis the president. First, the congress elects the three members of the Central Electoral Council (CCE), the agency in charge of regulating and administering the electoral system, one each from lists submitted by the executive, the Supreme Court, and the congressional leadership. This has allowed the PCN to appoint sympathizers to the CCE board which manipulates elections in its favor. Second, the congress has the authority to elect the president among the two highest vote-getters if no candidate wins an absolute majority of all votes cast. This further involves the congress in electoral politics, this time at the presidential level. Given the power of the president, this bodes ill for the congress. A party needs a majority in the congress in order to insure that its candidate

will be elected president in a close race. Thus, in order to retain control of the executive, the PCN needs to keep the congress under its control. Third, congressmen are elected for two-year terms. Although they can be re-elected indefinitely, such a short tenure puts them at a disadvantage vis-a-vis the president, whose term lasts for five years. A freshman legislator must be re-elected two times before he can outlast a president. PCN members cannot stray too far from the fold or else they will be left out of the party's congressional list.

Finally, a Court of Accounts, which is the Salvadorean equivalent of the Costa Rican Comptroller, has nothing like the powers of the latter. Its decisions can be revoked by the executive, except for those dealing with a lack of funds to cover an expenditure. The Court is headed by three magistrates elected by the congress for a period of only three years. Their short tenure undermines their independence. The court is little more than a mechanical inspector of paperwork.

The Salvadorean judiciary is composed of a 10-member Supreme Court, a court of appeals, and several lower courts. The justices are elected by the congress to the Supreme Court for a three-year term. If they are elected three consecutive terms, they occupy the office for life. The judiciary has no financial independence. It is meek and subservient to the

executive, and completely beholden to the ruling political party. Judges have no way of enforcing their decisions on the police. In many areas of the country, they are viewed as instruments of the national guard. No rulings against the president have been handed down in recent times. Important bills submitted by the president already come with a favorable constitutional ruling from the Supreme Court.

The electoral machinery is regulated and administered by the Central Electoral Council for the benefit of the National Conciliation Party. References to electoral fraud are common in El Salvador. In the 1974 elections, for example, the CCE disqualified congressional lists submitted by the largest opposition party, the National Conciliation Union (UNO) in three departments, thus assuring the PCN 11 seats. A UNO Congressman said in an interview that many electoral boards were packed with PCN activists, that UNO observers were intimidated by the police and kept out of precincts, that ballot boxes were stuffed with PCN votes after the election was over, and that in several departments the votes were counted several hours after government officials had had a chance to examine the ballots. All these charges were categorically denied by the PCN, which accused the opposition of being sore losers who followed international signals of subversion and agitation. It is worth noting that the CCE had not released its official returns by the time the "winners"

were inaugurated, more than three months after the elections were held.

Large-scale fraud also appeared to characterize the 1972 presidential election. Independent observers agree that it was an imposicion (imposition). The election, held on Sunday, February 20, offered three major candidates: Col. Arturo Armando Molina, private secretary of President Fidel Sanchez, by the PCN; Jose Duarte, UNO leader and three-term mayor of San Salvador; and Gen. Jose Medrano, hero of the 1969 war with Honduras, sponsored by the Democratic Independent United Front (FUDI), which occupies the "far right" of the ideological spectrum. On election day, the CCE required all radio and television stations to hook up together in a national chain and report its own official count only, thus monopolizing the flow of information on the results. At about 4:00 p.m. on Monday, the Council suddenly suspended the count. Twelve hours later, it released preliminary totals which showed Molina ahead over Duarte by almost 22,000 votes. On Tuesday morning, however, the electoral board of San Salvador department, where UNO is strongest, publicly challenged CCE's figures for the department, which showed UNO with about 28,000 votes less than what the board had reported to the council. The difference was enough to swing the election the other way, with UNO ahead by less than 6,000 votes. CCE's president responded by re-emphasizing the "provisional" nature

of the count, and indicated that "the only ones authorized by law to inform on election results . . . are the members of the Council."²⁴ He also denounced newspaper reports of the discrepancy which, he said, only furthered the purposes of leftist elements bent on chaos. In the week that followed, the Council juggled vote totals from other departments to give the victory to Molina by a margin of almost 10,000 votes. This did not represent a majority of all the votes cast, and the election was thrown into the Congress. There, on February 25, only hours after the CCE announcement, the PCN membership disregarded all opposition pleas for a recount and promptly declared Molina the winner.

To summarize: The National Conciliation Party is used as a political machine to carry out the will of the executive in the congress. The organization gets the necessary votes automatically. Control over the Supreme Court and the Central Electoral Council is thereby assured. It is this feature, more than any other, which permits the military to reign supreme in El Salvador.

Vertical Centralization

In this section, two aspects of vertical centralization will be analyzed. First, the ties between local governments and community organizations to national institutions are contrasted between the two countries. It will be shown that in Costa Rica local autonomy is much greater than in El

Salvador. Second, the internal structure of political parties in both countries will be compared. It will be argued that although political parties are ruled by party professionals in both countries, local party power plays a larger role in Costa Rica.

Center-Local Linkages in Costa Rica

In comparison to most of Latin America, local autonomy is high in Costa Rica. The country is divided into three levels of government. In 1973, there were 7 provinces, 79 cantons and 406 districts.²⁵ The provinces are administrative units of the national government headed by a governor appointed by the president. The governors have no real power and perform mainly ceremonial functions. The cantons are territorial units governed by the municipalities. In response to local demands, the congress has increased their number over the years, from 61 in 1942 to 80 in 1975.²⁶ They are subdivided into districts.

The municipalities operate under a council-manager form of government. Councilmen are elected at large on a party list in a system of proportional representation. The districts send non-voting delegates to the council known as sindicos. In some areas, municipal district councils headed by the sindico administer a portion of municipal funds.

Unlike most of Latin America, there is no hierarchical chain of command linking local governments to the national

executive. The municipalities are free from ministerial supervision and control. However, vertical ties do exist between local governments and the congress. Changes in the local tax structure must be approved by the national legislature, and municipal budgets, like all government budgets, have to be submitted to the Contraloria for approval. Central aid to local governments is provided directly by the congress, which sets aside two percent of the total budget for distribution to local units.

Aside from providing the usual range of local services, Costa Rican municipalities constitute an important source of investment in infrastructure, especially country roads, in which they share financial and operational responsibility with the Ministry of Transportation and Public Works (MOPT). In 1972, 40 percent of municipal expenditures were capital expenditures.²⁷ However, local expenditures account for less than 10 percent of all public expenditures. The true significance of local governments rests in their role as demanders and coordinators of central programs and policies.

One of the most important functions performed by the municipalities in Costa Rica is that of coordination of government programs within their jurisdictions. They are intimately linked with field offices of ministries and autonomous institutions. Sometimes on an adversary relationship, sometimes on a cooperative basis, municipal and national officials

integrate the many and diverse programs of public institutions at the local level through joint investments, inter-agency councils, mutual-aid pacts, leagues of cities, and other forms of collective action. The municipalities also appoint the members of local boards which work with national ministries in various policy areas, like education and road building.

Another service performed by local governments is that of ombudsman. Citizens who feel aggrieved or resentful with the performance of a ministry or an autonomous agency call on the local government for help, a request which is almost invariably granted. Local leaders contact responsible officials and pressure them to satisfy citizen demands.

But perhaps the most important role of the municipalities is in demanding central services and investments. Individually and collectively, local governments are powerful lobbyists in the congress and within the central administration. They often succeed in diverting funds intended for national projects to their own purposes. Local pressures on the national government are also exerted in the fields of national and even foreign policies. Municipal resolutions on a great range of policy issues are regularly published in the newspapers, addressing local concerns to labor disputes, bus service, or the decision to establish diplomatic relations with South Africa.

All local officials interviewed indicated that municipal powers are increasing in Costa Rica. Certainly, the aggressiveness of local governments and their complete autonomy from the executive branch stand out as highly unusual features in the Latin American region.

Another important set of local institutions are the 300 public corporations organized on district, cantonal and provincial levels. They are known as "development associations" and are registered with the General Office of Community Development (DINADECO), a department within the Ministry of Government. The associations receive a percentage of the property tax collected within their jurisdictions. DINADECO assists local leaders by organizing training sessions and seminars, but it has no control over their internal affairs. These corporations engage in self-help projects within their communities, building bridges, waterworks, health centers, police stations, and other projects of local concern. The corporations also lobby in the national congress and in municipal councils for financial aid.

Center-Local Linkages in El Salvador

Local governments in El Salvador are under the tutelage of the national executive. The country is divided into two levels of government -- 14 departments and 261 municipios, or local governments. The departments are headed by a governor appointed by the president through the Ministry of the

Interior. This official has real power, as he must approve municipal budgets and can veto local ordinances. He also rules on the appropriateness of municipal requests for central aid. His main task is to insure that central policies are carried out by the municipalities, although in some instances he lobbies in favor of local interests before the central government. However, a mayor in the department of Ahuachapan confided that he likes to bypass the governor whenever possible and deal with central officials directly in order to save time and cut down on red tape.

The municipalities are organized on a modified form of strong-mayor government. A council is elected at large on a party list headed by the mayoral candidate. There is no proportional representation, so that the party which wins the election gains control over all local posts. The mayor easily dominates the council.

Local governments are under the control of the Ministry of the Interior which rules on their budgets, expenditures, and ordinances, and licenses the municipal secretary, an important local functionary. Most municipal revenues are deposited in a central treasury under the Ministry of the Interior, and individual disbursements have to be approved by the ministry upon the request of the municipal council. All central aid to local governments is channelled through Interior, which allocates subsidies and acts as an intermediary

between other central institutions and the municipalities. For example, if a city wants the assistance of the Ministry of Public Works to pave its main street, regulations require that its government file a request for help to the governor, who forwards it to the Ministry of Interior with his comments, where it is evaluated and then sent to the Ministry of Public Works which, if willing, contacts its field offices in the area. Such a cumbersome procedure means that local projects are often delayed for six months or more before being put into effect and are repeatedly interrupted during construction due to a foul up in red tape.

Local officials in El Salvador believe that local governments are getting weaker. They complain of memoranda of instructions from Interior which subvert their independence. Several interviewees told bitterly of a new regulation which prohibits local governments from auctioning off the right to operate a bingo parlor during local festivities for more than six days and then only with the ministry's approval. Previously, the right was extended for a month. To operate the game for six days is not profitable, so the measure will have an adverse effect on municipal income. "The municipalities are being choked. They will end up as historical relics," concluded one interviewee. Another characterized municipal autonomy as "a myth."

The lack of municipal independence appears to be negatively associated with the coordination of central programs at the local level and the spirit of self-help among the citizenry. In describing local government in El Salvador, Henry Kantor observes that "The system is extremely centralized, yet not really a system of local government, as the various branches of the national government function in all parts of the country with little coordination between the various groups at the local level."²⁸ This assessment was confirmed by local officials interviewed in several departments. Field offices of ministries and autonomous agencies do not integrate their programs through the municipalities as in Costa Rica; rather, each one carries on in isolation from the rest.²⁹

Mayors also complained about local apathy and the lack of civic spirit among the citizenry. The lack of municipal strength apparently discourages volunteer efforts at the community level. The municipality, in turn, abstains from lending its support to protest movements against central policy. Whereas in Costa Rica local governments almost always come to the aid of aggrieved citizen groups, in El Salvador they stay on the sidelines, inhibited by their dependence upon the Ministry of the Interior. For example, in 1973, during a nationwide protest against an increase in water rates by the National Administration of Aqueducts and Sewers (ANDA), between 400 and 500 citizens marched in a departmental capital in the

western part of the country. The mayor met with the organizers and advised them to act peacefully; otherwise, he avoided getting involved. In Costa Rica, the municipality would have been at the forefront of the conflict, acting as an official pressure group in favor of its clientele.

As in Costa Rica, there are neighborhood community organizations. However, they have no corporate status and no financial independence. They are managed by a presidential agency, the Office for Community Development and Self-Help (FOCCO). Subsidies for community works are in the form of materials and food sent from the central offices of FOCCO. The agency's executive council must approve every neighborhood project. All community works are simultaneously inaugurated by the President of the Republic every four months, by cutting a symbolic ribbon in a national ceremony which is broadcasted by radio.

Political Parties and Vertical Centralization

In both Costa Rica and El Salvador, political parties are run from the top by central committees of party professionals. The central committee is elected by a national assembly whose members are several times removed from the rank and file. Their method of selection is as follows: Regular party members meet in district assemblies to elect delegates to the municipal assembly, which in turn sends representatives to the provincial or departmental assembly which elects the

national delegates. This procedure tends to filter out challengers to the established leadership. The national assembly also draws up lists of candidates for congressional districts even though they are elected at the provincial or departmental level. This permits the central leadership to place its own people at the head of each list, further undermining popular control. Thus, in both countries, vertical centralization of the parties is high.

However, vertical centralization of the political parties is somewhat tempered in Costa Rica by the practice of geographic balancing of party lists. In their choice of congressional aspirants, the parties seek local leaders from the most important cantons within each province; similarly, municipal lists include, whenever possible, representatives from all the districts of a canton. In El Salvador, on the other hand, candidates for the congress and for municipal office are chosen on the basis of their identification with organized interest groups -- agriculture, labor, commerce, industry, professionals, and other corporate associations -- which are oriented toward the national level. Moreover, in Costa Rica, the Democratic Renovation Party experimented with direct primaries in 1973, something which has not been tried in El Salvador.

Policy Performance

Horizontally as well as vertically, Costa Rica is less centralized than El Salvador. The former's over-all structure is unquestionably pluralist, while the latter's closely fits the monistic model of organization. What are the consequences of this difference for policy performance?

Three criteria for evaluating policy performance were discussed in Chapter I. These are: the efficiency of public investments, equity in the allocation of the costs and benefits generated by government projects, and the degree of deprivation and violence associated with public policy. The operationalization of these concepts at the national level is inevitably more impressionistic than the policy evaluations presented in the case studies of later chapters, and causal inferences about relations among variables are virtually impossible to prove conclusively. Nevertheless, even at this high level of aggregation of findings, clear contrasts between the two countries emerge.

Efficiency.

The analysis of efficiency compares the performance of Costa Rica and El Salvador on transportation policy. Transportation was chosen because first, it is an area of activity where the governments of both countries play a predominant role, thus controlling for scope; and second, the organizational structures through which policies are selected

and implemented differ greatly on centralization between the two countries. Whereas in Costa Rica municipalities and community organizations actively participate in demanding and investing resources in transportation, in El Salvador this local role is practically absent. In Costa Rica, local pressures are forcefully exerted on decision-makers to correct errors, cut back on waste, and adjust policies so that local needs may be met; in El Salvador, decision-makers are not guided in their choices by such signals from below. Consequently, in Costa Rica there is a greater tendency than in El Salvador to conserve and allocate resources efficiently.

A transportation network is composed of three principal elements: roads, railways, and airfields. In Costa Rica, control over these components is divided among a ministry, two autonomous agencies, eighty municipalities, and dozens of community organizations. In El Salvador, transportation policies are centralized in two large national institutions -- a ministry and an autonomous agency -- while local structures do very little.

In Costa Rica, the Ministry of Public Works and Transportation (MOPT) builds and maintains airports, airfields, and national highways. MOPT also builds country roads on a cooperative basis with the municipalities. The ministry puts up the machinery, personnel, and one-half of the materials while the municipality defrays the cost of fuel, over-time pay, and the other half of the materials.

There are two railway systems, the Atlantic and the Pacific, each administered by an autonomous institution. The Atlantic system runs from San Jose, to Cartago and Turrialba and on to Limon. It is administered by the Board of Port Administration and Economic Development of the Atlantic (JAPDEVA), a regional agency. The Costa Rican Institute of Ports (INCOP) manages the Pacific railroad, which links San Jose to Puntarenas.

Local governments are active in all areas of transportation, especially in the construction and maintenance of country roads, one of the most important municipal functions. Many local governments own machinery and do their own work independently of MOPT while others contract with the ministry or larger cantons for the job. Periodically, cantons and districts band together in order to pressure MOPT into building a particular road, or to pool their resources together in order to work on a project of mutual interest. Development associations, district councils and municipalities raise money and materials and donate labor for the construction of roads and bridges and aggressively demand the allocation of MOPT machinery and personnel to their areas. On several occasions during 1973, local residents blocked the transfer of MOPT machinery out of their area until the job they had been assigned to do was completed. In September, 1973, the canton of Pococi, in Limon province, threatened to secede and join

Heredia province unless JAPDEVA and MOPT agreed to build a bridge that would link the canton to the central plateau by road; the canton was not obliged to carry out its threat as its demands were met.

Costa Rican municipalities also pressure JAPDEVA and INCOP to improve schedules and lobby with MOPT for the construction of airfields. On several occasions, the Puntarenas city council has held joint sessions with INCOP directors to iron out differences and coordinate policies. Towards the end of 1973, some local officials were pushing the idea of transferring the management of airfields to the municipalities. According to a 1971 map, there are approximately 75 landing strips and airports throughout the country. Two new international airports are planned by MOPT, one each for the provincial capitals of Puntarenas and Liberia.

The over-all complexity of transportation institutions in Costa Rica is great. Each set of organizations pursues its own sphere of interests, building political support and raising resources for the development of its preferred projects. Conflict and cooperation integrate the various structures into a dynamic system of growth.

In contrast to Costa Rica, the local role in road construction and maintenance is minimal in El Salvador. Most of the work is done by two departments within the Ministry of Public Works (OOPP). The Department of Urbanism and Architecture (DUA) is in charge of national highways and city

streets, and the Department of Country Roads ("Caminos") does most of the work on country roads. Only the two or three largest municipalities in El Salvador own machinery. The others depend entirely on DUA or "Caminos", but these bureaus do their planning at central headquarters. "Caminos" is particularly unresponsive to local demands. Several mayors interviewed complained of having to beg field personnel for small favors.

Railroads and airports fall under the jurisdiction of the Autonomous Commission on Ports (CEPA), an agency which also manages maritime facilities. CEPA's orientation is towards the outside world and has neglected internal transportation. Its largest project to date consists of a modern harbor in Acajutla. Now the agency is planning to build a large jetport to serve the capital in an area known as Comalapa, 18 miles southeast of San Salvador, at a projected cost of \$40 million. In the meantime, there exist no internal commercial flights. Rail transportation is so poor that a Congressman described the railroad system as a "cadaver."

In El Salvador, local governments provide none of the policy initiative exerted in Costa Rica. They are not investors, and their sphere of influence is being narrowed, not expanded, as in Costa Rica. Now "Caminos" is thinking of assuming complete control over country roads. Municipalities have been reduced to the role of supplicants of central favors, niggardly distributed.

Having shown that there is a substantial difference on centralization with regard to the organization of transportation policies, the question arises as to whether this makes any difference in regard to policy performance. What does the data show?

Table 6 indicates that Costa Rica's road network totals 12,658 miles, which is almost two and a half times El Salvador's total of 5,216 miles. As Table 7 shows, Costa Rica's total represents .007 miles per inhabitant, which is seven times El Salvador's ratio. The ratio of paved miles to the number of motor vehicles is the same for each country, .02 miles per motor vehicle. But when gravel, stone, and stabilized soil surface roads are added, the ratio of good roads to the number of motor vehicles is .09 in Costa Rica as opposed to .04 in El Salvador, or more than twice as great. Even when earth roads are added to El Salvador's total length of good roads, the ratio is .07 miles per motor vehicle, or three-fourths Costa Rica's ratio. When all roads are included, the ratio of total mileage to the number of motor vehicles is .29 in Costa Rica, more than twice as great as El Salvador's ratio of .14 miles per motor vehicle. However, since many unimproved roads are fit only for jeeps and steer-pulled carriages, this indicator is not as useful as the others. Nevertheless, it is clear that Costa Rica's road network has a greater over-all capacity than El Salvador's.

TABLE 6
ROAD NETWORK
COSTA RICA - EL SALVADOR

<u>Type of Road</u>	<u>Country</u>			
	<u>Mileage</u>	<u>Percent of total</u>	<u>Mileage</u>	<u>Percent of total</u>
Paved	891	7	724	14
Gravel, crushed stone or stabilized soil surface	3067	24	926	18
Earth roads graded and drained			923	18
Unimproved	8700	69	2643	50
	<u>12,658</u>	<u>100</u>	<u>5,216</u>	<u>100</u>

Source: Statistical Yearbook for Latin America, 1973. New York: United Nations.

TABLE 7
ROAD RATIOS
COSTA RICA - EL SALVADOR

<u>Ratio</u>	<u>Country</u>	
	<u>Costa Rica</u>	<u>El Salvador</u>
Total mileage per inhabitant	.007	.001
Total mileage per vehicle	.29	.14
Total mileage per square mile of area	.65	.63
Paved road mileage per vehicle	.02	.02
Paved, gravel, stone, and stabilized soil surface roads per vehicle	.09	.04

Source: See Tables 1 and 6 of this chapter.

On the other hand, paved roads constitute 14 percent of total road mileage in El Salvador, twice as much as in Costa Rica. The ratio of paved road miles to the total land area of the country is .09 in El Salvador, two times Costa Rica's ratio. These figures reflect the fact that El Salvador has a well-developed national system of paved highways linking all major cities. Costa Rica, however, has not paved all its national highways as its priorities appear to place a higher value on regional and local roads linking small villages to larger towns and cities which are mainly used by farmers to transport their produce to markets. Thus Costa Rica's policies are geared towards less expensive roads which are more in keeping with the needs of a rural, developing country. Paradoxically, El Salvador, with a per capita Gross National Product only 58 percent that of Costa Rica's, allocates resources to paved highways as if it were the wealthier country. Since paved highways benefit urban, high income groups more than they benefit the rural poor, this finding also implies that El Salvador's policies are less equitable than Costa Rica's. More about this below.

Costa Rican railroads are far superior to their Salvadorean counterparts in the efficiency of service and the conditions of the trains. Table 8 shows that the length of the railway line is longer in El Salvador than in Costa Rica, 372 miles as opposed to 344 miles. However, in Costa Rica,

TABLE 8
 LENGTH AND UTILIZATION OF RAILWAYS
 COSTA RICA - EL SALVADOR
 (1970)

<u>Variable</u>	<u>Country</u>	
	<u>Costa Rica</u>	<u>El Salvador</u>
Length of the line (in miles)	344	372
Millions of ton-miles of freight transported	91	38
Millions of passenger-miles transported	57	17

Source: Statistical Yearbook for Latin America, 1973. New York: United Nations.

the railroads are used much more intensively than in El Salvador. In 1970, Costa Rican railroads transported 91 million ton-miles of freight, almost two and one-half times El Salvador's total, and 57 million passenger million passenger miles, more than three times El Salvador's total.

Internal air transportation, too, is very important in Costa Rica while it plays no role whatsoever in El Salvador. In San Jose, one is about 30 minutes and five dollars away from practically anywhere in the country. In 1971, Costa Rican airlines flew 4,560 hours, covered 1.02 million miles, and transported 158,159 passengers and almost 2 million ton-miles of cargo. In El Salvador, on the other hand, there are no internal flights, not even to far-away places like La Union

or San Francisco de Morazan, two departmental capitals in the Eastern region of the country. To get there, the average traveller must either drive or ride uncomfortably in a crowded bus for six to eight hours. The very rich ride their own planes to their private estates.

The data on transportation suggest that the Costa Rican system has struck a balance among three modes, developing roads, railroads, and air service simultaneously, while in El Salvador, only roads have been developed and at lower per capita and per vehicle ratios than in Costa Rica. The overall capacity of the transportation system is greater in Costa Rica than it is in El Salvador. On the other hand, expensive paved highways constitute a larger percentage of total roads in El Salvador even though it is poorer than Costa Rica. Costa Rica thus appears to have allocated its resources more efficiently, and with a better sense of the needs of a poor, rural economy than El Salvador.³¹

Equity.

As Table 9 shows, revenue sources for the national governments of Costa Rica and El Salvador are about the same. On the basis of these data, nothing can be said regarding differences between the two countries on the allocation of the costs of government programs.

As for the allocation of benefits, there are similarities as well as differences. In both countries, the benefits

TABLE 9
REVENUE SOURCES OF THE CENTRAL GOVERNMENT, 1972
COSTA RICA - EL SALVADOR
(Percentages)

<u>Source</u>	<u>Country</u>	
	<u>Costa Rica</u>	<u>El Salvador</u>
Indirect taxes	51	60
Direct taxes	16	20
External borrowing	12	7
Internal borrowing	13	6
Other ^a	18	7
	<u>100</u>	<u>100</u>

^aNon-taxed revenues secured from the sale of licenses, title transfers, permits, etc.

Source: Ministerio de Hacienda, Memoria Anual, 1972, San Jose, Costa Rica; and Ministerio de Hacienda Informe Complementario Sobre la Hacienda Publica, 1972, San Salvador, El Salvador.

of government programs and investments have gone to a substantial degree to public employees, administrators, and a new class of entrepreneurs who have accumulated wealth by securing privileges under pro-industrialization laws and by supplying government agencies with goods and services. The employees of the central banks are privileged groups in both countries. In El Salvador, the military continues to rival the aristocracy for social status. In Costa Rica, bureaucrats constitute an influential middle class whose organized power is something to be reckoned with; in particular, teachers and physicians employed by government occupy positions of privilege.

The countries differ, however, on the geographic distribution of the benefits of public policy. Earlier in this chapter, it was shown that in Costa Rica national institutions are more responsive to local demands and interests, and that municipalities are much more aggressive in pressuring the congress and the national administration for investments than in El Salvador. As a result, the benefits of government investments are spread out more evenly over the entire country in Costa Rica than in El Salvador. The gap between urban and rural areas is not as pronounced, and provincial capitals and smaller towns have not lagged as far behind the capital in Costa Rica as in El Salvador. This difference is illustrated by figures on the distribution of telephones, which in both Costa Rica and El Salvador are administered by government agencies. Whereas approximately the same percentage of the population resides in the capital cities of both countries, 75 percent of all telephones in El Salvador are located in the capital; in Costa Rica, the proportion is 52 percent.³²

In Costa Rica, all provincial capitals, including the most backward, Limon, have something to show for two decades of active government involvement in the economy. Many other cities and small towns of the central plateau, and even outside of it, like Turrialba and San Isidro de El General, have received a substantial share of public investments. In most Costa Rican cities and in many small towns and villages,

investments in schools, churches, municipal buildings, community centers, parks, aqueducts, sewers, streets and sidewalks, soccer fields, and other bits and pieces of infrastructure are evident. The municipal buildings of Puntarenas and San Isidro de El General rival government offices in San Jose in comfort and modernity, albeit on their own scale.

In El Salvador, on the other hand, the benefits of public investments are heavily concentrated in the capital. Government-owned high-rises, elegant boulevards, large parks, stadiums, public housing, markets, sports facilities, have been disproportionately allocated to San Salvador. Not even the suburbs around the capital have benefited much. And the countryside, of course, has suffered. Outside of San Salvador, the visitor finds inadequate public facilities almost everywhere he goes. Town squares are uncared for, the streets are muddy and ridden with pot holes, schools are old and overcrowded, and municipal buildings are in need of repairs and a fresh coat of paint. Chalatenango, a departmental capital only 25 miles from San Salvador, still looks pretty much as it did in the 19th century. Its cobblestone streets, fire-wood stoves and sleepy atmosphere are charming characteristics in their own way, but they also testify to the lack of change that has taken place there. The church is falling apart and the municipal building is dirty and foul-smelling. In San Vicente, another departmental capital, the

feeling is not just of stagnation, but of decay. The city does not own a soccer field; a large, old municipal building has known better times; dust and weeds have replaced what once must have been the lawns of an elegant central park. With the exception of Santa Ana, Sonsonate, and San Miguel, three large departmental capitals, the same applies to the rest of the country. Cities, towns, and villages are not part of San Salvador's movement toward change and modernization.

The countries also differ with regard to internal patterns of population distribution and population growth.³³ In Costa Rica, the capital's share of the population of the province of San Jose has dropped from 39 percent in 1952 to 33 percent in 1973. Its share of the total population of the country also has gone down, from 14 percent to 12 percent. During the same period, the capital's share of the total population in El Salvador has increased, from 9 percent to 11 percent, although its share of the population of San Salvador department has dropped from 58 percent to 55 percent. It is interesting to note that in El Salvador, as in most of Latin America, thousands of rural families are migrating to the capital, where they build rudimentary squatter settlements along rivers and ravines. In Costa Rica, there is no such mass movement from the countryside to the capital.

In El Salvador, the density and growth of the central department is proportionately higher than in Costa Rica. San Salvador department has a population density of 782 persons/ Km^2 , which is 3.53 standard deviations above the departmental mean of 199 persons/ Km^2 . San Jose province has a density of 136 persons/ Km^2 , which is 2.07 standard deviations above the provincial mean of 49 persons/ Km^2 . Thus, San Salvador's relative position within El Salvador is almost 1.5 standard deviations above San Jose's position within Costa Rica.

An analysis of data on population growth for the period 1952-1973 shows that San Salvador department grew 134 percent, as against an over-all increase for the country of 103 percent, making it the fastest growing department in the country. On the other hand, while San Jose province has grown faster than Costa Rica as a whole, the difference is minor, 120 percent as against 115 percent, and the province is not the fastest-growing in the country. Puntarenas, a coastal province outside the central plateau, surpasses San Jose with a 139 percent increase. It is also interesting to note that in 1950, the population density of El Salvador was 5.18 times greater than Costa Rica's while San Salvador's density was 5.40 times greater than San Jose's. In 1973, El Salvador's density was 4.83 times Costa Rica's but San Salvador's density was 5.75 times San Jose's. Thus while El Salvador's population density has gone down relative to Costa

Rica's, San Salvador's density has gone up relative to San Jose's.

The data on population growth and distribution is associated with the distribution of the benefits of public investments in both Costa Rica and El Salvador. In Costa Rica, the benefits of public policy and the population are more widely distributed than in El Salvador; and, while the capital's share of total population has gone down in Costa Rica during the last 20 years, in El Salvador, the capital's share has gone up. This relationship is not hard to explain. Resources allocated by the political system generate employment and business in areas favored by decision-makers, providing economic incentives for people to migrate there. If the political system allocates resources to the center in a greater proportion than to the provinces, that is where the population is going to go. As the scope of such a system expands, it transfers resources from the countryside to the capital in ever-increasing amounts, thus forcing the rural population to migrate there in search of economic advancement.³⁴

In response to local pressures, Costa Rica's political system has allocated resources more evenly than El Salvador's centralized political structure, which is largely indifferent to local demands. Consequently, the pull of the capital and the central province is not as great in Costa Rica as it is in El Salvador. It may therefore be concluded that in Costa Rica

the geographic allocation of the benefits of public investments is more equitable than in El Salvador.

Political Violence.

Political violence is the aspect of policy performance where the clearest relationship with centralization emerges. The most glaring difference between Costa Rica and El Salvador involves the level and types of violence associated with public policy. In Costa Rica, violence in a mild form is an integral aspect of decision-making, used by citizens, business groups and labor unions to call attention to specific grievances or as a bargaining tool to exact concessions from decision-makers. It is issue-oriented, localized, and brief, and it is limited to strikes, demonstrations, and the blocking of streets. Government repression is low and violence among contenders for public office is practically nonexistent. In El Salvador, on the other hand, citizen protest and labor unrest are kept low by government repression, and political rivals battle each other with bombs, shoot-outs, kidnappings, and coups.

Costa Rica. On the surface, Costa Rica appears free of political violence. There are no underground guerrilla groups, terrorism is absent, no one is persecuted for his political beliefs, and political assassinations are unknown. Nevertheless, violence is still felt there. At the present time, it is limited to local demonstrations over bad service,

protests by university students and business interests, and strikes by public employees.

In terms of frequency, local violence over bad service provided by large autonomous agencies and ministries stands at the top. It arises out of what local groups view as the neglect, indifference or inefficiency on the part of particular institutions. The usual targets are the Costa Rican Electric Institute (ICE), the Water and Sewers Agency (SNAA), the ministries of Education and Transportation, and the Social Security Administration (CCSS). The favorite instruments of community violence are the shutdown of businesses in a town or sector of a city -- a miniature "general strike" -- the convocation of mass meetings and demonstrations, and, inevitably, the blocking of a highway as an assertion of territorial control. Examples of community violence during 1973 included threatened or actual strikes and demonstrations in Villa Neilly against ICE over bad electric service, in Golfito and Limon to force the CCSS to build hospitals in those areas, in Puriscal to protest the appointment of a principal disliked by the community to the local high school, and in several communities against MOPT to demand the construction of a road or bridge. (See Chapter IV for a detailed discussion of community violence against SNAA). The stoning of buses is a frequent occurrence to protest inadequate service. Bus companies are awarded routes by MOPT, which

keeps a lid on fares. During rush-hour traffic, demand exceeds supply. People are jammed into buses and bus stops are crowded with impatient commuters. Passengers vent their frustrations on the bus companies.

Violence is used by business groups to protest price controls enforced by the government. In 1973, milk producers went on strike and refused to deliver milk for a day, dumping a day's production along roads and ravines. They alleged that production costs had risen rapidly but the government had not raised milk prices. In 1974, the bus companies defied government fare controls, sparking a wave of bus-stoning by aroused passengers out to "enforce the law"; the government threatened reprisals unless the companies fell into line. Price controls foster unreal expectations among the public, which becomes indignant when producers violate the law to stay in business.

University students organize periodic demonstrations to pressure the government into assigning more funds for higher education. Another source of university unrest are agreements and contracts with foreign governments and companies which are perceived as undermining the country's sovereignty.

Strikes by public employees against national institutions are also frequent. Large, centralized agencies like the Ministry of Education, ICE, and CCSS are particularly vulnerable to labor strikes. Government bureaucrats already

constitute a privileged class: higher salaries, paid holidays, generous pension plans, subsidized housing, access to government vehicles -- these are among the benefits they already enjoy. Yet their demands grow bolder every year. It is a serious problem which threatens to undermine the institutional fabric of the country as those alarmed by it demand that the government "get tough" with the strikers. In 1973, President Figueres threatened to "let heads roll" unless a threatened strike at ICE were called off. The union backed down at the last minute but not before considerable anxiety had built up in political circles concerning a possible confrontation.

The existence of two national and 80 local autonomous political centers in Costa Rica, for which elections are held, divides authority so that all major parties and even some minor ones succeed in acquiring some of it. The drive for power is thereby considerably diffused over the entire political system. The loss of the presidency does not jeopardize political and personal interests as representation in the congress is usually enough to keep the president from exceeding his powers. Municipal councils and even autonomous agencies are used by opposition parties to expose mistakes, embarrass and fight the policies of the president.

Under these conditions, incentives exist to keep political competition within constitutional bounds and avoid the

use of violence. During the 1973-1974 elections, only minor clashes were reported. Fist-fights and shouting matches erupted along San Jose's central avenue on one or two occasions. The TSE promptly cancelled public demonstrations in that area and its police patrolled the street equipped with billy clubs and helmets. When the rural guards harrassed a public meeting by one of the minor parties in a provincial town, the local chief was immediately suspended from his duties.

Somewhat more ominous was the mysterious bombing of a "monument to free suffrage" the morning of its scheduled inauguration by National Liberation President Jose Figueres only a few days before the election. Figueres and his Labor Minister publicly blamed the "rich classes of San Jose" for the incident, in what appeared to be a pre-designed scheme to discredit the opposition. The speed with which high officials sought to place blame aroused suspicions of a government plot.

During 1973, rumors had circulated that Figueres, whose administration had been singularly corrupt, would not give up the reins of power if his party lost. Daniel Oduber, the PLN candidate, repeatedly charged during the campaign that the opposition was planning to perpetrate fraud, and this was interpreted as a justification of an autogolpe (a coup staged by those in power). The rumors acquired

respectability during the last days of the campaign when the newspapers published a picture supplied by an opposition party which showed Oduber haranguing what appeared to be a guerilla outfit in a mountain hide-out. Oduber acknowledged its authenticity, but said that it had been taken a few years before when the government feared an invasion from abroad. At the time, he was Chairman of the Congress. What business he could have had with a paramilitary group was left unexplained. Whatever the true story behind the picture, it was "covered up" at the highest levels of the government and the opposition.

The PLN retained the presidency by winning 43 percent of the vote but it lost the majority in the congress and the municipal councils of some of the largest cantons, including San Jose. Several of the defeated presidential candidates visited the winner to offer their congratulations in an atmosphere of cordiality. Nevertheless, a Costa Rican tradition had been broken. Between 1952 and 1970, no party occupied the presidency for two consecutive terms. Frequent changeovers at the top prevented personal and political interests from becoming entrenched in the national administration. Now the PLN will have four more years to sink roots into the bureaucracy. Oduber's platform called for strengthening of the executive branch. If he gets away with it, by 1978 the PLN may have acquired such a fondness for executive

power that it may not abide by unfavorable election results, as opponents already feared might happen the last time around.

El Salvador. Violence is high in El Salvador. While there is less of the spontaneous, amateurish citizen violence that characterizes the Costa Rican system, repression and bloody confrontations between political contenders are much in evidence there. Citizens fear the government and thus refrain from taking to the streets over minor issues as the Costa Ricans do. Protests against unpopular institutions like the National Administration of Aqueducts (ANDA) still occur. In 1973, a nation-wide protest against new water prices announced by ANDA forced the agency to rescind its decision. But this type of citizen-based, issue-directed violence is overshadowed by the more serious and professional violence practiced by political rivals.

In El Salvador, all parties converge on the presidency as the object of their ambition.³⁵ The National Conciliation Party, which has occupied the office uninterruptedly since 1960, has no intention of giving it up. Neither will it allow the opposition to challenge its two-thirds majority in the congress. The only center of power firmly in the hands of the opposition is the municipality of San Salvador, which they have controlled since 1964.

Prevented from acquiring national authority by legitimate means, the opposition goes underground, seeing in

violence the only means to exert power. Terrorists are active robbing banks, setting buses on fire, kidnapping prominent persons, breaking into radio stations to propagandize their views, and attacking government outposts. The propaganda of the terrorist underground attacks the concentration of wealth and power in El Salvador, and the influence exerted by the U.S. government and corporations. Dissident literature denounces what it calls the "political mafia" which gets rich through the corrupt management of large public projects. Student radicals at the University of El Salvador seized the school of medicine in 1972, demanding more equitable admission procedures and a re-orientation in training that would prepare doctors to serve the needs of the poor. The President responded by sending the Army to occupy the campus. A purge was carried out of faculty and students, many of whom were exiled.

The most serious outburst of organized violence in recent years was the bloody coup of Friday, March 25, 1972, only a month after the Congress had declared Col. Molina the winner. President Sanchez Hernandez was still in office. The coup failed. The President was taken prisoner at his home by dissident military officers. Two military outposts in the capital were seized. Subsequently, the rebels took possession of the High Military Command, the military school, the national palace, the telegraph office, and other important

positions in the city. On Saturday afternoon, Jose Duarte, the defeated opposition candidate, went on the radio and exhorted the citizenry to support the coup. However, a few hours later the rebellion was crushed by army regiments, the air force, and the national guard. The struggle left 100 people dead, and twice as many wounded. The government declared a state of siege and imposed martial law for two weeks. Dozens of bystanders were shot on the streets. Several opposition leaders were tortured and killed. At least 20 UNO officials and rebel officers sought political asylum. Government forces invaded two embassies. They broke into the residence of the Venezuelan First Secretary and took Duarte prisoner. His life was spared only because of the intervention of important personages of the diplomatic corps assigned to El Salvador. He was later exiled to Venezuela.³⁶

In order to perpetuate its control over the nation, the party in power disregards the constitution and the laws. Official arbitrariness is common. In June, 1974, Duarte sought to return to El Salvador for a visit. He boarded a Colombian plane on a regularly-scheduled flight to San Salvador. Thousands of his supporters waited at the airport. The government, however, denied the plane permission to land. In response to opposition protests, National Conciliation Party spokesmen declared that "traitors" would not be permitted to operate in the country. When the opposition staged

a protest demonstration, the government warned that they would be held responsible for future "catastrophes." For the 1977 presidential elections, all political parties are predicting just that.

Discreet versus systemic violence. Costa Rica and El Salvador differ on the level and the types of political violence present in their political systems. In Costa Rica, violence is brief, amateurish, involves little risk of death, is carried out by identifiable citizen groups or labor unions, and is directed at discreet, specific institutional targets. Repression is low, and so is violence among contenders for political power. In El Salvador, on the other hand, violence is systemic and ideological, much of it carried out by anonymous underground groups, and it involves a great deal of bloodshed. Electoral campaigns and their aftermath produce violent confrontations between the government and the opposition, especially in regard to the presidency, an office upon which all political parties focus their attention at all times. The government responds to violence with military repression. In Costa Rica, then, violence is part of a system of problem-solving, used to call attention to failures of omission or commission on the part of policy-makers; in El Salvador, violence is more a function of the concentration of political and economic power; its aim is not to correct problems but to overthrow the existing regime.

Summary

Costa Rica and El Salvador are two Central American countries whose physical and economic characteristics are fairly similar. In both countries, the scope of the public sector has expanded substantially since World War II, although in Costa Rica scope is greater. However, El Salvador is more centralized than Costa Rica. The policy consequences arising from these structural differences were explored at the aggregate level. It was shown that in Costa Rica, public investments are more efficient, the benefits of public policy are more widely distributed, and politics is considerably less violent than in El Salvador. On the other hand, the greater level of scope in Costa Rica has produced inflation and balance of payments problems which up to 1973 were unknown in El Salvador. In the next two chapters, case studies will be presented which explore further the relationship between centralization and policy performance at the sub-national level.

Footnotes

1. For a more detailed description and analysis of the two countries, see Anderson, Charles (1967); Anderson, Thomas (1971); Busey, (1964), (1968); and Kantor (1969).
2. America en Cifras, 1974. Washington, D.C.: Secretaria General de la O.E.A.
3. Anderson, T. (1971).
4. America en Cifras, 1974.
5. Busey (1975).
6. Anderson (1967) and Wynia (1972).
7. Whenever the free movement of automatic indicators such as prices and interest rates are restricted, economic performance suffers. Even socialist thinkers like Dumont (1974) urge that the state simply re-arrange property relationships in favor of decentralized collective ownership and leave most production decisions to be determined by the forces of the market. See footnote 9.
8. See Kantor (1969). In both countries, increases in scope were associated with political violence and a change of regime. In Costa Rica, the widening of scope during the 1940's was one of the causes of the 1948 civil war. In El Salvador, scope was radically expanded in 1948 and in 1961, each time after a series of coups. See Kantor (1969), and Anderson, Ch. (1967).
9. The policies of both the CNP and the IRA have been frustrated by price controls. In both countries, the retail price of "necessity items" like corn and beans are set by law. Towards the end of 1973, an inflationary year, beans could not be found in Costa Rica and the CNP had to import 10 tons of beans at a wholesale price which was two times the legally permissible retail price. The agency stood to lose a minimum of \$2.4 million on the transaction. The following year, El Salvador's IRA had to import rice at a price higher than it paid local producers. In both instances, price controls lowered domestic production, goods had to be imported to make up for the shortage, and producers from more affluent countries made the profit.
10. La Nacion, November 25, 1973, p. 12-A.

11. Informe Complementario Constitucional Sobre la Hacienda Publica 1972, San Salvador: Ministerio de Hacienda, p. 45.
12. Statistical Yearbook for Latin America, 1973. New York: United Nations.
13. Yearbook for International Trade Statistics, 1972-1973. New York: United Nations.
14. CONAPLAN, Plan de Desarrollo Economico y Social, 1973-1977. San Salvador: Casa Presidencial.
15. Latin American intellectuals are particularly hostile to private enterprise, perhaps as a reaction against the mercantilistic policies of their governments, which permit a select few to keep and accumulate wealth under the protection of official favoritism. Free markets do not exist in Latin America, and probably never did. Public policies have usually been manipulated to further and protect the interests of powerful minorities. Yet property acquired and maintained through privileges granted by the state can hardly be called "private." To do so only discredits the term, which should be applied only to the rights of persons to enjoy the fruits of their labors, freely produced. The great disparity between the rich and the poor that characterizes Latin American societies has turned social thinkers away from private property, even though the cause is to be found in public policy.
16. Busey (1968), Kantor (1969), and Stephenson (1965).
17. Jacobstein (1972) quotes Costa Rican economist Eduardo Lizano who describes the autonomous agencies as "islands of power." While Lizano supports the division of the national administration into autonomous islands, Jacobstein disagrees (p. 56).
18. Myeski (1971).
19. Boletin Judicial, April 7, 1972, and February 9, 1973.
20. Aguilar Bulgarelli (1973) considers the Tribunal to be a fourth branch of the government, pp. 157-163.
21. Denton (1971), p. 68.
22. Anderson, Ch. (1967) and Kantor (1969).
23. Anderson, Ch. (1967) p. 131.
24. Hernandez Pico et. al. (1973) p. 58.

25. Division Territorial Administrativa de la Republica de Costa Rica. San Jose: Imprenta Nacional, 1972.
26. Anuario Estadistico de Costa Rica, 1942.
27. Contraloria General de la Republica, Memoria Anual 1972. San Jose, Costa Rica, 1973.
28. Kantor (1969), p. 126.
29. In Spain, where central tutelage of local governments is as great as in El Salvador, Medhurst (1973) finds the same lack of coordination of national institutions at the local level, pp. 187-188.
30. Statistical Yearbook for Latin America, 1973. New York: United Nations.
31. Ayres (1975) argues that Latin American countries would be better off if a greater emphasis were placed on the manual construction of mud farm-to-market roads than on urban free-ways.
32. America en Cifras, 1974. Washington, D.C.: Secretaria General de la O.E.A.
33. Population figures were obtained from the following sources: In El Salvador: Boletin Estadistico No. 96 (1973) and Tercer Censo Nacional de la Poblacion, 1961, both published by the Direccion General de Estadistica y Censo, Ministerio de Economia, San Salvador, El Salvador. In Costa Rica: Anuario Estadistico de Costa Rica, 1952 and Poblacion de la Republica, 1973, both published by the Direccion General de Estadistica y Censo, Ministerio de Economia, Industria y Comercio, San Jose, Costa Rica.
34. Schumacher (1973) argues that political structures determine patterns of population settlements. He hypothesizes that if Belgium had been annexed by Prussia in the 19th century, today Brussels would be an unimportant provincial city, and not the international urban center that it is. Of course, the reverse argument can be made, i.e., that the flow of public investments to the center follows the migration of rural peoples to the capital. Such an argument does not explain why the migration started in the first place.
35. Payne (1965) argues that in Peru, where presidential authority is practically unlimited, the opposition has but one overriding aim -- the destruction of the incumbent.
36. Hernandez Pico et. al., (1972).

CHAPTER III

A TALE OF TWO SITES

The selection of a site for a public project often raises political questions which can be as important or controversial as the original decision to build the project in the first place. This is particularly true whenever a project imposes costs on the community where it is located. A garbage dump and a hydroelectric dam provide the general public with an outlet for refuse and a source of electricity, but they impose severe costs on those localities where they are built. A dam inundates properties, disrupts community patterns and forces a relocation of people and businesses; a garbage dump brings bad odors, truck traffic, health hazards, and a reduction of property values. Consequently, local residents will tend to oppose these projects, and their opposition can undermine their political viability. However, in most contemporary societies dams and dumps are needed and have to locate somewhere. But where to locate them and whether and how to compensate the affected populations are questions which

political systems have to answer. The answers provided allocate the costs and benefits of a project among the relevant publics affected by it.

In this chapter, two case studies contrast policy outcomes associated with the location of projects in two different decision structures, one centralized, the other decentralized. In Costa Rica, a pluralist system had to find a site on which to locate a garbage dump for the metropolitan area of San Jose. In El Salvador, a monistic system built a hydroelectric dam to supply San Salvador with electricity. In each instance, the main beneficiary of the project was the metropolitan center, and substantial external costs were imposed on the rural periphery. However, each system processed the various interests involved differently -- Costa Rica through mutual accommodation and bargaining; El Salvador by central imposition -- and thus yielded two distinct patterns of value allocation. These differences in decision processes and policy outcomes are the topic of this chapter.

A Dam at Cerron Grande.

The first case study has to do with the construction of a hydroelectric dam in El Salvador. A centralized approach to electricity development by a large public agency was carried out against the wishes of a local population. Opponents contended that the government had underestimated the costs of the dam and pleaded for six months to a year in which to

conduct additional studies, but their requests were denied on the grounds that a delay would impair the government's ability to supply electricity and would slow down economic growth. The government went ahead with the project even though serious questions regarding its economic, social, and political feasibility were raised.

Cerron Grande is a hydroelectric project on the Lempa River, the country's largest river. It was started in 1972 and is scheduled for completion in 1976. Construction is the responsibility of the Hydroelectric Commission for the Lempa River (CEL), an autonomous agency in charge of electricity development. The project was designed by Harza Co., a U.S. consulting firm employed by CEL. The project is the biggest public investment in El Salvador's history. Estimates of total costs range from \$80 to \$120 million, or one-half to three-fourths of the central government's 1972 budget of \$160 million.¹ It is designed to meet the nation's growing demand for electricity, projected to increase at 11 percent annually for the next decade. Cerron Grande will more than double CEL's 1972 capacity of 200 megawatts (MW). Eighty percent of all electricity in El Salvador is consumed in San Salvador, the capital, where most industries are located. In 1970, industry's share of total consumption was 43 percent.²

Cerron Grande imposes enormous costs on the Chalatenango Valley, located approximately 25 miles north-northeast

of San Salvador. About 85 square miles of rich agricultural land will be inundated; this is more than two percent of the total land area available for cultivation in El Salvador, and includes almost 20 percent of all land devoted to the cultivation of sugar cane.³ A private estimate indicates that 38 villages, 8 bridges, and 15 miles of roads will disappear, and almost \$6 million of annual agricultural production will be lost.⁴ At least one sugar mill will have to be relocated. Forty-five thousand people are affected. The impacted area includes both large-scale and small-scale agriculture. According to CEL, of the land that will be covered by the lake, 60 percent is owned by 11 families, while the remaining 40 percent is distributed among 1,440 proprietors.⁵ A sample of the latter group revealed that in 1972 less than 20 percent of them had electricity in their homes.⁶

The Lempa River is the principal hydroelectric source used by CEL to generate energy. For two decades the agency has operated the Fifth of November Dam, located 15 miles downstream from Cerron Grande. The dam was intended to last 75 years, but it soon became evident that it would not last anywhere near that long: by 1974 so much silt had accumulated behind the dam that the total volume of the lake had been reduced by one-half. Therefore, during the 1960's Harza Co. was commissioned to do feasibility studies for another project. After evaluating the relative merits of oil-burning plants and

hydroelectric alternatives, Harza recommended Cerron Grande. However, local opposition forced CEL to shelve the project temporarily; rumors have it that the largest landowners of the valley paid an undetermined amount to high officials of the administration of President Fidel Sanchez Hernandez to stop it, although one family denied it. Be that as it may, during the 1971-1972 presidential campaign, CEL suddenly announced the opening of bids on the project. The move was the opening shot of a conflict that was to mushroom into one of the most bitterly contested issues in El Salvador during the past decade.

The conflict over Cerron Grande can be divided into two stages. The dividing point was the announcement by Sanchez's hand-picked successor, President Col. Arturo Armando Molina, that the project would go forward. Up to that time, the opposition was led by, but not restricted to, the large sugar producers. They organized a "Commission of Affected Property Owners and Towns" (CPPA) to wage battle on CEL in the press, in political circles, and on the streets. Its leaders secured the support of professional associations representing engineers and agriculturists; they contracted public relations specialists and engineers to state their case; supposedly made pay-offs to public officials; and hired leaders to aid in the organization of local opponents to Cerron Grande. Following the presidential announcement, the large landowners capitulated; after that, the fight became an affair between the

government and the small farmers, agricultural laborers, townsfolk and villagers who make up the bulk of the population of the valley.

The first phase of the conflict reached a climax between June and August, 1972. During this time, critics focused on three main issues: (1) Was the methodology used by Harza Co. in its study of Cerron Grande valid? (2) Were the estimates regarding the costs of the project accurate? (3) Had all feasible alternatives been properly evaluated? In each case, the answer appeared to be "no." Harza's study missed substantial costs associated with the dam and was biased in favor of Cerron Grande against other alternatives. Yet CEL disregarded all objections and pressed adamantly ahead. While it lost the public relations battle, the agency's top management skillfully pressured the President behind the scenes. A number of clues suggest that a web of special interests intimately tied to the central bureaucracy stood to reap great benefits from the project. In the final showdown, the resistance against Cerron Grande proved to be no match against CEL's coalition of powerful supporters.

Questions regarding methodology.

Several analyses of Harza's study of Cerron Grande were made. One was conducted by two engineers of the Orellana family, one of the largest landowners of the valley.⁷ Another was published by faculty members of the schools of

Engineering and Social Sciences at the Catholic Central American University of Simeon Canas, in San Salvador.⁸ These studies took issue with Harza's methodology. The main objections were as follows: First, Harza was not consistent in its evaluation of alternatives to Cerron Grande.⁹ In comparing Cerron Grande to hydroelectric alternatives, it used cost per kilowatt hour (KWH) but in comparing it to oil-burning plants, it employed Fisher's rate of return. In order for the comparison to be valid, the same criteria had to have been used for all alternatives.

Second, cost per kilowatt hour is not a valid reason for rejecting hydroelectric alternatives to Cerron Grande, for two reasons.¹⁰ It includes only the financial cost to CEL and not the indirect costs and benefits of each project, a critical weakness given the substantial external effects of hydroelectric projects. And neither does it take into account the value of money over time. In projects of this magnitude, where hundreds of millions of dollars are involved, the decision on whether to invest in one alternative or another depends on the discounted value of the costs and benefits generated over time. In comparing Cerron Grande to oil-burning plants, Harza used Fisher's rate of return, which does measure the value of money over time, but it did not do so with respect to hydroelectric alternatives. Thus the rejection of the latter was done on the basis of invalid criteria.

Third, in its comparison of Cerron Grande to oil-burning alternatives, Harza estimated Fisher's rate of return to be between 12 percent and 14 percent. This means that if the return on capital in El Salvador is less than that, the country is better off with Cerron Grande; if it is greater, the nation is better off with the oil-burning plants. Since the return on capital in El Salvador is between 8 percent and 15 percent, the country is economically "indifferent" between the two alternatives.¹¹ The decision has to be made on other grounds, such as the social and political costs of the two alternatives; as will be shown, the social and political costs of Cerron Grande were significant.

Fourth, Harza assumed that agricultural production in the valley will remain static for the next 50 years. It did so even though agricultural production had increased an average of 10 percent per year between 1966 and 1971, and sugar output increased at the same annual rate between 1959 and 1971.¹² Thus Harza grossly underestimated the loss to the country of agricultural production.

Lastly, in estimating the value of agricultural production in the valley, Harza used the price of sugar cane but not of the sugar produced, thus leaving out the value added by industry.¹³ This other assumption also resulted in an underestimation of the indirect costs of Cerron Grande.

The underestimation of costs.¹⁴

Property owners in the valley challenged CEL's evaluation of their land, and of its productivity, arguing that both were greater than official estimates. The Orellana study rejects Harza's assumption that agricultural production in the valley will remain the same for the next 50 years. Instead, it assumes that agricultural production will increase at a rate of four percent per year for the next 30 years and then remain static for the following 20 years, providing technology remains the same. Under these conditions, the valley's agricultural potential, not counting sugar, amounts to \$6.4 million, or more than five times Harza's estimate of \$1.2 million.¹⁵ The Orellana study also argues that the value of sugar produced in the valley has to be taken into account on the grounds that the total acreage suitable for growing sugar cane is limited. When the value of sugar is included, the agricultural potential of the valley totals \$13.6 million, or more than 11 times Harza's estimate.¹⁶ Whether the total figure used is \$6.4 million or \$13.6 million, Orellana shows that the costs of Cerron Grande exceed the benefits it would have over the oil plants. If agricultural production totals \$6.4 million annually, then the costs of Cerron Grande exceed its benefits by \$30 million; if production totals \$13.6 million, then costs exceed benefits by more than \$280 million.¹⁷

The UCA study criticized Harza for not charging to the project expenses which the central government would have to incur as a result of it.¹⁸ The firm had recommended that public assistance programs be instituted to compensate laborers for the loss of their jobs, and local governments for the loss of revenues from taxes on property and production. Under its plan, however, CEL would not be responsible for funding these programs; that would be up to other agencies of the national government. But, the university study argues, to be valid, a comparative analysis must take into account the full costs of each alternative, and then compare these figures to the expected benefits.

Still other costs of Cerron Grande were either written off as "social costs" or missed altogether. During the course of the debate over Cerron Grande, critics brought up the following: First, severe psychological and emotional costs will be imposed on a population which is forced to abandon its homes and properties. Individuals and families will have to develop new life arrangements against their will, and this is costly, especially for the not-so-young. Second, there is the collective loss incurred in the obliteration of long established communities which now function as social, economic and political centers, integrating individuals and groups around them. The displaced population will have to be absorbed by new or existing social networks;

in either case, the process is costly and time-consuming. Third, communities in the area of the lake will be exposed to health hazards. The Acelhuate River, a tributary of the Lempa, will carry untreated sewage to the lake. Dangerous organisms will infest the shallow areas of the lake, subjecting the population to the threat of disease. Fourth, the Troncal del Norte highway, which links the town of Chalatenango to the capital, will be cut by the lake. Its re-routing will increase transportation costs to and from San Salvador.

A final cost of Cerron Grande was not discussed by its opponents, yet the conflict over the project clearly brought it to light. These are the political and military costs incurred in carrying out such a large-scale disruption of thousands of people. If there were a way to measure the economic costs of man-hours, equipment and energy devoted to arguing, haranguing, protesting, marching, and other forms of individual and collective resistance, and if to that could be added the costs incurred by the authorities in persuading, cajoling, repressing, coercing and intimidating the protesters, it might be concluded that these costs alone are high enough to warrant the consideration of less disrupting alternatives.¹⁹

Hydroelectric alternatives to Cerron Grande.

Harza was also severely criticized for having dismissed hydroelectric alternatives to Cerron Grande on what were

considered to be invalid grounds. Harza's own study indicated that two other projects downstream from Cerron Grande would produce electricity at practically the same unit cost as Cerron Grande. Harza estimated that the cost per kilowatt hour (KWH) at Cerron Grande would be \$0.013. At La Pintada, the cost would be \$0.0132. Expanding the Fifth of November plant by adding two turbines of 40 megawatts (MW) each would produce electricity at a cost of \$0.011/KWH, less than at Cerron Grande. But Harza rejected these alternatives on the grounds that they depended on Cerron Grande, i.e., that their productivity would be greater if they were built after Cerron Grande and could take advantage of the water stored there. However, as the costs of each project were estimated separately, this argument simply assumes, a priori, that Cerron Grande has to be built, sooner or later.²⁰

Still other alternatives were ignored, like raising the dam at Fifth of November, from 180 meters to 220 meters.²¹ Several combinations of smaller projects at different places on the Lempa River would have yielded the same amount of electricity.²² Although the financial costs of these alternatives would have been higher for the agency, the economic costs would have been lower as the costs imposed on non-beneficiaries would not have been as great. It was also pointed out that Cerron Grande is not a very good site for a dam, as it is located in a particularly wide point of the river, on

relatively flat terrain. The fall at Cerron Grande is only 60 meters high. Other points on the Lempa were suggested as being more advantageous, and other rivers suitable for electric development were mentioned, among them the Rio Grande de San Miguel, the Sonsonate, and the Sumpul. An article signed by Engineer Carlos Bonilla analyzed the energy potential of lakes Ilopango and Coatepeque. He described the latter as an ideal source because of its high elevation, 750 meters above sea level. He urged CEL to take that alternative into consideration, and to make public a study on lake Coatepeque which a Japanese firm had once conducted so that it could be evaluated.²³

CEL brushed aside all arguments against Cerron Grande as the work of "empiricists." It did not engage its critics in a technical discussion of the justifications of the project. Rather, it chose to propagandize its choice on other grounds. Cerron Grande would generate employment, promote tourism and even bring about agrarian reform. Many of CEL's newspaper ads during the controversy presented idyllic pictures of dams in bucolic settings followed by simplistic slogans like "Cerron Grande is Progress" and "Cerron Grande Will Save on Foreign Exchange." The agency argued that postponing the project would only increase the cost of electricity. It raised the specter of shortages should the project not be approved immediately, even though Harza had concluded that a

delay of one or even two years would not perceptibly affect the project. Finally, CEL argued that the "public good" took precedence over "selfish private interests."²⁴

The question of "private vs. public" interests deserves attention. CEL would have everyone believe that the opposition to Cerron Grande was motivated only by selfish reasons, while the agency had only the public welfare at heart. This picture was inaccurate. On the one hand, it has already been pointed out that Cerron Grande would impose substantial social costs on Chalatenango and the nation as a whole; these costs are clearly not in the public interest. On the other hand, private interests were just as involved in promoting Cerron Grande as in opposing it. For example, CPPA pointed out that Harza Co. is paid on the basis of a percentage of the costs of a project and thus it is inclined to favor very large projects rather than a combination of small ones. Another conflict of interest involves CEL's General Manager, Mr. Victor de Sola. He is a member of a powerful family with extensive interests in industry, the main beneficiary of Cerron Grande. Moreover, the family also owns a sugar mill near the Chalatenango Valley, "La Cabana," which will not be affected by the lake. It will thus benefit from the elimination of competition. In fact, to some observers, the conflict of Cerron Grande had the overtones of a feud among families in which the de Solas were seeking to

undermine the power of the Orellanas and the Bustamantes. Third, politicians stood to reap a political windfall from the prestige that such a large project entails. The symbolic features of a project of this size can be easily manipulated by government officials to draw popular support to themselves from the general population.²⁵ Fourth, CEL's prestige and reputation were at stake. Its past and present policies and its 25-year old partnership with Harza Co. were under attack. The agency would not tolerate a challenge to its monopoly over electricity decisions. Finally, there is evidence that points to substantial involvement by former and present figures of the national administration in various financial aspects of Cerron Grande. Materials and equipment used in the construction of the dam are being supplied by companies with ties to those individuals.

Thus powerful interests converged on Cerron Grande and lobbied in favor of the project. The central bureaucracy was used to promote private ends disguised by official pronouncements on the "national interest." True, Cerron Grande would produce electricity. But in light of what transpired during 1972, this purpose appeared to be secondary. There were other, less costly means to the same end. They were not chosen because over a period of years Cerron Grande had become the focus of a host of important interests weaved by CEL into a formidable alliance. Changing

sites would have destroyed the web and old partners from previous administrations might have been left out of any new ventures. They simply would not allow that to happen, and pressured a President hand-picked by his predecessor to do their bidding.

The President makes up his mind.

As the months went by and CEL would not budge, the opposition to Cerron Grande became increasingly militant. Thousands of signatures were collected on anti-Cerron Grande petitions. Large demonstrations were held in Suchitoto, San Francisco Lempa, and other towns in the valley. Marches were organized on the capital. Protesters threatened violence and vowed to hang on to their properties. Several mayors and councilmen from the area initially supported these efforts. Not to be deterred, CEL went ahead with the construction of a road to the site from the city of Chalatenango.

The central government, while proclaiming its neutrality, aided CEL in various ways. It used the police, the army, and para-military groups like the Nationalist Democratic Organization (ORDEN) to block highways, turn back truckloads of protesters, and detain newsmen on days when demonstrations were scheduled. According to one account, the army virtually occupied the valley, intimidating the opposition. Municipal officials were called to San

Salvador by the Ministry of the Interior, introduced to CEL personnel, and instructed to lend them their support.²⁶

The President visited several villages by helicopter and publicly denounced the "campaign of vilification" carried out against CEL.

On August 14, 1972, less than three months after his inauguration, President Molina went on television and announced his decision.²⁷ He aggressively justified Cerron Grande on the grounds that "nationalism" demanded it in order to reduce the country's dependence on foreign oil. He criticized the "selfish" elements who had campaigned against the project, and warned that further opposition would not be tolerated. He also announced the formation of a 17-member Relocation Commission composed of ministers and other high-ranking officials of the government, chaired by the Vice-President of the Republic. The commission was given the task of executing a relocation program for those displaced by the project. After the speech, several landowners were threatened with expulsion from the country if they persisted in their opposition.

The President's announcement put an end to the public opposition of the large landowners of the Chalatenango Valley. As a paid announcement by one of the families put it: ". . . To us . . . Cerron Grande was a 'closed case' the moment the President of the Republic announced his

decision"28 At this point, the large landowners changed tactics, opting for secret negotiations with the government, hoping through private bargaining to secure the best possible deals for themselves.

Relocating the peasants under state feudalism.

With the surrender of the sugar interests, the fight against construction of the dam collapsed. Those without power or influence were left to deal with the authorities on their own. It was at this point that a radical priest from Suchitoto, an owner of a farm and an agricultural school in the valley, organized small farmers and landless peasants into a Central Peasant Committee (CCC) to pressure the government into living up to its commitments of compensation for those negatively affected by the project. The government had promised programs in tourism, fishing, and reforestation with the dual purpose of employing those left without jobs and generating revenues for the municipalities; manpower training; relocation of those unable to move on their own; and full compensation for expropriations.

After an initial period of harrassment, central authorities became tolerant of the committee's activity. Even President Molina visited the area to confer with its leaders. But as the months went by and official pledges were not carried out, relations between the government and

the CCC deteriorated. Small farmers complained of pressure tactics on the part of CEL's representatives to force them to sell their land quickly, at what they believed to be below market prices. After the first meeting, the Relocation Commission failed to meet again. Even the promises of employment at Cerron Grande evaporated as the contractors brought their own personnel and trucks to the site.

Thus, the conflict heated up again. Around August, 1973, at a meeting held in the agricultural school, high ranking government officials were criticized for not having taken into account the "human consequences of the project" as one informant put it. After that session, the situation grew tense. A march on the capital was organized. A plan to invade several farms in the area to coincide with the 1974 congressional elections was leaked to the government. Its value lay as a threat. Unarmed men would occupy private properties; if the national guard would fire its weapons, it would do so on defenseless people. The government would have to take the political consequences of such an act.

The government's response was to allocate enough funds to purchase land for the first of five agricultural communities on which to relocate displaced peasants and laborers who will pay CEL back the money received for their old properties as partial payment for the right to live and work there. According to a high official employed by the Relocation Commission, these cooperatives will tie small farmers to

the state in a modern version of the ejido, or agricultural commune. Tillable land will be held in common; peasants will be issued certificates of participation which cannot be transferred until the debt to the state has been paid. The communities will not be integrated to local governments, but will be linked directly to the central government. In order to sell the plan, the Relocation Commission set up its own official "Peasant Committee" to compete with the CCC. "Our arrangement will deprive local leaders of their political base," was the way the official put it.

The balance sheet.

Whether Cerron Grande proves to be an asset or a liability for El Salvador remains to be seen. The project will not be completed until 1976. At that time, the total financial costs will be known, and a few years after that, the economic and political costs will become apparent. CEL's predictions may then be compared to actual results. Its previous venture, the Fifth of November dam, fell far short of original expectations. At that time, the agency proceeded with the same dogged determination to rush its decision through the political process in spite of opposition. The failure of that project did not deter it from trying again, this time on a much larger scale. There is no guarantee that the agency will succeed this time. In fact, opponents to Cerron Grande built up a persuasive case against the

project. By and large, opinion leaders were skeptical of its merits, and argued for a postponement in which to conduct additional studies. But CEL reacted to public skepticism regarding its judgment with a fit of self-righteous indignation. It would not accept the possibility that it had made a mistake. Agency pride and the arrogance of power played important roles in the decision to build Cerron Grande.

It was symptomatic of the project's lack of credibility that the government had to resort to military force and presidential threats in order to "make it work" as Charles Anderson would put it.²⁹ An unworkable plan was converted into an on-going "solution" through the massive display of force. Not only will it involve substantial military costs, possibly on a continuing basis; it will also make it more difficult for the decision process to come to grips with future problems in a spirit of cooperation and good will.³⁰ The cost of such an approach is hard to measure. But, when included as a liability in the balance sheet of Cerron Grande, it adds still another doubt regarding the merits of the project.

Cerron Grande was conceived, designed and implemented by high-ranking officials positioned at the top of a centralized political hierarchy. Local objections were brushed aside. On the basis of all available information, it may tentatively be concluded that in this particular case a

centralized decision-process produced a project of questionable efficiency, resulted in a highly unequal allocation of the costs and benefits of the project, and involved a high level of violence on the part of those executing the project and of those on whom the indirect costs of the project were being imposed. Thus in terms of the three criteria of policy evaluation used in this study, Cerron Grande gets very low marks indeed.

Nobody Wants a Dump.

This case study deals with the location of a garbage dump in the metropolitan area of San Jose, Costa Rica. Central and metropolitan officials spent several months during 1973 searching for an appropriate site. Three cantons vetoed the construction of the project within their jurisdictions. The dump was finally built in the district of Rio Azul, but only after intensive negotiations with local leaders produced an agreement to compensate the district for the costs imposed on it by the project. The solution, a product of bargaining among independent officials from several levels of government, was arrived at without the use of force. Political exchange among autonomous units of government allocated the costs and benefits of a public project in a more equitable fashion than at Cerron Grande.

Rio Azul is a poor, semi-rural district of 1,200 residents located southeast of San Jose. Most residents

live in wooden and tin shacks strung along a dirt road which connects the village to nearby cities. Two factories are located there. In August, 1973, the only signs of organized community life in the district were an old church, an overcrowded elementary school, a dirt lot that served as a makeshift soccer field, and a few family grocery stores and bars. It was hard to believe that its people had just emerged victorious in a battle with metropolitan and central authorities over a garbage dump.

In May, officials from the central government and the city of San Jose announced that the old garbage dump in Pavas, a district of the capital, would be closed and that a "sanitary landfill" would be built elsewhere to replace it. Two reasons were given: the dump was almost full, and a projected expansion of an airport located in the vicinity required it for safety and aesthetic reasons.³¹ For years, the people of Pavas had complained about the nauseating odor, the filthy trucks, the scavengers, the health hazards, and other aspects of the facility, but to no avail. Understandably, the district greeted the news with a sigh of relief.

Garbage collection and disposal in the central metropolitan area is a cooperative venture among ten municipalities and the Ministry of Public Health. Each local government collects the garbage within its jurisdiction and assesses its citizens for the service. They collectively contract

with the municipality of San Jose by means of an intermunicipal council for the maintenance of the garbage dump, owned and regulated by the Ministry of Public Health. About 100 tons of garbage are disposed of daily. The service is operated at a deficit by all of the municipalities; San Jose alone loses more than \$200,000 annually.³² In the past, the possibility of establishing a special metropolitan district to provide the service had been discussed. A uniform tax based on street frontage would be levied throughout the entire area, regardless of service level. This scheme would naturally benefit San Jose, where the concentration of hospitals, restaurants, and people is higher than anywhere else in the country. As a councilwoman from Santa Ana, a canton west of San Jose put it: "It's one of those arrangements where the big fish eats the smaller fish."

Finding a site on which to locate the landfill proved to be a difficult task. The engineers working on the \$2.5 million project initially picked an area known as Tirrases, in Curridabat canton, east of San Jose.³³ The people of Curridabat did not like the idea. The municipal council announced its opposition, and demonstrators took to the streets. On June 11, the central police used tear gas to disperse the crowds. Local leaders argued that the proposed dump was too close to populated areas and would pollute an underground aquifer that could produce up to 300 liters per second.

After a meeting with the President, Jose Figueres, they were assured that the landfill would not be built in Curridabat.³⁴

Encouraged by Curridabat's victory, Pavas organized to force the closing of the old dump. On July 3, 80 local residents from the Rohmoser housing development attended a meeting at which an emergency committee was elected. Those present were by and large members of the middle class, well dressed. They were in a militant mood. Most speakers argued in favor of a violent confrontation with the government. "Maybe we need to expose ourselves to tear gas and to police mistreatment of our children in order to get attention to our plight," a speaker said. A San Jose councilman arrived late and tried to calm the group. He congratulated Pavas on its patience and pleaded against the use of violence: "Do not resort to violence, that brings unintended consequences. Use the avenue of dialogue, education, prudence, understanding. But I ask you from the bottom of my heart, do not resort to violence." An emergency committee officer responded: "We want a peaceful solution, but we are not passive. Unfortunately, violence seems to be the only way to get attention." Thus the rhetoric of violent threats was used to harrass the authorities into action.

That same week 500 Pavas residents marched in front of the garbage dump carrying signs which said "Good-bye to the dump," "Out the dump," and others of a similar vein.

San Jose's city manager was present; she asked the citizens assembled to act peacefully and with good sense because "nothing is gained by violence." A speaker challenged that statement, citing the example of Curridabat, but the affair remained orderly.³⁵

After lengthy discussions with municipal officials and the Minister of Public Health, Jose Orlich, the emergency committee agreed to wait until August before taking the matter into their own hands. Ten days before the deadline, the committee started a countdown: every day it would publish a small ad in the newspapers showing a black skull which proclaimed: "x days left for the closing of the dump in Pavas. Pavas will no longer be the sanitary disposal unit for the metropolitan area. Neighbors, remain on the alert!"³⁶

The position of the central authorities became increasingly difficult. Pavas was now aroused and threatened violence unless the dump were closed. Surrounding communities resisted plans to turn their territory into dumping grounds. Officials opted to discuss possibilities secretly for fear of touching off local opposition prematurely. Leaks could not be totally avoided, however. Upon learning that a farm within its jurisdiction was being considered as an alternative, the municipal council of Santo Domingo de Heredia, a canton located five miles north of San Jose, in Heredia

province, immediately went on record as opposing the move. The council argued that the proposed site was only 500 yards from a school in an area of rapid population growth. The municipal executive said in an interview, "If they (San Jose) want to dispose of garbage, it is only logical that they find a place in any canton of San Jose, but not in Santo Domingo. We belong to Heredia."³⁷ Two neighborhood corporations, in Tures and San Miguel, joined the municipality in their opposition. On the afternoon of July 18, an anonymous flier urged the citizenry to form a common front "against the garbage invasion."³⁸

Local reluctance to accept the facility was a source of considerable frustration for the Minister of Public Health. He sarcastically concluded that the only solution was for each canton to dispose of its garbage as best they could.³⁹ Since most cantons lacked the space, his comment was not to be taken at face value. A newspaper commentator humorously suggested that the best alternative would be to export the garbage to other countries, thus helping Costa Rica's balance of payments problems.⁴⁰

It was in this atmosphere of secrecy, tension, and uncertainty that on August 3 tractors and other heavy machinery made their appearance in Rio Azul. The curious were told that they were there to improve the pot-hole ridden road. But the people soon learned the true mission of the

machines: to convert a local farm owned by the Ministry of Public Health into the despised basurero (garbage dump). Reaction was swift.

Rio Azul residents, led by the women and children of the community, promptly lined up in front of the tractors and trucks, blocking their movement. Local spokesmen demanded a halt to the operation, arguing that no one in the district had been informed of the project, let alone consulted. Aid was requested from Tres Rios, the cantonal seat, which sent trucks to block San Jose's machinery. La Union officials protested that the autonomy of its territory had been violated, and that San Jose had not even applied for a construction permit. By this time, San Jose's city manager had arrived and was trading insults with the local women. Late that afternoon, San Jose withdrew "to avoid problems." Rio Azul had won the first battle.⁴¹

The next few days were marked by furious activity on the part of local residents. Fearing a police attack, meetings were organized by the various organizations of the district to plan a strategy. These organizations included the neighborhood development corporation, the Church board, the education board and the association of school patrons, the local chapter of the National Association of Educators (ANDE), and the sports clubs. The factory unions lent their support, too.

At the same time, late-night meetings were held in the Church and in the La Union municipal building for the purpose of negotiating an agreement. Among the most important officials present were Minister Orlich, the presidents of the city councils of San Jose and La Union, councilmen and the city manager from La Union, and the Congressman who represented the area. The officers of the development association acted as Rio Azul's representatives. A key figure at those meetings was the local priest, who was credited with making an agreement possible.⁴²

In the meantime, on August 4, Minister Orlich bowed to Pavas and closed the old dump. Jubilant, the district celebrated its victory during a three-day long carnival. Among the principal features of the celebrations was a mock funeral march in which the dump was "buried." The emergency committee pledged itself to pressure central authorities to turn the old garbage dump into a children's park.⁴³

While Pavas celebrated, garbage piled up on the streets of San Jose. Officials worried about an epidemic and urged a mass inoculation of the population. The municipal council petitioned the President to declare a state of emergency and to use all necessary means to put an end to the situation.⁴⁴ This meant the use of force. But Figueres held back the troops and deferred to his Minister, who pleaded for time.

On August 7, an agreement was worked out. The central government, the municipalities of San Jose and La Union, and the Rio Azul development corporation signed a document whereby the district consented to the installation of the "landfill" in its territory in exchange for a number of concessions. Central authorities committed themselves to fulfilling 19 conditions demanded by Rio Azul. The most important of these were: improvement of the local aqueduct; pavement of the main street and improvement of other roads of the district; the installation of street lights and a public telephone; completion of the football field; relocation of the school; recognition of property rights to the families squatting on the ministry farm; construction of a community center; and the assurance that a majority of the workers employed in the operation of the landfill be Rio Azul residents.⁴⁵ In addition, the Congressman promised to introduce two bills in the legislature. One would authorize Rio Azul to impose a tax on every privately-owned garbage truck entering the district. The other would incorporate a vigilance district composed of members from Rio Azul and surrounding local units empowered to close the landfill if health standards were violated. Immediately after the agreement was made public, the municipality of San Jose announced that service charges for garbage collection would have to go up; thus the costs of the "landfill" were to be

borne by those who received the service, and not by the residents of Rio Azul.

The agreement was hailed by the newspapers, which called it "original." Editorials praised Rio Azul for its aggressiveness, shrewdness, and patriotism. However, many if not most of the district's inhabitants did not trust the government's promises. The government was given a year's time to fulfill its part of the bargain. Five months later, only one condition had been met -- the installation of the public telephone. The district threatened to close the dump on January 16, 1974 unless the government moved to carry out its pledges.⁴⁶ On January 12, the Municipality of San Jose was authorized by the inter-municipal council to buy a farm on which to build a new school and a community center for Rio Azul. The Ministry of Public Works promised to begin construction right away.⁴⁷ Thus the government had to be pressured into fulfilling its commitments. It was clear that without continuous agitation on the part of Rio Azul, the government would soon forget its promises. It was up to the local leadership to devise strategies that would force the government to carry out its contractual obligations.

The outcome of the "garbage crisis" as it came to be known, was a novel one. The metropolitan area found a place in which to dispose of its garbage and a poor, forgotten district won material concessions that when fully implemented

will mean a substantial improvement in the welfare of its residents. An exchange was struck between two unequal but autonomous entities in which each party gained something from the transaction. The district did not have to sacrifice its interests unilaterally in favor of the metropolitan area.

In retrospect, it seems that if the central government had offered to compensate local residents from the beginning, opposition to the landfill would not have built up as rapidly and forcefully as it did. It was only because local communities saw themselves as being victimized by San Jose that they resisted. As they saw it, San Jose was trying to dump its problems on them. Central authorities, however, did not view it that way. Under the rhetoric of the "national interest," they viewed the problem as stemming from the division of the metropolitan area into ten cantons, a situation which allowed parochial interests to come before the interests of all. As Minister Orlich put it at the height of his frustration: ". . . The time has come to analyze this problem from the point of view of the national and not the local interest, even if for a particular locality this would mistakenly mean a thorn in its heart."⁴⁸ The local argument, however, was that if the national interest was so important, then the nation could easily afford to set aside several thousand dollars to make the thorn easier to bear. When it did, resistance to the project weakened to the point where an agreement was possible.

Perhaps the most outstanding feature of the "garbage crisis" is that it was resolved without the government having to impose a "solution" by force. In many ways, this made the task of the authorities much harder. They had to shop around for a site and negotiate at length with local officials until an outcome acceptable to all the parties emerged. The decision costs were certainly high. However, the military and political costs of a central imposition could have been much higher. An "easy" short term solution would have involved the deploying of troops to Rio Azul, Santo Domingo or Curridabat. The government undoubtedly had the means to impose such a solution by force. Yet the legacy of bitterness and resentment which it would have entailed cannot be ignored. It would also have required a strong contingent of security guards to eliminate the possibility of sabotage, and that would have added to the operating costs of the facility.

The virtue of decentralized decision making is not that it facilitates the process of making decisions. On the contrary, since many more actors have to be taken into account, the costs of reaching agreement are that much higher.⁴⁹ It is clearly more difficult, as the Vice-President of the Municipality of San Jose pointed out, to come to terms with ten cantons rather than just with one.⁵⁰ But a decentralized decision structure produces solutions which are relatively easy to implement since the parties involved have already

agreed on the major outlines of the outcome. Thus while the initial "capital" costs of arriving at a decision are high within a decentralized system, the long-term "operating" costs of implementing decisions are low.

It will, of course, take imaginative measuring techniques to determine which decision-structure is best suited for which type of problem. A trade-off between the two cost-functions will yield different solutions depending on the nature of the problem, the circumstances surrounding the events which must be dealt with, and social, economic and political constraints particular to the society in question. One constraint that would play a significant role would be the cultural acceptance of force. In a society where violence and repression are accepted as legitimate tools of the government, then obviously the operating costs of a centralized approach will not loom as large as the capital costs of a decentralized system. But in a society where repression is viewed with repugnance, then the capital costs of a decentralized arrangement will be regarded as an acceptable price to pay in exchange for the low operating costs of legitimacy.

Comparing the Two Cases

The two case studies just examined contrast two ways of resolving central-local conflicts over decisions regarding the location of a public project. Cerron Grande is an example

of the monistic approach, of central imposition of solutions and arrangements devised at the top, without local participation. Rio Azul, on the other hand, illustrates the pluralist method, of negotiation and bargaining among autonomous levels of government. The most important differences in decision-processes and policy outcomes between the two cases are as follows:

(1) In Rio Azul, at least five local entities participated in blocking the project, or chasing it out: Curridabat, Santo Domingo, La Union, Rio Azul, and Pavas. In Cerron Grande, local units were able only to protest, and after a while, not even that, as the Ministry of the Interior exerted pressure on them to quit.

(2) In Rio Azul, two different communities were successful in stopping the project after a central decision had been made: Curridabat and Rio Azul-La Union. In Cerron Grande, work never ground to a halt; in fact, CEL went ahead with the construction of the road to the site from Chalatenango at the peak of the controversy.

(3) In Rio Azul, central authorities had to negotiate with local leaders representing the collective interests of the community: the neighborhood corporation and the municipal council. In Cerron Grande, central officials never negotiated with local officials.

(4) In Rio Azul, the landfill was built after local consent was obtained; in Cerron Grande, the project was continued over local objections.

(5) In Rio Azul, a greater number of political actors with independent power of their own participated in the negotiations: Councilmen and city managers from three cantons; a Congressman; officials from the neighborhood corporation; ad-hoc community leaders; and ministry personnel. In Cerron Grande, there was not an equivalent give-and-take among independent actors. Municipal officials were instructed on how to behave by the Ministry of the Interior; members of Congress representing the area stayed on the sidelines.

(6) In Rio Azul, the community received collective compensation for the landfill in the form of local improvements stipulated by its representatives. In Cerron Grande, compensation was centrally determined by a Relocation Commission in which there was no local representation, and the compensation was directed at individuals, not communities.

(7) In Rio Azul, the community was granted the authority to regulate the landfill, and to receive revenues from it. In Cerron Grande, no such arrangement was worked out; instead, displaced peasants are being organized into cooperatives tied to the central government. Thus, whereas in Rio Azul the solution promotes local independence and autonomy, in Cerron Grande it perpetuates dependence and reliance on central officials.

(8) Finally, in Rio Azul, the solution devised was peacefully implemented by voluntary consent, without the use of force. In Cerron Grande, the execution of policy required the massive display of military power by the central government in order to quell local opposition.

On two out of three criteria by which policy performance is evaluated in this study, Rio Azul clearly comes out ahead. The costs and benefits of a public project were more equitably allocated and the decision process was far less violent in Rio Azul than in Cerron Grande. As for efficiency, while serious questions regarding the efficiency of Cerron Grande were raised, the issue was not part of the Rio Azul controversy. The economic costs of the various sites for a dump were pretty much the same. Questions of equity and politics were far more important. On these two criteria, a decentralized system proved superior to a centralized one.

Footnotes

1. The lower figure is a government estimate, although an official privately conceded that the final figure will be well above that. Opponents claimed from the very beginning that Cerron Grande would cost at least \$120 million. See Diario Latino, 7 July, 1973, p. 7, and 12 July, 1972, p. 12. The total budget for El Salvador's central government was slightly more than \$160 million in 1972. See Informe Complementario Constitucional Sobre la Hacienda Publica (Ministerio de Hacienda, 1972), p. 23.
2. "Proyecto Hidroelectrico Cerron Grande" (CEL publication, 15 August, 1972), pp. 6, 7, and 14.
3. Beltran, et. al. (1972), p. 540.
4. Diario Latino, 2 June, 1972, pp. 16-17.
5. CEL's strategy was to drive a wedge between the two social and economic classes of the valley, and it succeeded. Opponents were unable to obtain government data on the distribution of property in the area. Their own sample revealed that 10 farms were 800 acres or larger, 125 farms were between 30 and 800 acres, and 500 farms were less than 30 acres. See Ibid.
6. Beltran, et. al. (1972), p. 573.
7. Francisco y Roberto Orellana, Analisis del Estudio del Proyecto Cerron Grande Elaborado por Harza Engineering Co., unpublished manuscript, San Salvador, 2 June, 1972.
8. Beltran, et. al. (1972).
9. Ibid., p. 34 and Orellana, p. 27.
10. Beltran, et. al. (1972), pp. 533-534.
11. Ibid., pp. 555-556 and Orellana, pp. 15-16, 31.
12. Orellana, p. 46.
13. Ibid., p. 50. Harza argued that the sugar mills would be relocated and sugar cane planted elsewhere.

14. It was also argued that the indirect benefits of Cerron Grande had been overestimated. In estimating the value of flood control produced by the dam, Harza included both the increase in property values and the reduction in agricultural losses downstream, whereas the former is a reflection of the latter. In addition, Harza also included as benefits the value of a fishing industry that could be developed in the lake and employment in reforestation that were not really part of the project. See Beltran (1972), pp. 538-539.
15. Orellana, pp. 45-46.
16. Ibid., p. 55.
17. Ibid., pp. 49 and 55. These figures are at a discount rate of zero. The results are negative at four different discount rates considered: 6, 9, 12, and 15 percent.
18. Beltran, et. al. (1972), pp. 537-538.
19. Wildavsky, (1966) notes the improvement in performance that took place when the Soil Conservation Service changed policy from 11 major watershed projects to the small watershed program. The switch in strategy lowered political costs. (p. 297).
20. Beltran, et. al. (1972), pp. 532-534.
21. Ibid., p. 533.
22. Diario Latino, 3 July, 1972, p. 21 and 10 July, 1972, pp. 16-17.
23. Diario Latino, 1 July, 1972, p. 19.
24. Diario Latino, 5 June, 1972, p. 17; 25 July, 1972, p. 14; and 27 July, 1972, p. 23.
25. Kneese and Schultze (1975) pp. 8-9 point out that ". . . ribbon-cutting and dedication ceremonies do generate good publicity for the officials responsible" even though the investments may be unsound.
26. Diario Latino, 5 July, 1972, p. 16.
27. Diario Latino, 15 August, 1972, p. 3.
28. Diario Latino, 28 August, 1972, p. 25.
29. Anderson, (1967).
30. Ilchman and Uphoff (1969), p. 71.

31. La Nacion, 6 May, 1973, p. 2.
32. La Republica, 12 August, 1973, p. 14.
33. The exact place included part of a farm owned by then President Jose Figueres.
34. La Nacion, 12 June, 1973, p. 10; 20 June, 1973, p. 2.
35. La Nacion, 8 July, 1973, p. 42.
36. See, for example, La Republica, 1 August, 1973, p. 26.
37. La Nacion, 17 July, 1973, p. 2, and La Republica, 18 July, 1973, p. 20.
38. La Nacion, 19 July, 1973, p. 6.
39. La Republica, 22 July, 1973, p. 1.
40. La Nacion, 18 July, 1973, p. 14.
41. La Nacion, 6 August, 1973, p. 2. The Ministry farm bordered on the President's Curridabat property. Planners predicted that the landfill would eventually spill over into Figueres' farm. While they claimed that Tirrases was the most desirable site on "technical grounds" -- its soil was particularly suited for their purposes -- the role that the private interests of the President played in the choice cannot be ignored. The "expropriation" of the property will undoubtedly yield Figueres a handsome profit.
42. La Prensa Libre, 7 August, 1973, p. 4.
43. La Nacion, 7 August, 1973, p. 33.
44. La Nacion, 8 August, 1973, p. 58.
45. Ibid., pp. 4 and 8. The author obtained a copy of the document, entitled "The following are the conditions on which we accept the landfill in Rio Azul."
46. La Nacion, 11 January, 1973, p. 2A.
47. La Nacion, 12 January, 1973, p. 37A.
48. La Nacion, 5 August, 1973, p. 6.
49. Buchanan and Tullock (1962).
50. La Nacion, 22 June, 1973, p. 57.

CHAPTER IV

THE WHITE ELEPHANT OF COSTA RICA

" . . . SNAA continues to be the White Elephant of Costa Rica. . . ."1

Costa Rica is a country of structural contradictions. Over-all, its political system is pluralist, yet many of its constituent elements, like ministries and autonomous institutions, are internally centralized. In comparing Costa Rica to El Salvador, the preceding two chapters have highlighted its decentralized features. Now the country's centralized characteristics will be examined.

The analysis focuses on the National Service of Aqueducts and Sewers (SNAA), an autonomous institution established by an act of congress in 1961. The agency was given near-absolute authority over everything relating to the provision of potable water and sewage disposal in the entire country. Since its inception, the central government has supported SNAA by subsidizing its operations and making public pronouncements in its behalf. This policy is at odds with the agency's reputation among the Costa Rica people, who

view it as an inefficient, arrogant, and imperialistic institution. No other agency in the country is as criticized, feared, and resented as SNAA. Its critics call it "the White Elephant of Costa Rica."

In this chapter, the structure, scope, and performance of SNAA are analyzed. It will be shown that it is a highly centralized agency engaged in a wide range of functions. SNAA has managed to alienate a large percentage of the Costa Rican population and most municipalities due to inefficient administration, bad investments, discrimination in its rate structure, defiance of municipal authority, and a strong determination to eliminate local competition. The data provide many examples of the kind of policy failures that arise when a centralized institution extends the scope of its activities to include detailed operational aspects of administration and development. SNAA's record after 12 years of service does not support the bureaucratic thesis regarding centralization and policy performance. At the sub-system level, the monistic hypothesis is refuted by the data.

Background

Water Supply.

As a tropical country, Costa Rica is generously supplied by nature with an abundant supply of rainfall. The rains bring an average of two meters of precipitation during

the "winter" season which, for most of the country, extends from April to October. The length and timing of the seasons, however, vary for different parts of the country. On the Atlantic side, which encompasses the whole province of Limon and parts of Cartago and Heredia, the dry season or "summer" seldom lasts longer than six weeks. The period of heaviest rain here spans the months of December through February. San Carlos and Golfito, which occupy the north-east and south-west corners, respectively, are the areas which get the most rain. Six meters of precipitation fell on San Carlos during a particularly wet year. Other parts of the country, as on both sides of the Talamanca mountains, also receive a lot of water. Guanacaste province, located in the northwest region, is the driest and most vulnerable to drought.

Unlike El Salvador, Costa Rica is not a nation of lakes. It does have a large number of river systems. Thousands of rivers, streams, and creeks carve the countryside in all directions. Natural springs abound. The mountain chains that embrace the central plateau contain a great quantity of running water dispersed among several river systems. There are no large concentrations of water supply.

In sum, Costa Rica's water situation is characterized by a large quantity of precipitation, great variation in rainfall patterns among different zones, and a wide dispersion of water resources. Most of the country's cantons have water resources of their own.

Institutions.

Prior to SNAA's establishment, the task of providing potable water to the Costa Rican population was shared by two ministries, Public Health and Transportation, and the municipalities. The former built most of the aqueducts, provided technical assistance, and supplied financial aid while the latter administered, maintained, and improved the systems within their jurisdictions. The municipalities also administered and regulated public waters within their jurisdictions and adjudicated water rights among competing uses, but in 1941, those functions were shifted to a central autonomous agency, the National Electricity Service (SNE).² Today, SNE grants irrigation permits, adjudicates water disputes, and sets limits on water rates charged by SNAA and the municipalities.

During the 1950's a Metropolitan Area Planning Office, under the aegis of the National Institute of Housing and Urbanism (INVU), contracted Rader and Associates, a Miami, Florida, engineering firm, for a plan to deal with water shortages in San Jose and vicinity. The consultants proposed a construction program to tap sources in the northeastern quadrant of the metropolitan area. They also recommended "that the Central Government establish a National Water and Sewerage Service, a central organization which would have charge of the administration, construction, operation and

maintenance of all water systems and sewerage systems in the country. The first undertaking of the new department should be the facilities of the Metropolitan Area of San Jose."³

On April 14, 1961, the Costa Rican legislature established SNAA as a national institution. It assigned it the task of solving the water problems of the metropolitan area first. After that job was completed, the agency was authorized to move towards the take-over of all waterworks in the country. Four years later, SNAA's board of directors officially declared that the main problems of the metropolitan area were solved and the agency would start expanding its operations to all parts of the country.

SNAA's Organic Law⁴

Scope.

SNAA's authority is ambitiously broad. The agency has national authority over everything related to potable water and the disposal of sewage in the entire country. The major tasks assigned the institution are the following: (1) To administer, plan, construct, and maintain physical facilities; (2) To enforce the Potable Water Act; (3) To develop and regulate public waters suitable for SNAA's purposes; (4) To coordinate and regulate all private and public undertakings in all matters pertaining to potable water and sewers; (5) To determine whether municipal water systems are performing adequately and, if judged otherwise, to assume control

over them; (6) To provide technical assistance to other public institutions; and (7) To protect watersheds and regulate water pollution levels.

Structure.

SNAA is governed by a highly centralized structure in which a board of directors determines policy and a general manager is in charge of the administration. The board is appointed by the president. It meets at least once a week. Its main duties are to delineate general policy, to approve the budgets and financial statements of the agency, to set rates for services subject to SNE's approval, and to appoint and remove a general manager, an assistant manager, and an auditor.

The manager is responsible before the board for the administration of the agency. His powers include the submission of an organization chart, work plans, budgets, and salary schedules to the board, the establishment of new positions and the appointment and removal of all employees. The auditor's job is to exercise fiscal control by overseeing the agency's operations, verifying inventories and accounts, and auditing the books and documents of the institution. He is also to notify the manager of any irregularities and, if he fails to take corrective action, to bring the matter up with the board.

The Realities of Power

SNAA's organic law provides the legal framework for a pattern of concentrated power. The institution's scope is extremely wide. Its charter explicitly refers to national goals, plans, and needs. The law assigns SNAA a near monopoly in the ownership and administration of aqueducts and sewers and in the regulation and enforcement of existing legislation. Likewise, it centralizes decision-making authority within the agency in the manager's office.

The concentration of so many different tasks in one institution gives rise to a number of contradictions. Two in particular stand out. First, the Potable Water Act applies to all of the agency's activities, yet the judge of whether the institution is complying with the law is SNAA itself. Second, the diversity of SNAA's functions result in further conflicts of interest. For example, all projects for new or existing aqueducts and sewers require SNAA's approval. However, since the goal of the institution is to acquire all such facilities in the country, it is to its advantage to block local projects as part of a strategy to allow the deterioration of services provided by competing units, thus assuring eventual SNAA control. This has in fact happened on many occasions. Many projects proposed by municipalities and voluntary associations have been held up on account of the agency's objections.⁵

A similar conflict arises with the requirement that SNAA provide technical assistance to other institutions managing aqueducts. It is in SNAA's interest not to furnish such aid in the hope that others will fail in their endeavors, thus allowing it to expand its monopoly. These conflicts between SNAA's regulatory, advisory, and operational responsibilities occur all the time. Case studies will show that the agency consistently follows its own interests at the expense of the law.

Within SNAA itself, organizational power resides in the office of the manager, since a board of part-time officials can hardly be expected to wield much clout. The manager's control over information, personnel, budgets, operations, and planning makes him the single most powerful official inside the agency.⁶

This is true for most of the autonomous institutions in Costa Rica. Whether in the Social Security Administration, in the National Production Council, in the Costa Rican Electric Institute, or in the Tourist Board, the manager is the one who holds the reins of power. All attention is focused on the gerente, who calls press conferences, gets interviewed, testifies before congress, rewards friends, punishes enemies, and receives praise or blame. The political battles are waged by the managers in Costa Rica, not by the directors.

This does not mean that the board does nothing. Its job is to ratify the decisions of the manager with the seal of legitimacy, and to further and protect partisan, professional and private interests within and outside the institution. The board is one whose sanction and silence is bought by the manager, who seldom fails at this game. Most managers are political figures with experience in the congress, ministries, and other posts.

Between 1961 and 1974 SNAA was administered by Jorge Carballo Wedel, a civil engineer who worked on Costa Rica's portion of the Pan American highway. He is said to have been picked for the post because the highway was near completion. Contacts with then-President Mario Echandi were instrumental in the appointment. Mr. Carballo was regarded as an aloof, suspicious man who held SNAA in tight reins. As a former production manager put it to a congressional committee: ". . . In that institution, one does only what Mr. Carballo says and nothing else."⁷

SNAA's Performance

SNAA's performance is a matter of heated dispute in Costa Rica. On the one hand, agency personnel claim to have achieved impressive results. On the other hand, community groups and local officials complain about the quality and high cost of services. Heated public relations battles are waged in the newspapers in which the agency and its critics

seek to convey their version of events to the public. While the agency gets the tacit support or benign neutrality of highly placed national figures, its critics have won public opinion to their side. Thus the central government finds itself in the awkward position of having to apologize for an unpopular institution to vocal and sometimes violent local groups.

In the next two sections, the views of the agency and its critics are briefly reviewed. The efficiency of several of the agency's investments are then analyzed. The analysis will show that SNAA's largest projects have failed to perform according to expectations. Next, the allocation of costs and benefits resulting from SNAA's policies is examined. As will become evident, the agency tends to favor urban areas and higher income groups against rural areas and the poor. Finally, case studies of conflicts between SNAA and local groups will be presented to show that the agency's policies produce a great deal of violence. SNAA finds it impossible to expand its operations to many areas of the country due to the violent opposition of organized citizens who wish to remain independent of the agency. These case studies also show that present structural arrangements deter poor municipalities from investing in local aqueducts. Central restrictions on what they can do, combined with the prospect of eventual SNAA control, militate against an active development of potable water resources at the local level.

The Official View.

One of SNAA's most striking characteristics is that it never fails to seize upon every opportunity to boast of its achievements and triumphs. Every week, press releases and paid articles tell the nation of the organization's progress in meeting its needs for potable water and sewage disposal. Pictures and statistics provide an impressive picture of accomplishments.

Indicators of achievement most often mentioned in these publications include millions and more millions of dollars secured in foreign loans; millions of dollars invested; storage tanks built; kilometers of pipes laid; wells dug; pumps installed; liters per second found, tapped, and developed; aqueducts inaugurated, rebuilt, enlarged or improved; filters replaced; pounds of chemicals used in water purification; and kilowatts of energy consumed. Numerous projects are given great publicity: The second phase of the Metropolitan Aqueduct; Emergency Project for Heredia; the Emergency Project for Puente de Mulas; the Five Cities Project; and the Fourteen Cities Project. Every major new aqueduct or water plant is inaugurated with great fanfare. On these occasions, congressmen, ministers, and other high-ranking officials speak loudly of SNAA's "successes," its generosity and devotion to duty. The public and the government are lectured on the necessity to support an institution as

benevolent (bondadosa) as SNAA. Everyone is reminded of the agency's unselfish dedication to providing Costa Ricans with potable water. Supporters emphasize the unique technical capabilities of the institution: no one, SNAA repeats over and over again, can supply water to Costa Rica but SNAA.

Anniversaries of SNAA's founding are celebrated by publicity campaigns. Essay contests are organized among the school population. Speeches summarize what has been accomplished. Full-page ads present tables that show the increasing number of households serviced by SNAA through the years, as well as the institution's investments. For example, in June, 1973, the agency published a full-page ad headed by:

Aqueducts and Sewers
XII Anniversary
June 1961 - June 1973

Two tables followed. The first shows \$21 million invested between 1962 and 1972, and the other, the number of people served: 700,000 in 166 water systems. Two pictures of SNAA's projects are shown. SNAA reiterates its "firm policy to serve, every day, with greater efficiency." Lastly, it is announced that an additional \$23 million are being invested in three different programs.⁸

Whenever a project meets local resistance or is criticized, "interviews" with residents from those areas are prominently displayed in the newspapers. The articles carry headlines such as: "It does not hurt to pay adequate rates

if SNAA gives us abundant water"; "Great benefits for Moravia with SNAA's projects"; "Let's cooperate with SNAA works in Puntarenas"; "It is only logical that Puntarenas celebrate SNAA's works"; "There is no reason for complaint but for supporting SNAA in Tibas."⁹

The researcher intent on penetrating SNAA's smoke screen of propaganda finds it to be a difficult task. He encounters a "party line" voiced by administrators and engineers alike. It tells of a history of projects and accomplishments, of progress and plans for the future. Complaints about past and present performance are dismissed as based on the Costa Rican's traditional unwillingness to pay for services, his localism, and the lack of support on the part of other institutions like the congress and the executive.

Interviews with SNAA officials yielded very little information about the realities of the organization. A very defensive attitude was evident. The following are responses to questions obtained from several interviewees on various occasions during 1973.

- Q.: "Why are there shortages in the metropolitan area?"
 A.: "Waste. People do not conserve water. Also, too much growth. Puente de Mulas was scheduled to supply the area until 1975, but demand has exceeded production already."
- Q.: "There are numerous complaints about the high cost of SNAA water. Can you comment on this?"
 A.: "Costa Ricans want everything free. They do not want to pay for water because of the ridiculous rates charged by the municipalities."

- Q.: "What are problems faced by SNAA?"
 A.: "Too much politicking by the congress and the executive. Also, the irresponsibility of Costa Ricans who want everything free. They do not realize just how costly these projects are."
- Q.: "How do you evaluate SNAA's efficiency?"
 A.: "At the very top, with the Electricity Institute (ICE), which is the most efficient."
- Q.: "Why do communities like Turrialba, Naranjo, and others refuse SNAA?"
 A.: "Parochialism. People have to realize that only big and powerful institutions like ICE and SNAA can solve Costa Rican problems. They will soon learn that only SNAA has the resources to pay technicians and finance modern services."
- Q.: "What complaints are voiced by the people of this canton against SNAA?"
 A.: "None. Everyone is very happy that we are building a new system here."

A "National Calamity".

SNAA's own version of its performance contrasts markedly with citizen perceptions. Every week, letters and news accounts are published in the newspapers expressing the public's dissatisfaction, indignation, or disapproval regarding SNAA. The following letter, which appeared in La Nacion on June 18, 1973, expresses the climate of opinion surrounding SNAA well.¹⁰

My most firm protest against that national calamity of an institution that we have in Costa Rica, SNAA.

I live in Urbanization Finsa, off the highway that leads to Paso Ancho. It has been more than three months that the residents of this area have had to put up with repeated shut-offs in the water supply, every day without exception, for periods of two, six, and eight hours a

day. But what is worse is that there is no possibility of knowing when the all-powerful senores at SNAA are going to take away our water; they do it at six in the morning or at nine in the evening. Up to this moment, they have not even bothered to give us an explanation.

At the beginning, this situation could have appeared normal, given the drought we were going through. But at present, after almost a month of strong showers every day, this is intolerable. They should understand, the gentlemen from SNAA, that we all run out of patience some day. We hope that in the same dedicated manner by which the institution has sought to defend itself from innumerable criticisms splashed every day in the newspapers, they take note of this, not for the drafting of long pretexts, but in order to put an end to this situation.

This author travelled to all parts of the country interviewing citizens and officials alike. In the course of these conversations, the interviewee would be asked what the people in the area complained the most about. In those towns where SNAA was in control of the aqueduct, water service was mentioned most often.¹¹ The following comments are typical:

Water rates increased six or sevenfold without the first shovel of dirt having been turned. They charge rates for nonexistent services. They have been here a year and all they have done is destroy our streets in order to install pipelines. (Businessman, Puntarenas).

SNAA's administration is deplorable. They have staggered from one project to the next. They have programmed our city in several plans. They have dug wells but those are not in service. They installed a pipeline to San Martin neighborhood, but it has no water. (City Manager, Nicoya).

Talking to the people about SNAA is like mentioning the devil. (Councilman, Santa Ana).

In dealing with those who do not accept SNAA's official view of its achievements, the institution's policy is to refute every complaint, never acknowledging responsibility for errors or deficiencies. The agency's public relations department regularly writes letters and articles to answer complaints in detail, taking pains to "prove" that any and all deficiencies, when impossible to refute, are in fact caused by factors "outside of the institution's control," and thus not of its own fault. Whatever is alleged by the quejoso (complainant) -- water shortage, high bills for water not delivered, irregularities in service, breakdowns, damages perpetrated by SNAA's crews or contractors, delays in implementing projects, etc. -- a ready explanation is available which frees the institution of all responsibility.

Take the following example. On June 21, 1973, La Nacion published a SNAA "explanation" concerning the lack of water in Los Chiles, a canton of 5,000 people located approximately 75 miles north-west of the capital, in Alajuela province. Mr. Claudio Cruz Zaniboni, of the Office of Public Relations, cites a news report of June 13 to the effect that the people of the area drink contaminated water collected in abandoned wells because "it's been three months that the pump broke down and SNAA took it away for repairs." Mr. Cruz refutes that account;¹²

The problem of the lack of water in Los Chiles is not due to the motor that broke down, but to the well that dried up. We have explained this problem several times, but with pleasure do so again.

Quite a while ago a deep well was dug with the capacity necessary to supply that town. Unfortunately, irresponsible elements of the place dropped sticks and stones into the well, almost destroying it. Despite that circumstance, SNAA restored pumping equilibrium, but the well never produced even one-third of the capacity originally calculated for the needs of Los Chiles.

On the contrary, its production gradually diminished until it completely dried up, resulting in the burning of the pump and the motor. Because of that, on April 26, the pump was brought to San Jose for repairs. In the meantime, SNAA, with the collaboration of the Municipality of the area and a contribution of \$1,100 on the part of the residents, had started to dig another well, which is ready and all that is needed is the installation of the pumping equipment.

But due to unforeseen circumstances, the sending of the reconstructed pump and a new motor has been delayed, but as of June 15, a technician went to the community to install the equipment which will run the new well. Thus, probably before the month is over Los Chiles will enjoy the benefits of potable water.

Nevertheless, it should be emphasized that while the service has been deficient -- and not because of SNAA's fault but due to the circumstance referred to -- we also believe it is opportune to make the observation that the users have never been charged for the water service due to their abnormal situation.

Note that SNAA's original estimate of production for the well was so off the mark that the well never produced even one-third of the expected output. This is a common mistake on SNAA's part, which regularly either over-estimates supply or underestimates demand in its systems. Note also that repairing services are headquartered in San Jose, and that it

took almost two months to have the pump reconstructed. No water was supplied in the interim. Finally, note the reference to "unforeseen circumstances," a favorite phrase, and the exoneration of the agency.

This is a world of imperfect information. No one can be certain about the future. This circumstance, however, is hardly a reason to exempt an institution from responsibility when its estimates and predictions go awry. All that technical expertise SNAA boasts of was of no use in predicting the capacity of a well to supply a town of less than five thousand people. What is even worse, the error was not detected until the well ran dry and the motor burned up! Only then did it begin to dig another well, but not without first exacting a contribution for the job, thus forcing the population to pay twice for SNAA's mistakes, i.e., once by having to do without water and a second time by having to pay to correct the error. Finally, servicing of equipment is headquartered in San Jose, the capital. The agency can easily decentralize maintenance on a provincial if not a cantonal level. This would drastically reduce the time it now takes to detect mechanical problems and to conduct repairs, which is unreasonably long, especially in rural areas.

Efficiency of SNAA's Investments

By 1972, SNAA had spent almost \$35 million. Almost two-thirds of that amount had gone into investments. Yet, in

the words of Congressman Asis Esna Miguel: "SNAA in twelve years has not been able to solve the problems of a single town. . . ." ¹³ Not even San Jose's center was adequately served: in the middle of the rainy season, the capital's business district was often dry.

SNAA's inability to supply its clientele with water is due in no small part to investment failures from which it has not yet recovered. In the metropolitan area, in particular, the agency has built large area-wide projects which have proved to be uneconomical. Where the development of local water resources would have been feasible, SNAA adopted "the easy, but most expensive solution" ¹⁴ of investing in one huge project, Puente de Mulas, which turned out to be a "white elephant." Lack of coordination between the technical and administrative staffs has also been a serious problem which has caused much waste. Finally, the agency's ties with foreign consulting firms and financial sources has led the agency to import foreign technologies which are too expensive for the country, and which do not adapt easily to the local environment. In a mountainous country where the power of gravity is free, SNAA has often eschewed low cost gravity systems in favor of expensive pumping techniques. The following case studies analyze major SNAA mistakes. ¹⁵

Puente de Mulas. Puente de Mulas has been SNAA's biggest undertaking since its establishment. Hailed as the

definitive solution for San Jose's water problems, it brings water to the metropolitan area from a field of springs located 10 miles west of San Jose, in Belen canton, Alajuela province. This area, called Puente de Mulas, lies on the slopes of the Virilla River canyon.

The aqueduct's main features are two pumping stations which consist of four 600 H.P. pumps each; a 36-inch wide steel pipeline which extends from Puente de Mulas to San Jose; and a 2½ million gallon tank located in Sabanilla, in San Jose's western sector. Ten million gallons of water are collected daily at Puente de Mulas, pumped to a relay station in Escazu, and pumped again to Sabanilla, from which it is fed to the city by gravity.¹⁶ The electricity cost of this operation alone amounts to \$300,000 annually.¹⁷

The first phase of the project was inaugurated in 1969 at a cost of \$6 million, almost one third of SNAA's total investments. The final cost was 50 percent greater than the original estimate.¹⁸ Initially, a second stage was projected which would tap additional springs further down the river and include the installation of four more pumps at each station, plus the construction of another storage tank. However, that plan has now been shelved in favor of a completely new aqueduct which will bring water from an aquifer north of San Jose, in Heredia province. This is because a British consulting firm determined that construction of the second

stage would not have been economical. Puente de Mulas water, produced at almost \$0.05 per cubic meter, is the costliest water produced in the country. As a result, the 36-inch pipeline will continue to operate at less than one-half of capacity for many years. That means that \$2.5 million are "buried" in the project.¹⁹

Another problem with Puente de Mulas is that the spring which produces one-half of total output is contaminated with raw sewage from the waters of the Virilla River, which serves as the main outlet for sewage from the capital. In 1971, two days after the agency's production manager brought the matter up with his superiors, he was fired. Mr. Rodrigo Bustamante brought suit against SNAA before a labor court, charging that he had been dismissed without cause. He also contracted micro-biologists to take water samples. They confirmed his charges, finding that several of the springs were in fact contaminated. This may have been the cause of a cholera-like epidemic in Escazu canton only a few months after he had been fired. Two hundred people became ill, and two children died. The Minister of Public Health, who acts as chairman of the board at SNAA, attributed the outbreak to flies.

Rio Blanco. Rio Blanco was a \$12 million project designed to bring water to San Jose from the Atlantic side of the country, via a tunnel through the Talamanca mountains

which would have fed a storage tank located near Tres Rios, a city east of the capital. The project was unwise for two reasons. First, the area that was to be blasted is one of active faults and an earthquake could have wrecked the tunnel. Secondly, an alternative plan would have brought water from the Atlantic side through a pipeline which would have fed the Tiribi river. As its proponent reasoned, there was no need for a storage tank when nature has provided a large river bed. In any case, the eruption of the Irazu volcano in 1969 put an end to the project, but not before almost \$1 million were spent. Ironically, another one-half million dollars were invested in a plant in Tres Rios which is nearly empty during the summer because the Tiribi River dries up.

Tres Rios. In another project at Tres Rios, SNAA dug three wells and injected their ninety-liter per second output halfway down the 24-inch pipeline which carries 700 liters per second from Tres Rios to San Jose. This interrupted the original flow and thus San Jose spent three months without water until the output was injected into a main supplying a different part of town. That cost SNAA time, electricity, money, and consumer impatience.

Tibas. SNAA built a storage tank in Tibas canton which cost \$75,000. It was erected in an area that is only ten meters above the center of town, at a distance of two

miles. As a consequence, the water would go in but could not get out.

In light of so many costly mistakes, the analyst is forced to conclude that the agency's investment policies have not been sound. The agency has tended to undertake large complicated projects which do not take advantage of the natural resources available in the country and which are not easily integrated into the existing physical environment. As will be demonstrated by the case studies on anti-SNAA violence, the institution's policies likewise do not harmonize well with the nation's social and political structures.

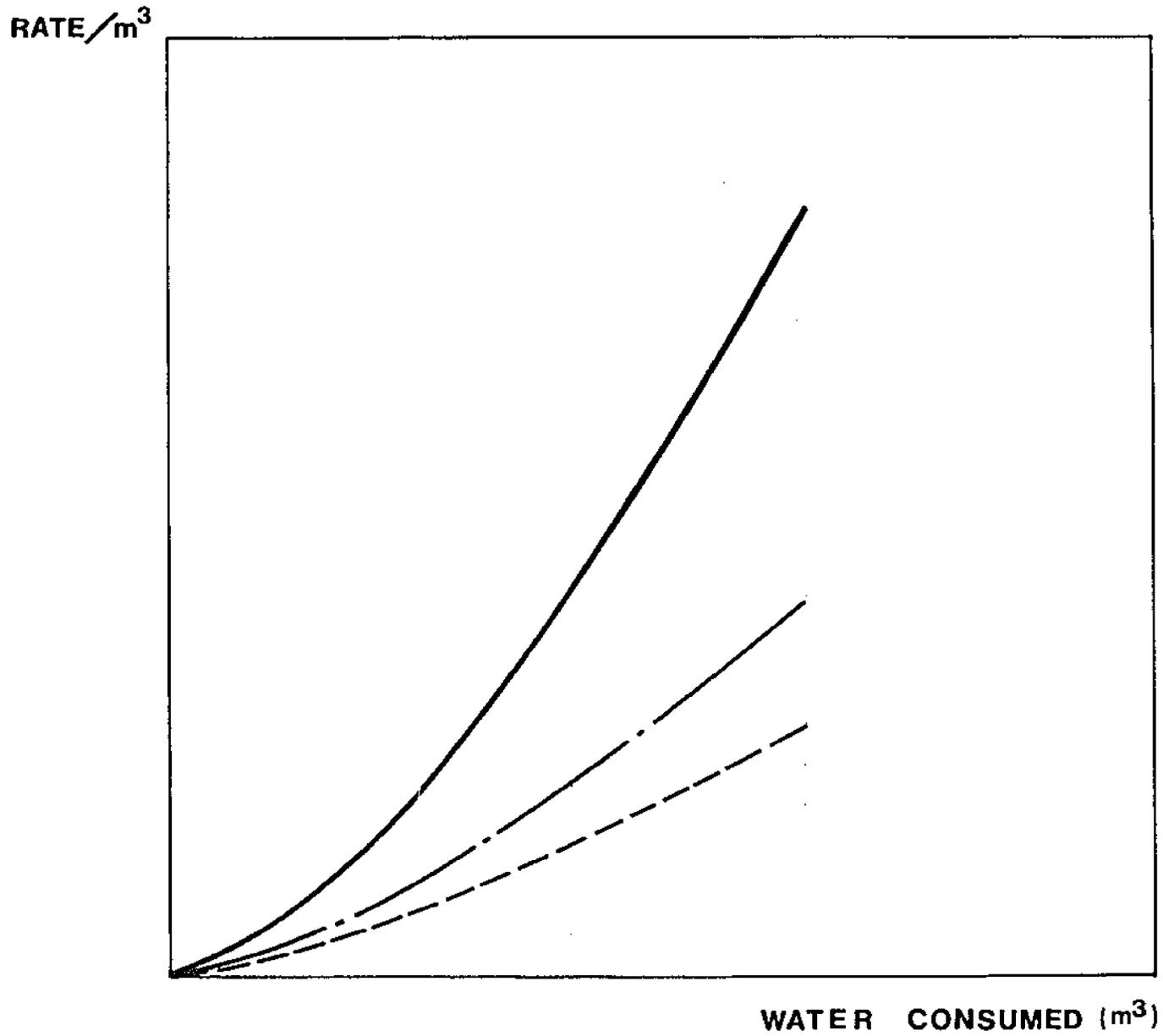
The Allocation of Costs and Benefits

SNAA's rate schedule is biased in favor of industrial and commercial users at the expense of residential customers. The pricing curve for households slopes upward at much lower levels of consumption than for industry. Figure 1 represents this relationship graphically. This policy favors large enterprises that can take advantage of favorable rates and penalizes the family that earns a living washing clothes or making tortillas at home.

This pro-industry bias is compounded by a pro-urban bias in water allocation. SNAA aims to institute a single rate schedule for the entire country.²⁰ This strategy subsidizes areas like San Jose where the cost of water is higher

S.N.A.A.

RATE STRUCTURE



- HOUSEHOLD
- · - · - · COMMERCE 1/2 HOUSEHOLD
- INDUSTRY 1/3 "

Source: Commercial Section, National Service of Aqueducts and Sewers, San Jose, Costa Rica.

figure 1

because it has to be brought from adjacent provinces. A more rational approach would let prices rise in high consumption areas to discourage its use.

Closely related to this point is the fact that as a "national" institution, SNAA can legally go anywhere in the country and appropriate for its use any source of water it desires without regard to compensation for the local residents, who are forced to "export" their water to other areas. This is true for Tres Rios and Belen cantons in Cartago and Alajuela provinces, respectively, which supply most of San Jose's water. SNAA is now engaged in a plan to transfer water from Santo Domingo canton, in Heredia province, to San Jose. The capital will continue to consume water in ever-increasing quantities as long as other cantons and provinces give up their supply to it for free.

SNAA's policies also appear to favor higher-income groups at the expense of lower and low-middle income groups. Public opposition to SNAA is most vehement among the lower classes while the strongest proponents for SNAA take-over in the cantons are the better-off residents. The belief is widespread that SNAA shortchanges the poorer neighborhoods while keeping the wealthy areas well-supplied with water. Complaints about water service are common in the poorer sections of the metropolitan area, like Desamparados, Zapote, Cristo Rey, and Tibas, while one seldom, if ever, hears from

the wealthy neighborhoods. During severe shortages, SNAA issues press releases citing the lack of water in Escalante and Los Yoses, two wealthy areas of San Jose, but one never sees a letter from a resident of those areas confirming those statements. The poor also complain that SNAA charges an exorbitant price for the water it provides and argue that only the rich can afford it.

There are two main reasons why the poor are so hostile to SNAA. First, the agency is staffed by social-climbing bureaucrats whose social and economic standing and aspirations lead them to identify with the middle and upper classes. Their dress, language, mannerisms and administrative style do not fit well with the mores and life-styles of the lower-income groups, accustomed to informal contacts with local officials who understand their language and needs better than civil servants sitting in the air-conditioned SNAA headquarters in San Jose.

The second and most important reason has to do with differences in the demand schedules of the lower income groups as opposed to the higher income groups. The latter want pure water and modern, urban-oriented services, and are willing to pay SNAA's high prices to get them. The former want plenty of water at low prices, even if the quality is not first-rate, and even if it is not delivered 24 hours a day. After all, only a few years earlier they were consuming

surface water from a river or stream near their homes. In the city, they still hang on to vestiges of rural life styles and values, and so they are not so concerned about ultra-modern plumbing. Rudimentary pipes and faucets will do. In some towns and cities, there is still a demand for public fountains and other community sources of water.²¹

SNAА, however, prides itself on the quality of its water -- even if, as with Puente de Mulas, the facts are otherwise -- and insists on the highest building and plumbing standards possible. Yet the agency meets these criteria only at high unit costs which the lower classes feel they cannot afford. But SNAА is not interested in meeting low-cost water demands. It sees itself as one of several modernizing institutions in the country, a self-appointed agent of change whose job is not so much to meet "backward" demands but to restructure consumption habits so as to transform a rural society into an urban one. When the poor resist, the agency's response is to demand the support of the central government, and to engage in self-pity when it does not get it. One of the most tragic of SNAА's characteristics is the degree to which it is alienated from its own people.

Case Studies in Political Violence

SNAА's performance is a cause of much citizen violence. Periodically, explosions of discontent take place in SNAА-served areas. Local leaders form anti-SNAА committees

to demand better services, to protest high water bills, or to try to break away from the institution altogether. In 1973, citizens stoned and burned the local office of SNAA in Tilaran canton to protest irregular services.²² Violence also comes to the surface whenever SNAA attempts to extend its services to certain parts of the country where towns and cities are supplied by municipal systems. Even in areas where the local aqueduct is in a sad state of disrepair, opposition to SNAA take-over is adamant. Opponents object to the higher operating costs which SNAA will incur, resulting in higher water bills, and to the prospects of exporting their water to other areas without local consent. The following case studies illustrate SNAA's weaknesses in the context of actual political conflicts.

Escazu.²³

In Escazu canton SNAA lost its most important battle in its troubled history. As part of the metropolitan area, the canton turned its aqueduct over to SNAA in 1961. Eleven years later, an atmosphere of "enormous violence"²⁴ forced the Congress to reinstitute local control. An "Administrative Board of the Escazu Aqueduct" was chartered but given no means of financial support. The board had to begin operations without any money and hardly any equipment. To make matters worse, the board was locked from the start in a political, administrative, and propaganda war with SNAA, which conducted a campaign

in the press, the congress, and the central administration to discredit the board's performance, hoping to have it abolished. Thus its first two years of operations were marred by low water pressure, frequent breakdowns, and instances of water pollution.

Escazu borders San Jose on the west. It covers a little more than 20 square miles of largely mountainous terrain whose peaks survey a great expanse of the central plateau. About 20,000 people reside there. The population ranges from independent farmers who live in the isolation of inaccessible ravines to the international jet set who own mansions on top of cliffs and small plateaus. Robert Vesco, the fugitive financier, lives in Belo Horizonte, an exclusive area with a heavy concentration of foreigners. A strong and resourceful middle class is also very much in evidence. Numerically, however, peasants and small proprietors dominate. Their adobe and tile, and wood and tin structures give the area a distinctive charm. Bare-footed labriegos, country people par excellence, live close to the land, planting corn and beans, walking their cattle to pasture, and cultivating sugar cane and fruits. Only a couple of miles from the central district one sees women doing their wash in the numerous creeks and streams of Escazu.

Escazu's principal grievances against SNAA included neglect of the local aqueduct, high water bills, inefficient

service, and bureaucratic arrogance. Local leaders contend that during 10 years of operation SNAA did nothing for the canton. Service was bad, the rates high, and the treatment of the people poor. Peasants, in particular, felt aggrieved with the agency. After three years, complaints against SNAA began to pile up. In 1966, a civic committee was organized. Mr. Luis Herrera was elected president. With municipal support, the committee took its case to the executive branch where it was received by the President. He was sympathetic but did not relieve the situation. In 1971, the committee took 7,000 signatures to the Congress and demanded independence from SNAA. At one point during the controversy, organized bands roamed the canton smashing water meters and threatening SNAA personnel. After a long fight, the Congress reinstated local control in what was described as a coup d'etat against SNAA.²⁵

Throughout the proceedings in the Congress, SNAA opposed the establishment of the board. It opened a branch office and financed a group within the canton to defend its control of Escazu's water. When the bill to authorize the board was being drafted in the Congress, the agency attempted to insert a clause that would have committed the board to buy water from Puente de Mulas. Then, when it became evident that the bill would become law, they "cleaned house" and took away everything of use in the plant, including tools and even

the locks on some doors. When the time came to hand over the plant to the board, SNAA refused to give them equipment assigned to the plant as specified by law on the grounds that SNAA is a national agency which assigns no equipment or vehicles to any particular canton. Board officials also contend that the maps supplied to them by SNAA were "fictions" which did not accurately pinpoint the location of pipes and valves.²⁶ "We had to dig around like beavers in order to find them," said the board's president in an interview.

SNAA has never resigned itself to the loss of the canton. It includes Escazu in future plans for the metropolitan area, maintains contacts with high-income sympathizers within the canton, and adamantly opposes local plans for self-improvement. During 1973, when the Escazu board was negotiating a loan with the Institute of Municipal Development and Assistance (IFAM) to improve the local aqueduct, SNAA carried on a propaganda effort to discredit the board. It enlisted newspaper support to publicize Escazu's shortcomings, and secured the aid of other national institutions which engaged in a systematic harrassment of the board. For example, the Ministry of Public Health began to keep close tabs on the quality of the water, taking periodic samples and announcing that its tests showed dangerous pollution levels. It did nothing of the kind in neighboring Santa Ana canton, where water quality was far worse than in Escazu. The Comptroller General's

Office inspected the board's books and wrote a critical report of the administration of the aqueduct, excerpts of which were widely publicized by SNAA. The Escazu board claims that it was never sent a copy.²⁷

Mr. Rodrigo Bustamante, SNAA's former production manager, is now Escazu's consulting engineer. He estimates that the canton's water resources amount to 150 liters per second, enough to supply 45,000 residents, more than twice the present population. The cost of production would be less than \$0.02 per cubic meter as opposed to almost \$0.05 per cubic meter pumped from Puente de Mulas.²⁸ Accordingly, he prepared a \$250,000 investment program designed to double the output of the Escazu plant; this is what it would cost the board to purchase an equivalent volume of SNAA water for two years.²⁹ IFAM agreed to finance the project, but only if the central government would guarantee the loan. A bill to such an effect was introduced in the Congress in mid-1973.

The bill was sent to the Committee on Economic Matters chaired by Congressman Jenaro Valverde Marin, a SNAA supporter. The first witness called to testify was SNAA's General Manager, Mr. Carballo. The committee's chairman greeted him with these words: ". . . The opinion of the committee is that the Administrative Board ought to disappear in order to give an adequate solution to the water problem that Escazu canton suffers today."³⁰ Mr. Carballo made clear his opposition to the bill, arguing that the canton ought to be part

of SNAA's metropolitan system because, he said, it does not have enough water of its own. Escazu's problems would be solved, he assured the committee, the moment his agency was free to "open the valves" from Puente de Mulas. In short, he advocated a return to the status quo ante.

At the end of his testimony, it was clear that most committee members felt that on "technical" grounds, Escazu had to revert to SNAA. As Congressman Castro Hernandez put it: "I see that the consensus in the committee is that what we must do is to call the board and find a way to make them understand that the way to solve Escazu's water problem is through the National Water and Sewer Service since this institution has worked to resolve the water problem in an integral fashion, as I have said on other occasions. . . ."31 The board, then, was invited to testify not in favor of the bill as originally planned, but to hear about the committee's decision to recommend its demise.

The board was not slow in launching a counter-attack. Mr. Bustamante cited numerous instances of technical failures on SNAA's part and Mr. Herrera told of a history of SNAA machinations to sabotage their efforts. Their testimony irritated the most ardent of SNAA's supporters, especially the committee's chairman, who later complained that these institutions should not be pushed off their "pedestal." Committee members showed an obvious reluctance to touch a micro-biologist report about water pollution at Puente de Mulas.

While the committee remained firm in its opinion about the technical desirability of SNAA control in Escazu, it learned that the transfer was politically dangerous. Members of the Escazu municipality warned that a serious situation might develop if the change were attempted.

Not all Congressmen saw eye-to-eye with SNAA. Congressman Jimenez Borbon said at one point during the hearings that it was evident that SNAA had sabotaged the board. With regard to transferring the aqueduct to SNAA, he was opposed, and warned that if it were accomplished, the project to develop Escazu's water resources not only would be delayed, but "will turn out to be far more expensive and as a consequence the water rates established will be much higher. . . ."32

Committee members worked out a compromise and on June 19, a bill drafted by the chairman was approved unanimously. It would have killed the board and transferred the aqueduct to the municipality of Escazu, to which the IFAM loan was guaranteed. The bill provided for SNAA resumption of ownership within five years. However, the bill never reached the floor of the Congress, as the Congressional leadership feared its repercussions during an election year. On June 26, La Nacion published excerpts of a letter signed by 18 Escazu residents which warned the Committee on Economic Matters that Puente de Mulas was not violence-proof. The letter invited the Congressmen to take a shower in Escazu to find

out for themselves that the water situation was not at all the one pictured by SNAA's "propagandists."³³ The tone of the letter left no doubt that the signers would retaliate against SNAA facilities if the board were in fact abolished and SNAA allowed to come in. The resulting stalemate left the board without capital to invest in its aqueduct. A local project with the potential to develop water resources at a lower unit cost than SNAA could not get started because of a lack of funds.

By the end of 1973, the conflict between SNAA and Escazu was anything but over with. SNAA had not resigned itself to the loss of the canton. It was clearly in its interest to sabotage and undermine the board at every turn, publicizing its shortcomings while opposing any attempt at self-improvement. Through press campaigns, high-level public relations in the Congress and the executive branch, and the wooing of anti-junta elements within Escazu itself, SNAA had sought to "destabilize" the position of the board to the point where a move to destroy it almost succeeded.

In its relations with Escazu, SNAA used propaganda and political weapons to accomplish its objectives. In this, it conforms to Milton Kotler's observation that "The aggression of central power is predominantly political and propagandistic, rather than military."³⁴ His analysis of the strategy of central-local conflicts applies with equal force here:

It must be anticipated that a bureaucracy will oppose neighborhood control with great resources of money and heavy ideological attack, and will label the corporation a menace to democracy, efficiency, and quality. . . . Such a confrontation must, however, be fought with a political strategy of threats of equivalent disorder and protest. Great care must be exercised in reaching a negotiated settlement.³⁵

The board survived because it retains the allegiance of its people, and in an election year, party leaders simply would not risk a resumption of violence and disorder in Escazu. While under the circumstances, the board could not get high marks for water administration, its performance was definitely superior to that of many municipally-administered systems. Moreover, its ability to mobilize support and organize resistance against SNAA was beyond question. The board threatened to resign and take its case to the people of the canton if the bill to destroy it was approved. Some board members have impeccable credentials in the National Liberation Party. They approached the Assembly's Chairman, Luis Alberto Monge, who promised them that the bill would not become law. Evidently, SNAA was not thought to be worth the risk of a violent confrontation, and the committee's recommendation was shelved.

Moravia-Tibas.³⁶

Moravia and Tibas are two cantons of the metropolitan area where dissatisfaction with SNAA's performance is so intense that civic committees are working to secure independence

from the agency. In 1973, the two committees joined forces and had a bill introduced in the Congress to establish autonomous boards to administer the local aqueducts. The request was denied. Some time later, SNAA inaugurated a new plant for Moravia-Tibas but the ceremony was clouded by an alleged plot to bomb the facility.

Moravia and Tibas are two cantons located north-east and north, respectively, of San Jose. They are urbanizing rapidly and growing faster than San Jose. Between 1952 and 1973, Tibas grew 203 percent, Moravia 157 percent, and San Jose only 87 percent.³⁷ The cantons are interconnected within the same water network, an interdependence which goes back prior to SNAA's establishment.

Dissatisfaction in Moravia and Tibas with SNAA's performance dates back several years. In 1971, a civic committee was formed in Tibas to find ways to solve water problems in the canton. A town meeting was organized with the purpose of airing complaints about water service. Municipal officials participated and later joined forces with the committee. Work was begun to collect signatures of those with complaints. At about the same time, a Moravia group organized for the same purposes but was unable to secure the support of its municipality. Nevertheless, in 1973, anti-SNAA elements in both cantons began to work together to free themselves from SNAA. They appealed to the Congress for the establishment of water

boards in their jurisdictions, and had a bill introduced to such an effect.

The principal complaints against SNAA in Moravia and Tibas are high water rates, irregularities in service, and what they view as the inefficiency of SNAA employees. Residents of Colima, a Tibas neighborhood, have to put tanks in the streets to have them filled because no water reaches their homes. Municipal officials resent the high salaries earned by SNAA bureaucrats and the incompetence of SNAA personnel up and down the chain of command. Eight employees are sent to do a repair job which two men can do. A truck drops the entire crew at the site and does not pick them up until several hours after the job is finished. If there is another problem in the canton like, for example, a leaking pipe, the employees will not touch it unless ordered to do so by their superiors. SNAA is referred to as "Mr. Carballo's empire." Local leaders express outrage at the loans which the Congress approves for SNAA without debate. "SNAA is inhuman," said one, "Institutions have been established which exploit the people."³⁸ They believe that the press has "sold out" to large agencies like SNAA and is careful not to offend them because a lot of advertising revenue is derived from their ads and propaganda.

In June, 1973, the Permanent Committee on Government and Administration of the Costa Rican Congress held hearings

on the proposed bill. The members listened to SNAA's Manager as well as to the civic leaders. Although several Congressmen made remarks that were highly critical of SNAA, the general consensus within the committee was that water boards are unworkable. Escazu was often cited as proof. It was even indicated that the task of the Congress is to strengthen, not to weaken, SNAA. In the end, they rejected the proposal.

The committee's action appeared justified. Simply to grant autonomy over their aqueducts to Moravia and Tibas would not do. Escazu's experience shows that to establish a board with no financial base is unwise. It is also unfair to do so while SNAA is granted millions of dollars in subsidies and loan guarantees. However, the committee could have recommended to Congress that a thorough review of SNAA be undertaken. This would have, at a minimum, put an end to SNAA's grandiose plans of investments which experience shows have gone to waste in the past. Many Congressmen expressed reservations about the agency. But the consensus in the Congress is not to tinker with an agency unless overwhelming pressure is brought to bear, or crisis situations develop. The Congress continues to pour money into SNAA in the hope that a flood of dollars will drown the voices of the opposition.

The committee's decision was deeply resented by the civic committees of Moravia and Tibas. In July, they held a

joint meeting presided by Tibas municipal officials. A sense of disappointment, of having been betrayed, was general. It was felt that the legislators were wary of meddling with sacred cows and bowed to party lines. Everyone agreed that the war was just beginning, that a battle had been lost because they did not know the proper tactics. Every speaker pledged to explore every possible avenue, including violence. Municipal officials did not emphasize the use of violence, but neither did they rule it out. "This is a democracy and we can get what we want by working within the established institutions but, if in the end, violence is the only solution, then so be it," said the presiding councilman.³⁹

For its part, SNAA proceeded as if nothing were wrong. It made preparations to inaugurate a new plant for Moravia and Tibas located in Los Sitios de Moravia in September. Publicists and journalists were unleashed to write about the wonders of the new facilities. Full page ads were published in the major dailies announcing the coming event, and giving a detailed description of the project in terms of cost, size of the tanks, length of pipes, population served, and other factors.⁴⁰ Edica Ltda., the contractor, thanked SNAA for picking it to do the job, and congratulated the agency on the inauguration of the plant.⁴¹ The program for Saturday, September 8, included all the elements which SNAA puts together on such occasions: a march by high school students, the honoring of the flag and the singing of the national anthem,

addresses by SNAA's Assistant Manager, a Congressman, the Public Health Minister, the Second Vice-President of the Republic; and the blessing of the plant by a priest, a Vicar from San Jose. Significantly, no municipal officials participated in the ceremonies.⁴²

Efforts to ignore the realities of the situation fell apart when the police discovered what they claimed was an attempt to blow up the new facilities. On September 5, La Nacion published an account by the police concerning the alleged plot. High officials of the Rural Guards said that several men had attempted to place powerful explosives in the storage tanks of the plant. Ten armed officers were sent to the scene after an anonymous tip was received in San Jose. "Unfortunately, nothing could be done because the alleged terrorists disappeared among the coffee fields of the sector. . . ." said a police spokesman.⁴³ Security on the site was tightened after the incident.

The Marxist weekly, Pueblo, however, ridiculed the project and the alleged plot.⁴⁴ It quoted a community leader from Los Sitios de Moravia, to the effect that "The National Service of Aqueducts and Sewers (SNAA) spent thousands of colones in propaganda announcing the inauguration of source tanks, and we have no water." The situation had forced the residents of the area to travel to the source tanks for water. According to the newspaper, the alleged plot was a rumor

circulated in order to persuade the Rural Guards to prohibit the women in the area from using the water in the tanks.

Regardless of whether the bombing incident was genuine or a ploy to chase off local residents from a SNAA plant, the agency has an explosive situation in Moravia and Tibas. Local leaders in those cantons are determined to wage battle until they regain control over their aqueducts. They want to manage the water themselves. Tempers are hot, as feelings have been bruised. At this time, however, the Congress seems unwilling to dismember SNAA, not even bit by bit. Apparently, SNAA learned from its experience in Escazu that it must cultivate relations with the Congress to make sure that no more water boards are established. But if local leaders do not get their way in the Congress, and view that their failure is the result of "vested interests" between Congressmen and Mr. Carballo's "empire," then they might turn to violence as the only way to succeed. They already contemplate it as a legitimate weapon in their struggle. In the meantime, SNAA pursues a mixed strategy which alternates between ignoring and discrediting its opponents, according to the setting and the situation. It clearly hopes that when the crunch comes, the police will be ready to assist it to repel any challenges to its domain.

Canas.

In August, 1973, an explosion of anti-SNAA discontent took place in Canas, a canton of 13,000 people in Guanacaste Province. Thousands of citizens mobilized to protest what they considered to be inadequate service. Pressure was exerted on the municipality to stand up to SNAA and to demand improvement in performance. The local government was urged to take over the administration of the aqueduct. A general strike was planned by local businesses. Students threatened to block the Inter-American highway. Congressman Bonilla Dib marched at the head of an anti-SNAA demonstration. He said that the people were ready to burn down SNAA's offices in the canton.⁴⁵

What happened? On August 15, La Nacion carried a paid advertisement signed by 379 members of an "emergency committee" of the canton.⁴⁶ Addressed to the municipality, it demanded that the local government do something to remedy "the calamities we have lived on account of the irresponsibility and incapacity of SNAA." Local officials, reacting to a state of "effervescence" described as "tense" by the local police chief,⁴⁷ sent SNAA an ultimatum. It demanded that it meet with a municipal delegation within eight days in order to coordinate a solution to the problem or else "the municipality will cease to meet. SNAA will be responsible for future events and we will demonstrate to public opinion the

right which aids us in this exigency."⁴⁸ In effect, the municipality threatened to go on strike and to condone if not join in acts of violence against SNAA. The city of Bagaces, also of Guanacaste province, passed a resolution in support of Canas.⁴⁹

A clue to SNAA's difficulties in Canas was given by Congressman Bonilla Dib:

SNAA has a policy which I do not understand, I am not a technician. But in Canas there is a waterfall. . . It is eight kilometers away. . . the water could reach Canas by gravity. SNAA has not wished to do it that way. They have a well which they pump, and the problem always exists.⁵⁰

In other words, SNAA chose not to exploit the advantages of a low-cost gravity system. Instead, it turned to wells and pumping stations which need a lot of maintenance. Breakdowns are frequent, and the time it takes for the agency to detect and react to problems is long and frustrating.

A high SNAA official was asked what had happened in Canas. He brushed the question aside: "That problem has already been solved. The canton consumes too much water, so we have increased the supply."⁵¹ True or not, it is a critical weakness of the institution that it does not respond to problem situations until the people are worked up into a fever of discontent, when the slightest mistake can provoke a tragedy.

Naranjo.

Naranjo is one of several cantons which have resisted SNAA's efforts to bring them within the agency's service network.⁵² The aqueduct is administered by the municipality. For years, it had been neglected due to a lack of incentives. SNAA is authorized to take over eventually, municipal budgets are tight enough as it is, and loans are hard to get. By 1973, municipal indifference had taken a toll of the aqueduct. Water pressure was low and quality poor. However, in August of that year, the local government was shaken out of its lethargy by an aroused constituency protesting the coming of SNAA. The council had negotiated a transfer to the agency, but voted the merger down in the face of local opposition. Instead, it formed a local advisory board to help it improve the aqueduct.

Naranjo is a picturesque canton in Alajuela province, about 35 miles northwest of San Jose. It is a coffee-growing, cattle-raising area. A few of the canton's leaders have over the years promoted the idea of attracting industry to the area. Mr. Francisco Morales lobbied first as Congressman and later as Minister of Labor to this effect. As a result, the National Institute of Apprenticeship (INA) announced in 1973 its decision to open a branch in Naranjo in the near future. This move was expected to improve the labor skills of Naranjo's labor force, thus making it attractive for factories to locate there.

One of the requirements of industry is high quality water. If Naranjo is going to succeed in attracting manufacturing plants to its territory, it has to be in a position to provide it. However, Naranjo's water was deemed unfit for industrial use. Congressman Morales and other Naranjo leaders saw in SNAA the answer to their problems. SNAA had included the canton in its Fourteen Cities project, which has been in the planning-talking stage for many years. In 1973, SNAA acquired \$11 million to finance the program.⁵³ The loan was guaranteed by the central government without much debate. All that was needed was to transfer the aqueduct to SNAA. In August, the municipality met in order to do just that.

But news of the coming of SNAA to Naranjo sparked a wave of citizen opposition, particularly in the poorest sectors of the population. Five hundred citizens packed city hall at one meeting to voice their views on the move. Nearly all were negative. Protestors carried signs that said, "Out SNAA," "We don't want anything with SNAA," and others like them.⁵⁴ The discussions were heated, and insults were fired at the Congressman who had been the main force behind the transfer. In an interview, Mr. Lisandro Corrales, then councilman and an original SNAA supporter, told of the reasons for the opposition. "The citizens have a phobia about SNAA," he said. "These towns don't want to give up their local systems. The people distrust SNAA's bureaucracy which they

blame for high water bills. They want administration a lo Naranjeno (Naranjo's way). It is not the same to carry a complaint to San Jose as it is to go to the local office." He felt that the eruption at Canas the month before had had a definite impact. Citizens stated that they were willing to have meters installed in their homes and to pay higher water rates, but "they insisted on local control."

All but one of the councilmen had originally favored the transfer of the aqueduct to SNAA. But the vehemence of citizen opposition changed their minds. Instead, citizens were recruited to serve on a water advisory board organized to aid the local government on matters pertaining to the aqueduct. This was meant to relieve the workload of the city manager "on whom the council relies to keep things running but who often times cannot keep up with everything," according to Mr. Corrales.

The board was entrusted the task of "vigilance" over the water system, and authorized to clean tanks, make minor repairs and accept contributions for water improvement. The municipality retained the over-all administration of the aqueduct, and instituted some reforms. For example, it began to separate water income from all other revenues in order to devote it to water management and investments exclusively. It also raised water rates from a flat \$.18 per month to \$.57 per month. SNE set the limit and promised to authorize a

higher ceiling if and when investments were made. Within three weeks, the board had inspected most water sources for the canton. It determined that municipal abandon of the source tanks was partly responsible for the poor quality of the water, and proceeded to clean them. Private employers contributed their men to do the job on "company time."

The general inspection of Naranjo's water system revealed that water was plentiful and that modest investments in storage tanks, spring source works, and the installation of water meters would allow the community to retain its system. Accordingly, members of the water board and the municipality visited SNAA's headquarters to solicit advice on how to maximize investments in the development of their water resources. However, they were given a "bad reception," in the words of one who attended the meeting. Technical assistance was refused on the grounds that without Naranjo, SNAA would find it hard to supply San Ramon and Palmares, two nearby cantons. The visitors left but not without reminding the SNAA official that his agency is required by law to help other institutions engaged in water services.

Subsequently, SNAA's board of directors learned of the meeting and a member telephoned Naranjo with an offer of aid. But the damage had been done. Insults were traded over the telephone between the board and SNAA's public relations office. SNAA engineers were literally kicked out of the

canton. An independent engineer was hired as a consultant instead.

Santa Ana.⁵⁵

Santa Ana is another canton where local opposition prevented the merger of the municipally-administered aqueduct to SNAA even though the system is in a shambles. When, in October of 1973, the municipal council prepared to vote on transferring the aqueduct to SNAA, an organized citizenry put an end to the plan.

Santa Ana is only 10 miles west of San Jose, adjacent to Escazu. It covers almost 40 square miles of rural area whose main products are tomatoes, onions, corn, beans, and some milk. A private tourist resort, Lakes of Lindora, caters to weekend visitors. The canton's 12,000 population is a mixture of independent proprietors, peasants, townsfolk (small commerce, artisans, workers, mechanics, and employees), and a few San Jose newcomer families and American retirees who have settled in the area in search of peace and quiet, away from the noisy streets of San Jose.

Like most Costa Rican cantons, Santa Ana possesses an ample supply of local water. It is drained by the Uruca River system, a tributary of the Virilla River. In the mountains south of the town's center, in the district of Salitral, a field of springs supplies the makers of Zarza Santa Ana, a local version of root beer.

The central aqueduct is very old, and looks almost abandoned. The main plant, located in the mountains of Salitral, dates back at least 70 years, possibly longer. It was built at a time when the population of the canton was less than 1,000 inhabitants.⁵⁶ Ten inches of pipes divert surface water from the Uruca into settling tanks. From there, the water runs into two filters where a few inches of rock and sand are expected to trap most solid objects that come along and send it to the network of pipes which laces the town. A chlorination machine stands broken, unused, inside the building, even though human and animal wastes enter the river upstream.⁵⁷ Two laborers are responsible for cleaning the filters every few days. A few fontaneros (all-purpose plumbers) make the necessary repairs. And the municipal executive does his best to keep on top of the demands made on him by water conflicts and breakdowns.

During the rainy season, water is plentiful but so muddy that courage is needed to take a shower or brush one's teeth. During the summer, the plant cannot keep water pressure high enough to supply all residents. Those living in the higher areas of town usually get water only a few hours of the day, mainly during the night. This problem is not due to a lack of water. While the level of the Uruca drops during the dry season, it still provides by gravity all the water Santa Ana needs. The problem lies in the aqueduct. It

is too small. Investments are critically needed to reach farther upstream, away from populated areas, to install rapid filters, build storage capacity, and to gradually replace the system of pipes which are too narrow to accommodate demand. But the municipality lacks capital. Consumers pay a flat rate which averages a little over one dollar per year. Water is a money-losing proposition for the city, and no one likes to put much effort into a losing venture. Restricted in what it can do by central regulation over taxes, service rates, and borrowing, it views the aqueduct as a burden.

Because it is so close to the capital, Santa Ana has been included in SNAA's plans for metropolitan San Jose. On March 5, 1973, the agency sent a representative to the Santa Ana municipal council to explain the advantages of a merger. He read from a study on a project to supply the canton with potable water. The council did not have a copy. The salesman knew his job well and fielded questions with ease. Throughout the discussion, he repeated several times that the alternatives for Santa Ana were to either llevar la carreta (carry the cart, i.e., go at it alone) as he put it, or to go with SNAA. It was agreed that the councilmen would seek a meeting with SNAA higher-ups and that they would get a copy of the study. When the council expressed interest in meeting with SNAA's manager, the representative told them that he was too busy but suggested other names. He said that he usually

gets to receive community delegations and many times they leave in a huff, angered that they cannot talk with whom they want. While the discussion was taking place, two dozen citizens whispered among themselves but no one raised a question or asked the SNAA man for details. The council president emphasized the need to do things openly: "Las cosas hay que hacerlas claras," he said. The SNAA representative agreed and said that every time SNAA had not laid all the cards on the table problems had ensued and this had to be avoided.

For several months after that, Santa Ana's council flirted with the idea of transferring the aqueduct to SNAA. Council members were all inclined to bring SNAA, for different reasons. One felt that SNAA would improve the quality of the water supply and thus would add value to the canton's properties. Another hoped that the health of the residents would be enhanced. Still another perhaps wanted to gain a reputation among the "big boys" in San Jose, chalking up brownie points with the influential who can provide connections to jobs and status. Be that as it may, the dominant feeling was one of "let's get this albatross off our necks." They felt that the municipality, by itself, could do little to improve the condition of the aqueduct, and by giving it to SNAA they would be relieved of all the complaints dealing with water in the canton. It would cease to be a local problem.

Contrary to what the council president had stated on March 5, however, the negotiations were conducted in secrecy. At no time did the council convene the citizenry to inform them of their talks with SNAA. Rumors circulated, however, about the coming deal, and they reached the ears of the councilmen. "The people hear that SNAA is coming and because of last year's drought, they are happy about it," they would say to themselves on Monday nights. In October, the time to make a decision was imminent. SNAA's representatives visited the canton and gave presentations on the agency's capabilities and plans.

The news that SNAA was coming spread throughout the canton like a brush fire. The opposition mobilized its forces fast. Representatives of all the districts sprouted almost spontaneously, gathered supporters, collected signatures, and showed up at city hall. The build-up of anti-SNAA forces occurred so fast that it caught the council off-balance. On October 15, the council did not meet for lack of a quorum. Two council members deliberately stayed away for fear of what would happen.

The meeting on October 22 was stormy, and ended in a shouting match. The council president failed to show up, and the burden to face the angry citizens (dar la cara) fell on the shoulders of the only woman in the council, Mrs. Amelia Formoso de Odio. Strong words were traded and insults were

fired at the council all night. A councilman challenged a sindico to a fight after he made an unflattering remark regarding the council's record. Mrs. de Odio closed the session to end a long and heated debate between herself and those present.

The discussion centered around less than a dozen local leaders, candidates for congress and the municipality, and the council. The rest of those present were active spectators, backing their men up with applause and cheers, and drowning their opponents with hisses and shouts. Members of the Escazu board showed up to express their opinions, which was resented by the council, who considered them "outsiders." Obviously, the board could not afford to be surrounded by SNAA. It was in its interest to maintain an independent Santa Ana or else its autonomy would be dangerously impaired.

Over 100 citizens were present, about 10 times the normal attendance. All but one speaker opposed SNAA. They urged the council to form a local board to administer the aqueduct, as in Naranjo, and to vigorously search for alternative ways to improve the aqueduct. There was no consensus on how to do it, however. The people were united only in their opposition to SNAA, and would not budge on the issue of local control. As the sindico from Salitral put it: "We can solve the problem here. We have the water, which is the main thing. Giving the water to another agency is like owning a cow and lending it to a neighbor for milking."

Towards the end of the session, a councilman who had been silent all night spoke up: "We had intended to look after the health and the progress of the people. A good aqueduct increases property values. It was our own idea. You don't care, you don't mind living in mud. But if you don't want it, we'll have to tell SNAA. There's been a lot of demagoguery here, that's not the way to solve the problem. We don't have the capabilities. In 1974-1975, SNAA takes over all the aqueducts, by law."

By this time, the hall was packed with people standing practically on top of the council table. Tempers were hot. The council felt under siege. Mrs. de Odio got carried away and gave a speech to the effect that poor children cannot develop their brains adequately because they are full of parasites, and her words only angered the crowd. She closed the meeting amidst shouts and screams. Outside, a National Liberation activist said: "These things have to happen so that there will not be armed revolutions later."

During the week that followed, local officials and party cadre panicked. Both the liberationists and the opposition worried about the effect that the issue would have in the February elections. Municipal officials scurried for cover. They plotted to cancel the incoming session and meet elsewhere, in secret, another night. They worried about rumors that elements armed with picks, shovels, and stones would

show up. Mrs. de Odio received numerous calls expressing concern about all those threats to bomb her house. She denies that any were made. Also worthy of note is the atmosphere of unreality that had engulfed the council. On October 22 a member had mentioned that SNAA would bring Puente de Mulas water to Santa Ana, as if that were itself a solution to the problem. SNAA would like nothing more than to find customers for that expensive commodity. But for Santa Ana, with so much local water in the mountains that could be brought down by gravity at a fraction of the cost, it would have been a bad deal.

The meeting on October 29 was orderly, quiet. A woman from Piedades district, the most progressive in the canton, summed up the feeling of the citizenry: ". . . We don't want polluted water, or shortages. We want progress, but by means less risky than giving our water to SNAA. We are aware that \$1.50 a year does not cover costs. We hope that the council will show the claws necessary to get a loan for millions of colones.⁵⁸ Piedades will be on her feet to support it."

A few speakers offered to form a board to help the municipality attack the problem, as it happened in Naranjo. As a citizen put it: ". . . We ought to organize a junta of hard-working people. The people fear SNAA. If we know that the water is ours and remains in the hands of Santanecos, then we would even pay bills as high as SNAA's, knowing that the

money stays here. They would be exploiting us all our lives." The idea was welcomed but deferred for a later date. The people left quietly, assured that the status quo would not be disturbed. Outside, a SNAA sympathizer said, "We have to wait for Escazu to fail. Once that happens, nobody will be able to stop SNAA."

The Santa Ana council, rebuffed by its own people, dropped the merger plan. None of the incumbents ran for re-election in 1974, so the problem was left for the new council to handle. The canton settled down and went back to business as usual. A year later, the winter rains once again brought muddy waters to Santa Ana households.⁵⁹ The people adjusted as usual while SNAA waited for another try.

From Absorption to Exchange

The National Service of Aqueducts and Sewers (SNAA) is one of several large, monistic institutions operating within the greater pluralistic Costa Rican political system. The agency's centralized structure has not been able to absorb the broad scope of functions assigned to it. On the contrary, as the population served by the agency has grown, policy failures have become more and more evident. Bad investments, poor coordination of functions, delays in reacting to problems, and inefficient use of personnel characterize SNAA's performance practically everywhere in the country. Citizen dissatisfaction with and alienation from the agency is high. Consequently,

violence against SNAA is a perennial problem. Communities supplied by municipal systems resist absorption by the "white elephant." While wealthy cantons have the means to develop water resources independently of SNAA, this avenue is closed to poor cantons, which can only struggle to maintain an inadequate status quo, patching up problems as they arise without investing needed capital into old and deteriorating aqueducts. In those areas, insufficient and contaminated water stymies local development and continually threatens the health of the community.

Aside from SNAA's well-known deficiencies, what is wrong with present arrangements is that they offer poor cantons a limited set of alternatives from which to choose. The choice for Escazu, Naranjo, or Santa Ana -- and dozens of cantons like them -- is restricted to either of two undesirable outcomes. The first consists in casting their lot with SNAA, paying higher rates and risking citizen violence in the hope that the agency will eventually straighten itself out and fulfill everyone's wilted expectations; the other involves struggling along without resources, without expertise, barely making it through each dry season and missing opportunities for growth and progress while retaining local control.

This situation could be remedied by the development of a wide range of middle-of-the-road alternatives from which to choose whereby each canton could take advantage of technical expertise while retaining a degree of control over its own

resources. If, for example, Santa Ana could contract with SNAA to build a larger plant on the Uruca River and pledged to sell the agency part of the output for distribution in San Jose, then both parties would gain from the transaction and cooperation would be possible. Efficiency would also be enhanced because SNAA's engineers would have to meet local specifications and work closely with municipal officials to whom citizens would go to make demands and report complaints. The aloofness and distance presently shown by SNAA personnel would have to give way to responsiveness and a spirit of cooperation or else the agency would lose what the canton had to offer. Since the local government would retain administration over the aqueduct, the operating costs of the facility would be lower and response time to problems would be shorter than if SNAA were to run it itself.

Relations between a municipality and SNAA can take many forms and need not be limited to absorption of the former's resources by the latter. Cantons not presently under SNAA control fear nothing more than the loss of control over their water. They suspect that SNAA's interest in them is not due to a genuine desire to improve their condition but to secret plans to take the water elsewhere. Contractual arrangements can be devised in which each party gets something from an exchange. In the past, SNAA's policy has been an "all or nothing" affair; that is, a canton, to get help, must

surrender its water without conditions. Thus the agency has gotten the better of most deals. Unless SNAA shows a willingness to compromise, to recognize local control, to abandon national pretensions, and to pay for the water it withdraws, what happened in Naranjo and Santa Ana will be repeated over and over again elsewhere in the country. A new structure, modeled after the Institute of Municipal Development and Assistance (IFAM), an agency that makes loans and provides technical aid to local governments on a voluntary basis, could remake SNAA's image, from that of an imperialist to that of a sought-after advisor.

Footnotes

1. Mr. Jorge Viquez Jimenez, president, Moravia Civic Committee, in his presentation before the Committee on Government and Administration of the Costa Rican Congress, June 25, 1973.
2. Arce Saenz (1965).
3. Rader and Associates, Report on a Water Supply System for the Metropolitan Area of San Jose, Costa Rica (Miami, 1961), p. L-4.
4. "Ley Constitutiva del Servicio Nacional de Acueductos y Alcantarillado," Law No. 2726, April 14, 1961.
5. Powerful municipalities are less in awe of SNAA's authority than weak ones. In 1973, the city of Cartago began an expansion of the aqueduct before SNAA's approval had been issued. The city manager boasted that SNAA's engineers would not dare to set foot in the canton. Less endowed municipalities and districts cannot defy the agency with impunity and must wait patiently for its go-ahead, which is sometimes denied.
6. In his analysis of council-manager cities in California's San Gabriel Valley, Koehler (1973), concludes that the manager and his staff control information and thus exercise most governing powers.
7. Mr. Rodrigo Bustamante in his presentation before the Committee on Economic Matters of the Costa Rican Congress, May 28, 1973.
8. La Nacion, June 10, 1973, p. 37.
9. La Republica, August 5, p. 18; La Nacion, July 25, p. 38, June 10, p. 40; La Republica, July 22, p. 6; La Nacion, August 12, p. 50. All during 1973.
10. Gerardo Martinez Coto, La Nacion, June 18, 1973, p. 12.
11. This was true in Limon, San Isidro de El General, Nicoya, Puntarenas, Liberia, and San Jose.
12. La Nacion, June 21, 1973, p. 34.
13. Congressman Asis Esna Miguel, Committee on Government and Administration, Costa Rican Congress, June 25, 1973.

14. Mr. Rodrigo Bustamante, Committee on Economic Matters, May 28, 1973.
15. Ibid. Mr. Bustamante is a hydraulics engineer, a member of the Engineering Faculty at the University of Costa Rica who is internationally recognized for his invention of a new type of water filter. The author had the privilege of interviewing Mr. Bustamante several times during 1973 and hereby wishes to express his appreciation.
16. La Republica, July 2, 1968, p. ?
17. Mr. Bustamante, op. cit.
18. La Republica, July 2, 1968, p. ?
19. Mr. Bustamante, op. cit.
20. La Nacion, September 30, 1972, p. 36.
21. Congresswoman Guevara de Padilla, Committee on Government and Administration, Costa Rican Congress, June 25, 1973.
22. La Nacion, May 17, p. 76, May 19, p. 12, and May 24, p. 19; all in 1973.
23. Information on this case study was obtained from interviews with local leaders and in the minutes of Congressional hearings held by the Committee on Economic Matters, May-June, 1973.
24. Congressman Saborio Alvarado, Committee on Economic Matters, May 28, 1973.
25. La Nacion, November 25, 1971, p. ? and November 26, 1971, p. 18.
26. Mr. Luis Herrera, Committee on Economic Matters, May 28, 1973.
27. Ibid.
28. Mr. Bustamante, op. cit.
29. Ibid.
30. Congressman Jenaro Valverde Marin, Chairman, Committee on Economic Matters, May 24, 1973.
31. Congressman Castro Hernandez, Committee on Economic Matters, May 24, 1973.

32. Congressman Jimenez Borbon, Committee on Economic Matters, May 29, 1973.
33. La Nacion, June 26, 1973, p. 4.
34. Kotler (1969), p. 59.
35. Ibid., p. 70.
36. Information on this case study was obtained from interviews, attendance at a meeting in Tibas, and minutes from Congressional hearings held by the Committee on Government and Administration, Costa Rican Congress, June 6, 25, and July 5, 1973.
37. Direccion General de Estadistica y Censos, Anuario Estadistico de Costa Rica, 1942, 1952, and 1962; and Poblacion de la Republica de Costa Rica, 1973.
38. Tibas Civic Committee leader, at an evening meeting held in the Tibas municipal building, July, 1973.
39. Tibas councilman at July meeting.
40. La Nacion, August 15, p. 40, August 26, p. 36, September 3, p. 2, September 8, p. 13; and La Republica, September 8, p. 3. All for 1973.
41. La Nacion, September 8, 1973, p. 25.
42. La Nacion, September 8, 1973, p. 13, and September 9, 1973, p. 16.
43. La Nacion, September 5, 1973, p. 10.
44. Pueblo, September 15, 1973, p. 4.
45. Congressman Bonilla Dib, Committee on Economic Matters, May 29, 1973. See also La Nacion, August 13, 1973, p. 50.
46. La Nacion, August 15, 1973, p. 38.
47. La Nacion, August 13, 1973, p. 154.
48. La Nacion, August 15, 1973, p. 29.
49. La Nacion, August 19, 1973, p. 77.
50. Congressman Bonilla Dib, op. cit.

51. Interview with Mr. Omar Cordero, September 18, 1973.
52. Others are the provincial capitals of Alajuela, Cartago, and Heredia, and the city of Turrialba.
53. La Republica, June 10, 1973, p. 15.
54. La Nacion, August 26, 1973, p. 28.
55. The author lived in the district of Pozos, Santa Ana canton, between February, 1973, and February, 1974. He wishes to thank Santa Ana municipal officials for answering questions and permitting free access to documents and meetings. Councilwoman Mrs. Amelia Formoso de Odio was especially generous with her time and information.
56. La Nacion, February 11, 1973, p. 38, and August 16, 1973, p. 49.
57. Parasitism is a common disease among the children of the canton.
58. 1 colon = \$.12.
59. Conversation with Walter and Pam Borys, Peace Corps volunteers who resided in Santa Ana between March, 1973, and December, 1974.

CHAPTER V

DECENTRALIZING SCOPE

In this study, developmental policies in two political systems which differ significantly on political structure were analyzed with the purpose of evaluating two models regarding centralization and policy performance. Aggregate data and case studies show that a decentralized political system is more likely to allocate resources efficiently and equitably than a centralized one; conversely, a centralized political system is more likely to waste resources in violent confrontations between the government and its opponents than a decentralized one. Thus this research lends empirical support to the pluralist theory of development; the monistic thesis is contradicted by the data.

The argument usually advanced by the "bureaucratic" school is that centralized systems and institutions are above the petty, parochial and conflicting interests of local administrative and political units, and thus are able to view problems and purposes from a wide enough perspective to enact

programs which are consistent with the requirements of national development. Yet, the experience of CEL and SNAA indicates that these agencies are not efficient, rational or objective in their approach to policy making. Their policies, far from integrating warring factions, have instigated conflict, generated hatred, and invited violent reprisals. Ironically, the people most negatively affected by them have been the poorest and less powerful elements of society.

The reason why these agencies have not succeeded in promoting general interests is that they are so deeply involved in partisan advocacy of their own programs and solutions that they have lost sight of their original purpose. These agencies simply cannot function simultaneously as planners, analysts, regulators, administrators and developers. Clearly, they have exceeded the limits of their capabilities.

It may be that the nature of central institutions is such that they do not function well at the operational level for the kinds of issues examined here. A nation, however small, is so complex an entity, that its resources cannot be managed or developed by remote control.¹ There are just too many variations in local conditions, temperaments and tastes, and too many important details that cannot be anticipated in advance to make direct central control possible. Apparently, it is in decentralized, incremental decision-making systems where autonomous political and administrative units are free

to pursue opportunities as they arise that policy alternatives which are most promising for the aspirations of development are generated.

The pluralist hypothesis predicts that to be effective, an expansion in scope must be managed within decentralized organizational arrangements. The history of SNAA provides many examples of the kinds of policy failures that arise when the structure of an agency remains centralized as the scope of its activities expands. Thus it can be deduced that as the scope of an institution or system widens, its structure must decentralize in order for it to perform effectively. This would imply that the growing scope of the state in Costa Rica and El Salvador, in electricity, water resources development, and other areas of policy, must be decentralized in order for performance to be improved beyond present levels.

In a decentralized approach to development, central institutions have a role to play, but not at the operational level. Freed from most operational duties, the center is in a position to do what it is best equipped for: to debate broad questions of policy, to make plans, to designate general goals, to bring together different points of view, to encourage bargaining and negotiation among rivals, and to arbitrate conflicts; to do research, to evaluate alternatives, to conduct policy experiments, to inform, to recommend, and to persuade.

Once the scope of the center is limited to the general tasks of planning, guidance, and supervision, the administration and control of public resources can be effectively exercised by local and regional institutions. The case studies discussed in Chapters III and IV suggest that if political control over public resources is decentralized, then the pricing of those resources is more efficient than when it is centralized. Whenever independent jurisdictions rule over distinct territorial entities, resources within their domain cannot be appropriated by others without their consent. Local approval can be secured only if certain conditions are met. This forces decision-makers to be more realistic about the costs of public projects, thus contributing to a more efficient allocation of resources.²

This conclusion can be appreciated in the following example: Assume that in Costa Rica water resources were under the exclusive control of the cantons and provinces, and that SNAA had no authority over them; assume further that watersheds which overlap political boundaries were regulated by special districts in which the interests of each of the participating units -- provinces and cantons -- were represented; finally, assume that cantons, provinces and special districts were free to sell or lease water rights to each other at mutually agreeable prices. What kind of behavior would be expected to arise?

The system that would emerge would probably resemble a kind of "market" for water rights.³ Prices for water rights would reflect supply and demand for different localities and regions of the country. As long as large cities like San Jose grew, they would need water. Areas of the country which now remain largely undeveloped but which have an abundant supply of water -- and where water is, in many cases, the only valuable resource -- would see the benefits to themselves of leasing water rights to San Jose or other cities, at a price. As the demand for water from urban areas increased, the price they would have to pay to other areas would obviously rise. Eventually, a time might come when industry and business would decide to locate elsewhere, where the price of water was lower.⁴ This would result in a much more evenly spread out process of "development" throughout the entire country. Moreover, it would take into account different uses of water. Areas which now wish to use their water for agricultural and recreational activities would be free to do so, but might be persuaded to give up some of it to urban areas if the price were right. SNAA's role would be limited to that of an arbitrator whenever local disputes got out of hand, and of a researcher on water policy. As a national institution, it would be in a position to collect information on climatological factors, technological advancements, administrative innovations, foreign and domestic sources of capital, and a great many other

points of interest for distribution to local and regional agencies.

And what about the metropolitan area, whose needs for area-wide coordination provided the political justification for SNAA's establishment in the first place? A solution might be in the form of a Metropolitan Service of Aqueducts and Sewers (SMAA), an agency governed by a board composed of one representative from each of the ten metropolitan cantons. SMAA would act as a wholesaler, buying water from rural cantons to be resold to the metropolitan area. It would be big enough to engage in large projects whenever they were needed, and it could also administer cantonal aqueducts on a contractual basis. In order to avoid the undue concentration of power in the manager, the appointment and removal of all department heads and the allocation of budgetary resources to each department would be the responsibility of the board. Each department head would be in charge of his own personnel and budget. The manager would preside over the administration, coordinate, plan, and report to the board regarding departmental performance.

A similar arrangement could be put into effect in El Salvador to develop hydroelectric resources. Departments and special districts would have primary control over hydroelectric resources. CEL could be turned into a regional institution governed by a board of directors appointed by the nine

departments drained by the Lempa River. The agency would engage in hydroelectric development, but it would be subject to departmental and municipal taxation and regulation. Its activities would thus be easily integrated with other purposes of the river, such as irrigation, recreation, and human consumption. Other departments would be free to establish their own boards to develop hydroelectric resources which now remain unexploited. Lake Coatepeque in Santa Ana department; Lake Ilopango, which borders the departments of San Salvador, Cuscatlan and La Paz; the Sonsonate and San Miguel rivers, each in a department of the same name; these are among the hydroelectric resources that can be developed by regional boards, either directly or through contracts with private or public companies. A National Electricity Commission (CNE) composed of representatives from the various regional agencies would serve as a forum in which to exchange ideas, discuss policies, set national standards, and make projections about future demand.

Finally, in Rio Azul, this arrangement would only formalize what has already happened, but it would require that compensation take the form of cash payments rather than in-kind equivalents in goods and services. The district would have the power to license and tax the landfill for the benefit of local residents. In the future, whenever a large metropolitan facility needed to be built, the agency in charge could invite

communities to "bid" on the project. Other things being equal, the project would be constructed in the community whose "price" -- in the form of taxes and local conditions stipulated -- was the lowest. The costs would be passed on to the users. In this way, local taxes would serve to: (1) zone public projects and (2) distribute the costs and benefits of those projects, all according to supply and demand. This would be the closest thing to a free market in the public sector.

A free market, however, is by definition a system of exchange in which all prices -- for commodities, services, or water and land use rights -- fluctuate according to supply and demand and are not fixed arbitrarily by a central office. This would imply an important limitation on the center, which would have no authority to fix prices either over public or private production. Similarly, it would have no authority over the tax rates established by local and regional governments. Taxes can be thought of as the "price" set by governments for the services they provide or the licenses they issue to individuals and corporations authorizing them to do business. Private or public activity which generates external costs to the community where it takes place -- as in Rio Azul or Chalatenango -- would be assessed for damages to the public domain. This would require that there be no restrictions on the freedom to tax. Tax competition among units of

government would restrain any one locality from setting too high a rate relative to the cost of the externalities involved. Of course, the external costs of certain activities may be so high that local tax rates everywhere would make them uneconomical and this is precisely what is intended. Economic activities which have undesirable public consequences -- pollution, congestion, noise, land erosion -- would be curtailed while economic pursuits which were compatible with public interests would thrive. Note that the "public interest" would not be preordained from the top, but would emerge as a result of ongoing exchanges between public and private institutions at all levels of government.

The operationalization of this hypothetical system of resource allocation in Costa Rica and El Salvador would require a number of structural changes designed to federalize their political systems. Among them are the following:

(1) Local government. The municipalities would be granted complete autonomy from central control, whether from the congress or the executive, in their internal affairs, subject only to constitutional limitations which guaranteed individual rights, or those of a very general legal nature. This would free them to tax, license, borrow, legislate and contract with each other, with higher levels of government or with private companies without central interference. In Costa Rica, each district would have its own autonomous government.

(2) Regional governments. The proliferation of nation-wide autonomous institutions structured along functional lines has not worked well in either Costa Rica or El Salvador. These agencies find it difficult to integrate their activities with each other and with local governments. Thus it may seem appropriate to establish autonomous, multi-purpose regional governments for departments or provinces. Because they would have jurisdiction over a limited territorial domain, these governments would be in a better position to coordinate the various functions performed by their bureaus and local governments. These units would be big enough to internalize most economies of scale and would thus be able to assume control over most activities performed by central agencies. In order to insure their survival within a federal system, provinces and departments would become constitutional units of the state. They would have equal representation in a Senate, or upper house in the national congress, and would have to approve constitutional amendments by a two-thirds or three-fourths majority rule.

(3) The autonomous agencies. Under the arrangements proposed here, autonomous institutes would have a limited operational role. Nevertheless, their work as planners, coordinators, arbitrators, and evaluators of policy would still be significant. In order to give them a truly "federal" orientation they would have to accommodate the various

regional interests. The board of directors would cease to be a source of patronage and influence for presidents alone. All but one of the directors could be appointed by provincial governors with the consent of their respective legislatures. The chairman of the board would be the only presidential appointee. In El Salvador, where there are 14 departments, either the number of directors would be increased or a system of rotation would be devised.

(4) The electoral system. Federalism cannot survive unless the electoral system is tailored accordingly. The history of federalism in Latin America clearly demonstrates how a centralized party system can turn a formally federal structure into a constitutional fiction.⁵ Given the vertical centralization of the party systems in both Costa Rica and El Salvador, it is indispensable that these countries develop vigorous party organizations at the local and regional levels. A simple way of doing this would be to replace the list system of election by a system of single-member districts for congressional and municipal contests. These districts would be coterminous with cantonal, district, or municipal boundaries. Each province or department would still be assigned a number of congressmen on the basis of population, as it is done now. But the provinces would be split up into electoral districts of approximately equal size by means of a formula that takes into account area as

well as population.⁶ Congressional nominations would then be made at this level, either in open primaries or by duly elected assemblies. This would give additional representation to rural areas and would separate the process of selecting congressmen from presidential politics. Only the nomination and election of presidential candidates would be based on a national constituency.

These proposals involve a fundamental rearrangement of institutional tasks in these countries, a re-distribution, not of wealth or income, but of political authority. Responsibility for administration, control and development of public resources and services would reside in local and regional levels of government; the center would function as a general clearinghouse of policies and ideas, an all-purpose planner, and a mediator and arbitrator of local and regional conflicts.⁷

Traditions, however, die hard. Centralism is no exception. Richard Adams writes that centralism will continue to be part of Latin America "until some better form of organizational behavior comes along."⁸ But given the chronic underdevelopment and high levels of political violence which are the region's most distinctive characteristics, it might behoove its leaders to experiment with other forms of political and administrative organization. Perhaps some variation of the pluralist model proposed here may provide the long-awaited alternative.

Hypotheses for Future Testing

The case studies discussed in Chapters III and IV all deal with conflicts between central and local institutions over the control of public resources. Although each case study involves a different area of policy -- electricity, garbage disposal, water -- the principles disputed were the same, i.e., the right of local units to challenge central decisions. In each case, objections were raised on the part of local populations regarding the priorities of development worked out by central planners. These priorities necessarily involved patterns of distribution regarding the costs and benefits of public projects, and it was those patterns that became the focus of local attack.

However, the response of central authorities to local challenges varied between the two countries. In El Salvador, a monistic political system was not inclined to compromise over the location of a hydroelectric dam at Cerron Grande. Rather, the criteria of central decision-makers regarding industrialization and electric development were imposed on local units against their will. In Costa Rica, on the other hand, a decentralized arrangement exhibited greater flexibility in its approach to a similar problem. In the case of Rio Azul, a decentralized decision-making system resulted in a policy compromise which recognized local sovereignty over physical territory, thus paving the way for the

compensation of local residents by central authorities according to local demands. In the case of water policy, a not altogether satisfactory equilibrium exists. The central aqueducts and sewers agency performs badly in light of available alternatives. Local units have the potential to develop water resources with a greater degree of efficiency than SNAA, but central restrictions and the lack of funds limit what they can do. However, local opposition to SNAA is so strong that the agency cannot expand its area of operations to include several major cities and important towns, even when local water service is deplorable. When tension between SNAA and a local clientele became intolerable, as in Escazu, the congress restored local control.

The similarities and the contrasts found in the case studies lead one to suspect that certain patterns of individual and institutional behavior characterize central-local conflicts over the control of public resources. A number of tentative hypotheses may be proposed on the basis of these case studies which appear to merit further testing in future research. These are:

- (1) The investments of large, centralized agencies tend to be concentrated in a few very large projects rather than to be dispersed among many small ones. These large projects are not always the most efficient or economical.
- (2) Large, centralized agencies are not likely to charge the full costs of their projects to those who benefit from them.⁹ Substantial external

costs are displaced on local communities which benefit marginally, if at all, from the investments.

- (3) The principal beneficiaries of large, central projects tend to be urban areas where concentrations of people, industry and commerce permit the organization of services on a large scale. The external costs of those projects are displaced to the rural periphery; either its environment is severely disrupted, or local resources are appropriated without compensation for the benefit of urban centers.
- (4) Individuals and communities who bear the brunt of the external costs of large central projects tend to react violently whenever the government refuses to negotiate the means to compensate them for their loss. Central authorities can carry out policies that produce violent dissent only by resorting to violence themselves. Thus the political and military costs of large central projects are high.¹⁰
- (5) In promoting a policy, a large centralized agency tends to act in secrecy and attempts to preempt the field of political choice as quickly as possible, narrowing the range of alternatives to either/or, yes-or-no, all-or-nothing, kinds of questions. It has a tendency to push for an immediate decision from those invested with ultimate authority, and warns of disastrous consequences if its recommendations are not heeded. It closely guards its information and does not display it for public scrutiny. When challenged, it dismisses its critics as amateurs and dilettantes, and resorts to propaganda to sell its ideas.
- (6) Soon after its establishment, a large, centralized agency moves to monopolize the market for which it was created. Thereafter, it will sabotage any effort to set up local alternatives.¹¹
- (7) Where the structural ties between an agency and the central government are strong, as with CEL in El Salvador, the government feels compelled to defend the agency when it is attacked; where the ties are weak, as was the case with SNAA in

Costa Rica, the central government is more likely to act as an arbitrator between the agency and its critics.

- (8) Where local autonomy is strong, communities negatively affected by central projects unite more readily in defense of their interests, and are more successful at it, than where such autonomy is lacking.¹²
- (9) Where local autonomy exists, residents are more likely to be aware of the resources at their disposal, and of the means to develop them, than where it does not.
- (10) Finally, the advantages of a decentralized system of policy making as opposed to a centralized system are: (a) the costs and benefits of public projects are more equitably distributed; (b) resources are more efficiently developed; and (c) the overall level of violence associated with public policy is lower.

A Final Word

What lies in the future for the two countries considered in this study? Costa Rica today ranks as the oldest and most effective democracy in Latin America. Since 1950, the country has enjoyed an uninterrupted period of relative progress and stability. The office of the presidency has not been a monopoly of any one party; the transfer of presidential power from one political party to another has occurred four times during this period, in 1953, in 1958, in 1963, and in 1967. No other Latin American country can make a similar claim.

Despite these achievements, Costa Rica is going through a period of institutional strain. The scope of the

state appears to be over-extended. Large autonomous agencies and centralized ministries flounder in their misguided investments and inefficient services. Strikes by public employees are a recurrent problem which threatens to undermine the country's stability. A newly emerging bureaucratic elite has accumulated considerable political and economic power and acquired a privileged social status. These symptoms of future trouble prompted a visiting scholar from Spain to comment that "Costa Rican democracy lives off the inertia of its past greatness and the spirit of its people. It must be consolidated through a revision of its institutions."¹³

In 1973, two of South America's most renowned democracies succumbed to military dictatorship: Uruguay and Chile. Their collapse was viewed with alarm in Costa Rica. The nation's press raised the chilling question: "Is Costa Rica headed the way of Uruguay?" In that country, the scope of a vertically centralized state extended to the point where private initiative was stifled and stagnation set in. The capital city came to absorb 50 percent of the country's population. The inability of established institutions to address themselves to chronic problems gave rise to an urban guerrilla force intent on violent change. After several years of terror on the part of guerrillas and the police, the government unleashed the military. The Tupamaros

were practically wiped out, but in the process democracy was strangled by a presidentially-led coup.

Is such fate in store for Costa Rica? The answer to this question might depend on whether the pluralist or the monistic model of organization asserts itself in the country. Both are parts of the country's institutional structure. Rio Azul-like solutions and SNAA-like solutions co-exist in most areas of policy. As long as this is so, the country will muddle through to partial solutions to its problems. But as the scope of the state continues to expand, policy outcomes will deviate more and more from original expectations. And, if the monistic forces succeed in elevating their model to the status of official policy, then Costa Rica may follow Uruguay's path to institutional collapse.

The country has a great potential in its natural resources, its history and its people. The type of pluralist solution proposed in the previous section offers an important opportunity for releasing the country's energies and making it adaptable to the changing conditions of the last quarter of the 20th century. Old answers like protectionism and industrialization are obsolete in an age where food and raw materials are scarce commodities. A country like Costa Rica, with abundant water, a year-round growing season, a tropical sun, two coasts, and a population trained in rural skills, is in a position to make the most of the opportunities which a hungry world presents to agricultural nations.

El Salvador has traditionally opted for the centralized alternative, the monistic model of organization. Not surprisingly, the country has a long history of bloodshed and violence. Contemporary events do not give much hope that the tradition will change. The 1972 elections climaxed in an aborted coup. For the 1977 elections, all groups are predicting tragedies. Unless structural changes are forthcoming, El Salvador will be forever condemned to live under military repression or in a state of civil war.

The greatest problem in El Salvador boils down to how to persuade the military to loosen its grip over the political life of the country. This cannot happen as long as power is so centralized that the loss of a presidential election is equivalent to disaster for the ruling party and its supporters. If power were gradually decentralized to the congress, departments, and local governments, this would significantly reduce the stakes of presidential elections and would pacify the opposition by giving it posts of patronage, power and prestige. As it is, so much is involved in the presidency that the military views with not altogether unjustifiable alarm a UNO victory as equivalent to the triumph of the "communist hordes." But in maintaining their intransigence, they force the moderate opposition into the arms of the very elements they fear so much.

Centralized solutions are simplistic solutions. It is only too easy to provide for the concentration of authority

at one point of an institution or system. When political and economic realities overcome the structure, it can always be propped up by the use of military force.¹⁴

Decentralized solutions, on the other hand, are complex solutions. They demand ingenuity in the structuring of institutions and systems to conform to the intricacies of political problems. A subtle touch for the appropriate balancing of power centers is required. Different policy areas need different combinations of the many and diverse elements that make up organizational systems for the effective conceptualization and execution of policy. This flexibility is best provided in a federal system of overlapping jurisdictions where each area of policy can be given its own distinct structure.¹⁵

At the same time, a federal system can accommodate radically different ideologies and political styles within the same structure. If the opposition could exercise independent power in the departments of El Salvador, ideological conflict would be substantially reduced. It is no accident that the political climate in El Salvador was considerably improved after 1964, when the Christian Democrats won the municipality of San Salvador. Tentative working arrangements were developed between city officials and personnel from several ministries. COMERSAN, a corporation made up of national and municipal officials, was organized to build new

city markets. However, in 1970, alarmed at the prospects of losing the congress, the official party ended the policy of relaxation and reverted to more restrictive electoral practices. It clamped down on opposition activities, reserving for itself two-thirds of all congressional seats. This has only increased the frustration of the opposition. If they were to be deprived of the city of San Salvador, all democratic pretenses would give way to naked military rule.

If, on the other hand, a constitutional amendment were to establish autonomous departmental governments, the opposition would most likely control the department of San Salvador and possibly two others, La Libertad and Santa Ana. Its militancy would thereby be channelled into more constructive tasks. The national government would have to sit down with departmental officials of the opposition party to discuss and coordinate policy and to plan joint programs. Political dialogues would thus be conducted at the highest levels of the government on practical issues of common concern.

Under this arrangement, that which is perceived and feared as a "revolution" by those at the top would, in an important way, become less threatening. A revolution consists in a wholesale turnover of leadership positions and policies in the various structures that make up a society. In its most practical sense, it is summarized by an old

Spanish saying, "Quitate tu para ponerme yo" ("You get out so I can get in"). When a political system has essentially only one mammoth center of power, then "getting out" is avoided at all costs. But when "getting out" at one point in the system does not preclude "getting in" at another point roughly equal in power, then the consequences of a loss are not so drastic.

Footnotes

1. Tullock (1965).
2. This is a major theme in Dumont, (1970) and (1974).
3. See Hirshleifer, de Haven, and Milliman (1960), pp. 41-42.
4. Established businesses will not readily move on account of relocation costs. But new enterprises will take into consideration the price of water when looking for a place to locate.
5. See Cosio Villegas (1973).
6. Drawing the boundaries of electoral districts to coincide with existing political units will reduce the "evils" of gerrymandering.
7. See Schumacher (1973), p. 231.
8. Adams (1967), p. 187.
9. In the metropolitan reform literature of the United States, it was predicted that centralizing urban governments would result in a more equal distribution of costs to beneficiaries, a proposition which is refuted by the data presented here. See E. Ostrom (1972).
10. In her analysis of the political frustrations of an urban neighborhood in Venezuela, Peattie (1970) writes: "In this institutional context, the propensity to violence in Venezuela becomes understandable. It is like the steam which cracks the closed boiler; it is a way of expressing dissatisfaction in a society which lacks the channels, the institutions, for protesting legally in any effective way. So first one puts up a sign by the highway or uses the radio to direct the attention of the 'competent authorities' to the problem and then, if still feeling strongly, one looks for dynamite." p. 89.
11. See Kotler (1969).

12. A leader of the opposition to Cerron Grande in Suchitoto surmises that if the different social and economic classes of the valley had presented a united front from the beginning, they would have won.

13. La Nacion, October 15, 1973, p. 4-A.

14. The economic disasters of the Cuban revolution have brought about the militarization of its society. See Dumont (1974).

15. See Olson (1969) and Ostrom (1971).

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