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## Human development and institutional design the comparative performance of presidential regimes

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HUMAN DEVELOPMENT AND INSTITUTIONAL DESIGN:  
THE COMPARATIVE PERFORMANCE OF PRESIDENTIAL REGIMES

by

MICHAEL A. HRISTAKOPOULOS

A thesis submitted in partial fulfillment of the requirements  
for the Honors in the Major Program in Political Science  
in the College of Sciences  
and in The Burnett Honors College  
at the University of Central Florida  
Orlando, Florida

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Thesis Chair: Dr. Bruce M. Wilson

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## **ABSTRACT**

Measures of human development, no matter their specific methodology, have always placed Costa Rica substantially higher than its neighbor, Nicaragua, but no apparent governmental, resource, or historical discrepancy can account for this gap. This thesis uses two case studies to examine this phenomenon from three different theoretical perspectives, and conclude which has the greatest explanatory power to account for the disparity between these two particular governments.

Political scientists have noted that parliamentary systems lend themselves to better governance when compared with their presidential counterparts. Shugart and Carey (1992) cite peculiarities within some presidential models which may account for lower rates of human development. Another approach, offered by Tsebelis (2002) produces a more generalized explanation of this phenomenon, while Lawrence Harrison (1985) offers an entirely different, culture-based explanation.

This thesis seeks to examine the validity of these claims, using Costa Rica and Nicaragua as case studies. Limiting the thesis to these two presidential governments will highlight the variation that exists within the presidential model, and possibly shed light on the most significant variables.

## **DEDICATION**

Αφιερώνω αυτή την εργασία μου στον Χριστο Χριστακοπουλο,  
the immigrant, entrepreneur, teacher, night-watchman, poet, glossophile, and father,  
él que, con su alma versátil, hizo la familia que he necesitado cada día de mi vida.

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## TABLE OF CONTENTS

LIST OF FIGURES AND TABLES.....	vii
INTRODUCTION .....	1
The Function of Presidencies.....	1
The Human Development Index.....	3
Theoretical Approaches and Goals .....	9
CASE STUDIES.....	13
Costa Rica.....	17
History.....	18
Government.....	27
Nicaragua.....	37
History.....	38
Government.....	48
THEORETICAL ASSESSMENT .....	57
<i>Underdevelopment is a State of Mind: Culture and Values</i> .....	57
Religious Attitudes.....	59
Notions of Solidarity.....	62
Apathy.....	65
<i>Veto Players: the Consequences of Policy Stability</i> .....	71
Number of Veto-Players .....	73
<i>Institutional Design: the Comparative Advantage</i> .....	81
The Pitfalls of Presidentialism .....	83
The Strengths of Presidentialism .....	85
Other Idiosyncrasies of Presidential Design.....	88
CONCLUSION.....	92
BIBLIOGRAPHY.....	96

## LIST OF FIGURES AND TABLES

Table 1.1: Top 25 Countries by HDI and HDI2 .....	8
Figure 2.1: GDP per capita in constant 2009 USD .....	13
Figure 2.2 PLN presidential vote share since 1986 .....	26
Table 3.1 Ethnic Breakdown.....	64

## **INTRODUCTION**

From the days of Charles de Montesquieu’s seminal work on the separation of powers to today, political scientists have debated the consequences of power arrangements that can occur between executives and legislatures (Shugart and Carey 1992, 18); if the issue is a soluble one, then few are more worthy of inquiry. The practical application of political science discoveries can easily impact the millions of citizens of a new state, or serve to improve the function of an old one. For centuries since the founders of the United States crafted the first “engineered presidency,” new leaders and nation-builders around the world have been tasked with creating robust, effective governments. The large majority of them have settled on the presidential model, with most of Latin America and Africa falling into some variation of that category. Moreover, while it is common for parliamentary governments to become presidential ones, rarely does a state switch in the opposite direction. Many conflicting theoretical approaches have been developed to help explain what makes a government work well in one instance and fail in another, and this thesis will attempt to assess several of these theories with continual reference to the case studies of Costa Rica and Nicaragua. While both of these cases are presidential governments, understanding Costa Rica’s socio-economic success and preeminence in Central America as compared to Nicaragua’s poor performance will help illuminate the black box that drives success or failure in human development.

### **The Function of Presidencies**

One of the definitive elements of the presidential model is the “check and balance” equilibrium sought between the centers of power. The separation of power structure assures that

no single actor or institution become too powerful, and is supposed to encourage cooperation between each of them (Shugart and Carey 1992, 19). This diffusion of power arose as a reaction to the older parliamentary system, which tends to fuse power under its executive. Strangely though, much of the contemporary scholarly literature regarding the comparative performance of these two forms of government seems to show that people living in parliamentary states tend to have a much higher quality of life than people living under presidential systems (Gerring, Thacker, and Moreno 2008, 28; Shugart and Carey 1992, 2). In order to understand this case study, a clear definition of the terms parliamentarism, presidentialism, and human development are necessary.

The primary distinguishing characteristic of a parliamentary democracy is that the chief executive, usually a Prime Minister, is typically elected by the representative assembly and retains office based on their confidence. In short, the executive is not popularly elected in their capacity as the executive, although they usually are popularly elected as representatives of their sub-national constituency. The authority of the executive office is maintained exclusively by the consent of representatives, who are in turn accountable to their constituents. Because executive authority is contingent on legislative approval, the executive's policy agendas fall in line with the preferences of the lawmaking body. Presidentialism, on the other hand, is characterized by a popularly elected executive, who derives his mandate to govern directly from his own constituency for a fixed term. While it is possible that the executive and legislature in this system might be compatible ideologically, the president's tenure is not normally threatened by legislative disapproval – save for some extraordinary circumstances such as impeachment. As a consequence the under this system, the executive is free to pursue their own agenda and select

the membership of the national cabinet. Shugart and Carey (1992, 20) note that when studying presidential institutions, it may be tempting to exclude governments like the United States and Finland based on this strict definition's requirement of "popular election" because of the intervening electoral college which formally casts the vote for president. However, there is a distinction between "popular" and "direct" election, and in the case of electoral colleges, while they are a step removed from direct election, it would be misinformed to not simply consider them an intermediary for the popular will serving a largely obsolete function. This very different from a legislature actually selecting the executive and so these cases should be considered presidential.

### **The Human Development Index**

Finally, we must measure the quality of life for people under these various regime types. One of the best overall tabulations of quality of life is compiled by the United Nations. Beginning in 1990, the United Nations Development Programme (UNDP) has compiled an annual development ranking of world governments known as the Human Development Index (HDI). This index is designed to be a measure of government success in fostering "human development," which is the state of humans living in an "environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests," (UNDP, 2010). In a broader sense, human development is often used as a proxy for the people's well-being. The numerical ranking of world governments in the HDI ranges from 0 to 1; higher scores signify higher levels of development.

While the HDI captures many aspects of development overlooked by more simple indicators such as gross domestic product per capita, it has some weaknesses. A major shortcoming of the HDI's design might lead to a flawed understanding of why some governments appear higher in the ranking than others. The score is a composite, taking into account three factors thought to be the best approximators of human well-being in any given state: life expectancy at birth, mean and expected years of schooling in adults and children, and an economic composite of GDP , GNI , and household final consumption expenditure all at purchasing power parity per capita. Given the large variation between governments, creating a single measurement to accurately compare them is a difficult task, and naturally the HDI has many points of criticism. Some of the most significant among them are:

1. Normative judgments must be made as to what factors are included in the calculation, and which are not. Some objectors believe that environmental considerations are more relevant to human development than economic ones which currently have a decisive impact. Other factors often considered necessary for an ideal HDI are gender equality, press freedom, and the GINI coefficient.
2. Governments are assigned to one of five tiers based on their ranking, but the cutoff points for these tiers serve as an arbitrary division between states. Those ranked from 0.0 – 0.4 are listed as having “Very Low human development,” 0.4 – 0.55 are “Low,” 0.55 – 0.7 “Medium,” 0.7 – 0.85 “High,” and 0.85 – 1 “Very High.” Creating these artificial categories may mislead public and governmental perceptions of states, and further, have a biased impact on the type of attention or charitable support some governments receive. A single hundredth of an HDI point can move a state like the

Bahamas into the Very High category, when in fact it would still have much more in common with Montenegro or Uruguay than those states at the top of the category that it had become part of. These arbitrary rankings have become institutionalized in the worlds of academia, business, and international relations. Several intergovernmental environmental agreements crafted to succeed the Kyoto Protocol have been linked to HDI development category, for example. (Ravaillon 2010)

3. The methodology used for calculation creates misleading statistics. First, the score is limited between 0 and 1, meaning that as governments asymptotically approach either limit, their ranking becomes more distorted. This is especially misleading in the case of the economic component; were the Norwegian GNI to double in the next year, this increase would barely be reflected for a state already so close to 1. Secondly, in years before 2010, the UNDP used an additive formula to calculate the composite score. As economist Bryan Caplan points out, “a country of immortals with infinite per-capita GDP would get a score...lower than South Africa and Tajikistan if its population were illiterate,” (Caplan, 2009). Starting with the most recent report in 2010 the composite has been multiplicative, meaning that the entire score is only as strong as the weakest contributing factor. This makes Caplan’s criticism even more relevant. His hypothetical state of rich immortals would come out last if the state were completely illiterate. Because the methodology is so abstruse, HDI results are often taken at face value and low-income states and regions like Sub-Saharan Africa are frequently penalized on the basis of the economic variable alone. Ravaillon

(2010) notes that acceptable mid-range rankings in education and life expectancy in Africa and Latin America can be entirely glossed over.

This last consideration is especially important to an investigation of the performance of presidentialism versus parliamentarism, given that so much of Latin America and Africa are presidential. These objections notwithstanding, the Human Development Index is still one of the most commonly used statistics to rank human development and carries some empirical weight (Wolff, et al.). If we assume that states have the intention of increasing the quality of life of their citizens by using the money at their disposal, then those states with the highest GDPs would tend to be the ones with the highest composite scores on the HDI. This statement is largely true: of the top 25 GDP earners of 2010 all but one falls within the top 25 on the HDI, with only the UK barely missing the threshold (UNDP, 2010). The statistics, not surprisingly, say that money makes for a better developed citizenry. Another trend concerning institutional design, however, adds another dimension to the trend. Surprisingly, of the top 25 states in the 2010 Human Development Index, only the United States is presidential, with every other state adhering to the parliamentary model. If there was only a random relationship between HDI and institutional design, then we would expect to see around ten or eleven of the most successfully performing governments to be presidential, due to the fact that about one third of the governments included in that year's HDI ranking are presidential. In fact, presidential governments do not make regular appearances on the list until nearly a third of the way down. Reinforcing this trend, those governments with the lowest scores are over half presidential, sharing the lowest development tier with many authoritarian and dictatorial regimes. Because of this strong correlation, it seems that parliamentary governments are much more effective at governing as well as creating healthy

economies. If there were a version of the HDI which compensated to some extent for the major objections outlined, would the same robust trend exist to support parliamentarism as a better system of governance? For the purpose of this thesis, a derivative of the HDI was created, which hereafter is referred to as the HDI2. The HDI2 addresses the three key objections outlined by many academics by simply removing the economic measurement and the arbitrary tier-classification, but measuring education and life expectancy the same. This alternative HDI is superior for the purposes of assessing institutional performance because:

1. While it does not include every possible relevant indicator, it omits the controversial one while retaining the two less objectionable components.
2. The consequences of arbitrary categorization are avoided.
3. The statistics are less distorted at the extremes because of the exclusion of the widely variable economic component. Furthermore, comparing the GDP ranking to the HDI2 is not redundant where comparing it to the HDI would be, because the HDI already factors in economy.

For comparison, the top 25 countries of the 2010 HDI on the left, as compared with the top 25 countries of the HDI2 on the right. Governments are divided by class into 0-Presidential, 1-Parliamentary, and 2 – Other.

**Table 1.1: Top 25 Countries by HDI and HDI2**

NAME	HDI	TYPE	NAME	HDI2	
1. Norway	0.938	1	1. Australia	0.989	1
2. Australia	0.937	1	2. New Zealand	0.979	1
3. New Zealand	0.907	1	3. Norway	0.954	1
4. USA	0.902	0	4. Ireland	0.936	1
5. Ireland	0.895	1	5. Iceland	0.928	1
6. Liechtenstein	0.891	1	6. South Korea	0.918	2
7. Netherlands	0.89	1	7. USA	0.917	0
8. Canada	0.888	1	8. Israel	0.916	1
9. Germany	0.885	1	9. Germany	0.915	1
10. Sweden	0.885	1	10. Japan	0.915	1
11. Japan	0.884	1	11. Canada	0.913	1
12. South Korea	0.877	2	12. Netherlands	0.911	1
13. Switzerland	0.874	2	13. Sweden	0.911	1
14. Israel	0.872	1	14. France	0.898	2
15. France	0.872	2	15. Finland	0.897	1
16. Finland	0.871	1	16. Spain	0.897	1
17. Iceland	0.869	1	17. Greece	0.89	1
18. Belgium	0.867	1	18. Switzerland	0.889	2
19. Denmark	0.866	1	19. Belgium	0.888	1
20. Spain	0.863	1	20. Czech Rep.	0.886	1
21. Hong Kong	0.862	2	21. Denmark	0.883	1
22. Greece	0.855	1	22. Italy	0.882	1
23. Italy	0.854	1	23. Estonia	0.864	1
24. Luxembourg	0.852	1	24. Liechtenstein	0.861	1

*Source: United Nations Development Programme 2010*

Interestingly, the HDI2, corrected for the redundant and objectionable normative economic component, still shows much the same trend as the normal HDI. The lone presidential state breaking the top 25 is the United States, with the rest of the list being parliamentary with a few hybrid systems. This lends further credibility to the theory that institutional design affects

human development, and specifically that parliamentary governments perform better than presidential ones.

### **Theoretical Approaches and Goals**

There is a large body of institutionalist literature which posits several reasons why parliamentary systems might tend to produce higher levels of human development. This perspective on why Costa Rica has performed so much better in developmental terms than Nicaragua will be informed by much institutionalist literature which contrasts presidentialism with parliamentarism. Hall (1989) understands institutions as “formal rules, compliance procedures, and customary practices that structure the relationship ...[of] individuals in the polity,” and certainly there is no shortage of academics falling into this school. Gerring et al. (2009) suggest that the parliamentary model, among other reasons, leads to effective governance because it is above all a “coordinating device” which allows for largely uncompromised, decisive decision making, while not preventing reactive accountability from one government to the next. In this respect, unity and centralization in the lawmaking process of parliamentary systems might suggest some superior subset of presidentialism, whose tendency is to diffuse power across conflicting branches of government and maintain synchronistic accountability mechanisms which impede governance. In fact, because constant conflict between branches with respective mandates of legitimacy is thought by some scholars (Linz, Tsebelis) to be the cause of regime instability, those more centralized presidencies may fare better as well. Furthermore, if clear, uncompromised decision making contributes to the good governance of parliamentarism, then an unstable or failed state with no clear authority is more likely to lack it and slip down the HDI

ranking. If presidential governments are more likely to fail, they too will more probably slide down the HDI. The relative functions and powers of presidential institutions are organized in such a way that their conflicts lead to gridlock and subsequent instability. The separately elected branches of presidential systems can both pursue different policy agendas, leading to conflict between the executive and assembly in a way which would not occur in a parliamentary system. While Linz attempts to enumerate those specific organizational features which lead to presidential conflict, the approach favored by Tsebelis (2002) suggests that the specific institutional configurations are not significant, but rather that the number of them can lead to impasse. Each institutional requirement which must be satisfied in order for a law to pass is known in his literature as a “veto player,” and according to Tsebelis, the greater number of veto players, the more unstable the government. According to Matthew Shugart and John Carey, neither the presidential system nor its veto points *per se* will lead to instability or poor governance, but rather that other errors in institutional design that can have negative consequences in the context of a presidential system. The most salient factors cited by them include the timing of elections, the legislative authority of the executive, and representative apportionment in the legislature as causes which determine the success or failure of a presidential government.

In contrast to the veto-point theory or the institutionalist school of thought, Lawrence Harrison suggests an entirely different source of success or failure: culture. In his book *Underdevelopment is a State of Mind: the Latin American Case*, Harrison claims that, while many other factors contribute to the quality of government and life in any given state, the sort of attitudes that the endemic cultural environment encourages in its citizens is paramount (Harrison

1985, 3-4). Specifically, Harrison cites entrepreneurship and creativity as the two key cultural elements, and then further outlines seven ways in which society may encourage them. Stability, temporal orientation, and intellectual curiosity are all significant to Harrison in determining how successful a government will prove to be in the long term. His culturally focused, rather than institutionally focused or veto-point focused, lens will lend an entirely different perspective to the study of the particular cases chosen.

At first assessment, HDI and HDI2 data certainly seem to support the institutionalist or veto point theories, but the precise mechanisms of action which make one type of regime outperform another are not so clear. The goal of this thesis would be to identify these mechanisms of action and weigh the respective validities of the many theories regarding human development levels and the underperformance of presidentialism as compared to parliamentarism. The thesis intends to determine which theories correctly identify the mechanisms of action for this phenomenon by performing in-depth comparisons of similar governments whose HDI2 scores are highly disparate. Because of the breadth of the questions at hand, the scope of inquiry will have to be pared down to a simple comparison of two states. By looking at similar states, it will become a simpler task to isolate the variables to which the disparity of human development can be attributed.

The governments to be studied are Costa Rica and Nicaragua, two neighboring Central American states with fairly similar historical roots. In 2010, Costa Rica's HDI2 score was .768, placing it as the 68<sup>th</sup> highest ranking in the world. In contrast, Nicaragua's score was .652, placing it forty places lower at 108<sup>th</sup> place. In *Underdevelopment*, Harrison highlights many reasons why one would expect similarities to exist between the two states, nevertheless

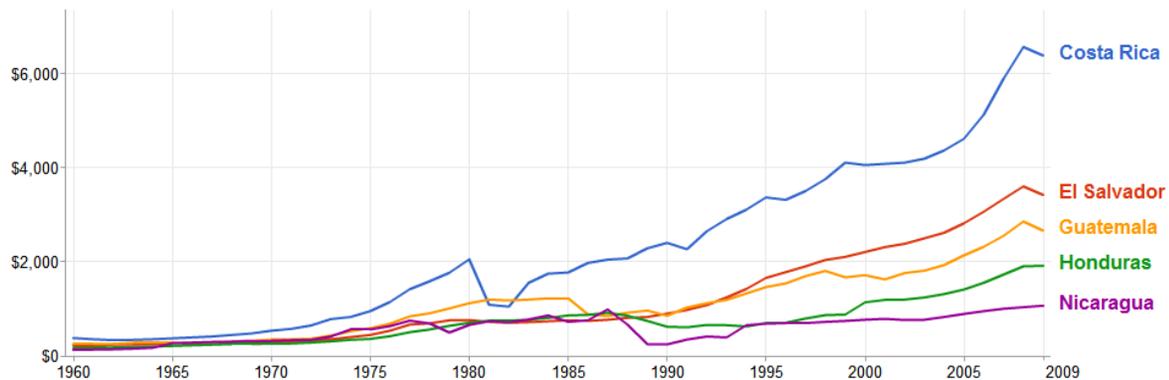
remarking that the “differences between Nicaragua and Costa Rica are palpable” and hard to believe. Once the cause of the disparity has been identified by in-depth analysis of the government and cultures of these states, it should be a simpler matter of assessing whether veto player theory, institutionalist theory, or cultural theory best explains this particular instance. While these case studies will have some implications for the comparison of parliaments to presidents as a whole, because Costa Rica and Nicaragua are both presidential, much explicit reference to parliaments will not be made other than where it is necessary to help establish the framework of this thesis. It is expected that while every perspective has its strengths, the evidence in the particular case of Costa Rica and Nicaragua will come down squarely in favor of the institutionalist perspective or the veto point perspective, owing to the similarity of these state’s cultural roots but the differences in their governmental structures.

Finally, it should be understood that while the specific comparison of Costa Rica and Nicaragua may vindicate one perspective over others, the differences in general trends of presidential and parliamentary regimes may not be fully illuminated by looking at the specifics of this particular case study. The goal is only to assess the theories as they pertain to this slice of Central America.

## CASE STUDIES

These two specific countries were chosen for comparison because they are the quintessential examples of success and/or failure in Central America, and while they have much in common governmentally and historically, they lie at opposite ends of a puzzling gap. Many international rankings of countries by human development-related criteria place Costa Rica and Nicaragua as first and last respectively in a ranked Central America. Though not always the first and last states in such rankings, there is a palpable difference in the quality of life suggested by how frequently this does occur. The GDPs of these two states is an excellent instance of this. Though this thesis' reformulation of the UNDP's HDI removes the economic element from the human development composite, a side-by-side comparison of Costa Rica and Nicaragua's economic performance from 1960 to 2009 will help illustrate the comparative prosperity, and El Salvador, Guatemala, and Honduras will provide a point of comparison for the rest of Central America.

**Figure 2.1: GDP per capita in constant 2009 USD**



*Source: World Bank, World Development Indicators, 2010*

Figure 1 clearly indicates that, while these five states shared several decades of relatively similar economic performance, starting in the 80s Costa Rica saw a steady increase in gross domestic product while much of the rest of Central America, and Nicaragua particularly, stagnated. The prosperity of Costa Rica's economy may have begun even earlier than suggested by this chart, as far back as the late 1940s with the adoption of a new constitution and the influence of the center-left Partido Liberación Nacional (National Liberation Party, PLN), as well as the economic diversification away from an agricultural-export based economy (Wilson 1998, 82; Mitchell and Pentzer 2008, 94). The differences, however, are not entirely economic. In the area of health, for example, Costa Rican life expectancy figures outperform even the United States, ranking in the company of the world's most developed governments (World Bank, 2010). This feat is a particularly impressive testament to Costa Rica's development when considering that its per capita income is roughly one tenth as high. In fact, according to Seligson (2001) Costa Rica's HDI "outranks its income to a greater degree than any other country." Conversely, Nicaraguan figures indicate a much less successful or efficient use of money. Instead, Nicaragua is ranked in the same tight range as most other Central American governments, roughly 0.63-0.66, and currently ranked slightly lower than any other government in the area. (UNDP, 2010) When assessing Nicaragua's performance with the HDI2, corrected for economic considerations, Nicaragua fares slightly better, placing it above Guatemala in the region, but still within the same narrow band at 0.652. This slight improvement for Nicaragua when moving from HDI to HDI2 can be explained by looking at the Income Indicator calculated by the UNDP. In this respect, Nicaragua is noticeably behind even the regional average, in 2010 scoring a modest 0.429 to Costa Rica's 0.651. Because the HDI2 has removed economic

considerations when ranking human development, this latter ranking placing it above Guatemala may indicate that Nicaragua is not necessarily the least developed in Central America.

Furthermore, it is an indicator that the most profound deficits in the case of Nicaragua lay at the intersection between government and finances.

In addition to the concrete considerations of money, education, and life expectancy, important cultural differences may play a role in the way governance translates into human development. Here, it is frequently claimed that Nicaraguans and Costa Ricans are markedly different in culture. In *Costa Rican Exceptionalism*, Mitchell Seligson (2001) assesses multiple surveys of the attitudes of Latin American citizens, with emphasis on explaining the unique democratic heritage of Costa Rica. In two surveys taken in 1996 and 1998, Seligson (2001, 91) concludes that Costa Ricans are much more likely than other Central Americans to believe that “democracy is preferable to any other form of government.” Where an average of 84.4% of Costa Ricans showed unqualified preference for democracy, only 63.9% of Nicaraguans agreed, being much more likely than their Costa Rican counterparts to say that authoritarianism was sometimes an acceptable alternative, or that democracy had no significant impact on their lives. This devotion to democratic values and the longevity of the democratic regime in Costa Rica may be significant in explaining at least some of the human development success in the state, though cannot be the only explanatory factor, given that democracy in Costa Rica has not always meant human development success. The first inklings of Costa Rica’s strong democratic tradition began in the 1890s with the ascension to power of José Joaquín Rodríguez Zeledón, who stood in opposition to the previous president’s hand-picked successor. The next few decades saw alternating periods of legitimate and nondemocratic successors, with the Civil War of 1948,

however, being the final benchmark to a long and sustained democratic prosperity (Wilson 1998, 22). To contrast this relatively long-lived democracy, Nicaraguan experience with democracy has been tainted by sustained authoritarianism since long before the Somoza dynasty which lasted over 40 years, and after the military junta which succeeded it.

Some critics will surely suggest that it is biased to compare contemporary Costa Rica with contemporary Nicaragua, rather than comparing the performance of these states in different eras. The rationale is that, while Costa Rica has had the better part of a century to develop under an unchallenged, democratic constitution, Nicaragua has had a healthy liberal democracy for less than half this time. Instead, critics might suggest that contemporary Nicaragua be compared with Costa Rica some other era, perhaps in the mid-20<sup>th</sup> Century. While this is a worthy criticism, for the purposes of the study, shifting one case study into the past will likely create more problems than it solves. Rapidly changing geopolitics and differences in world economic trends will complicate the issue of comparison, and require more conjecture than simply comparing concurrent performance. In addition, ample time has passed since the fall of the Somoza dynasty in Nicaragua to make emerging developmental trends clear.

While economic performance, HDI rankings, and the centrality of democratic philosophy are important in explaining why these two governments are worthy of comparison, these are not necessarily the factors which best *explain* the human development gap which exists between them. For that, a much more in depth analysis of each state's history and government is necessary.

## Costa Rica

Rather than attempt to exhaustively cover all aspects of Costa Rican history and government, the case study of Costa Rica will only cover those details which will later become relevant to the three evaluated theoretical perspectives. The historical facts will mostly be relevant to the cultural analysis, while the later discussion of government structure will mostly be relevant to the historical institutionalist analysis. Even so, knowledge of both will doubtlessly enhance an understanding of any of the three perspectives offered.

Over the course of many decades, Costa Rica has developed a narrative about its history and culture which Costa Ricans believe explains their current stable democracy and relative prosperity (Proyekt 2002; Seligson 2001, 106; Wilson 1998, 9). This concept is known as the “rural democracy” or “rural egalitarian” thesis. In examining this state’s history, it is necessary to pay close attention to any clues which might support or damage the credibility of the rural democracy thesis, especially given the fact that its validity has been questioned. Harrison (1985) offers a historical explanation of the development and progress of Costa Rica which focuses heavily on the unique colonial experience of that state as being the source of certain productive attitudes and values that foster entrepreneurship. Although it is not an entirely positive assessment of the Costa Rican people and their productivity, Harrison more often than not uncritically accepts the premise of Costa Rican cultural mythology, to the detriment of his culturally-based human development explanation.

With regard to the institutionalist perspectives offered by Gerring (2009) and Tsebelis (2002), special attention must be paid to those factors which influence the strength of political

factions, the centralization of power under the executive, and the accountability mechanisms of the state. In a broader sense, any factor which tends to inhibit a change in the legislative status quo should be noted as well, because all of these will eventually be the basis for evaluating the institutionalist perspectives.

## **History**

### *Colonization and Independence*

For much of the time from its colonization to its early independence, the name “Costa Rica” was a highly ironic one. Meaning “rich coast” in Spanish, it was named so by Christopher Columbus upon his arrival in 1502 because he claimed to have seen there “more signs of gold” than he had encountered on the island of Hispaniola in four years. In fact, Costa Rica was easily the most badly impoverished of the Spanish new world provinces (Wilson 1998, 10). Not only did Costa Rica not have much by way of precious metals, but nor did it have a large native American population which could be exploited as slaves. In addition, Mitchell and Pentzer (2008, 17) note that the quality of the native inhabitants of Costa Rica also made them more difficult to conquer because their societies “were, in fact, very warlike and often fought over territory, slaves, or prestige.” Because of this combination of factors, the Costa Rican colonial experience did indeed develop differently from the rest of Central America, and the rural democracy thesis claims that this was the source of later prosperity and the inclination toward democracy. Most of the rest of Central America was exploited through a system called *encomienda*, a kind of feudalism. Typically a conquistador or nobleman would take control of a number of slaves at the approval of the Spanish monarchy and then exploit their labor in order to enrich himself, and establish an efficient, pervasive social structure which would end at the

Spanish crown. Due to the lack of inhabitants of then-Costa Rica, it became nearly impossible to impose this sort of social structure on the largely empty province – though small *encomiendas* did exist. According to rural democracy theorists, all settlers of Costa Rica, whether Spanish nobility or Native American, had an equally difficult struggle for survival. Consequently, all development occurred at a very deliberate pace. The first settlement in the province came over 40 years after settlement began in neighboring Nicaragua, despite their nearly simultaneous landing there by Columbus. More than 150 years after this, historical records show that Costa Rica was still a grueling place to live and work. As Harrison (1985) cites in a correspondence between the governor of Costa Rica and the Spanish king dated 1719:

“...in the entire province there is not one barber, surgeon, doctor, or pharmacist; neither in the capital nor in other towns is food sold in the streets or in the plazas; everyone has to grow their own food, including myself, for otherwise one would perish.”

The rural democratic narrative suggests that, as years went by, the social structure that developed there between the ruling and working classes was not as socially stratified, and nearly all land owners would be required to work alongside their grant-workers for survival. This may have been one of the sources of democratic inclinations in the contemporary society. (Harrison 1985, 47-48; Seligson 2001, 91-92) Other recent scholarship points toward other features of Costa Rican history which may have led to social stratification in spite of the problems presented by the *encomienda* system. Gundmundson (1986) notes that before the introduction of coffee as a major export, wealth in Costa Rica was indeed highly centralized in the hands of a few wealthy settlers. He claims that Costa Rican society was actually structured and quite complex.

Despite the comparatively poor performance of *encomienda* in the region, it was employed and had brutal consequences for the Native Americans, as did the presence of European *encomenderos*. Over the 40 years which followed 1569, the indigenous population plummeted nearly 90%, from 69,875 to 7,168. The unproductive agricultural system meant that food was scarce, labor was intensive and unending, and foreign European diseases like smallpox and measles were highly destructive to indigenous immune systems (Mitchell and Pentzer 2008, 33). The already limited economic activity of Costa Rica reached an even less prosperous plateau as the only exploitable resource, the indigenous population, was mostly expended. Little more economic prosperity occurred until the late 17<sup>th</sup> Century when a string of profitable crops such as cacao and tobacco began being farmed, and commercial trading with other Central American governments and the motherland grew.

The independence of Costa Rica from its imperial rule came about not because of rebellion there, but instead as a consequence of the Mexican War of Independence which was waged from 1810-1821, and ended with the Mexican Empire, of which Costa Rica was a part at the time, declaring independence. Shortly after this secession on September 15<sup>th</sup>, 1821, Costa Ricans made the decision to secede from the new imperial authority of Emperor Agustín de Iturbide<sup>1</sup> and establish the United Provinces of Central America. This unified Central American state was short lived, and fell apart in 1838 because of internal conflict regarding the role of the Catholic Church and various privileged members of Central American society. Eventually a

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<sup>1</sup> Interestingly, Mitchell and Pentzer (2008) point out that this secession was a moot point. Although the republican and imperialist forces broke out into armed conflict for several hours over this issue, Emperor Iturbide had already been overthrown in Mexico City. However, because of the inefficient lines of communication, word did not reach Costa Rica until long after. The one significant consequence of this battle was that the balance of power ultimately shifted the capital from Cartago to San José, where it remains.

figure named Braulio Carillo emerged as dictator of Costa Rica and declared independence officially from the United Provinces of Central America. In addition to his establishing Costa Rican independence, Carillos lasting legacy was promotion of the coffee industry, which transformed the country dramatically (Mitchell and Pentzer 2008, 40). From the 19<sup>th</sup> to the 20<sup>th</sup> Centuries coffee production led to a modernization of Costa Rica and an increasingly export based economy.

### *The 1948 Civil War*

By the 1930s and 40s, the Costa Rican economy, which was in great need of diversification and protection from foreign influence, began to see some economic reforms. The establishment of the Costa Rican Institute for the Defense of Coffee as well as the National Bank of Costa Rica was a major step toward protecting small farmers by powerful exploitative coffee processing facilities, and diversifying Costa Rican economic interests (Mitchell and Pentzer 2008, 76). These economic milestones aside, the Costa Rican polity was still unsatisfied with the political environment of the time. Not only was the state still on the heels of the repressive dictatorship of Federico Tinoco, who seized power in a coup d'état in 1917, but it had also had a recent history where quite frequently elections were “not key to determining presidential succession,” (Wilson 1998, 29; 21). Increasingly wealthy coffee magnates were able to exert great political influence over the already powerful office of the Costa Rican presidency, and would conspire to undermine the democratic process for the sake of installing more “coffee-friendly” successors.

This general cycle of undemocratic rule by coffee oligarchs saw a substantial redistribution of power with the reformist presidency of Dr. Rafael Angel Calderón Guardia,

elected in 1940. His first truly radical reformation of the Costa Rican government came in 1942, when he moved toward amending the Constitution of 1871 to include several “social guarantees” to the citizenry (Mitchell and Pentzer 2008, 80). Among them were a codification of worker’s rights, minimum wages, and land and taxation reform; these measures were quite inflammatory to the coffee oligarchs, but through shrewd alliance-building Calderón was able to stay in power despite his increasingly alienated base. Due to the single consecutive term limitation, however, Calderón was forced to leave office in 1944. Nevertheless, the successor was largely just a hand-picked placeholder for Calderón, who used both legitimate and undemocratic methods of supporting him. Teodoro Picado Michalski was a much less radical figure than Calderón, although in spite of this his tenure in office saw an increasing tension in the political climate. Along with the ascent of Picado to the presidency, a formerly exiled opponent of Calderón named José Figueres Ferrer returned to Costa Rica with a paramilitary force that had begun training in 1944 with the intention of overthrowing the Costa Rican government. By 1948, they were prepared to launch a revolt at the final provocation of Calderón’s National Republican party in the legislature. When the election results of 1948 were counted in favor of a journalist running against Calderón named Otilio Ulate Blanco, the legislature moved to nullify his victory (Lorenz 2001). According to the assessment of Mitchell and Pentzer (2008), the political environment at this time was quite conducive to conflict, saying that:

“...those who lost elections could either accept the results and fight another day or reject them and fight immediately. Given the high stakes of presidentialism, the temptation for the president to use his political machine and for the opposition to consider violent insurrection was wholly logical.”

And conflict was indeed the consequence. The Costa Rican Civil War broke out, as the well prepared forces of Figueres, who had returned with the forces of his Caribbean Legion and a desire for revenge, stormed several cities, taking many of them easily but not entirely without bloodshed (Mitchell and Pentzer 2008, 86; Lorenz 2001).

At the next phase of Figueres' siege, the forces met considerable resistance in Cartago, the country's second largest city and once-capital. Having worn out much of his forces defending the city, President Picado sent word to the opposition that he was willing to surrender, not wanting to protract the Civil War into a much longer, bloodier process. In addition, Picado was pressured into his ultimate surrender by two inopportune developments: first, Picado was pressured by neighboring Nicaraguan President Anastasio Somoza García for rapid assurance that the Caribbean Legion and civil conflict would not spill over the border into Nicaragua. Second, Picado learned that American military personnel stationed in Panama had been authorized to move into Costa Rica if Picado's Marxist congressional ally, Manuel Mora, made any attempts to seize power of the government. With little incentive to continue defending the capital, Picado and the pro-governmental belligerents agreed on April 18<sup>th</sup>, 1948 to sign the Pact of the Mexican Embassy which brought the Civil War to an end (Lorenz 2001). An agreement between Ulate Blanco and Figueres stipulated that, after the rebel occupation of San José had been completed, Figueres would establish a military junta to administer the country for 18 months in order to establish the foundation of the Second Republic. When the junta expired, Figueres would transfer power to Ulate Blanco for the four-year term that he had legitimately won in the 1948 elections (Lorenz 2001). During this transitional period, José Figueres Ferrer greatly "overstated the revolutionary implications of the civil war," in the words of Mitchell and

Pentzer (2008, 87), dramatically declaring Costa Rica to be a new republic without actually “revolutionizing” liberal political and economic traditions. Significant structural reforms of the government did take place, however, and it may be these changes which prove to be significant in later analysis of Costa Rica’s human development success since 1948. Significantly, the 1949 constitution greatly decentralized the power of the Costa Rican presidency so that the office had far less power after the Civil War than in did before. In addition, the aftermath of the civil war ushered in the end of the end of the Costa Rican military, the creation of the electorally successful PLN, and its new attitude toward public administration (Mitchell and Pentzer 2008, 87). This also allowed for a significant rift between the existing political institutions and what eventually came to be known as the “autonomous institutions,” particularly the Tribunal Supremo de Elecciones (Supreme Electoral Tribunal, TSE) which was elevated to the fourth branch of government in 1975 by ruling of the Costa Rican Supreme Court (Wilson 1998, 45).

### *Contemporary History*

In spite of the optimistic image that many of its citizens have, Costa Rica has not been entirely without problems since its reformulation into the Second Republic. While tourists still buy t-shirts proclaiming that “Costa Rica is different,” and absorb the cultural myth of Costa Rican exceptionalism, believing that Costa Rica is a world apart from Latin American underdevelopment and dictatorships, this image should be taken with a grain of salt. While there is truth to the claim that the history of the state has set itself apart in stability and democracy, some recent events indicate that all is not as well as it seems (Booth, et al. 2010, 61). The economic model developed after the Civil War of 1948 had functioned well until several factors during the late 20<sup>th</sup> Century forced the Costa Rican government to move closer toward a

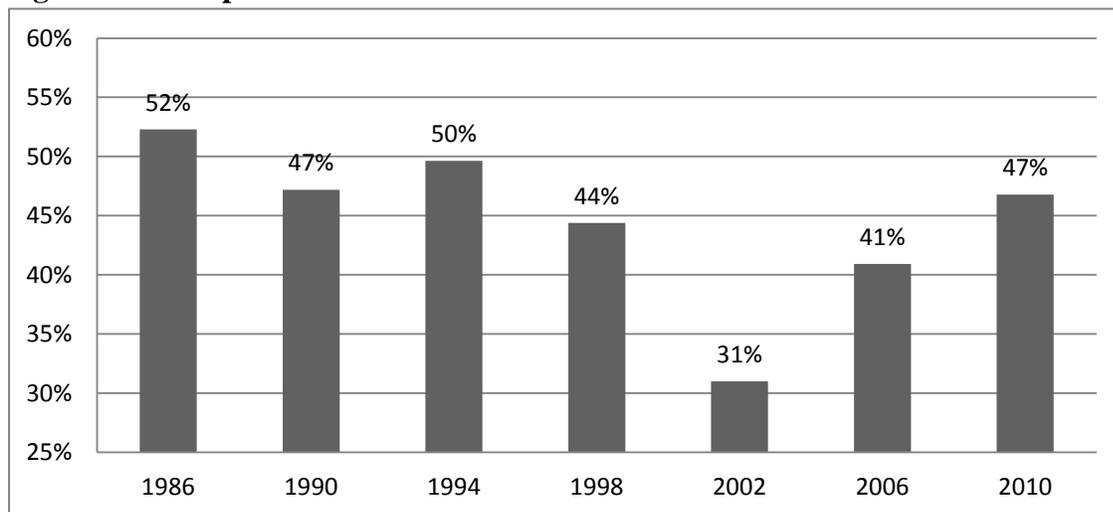
neoliberal economic model. Among these factors were rapidly changing commodity prices, the failure to continue expanding the export-model, and armed conflicts in nearby Central American states. The ensuing plunge into economic crisis was enough cause for several administrations in the late 1970s and 80s to begin borrowing international money to “finance the growing public deficit,” which may have mitigated the severity of Costa Rican financial woes at first, but ultimately deepened the problem by ballooning Costa Rican foreign debt to nearly 150% of GDP (Booth, et al. 2010, 69). In addition to this, the failure of regional markets in Central America due to civil war and the drastically lower rates of tourism for the same reason gave President Rodrigo Carazo Odio little more choice than to default on foreign debt in 1981 and nearly destroy the value of the colón (Booth, et al. 2010, 70).

Soon, the Costa Rican government turned to another source of external money, aid in the form of grants from the United States. The United State’s incumbent Reagan administration sought at this time a base of operations south of Nicaragua in order to help destabilize the Sandinista revolution. In order to secure this, the Reagan administration awarded over \$1 billion in grants to Costa Rica during the mid 1980s. This had the two-fold effect of substantially delaying any necessary action to mitigate the financial crisis, as well as bind Costa Rica to the many conditions of the grant and other international financial institutions which they turned to later (Booth et al. 2010, 70; Wilson 1998, 120). Eventually, the forces of globalized capitalism and extensive terms and conditions of loans made by institutions like the International Monetary Fund forced Costa Rica to further adopt the neoliberal policies favored by lending institutions and the United States government. Booth, et al. (2010, 71) note that this had a wide and immediate impact on the lifestyles of Costa Rican citizens who immediately saw cuts to the

“public sector payroll, social service programs [like] education, health, and infrastructure investment, [and the privatization of] most of the nations many publicly owned enterprises” which had contributed so much to the high standard of living in Costa Rica up to that point.

The massive restructuring of Costa Rican economics into a neoliberal system had significant impact on the political arena as well, particularly on the political party system. Within parties, Costa Ricans saw increasing fractionalization as social democrats struggled to refocus while negotiating a new balance between their ideological values and the necessary neoliberal economic reforms. This difficult balance between reformation and ideology has also weakened the appeal of Costa Rican social democratic parties to their bases, which has in turn led to greater support for personality-based or populist parties and candidates in recent years (Booth, et al. 2010, 72-73). The PLN suffered substantially because of these reforms as well, losing control of the Legislative Assembly in 1990, and steadily lost more and more of its voting base for the 20 year period following the 1986 election of Óscar Arias to his first term in the presidency.

**Figure 2.2 PLN presidential vote share since 1986**



In 2006, however, Arias gained a second term in office, then being succeeded by Laura Chinchilla, Costa Rica's first female president, in 2010. While only achieving a plurality, her election was seen as a landslide, coming in nearly 20% ahead of her closest rival, Ottón Solís of the Partido Acción Ciudadana (Citizen's Action Party). Her stance on social issues, however, is markedly more center-right than much of the PLN's earlier record would imply (Jimenez, 2010). It is possible that the PLN's recent success is attributable to the drastic loss of confidence in other major parties. Even so, it is still too early to tell if the PLN is simply in a popular phase due to a few charismatic leaders (Booth, et al. 2010, 75).

## **Government**

The contemporary government of Costa Rica developed out of the 1948 Civil War and was largely based on the Constitution of 1871. In the aftermath of the war, the transitional junta proposed a draft to the nationally-elected Constituent Assembly which was tasked with writing a new constitution. This radical departure from the historical constitution was rejected and instead, what remains in effect today is a reflection of the antebellum constitution, albeit with several major modifications. More recent changes to the structure of Costa Rican government have also had a significant impact on governance. The development of an ever increasing number of "autonomous institutions" since 1948, exerting greater influence on public life while being independent of the vacillations of the administrations in office are one example of the Costa Rican government's changing dynamics. Perhaps the most profound change has come in the form of the Supreme Court of Justice's addition of a fourth, constitutional chamber, which has

become central to all aspects of governance in Costa Rica (Wilson 1998, 58). Even small institutional details can sometimes have great impact on the way a country is governed.

### *Legislature*

The legislature of Costa Rica is a single, unicameral body known as the Asamblea Legislativa (Legislative Assembly) whose 57 seats are chosen by direct election. Each deputy is elected by universal suffrage to their seat on a proportionally allocated basis for consecutive four year terms. This branch of government has most, but not absolute control over, legislation. According to Taylor-Robinson and Ross (2008, 2) Costa Rica is unique in the region for not operating within the Latin American model of executive-legislative relations. Typically, Latin American presidents enjoy greater power in relation to their legislatures and other governmental actors than do presidents elsewhere (Mainwaring 1990, 156). The Costa Rican Legislative Assembly, however, exerts much of the power that might have otherwise gone to the president, and has the very clear authority to initiate impeachment proceedings against them (Wilson 1998, 51).

The Legislative Assembly has several limitations on its own power as well. First, any act of the legislature can be vetoed by the president,<sup>2</sup> although the assembly can override vetoes with a two-thirds supermajority. Second, it can be called into special session at any time at the discretion of the president, and must be in session for a minimum of six months per year from May to July and September to December. Third, the assembly has no domain over the approval of the presidential cabinet or their removal from office, though it can censure them. Furthermore,

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<sup>2</sup> The only exception to this rule is the annual budget. While the budget is prepared by the president and submitted to the assembly, no further changes from there on can be vetoed (Wilson 1998, 51).

there are several limitations on the powers of individual deputies, not just on the power of the branch as a whole (Wilson 1998, 51). Deputies are required to leave the assembly for one whole term before seeking reelection. According to John Carey (1996, 77) this causes a massive turnover in the Legislative Assembly, wherein nearly nine out of ten deputies will not be reelected, and no legislator has ever served more than three terms. The second limitation on deputy power within the assembly requires a more in-depth knowledge of its structure to understand.

Each year, the Legislative Assembly elects an assembly president from within its membership, and this president in turn appoints the membership of the committees which perform most of the legislative function of the body. Deputies serving on these six committees remain in that capacity for one-year terms, and the assembly president has the freedom (and is in fact expected to) stack the most important committees, such as the Budget Affairs Committee, heavily in favor of their own party (Taylor-Robinson and Ross 2008, 5-6). Once the special committees have reviewed and formulated recommendations, the bills are sent to one of three “mini-plenary” committees for passage or rejection. These mini-plenary committees, formed to hasten the once notoriously slow pace of Costa Rican lawmaking, must be proportional in party breakdown to the whole Legislative Assembly (Wilson 1998, 53).

The structure of this committee system limits the power of individual deputies in many ways, excluding most deputies from formulating recommendations in the first stage of the process, and then preventing them from voting on legislation outside of their mini-plenary committee in the second stage. While they can debate and attend the meetings of any mini-plenary session, the deputy’s lack of a direct vote on two out of every three bills is a sacrifice of

their power made for the sake of expediting the legislative process. Furthermore, the frequent rotation of deputies between committees and their general lack of staff means that a given deputy is not likely to develop much political power or expertise based on their committee service (Wilson 1998, 53).

### *Executive*

Costa Rica's chief executive, the President of the Republic, is the Head of State as well as Head of Government. The president's immediate staff comprises two vice-presidents and fifteen cabinet officers in charge of specific policy areas. Even so, the president has relatively weaker powers when compared to Costa Rican presidents before 1949. Since then, much presidential power was redirected toward the other four branches of government (Wilson 1998, 51). The post-Civil War constitution restricted the president from immediately running for reelection after serving a first four-year term, instead requiring an eight year minimum hiatus before allowing another campaign for office. In 1969, a constitutional reformation furthered the presidency's austere term limitations by making reelection after any length of time unconstitutional. This produced a strange dynamic in Costa Rican politics, wherein a president would be rendered a "lame duck" immediately upon assuming office (Wilson 1998, 52). In 2003, however, the Supreme Court decided to review an earlier petition from former president Óscar Arias, and ultimately nullified the term limit ban, reverting back to the 1949 constitution's regulations (U.S. Department of State, 2011; Wilson 2005, 54). The president, though, must be removed from office as of the next election. Because of this, as the end of the president's term draws closer, the president becomes increasingly unlikely to receive support for their policies in the Legislative

Assembly. Fellow party-members rapidly begin shedding their allegiance in favor of the newest presidential candidate offered by their party (Wilson 1998, 154).

The most important power of the president is the selection of their cabinet members, vice-presidents, and the heads of any number of autonomous institutions in the fourth branch of government. These appointments are not subject to the approval of the Legislative Assembly, although they can be censured by it. Furthermore, the vice-presidents and cabinet can only be removed from office by the president. The heads of autonomous institutions, however, have more autonomy and cannot be removed so easily (Wilson 1998, 53). The president also has the ability to veto most bills passed by the Legislative Assembly, but these vetoes can always be overturned by a two-thirds vote in the assembly. Interestingly, the chief executive has almost no independent authority to initiate legislative action; a government minister from a relevant policy area is required to initiate legislation on her behalf. Perhaps the only true legislative power that a president may exercise is that they can set the Legislative Assembly's agenda during special legislative sessions which are exclusively within the president's authority to call (Wilson 1998, 51). According to Shugart and Carey (1992, 156), this lack of presidential legislative power may be one of Costa Rica's strongest institutional design features, because "more powerful presidencies are also the more problematic," particularly if presidents have excessive legislative powers that frequently bring them into conflict with the assembly.

Indeed, the Costa Rican president is probably "the weakest executive in Latin America," (Mitchell and Pentzer 2008, 202), though whether this truly should be considered a strength or not will be considered later. Among the numerous limitations on the president are the inability to

veto the Legislative Assembly's final budget,<sup>3</sup> severely limited decree powers which may not serve to extend president's power in any way, the absence of either a line-item or a pocket veto power, and the inability to declare emergency powers without the consent of a supermajority in the Legislative Assembly (Mitchell and Pentzer 2008, 203). The president may also be impeached by a trial before the Supreme Court, an action which must be initiated by the assembly. Surprisingly, presidents were, until 1997, unable to legally travel outside of the Central American isthmus without the consent of the Legislative Assembly, to which their powers are still greatly subordinate (Wilson 1998, 52).

### *Judiciary*

The judicial branch of Costa Rica is a system of trial and appellate courts with the Corte Suprema de Justicia (Supreme Court of Justice) at the apex, with twenty-two magistrates. These magistrates are elected by the Legislative Assembly for eight-year terms, which are automatically renewed barring a supermajority two-thirds removal vote of the assembly. The Supreme Court itself is divided into four chambers, or Salas. The first of these, Sala I, has jurisdiction over "civil and administrative matters." Sala II hears questions of "family law, estates, and labor law." Sala III has jurisdiction over criminal issues, and Sala IV deals with all constitutional issues (Lehoucq 2006, 27; Peterson, 2002). Historically, the Costa Rican Supreme Court had a low profile in the government of the state, only rarely overturning Legislative Assembly legislation and only in cases of blatant unconstitutionality. This customary role was drastically reversed in 1989 when the Sala IV was added as the fourth chamber by a constitutional act of the assembly. In addition to ruling on the constitutionality of government

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<sup>3</sup> Although the president initially proposes the budget.

activities, the Sala IV also rules on claims of protection, known as “*amparo*,” which protect citizens from government action, provided that they can prove some encroachment on the rights guaranteed by the 1949 Constitution (Mitchell and Pentzer 2008, 206). As noted in Wilson (1998, 58) from 1938 – 1989 the court declared an average of 7.45 acts unconstitutional annually. In the three years immediately following the creation of the Sala IV, the Supreme Court found an average of nearly 325 acts unconstitutional per year, a spike of over 4,000%. There used to be many institutional deterrents for those people seeking an appeal to the Supreme Court, such as the requirement of much time and money. This is no longer the case, and the Sala IV now has an important part in nearly every policy debate. Wilson further states that “virtually every major economic interest group faced with the loss of its former protection or subsidy during the 1980s has appealed to the Sala IV,” (1998, 133). Because of this, institutions of the government can no longer pass laws or formulate regulations without considering the constitutionality of their actions.

It is the cases of *amparo* which constitute the majority of this astronomically increased Supreme Court case load (Wilson 2005, 51). In addition, the Supreme Court does not only hear a drastically increased range of issues, but it also made appealing a substantially easier process. In 1997, a ten year old boy was known to have filed a handwritten complaint against the bus company which transported him to school to the Sala IV (Wilson 1998, 155). As such a powerful actor, the Supreme Court has also become a political institution at the disposal of special interests who attempt to judicialize their political interests. This has served as another severe decentralizing influence over the Costa Rican government because it has further limited the power of elected officials and given relatively greater power to marginalized individuals and

minor government figures (Wilson 2005, 61). The emergent dynamic which has created a new, highly decentralized power structure has been contentious with elected Costa Rican officials who are losing relative power as a result of the Sala IV's judicial aggressiveness. They argue that the court has usurped powers in a "judicial coup d'état" that is damaging the democratic accountability of the country. Conversely, it has been argued that the Sala IV has brought the state much closer to equal protection under the 1949 Constitution. Either way, it is certain that the increasingly active Supreme Court of Justice has introduced another veto player into a system which is already quite decentralized. Not only does the government have to deal with a highly vocal court in order to legislate, but this court also brings legislative power directly to special interests and citizens.

### *TSE*

The fourth branch of government in Costa Rica is a very important institution in maintaining Costa Rican quality of governance. The Tribunal Supremo de Elecciones (Supreme Electoral Tribunal, TSE) is an independent, non-partisan body of three magistrates and their substitutes who are tasked with being the final arbiters on all electoral matters, where even the Sala IV does not have jurisdiction. The TSE supervises all electoral activity, from interpreting relevant laws, to registering voters and promulgating electoral victories. The TSE also has the authority to veto acts of the Legislative Assembly which it sees as a threat to electoral legitimacy, though these decisions can be overridden by a two-thirds supermajority (Wilson 1998, 45). Interestingly, the magistrates of the TSE are doubly insulated from vacillations in support because they are appointed by the Supreme Court, itself mostly independent from the political meddling of competing factions (Lehoucq 2006, 8). The TSE is one of the oldest and

most widely respected institutions in the country, enjoying much more support from the public than the analogous institutions of other Latin American states (Lehoucq 2006, 26; Mitchell and Pentzer 2008, 202). Perhaps, as it is noted in Mitchell and Pentzer (2008, 202), this indicates that the Costa Rican public understands that the Supreme Electoral Tribunal “is the key institution guaranteeing the legitimacy of the rest of the political system.” This devotion to democratic legitimacy notwithstanding, the autonomous institutions and TSE seriously complicate the governmental process in Costa Rica, and add several veto players to the sometimes slow and convoluted process of governing (Lehoucq 2006, 30).

#### *Autonomous Institutions*

Costa Rica has developed a large network of independent government agencies which are assigned specific responsibilities and largely free of political influence. They carry out many functions that are frequently overseen by the private sector in other countries. For example, one of the most successful and important of these, the Instituto Costarricense de Electricidad (Costa Rican Institute of Electricity, ICE) established in 1949 has since then integrated nearly 99% of Costa Rican households into the national energy and telephone grid. Considering the mountainous terrain of central Costa Rica, this has been a particularly impressive accomplishment (Mitchell and Pentzer 2008, 184).

The idea of a government system of autonomous institutions running parallel to and mostly independent of the rest of the government began elsewhere, in Uruguay in the 1930s. It was soon after advocated in Costa Rica by President Calderón before the 1948 Civil War. They were formally included in the redrafted 1948 Constitution, after which they became a major focal point for the PLN’s social democratic platform, so much to the extent that after several decades,

the PLN was synonymous with their development (Wilson 1998, 55) having created 68% of them up to 1979 (Lehoucq 2006, 24). Their inclusion in the 1949 Constitution, however, can be traced back to a three-pronged rationale, outlined by Wilson (1998, 54-56) as follows:

1. In keeping with a pervasive post-Civil War theme, the development of autonomous institutions aimed to limit the power of the executive and legislature.
2. The constitution's mandate that Costa Rica's socio-economic, health, and cultural well-being be cared for allows all of these areas to be promoted by technocrats who are better suited to do so than their politically motivated appointers.
3. The independence of the institutions safeguards the welfare of the state by making their abatement very difficult.

Some authors suggest the possibility of a fourth, more pessimistic motive for the creation of AIs, namely that:

4. They will placate malcontent citizens during crises by allowing the government an avenue to take action without directly addressing a given problem.

While the AIs perform well with regard to these stated goals, they also present problems for Costa Rica. Because of the independence they are given to assure their security and proper functioning, they are also notoriously hard to manage, even when there is legitimate cause to do so. Neither the executive nor legislature can threaten their budgets because most AIs are either guaranteed a fixed income by law, or they are fully able to raise their own funds through independent business activities. As it stands, their finances are only accountable to the office of

the comptroller-general, the government's auditing service, itself an autonomous institution (Lehoucq 2006, 8, 18).

### Nicaragua

As noted in Lawrence Harrison's *Underdevelopment is a State of Mind* (1985), more tragedy and misfortune has befallen Nicaragua than its southern neighbor. The country has seen brutal colonial exploitation, famine, multiple civil wars, dictators, natural disasters, significant political instability, lasting occupation by and intervention from the United States, and is currently the second poorest Latin American country, second only to Haiti (CIA 2011; Smagula 2011). Decades of misfortune in the early 19<sup>th</sup> Century even impelled the people of the Guanacaste Province, once a part of Nicaragua, to secede and be annexed by Costa Rica in 1824, where they could reap the "peace and tranquility that the constant anarchy [of Nicaragua] had denied them," (Harrison 1985, 39). If we accept Harrison's thesis with respect to the Nicaraguan attitudes that developed over several tumultuous centuries, then the causes of underdevelopment there are not likely to be resolved anytime soon. According to him, more than anything

"previous stability lays the ground for understanding which makes possible future stability; previous chaos and resultant hatreds arouse deep bitterness which makes more difficult the task of establishing a stable, constitutional government,' and, we might add, the task of development."(1985, 56-57)

The next few sections will focus on the history of Nicaragua, with special attention paid to those historical troubles which have “made difficult the task of development,” and produced the government and institutions which are in place today.

## **History**

### *Colonization and Independence*

Spanish colonial influence of Nicaragua began at about the same time as it did in Costa Rica, with the first explorers visiting the country in 1508, and the territory’s formal conquest by Spain came some years later in 1522. This began upon the arrival of Spaniard Gil González Dávila who traversed the terrain of Nicaragua, occasionally encountering Native American societies which impressed him with their societal structures and generosity, often times willfully giving up large quantities of gold and converting to Catholicism to pacify the imperial explorers (Merrill 1993). Even so, the Spanish Crown was not as interested in Nicaragua’s natural resources during the early 16<sup>th</sup> Century as it was in Mexico and Peru, whose abundance of wealth seemed much more worthy of exploitation. Nevertheless, the colonial presence was ruthless. The primary interest of the Spaniards in Nicaragua quickly became the export of slaves to perform grueling labor in other regions of their empire, with an estimated 500,000 indigenous peoples being wiped out in the first decades of the occupation. Because of the slave trade and unfamiliar European diseases nearly the entire population, including most settlements, was gone just a century after colonization (Merrill 1993; Staten 2010, 15). The two cities which did remain, León and Granada, subsequently became very powerful political and cultural centers engaged in a continual power struggle. Like in Costa Rica, those few indigenous peoples who survived or were not exported were subjected for several decades to the brutal *encomienda* system of forced

labor under several Spanish-appointed Governors of Nicaragua. In 1542, the empire made the *encomienda* system illegal, and determined that indigenous people could not be held as slaves, but this action did not have a great impact on Nicaraguan life, as by that time the native population was minimal. Consequently, natives returned to being free, and the remaining Europeans turned to small ranches and sustenance farming in order to survive (Staten 2010, 17).

The 1600s in Nicaragua were beleaguered with a variety of economic and political problems, as the Spanish administration of the Kingdom of Guatemala which Nicaragua was a part of degenerated. Agricultural development in region stagnated, and several strong earthquakes destroyed large parts of what infrastructure had developed. In addition, hostile attacks by European pirates destroyed the province's center of wealth, Granada (Merrill 1993). Beginning in the 1700s, however, the first signs of a sustainable agricultural economy began to emerge, due largely to the outcome of the War of the Spanish Succession which gave the Spanish throne to the House of Bourbon. The trade policies of the "enlightened" Bourbon monarchs were more open and encouraged export and development (Staten 2010, 19). Many of the older elite families based in Granada which had profited greatly from the restrictive trade policies of the Habsburg monarchy reacted negatively to the reforms; the newly elite families which profited from the changes grew into a powerful circle of rivals based in León. These respective groups, eventually labeled the conservatives and the liberals, gave rise to the most prominent political dynamic in Nicaragua which was "often violent, would last well into the twentieth century, and come to define Nicaraguan politics," (Staten 2010, 19). In 1821, Nicaragua became a part of the same United Provinces of Central America as did Costa Rica,

and became an independent state when the UPCA dissolved shortly thereafter. Nevertheless, independence did not bring prosperity.

### *US Interventionism and the Somoza Dynasty*

In 1855, the liberal faction, engaged in one of several military clashes with Granada's conservatives, enlisted the aid of American William Walker and a group of paramilitary troops at his command to help defeat the conservatives. This was the first of many profound interventions in Nicaraguan politics by the United States. Instead of defending the liberals as planned when he arrived, Walker betrayed and defeated them, seizing power himself (Booth et al. 2010, 82). He immediately instated a series of harsh reforms which exploited Nicaraguan land and finances for his own personal gain, but was eventually forced to retreat to the US when other Central American armies, threatened by his imperialist aspirations, confronted him (Smagula 2011).

Another dictator, José Santos Zelaya, was instrumental in creating continued poverty in spite of a growing coffee industry. According to Booth et al., Zelaya accelerated the pace at which the Nicaraguan population was dispossessed of its assets through "chicanery, self-serving legislation, and violence. No longer self-sufficient, former peasants had few options except peonage on coffee plantations," (2010, 82). Though Zelaya and the liberals eventually resigned, the conservatives who succeeded them administered the country so poorly that the United States occupied Nicaragua. This was mostly done to preserve the United State's monopoly on isthmian canals, out of fear that German or Japanese naval power would negotiate a deal to build a Nicaraguan canal, thereby undermining the American advantage in Panama. The United States' occupation of Nicaragua lasted almost uninterrupted from 1912 to 1933 (Booth et al. 2010, 82). The first appearance of substantial anti-occupation Nicaraguan forces came in 1927 when

Augusto Sandino organized a protracted guerrilla war against the United States Marines there. Though the United States increased the size of its military presence, the guerrilla opposition was robust and ultimately Sandino saw the American forces withdraw. Before their withdrawal, however, the American forces trained the “nonpartisan” Nicaraguan National Guard, which eventually became the most powerful institution in the state and had close ties to the Somoza family. Sandino demanded that the National Guard be disbanded, but instead the General of the National Guard, Anastasio Somoza García, had Sandino executed in retaliation for his vociferous opposition, and then used the National Guard to come to power two years later (Merrill 1993). His presidency was the first of several decades of Somoza rule, with two of his sons taking control after him.

Booth et al. (2010), identify the two primary sources of the Somoza family’s sustained power. First, their perpetual support of US policies, even where this was not in the best interest of Nicaragua, meant that the Somozas were an important ally for the United State’s covert activities in Central America, were a perpetual ally against Nazi and subsequently Communist forces, and frequently contributed Nicaraguan military personnel to American police actions around the world. Because of this, American foreign diplomats were usually prominent Somoza supporters, and the Nicaraguan received copious foreign aid. Secondly, the National Guard, which was always directly headed by a Somoza, was kept independent of the Nicaraguan people. The Guard under the Somozas became extremely corrupt and unabashedly loyal toward the dictators. Much of their activities revolved around profiting from extortion and illegal rackets (Booth et al. 2010, 83).

As head of the National Guard, Somoza García did not shy away from confrontation with the de jure political leaders of Nicaragua, instead habitually forcing the replacement of government officials with personal friends. In addition, Somoza García controlled the Partido Liberal Nacionalista (Nationalist Liberal Party, PLN) which dominated the courts and the legislative branch. His suppression of opposition was nearly absolute, and paved the way for him to form a constitutional assembly that would re-draft the Nicaraguan constitution to maintain his leadership. In this way, he was able to maintain power until his assassination in 1956 (Merrill 1993).

Upon the death of Somoza García, his two sons succeeded him in his two most important offices: the elder son, Luis Somoza Debayle, poised himself to become president after serving a short term as interim president, and the younger son, Anastasio Somoza Debayle, became the head of the National Guard. The ruthlessness of this latter institution took a turn for the worse, as the Guard became increasingly more necessary to quiet political opposition, many of whom were imprisoned and tortured (Merrill 1993). Resigned to the futility of the election process in a dictatorial state, the conservative party soon began offering candidates to contest elections against the Somozas, which they responded to by forming puppet opposition parties to increase the perceived legitimacy of their regime (Merrill 1993). Not surprisingly, Luis Somoza García won the following election; more surprising, were the increased liberties available to citizens during this term. Shortly thereafter, during the 1960s and 70s, the Nicaraguan economy saw greater productivity than ever before, with the export and agriculture industries leading the per capita GDP to increase by an average of 3.9% each year from 1962-71 (Booth et al. 2010, 84). This was the highest growth rate in Central America at the time.

Anastasio Somoza Debayle formally assumed the presidency for the first time in 1967, after the death of his brother by heart attack. During the youngest Somoza's presidency, the severity of rule and restriction of civil liberties increased once again in response to growing opposition. In 1972, Somoza Debayle conceded to the two year rule of a three-member junta, although he still remained the *éminence gris* with a firm grasp on the country through the National Guard (Merrill 1993). The economic prosperity notwithstanding, most Nicaraguans did not reap the benefits under Somoza Debayle. His leadership kept union wages low, raised consumer prices, and suffered even greater price inflation as a result of the 1973 OPEC embargo. Somoza himself skimmed many millions of dollars out of government funds, and perhaps the most egregious such incident followed the severe earthquake which, in December of 1972, killed more than 10,000 residents of Managua, the capital, and displaced another 50,000 families (Merrill 1992). Following the earthquake, Somoza embezzled millions of dollars from earthquake relief funds (Smagula 2011), and not coincidentally, his net-worth by 1974 had ballooned to nearly \$400 million (Merrill 1993).

By 1977, the income inequality in Nicaragua had sufficiently alienated most Nicaraguan workers, many of whom had not recovered from the effects of the Managua earthquake. In that year, nearly 60% of Nicaraguan GNI went to the wealthiest fifth of the country, and the bottom 50% were only left with 15% of income between them (Booth et al. 2010, 84). Even the capitalist business base of Somoza's support began to doubt that the economy could sustain itself, as his greed became more voracious. As a result of this, Somoza Debayle became more urgently threatened by any public opposition. *La Prensa*, Nicaragua's only newspaper critical of the Somoza regime, and its director Pedro Joaquín Chamorro became Somoza's most influential

victims. When the newspaper published an appeal to the Nicaraguan people, endorsed by many important public figures, calling for the end of the Somoza dynasty, the dictator ordered Chamorro's assassination (Rosset and Vandermeer 1986, 194). This assassination mobilized over 120,000 protestors to rise up against Somoza and the National Guard, and, though not immediately successful, this uprising served to radicalize citizens who saw the strength in their numbers as well as poise the Sandinista National Liberation Front (*Frente Sandinista Liberación Nacional*, FSLN) as the mouthpiece of the growing revolution. By the next year, President Carter had abandoned the Somoza regime, cutting financing as well as arms shipments to Nicaragua in an effort to bring an end to his rule. The last line of defense for the dictator was his National Guard which fought the Nicaraguan people and Sandinista Front off just long enough for Somoza to flee the country, making sure to drain the treasury first (Booth et al. 2010, 88). Though a tyrant had been deposed, this final clash had a great cost for the country: 50,000 people had died, \$1.6 billion debt inherited from the Somozas, and \$1.5 billion in property damage. Another source estimates that the true value of the destruction was "incalculable," meaning that rebuilding Nicaragua's infrastructure and national spirit would be a long and difficult process (Rosset and Vandermeer 1986, 203; Booth et al. 2010, 89).

### *Sandinistas and Contras*

Many international observers claimed that the human rights situation in Nicaragua improved drastically with the arrival of the Sandinistas, as they attempted to direct the government away from the oppressive and brutal standard set by the Somoza dynasty (Merrill 1993). During the revolution, the Carter administration had made great efforts to keep the Sandinistas from coming to power; once their rule was a fait accompli, the United States offered

some help to the Sandinistas. As modest signs of good-will, the president Carter gave diplomatic recognition to the new government, and substantial financial assistance in the form of loans and disaster relief aid (Booth et al. 1993, 90). Once the Reagan administration came to power in the US in 1981, the United States' position on Nicaragua shifted drastically, taking a strong anti-Communist stance. Albeit in the middle of a "thorough campaign of misinformation" disseminated by the US State Department which claimed that the Reagan administration would not aid anti-Sandinista forces (Contras), the US was in fact supplying Contras with arms as well as money (Smagula 2011). While not uncommon in Nicaraguan history for the United States to intervene, it was discovered by Attorney-General Edwin Meese that this was occurring, and that the money was coming from clandestine arms deals with Iran. Illegal on both ends, because of an arms embargo with Iran and laws banning anti-Sandinista funding in Nicaragua, this imbroglio was an embarrassment for the US and eventually came to be known as the Iran-Contra affair (Smagula 2011).

In 1984, Daniel Ortega Saavedra of the FSLN was elected to his first six-year term as President of Nicaragua in an election whose authenticity was called into question by the Reagan administration. Nonetheless, many international observers cited the 1984 election as one of the country's fairest in many decades, with an Irish parliamentary delegation claiming that:

"the electoral process was carried out with total integrity ... on the basis of the wide range of political and social representatives we interviewed, we have no doubt regarding the validity of the election results." (Irish Inter-Parliamentary Delegation, 1984)

Nevertheless, the Reagan administration continued its embargo of all trade with Nicaragua, and the United States congress, at intervals would suspend and resume military and financial assistance to the Contras in order to weaken the Sandinista hold on the government (Merrill 1993). The result of this was that the Sandinistas had to divert much of their available capital towards anti-Contra activities in order to stay in power.

Soon after the election of Costa Rican president Óscar Arias in 1986, he proposed a comprehensive peace agreement for Central America which came to be called the Arias Plan. The plan was adopted by five Central American governments the following year, among those, Nicaragua. Due to the Arias Plan's stipulation that governments make peace with any endemic insurgencies, the conflict between Sandinistas and Contras began to wane (Merrill 1993). Unfortunately, by the decade's end this conflict has claimed nearly 31,000 Nicaraguan citizens' lives (Booth et al. 2010, 97).

### *Contemporary History*

In February 1990, Violeta Chamorro, whose husband Pedro Chamorro had been editor of *La Prensa* and assassinated by Somoza Debayle, successfully contested the election for Nicaraguan presidency under the banner of the Unión Nacional Opositora (National Opposition Union, UNO). The UNO was a very broad coalition party unified only by the goal of defeating Daniel Ortega and the FSLN. Her anti-Sandinista presidency saw the end of the US embargo of Nicaragua, as well as increased aid from abroad, and grants of amnesty for belligerents of the protracted civil war (Smagula 2011). While president Chamorro worked endlessly to “make peace and bund up the political wounds of the Nicaraguan family,” from the beginning of her term to the end, Nicaragua's HDI ranking had dropped 32 places to 117<sup>th</sup> in the world, and her

election had been successful due in large part to intervention by the United States (Booth et al. 2010, 98). Many social and economic programs were entirely reformulated after her ascension to office. While she adopted neoliberal economic policies, their unintended consequences tended to exacerbate the difficulties of the average Nicaraguan agricultural worker. Indeed, when polled in the mid-1990s, 50% of Nicaraguans believed they had been better off under the Somozas, and only 7% preferred Chamorro's government (Smagula 2011). Her administration was also characterized by extremely factionalized politics, ultimately leading to a constitutional reformation. As a result of struggles between the president, National Assembly, Supreme Electoral Council, and Supreme Court, a moderate constitutional reform bill shifted the balance of power in favor of the National Assembly and away from the presidency (Staten 2010, 132-3).

Daniel Ortega was reelected to the Nicaraguan presidency in 2006 under a much more moderate campaign than the FSLN was known for, with an emphasis on solidarity and reconciling all factions of Nicaraguan political life. Foreign intervention was prominent in this election, as it had been many times before, both from the US which supported Eduardo Montealegre, and Venezuela supporting Ortega. In the end, Ortega's plurality comprised 38% of the vote, barely enough to avoid a runoff election (Booth et al. 2010, 105).

As of this writing, the Nicaraguan society, government, and economy are in a precarious position, but not one entirely without hope. Daniel Ortega's new administration has restructured loans made with the World Bank and IMF in order to mitigate Nicaraguan debt problems and secure further access to loans (Staten 2010, 153). The Nicaraguan economy is currently growing faster than the Central American average, and foreign investments and bank deposits are on the rise (Rogers 2011). Taking advantage of foreign investment, Ortega has implemented many

social programs with great benefit to Nicaraguan families. Among them, the *Yo Sí Puedo* illiteracy campaign, the “zero usury” micro loan program which specifically funds female owned business ventures, and a very productive anti-hunger initiative which has provided 15,000 families upstart animals to start small farms (Staten 2010, 154).

However, while many Nicaraguans welcome the favors Ortega’s 2<sup>nd</sup> administration provides, his anti-democratic, authoritarian behavior is raising concerns. Though the 2006 election was certified as “fair and honest” (Staten 2010, 152), anti-Ortega factions are increasingly angry at the president’s reluctance to leave office, undeterred even where this comes in conflict with the constitution (Rogers 2010a), and his undermining of the checks-and-balances of Nicaraguan government, using his packed Supreme Court to change the constitution (Rogers 2011). In 2008, Ortega’s nepotistic inclinations led him to appoint the first lady to a high level government directorship without approval from the National Assembly, and many moderate or center-right Nicaraguans fear the influence of Venezuelan money on their government and its domineering president (Staten 2010, 154-5). For the time being, it seems that Nicaraguans are ready to accept economic progress at the expense of democratic integrity.

## **Government**

Immediately upon taking power, the Sandinista Junta of National Reconstruction abolished Somoza Debayle’s 1974 Nicaraguan constitution, and in its place issued a Statute of Rights and Guarantees for the Citizens of Nicaragua. This statute affirmed the citizen’s rights to several liberties which had been abused by the Somoza dynasty, but was not a complete nor formal constitution. The current constitution of Nicaragua was promulgated on 9 January, 1987,

and remains in effect to this day. On three occasions since then, the National Assembly has passed amendments to the 1987 Constitution (West 2003, 610). Like in Costa Rica, much of the constitutional change approved in 1995 and 2005 focused on subduing the power of the presidency in relation to the legislature, whereas the amendments of 2000 decreased presidential power by strengthening the Supreme Court and Supreme Electoral Council (Blandino 2007). Not all constitutional amendments have been exclusively related to the presidency.

### *Legislature*

Legislative power in Nicaragua is held by the 92 members of the *Asamblea Nacional* (National Assembly), a unicameral body. Ninety of these members are proportionally elected to their seats by direct popular vote. Seventy of the seats belong to legislators elected by regional sub-state entities, and twenty of them are elected nationally (West 2003, 610). The remaining two seats of the assembly are occupied by the former President of Nicaragua, and the runner-up in the most recent presidential election, and all legislators serve five year terms which coincide with the term of the president. Interestingly, candidates seeking election to a seat in the National Assembly must renounce any other official governmental or clerical capacity, from cabinet to municipal level, for at least 12 months prior to engaging in an election, according to the Article 134 of the Constitution.<sup>4</sup>

The powers of the National Assembly are extensive. First, they are able to propose and enact legislation, provided a majority vote and the presence of a quorum which the National Assembly defines as half of all legislators, plus one. Though the president may veto legislation adopted by the assembly, the legislative branch can override this rather easily. All that is

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<sup>4</sup> The same applies to the presidency, as stated in Article 147.

required to override a veto is an absolute majority (Blandino, 4.1). Like in Costa Rica, the president was once the source of the annual budget, which was submitted to the assembly for the organ's "approval, to authorize it, and publish it once approved" (para su aprobación, y sancionarlo y publicarlo una vez aprobado) as quoted in Article 150 of the Constitution. Since 2000 however, the assembly itself is the source of the budget. In addition, the National Assembly has the authority to formally appoint the magistrates of the Supreme Court, although these must be selected from a list of nominees compiled by the president. In addition, the assembly selects the magistrates of the Consejo Supremo de Elecciones (Supreme Electoral Council, CSE). Finally, the National Assembly has the right to modify portions of the Nicaraguan constitution, though this must be extensively considered by a commission and its opinion taken into consideration by the National Assembly. The assembly may also call for a special round of elections to elect a National Constituent Assembly in the event that they seek to draft an entirely new constitution. In these cases, the president is not allowed to exercise his right to veto (Constitution of Nicaragua, Articles 191-4).

With respect to all legislation which is not constitutional in substance nor an urgent initiative by the president, Nicaragua employs a legislative committee system similar to those of Costa Rica and United States. Specific laws are referred to one of several relevant committees (though in Nicaragua they are referred to as *commissions*), for close scrutiny and consideration, and then the commission must compose a report for referral back to the plenary session of the assembly. If approved by the plenary, laws typically are referred to the president for promulgation in the Official Gazette, and upon publication take the force of law unless otherwise specified (Constitution of Nicaragua, Article 141).

### *Executive*

The President of Nicaragua is the formal head of state, head of government, and head of the military of Nicaragua. The president is elected to five year terms, and his election is linked to that of the vice-presidential running-mate (Blandino, 3.1). The powers of the office under the 1987 Constitution were greater prior to 1995, since then several constitutional reforms have tended to mitigate the scope of presidential power. Among the rights of the president is the power to veto any law which does not seek to amend the constitution, though this can be overturned with an absolute majority. The president may also issue executive orders on administrative matters, and has the right to name cabinet ministers and deputy ministers for the government, but this must be approved by the assembly. The president also may call extraordinary sessions of the National Assembly where the goal is usually addressing some urgent matter. Like in Costa Rica, many of the president's actions require that a relevant government minister co-sign his actions, and the constitution specifies that both the minister and president are to be held responsible for the consequences of any such action (Constitution of Nicaragua, Articles 150-1). The president can suspend some of the rights of Nicaraguans in state of emergency provided that there are definite time parameters, and excepting numerous specific rights which are outlined in Articles 185-6 of the constitution. The president must be a Nicaraguan national and have renounced any citizenship of any other country for a minimum of four years prior to running for office. They must also be 25 years of age, have full control of all of their political rights, and may not be an active member of the military or any other branch of government.

Because of constitutional reforms in 2000, the minimum percentage of votes required to win the presidency was reduced from 45% to 35%, provided that the runner up did not receive more than 30% of the votes. This reform has been controversial, specifically for President Ortega, because it was seen as a change with no real benefit other than increasing the likelihood of reelection for him (Staten 2010, 145). In fact, this is only one of several controversial points of *el pacto* (“the pact”), which has been influential on the presidency and deserves a few moments of explanation. *El pacto* is the informal name of an agreement which was pushed through the assembly in 1999 because of strong support from the FSLN and the Partido Liberal Constitucionalista (Liberal Constitutionalist Party, PLC) which headed the Liberal Alliance. In effect, *el pacto* was an agreement between enemies for their mutual benefit at the expense of smaller parties. Intense controversy plagued the leaders of both the FSLN and the PLC near the end of 1999. Ortega was battling a media onslaught of child sexual abuse allegations, and President Arnoldo Alemán of the PLC faced severe criticism for his governance in the wake of 1998’s disastrous Hurricane Mitch. In order to salvage their parties from growing public dissatisfaction, *el pacto* was put into place to mitigate the damage (Staten 2010, 145). The 2000 reformations had several important consequences:

1. The aforementioned lowered-bar for legitimate electoral victories, from 45% to 35%, meant that the imperiled FSLN and PLC could more easily compensate for vote-share gains by other parties.
2. Former presidents were granted a seat in the National Assembly. This favor to Alemán, who feared prosecution, allowed him to maintain immunity because he would still be in an official capacity for another five years.

3. Municipal elections were to be held a year before national elections, whereas they used to be held concomitantly. This allowed the FSLN to make substantial gains in municipal elections by avoiding the international media controversy that accompanied Sandinista involvement in national elections.
4. Helped the dominant parties dominate the National Assembly and thereby pack the Supreme Court of Justice and CSE with favorable appointees.

*El pacto* has in effect created a two party system, though this has served to lower the power of the executive by making the branches more independent of one another and giving both the FSLN and PLC great power within the assembly (Staten 2010, 133). During the Chamorro Administration, the president and any of their family members were barred from running in the next election. Ten years later, the president also lost the ability to appoint high level government offices without legislative approval.

### *Judiciary*

The Nicaraguan constitution establishes a single, tiered system of courts with the Supreme Court of Justice at the apex. Beneath the Supreme Court are the Courts of Appeal, district courts, and local courts. The judicial branch is also constitutionally guaranteed 4% of each annual budget to conduct its business (Constitution of Nicaragua, Articles 158-9). All judges are supposed to maintain exclusive allegiance to the constitution and the rights of citizens. The Supreme Court's sixteen justices are appointed to their positions by the National Assembly for five-year terms, and from among themselves elect a president and vice-president of the court. Like the Costa Rican Supreme Court, it is divided into four chambers: civil, criminal, constitutional, and contentious-administrative (Blandino, 3.3). The general powers of the court

are to dispense and administer justice in Nicaragua, issue rulings and interpret laws which are called into question, and resolve contentious issues between sub-national administrative divisions and governmental offices. Issue may also brought to the court in cases of *amparo*, ostensibly with the intention of assuring citizen's rights are protected (Organization of American States 2011, 2-3).

The Supreme Court of Nicaragua has been plagued by legitimacy issues since the new Ortega administration and effects of *el pacto* have begun seriously interfering with the branch's independence. In 2009, the court decided on the recommendation of six Sandinista judges to allow President Daniel Ortega to stand for immediate reelection, thereby circumventing constitutional term limits. This ruling, accepted by the CSE, was decried as illegal because a constitutional reform would normally require an act of the National Assembly or a referendum, but in this case was simply issued by a court of sympathizers (Nicaraguan court backs reelection 2009). The very next year, President Ortega attempted to extend the terms of two FSLN sympathizer magistrates on the Supreme Court by executive decree, although this was seen as a move outside the scope of his power. Claiming that it would be a disservice to the country to "paralyze" the judicial branch, Ortega defends the extension as a necessary step, while many opposition leaders and skeptics allege that it is simply another move to dominate the other branches of government and institutionalize Sandinista power (Nicaragua Opposition Hits Supreme Court Extensions 2010). As the eight current Sandinista judges (two of whom may not be presiding legally) hold the majority of the court's votes, they are effectively able to reach any ruling in favor of the FSLN. In 2010, for example, the eight judges elected fellow Sandinista Alba Luz Ramos to the court's presidency, a move which, if accepted would validate the

presence of the contested judges and legitimize FSLN dominance. The opposition judges, PLC sympathizers, contend that the FSLN packing of the Supreme Court renders it “a self-appointed Sandinista kangaroo court, that’s operating completely above the law,” (Rogers, 2010b).

By design, the Nicaraguan court is quite similar to the Supreme Court of Costa Rica. In practice, however, the Nicaraguan court is mired in controversy and concerns that it has become little more than a tool through which the executive attempts to project legitimacy.

### *CSE*

The Supreme Electoral Council in Nicaragua is a body composed of seven magistrates and their substitutes, given the final authority on all issues related to the electoral process. This council is the fourth branch of government, and is given equal standing as such explicitly in the 1987 Constitution (Constitution of Nicaragua, Articles 7, 168-70). This branch administers all national and municipal elections, certifies their results, formally designates parties, and its decisions cannot be appealed under any circumstance. The magistrates of the CSE are appointed by the National Assembly, and therefore the membership has been heavily influenced by power-sharing in the assembly since *el pacto*. This gives the CSE a distinct character from its analogue in Costa Rica, the TSE. The TSE’s membership is appointed by the Costa Rican Supreme Court, itself an independent institution. The CSE however, is immediately appointed by the highly partisan National Assembly, with magistrates often having unabashed allegiances to specific parties. According to Greene (2009, 2-3), the design of the CSE has meant that many of its decisions in the past have been of a “dubious,” not least of all several decisions in regard to the February 2008 municipal elections. Green believes that the Sandinista sympathies of the CSE systematically disrupted the party structure of center-right parties seeking election in 2008, and

disqualifying dissenting leftist in order to give an advantage to the FSLN. Booth et al. (2010, 106-7) supports this view, and claims that the landslide victory that resulted had a significant and negative impact on Nicaraguan's opinion of their own electoral process. Of the 146 municipal seats contested in 2008, 105 went in favor of the Sandinistas, including nearly every departmental capital.

## **THEORETICAL ASSESSMENT**

Having taken an in-depth look at the historical and governmental contexts of Costa Rica and Nicaragua, it is possible to focus onto the three theoretical perspectives and assess which of them can best explain the human development gap. Although the case studies are incomplete pictures of their respective governments and cultures, they contain relevant facts which the theoretical perspectives draw upon. The first perspective, offered by Harrison (1985) focuses more on historical factors which have shaped the development of attitudes and values, with the subsequent impact on the structure of government being secondary. The next perspective, offered by Tsebelis (2002) is a broad analysis of government focusing on the number of “veto points” and their effect on the quality of governance. The final perspective informed by Shugart and Carey (1992) and Gerring et al. (2009) will focus more on specific features of government structure and their consequences for governance. Though Gerring et al. (2009) focuses extensively with parliamentary government and its virtues as compared to presidentialism, it will still lend valuable insight as to why the consequences of governmental configurations in Costa Rica and Nicaragua have diverged so greatly.

### ***Underdevelopment is a State of Mind: Culture and Values***

In the Introduction to his work *Underdevelopment is a State of Mind*, Harrison (1985) clearly illustrates his perspective on what determines the level of development of a given country. In reflecting on his time as a Latin American specialist with the US Agency for International Development, Harrison says:

“It is culture that principally explains, in most cases, why some countries develop more rapidly and equitably than others. By ‘culture’ I mean the values and attitudes a society inculcates in its people through various socializing mechanisms, e.g., the home, the school, the church,” (1986, xvi).

It is important to note why Harrison is so convinced of the necessity of his perspective. He claims that, because attitudes can be so powerful in shaping development across the world, his perspective is necessary to help bring Latin America and Africa out of their self-defeating states of mind. Latin American intellectuals, according to Harrison, have a profound preoccupation with dependency theory, that is, the notion that the formal colonial powers have effectively drained the Third World of its resources, creative capacity, and doomed it to poverty (Harrison 1985, 2). Instead of looking toward the external factors that dependency theory highlights, Harrison’s theory is inwardly focused, and as such, is ultimately optimistic that changes in attitudes and values can compensate for Nicaragua’s human development underperformance. At this point, Harrison offers a valuable caveat: because *Underdevelopment* appears to be tying developmental failure to specific groups of people (i.e., Nicaraguans in this case) its thesis may appear racist to some. In fact, Harrison argues that it is not. Rather, the negative variables are socially transmitted to people through their culture, irrespective of their ethnicity or genetics (Harrison 1985, xvii).

He also makes a point early on to clarify that he has not turned a blind eye toward the myriad other factors that can influence development. He briefly discusses the relevance of resources, geography, government policies, the international economy, and even luck in helping or harming development prospects. Nonetheless, Harrison is steadfast in the claim that, while

these circumstantial factors can have a great impact on the speed of development and where it may take a country, the ultimate overriding source of progress or destitution is human creativity. According to him, societies which harness creative potential are the ones which succeed economically and developmentally (Harrison 1985, 2). Some of these circumstantial factors seem to explain a small part of the development gap between Costa Rica and Nicaragua. The Managua earthquake of 1972 which killed 10,000 Nicaraguans and left 300,000 others homeless, or the catastrophic damage of 1998's Hurricane Mitch did not help the quality of life in Nicaragua (Staten 2010, 77; 145). Conversely, some factors would suggest the opposite of the trend which emerged, such as Nicaragua's greater natural resources (Harrison 1985, 54). Because fortune plays a role in development for any country, Harrison acknowledges it, but concludes that only human factors can explain the trajectory of long term progress, and the "endless Nicaraguan tragedy" (1985, 44)

In Chapter 3 of *Underdevelopment*, Harrison extensively compares the histories of Costa Rica and Nicaragua, and at different points offers seven specific historical events or mechanisms which impacted the value systems in these states. These seven causes can be further aggregated into three groups, based on whether they impacted religious attitudes, notions of solidarity, or a tendency toward apathetic resignation. That is the organization that follows.

### **Religious Attitudes**

Harrison cites religion as an important consideration, because of its profound effect on three specific attitudes or values. First, the temporal orientation of a given religion should be toward the future, ostensibly because people who subscribe to it are less likely to cling to the

past, or be counterproductively preoccupied with the problems of their present life. In addition, religions which suggest that the universe is rational, rather than mystical, are held to foster the spirit of curiosity which drives scientific progress. Finally, Harrison believes that religion is vital in whether or not it instills a sense of equality in its adherents, because a rigid stratification of people regardless of their merit eliminates the incentive of social mobility (Harrison 1985, 6).

He categorizes the basic values of Judaism and Protestantism as being more conducive to human creativity than Catholicism, and then applies this to the cases of Costa Rica and Nicaragua. To him, Judaism and Protestantism have superior temporal orientations, because they focus on possibility and prosperity, where the “Golden Age of Humanity is not in the past, but in the future,” and emphasize equality as opposed to hierarchy (Harrison 1985, 6). Protestantism in particular is important for deemphasizing the role of the priest, heightening the sense of personal connection to God, and eliminating the authoritative papacy. If indeed the Judaic and Protestant religions are more oriented towards equality and progress, then a link between higher levels of Protestantism and Judaism in Costa Rica should support this theory. Unfortunately, in spite of singling this out as a contributive factor, Harrison’s evidence is less than convincing.

First, Harrison claims that a disproportionately high number of early Costa Rican colonists were from the progressive northern regions of Spain, particularly Galicia, Catalonia, and the Basque country, bringing with them their “discipline, moderation, tenacity” and higher Jewish Marrano populations (Harrison 1985, 48). Nevertheless, he chooses to only cite one study which concludes that the proportion of these early migrants to Costa Rica was *no higher* than their migration elsewhere in Latin America, going on to tenuously claim that nevertheless “*it is possible* [emphasis added] that subsequent waves were disproportionately from the north of

Spain, and further research...is necessary,” (Harrison 1985, 49). Slightly more credible is Harrison’s citation of a study by Gozalo Chacón Trejos wherein he identifies 118 surnames endemic to Costa Rica which are of Sephardic Jewish origin, among them several prominent Costa Rican figures. One cannot help but think that a list of 118 surnames of any kind would include prominent figures, and that the link between Sephardic names and Jewish values from the 16<sup>th</sup> Century is loose. This part of Harrison’s argument seems to be mostly conjecture.

The religious argument does not exclusively focus on Costa Rican exceptionalism, however. Harrison also cites several Nicaraguan deficits of religious value, mostly stemming from the negative temporal and hierarchy-based influence of Roman Catholicism. Immediately, the weakness of this argument is apparent; Harrison admits that the impact of Catholicism on Nicaragua is only “somewhat greater” (1985, 56) than it was on Costa Rica. He makes sometimes plausible links between Catholic thought and what the impact of this on Nicaragua may have been, such as that Catholic mysticism dampened Nicaraguan scientific curiosity, or that the notion of “work” as a punishment tended to make Nicaraguans lazy. Nevertheless, there is no actual demonstration of this link in the text.

Most damning of Harrison’s “religious attitudes” argument is quite simply the statistical distribution of Roman Catholicism in Costa Rica and Nicaragua today. The percentage of Costa Rica’s population self-identified as Roman Catholic today is 76.3%, with 0.7% percent Protestant, and a negligible Jewish population. Nicaragua on the other hand has 58.5% self-identified Catholics, with at least 23.2% identifying as one of two major Protestant branches, and also a negligible Jewish community (Central Intelligence Agency, 2011). According to the US State Department, while religious freedom is accepted there, the Constitution of Costa Rica

specifically identifies Roman Catholicism as the state religion (US State Department 2005).

Fortunately, Harrison does not exclusively rest his argument on religious attitudes.

### **Notions of Solidarity**

Harrison believes that one of a state's greatest assets is a culture which emphasizes the role of each person as a valuable part of society, and a sense of social responsibility toward all (1985, 3; 47). Given this, it is reasonable that he continues on by attempting to establish Costa Rica as a unified state with a sense of solidarity, while simultaneously highlighting the often paralyzing factionalism of Nicaraguan history and politics. Certainly in the years since *Underdevelopment* was published, the years of bloody conflict in Nicaragua and highly partisan antagonism of the FSLN and PLC suggest that Nicaragua is a divided country. The evidence, for Harrison though, is not contemporary.

As stated in the case study, the destruction of the colonial-era Nicaraguan population by slavery and disease left only two powerful cities which developed an intense and lasting rivalry. Citizens of León and Granada were continually antagonized by one another, and their fighting for political hegemony was the ancestor of subsequent conservative-liberal conflicts in the state. This heritage of "hatred and vindictiveness" which traces back to the 16<sup>th</sup> Century has defined Nicaraguan politics and been the "most tragic trait" of its political culture (Harrison 1985, 44). The logical conclusion of this argument is that blind-partisanship, rather than national solidarity, negatively impacts the human development of Nicaragua because it undermines several of the conditions that Harrison deems necessary for progress. Specifically, the expectation of fairness when dealing with rivals; merit based achievement, rather than nepotism and caudillismo; and

confidence that partisanship and enmity will not undermine stability and attempts to plan ahead (1985, 3).

There must be some merit to this interpretation of Nicaraguan political development, because Harrison's identification of the León-Granada rivalry as counterproductive is often corroborated (Merrill 1993; Staten 2010, 8), and the claim that mistrust and hatred undermine cooperation is also not a controversial one. The only sensible objection to this argument is the observation that competition is a foundation of democracy, and that rivalry and factions are a healthy byproduct of this. Harrison's point, then, can be better taken to mean that Nicaraguan politics has taken factionalism to an extreme and dangerous level.

The question of solidarity in Costa Rica is a more interesting one which looks toward the social structure of the state in its earliest days as a Spanish dependency. In sum, Harrison concludes that Costa Rica was "protected...from many of the corrosive and suffocating effects of Spanish colonial administration" by its early poverty and lack of slaves for exploitation (1985, 55). Among these corrosive effects was the highly structured *encomienda* system, which implicitly devalued workers by making them subordinate to the *encomendero*. Rather, in Costa Rica, the *encomienda* system was quite small and required the *encomendero* to work alongside his slaves in order to produce what little they were able. Harrison is eager to make the connection between this colonial phenomenon, and modern-day national solidarity because it created a sense of equality among all workers, and perhaps more importantly did not lead to a stigmatization of work (1985, 48). Notwithstanding, the colonial state in Nicaragua was not in fact as dissimilar from Costa Rica as Harrison claims. The case study demonstrates that, while there were more slaves to exploit in Nicaragua in the early 1500s, the vast majority of them were exported from

Nicaragua to perform manual labor in other parts of the Spanish empire. If anything, Harrison’s narrative of the Nicaraguan slave trade should better account for the attitudes and values of Mexican and Peruvian society, where the majority of those slaves were sent (Merrill 1993). Even though the slaves were captured en masse, this aside, the case study research concluded that this was a brief era of Nicaraguan history, ending roughly 20 years after having started with the Spanish Crown’s declaration that the encomienda system was illegal. This affirmed their right not to be captured for this purpose, and returned most settlers and natives to sustenance farming for survival.

Because of their subsequent return to subsistence farming, even Harrison’s notion that work was de-stigmatized in Costa Rica by settlers’ need to farm is undermined, because this occurred in Nicaragua as well. Admittedly, this occurred after an era of slavery, but it was a comparatively small one. The question of which country has a stronger sense of solidarity is perhaps more useful in explaining Nicaragua as an under-performer than it is in explaining Costa Rica as an over-performer, because he does not offer much evidence that Costa Rica’s colonial experience was unique from Latin America. As for evidence from the 20<sup>th</sup> Century, Harrison offers this table mapping ethnic breakdown by country, whose data is recreated here<sup>5</sup>:

**Table 3.1 Ethnic Breakdown**

	<u>Indians</u>	<u>Whites</u>	<u>Blacks</u>	<u>Mixed</u>
Costa Rica	1%	80%	2%	17%
Nicaragua	5%	17%	9%	69%

*Source: Underdevelopment is a State of Mind (Harrison 1985)*

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<sup>5</sup> Harrison’s 1985 calculation of ethnic breakdown is mostly still accurate today (Central Intelligence Agency 2011).

Harrison believes that this idea of Costa Rican solidarity is “doubtlessly reinforced” by the ethnic homogeneity of the country. Though whites make up a proportion 11% larger in Costa Rica than do mestizos in Nicaragua, this is not so impressive considering that one group is clearly predominant in either case. Other evidence he presents is, in passing, a statement by Richard and Karen Biesanz that Costa Ricans feel like “one big family [where]...everyone is a cousin of everyone,” (1985, 55) but does not offer much other than this anecdotal statement aside from the following observation:

“...there is ample evidence that Costa Ricans have felt a stronger bond to their countrymen than have Nicaraguans. That bond is reflected in Costa Rica’s long standing emphasis on public education and public health; in its more vigorous cooperative movement...and above all the resilience of its politics, its capacity to find peaceful solutions” (1985, 55-6).

This is not a wholly satisfying proof of Costa Rican solidarity, nor of the link between solidarity and the productive attitudes and values he outlines in his introduction. Furthermore, perhaps here Harrison is confusing the effect for the cause. That solidarity leads to human development may be true; so may it be the case that human development, over time, leads to solidarity.

### **Apathy**

*Underdevelopment* is more convincing where it deals with Nicaraguan apathy. Harrison offers several, more robust arguments regarding Nicaraguan resignation – particularly toward foreign intervention and domineering caudillos, even when this is not in the best interest of

Nicaragua or democracy. Some of the factors which Harrison believes predispose Nicaraguan culture to this are its strategically significant location on the Central American isthmus, the frequent intervention of U.S. military and politicians, and the fact that a protracted history of caudillismo inclines them to return to that system (1985, 44-5). In general, these arguments are stronger because they are directly tied to Nicaraguan politics, and not typically separated from modern Nicaragua by several centuries of historical speculation. Although Harrison does consider colonial history relevant to the discussion of apathy, the case studies and earlier conclusions have already rejected the premise that the Costa Rican colonial era was especially different from Nicaragua's, and therefore that era will not be addressed.

First, Harrison makes much of the strategic significance of Nicaragua within Central America as, along with Panama, a potential canal zone. The British and subsequent American interest in the possibility of building a canal from the Caribbean to the Pacific Ocean was extremely desirable for the substantial strategic and commercial benefits of operating a canal there. When the United States Marine Corps occupied Nicaragua in 1912 at the request of the conservative President, the US seized the opportunity to defend against a foreign canal on the isthmus until 1933. This long occupation by a foreign power, ostensibly for the stability of Nicaragua but obviously because of its strategic significance serves as a "humiliating and indelible reminder of their failures" in securing their own stability and depending on a foreign occupier. Furthermore, Harrison claims that is still a divisive and shameful issue for Nicaraguan youth (Harrison 1985, 42).

Foreign influence on Nicaraguan government did not end the year the Marine Corps withdrew, however, and there are many events since the publication of *Underdevelopment* which

Harrison would surely conclude have had the same negative impact on Nicaraguan self-perception and, ultimately, development. The Iran-Contra crisis was one such event, with the Reagan Administration funding Contra insurgents illegally with the intention of destabilizing the Sandinista government. Though the merits of that intervention can be debated, the perspective offered by Harrison suggests that the Iran-Contra reinforces the idea that Nicaraguans need foreign help to govern, and that they would not be able to resist foreign meddling anyway. As the case study discovered, Nicaraguan elections in 2006 were also subject to serious and unabashed foreign influence against the FSLN, though Daniel Ortega won.

US diplomatic emissaries since Somoza García's takeover of the country have also been very vocal about their support of particular candidates. With this vociferous support came the tacit suggestion that there would be a wide range of consequences if the preferred party was overthrown or successfully opposed, as was the case extensively during the Carter and Reagan Administrations (Booth et al. 2010, 90-1). Going farther back into history, the 1855 takeover by William Walker was yet another serious infringement on the Nicaraguan sense of self-determination, and Harrison believes that the sense of defeat and dependency arising out of all these interventions is preserved in Nicaraguan attitudes today.

Not only did the intrusive nature of these incidents compromise Nicaraguan attitudes toward foreign entities, but domestic ones as well. Harrison believes that the long history of caudillos who regard their own power more highly than democratic integrity can also be tied to the general Nicaraguan sense of impotence that causes citizens to “[turn] their backs on their commitments to pluralism and non-alignment” with an emergent caudillo or dictator (1985, 43). This disposition is highly damaging, because it perpetuates a society wherein not even one of

Harrison's criteria for necessary for creativity and progress is present (1985, 3; 42-3). Under such systems, people cannot expect fair treatment, decent health or education, tolerance of dissent, merit-based advancement, or confidence in national stability. Consequently, creativity drops and human development leaves along with it.

This perspective is a partial vindication of the dependency theory to which it responds. By blaming extensive foreign intervention for the installation of several caudillos and the dampened belief in democratic ideals, Harrison shifts the onus of Nicaraguan problems back onto the former colonial powers and "developed world," though indirectly. His thesis withstands this, however, because the direct cause of underdevelopment is still the defeatist attitude and damaged value system which Nicaraguans inherit.

Though it is Harrison's most powerful argument, and may explain much of the plight of Nicaragua, the bulk of this argument does not address Costa Rica. Naturally, explaining the effect of apathy on human development in two countries, without addressing the latter country leaves one to draw a few mistaken conclusions. If extensive caudillismo and apathy in Nicaraguan history caused it to develop so poorly, Nicaragua must be the outlier. Costa Rica, presumably not subjected to the same problems, should simply perform averagely. Unfortunately, this is not the case. As demonstrated in Figure 2.1, the outlier is clearly Costa Rica. Even admitting that Nicaragua underperforms when compared to the other Central American states, it still falls within a narrow band of performance along with El Salvador, Guatemala, and Honduras. Costa Rica, however, has almost doubled the economic performance of its closest regional competitor, El Salvador, in a period of economic prosperity which started in the late 1960s and dramatically accelerated in the early 1980s. Furthermore, the case studies

showed that Costa Rica has had some experience with caudillismo, and yet it demonstrably has not taken root since the Costa Rican Civil War. Even assuming that Harrison's thesis is correct, the large extent of Nicaraguan defeatism and caudillismo has not produced as far an outlier as whatever Costa Rican factors *Underdevelopment* fails to adequately address.

Ultimately, *Underdevelopment is a State of Mind* posits three broad causes of the human development disparity that exists between Nicaragua and Costa Rica, and all of them fail for their own reasons. The types of religious attitudes inherited from the colonial era fails for simple lack of evidence. Harrison seems to believe that "temporal orientation," attitudes about work, and the belief in universal equality have roots in religion, and that Nicaragua and Costa Rica inherited different religious traditions from the colonial era. Though possible, he simply shows no evidence that it is in fact what occurred, and Central Intelligence Agency statistics strongly imply that it did not (Central Intelligence Agency 2011).

Posing the national sense of solidarity as a cause, Harrison relies heavily on the uniqueness of the Costa Rican colonial experience to explain why modern Costa Ricans share an idea of kinship. Not only does the case study suggest that Nicaraguan colonialism was quite similar to Costa Rican colonialism, but Harrison also fails to demonstrate that there exists this sense of kinship at all. Instead, he relies on Costa Rican human development to support the claim, when human development is what he is attempting to explain. His attempt to draw a link between the slightly-larger ethnic majority in Costa Rica and the state's greater solidarity is unconvincing.

In later work, Harrison revisits much of what he proposed in *Underdevelopment*, but the ideas do not change very much. He again asserts the claim that creativity “is the real engine of progress” in any society, and then continues to discuss the cultural factors that shape success in Japan, Taiwan, and populations of Jewish diaspora (Harrison 1992, 6-10). Though he gives different names to their strengths than he did to the weaknesses of Nicaraguan society, they are the same precise mechanisms at work. He still deals with religious attitudes, but Harrison makes more extensive discussion of “ethical systems” to widen his scope to include Confucianism (1992, 12). Rather than discussing the breadth of solidarity in each state, he addresses “the radius of trust” and how it can create a sense of community (1992, 11). Finally, the proxy for apathy as discussed in this thesis is still the same issue of “work, attitudes, innovation, saving, and profit” (1992, 13). In short, Harrison’s later work does not appreciably develop his ideas from his assessment of Costa Rica and Nicaragua.

Nevertheless, the case studies did in fact show reason to believe that Nicaraguans have had their value system repeatedly assaulted, and that this had a negative effect on their motivation to prevent foreign intervention and protect democracy from caudillos. Costa Rica’s conspicuous absence from the discussion on motivation and apathy is difficult to ignore given its more urgent need for explanation than even Nicaragua in this case. While occasionally giving valuable insight, in the end, the perspective of *Underdevelopment is a State of Mind* is weak at best.

### **Veto Players: the Consequences of Policy Stability**

Veto-player theory, most closely associated with the work of George Tsebelis, attempts to explain the product of different governments on policy stability. Where other schools of thought, like those espoused by Shugart and Carey (1992) and Gerring et al. (2009) emphasize the importance of particular government institutions and their impact, Tsebelis distills this down to one relevant factor: policy stability. According to Tsebelis (2002, 6), “policies are the principal outcome of a political system.” Consequently, whatever variable has the greatest effect on a given system’s policy output is the variable which most impacts that country’s state of affairs. To Tsebelis, the only variable broad enough to address all governments is policy stability, with the manageable proxy for policy stability in a governments being the number of “veto-players.”

A veto-player is defined as an actor “whose agreement is required to change the status quo” in terms of legislation and policy (Tsebelis 2002, 17). There are three qualities of the veto-players within a system that influence that state’s policy stability. First, and most importantly, is their number. The higher the number of veto-players, the smaller the range of policy proposals that will be acceptable to all of them. Secondly, the similarity of each actor’s general policy positions (termed by Tsebelis as their “congruence”) is significant, because higher dissimilarity in their acceptable options means that veto-players are less likely to have any options which overlap. Finally, the cohesion of the constituent units of each veto-player is important. Some veto-players are composed of a single individual, such as a presidency. Others, such as a legislative assembly, are composed of many representatives, each of whom have their own ideal policy positions and are theoretically able to dissent. Low cohesion in such institutions means

that veto-players are less likely to assert their authority when they cannot behave as a monolithic actor (Tsebelis 1995, 301).

Tsebelis (1995) also labels two groups that can describe the veto-players of a system: institutional and partisan. A veto-player is strictly defined as those actors whose consent is necessary and sufficient to change policy. An example of this would be a legislature, which is required to agree on a bill before it may become law. Conversely, partisan actors are those partisan groups within legislatures whose consent is not necessary or sufficient to change policy. No bill needs the support of either or any particular party; the bill will pass or not as a function of votes, regardless of what party they came from. In practice, however, partisan veto-players can exert great influence on policy.

Tsebelis' definition of what constitutes a veto-player, though, leaves room for interpretation. The text "Decision Making in Political Systems" (Tsebelis 1995) explains that there are several kinds of veto-players which do not fall into the "institutional-partisan" dichotomy. He says:

"...one can think of powerful interest groups as veto-players, at least in the policy areas of their concern. The army could be a group of particular importance...in corporatist countries, decisions over wages are made by the government, but only in agreement with two additional veto-players, representatives of workers and of firms...[other]veto-players that are more institutionalized include the courts, constitutionally required supermajorities, and referendums" (1995, 307)

It seems that Tsebelis' definition of what constitutes a veto-player may be somewhat inadequate, in that it does not define what "requirement of consent" is in the context of policy development, and whatever it may be, the strictest interpretation of this is not the one used by Tsebelis. An additional complicating factor is that classifications of governments by number of veto-players can only be done in a general sense. This is because the number of veto-players may change depending on the policy area in question, the partisan structure of the government, and numerous other factors. Clearly, this means that any assessment of Costa Rican and Nicaraguan veto-players will be debatable. It is also important to mention that Tsebelis (1995, 294) takes a rather "agnostic" stance regarding policy stability. Although he believes that this variable can explain much of what happens in a country, he makes few normative claims about whether policy stability is generally better than policy instability. Rather, he claims that policy stability and instability can be preferable depending on many circumstantial variables. If the status quo is generally negative, then greater policy stability will cause stagnation. On the other hand, if it is generally positive, this productive state will be less susceptible to damage (1995, 294-5). Still, Tsebelis acknowledges that a lower number of veto-players within a system increases "its capacity to solve problems when they arise" (1995, 293).

### **Number of Veto-Players**

As demonstrated in the case studies, Costa Rica and Nicaragua have somewhat similar governmental structures at first assessment. Both countries are lead by four branches of government: executive, legislative, judiciary, and electoral. It would seem natural, then, to suggest that both states have four veto-players, and consequently a high level of policy stability. However, in practice, the veto-player distribution of these states is much more complex. As

noted in Tsebelis (1995, 306) assigning a proper number of veto-players is much more difficult and imprecise, therefore, each branch should be scrutinized more carefully.

The most obvious question that arises is whether these presidents qualify as veto-players. Tsebelis ignores the complication of veto-overrides and simply designates presidents as veto-players or not based on if their constitutions give them the power of veto in most situations. Several sources cite the comparatively remarkable weakness of the Costa Rican presidency (Mitchell and Pentzer 2008, 202; Wilson 2006, 329), and the Nicaraguan reforms of 1995, 2000, and 2005, served to mitigate the president's powers there, too. Nevertheless, the criterion employed in the veto-player literature is strict, and following this definition means that both presidents qualify as veto-players. As the case study notes, Costa Rican presidents may not veto annual budgets, and Nicaraguan presidents may not veto proposed constitutional changes, but in the majority of cases this power is unrestricted. Nevertheless, a peculiar idiosyncrasy of the Nicaraguan presidency, though, may complicate the question even further. While the Costa Rican president's veto power may be overridden by a two-thirds vote in the legislature, the Nicaraguan constitution requires only an "absolute majority" to overpower a veto. This means that, providing a quorum, any legislation that the president overrides necessarily had enough votes to override the veto in order to be passed in the first place. Considering this, it seems like the Nicaraguan president's veto-point is weaker than the Costa Rican counterpart.

The legislatures of these states are more similar in their veto-point status. Both the Legislative Assembly of Costa Rica and the National Assembly of Nicaragua seat several parties in control of non-negligible numbers of seats. Still, both governments are dominated by just two of these parties. This is significant because of Tsebelis' claim that smaller parties, in legislatures

where no one party controls a majority of the seats, wield veto-strength because they can block the passage of legislation (1995, 302). Though this makes them partisan veto-players, their effect is still real, and becomes a concern for the party in power. Due to this, legislatures of countries with powerful third parties should be considered as two separate veto-points. The first being the institution itself which is required to pass a bill with a majority vote, and the second being whatever minority power contributes or withdraws their support of the dominant party's legislation. The Costa Rican Report (2010) also notes that procedures of the Legislative Assembly themselves are the source of the slow pace of policymaking in Costa Rica. First, the limits that prevent "expert" legislators from accruing extra power serve to amplify the relative strength of new legislators and minorities. Secondly, the fact that legislators can repeatedly delay legislation without negative consequence, and that it is easy to bring bills before the Supreme Court for review make policy change very slow within the assembly.

The court systems of these two governments are perhaps the first major point of diversion in their veto-power distributions. Though both courts are given their respective authority to call any legislation into question on legal and constitutional grounds, the reality could not be more different. The case study demonstrated that the Costa Rican Supreme Court, particularly its constitutional chamber, triggered a revolution at the time of its creation in 1989. As a result of this, the number of legal challenges before the court "increased exponentially" to 2,296 in its first year of creation, 13,000 in 2003, and a total of more than 114,000 in the years between (Wilson 2006, 332). According to Tsebelis (1995, 307) the presence of a highly active Supreme Court in a country is effectively the same as adding a third chamber to the legislature, because the frequent appeal and overturn of legislative action by the court system becomes a point of

concern for the legislators themselves. This is true so much so that often as a consequence sometimes “parliamentary majorities [include] the language of previous court decisions in legislation in an attempt to prevent the court from overruling their decisions” (Tsebelis 1995, 307). Furthermore, the presence of a powerful court brings a substantial voice to the public who can, at least in the Costa Rican case, influence policy to an extent which was previously not available to them (Wilson 2006, 328). One example is the case of gay and lesbian Costa Ricans who were frequently denied the right to form legally recognized associations. While social stigmatization of gay and lesbian minorities was pervasive in Costa Rican culture before and after the creation of the constitutional chamber, a 1995 decision by the court forced the Registry of Associations to recognize an anti-discrimination league created by gay and lesbian citizens. The opening of this channel of recourse creates a “new, low-cost strategy that fundamentally alters Costa Rica’s political dynamics” by increasing the weight of popular opinion on policy change (Wilson 2006, 344).

The Nicaraguan court, as the case study indicates, is quite a different institution. It is not nearly as vocal in opposing the activities of the other branches of government, although it is legally granted the power to do so. More importantly, the legitimacy of the court has been severely compromised in recent years, particularly since *el pacto*. The number of justices sitting on the court was increased to 16 in a recent act of the National Assembly, supposedly in order to increase the independence of the court. In fact, most of the judges added since then have been fiercely partisan, and as such, function as extensions of the dominant parties in other branches. This is notably true of the FSLN’s court appointments. In fact, two of the Sandinista judges

mentioned earlier in the case study may not even be occupying the bench legally, instead refusing to leave out of President Ortega's strategic necessity.

The fourth branch of government, the electoral branch, in some ways mirrors the respective success and failure of the Costa Rican and Nicaraguan judicial systems. Again based on the conclusions of the case studies, it is clear that the TSE is a functional and respected institution of the Costa Rican government, whereas the status of the Nicaraguan CSE is much more questionable. While the perceived legitimacy of an institution does not have any bearing on its status as an effective veto-player, in the case of Nicaragua, the source of the CSE's illegitimacy also compromises the extent of its independence from the other branches of government. Although the TSE and CSE are both the final arbiters of electoral issues, as well as in charge of administering elections and dispensing electoral funds, this is still a small portion of the range of policy issues which may face a government. Still, in electoral matters they are the only relevant veto-players. In a state like Costa Rica, this benefits the functioning of the government because it places electoral results well outside of the reach of political influence. Considering that appointments to the TSE are made by the Supreme Court, whose security cannot be threatened by other politicians due to the entrenchment of their appointments, the electoral branch is doubly insulated from corruption. The CSE, however, is elected by the highly partisan Legislative Assembly, and its sitting magistrates have not historically been ashamed of supporting their parties. So far, the CSE has been accused of vastly favoring the Sandinista government, further serving to consolidate the veto-players of the Nicaraguan political system under President Ortega.

The large system of autonomous institutions in Costa Rica has an ambiguous impact on the veto-player structure of the state as well. Like the Supreme Court and the TSE, the autonomous institutions are not subject to political or financial manipulation like some other instruments of state power. Many of them have guaranteed budgets or are capable of generating their own income. The scope of their function is very narrow, though. Because of this, no single autonomous institution is a relevant veto-player in many policy questions. Their influence is greater as a whole system which may have a single relevant actor for whatever issue is at hand. Still, autonomous institutions are not likely to come into conflict with other branches of government, rather, they are more likely to simply have tasks delegated to them by the government and become the policymaking authority in those areas. Consequently, Costa Rican autonomous institutions do not generally raise the number of veto-players in action. Instead, they may actually lower the number of veto players in their relevant policy areas.

Tsebelis (1995, 309) also believes that the type of electoral system can have a great impact on the veto-players in a system. This is one respect where the Nicaraguan government's design has attempted to remove sub-national elections from the sphere of influence of the president; paradoxically, this is still to his advantage. Because the current Nicaraguan president and his party are so controversial globally, the staggering of Nicaraguan presidential and sub-national elections allows Sandinistas running in the non-presidential election cycle to be spared the negative associations of the world media. As mentioned in the case study, this recent change to the electoral cycle was another stipulation of *el pacto*. As a result, the FSLN does much better during staggered sub-national elections than it did when the elections were concurrent. Typically,

the staggering of elections is more likely to produce a party conflict between the executive and legislature, as public opinion can change from one election to the next.

Aside from these institutional and partisan actors, there are several veto-players outside of Tsebelis' clear range of categorization. One source cites archbishops of the Catholic Church as having a decisive impact of many social issues, on which they frequently offer theological perspectives. The Bertelsmann Foundation considers this Catholic authority on contentious issues, like sex education in schools, a "de-facto veto" (Costa Rica Country Report 2010). This qualifies for Tsebelis' definition of a veto-player. During the Somoza dynasty, the National Guard was a significant anti-democratic veto-player which frequently intervened to assure that government policy did not stray from the preferences of the Somoza dictatorship.

It is evident from this analysis that the number of veto-players in Costa Rica is much higher than the number of veto-players in Nicaragua. The Costa Rican policymaking process, in addition to having a notoriously slow legislature and weak presidency, must also consider the judgment of the TSE and the Supreme Court in order to pass law. The Costa Rican system also involves many autonomous institutions, whose activities mostly fall outside of the normal scope of policy change. While this means that most policy in their respective areas is decided outside of the cumbersome political system, the parallel institutions are also quite obstinate to control from any other institution. The case studies also briefly give reason to add a few extra-governmental veto-players to the Costa Rican system, but barring them, the veto-player literature suggests somewhere between 4 and 7 veto-players, including partisan and institutional actors in the legislature. This ambiguity is consistent with veto-player theory because the number may change depending on the policy in question. In theory, Nicaragua should have approximately 3-4

veto-players, depending on policy area as well, meaning that even with perfect democratic and institutional integrity, Nicaragua has fewer veto-players than Costa Rica. In reality, several of Nicaragua's veto-players are compromised by their allegiance to the FSLN, and the power-sharing between the FSLN and PLC as a result of *el pacto* means that a more accurate veto-player rating for Nicaragua is approximately 1 or 2. The decades beneath the Somoza dynasty were also characterized by their extremely low number of veto-players, with the only real center of power being the dictator himself.

Because Tsebelis avoids general, normative judgments regarding the optimal number of veto-players, it becomes necessary to consider both states' veto-players with respect to how necessary policy change is in those countries. In fact, the basis for this investigation was examining the causes of the human development disparity between the two states. Given that Nicaragua is obviously in need of development, the low number of veto-players in Nicaragua is anomalous from the veto-player perspective, because it would imply that Nicaragua has low policy stability which should give rise to more productive alternatives over time. Veto-player theory therefore is not successful at explaining the development of Nicaragua. Conversely, the high number of veto-players in Costa Rica is consistent with veto-player theory. It suggests that the low-policy stability preserves the status quo and beneficial institutional structures that have produced high levels of development in Costa Rica. Therefore, this perspective is superior to Harrison's culture-based explanation. Nevertheless, it is still anomalous with regard to Nicaragua, and does not explain why Costa Rican development began to diverge from the regional average during the 1970s and 1980s. This is too long after the adoption of the 1949

Constitution, and too far before the creation of the Sala IV to have an apparent veto-player explanation.

### **Institutional Design: the Comparative Advantage**

Iterating an earlier definition of “institutions” from Hall (1989) as “formal rules, compliance procedures, and customary practices that structure the relationship ...[of] individuals in the polity” makes the framework of the institutional design perspective easier to grasp. By this definition, institutions technically do not need to be laws or agencies, but rather any mandated or expected practices which shape a government and country. A simpler articulation of the institutionalist perspective is found in Gerring et al. (2009, 330) as an attempt to answer one question: “What are the policy effects of different executive structures?” Unfortunately, the consensus among institutional scholars is very limited:

“In sum, academics and policy makers who are working in this area seem to agree on one thing and one thing only: Constitutional structures matter. They disagree on how constitutional structures... affect the quality of governance in a democracy. On this central question there is no consensus, even though the proximate effects of presidentialism and parliamentarism are well understood and generally agreed on” (Gerring et al. 2009, 336).

In assessing this third and final perspective’s explanation of the Costa Rica-Nicaragua developmental gap, three academic works are evaluated. While none explicitly deals with either country evaluated in the case studies, they provide much material from which to extrapolate relevant conclusions. The first article, *Political Institutions and Corruption* by Gerring and

Thacker (2004), defends one popular institutionalist view that parliamentary governments are more conducive to good governance, a view which the HDI and HDI2 analyses in the first chapter of this thesis seem to support. More importantly, Gerring and Thacker formulate several possible causes of corruption in governments. This provides a valuable point of departure for comparison of the case studies. In the second article, *Are Parliamentary Systems Better?*, by Gerring et al. (2009), the authors still generally support parliamentarism as a superior “coordination device” (2009, 354) with more productive results for development. Nevertheless, their views on presidentialism have developed somewhat, and they concede that “parliamentarism may be more appropriate in some contexts and presidentialism in others” (2009, 329). Furthermore, the article highlights several strengths of the ideal presidential system which are compared against the case studies. Finally, the third major source for the institutionalist evaluation of Costa Rica and Nicaragua is the 1992 book *Presidents and Assemblies: Constitutional Design and Electoral Dynamics* by Shugart and Carey. While much institutionalist literature presupposes or defends the claim that parliamentary governments perform better than presidential ones, Shugart and Carey rejected this, instead claiming that “neither parliamentary nor presidential democracy is a unified regime type” (1992, 43) and that to suggest that all presidencies were inherently poor sources of stability or development was to ignore many important idiosyncrasies.

Naturally, not all of the observations comparing parliamentary systems with presidential systems in these three source texts will be relevant, because some are based on strict differences between the two systems that no variation between Nicaragua and Costa Rica can account for. Consequently, only points relevant in comparing two presidential governments will be discussed.

Before beginning the final assessment, however, one point must be clarified. While the thesis refers to this third segment as the “institutionalist” or “institutional design” perspective, the previous section on veto-player theory is also technically an institutionalist explanation. Nevertheless, the specific focus of veto-player theory on general policy stability as a function of centralization means it is a much narrower interpretive device, and nearly all other institutionalist questions fall under the banner of this last category.

### **The Pitfalls of Presidentialism**

In *Political Institutions and Corruption*, the authors develop the claim that parliamentarism is a superior form of government based largely on several weaknesses that they identify in the presidential system. First, they suggest that the accountability mechanisms of presidentialism are inferior and to some extent, illusory (2004, 316). The rationale for this is that having a decentralized, presidential system seems to increase transparency but in reality this does not correlate to better accountability. While it is true that the multitude of agencies, branches, and power centers increases the flow of information to the public, this may produce more misinformation than legitimate information. Furthermore, transparency per se is not reason enough to believe that any entity will be held accountable for some malfeasance. Overlapping responsibilities means that it can be easier for individual to defect blame (Gerring and Thacker 2004, 317). Notwithstanding this, a government with the appropriate remedies for this kind of accountability problem can expect that it will have a greater correlation between transparency and practical consequences.

In the cases of Nicaragua and Costa Rica, the case studies show that the latter has the obvious advantage when remedying this particular pitfall of presidentialism. First, the recent explosion of judicial activity from the Sala IV can be seen as an effective accountability mechanism. The Costa Rican government can expect that at some point, most of its activity will be challenged or scrutinized in the Supreme Court. To a lesser extent, the autonomous agencies of the Costa Rican state have authoritative power in their respective policy domains. Because of this, the actions of government officials can easily be challenged by technocratic actors who have no partisan incentive to manipulate or suppress information. The active courts, as well as large body of technocrats are both features missing from Nicaraguan government. Instead, Nicaraguan government is more intensely factional, meaning that unethical behavior is more likely to go unpunished by partisan sympathizers.

The text also argues that higher decentralization in states promotes particularism in policymaking, which means greater incidence of government corruption (Gerring and Thacker 2004, 319-20). The application of this to the case studies is more ambiguous. Indeed, both Costa Rica and Nicaragua are highly decentralized states, perhaps the only saving grace afforded them here by Gerring and Thacker is their unitary structures. Nevertheless, different interpretations of this point can help or hinder the analysis of the developmental gap. While they are both decentralized states, Costa Rica is even more so, as mentioned earlier this is because Nicaragua lacks analogues for the highly active constitutional chamber and the parallel network of autonomous institutions. Considering this, one could expect Costa Rica to have fared worse than its counterpart, which it has not. Rather than simply rejecting the validity of this claim, another possibility is that Nicaraguan culture plays an important role. This is particularly convincing in

light of why Gerring and Thacker believe that particularism flourishes: “Particularism – understood in terms of family, clan, tribe, locality, ethnicity, religion, language or some other subnational feature – is likely to flourish wherever fragmented institutions prevail” (2004, 320).

The fragmentation of institutions is very much a reality in both Costa Rica and Nicaragua, and to some extent a pitfall of all presidential governments, but the cultural impetus that leads to the particularistic exploitation of fragmented institutions is much more present in the Nicaraguan case.

One last valuable point made by Gerring and Thacker deals with the strength and cohesiveness of parties. According to the article, centralized parties are easier to hold accountable for their actions, because they do not allow politicians the same luxury to shift blame to others or to be judged on an individual basis (2004, 321). If party strength is in fact inversely related to corruption, then one might expect that Nicaragua be the less corrupt of the two cases studied, pointing to the virtual division of state organs between the FSLN and PLC. This would be to misunderstand the notion of “party strength.” While Nicaraguan parties may be more powerful, “party strength” should be understood as the kind of centralization and authority that a party has over its membership. In this respect, there is not a dramatic enough difference in party strength to account for such different levels of corruption.

### **The Strengths of Presidentialism**

*Are Parliamentary Systems Better?* (Gerring et al. 2009) offers a more favorable perspective on presidencies. Rather than simply identifying several weaknesses inherent to the government type and implying that an ideal state would improve upon them, this text identifies

some of the relative strengths of presidentialism as compared to parliamentarism. Though on the whole the authors find parliamentarism preferable, they concede that presidential government may be more appropriate in some circumstances.

As a response to the point outlined in the earlier article, Gerring et al. (2009, 330) develops a more agnostic position by suggesting that the benefits of party strength can be debated. Since the view that party strength was beneficial did not produce much by way of a conclusion, looking at this question differently may be more fruitful. Here, the text claims that “undue partisanship may blind voters and legislators to the public interest and may prevent them from reaching compromise. Good public policy...should guide behavior” (Gerring et al. 2009, 330). And, to some extent, presidentialism may allow the expression of a greater variety of views within the policymaking sphere. This has some value when assessing the case studies. As the investigation of Costa Rican government indicated, the Legislative Assembly is a highly deliberative body, so much so that its notoriously slow pace of lawmaking had to be expedited with a reform of the committee system. Because of the composition of the legislature, each individual deputy’s power is roughly equal to his or her peers, meaning that it is more difficult for party leadership to suppress the initiatives of any individual member of the assembly. If more decentralized party structure has a beneficial effect on a government’s policy output by assuring that the best ideas are voiced, then Costa Rica has an edge over Nicaragua in this regard. Nicaraguan party leadership is very powerful and the executive can certainly impose their will in many arenas, policy formation not least among them. This explanation is reminiscent of Lawrence Harrison’s work dealt with in the first theoretical assessment. Effectively, his acknowledgement of the need for a creative engine to foster societal progression may have been

too far rooted in history. This mechanism, while also encouraging the expression of many creative ideas, may be more relevant because of its propinquity to the phenomena it attempts to explain.

Another strength of presidentialism suggested by Gerring et al. is the increased electoral accountability which comes with a presidential system. Ostensibly, the structure of government will allow for the public to more effectively control their government officials at the local level. These officials have a greater incentive to act in the immediate interest of their constituents than officials in parliamentary governments, who are more likely to stay in line with the national level party (Gerring et al. 2009, 334). One must hasten to point out that this may be an inconsistency between these two articles, with the first condemning particularism in government policymaking, and the second suggesting that greater willingness of local level officials to abandon party platform and assert their particularistic goals as a benefit for individual constituencies. Nevertheless, this is still relevant, because while Costa Rica and Nicaragua might otherwise have similar levels of local electoral responsiveness, the case study indicated several ways in which the national level Nicaraguan government exerts influence to favor municipal level candidates standing for election. Still institutional in its effect, the consequences of this kind of interference in local elections by the national government has a more negative impact than simply stifling local electoral responsiveness. Gerring and Thacker make the uncontroversial claim that “longer experience with competitive, multi-party elections fosters lower levels of corruption” (2004, 298). It would not be surprising, then, if Nicaraguan municipalities faced corruption as a result of electoral tampering at the national level. Contrarily, Costa Rica’s long history of uncompromised democratic elections has likely had a great effect on lowering corruption. Ultimately, it is clear

that different levels of corruption in these two countries have greatly impacted their developmental performance. Determining the causes of this corruption is much more difficult and less concrete.

The institutional literature used so far had several points of contact with both the value-cultural perspective, as well as the veto-player perspective. In fact, several of those mechanisms identified in Gerring and Thacker (2004) and Gerring et al. (2009) as causes of corruption or sound accountability can be reduced to veto-player theory. This institutional work, rather than explicitly referring to veto-players, classifies governments as decentralized or centralized, and the definitions of these effectively are synonymous with high number and low number of veto-players, respectively. Rather than reduce their conclusions to the simplistic terms of veto-player theory, this institutionalist work attempts to identify the precise cause-and-effect relationship between institutions of influence and their practical output.

### **Other Idiosyncrasies of Presidential Design**

The final text used in this theoretical assessment is the book *Presidents and Assemblies: Constitutional Design and Dynamics* (Shugart and Carey 1992). This text, although older, rejects some of the assumptions that the other institutionalist literature embraces. Insofar as the previous articles subscribed to the veto-theoretical position that it “may be easier to solve [problems] in a parliamentary system than in a presidential system” (Gerring and Thacker 2004, 335) this last text is critical of their characterization of presidential government as a monolithic block, doomed to inferiority. The most concise summary of the book is the authors own statement that:

“To be fair to presidential democracy, the critics should recognize that choices within presidential democracy as well can make a difference. Neither parliamentary nor presidential democracy is a unified regime type” (1992, 43).

In short, it is less fatalistic about what citizens of presidential countries can expect, but still makes several strong recommendations. The two most relevant of these in assessing the case studies both correctly suggest that the quality of Costa Rican governance would be superior to that of its neighbor.

First and most importantly, the authors claim that the extent of entrenched legislative power wielded by the president should be low. In an assessment of dozens of historical presidencies, Shugart and Carey concluded that the presidential systems with the highest level of legislative authority guaranteed to the executive by the constitution were the most likely to lead to a failure and succession by a non-democratic regime (1992, 165). It is not legislative power in itself which is the problem, but entrenched legislative power. While some legislative power is characteristic of any non-ceremonial president, and assemblies often delegate legislative authority to the executive, governments where extensive legislative authority is given to the president by the constitution are problematic (Shugart and Carey 1992, 131). The rationale for this conclusion is that legislative conflict between the president and the assembly should end in favor of the assembly, whose composition is more tempered and democratic.

The authors specifically cite the presidency of Costa Rica as an example of the appropriate level of legislative power for an executive. The Costa Rican president has a simple veto-power which can be overridden, must rely on government ministers to propose legislation,

and has the ability to set the agenda in special sessions of the Legislative Assembly. This is in contrast to an extremely powerful president who might have absolute vetoes, partial vetoes, decree powers, exclusivity in some policymaking areas, and the power to propose referenda. This proper balance of power between the assembly and executive may explain some of Costa Rica's satisfactory performance, but the authors only rate the powers of the Nicaraguan presidency slightly greater – still within the same prescribed range. In the case of the veto power, the Nicaraguan president is even weaker, requiring the same threshold to override his veto as was required to pass the law. It is not likely that such a small discrepancy in legislative power would be the indirect cause of as wide a gap in human development divergence as exists. More likely, is the Nicaraguan president's informal power over the legislative process. Currently, the consequences of *el pacto* and Daniel Ortega's assembly-and-court-packing gives the president much greater de facto power over the policy output of the country than formal analysis of institutions might suggest.

Secondly, Shugart and Carey conclude that the executive cabinet of a government should have a clear authority that dismisses and appoints it, but that these powers should not be shared by the president or the assembly. The conclusion that “shared authority over the composition of the cabinet is a potentially dangerous arrangement” (Shugart and Carey 1992, 166) is based on the idea that this generates excessive conflict between branches of government by making even the most fundamental of decisions subject to intense disagreement without respect to any principle of democracy. The power of assemblies to censure members of the cabinet, however, is considered by the authors an entirely different matter.

In the case of Costa Rica, the president has a clear and exclusive right to name and dismiss members of their cabinet. In Nicaragua, the executive's cabinet decisions must be approved by the assembly, and therefore control of cabinet composition in Nicaragua is more ambiguous than in Costa Rica. Again, the practical state of affairs in Nicaragua which allows the president substantial freedom to pursue their own goals and expect validation from the other branches of government makes this difficult to assess. This is because institutional design does not function in a vacuum where rules and customs only influence one another. Rather, institutional rules also have an impact on culture and vice versa. Here is another nexus between cultural and institutional design theory. While it is not clear in this case exactly how each influences the other in these cases, what is not ambiguous is that the Costa Rican model does not circumvent legitimate democratic procedures, and, according to Shugart and Carey, effectively allocates its governmental power.

## CONCLUSION

In its most recent rankings, the Human Development Index determined that Costa Rica had the 62<sup>nd</sup> highest quality of life of any country on Earth, while just across its border with Nicaragua, the quality of life plummets to 115<sup>th</sup> place (UNDP 2010). The HDI2, a variant of the HDI created for this thesis which attempts to remove the weighted economic variable, offers a similarly disparate image of human development: Costa Rica ranks 68<sup>th</sup>, Nicaragua 108<sup>th</sup>. Considering the common colonial heritage of these countries, their similar abundance of natural resources, and geographical proximity, it is surprising that such a wide gap in human development would exist between them. In fact, Costa Rica and Nicaragua are, respectively, the highest and lowest performers in the Central American region. Explaining the parallel development of two entire countries, however, is a difficult feat, and instead of attempting to do so outright, the thesis evaluated several bodies of academic literature to determine the extent to which each one helps explain this divergence.

The first perspective evaluated culture and values in an attempt to explain development. In his work, Lawrence Harrison attempts to draw a link between the values and attitudes that a culture develops and the creative output of that culture, which he then equated to long term development success. Unfortunately, the evidence from the case studies did not match Harrison's conclusions in most cases, and in some cases did not support his premise. Small differences in ethnic population, erroneous claims about religiosity, and differences in colonial history are not nearly enough to account for the divergence of Costa Rica and Nicaragua. Ultimately, it was futile to try and find culture and value differences between two states whose populations were both so influenced by Spain. More valuable were the claims that the recent Nicaraguan history of

foreign interventionism and decades under the Somoza dynasty, which may have had a powerful impact on Nicaraguan political culture. To a certain extent, the cultural variance between the two states may have exacerbated some of the differences noted in the other perspectives. For example, cultural variables may help explain why decentralization in Nicaragua seems to encourage corruption, while decentralization in Costa Rica seems to encourage the expression of a diverse range of viewpoints. Notwithstanding, the cultural value argument was poorly defended.

The next perspective assessed, veto-player theory, does a better job of explaining the developmental gap but is still problematic. The veto-player perspective is very broad, essentially looking at all governments on equal ground and attempting to explain the developmental gap using the pace of policy change as an indicator. In order to measure the rate of policy change, the number of different actors who must consent to change the status quo is calculated. One problem with this perspective is that it remains agnostic regarding whether high or low numbers of veto players are preferable in a system, instead saying that high veto players may be more appropriate for governments which need to sustain their success, and low numbers are preferable for states that need room for improvement. Unfortunately, the inevitable conclusion that must be drawn from this is that while Costa Rica and Nicaragua both have a high number of veto-players, this led to success in the former case and failure in the latter. Of course, this question is complicated by the fact that the formal veto players in Nicaragua may not have as much independence as veto-player theory assumes. Nevertheless, the perspective is valuable for illuminating how the rate of policy change in Costa Rica has led to good governance and long term stability since the adoption of its current constitution.

Finally, the thesis examined the institutionalist perspective. Of the three theories, this one explained many valuable mechanisms of human development disparity between Costa Rica and Nicaragua. While in many ways similar to veto-player theory, this perspective was more focused on specific mechanisms of action within a government and the kinds of effects they produced. Many of the prescriptions made by the institutionalist authors described the state of the Costa Rican government, such as the suggestion that presidents have limited legislative powers. Other points were ambiguous, such as the value of having overlapping authority in certain policy areas. Though not all of its conclusions were valid, several of the points made by Gerring and Thacker (2004), Gerring et al. (2009) and Shugart and Carey (1992) were applicable to the case studies. In conclusion, the strength of this perspective was, to borrow from Gerring and Thacker (2004, 325) that it finds “complexity to be more rewarding than parsimony” in attempting to explain why some governments produce higher levels of human development than others. The multitude of institutional factors each has a nuanced, practical function within the country; they cannot simply be reduced to a number of veto-players. These institutionalists also seemed to understand, in a way that the other perspectives did not, that crafting a prosperous country requires a delicate balance in design and that each case must be tailored to history.

The drawback of this perspective in comparing Costa Rica and Nicaragua was that, in their formal design, the two states are very similar in structure and decentralization of power. Many of the differences that significantly impacted the developmental divergence are outside of the formal system and may undermine many institutionalist assumptions. In addition, neither this nor any other perspective offered a decent explanation of the timing of the gap’s emergence in the 1970s and 1980s, but clearly institutionalism comes closest to highlighting the comparative

strengths and weaknesses of these two presidential regimes. These factors certainly play a role in the divergence between Costa Rica and Nicaragua.

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