Political Reform in Central America: Are Democratic Institutions at Risk?

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Representative Democracy and the Allocation of Scarce Resources

Prominent among David Easton's contributions to the study of politics is his characterization of politics itself as a process involving only organized sectors and resulting in the allocation of scarce, highly desired resources. Scarce resources are most evident in countries' fiscal operations, in the broad sense, and in national budgets in the concrete sense. Those who are organized will try to contribute as little as possible to these scarce resources, but at the same time they will do everything possible to receive their share, the biggest possible share, of what is scarce.

From this springs a discussion about the legitimacy of the resource allocator's authority, a legitimacy particularly questioned in societies in which resources are especially scarce, where there is a militant sense of citizen equality and a very wide range of consumption demands, and in which there are more organized groups. In the Central America of the 1950s, social differentiation was minimal and citizen demands were few. In contrast, today's Central America is rapidly transitioning to modernity, using the classification developed by Samuel Huntington. Consequently, distributing scarce resources in this era is different from and more difficult than in the past.[1]

The more complex a society, the more difficult it is to distribute what is scarce, irrespective of the nature of the political system. Moreover, the prosaic pressures and tensions that every system (in Easton's view) must overcome if it is to endure arise more often in today's societies than in those of yesteryear. In addition, they are increasingly subject to other pressures and tensions, such as the decisions of external actors beyond a nation's border.[2]

To continue with Easton's notion of tensions and pressures, we can say that they are like ripples on a lake, small but frequent, while the more daunting tensions and pressures are like tsunamis whose origins are distant and scattered in time, but nonetheless inevitable and potentially catastrophic in the age of globalization.

Like many other developing countries (Huntington's "third wave"), the republics of Central America have experimented with the liberal society model for the last 25 to 30 years, with

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[1] See *Political Order in Changing Societies* (New Haven and London: Yale University Press, 1968).

[2] For Easton's arguments, see his books: *The Political System: An Inquiry into the State of Political Science* (New York: Alfred A. Knopf, reprinted 1963); and *A Framework for Political Analysis* (New Jersey: Prentice-Hall, Inc., 1965).

FOREWORD

The Inter-American Dialogue is pleased to publish this study by Arturo Cruz-Sequeira, Nicaragua's former ambassador to the United States and a professor at INCAE Business School in Costa Rica and Nicaragua. Our aim is to stimulate a broad and well-informed public debate on complex issues facing analysts, decision makers, and citizens concerned about Latin America's policy agenda.

The study was originally prepared in Spanish at the request of the Salvadoran Foundation for Economic and Social Development (FUSADES) and presented at the organization's International Forum for Political Analysis (FIAP) in April 2013. This annual event, sponsored by FUSADES' Department of Political Science, brings together top political scientists from some of the most recognized universities and think tanks in the world.

In this working paper, Cruz offers a fresh and original assessment of the state of democratic governance in five Central American nations: Nicaragua, Costa Rica, Honduras, El Salvador, and Guatemala. Using economic and political data, Cruz shows how the interplay between each country's civil society, political society, and government shapes its democratic development in the context of intensified citizen demands coupled with diminished US assistance. While results vary from country to country, Cruz finds each state still struggling to strike a balance between its capacities and citizen expectations. Cruz observes these young democracies regressing along two troubling trajectories—either towards clientelism under a dominant ruler, as in the case of Nicaragua, or towards weak pluralism devoid of party stability, as in the case of Costa Rica.

This working paper is part of a series of studies carried out as part of the Dialogue's initiative on security and migration in Central America and Mexico. The project works with leading think tanks, research centers, and independent journalists in Mexico and Central America on these two pressing policy challenges. Our work seeks to influence the policy and media communities in the United States, Mexico, and the nations of Central America; introduce Mexican and Central American viewpoints into policy debates and discussions in Washington; and promote fresh, practical ideas for greater cooperation to address security and migration challenges.

This major Dialogue initiative has organized three important meetings—in Washington, Guatemala, and Managua—and launched a web portal to serve as a clearinghouse of data, analysis, legislation, and other resources related to security in Central America. This online tool promotes debate and cooperation, and supports research, advocacy, and policymaking efforts on pressing issues such as organized crime, gangs, criminal justice, and citizen security in Central America.

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Michael Shifter
President

market economies and representative democracies serving as the region's chief economic and political models. This essay seeks to examine the development of representative democracies and their institutional arrangements in five Central American countries. That task requires, albeit schematically, a look at the three subsystems that make up representative democracy as described by Easton, and more recently by Stepan.[3]

The first is civil society, the space in which citizens gather spontaneously within interest groups to promote their own concerns and exert pressure on both political society and the various branches of the state. The second is political society itself, the prime mediator between civil society and the state (some commentators argue that it is the only mediator), responsible—as long as the voters' mandate persists—for allocating scarce resources among the organized sectors and citizens, and for doing so with at least some minimum level of effectiveness and justice. The third is the state itself, serving as a "black box," entrusted with processing citizens' often contradictory demands and converting them into concrete outcomes. This black box requires that citizen demands do not overwhelm state revenues and that administrative agencies and political parties act efficiently.

We can imagine an ideal society as one in which citizens see each other as equals, citizens with growing expectations of consumption, who have joined a multitude of pressure groups to protect and promote their particular interests. The current economic context, however, is one of low growth and inequality in income distribution—not so much between the upper quintile (the richest) and the two lower quintiles (the poorest), but between the upper quintile and the two in the middle. All this is made more complicated by the global economic downturn and the fact that the capacity of this society to assume public debt has reached a saturation point, making it impossible for its political parties to postpone difficult decisions.

What happens, then, to citizens' perception of the credibility of those who allocate scarce resources? Above all, what happens if the rotation of the parties that oversee the main organs of state is inconsequential, such that "nothing gets better" regardless of which party is in power? Obviously, when this happens, it is not only the individual parties that are devalued but political society as a whole. Indeed, there is a devaluation of representative democracy as a system, since it is unable to renew citizens' hopes with periodic changes—every four, five or six years—in the parties responsible for mediating and allocating scarce resources.

In this century, most societies have exhibited characteristics of the prototype outlined above, a circumstance that has subjected their political architectures to severe turbulence. Moreover, the United States, the ideal of a representative democracy, sometimes gives the impression of being a clogged black box, and of a political society that has lost its link to the citizenry. Obviously, the United States has the advantages of its still-dominant weight in the world economy, its ability to acquire debt in its own currency, and its strong institutions that have withstood the decline generally associated with the passage of time.

Aside from economic development levels, democratic governance faces daunting challenges, chief among them the effort to strike a balance between citizens' expectations and demands, on the one hand, and economic possibilities on the other. All of the Central American democracies are exposed to these challenges and have the aggravating difficulties of substantial social lags, new threats, and historical legacies that favor traditional autocracies. The big difference in this new century is that the United States—the empire of liberal democracy—has priorities in other parts of the world and is facing its own internal disequilibria. Thus, its presence in the region is largely diminished. For example, it only provides small amounts of bilateral resources such as the ESFs (Economic Support Funds) for budgetary and balance-of-payments support that were handed out generously to US allies during the last decade of the Cold War. Such resources would be of great help to current governments in their efforts to deal with the many ripples on the lake and to mitigate the damage wrought by the tsunamis.

Governing is certainly a matter of resources and implementation, though as Francis Fukuyama argues in one of his most recent essays, this is not synonymous with democratic governance. Indeed, he suggests that there might be circumstances in which a patrimonial system, with unrestricted discretion in the use of funds, could be more

[3] See *Arguing Comparative Politics* (Oxford: Oxford University Press, first published 2001); on the distinction between civil society and political society, see his essay "Tunisia´s Transition and the Twin Tolerations," Volume 23, Number 2, *Journal of Democracy* (April 2012).

effective at governing than Max Weber's bureaucracies of institutional rationality.[4]

As we shall discuss at length, in Central America (using Thomas Carothers's categories),[5] we see representative democracies that have regressed from a sickly pluralism to a kind of dominant-power system (as in Nicaragua, where mediation, though undemocratic, remains effective), as well as situations like that in Costa Rica, which runs the risk of changing from a consolidated democracy to a pluralism that, if not sickly, is certainly weak. In Honduras, this frail pluralism has weakened further. And in Guatemala, as throughout its recent history, there is an absence of a stable and strong political society and a severe tendency for political officials to defect from their parties. And El Salvador? There, the scarce is becoming even scarcer, eroding the legitimacy of an economic model that for a long time was regarded as successful, and where the political parties—depending on whether they are in opposition or in government—protect or try to revoke the decisions of the most prestigious institution, the Constitutional Chamber of the Supreme Court.

Nicaraguans: Citizens or Clients?

In 2006, the final year of the Enrique Bolaños presidency, the Nicaraguan government had US$1.2 billion to meet the expectations of the organized sectors and the rest of the "citizenry." Some 35 percent of that amount came from foreign aid. Before most tranches of that aid were disbursed, the government was required to engage in negotiations with the International Monetary Fund (IMF). An immoveable ceiling on public spending was established to maintain fiscal balance.

Despite the scarcity of resources available, the Bolaños government first had to pay the country's domestic debt, inflated during previous governments to compensate those Nicaraguans whose property had been confiscated by the Sandinista Revolution in the 1980s and to cushion the blow of private bank failures. In addition to these payments were the Central Bank bonds and the mandatory compliance with constitutional requirements, such as assigning 6 percent of the national budget to university education and other mandatory allocations.

The Bolaños government lacked the fiscal wiggle room it needed to tackle Easton's everyday tensions, not to mention the more daunting pressures, such as when the price of a barrel of crude on the New York Mercantile Exchange surpassed US$70 in May 2006. In that year, Nicaragua's oil bill was US$654 million, far above the US$524 million in 2005 and the US$243 million in 2002, the first year of the Bolaños administration. Then, during that period, some 32 percent of imported oil was used to generate electricity. This was the highest rate in the region (Costa Rica was using just 7 percent for that purpose), which of course raised the cost of the energy supply. As a result, surveys by CID-Gallup Latinoamérica, showed that 83 percent of the population was "very worried" about the cost of transport in general.

Between 1979 and 1990, the Nicaraguan economy transitioned from one in which the state had no great role in the production and distribution of goods and services to one in which the state was generating and distributing most of the nation's output. Afterwards, Nicaragua returned to its starting point and the state rapidly relinquished almost all of its economic activities. These swings—during which property relationships were severely disturbed—occurred over a period of just 12 years. In the period (1979–1990), per capita GDP contracted in real terms by an annual average of 3.1 percent, in contrast to 3.0 percent growth between 1951 and 1960, 2.8 percent growth between 1961 and 1972, and 2.1 percent growth between 1973 and 1978, even though GDP fell in absolute terms by 7.8 percent in 1978. Between 1991 and 2000, per capita GDP continued to fall at an annual average of 0.3 percent. It was not until 2001, after 21 consecutive years of negative growth, that the economy began to expand. From 2001–2007, growth averaged 0.8 percent, still far below the 1.4 percent average experienced between 1920 and 1950.[6]

The Bolaños government was fiscally responsible. It focused on the future and insisted on long-term economic growth based on private investment and the creation of more formal-sector jobs. By looking forward to the future, however, the Bolaños administration neglected the present in a society whose members had a per capita GDP that barely reached a nominal US$1,000; where the political forces were correlated in such a way that they never favored the government; and where society was used to governments

[4] See *What is Governance?* (Washington DC: Center for Global Development, Working Paper, January 2013).

[5] See his essay "The End of the Transition Paradigm," Volume 13, No. 1, *Journal of Democracy* (January 2002).

[6] See Mario De Franco, *Causas del (de) crecimiento económico de largo plazo de Nicaragua* (Managua: FUNIDES publication, (June 2011).

being "close" to people, such that they were expected to perform "favors" for citizens and perceived as existing to meet citizens' immediate needs. It was a society in which economic growth was a distant promise, and one that did not provide the sort of clientelist support the government of President Alemán had provided.[7]

The merit of Bolaños was that he governed with the goal of producing an institutionally modern Nicaragua; but his vision was far from Nicaragua as it actually is, anchored in the present and the immediate needs of its people. A Nicaragua, to borrow a term by D. Zovatto, lacking in "citizen density."[8]

Bolaños (and US diplomacy) were so attached to the hope for a new political society that for the elections of 2006 the Sandinismo/anti-Sandinismo routine was broken. A new dichotomy of modernity versus traditional *caudillos* was installed instead. Neither Alemán through his proxy, nor Daniel Ortega as his party's candidate, gave ground to the putative candidates of modernity, both former militants of the PLC (E. Montealgre) and the FSLN (M. Jarquin). The votes in the 2006 elections favored the candidates associated with traditional Nicaragua ("traditional" in the Weberian sense), who won 65.1 percent of the vote against the 34.6 percent for the candidates of modernity.

Changes to the constitution during the Alemán government allowed Ortega to win the presidency in the first round of voting with 40 percent of the valid ballots. He could even win with 35 percent, as long as a 5-percent gap existed between him and the runner-up. Without this constitutional change (part of a package of reforms known as the "Pact" that was negotiated between the main players in Nicaragua's political society), Ortega would never have regained the presidency in 2006 with the 38 percent of the vote he garnered, even with the anti-Sandinista forces fragmented.

From the 1990 to the 2006 elections, Ortega retained the core vote that fluctuated between 38 and 42 percent of the valid ballots. This is a notable achievement, but would not be enough to return to the presidency unless the constitution was changed and the other political forces divided, both of which did subsequently occur. His alternative plan, in the event that he did not win enough votes, was to change the presidential system to a parliamentary system, with the expectation that in the new system he would be the dominant actor, albeit not absolute as he is today.

Recently, Nicaragua's GDP numbers were revised with technical support from the IMF. Instead of being calculated on the basis of 1994 prices it was calculated using 2006 prices. According to the new figures, GDP in nominal US dollars was US$9.3 billion in 2011 and about US$10 billion in 2012, with per capita GDP at US$1,654. These numbers mark a significant improvement on the data for 2010 calculated on the basis of 1994 prices, which showed GDP to be a nominal US$6.5 billion and per capita GDP to be US$1,126.

Even with this change to the numbers, however, Nicaragua's GDP is still far below that of Honduras, the second weakest economy in Central America, which was estimated at a meager US$18 billion in 2012 with per capita GDP of US$2,178. A per capita GDP as low as Nicaragua's, equivalent to 76 percent that of Honduras and barely 17 percent that of Costa Rica, again raises the question that opened this part of the paper: are Nicaraguans citizens or clients? In the mid-1970s (the last decade of the Somoza autocracy), Nicaragua's per capita GDP was 85 percent of Costa Rica's. These figures reflect the country's economic regression and prompt me to argue that in 1979 Nicaragua had a much greater citizen density than in 1990, when the country fully began its transition to representative democracy.

Today, Nicaraguans undeniably have modest expectations of consumption (which should facilitate the allocation of scarce resources). Their expectations, however, are immediate and anchored in the present; little thought is given to the future, and there is no capacity for even minimal abstract thinking. A client—unlike a citizen, who expects

[7] While it is true that the candidacy of Bolaños arose from the will of the head of the Partido Liberal Constitucional (Arnoldo Alemán), his fatal disputes with the latter sometimes led him to ally himself with Daniel Ortega, head of the FSLN, the other leading political party of the Nicaragua that emerged from the 1990 elections. Later he broke his arrangement with Ortega and forged an alliance with the organizations of an insipid and weak civil society, in an effort to create a new political society that might overcome the oligopoly of the leaders of the PLC and the FSLN. Bolaños also had disputes with Cardinal Obando y Bravo, leader of the Catholic Church in Nicaragua, who came to ally himself with his historical nemesis Daniel Ortega. This left Bolaños without allies in Nicaraguan *realpolitick*, apart from most of the media, civil society organizations, and the goodwill (though not the resources) of the US government, all of which remained favorable to Bolaños. For more detail on the microcosm of Nicaraguan politics in those years, see Forrest D. Colburn and Arturo J. Cruz Sequeira, "Personalism and Populism in Nicaragua," Volume 23, No. 2, *Journal of Democracy* (April 2012).

[8] In May 2006, CID-Gallup Latinoamérica reported that 71 percent of Nicaraguans thought that the country was on the wrong track, while 13 percent did not respond and only 16 percent though it was on the right track. At the end of that year, the ratings of the management of Bolaños plummeted to a net negative –38 percent.

much from a government but does not expect that government to solve the problems he can solve with his own household income—is attentive to the most basic things (the pound of beans, the zinc sheets, convinced that the government's main function is to act as a crutch. A survey by M&R Consultores between October 9–21, 2011 asked Nicaraguans: "what most appeals to you about President Ortega's government?" The responses reflected expectations of modest lives. Some 37 percent referred to the Plan Techo (the "Roof Plan"), 26 percent mentioned the Casa para el Pueblo program ("Houses for the People"), 19 percent the Bono Productivo ("Productive Voucher"), and only 9 percent answered that they "did not like anything about him."

How much did these programs cost?

The 2 million zinc sheets used to improve the roofs of Nicaraguans' houses cost US$30 million. The "Productive Vouchers" program, which provided rural families with domestic animals, cost US$20 million. The "Solidarity Vouchers," which give an extra US$60 a month to 148,000 state employees, including police and soldiers, cost US$45 million. The "Houses for the People" were few in number, and were built in visible and symbolic locations. In total the three programs (Plan Techo, Bono Productivo and Bono Solidario) cost US$95 million. The Bolaños government, even if it had had the imagination to carry out such programs, would not have had the resources for them.[9]

Between 2007 and 2011, Ortega's second five-year mandate, foreign cooperation in the form of grants and loans from bilateral and multilateral sources totaled US$2.2 billion. Separate from the government's formal budget and only including oil cooperation within ALBA, resources from Venezuela in those five years amounted to US$1.6 billion.[10] In 2012, central government spending was close to US$2 billion, to which PDVSA cooperation must be added. According to the Nicaraguan Central Bank's report, the latter cooperation totaled US$550.7 million by the end of that year.[11] The total, adding together the formal budget and oil cooperation from Venezuela, is more than double the US$1.2 billion that Bolaños had in his final year as president. This combination of Venezuelan resources with IMF programs and traditional cooperation from multilateral agencies is what has allowed the Ortega government to engage in what I term "responsible populism." In other words, the government can meet the immediate needs of its clients without endangering macroeconomic stability (see Table 1), thereby allowing private actors to invest with a relatively stable economic outlook.[12]

Table 1. Nicaragua Central Government Deficit

(% of GDP)

	2008	2009	2010	2011	2012
Before donations	–4.1	–4.0	–3.0	–1.1	-0.3
After donations	–1.0	–2.0	–1.0	Surplus	Surplus

Since the global financial debacle of 2009, the Nicaraguan economy has grown at 3.6 percent, 5.4 percent and 5.2 percent from 2010-2012. The rate is expected to reach 4.5 percent in 2013. This growth has been fuelled mainly by exports (largely stimulated by CAFTA and the Venezuelan market), which grew from US$1.9 billion in 2006 to more than US$5 billion in 2012, of which US$2.8 billion were commodity exports and the rest were *maquila* output. Growth was also driven by FDI flows of close to US$1 billion in 2011 and 2012, with projected flows of US$1.5 billion in 2013.

The economic numbers are in striking contrast to the deterioration of democratic rule experienced in Nicaragua during Ortega's administration. In addition to removing a constitutional ban on his reelection in 2010 by means of a legally dubious Supreme Court ruling, Ortega has not permitted the branches of government to act independently. Elections have also been strongly criticized by the electoral missions of the OAS, the European Union, and

[9] Curiously, in the M&R survey only 0.1 percent of respondents mentioned the subsidy to public transport, which suggests that the bus fare in Managua of about 10 US cents—a fare that was frozen for years and whose revision caused a big disturbance during the Bolaños administration—is perceived by today's users as an acquired right that cannot be changed.

[10] Oil cooperation between Venezuela and Nicaragua is very peculiar, because formally it is not a transaction between governments but between the PDVSA and ALBANISA, in which ALBANISA buys the barrel of oil from PDVSA at the market price, on the understanding that half the cost of the barrel will be granted to ALBANISA as a loan with an interest rate of 2 percent over 25 years and with a two-year grace period. ALBANISA is 51-percent owned by PDVSA and 49-percent owned by Petronic on the Nicaraguan side.

[11] See Banco Central de Nicaragua, *Informe de Cooperación Oficial Externa*, ICOE (Managua: March 2013).

[12] See "Nicaragua y su dilema perenne", comments by Arturo J. Cruz S on the essay by José Luis Velásquez P., *Instituciones para el desarrollo: Una visión de Nicaragua desde la economía política* (Managua: FUNIDES, September 2011).

the Carter Center, raising questions regarding Ortega's electoral legitimacy.[13]

Independent of the surveys conducted on the eve of the 2011 elections, Ortega's electoral numbers were more enviable than ever, including his moment of universal glory as the *primus inter pares* in the National Directorate of the Sandinista National Liberation Front. Despite the numbers, Ortega showed no inclination to "legitimize" his presidency with clean elections, perhaps because of the traumatic electoral defeat he experienced in 1990. Throughout the course of his six years in office, his disdain for the niceties of legality and legitimacy has become more apparent. Perhaps he is convinced that what matters is effective management—to meet the daily needs of his clients, including a large number who were his adversaries in the countryside—without neglecting the more complex interests of economic society at the national and international levels.

In the aftermath of the 2011 elections, elections viewed by most abroad as fraudulent, CID-Gallup Latinoamérica asked Nicaraguans how they saw democracy under Ortega in the previous five years. Some 58 percent said democracy had been strengthened, 20 percent said it had been weakened, 18 percent said it was the same, and 4 percent did not know or did not respond. Some 55 percent said that the country was on the right path, compared to 35 percent who thought the opposite. In September 2012, M&R Consultores asked: "What comes to mind when you hear about living in a democracy?" The main response, at 28 percent, was "to live tranquilly in peace." Just over 5 percent of respondents mentioned respect for the constitution, justice, and respect for the law.[14]

[13] In a press release on November 9, 2011, the Carter Center acknowledged the "strong electoral support given to President Daniel Ortega in Sunday's elections" but expressed concern about "reports of significant deficiencies in the 2011 electoral process and their implications for democratic governance," concluding that "it is perplexing that a country that is showing economic and social improvement has at the same time permitted an erosion of democratic institutions."

[14] These results coincide with an in-depth study conducted between March and May 2012, *La cultura política de la democracia en Nicaragua 2012*, sponsored by Vanderbilt University, LAPOP, USAID and others. On a scale of 0 to 100, according to this study, support for Ortega stood at 60.9. When respondents were asked about "irregularities observed or experienced in the 2011 national elections," 73.5 percent said none. In the future, however, at least according to CID-Gallup Latinoamérica, it will be very difficult to conduct credible surveys, as it warned in January 2013: "For the first time, CID-Gallup, wishes to state formally that it is increasingly difficult to undertake public opinion surveys in the country; citizens are ever more reluctant to answer certain kinds of questions, especially those related to politics."

In today's Nicaragua, Ortega is the sole mediator between the state and society, responsible for distributing the revenues that come from Venezuelan resources and also those from traditional cooperation, without which the Venezuelan funds would have to be included in the formal budget. That would undermine Ortega's fiscal discretion, which has allowed him to nimbly resolve any unforeseen matters of mediation. The revenues are extraordinary, not so much in comparison with that collected by neighbors to the south, such as Costa Rica and Panama, but in light of the very modest expectations of consumption displayed by the majority of Nicaraguans. This has allowed Ortega to serve his traditional client base and also to expand it by adding those who were formerly clients of Alemán, his old rival or ally depending on the moment. Table 2 shows that the Liberals lost most of their followers, either because they moved on the side of the independents or because they now identify with the FSLN.

Table 2. Political Party Identification

(percent)

	2002–2006	2012
Liberals	35.4	8.6
FSLN	30.5	54.4
MRS	4.0	0.2
Conservatives	—	0.1
Independents	30.1	36.6

Source: M&R Consultores, *Comportamiento político electoral de los nicaragüenses 1994–2012* (Managua: November 2012).

In what Carothers termed the "gray zone," the period during which most of the countries that embarked on a democratic transition in the mid-1970s were stalled, Nicaragua regressed, as mentioned at the start of this essay, from a sickly pluralism in which all citizens felt disappointed by politics (though they continue to believe in the ideals of a democracy), to a dominant-power system in which only one leader or political party has control to the extent that there is no alternation in power (see footnote 7).

This regression, however, has not spurred irritation among most Nicaraguans, a reality that could endure until citizens outnumber clients once more, as was the case in 1979.

Costa Rica: A Society of Equals?

In the Unimer surveys published by *La Nación* on November 4, 2012, when Costa Ricans were asked if democracy is preferable to any other form of government, the percentage that identified wholeheartedly with democracy had fallen from 78 percent in 2006 to 57 percent in 2012. In the same survey, 40 percent said that democracy "does not help solve the country's problems." Some 54 percent agreed that political parties are necessary for the proper functioning of a democratic society, compared to 71 percent in 2006. Moreover, by the end of 2012 the Chinchilla government was rated favorably by only 13 percent of respondents, the lowest percentage among Latin American presidents.

What is paradoxical about this evaluation of the Chinchilla government is that it does not coincide with the economic figures. In constant *colones*, average growth in per capita GDP was 3.6 percent in 2011 and 2012, while inflation stood at only 4.6 percent. According to Francisco de Paula Gutiérrez, former president of Costa Rica's Central Bank, Chinchilla's economic performance is the best in Costa Rica since the period from 1978–1982, except for the period from 2002–2006, during which the unpopular Pacheco administration was in office and per capita GDP grew by an annual average of 4.7 percent.[15]

Moreover, the share of Costa Rican households living below the poverty line fell from 50 percent in 1960 to 19 percent in 1980. It rose significantly in 1990 to 27 percent and fell again to 21 percent in 2000, dropping slightly to 20.6 percent in 2012.[16] For Costa Ricans, the stalling of this indicator for 12 years is a cause of national unease, although it is enviable in comparison to Costa Rica's neighbors. That is especially true considering that 85 percent of citizens are covered by social security and that the urban poverty line in 2012 was set at US$193 per person per month. That means that for the average Costa Rican household of 3.4 people, the family income that constitutes poverty in urban areas is below US$662 per month.

If the economic numbers for Costa Rica are so promising (per capita GDP of US$9,641, the highest in Central America, including Panama), why do its citizens have such an unfavorable perception of democracy, political parties, and the performance of the Chinchilla government?

One of the possible explanations is the pattern of income distribution in recent years: in the same Unimer survey, 80 percent of respondents viewed the fair distribution of wealth as "low." This is striking in a society like Costa Rica's, which is attached like no other in the region to the ideal of citizen equality.

Table 3 shows that the share of income captured by the fifth quintile in 2004 was much greater than in 1988, while all the other four quintiles experienced a decline in their share. In 2012, the share of the wealth held by those in the highest quintile declined relative to 2004, but it remains far above the corresponding share for 1988. The share of the third and fourth quintiles was greater than in 2004, but below the percentage for 1988. The two lowest-income quintiles' share of total income was stagnant between 2004 and 2012.

Table 3. Income Distribution by Quintile

(percent of households)

Quintile	1988	2004	2012
1	6	4	4
2	12	9	9
3	16	13	14
4	23	20	22
5	43	54	51

Sources: Miguel Gutiérrez Saxe, *Ética Cristiana y desarrollo humanos sostenible* (San José: August 2006; INEC, Encuesta nacional de hogares: *Resultados generales* (San José: July 2012).

In the past 30 years, Costa Rica has experienced a gradual but constant decline in the size of its public sector. Depending on the official data consulted, the share of state employees in the labor force has fallen from 30 percent to 15–18 percent. While it is true that the state in the broad

[15] Francisco de Paula Gutiérrez has examined the numbers for the Costa Rican economy after 1978 in such a way as to make them coincide with presidential terms, though he calculated the average starting from the second year of the term and included the first year of the successor term. This explains the exclusion of 2010 in the assessment of the Chinchilla government. Because Chincillatook office in May of that year, the decisions that conditioned economic development for the 2010 were primarily taken b by the outgoing government. Her four-year term will include 2013 and also 2014, in which growth rates of about 4.2 percent and 4.4 percent, respectively, are expected.

[16] See Miguel Gutiérrez Saxe, *Ética Cristiana y desarrollo humanos sostenible* (San José: August 2006); INEC, *Encuesta nacional de hogares: Resultados generales* (San José: July 2012).

sense reserves a significant presence in the production and distribution of goods and services, it is also true that private initiative dominates, as should be the case in an ever more liberal economy. What has driven this change, apart from the realities of the economic debacle that the country suffered between 1978 and 1982, when per capita GDP shrank at an annual average rate of 3.94 percent, was the leadership of the National Liberation Party (Partido Liberación Nacional, PLN), which has always identified with the enlargement of the public sector as the guarantee of citizen equality. In that process it changed from being a party of social democracy to one without a clear identity.

For Costa Rican analysts like Rodolfo Cerdas, the market's preponderance over the state largely explains the inequality of income distribution, which seems more important to national identity given that Costa Ricans today, regardless of the quintile to which they belong, have higher standards of living than both their grandparents, and parents. Deep down, prosperity does not compensate for inequality, even though many of those in the fifth quintile are there precisely because of the benefits of public education, which has been the main catalyst for social mobility in the country. For Cerdas, the liberalization of the Costa Rican economy "proletarianized" the teachers and professionals who "previously had been a large segment of the middle class." To these he adds public servants, journalists, writers, social workers, lawyers, and doctors, all of them, according to Cerdas, "losers" in the new economic way of doing things and thus obliged "to defend themselves with the weapons of the workers: trade unions and strikes.[17]

Apart from inequality, corruption is foremost in Costa Ricans' perceptions of the challenges facing the country. In February 2013, CID-Gallup Latinoamérica surveyed the Dominican Republic, Panama and the other five Spanish-speaking countries of Central America. Only in Costa Rica (with 26 percent of respondents) was government corruption identified as the country's main problem. The cases of former Costa Rican presidents accused of corruption—the "fallen angels," among others—have certainly contributed to this perception. All of this, together with the shift in PLN doctrine, has undermined the social legitimacy of a political society once based on broad citizen support.

In 1999, among those Costa Ricans who identified with a political party, some 67 percent identified with the PLN and Social Christian Unity Party (Partido Unidad Social Christiana). In the period from 1998 to 2002, the two parties accounted for 50 of the 57 deputies in the National Assembly. In the first Unimer surveys (undertaken by *La Nación* between January 24 and February 4, 2013), only the PLN retained a sizeable number of its followers. Some 23 percent of Costa Ricans identified themselves as PLN supporters. Incredibly, the other parties, including Unidad, were supported by barely 6 percent of respondents.

The weakening of the PLN (35 percent of Costa Ricans were supporters of the party in 1999) and the collapse of Unidad produced a vacuum in which new organizations with political party aspirations have prospered, to such an extent that 14 parties might present candidates in the 2014 elections. In the current term (2010–2014), the PLN and the PUSC have 30 deputies, while the rest are distributed among three parties with more than four deputies each and three parties with one deputy each (see Table 4). The dispersion of parties, aggravated by divisions within the legislative factions and the peculiarities of the parliamentary regulations, explains why the last time that 38 votes were added to adjust the qualified majority was in the second government of Oscar Arias, allowing conclusion of the complementary agenda needed for the CAFTA agreement.

Table 4. Costa Rica: 2010–2014

Parties	Number of deputies
National Liberation (PLN)	24
Acción Ciudadana	11
Movimiento Libertario	9
Social Christian Unity (PUSC)	6
Accesibilidad Sin Exclusión	4
Restauración Nacional/ Frente Amplio/Renovación Costarricense	Each of these three parties has 1 deputy

[17] See his essay in *La Nación* (San José: October 25, 2009).

Without two or three major, stable parties with which citizens can identify, mediation between the state and society is more burdensome, takes more time, and is less effective. Although Costa Rica is experiencing economic growth in fiscal terms, scarce resources are getting scarcer because political society—the lifeblood of representative democracy—has been unable to undertake a successful tax reform that meets the expectations of citizens with a per capita GDP of US$9,641. Without higher tax revenues, there is no way to use public spending to offset the inequality of income distribution, since there would be no guarantee that the resources invested in education would have any fiscal backing. And without high-quality public education that is better than or equal to private schooling, the inequality of income distribution would have no justification in a society that developed with the conviction that everybody is "more or less equal," with the same education and healthcare.

In 2008, Costa Rica's central government tax revenue stood at about 15.3 percent of GDP (excluding social security contributions). In 2009, the figure fell to 13.4 percent as a result of the world economic crisis. In 2012, however, taxes continued to fall, below the figures for both 2008 and 2009, reaching 13.3 percent of GDP. The fiscal deficits have widened from 0.3 percent in 2008 to an average of 4.5 percent in recent years. A figure of 4.9 percent of GDP is expected for 2013.

What will happen, then, if the deputies in the Legislative Assembly are even more dispersed in the next four-year term? Will they be able to pass and implement a tax reform that improves public finances, which according to the IMF should bring additional tax revenue equivalent to 2.5 percent of GDP, and spending cuts of half a percentage point?[18]

In the late 1970s and the 1980s, despite its tangled finances and an economy in which the public sector was oversized, Costa Rica withstood the widespread crisis that shook Central America and did not suffer the traumas its neighbors experienced, largely because of its political society's great strength. Today, however, its strength is its economy: its citizens have not been forced into "economic exile" and indeed the country has absorbed immigrants from elsewhere; its exports of goods with high-technology components surpass US$11 billion; and it received FDI inflows of US$2.3 billion in 2012 (even excluding other flows of private capital). Although central government debt as a share of GDP has risen by 10 percentage points in four years, it does not exceed 35 percent and most of it is domestic debt. For how much longer, though, can the country continue to amass debt and postpone difficult decisions so politics can stabilize, either with the old parties or with new ones that can serve as the effective mediators necessary in a representative democracy? According to the IMF (see footnote 20), if corrective measures are not taken, in 2018 the consolidated public sector fiscal deficit will stand at 6.5 percent of GDP and the debt, including that of the Institute of Costa Rican Energy, will reach 53 percent of GDP.

Costa Ricans today are less patient with their politicians and governments. They complain about "the smallest thing," seeing a bridge that the Ministry of Public Works has been unable to repair successfully as a symbol of the public sector's ineptitude. The "Trocha," a road that was hurriedly built on the border with Nicaragua serves as a symbol of corruption because of the unwarranted millions of US dollars assigned to its construction. The organized sectors of civil society for years have questioned the authority of political society to make decisions "of national importance" without sharing them with civil society; barring which, civil society has threatened to resort to a "street-level referendum," one that would seek to create the conditions of dual power according to Gramsci's teachings, or to snatch concessions from a weak political society.

And what about those who are not organized—the man on the street, who resents the organized sectors, without caring whether they are on the political left or right, whether they belong to unions for public officials, teachers, doctors or the ICE, or whether they belong to private sector associations? The unorganized know that the organized have advantages in the allocation of scarce resources, advantages apparent in better salaries, pensions systems, and health insurance.

The final report of the Presidential Commission on Democratic Governability, which was convened by Chinchilla, acknowledges that "democratic governability is in crisis," the executive branch does not govern or even administer, the Legislative Assembly "can make decisions

[18] See IMF, *Staff Report for the 2012 Article IV Consultation* (Washington DC: (February 5, 2013).

only with difficulty," and the media, unions, and pressure groups have "veto power." The members of the Commission identified 32 problems and made 97 recommendations, which of course included divergent criteria. They sought to find new institutional arrangements that would make government management effective without losing the essence of democracy.[19] Costa Rica's democracy, which has been uninterrupted by authoritarianism for more than 60 years, is not necessarily about to fall into the hands of a self-proclaimed messiah as happened in Venezuela, with a weakening of political society, but it could be on the edge of transitioning from a consolidated democracy to a state with weak pluralism, as Carothers described in his aforementioned essay on countries in the "gray zone."

Honduras: The Machine State as "Instruments of Some"

Surveys conducted by the UNDP in Latin America at the start of the past decade on the strength of the region's political parties, asked: "Which of the following statements is closest to your situation?" Some 58.7 percent of Hondurans said that they "followed a party and always voted for it," while 15.9 percent said that they had a party but they might vote for another. The percentages of the Honduran responses to these two questions were much higher than the Latin American average of 27.2 percent and 12.2 percent, respectively. In Latin America, only Nicaraguans had similar rates of party loyalty.

In a January 2002 survey conducted by CID-Gallup Latinoamérica, Honduras' outgoing President Flores had an 86 percent approval rating, while incoming President Maduro had an approval rating of 77 percent. Additionally, a majority of Hondurans said that they believed Maduro would perform better than Flores.

Even then, when citizen security was the "main concern" of the survey respondents, Hondurans evinced an undeniable optimism. This was striking in a country where, in 2001, some 71.6 percent of the population lived below the poverty line.[20]

Between 1981 and 2001, there were six consecutive presidential elections in Honduras in which the presidency alternated between the Liberal Party and the National Party (the historical groupings) without any serious disruption and with high rates of voter turnout. In the 2005 elections, however, the abstention rate reached 44.6 percent and by 2008, according to Barómetro de las Américas, Hondurans' party loyalty had fallen to 44.2 percent, with only 31.9 percent of individuals surveyed indicating that their vote would be determined by party loyalty.

What might explain this sudden change in attitude?

Perhaps it could be that today, Honduran society is more modern and concentrated in urban areas, where inherited loyalties tend to be weaker. It could also be that in Honduras the allocation of scarce resources has been neither effectively nor justly carried out. When economic interests are as powerful and concentrated as in Honduras, political society runs the risk of succumbing to these interests. In contrast, in societies marked by a multiplicity of competing economic interests, political parties can act with more independence and present themselves as "neutrals" when mediating between the interests of citizens and those of the state.

The "institutional manipulation" to which Andreas Schedler refers is not the exclusive preserve of the autocrat.[21] It also applies to situations in which a small number of economic groups are so powerful that they exercise direct control (beyond influence) on important organs of the state. In Honduras, the machine state prevails as Machiavelli's "instrument of some" and has been unable to transform itself into something that at least feigns neutrality when it mediates between the conflicting interests of its citizens—a function that is vital for the proper operation and social legitimacy of representative democracy.

In such circumstances, there exists the danger that citizens will perceive political society as subordinate to economic society and as unrepresentative of even the organized

[19] The recommendations include the creation of a Minister of the Presidency, who would act as a kind of Prime Minister and that the Legislative Assembly be provided that executive's priority projects and that these be approved or rejected within a reasonable period. See *Informe Final Comisión Presidencial sobre Gobernabilidad Democrática* (San José: January 2013).

[20] Programa Estado de la Nación-Región, *Estado de la región en desarrollo humano sostenible* (San José: 2008).

[21] See his essay, "Authoritarianism's Last Line of Defense," *Journal of Democracy*, Volume 21, Number 1 (January 2010).

sectors, much less the man on the street. In a January 2012 study published by the Universidad Centroamericana José Simeón Cañas, Honduran business people scored highest (83.5 percent) among those in whom respondents had no or little trust. Political parties followed at 82.8 percent.[22]

This perception is precisely what Manuel Zelaya exploited during his presidency. Seeking to serve as the sole mediator, Zelaya distributed scarce resources "fairly" without concern as to the constraints demanded by the separation of state powers—constraints he associated with the maintenance of the oligarchy's privileges. Zelaya proceeded to raise salaries without first considering the fiscal implications of his actions. Taking the average between 2001 and 2010, Honduran salaries accounted for more than 40 percent of spending in the central government's budget, some 10 to12 points above the public spending average in all the countries of the region, including Panama.[23] Zelaya's decisions allowed him to forge political loyalties—especially with the organized sectors of civil society—that still endure today, and the costs of these wage increases were passed on to his successors.

It is true that the resources and example of *chavismo* in Venezuela were key to Zelaya's ascendancy. But it is undeniable that Zelaya's election was also the result of the devaluation of the country's political society (from which he came), and that his justification for nullifying the constitution and disregarding the separation of powers has a basis in Spanish America's trend towards revolutionary liberalism during the second half of the nineteenth century and in the reforming autocrat who faces no constitutional counterbalance.[24]

After the armed forces removed Zelaya from the presidency, as mandated by the country's Supreme Court, absenteeism in the presidential elections of 2009 was striking. Of the 4.6 million people on the electoral registers, only 2,298,008, or 50 percent, voted. Moreover, if we subtract from that total the 61,086 votes that were blank and the 95,534 that were null, the number of valid votes was 1,980,724 and thus the abstention rate actually was 57 percent.

In the November 2012 study *Cultura política de la democracia en Honduras*, 50.6 percent of respondents said that they would not vote in the 2013 elections, 60.8 percent said that they are not loyal to any political party, and only 52.6 percent expressed support for democracy.[25] Moreover, in recent surveys, including the aforementioned CID-Gallup Latinoamérica survey, Zelaya's wife Xiomara Castro had a 25 percent advantage over the other three candidates for president.

The answer to the question posed by Edelberto Torres-Rivas—how much poverty can be borne by current democratic life in Central America?[26]—at least in the case of Honduras, seems to be not much, thereby further weakening its already frail pluralism. Between 2005 and 2009, Honduras' Gini coefficient of per capita household income averaged 0.570, far above the Latin American average of 0.518. In the same period, some 10 percent of the poorest households received 0.6 percent of per capita income while the richest 10 percent received 45 percent, far above the Latin American averages of 1 percent and 40 percent, respectively.[27]

In 2012, the murder rate reached 86 per 100,000 inhabitants (in 2010 the rate was 77 per 100,000), highlighting "the growing and ever more threatening challenge of international organized crime." Not only is the country's political governability at risk but, as Víctor Meza warns in his essay "A propósito de Estados fallidos" (Tegucigalpa, December 2011), also in danger is "the very essence of the state, its operation, and usefulness."

And given Honduras' place in the trafficking of drugs into the United States, it is worth asking: "where is the indispensable nation?"—as least with regard to its cooperation in the fight against organized crime. Through its various agencies, the United States allocated US$350 million to the seven countries in the Central American isthmus, from

[22] See *Percepciones sobre la situación hondureña en el año 2011*, Noviembre-Diciembre 2011 (El Progreso, Yoro, Honduras: January 2012).

[23] See Mauricio Choussy, presentation in a conference organized by the Rockefeller Center and INCAE, *El futuro de Centroamérica: Oportunidades y Retos* (Managua: (March 21, 2013).

[24] In the liberalism of Spanish America in the second half of the nineteenth century, a trend emerged that justified the concentration of power in the executive branch. The aim was to undertake a revolutionary program on the grounds that the separation of powers was simply a trick by the oligarchy to prolong/obstruct the profound changes that Latin American societies needed. See Arturo J. Cruz S, *Nicaragua´s Conservative Republic, 1858–93* (New York: Palgrave in association with St Antony´s Oxford, 2002).

[25] This study was sponsored by USAID, Vanderbilt University, FOPRIDEH, Hagamos Democracia, LAPOP, and Barómetro de las Américas.

[26] See his essay "Centroamérica: ¿Estado débil y democrático?" (Guatemala: August 25, 2012).

[27] See M. Choussy, footnote 25.

Belize to Panama, between 2008 and 2011. According to a September 2011 Government Accountability Office report only US$75 million of this amount has been disbursed (though these amounts do not include resources from the Department of Defense), of which US$7.1 million has gone to Honduras.[28]

El Salvador: The Scarce Becomes Scarcer

It is true that the numerous surveys conducted in El Salvador offer evidence for whichever position one wants to argue, but most of them suggest that political society—as has happened in almost every country in the region—has been devalued in the eyes of Salvadorans. A survey by IUDOP published in December 2012 asked respondents: "How much trust did you have in political parties in 2012?" Some 50 percent said none; 34 percent said little; and only 16 percent had some or a lot of trust. Asked about their preferred party, 49 percent said they had none; 26 percent preferred the FMLN and 21 percent ARENA.[29]

In more recent surveys the percentage of citizens who identify with the main parties has increased, although 65 percent of Salvadorans say that in the next presidential elections they will vote on the basis of the candidate (this share goes up to 81 percent among undecided voters), while 29 percent say they will vote on the basis of party affiliation.

Other surveys suggest that most Salvadorans have a deep sense of unease about the country's situation. In 2001, 54 percent of survey respondents thought that El Salvador was better off than before the peace agreement; however, in 2011, only 35 percent of respondents shared this view. Some 26 percent thought that the situation had not changed and 36 percent believed that it had worsened. When asked, "how satisfied are you with how democracy has worked in the country?" some 10 percent expressed dissatisfaction and some 47 percent said they were only a little satisfied. Only 34 percent and 8.8 percent indicated some or a high level of satisfaction, respectively.[30]

A possible explanation for these numbers is that scarce resources have today become ever scarcer. This leaves political society—even if its leaders were angels, to paraphrase James Madison—with very difficult problems of mediation. It is estimated that average economic growth in 2010, 2011, and 2012, and expected growth for 2013 and 2014, will be less than the 2.1 percent of the average from 2000 to 2004. Such figures are even more striking given the estimates of Francisco de Paula Gutiérrez (mentioned above in the discussion of Costa Rica) in determining how many years it might take the Central American countries to double their per capita GDP in real terms if recent trends persist.

There are several hypotheses as to why growth is so weak. These always highlight the country's deficient investment rates. As Sebastián Edwards argued in 1999 and as Hausmann, Rodrik, and Velasco later elaborated, rates of capital formation of 21–23 percent of GDP are necessary for El Salvador to escape from what FUSADES later termed "the long phase of deceleration" it began

[28] See GAO report, *Senate Caucus on International Narcotics Control* (Washington DC: January 30, 2013).

[29] IUDOP, survey conducted November 16–22, 2012.

[30] See Jeannette Aguilar, "Retos actuales de la democracia en El Salvador", presentation in a conference organized by the Rockefeller Center and INCAE, *El futuro de Centroamérica: Oportunidades y Retos* (Managua: March 21, 2013).

Table 5. Years to Double Per Capita GDP

	Per capita GDP $US	Growth rate 2010–12	Population rate	Per capita GDP rate	Years
Guatemala	3,302	3.3%	2.4%	0.9%	79.2
El Salvador	3,799	1.4%	0.6%	0.8%	87.5
Honduras	2,178	3.6%	2.1%	1.5%	47.5
Nicaragua	1,671	4.4%	1.4%	3.0%	23.8
Costa Rica	9,641	4.8%	1.1%	3.7%	19.3
Panama	9,572	9.7%	1.7%	8.0%	9.2

experiencing in 1996.[31] From 1990 to 2005, the country's average investment rate stood at 17.4 percent of GDP, a rate that makes satisfactory growth extremely difficult.[32]

I have proposed a political explanation for insufficient growth and low investment rates. When political society is polarized and the main political parties are unable to agree on the basic aspects of the economic model, private sector decisions about investments are interrupted by electoral uncertainty every 20 months, not to mention public infrastructure investment and the bothersome legislative procedures for authorizations of loans abroad.

Moreover, since the signing of the peace agreement, the traditional elites through ARENA presented to Salvadorans the promise of a more prosperous society as long as pro-market reforms were deepened. The public sector gave in to privatizations, including the privatization of pension funds, and ended up dollarizing the economy. El Salvador then proceeded with the negotiation and ratification of CAFTA, with the expectation that FDI flows would finally come to the country and that El Salvador would be able to use the accord as an export platform to the United States, taking advantage of the country's geographic proximity and the rule of origin advantages connected to CAFTA.

So what other rabbit does the magician still have in his hat to keep the audience distracted? The question is important in a country with a per capita GDP of US$3,799 (more than double that of Nicaragua but not even 40 percent that of Costa Rica), and with a large number of citizens who see themselves as middle class—not so much because of their income but because of their aspirations. I dare to suggest that Salvadorans in urban areas, without question in San Salvador, aspire to belong to the middle class Jorge Castañeda describes in his work on Mexico—a middle class that wants "a small but decent home; a car; access to credit; the usual set of durable goods (television, refrigerator, washing machine, computer, fixed or cellular phone); yearly vacations, however modest; [and] access to healthcare and public or private education that might be good or mediocre but that allows some assurance of social mobility."[33]

El Salvador's political society, whether the parties are on the left or right, confronts a citizenry whose expectations are beyond their capacity to deliver. Many in the country remain frustrated after having moved above the poverty line, only to fall back below it or remain merely within the margins of the middle class. As FUSADES researchers have argued, since El Salvador has posted the lowest economic growth rate in the whole of Latin America for five consecutive years, it can be expected that the number of formal sector jobs will decline and that the percentage of Salvadorans classified as poor will increase from 38 percent to 48 percent of the population within five years.

Without economic growth, tax revenues (even though the tax intake has increased as a share of GDP to 15.5 percent in 2012) are insufficient to manage the country's moderate fiscal deficits and give the state the resources needed to tackle the tensions and pressures that every government has to face, and which I discussed in the first part of this essay. El Salvador's oil bill in 2012 was more than US$2 billion. In the same year, state subsidies for gas propane, public transport and electricity amounted to US$400 million, almost 10 percent of the state's revenue from taxes and donations.[34] Moreover, unlike Costa Rica, El Salvador does not have the space to acquire public debt, especially abroad. In 2012 El Salvador's central government debt reached 57 percent of GDP, only two percentage points less than the rate it experienced in 1991.

In this context, in which a country appears to be "economically trapped," it is very likely that in the next presidential elections a high percentage of Salvadorans will abstain from voting. Between 1978 and 2000, the two countries with the highest rates of abstention among 18

[31] See *Crecimiento con participación: Una estrategia de desarrollo para el Siglo XXI* (San Salvador: Study by FUSADES, 1999).

[32] See "Growth Diagnostics" (Cambridge: John F. Kennedy School of Government, Harvard University, March 2005).

[33] Quotation taken from Arturo J. Cruz-Sequeira, "Socialismo, distribución y clase media", Volume 1, Number 9, *INCAE Business Review* (San José: September–December 2009).

[34] See Ministerio de Hacienda, *Diagnostico de las Finanzas Públicas de El Salvador* (San Salvador: November 6, 2012).

Latin American nations were El Salvador and Colombia.[35] It was not until 2004 that the voters' spirit was reanimated, a consequence of both fear and hope. In elections that year, 66 percent of registered voters cast a ballot, with ARENA candidate Antonio Saca winning a higher number of votes than all those cast in 1999. The 2009 elections, though, were marked by a low abstention rate, partly because of the candidacy of Mauricio Funes for the FMLN, the candidate of the aspirational middle class, just as Saca had been in his day.

Without fear and hope—the great emotions of electoral contests—voter indifference could be the predominant form of conduct in the future. In a context of citizen indifference to politics, there is a danger that politics will be reduced to transactions among the organized sectors, with each party or group struggling to preserve its share of public income—and economic stagnation has made that income insufficiently elastic to accommodate the interests of "everybody." The capture of public office becomes a basic goal in such a struggle, partly because those positions bring income to the people who hold them, but also in an effort to weaken the independence of state organs, especially the bodies responsible for overseeing those who allocate the scarce resources available.[36]

The Constitutional Chamber of the Supreme Court, whose members are elected impeccably in line with the formal procedures instituted for that purpose, issued 10 rulings of great importance for Salvadorean politics between July 2010 and July 2012. These are detrimental to the parties that are most representative of the middle sectors, of emerging economic interests, and of "professional politicians" who live on income from public office. These groups have joined forces in a diverse coalition, one motivated solely by interests, to bring about the revocation of the Court's rulings. To the leaders of these parties—the FMLN, GANA, PCN and PDC—the Court represents the interests of economic society and the organized sectors that have no access to public income, and therefore, as the Marxists of yesteryear and the revolutionary liberals of the second half of the nineteenth century would argue, legal formalism is nothing more than an expression of the correlation of social forces.

The situation in El Salvador is complex: with a devalued political society and voters tempted by indifference; an economy that is not reviving and that remains dependent on remittances; with an ideology-free struggle for control of politics between historical capital (with a lot of liquidity and few businesses) and emerging groups linked to the middle sectors. Assuming that in the next five-year presidential term (irrespective of who wins the 2014 elections) the economic situation of Salvadorans fails to improve, if citizens keep seeing in politics those transactions that only benefit the parties and the organized sectors, the big loser will be the credibility of the entire political system. The FMLN cannot be seen as separate from this, because in recent years its leadership at least has become "one more" of those capturing state income. Such a vacuum would be akin to the natural society of Hobbes, more prone to violence, lacking any sense of the common good, and in which citizens would be tempted to find relief in the political model of the "dominant power," the hottest circle of the gray-zone hell posited by Carothers (see footnote 6).

Guatemala: Representative Democracy and Political Society

Guatemala is a country of contrasts, between the magnificent Guatemala City, home to 22 percent of the country's population, and the poverty of the highlands, where more than half the population resides. The latter are divided into more than 20 indigenous language groups, each with its own cultural features and ancestral rivalries that hinder the birth of a broad "indigenous movement" that would give coherence to their demands and allow them to be participants in the allocation of scarce resources.[37]

This might explain why the tax intake in Guatemala is one of the lowest in Latin America. Because the majority of

[35] According to the IDB study *Politics Matters* (Washington DC: 2003), in El Salvador, taking the average of the presidential elections of 1989, 1994 and 1999, only 47.9 percent of registered voters cast a ballot and only 41.9 percent of those of voting age. Moreover, while it is true that Francisco Flores won in the first round with 50.2 percent of the valid votes, in 1999 the rate of abstention was 54 percent of registered voters and 62 percent of those of voting age.

[36] See FUSADES, Department of Legal Studies, Number 40, "Oportunidades de cambio: Próximas Elecciones de Magistrados de la Corte de Cuentas de la Republica" (San Salvador: March 2011).

[37] Of the 158 deputies elected in 2011, only 21 are indigenous, 13.2 percent of the total. For these figures see A. L. Blas, "Contexto: La reforma a la Ley Electoral y de Partidos Políticos en marcha", in *Actualidad Política: Revista de Análisis Político de Guatemala* (Guatemala City: September 2, 2012).

the population is comprised of the unorganized, the allocation of resources is carried out by the urban minorities.

In the first elected government of the Christian Democrats in 1985, tax revenue stood at 8 percent of GDP. In 2001, it peaked at 12 percent (as stipulated in the peace accords negotiated between 1987 and 1996), and then fell to 10 percent in 2009. In 2011, it was 11 percent, most of which still comes from indirect taxes. During the government of Álvaro Colom, his wife Sandra Torres sought to use public spending to create a base of clients in the highlands. Even in moments of fiscal exuberance the deficits barely exceeded 3 percent of GDP (2009 and 2010), while the debt of the non-financial public sector—which rose by four percentage points during the four years of the Colom government—did not surpass 24 percent of GDP in 2011.[38]

Since the 1985 elections, Guatemala's representative democracy has been characterized by a political society prone to volatility and fragmentation, lacking stable parties that endure as mediators between the state and society. Hence the Christian Democrats that won the presidency in 1985 with 68.4 percent of valid votes failed to win even 1 percent in 2007. In the first round of the September 2011 elections, 12 parties contested the presidency either alone or in coalitions, while 17 parties sought to win seats in the National Congress. In 2011, according to Eduardo Stein, there were 27 registered parties in Guatemala and another eight going through the process of legalization.[39] Jonatán Lemus explains such an abundance of parties partly by the absence of internal party democracy, a lack of succession mechanisms, and minimal institutional consolidation. These circumstances allow the traditional political elites to block the leadership and ambition of younger generations. The latter then choose to form their own political groups that, like those they abandon, have no "ideological definitions and programmatic platforms."[40] The parties thus become creatures of those who organize and finance them, either to trade favors, impede proposed laws, or serve as electoral vehicles that are abandoned as soon as candidates win the presidency or other elected offices.

[38] See IMF, *Country Report* No. 12/146 (Washington DC: June 2012).

[39] See E. Stein, presentation for the Inter-American Dialogue, Central America Working Group (San Salvador: May 12, 2011).

[40] See Jonatán Lemus, "Teorías de la democracia interna: Causas, efectos y viabilidad en Guatemala", in *Actualidad Política: Revista de Análisis Político de Guatemala* (Guatemala City: September 2, 2012).

Can a representative democracy work if it lacks a compact and stable political society?

With some parentheses, Guatemala's representative democracy has enjoyed almost 30 years of regular operation: 17 elections have been held successfully, seven of them national polls, and those elections and the institutions responsible for organizing them were not questioned as irregular or fraudulent by relevant actors. Ana Lucía Blas (see footnote 39) has highlighted the strong participation of Guatemalan voters in the recent elections, in which more than 70 percent of the 7.3 million registered voters cast a ballot.

But such fragmentation makes it very difficult for legislative projects to advance, especially on fiscal matters. Not to mention, the distribution of deputies in Congress changes significantly from one year to the next (see Table 6). This reality suggests that there exists an "informal" mediator between the state and society, one that is not concerned by the lack of strong parties and a state with sufficient resources to carry out its most "essential" functions. Paradoxically, traditional economic society and its associations such as CACIF (Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations) emerged dominant from the peace agreements without the need for support from the armed forces, its ally during earlier periods. As entrepreneurs, the 10 main groups of Guatemala's economic society are exemplary. They have carried out their activities effectively and efficiently, and are firm believers in the idea that private initiative—with "politics" doing the least damage possible, including levying taxes—is what will bring about the economic development of the country.

Recently, however, a new question has arisen in Guatemala: can a political society so weak and fragmented, and a state with so little to distribute, resist cooptation by organized crime?

After the conclusion of the peace agreements, Guatemala's coercive apparatus shrank, especially compared to its scale in the 1970s and 1980s. After so many military interventions in the country's political life and a "counterinsurgent" war in which the armed forces brutally violated the human rights of their fellow citizens, the dwindling of the coercive apparatus of the state was received with enthusiasm inside and outside of Guatemala.

Today, though, who can downplay the threat international drug trafficking poses to the integrity of the Guatemalan state? In recent years the army's budget has averaged 0.3 percent of GDP, and though the National Police—according to various estimates—has between 17,000–25,400 officers (more than the 15,500 soldiers), citizens do not trust it. This distrust has generated demands for the reconstruction of the police force and calls for the presence of soldiers on the streets and highways.[41]

Álvaro Uribe's success in the fight against organized crime in Colombia owed much to the strengthening of the state's coercive apparatus. The number of police officers and soldiers rose from 313,000 in 2002 to 436,000 in 2010, thereby reviving the state's capacity to exercise its authority throughout Colombian national territory. It is true that Uribe had the support of Plan Colombia, financed by the US government, but it is also true that he took tax-related measures, such as taxing the assets of those with higher incomes.

In the 2011 elections, as the candidate of the *Partido Patriota*, Otto Pérez promised to increase Guatemala's tax revenue to 14 percent of GDP by the end of his term. The aim was to continue, using new names, the clientelist social programs of Sandra Torres. But it was also to revive the state's capacity to exercise its authority and safeguard citizen security. In his first year as president, Pérez achieved the impossible: congressional approval of a tax reform that seeks to raise the tax intake to 12.5 percent of GDP by the end of 2013, and to foster the creation of more formal sector activity in a country where informal transactions prevail. But the legality of the Budgetary Authorization Law is being questioned in the courts, precisely at a time when the Guatemalan state is on the defensive and needs resources to regain the ground lost to international drug trafficking in Petén and Huehuetenango, and to strengthen its presence in its eastern provinces, including, Zacapa, Chiquimula, and Jutiapa.[42]

In surveys from late 2012, when respondents were asked to identify three current leaders in Guatemala, those most mentioned were President Otto Pérez Molina (82 percent), Manual Baldizón (69 percent), and in a distant third place Eduardo Suger (28 percent). One of the striking things about these results is the percentage for Baldizón, head of the Líder party— whose number of deputies rose from 14 in 2012 to 40 in 2013 (see Table 6). As a presidential candidate in the first round of elections in September 2011, he won a notable 22.7 percent of the vote. Baldizón's emergence on the Guatemalan political scene has been sudden and strong. That, coupled with his political and business origins in Petén, has prompted high levels of speculation in Guatemala. Nonetheless, in a political society lacking major, stable parties and with low barriers to entry, the emergence of someone with Baldizón's profile should not come as strange, since he has plentiful resources and a generous menu of electoral promises.

Table 6. Distribution of the 158 Deputies in Congress 2012–2013

Parties/ Coalition	Type	2012	2013
Patriota	Government	56	54
UNE + GANA	Previous government	48	14
Líder	M. Baldizón	14	40
Creo	Students	12	8
UCN	Portillo	14	5
Viva	Evangelicals	6	5
PAN	Founded by Arzú	2	2
Frente Amplio	R. Menchú	2	2
Victoria	Family party	1	1
Unionista	New Arzú party	2	3
FRG	Ríos Montt	1	1
Todos	Alejos-Cohen		15
Independents			8

[41] The Catholic Church is the institution most trusted by Guatemalans (with 70.2 percent), followed by Evangelicals (64 percent) and the army (59.5 percent). Prominent among the least trusted are political parties (36.1 percent) and the National Police (34.9 percent). See Barómetro de las Américas (LAPOP), *Guatemala: Informe de país* (2012).

[42] It should be noted that 95 percent of the cocaine entering the United States crosses the maritime and land borders with Mexico. Of that, about 60 percent first transits the Central American isthmus. Guatemala is the main link in the chain. See Congressional Research Service, *Central America Regional Security Initiative: Background and Policy Issues for Congress* (Washington DC: March 30, 2011).

Conclusion

While Daniel Ortega enjoys inflows of Venezuelan cooperation and the expectations of his compatriots remain modest, most Nicaraguans will see his management of the government as effective, regardless of his government's legality and legitimacy. Moreover, the FSLN of yesteryear, the party of cadres with an ideological background, succumbed to Nicaraguan political tradition and became the instrument of one family—as happened to the country's historical parties, which have their roots in the prominent families of colonial Nicaragua.

The fact that the FSLN has lost its revolutionary essence does not detract from its sense of organization and capacity to "resolve" the most immediate needs of its clients. This capacity to resolve matters has been enhanced by the Sandinista party's control over the country's local administrations. At times, party management is so efficient that when there is a death in a poor neighborhood or district, it is the Sandinistas representing Daniel Ortega who provide the coffin for the deceased, the black coffee served to mourners who keep vigil over the body, and the local administration's pickup truck to take the deceased to the cemetery the following day.

But what would happen to the Ortega government if Venezuelan cooperation were to disappear, as happened with aid from the Soviet Union at the end of the 1980s? Moreover, what would happen if traditional cooperation from institutions such as the Inter-American Development Bank ceased to flow at the levels of recent years? What would happen to the model of "responsible populism"? Furthermore, suppose that the Ortega government endures, the economy continues to grow at satisfactory rates, and Nicaraguans' expectations become higher, giving Nicaraguans a greater sense of citizenship over clientelism. Will it be then that his government faces a kind of "political gap," as outlined by Huntington in his 1968 classic (see footnote 3), the same as that which confronted Somoza at the end of the 1970s?

For its part, Costa Rica's political society—dominated by two or three major parties—which was able to mediate successfully between the state and society, is now fast losing social legitimacy. In 2014, the electoral scene will feature 14 parties presenting candidates. The results could atomize the distribution of deputies in the Legislative Assembly, thereby hampering the passage of laws such as tax reform that are necessary if Costa Rica's fiscal accounts are to be put in order. If that electoral scenario materializes, it will be like the Guatemalan election of 2011 in which, as we saw earlier, there were 12 parties contesting the presidency and 18 seeking congressional seats. In Honduras, the historical parties—after enjoying total domination—have been losing loyalists at a dramatic rate. The messianic figure of Zelaya, through his wife's candidacy and a new party, has returned to the center of Honduran politics. In El Salvador, beset by an economy that is not growing, political society has also been devalued in the eyes of the citizenry, which is increasingly skeptical about the country's future.

To return again to Carothers's categories, as I have done throughout this essay, Central America's representative democracies have either regressed to a political model of dominant power, or run the risk of transforming from a consolidated democracy into a weak form of pluralism, or could transform from weak to even weaker forms of pluralism.

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