BUREAUCRATIC POLITICS AS A CAUSE OF GOVERNMENT GROWTH: 
THE CASE OF COSTA RICA

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ABSTRACT

BUREAUCRATIC POLITICS AS A CAUSE OF GOVERNMENT GROWTH: THE CASE OF COSTA RICA

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This research examines the relationship between bureaucratic politics, incentive structures, and government growth. The basic assumption of this work is that actors behave in the fashion they determine will maximize their utility. What action maximizes an actor's utility depends on the organization of the country's political system. The structural and institutional constraints of a country's political system influence an actor's behavior by determining what options are available to him, and what benefit he receives from different types of activities. The organization of a country's political system influences the size of the government because it is this organization that determines whether or not bureaucrats will maximize their utility by producing services efficiently.

This proposition about a relationship between the organization of a country's political system and the size of its government is tested through an examination of bureaucratic politics in Costa Rica. Case studies are presented of how the Agricultural and Health Sectors of the Costa Rican bureaucracy function. From this information, and from data gathered from interviews with deputies and interest group leaders, a mathematical model of Costa Rican bureaucratic politics is developed. The model includes six actors: the agency, the executive, the legislature, the in-power party, and two competing interest groups. Each actor tries to maximize its utility; however, its chances of doing so are affected by the behavior of other actors in the system. How actors can communicate is a product of the organization of the political system which determines how an actor can try to maximize his utility, and hence how other actors can communicate with him, by affecting his utility.
Through simulation it becomes apparent that the Costa Rican system does not always induce agencies to produce services efficiently. If an agency has its own policy/service production goals, and they exceed the amount of service desired by the executive, then the agency is forced to produce efficiently in order to achieve its goals. However, if an agency does not set high service production goals for itself, then the organization of the Costa Rican system allows bureaucrats to maximize their utility by not producing services efficiently.
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Chapter One - Introduction

This work expands the existing formal analysis of bureaucratic politics to a new setting by looking at the case of Costa Rica. Bendor and Moe (1985), in their analysis of bureaucratic politics in the United States have shown that the structural and institutional organization of the U.S. system affects the incentives actors have to produce services efficiently and to be attentive to the wishes of other actors. Hence the organization of a political system has an impact on government growth and how such growth can be directed and controlled. In this work the generalizability of this relationship between bureaucratic politics, incentive structures, and government growth is tested through applying Bendor and Moe's method of simulation to the study of bureaucratic politics and its relationship to the causes of government growth in Costa Rica. By looking at such a different system we can learn, through a quite stringent test, whether the organization of the political system of a country is in general a factor causing government growth and hence the relationship can be elevated to the level of theory. If a general relationship between bureaucratic politics and government growth is not found, then it is possible that the existing knowledge is only applicable to economically developed, western, First World countries; or possibly it is even system specific to the United States.

Costa Rica provides an interesting "most different systems" test of the generalizability of the current hypothesis. The form of government in Costa Rica has been undeniably democratic since the 1948 revolution. However, there are several differences in the structural and institutional constraints of U.S. and Costa Rican bureaucratic politics, that currently accepted political "theory" would lead us to believe are significant (e.g. - constraints on the reelection of legislators, the organization of the bureaucracy, the role of parties). If these differences are significant in reality, then a theory of bureaucratic politics should not be generalizable for the United States and Costa Rica, and the relationship between bureaucratic politics and government growth should not be the same
in the two systems. But if, on the other hand, a theory of bureaucratic politics is generalizable, which will be shown to be at least partially the case, then we will have learned several important things from this investigation. First, and foremost this analysis will show us that some of the structural and institutional constraints that have been assumed to be significant influences on the behavior of political actors, such as the possibility of immediate reelection, in actuality are not the only or the key determinants of how actors will behave. Second we will learn that the theory is indeed generalizable to outside of the United States, and even to democratic governments outside of the First World. Third, and possibly the most significant finding will be a list of the forces that are built into the Costa Rican political system that cause the government to grow.

Why Study the Phenomenon of Government Growth

For readers who are skeptical about the need to study government growth, it is helpful to outline why such a study is an important research question. The phenomenon of government growth is of interest because it has wide ramifications both internal to government, and outside of the government on a country's economy and society. First, however, it is important to clarify that this research about bureaucratic politics is only looking at one of the many potential sources of government growth.¹

The desire to understand why governments grow continues in a vein that has long been of concern to philosophers of democracy. Their goal was to design a structure for democratic government in such a way that public officials would feel the necessary incentives to make policy in the best interest of the governed. Theoreticians of democracy from Aristotle to Woodrow Wilson have understood the importance of such incentives. However, students of democracy

¹ Governments can grow in scope if citizens demand more services of their government, and the government complies. How this happens is not the subject of this study however. Also, the cost of government can rise if, due to an increase in the country's population, the government wishes to continue to provide the same level of services to more people.
have not devoted much time to studying the effectiveness of the existing incentive structures in extant democratic constitutions; or to investigating why the relationship between the governor and the governed, as it presently exists, often falls short of producing a government that addresses the needs and demands of its people. Woodrow Wilson (1887) long ago outlined the parameters for this research. He explained that governmental administrations, and/or students of public administration need to devise incentives that will induce elected officials and bureaucrats to perform their tasks with optimal efficiency and at minimized costs. To rephrase the previous statement in more modern language, this means that costs and benefits must be devised that make it in the best interest of the government official to produce services efficiently, i.e. - so that he understands that by providing services efficiently he will also maximize his own personal benefit. This study of the forces within a system of bureaucratic politics that produce government growth includes an investigation of what incentives the political system under investigation provides for its elected officials and bureaucrats to attend to the needs of the citizenry, and to produce efficiently. Through case studies and simulation it examines the incentives the various participants in Costa Rican politics have for action, and where the existing incentive structure falls short of inducing government officials to produce services efficiently.

Another way in which government growth impacts on the internal workings of a government has to do with the efficiency with which the government grows. The efficiency of a government determines how much service the government produces, versus how much slack the bureaucracy stores. If a government learns to produce a service more efficiently, or because of technological advancements is able to produce the same amount of service at a lower cost, then funds the government already has become available for producing more services or lowering taxes.

2 Slack is the part of the bureaucracy's budget that it does not use to produce services or enforcement of regulations, and that it instead diverts to padding, such as office improvements and hiring excess employees.
Previous research about the causes of government growth has not linked its results to the macro-economic problems that are external to the government. Macro-economic problems may be a cause of government growth, and they may also be caused or exacerbated by that same growth. Many of these problems are the source of great concern to both the governors and the citizens of developing countries. One such problem is that an expanding public sector is often financed with borrowed money. Economists and international lending agencies such as the World Bank and the International Monetary Fund warn that unbridled government growth is dangerous to the country's economy, because when the government borrows money those funds are then not available to the private sector for investment. Under such an interpretation, as government expansion increases, it risks stifling the private sector of the economy.

Government growth is also commonly thought to be one of the causes of the large international debt currently held by many developing countries. Many countries are caught in the difficult position of not being able to make their debt payments, or knowing that if they do pay they will have little or no funds left with which to develop their country. Frequently the international lending agencies and foreign banks, to whom these countries are appealing for debt restructuring, require that the size of a country's government be reduced as a condition for extending the existing debt and for granting new loans. If governments comply with these requirements, and it appears that they must at least try, then they need an understanding of what is causing the growth so that they can respond to it intelligently by cutting back bureaucratic slack instead of services. Then governments can hopefully prevent the rebellion of citizens who fear losing services that are essential to maintaining

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3 Costa Rica's foreign debt seemingly peaked in 1986 when it was equal to $4.3 billion. In 1987 the debt went down to $4.1 billion, or $1,464 per person in a country where the gross domestic product per capita in 1987 was $1,510. However, Costa Rica's debt is still one of the highest per capita in the world. (source: World Bank, World Debt Tables)
their quality of life. Reactions to international lending agency loan restrictions, such as the riots in Venezuela in early 1989 that lead to the loss of lives, are destabilizing to a democratic form of government, which is already a fragile and scarce commodity in the developing world.

A further reason for studying government growth pertains to increasing our knowledge about the forces producing the growth and about the incentives a political system provides its workers to produce efficiently. If a government does not produce services efficiently, and yet it still tries to answer all the demands made on it by citizens, the government may grow beyond the capacity of the country’s economy to support it.\(^4\) The ensuing economic crises can lead to government instability and the eventual downfall of democracy (e.g. - Uruguay in 1973, Brazil in 1964). Even if such drastic consequences do not occur, a government that expands inefficiently is not producing as many services for its citizens as it could, and thus is a government that, according to the philosophers of democracy, needs to be reformed. Through increased understanding of existing incentive systems and exploration of alternative means of making efficient production be in the best interest of the elected official and bureaucrat, political science can build theory about how it would be possible to undertake such reforms.

In the future the bureaucratic politics and government growth literatures can be expanded further to include study of the causes of government growth in authoritarian systems. Government growth is seemingly a universal occurrence. Therefore political science should work toward expanding its knowledge so that we know if growth has general causes that are external to politics, along with catalysts to growth that are related to specific types of political systems.

\(^4\) Though the government could grow beyond the capacity of the economy to support it, even if it produces services with maximum efficiency, if demands are great enough.
The Literatures that Support our Understanding of Bureaucratic Politics and About Possible Causes of Government Growth

There is no one body of literature that has led to this study of the relationship between bureaucratic politics and government growth. Though this research, particularly the methodology, builds directly on Bendor and Moe's (1985) work about bureaucratic politics in the U.S. government, there are many literatures that come to bear on this type of analysis. The existing work studying possible causes of government growth provides interesting "food for thought," but most of it has not born up well against actual testing. (Berry and Lowery 1987) Also, in order to construct a dynamic model of bureaucratic politics it is essential to examine the literatures about executive-bureaucratic and legislative-bureaucratic relations. These works are predominantly about U.S. politics, but as was stated above, the United States and Costa Rican systems have much in common, and thus the U.S. literature should prove quite useful for this study. Also, work about Costa Rica, and Latin America in general, concerning inter-institutional relations is limited, and thus we must turn to the U.S. literature. Finally, past work has only examined in a limited fashion the interactions of institutions and actors in politics and how these interactions can contribute to government growth. (Bendor and Moe 1985; Dodd and Schott 1979) Thus we are not able to start from the advantaged position of already having a wide body of knowledge at our disposal. However, with all of the above literatures as a foundation, and working with Bendor and Moe's model and findings as a base, we can construct a model of Costa Rican bureaucratic politics, and contribute to building up such a literature.

The government growth literature. Studies of why governments grow at the rate they do generally have focused on either demand driven or supply driven explanations. Rarely have the two been viewed together so that their combined effects can be considered. One result of this narrow view of what causes government growth is that it has produced a large body of single-factor explanation research, that while interesting in its in-depth focus on one possible cause of growth, has not been able to explain
much of the growth at the national or system level. Thus, in this work both demand and supply forces for growth will be incorporated into the model, as they are also both included in Bendor and Moe's model of U.S. bureaucratic politics. However, a review of these single-factor explanations will provide a useful basis for the present analysis by enabling us to benefit from the experiences of other scholars who have tried to explain why governments change size.

Demand driven explanations of government growth. Lowery and Berry (1983) refer to demand driven explanations of government growth as "responsive government explanations" where "any changes in the size of the public sector are viewed as a function of national economic and technological processes, changes in the preferences and tastes of the public as expressed via institutions for representative government, or both of these." (Lowery and Berry 1983, p.667) Government is not seen as amplifying or diminishing service demands, but rather as simply channeling demands to the appropriate part of the bureaucracy. Examples of such theories include the following.

The oldest of the demand driven explanations is "Wagner's Law of Rising Public Expenditures." (1887) Wagner's Law states that as a country becomes more economically affluent, people make demands for more services and the portion of the Gross National Product used by the government increases due to the greater than one elasticity of demand for public expenditures. (Mann 1980) The logic behind this argument is that people view many goods that are traditionally provided by the government as luxuries (e.g. - public recreation centers, national parks) that are not considered to be necessities until a certain threshold level private living standard has been achieved by a threshold portion of the population. Once the threshold has been passed citizen demands for services rise faster than the Gross National Product increases, and the government grows. This theory is of particular interest for explaining growth in the Costa Rican case because Costa Rica would very probably qualify as a country that had crossed the "threshold" during the 1970's years of
unrestrained government growth. Thus it signals the potential importance of newly formed interest groups and demands for new "luxury" services as a source of growth.

Another explanation of growth, also stemming from Wagner, is that industrialization and urbanization lead to greater interdependence in a society. This interdependence spurs people to demand that the government provide solutions to society's new problems. (Borcherding 1977; Sharkansky 1967; Dye 1966)

Increased international openness of a country's economy has also been hypothesized to lead to new citizen demands for government services. As countries become more reliant on other countries for import goods that begin to be thought of as essential, and for markets for their own exports, people become more vulnerable to fluctuations in their currency's exchange rate. When outside forces shock the country's economy (e.g. - a drop in the exchange rate or an unexpected decrease in the demand for a country's major export product which produces a shortage of foreign exchange for buying imports) the government is lobbied to provide protection against the swings in prosperity caused by an internationally linked economy. (Rose 1984; Cameron 1978) Again, this is a theory that is of particular interest when studying government growth in predominantly agricultural, Third World countries.

Expanding awareness of the standard of living of others, both those better and those less well off, has also been put forth as an explanation for increased demands for services being placed on the government. Though inequality may have existed for a long time in a society, a new awareness of the inequality due to improved communication causes people to want change. In such cases the government is seen as the great equalizer. (Jennings 1980; Tarschys 1975) This theory has yet to be adequately tested due to problems with operationalizing many of the key terms. However, the idea is of obvious interest when studying the causes of government growth in a developing country, particularly in Costa Rica which has very modern and far reaching communication systems.
Supply driven explanations of government growth. Theories that claim that the impetus for government growth comes at least in part from within the government are generally “government as the culprit” explanations.

The father of the government as culprit explanations is William Niskanen. In 1971 he published his book *Bureaucracy and Representative Government*, which is based on the assumption that government agencies have a monopoly on information about the cost of service provision and the demand for services and that bureaucrats want to maximize their budgets. With this power bureaucrats can, and will produce more of a service then is optimal for society, or they can increase their slack by padding the costs of service production. Niskanen’s thesis has met with much criticism because of its overly limiting assumption that only bureaucrats have access to information and that elected officials are totally at their mercy. There have also been objections that elected officials and voters are lumped into one, which does not accurately reflect the workings of the real world. However, Niskanen’s work does open our eyes to the possibility that an inadequate system of checks on the claimed cost of service production may be a source of increasing government costs. It has also led to increased investigation in the United States of how well the oversight powers of elected officials function.

More recent work building on Niskanen (Bendor and Moe 1985, 1986; Romer and Rosenthal 1979) generally takes into account that elected officials are not totally powerless and ignorant when dealing with bureaucrats. However, an inequality of information that favors the bureaucrats is still assumed. Romer and Rosenthal acknowledge that the bureaucrat is constrained by the service desires of the median voter. However, working within that limit they claim that government agencies can and will strive for the maximum budget and maximum amount of slack that is obtainable.

Another government as culprit explanation claims that by hiding the true cost of services, government can induce citizens to request more of a service then they would want if their decision
calculus included the real cost of the service. (Goetz 1977) Costs can be "hidden" by paying for services through automatically withheld income taxes instead of billing people directly for the services they use. Financing projects with loans, which pushes payment into the future, also artificially reduces the currently felt cost and thus distorts decision-making. Fiscal illusion theories, however, have faced the difficulty of lack of agreement about which types of taxes are illusionary and which are not. If paying for services through taxes of any sort makes it difficult for people to calculate the cost of publicly provided services, as often appears to be the case, then fiscal illusion may have an effect on the amount of services demanded by citizens, but it does not play a role in the changing size of government. (Berry and Lowery 1987, p.44)

An electoral connection to government growth has also been proposed. (Tufte 1978; Gray 1976; Fry and Winters 1970; Key 1949) Some of these theories come from V.O. Key's research showing that governments will try to cater to the large potential block of voters made up of the poor by providing them with services, or by offering them services if the campaigner is currently out of power. Other theories are based on the idea of a "political business cycle" with projects that will appeal to the electorate being implemented when they will have maximum impact on votes, i.e. - right before the election. The goal of such actions is winning votes and not necessarily the efficient provision of services at socially optimum levels. However, along with a lack of empirical support, a major shortcoming of these theories, as pointed out by Stein and Bickers (1989), is their inability to predict the shrinking of governments.

Another elections and voting oriented approach to explaining government growth focuses on the percentage of the electorate composed of public sector employees. The idea at work here is that if government employees are a significant percentage of the voting populace, they can influence which candidate or which party wins elections by "selling" their votes in return for implicit or even explicit agreements about their wages. (Courant, Gramlick and Rubinfeld 1979; Buchanan and Tullock 1977) Empirical support in the
United States for this explanation has been limited and indirect. However, the policy implications of a distinctive government employees sector of the voting populace should be considered in developing countries where the government often employes an even higher percentage of the population than it does in more developed countries. For example, in Costa Rica the central government in 1987 employed 7.29% of the workforce and government autonomous agencies employed another 7.87%. These figures are down from a total government workforce of 25.23% of the working population in 1979. (source: Ministry of Work and Social Security, Encuesta de Hogares)

Comparative literature. As was mentioned above, a review of the literature about government growth is almost entirely limited to work conducted in the United States, and almost always about the United States. Though some research has been done comparing rates of government growth in First World, "developed", western, democracies (Peretz and Heaphy 1987; Cameron 1978) it has generally had as its goal to explain variations in growth rates, and not to explain what forces cause the growth initially. However, among the students of this question there is still debate about whether cross-sectional or time series data is most appropriate for testing hypotheses about the possible causes of government growth. Also, because the hypotheses examined in these comparative works usually do not look at the structure of government as a possible cause of growth, they are only of tangential interest here.

It is important to note that though the phenomena of often rapid government growth in the Third World has been of interest for the last decade to international lending agencies such as the International Monetary Fund, the World Bank, and the U.S. Agency for International Development, it has not yet found its way into comparative political science research about the Third World. Studies of government growth, beyond documenting its existence, are noticeably lacking in Third World area studies and country study literature. Even in the case of Costa Rica, which has been feeling strong pressure from its international creditors for several years to
halt government growth, there is no theoretical work about the causes or forces driving the growth. Though government offices such as the Ministry of Planning have written working papers explaining laws that were designed to limit growth or to streamline the interaction between government entities, these papers are not of a theoretical nature. Hence we must look to the work done in and about the United States to find a theoretical basis and background literature for this work.

**Executive-bureaucratic relations literature.** In summary, this literature tells us that executive control of the bureaucracy is far from complete, despite the U.S. president's title of "Chief Executive." (Benze 1985; Garand and Gross 1982) A list of reasons has been developed explaining why, in reality, the president has so little control over the bureaucracy that is supposed to work for him. For example, the president appoints, with Senate approval, and can dismiss Secretaries, but most agency business is carried out by career bureaucrats who generally serve in their positions for many more years than does the president. Also, the interrelationships between agencies, interest groups and congressional committees have been found to facilitate agencies resisting direction from the president. (Benze 1985, pp.146-147) Independent regulatory agencies are often set up by Congress as a way to give agencies a role in policy-making that is outside of the direct policy control of the president.5 (Garand and Gross 1982, p.196) The bureaucracy also gains power because it has access to information that the president does not have the time to assimilate. Also, an agency may have its own goals (e.g. - policy goals, self-interest goals such as increasing agency budgets, slack) that are in conflict with the policy goals of

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5 Though research by Brigman (1981) has found that the executive generally has as much control over independent regulatory agencies as it does over the line agencies that are supposedly directly under its control. The major distinction is that presidential control of independent agencies is indirect. "...the formal powers of appointment, designation of the commission chairman, control of budgets, staff and access to the appellate courts combined with informal political pressures make the distinction almost meaningless." (p.260)
the president. In such cases it is difficult for the president to force the agency to comply with his policy goals. (Downs 1967, pp.81-87)

In response, presidents often reorganize the structure of agencies and the location of programs, in order to regain some control. (Benz 1985) A president can reorganize an agency or program "to downgrade or get rid of an unwelcome official, to secure a change in congressional venue, to bury a program, to change an agency image, to give the impression of action, to pay off a political debt, or to remove an agency from the budget." (Salamon 1981, pp.478-479) Presidents also now work to strengthen their relationship with interest groups so that similarly interested groups will lobby the bureaucracy and Congress to get them to work toward or comply with the president's policy goals. (Kumar and Grossman 1986)

Legislative-bureaucratic relations literature. The part of this literature that is relevant to building our model focuses on the incentives a political system provides its legislators to engage in oversight of the bureaucracy. (Bradly 1980; Dodd and Schott 1979; Ogul 1976; Scher 1963; Macmahon 1943) Unfortunately, the possible link between the lack of incentives for Congressmen to engage in oversight and growth in the cost of government has not been much explored.

This body of research has been plagued by conflicts over how to define oversight and what the purpose of oversight is. Ogul defines oversight as "...behavior by legislators and their staffs, individually or collectively, which results in an impact, intended or not, on bureaucratic behavior." (1976, p.11) This broad type of definition is found to be most useful for studying oversight activities in Costa Rican politics. Indecision about what is the intended purpose of oversight contributes to the difficulty of determining when political actors are engaging in oversight behavior, particularly when oversight is defined broadly as it is above. Macmahon describes four possible objectives for oversight. The first one, "to check dishonesty or waste," i.e. - supervision of program administration. The second, to protect citizens from the
Callous or harsh administration of policies. Thirdly, to shake up the routines bureaucracies naturally tend to fall into by challenging means. "[Oversight] may freshen inventiveness as to the means themselves; at least it may rebuke stupidity." The fourth, to monitor bureaucratic compliance with the intent of the law. (1943, p. 186)

Hypothesized reasons about why Congressmen spend little time overseeing the workings of the government bureaucracy include the following. Congressmen receive greater rewards for engaging in constituent service and legislative activity then for oversight. Personal contacts with agencies are seen as more efficient then formal oversight through committee investigations. Agencies are thought to be an impenetrable maze. Committee routines are fixed in ways that do not provide for oversight. Congressmen can have mutually rewarding relationships set up with agency people that do not predispose them to closely review agency affairs. And finally, oversight of agencies may produce costly reprisals from interest groups. (Scher 1963)

The importance of providing incentives, both for elected officials to perform oversight and for bureaucrats to produce services efficiently, was recognized over one hundred years ago by Woodrow Wilson (1887). Dodd and Schott (1979) begin to pull the two literatures together by showing that the right hand (Congress) has little incentive to know what the left hand (government agencies) is doing. Because of this our highly prized system of checks and balances begins to break down.

Incentive mechanisms, for engaging in oversight and for all other types of action, are a key element of mathematical models of bureaucratic politics such as those of Fiorina and Noll (1978), Bendor and Moe (1985, 1986) and the model being developed here. Unfortunately, the need for studying incentive mechanisms in government does not, as yet, seem to have become a research interest in comparative politics. For example, country studies and analyses of how other democratic governments function have not produced similar lists of anti-oversight incentives. Political
science and law research in Costa Rica has looked into the oversight capabilities of special investigatory committees in the Legislative Assembly. (Vargas Cárdenas 1975; Sanahuja 1980) But, as in the U.S., the chief result of this work has been to document the lack of effectiveness of such committees and not to make a connection between lack of oversight and government growth. Thus, we must study what is known about the U.S. system and then take this information as a basis for building our model of Costa Rican bureaucratic politics.

Methodology and Data

Methodology. The relationship between bureaucratic politics and government growth in Costa Rica is studied through the development of a mathematical model of the Costa Rican system of bureaucratic politics. Patterned after Bendor and Moe's model (1985) of bureaucratic politics in the United States, a model for Costa Rica is presented in Chapter Three that takes into account the unique qualities of the Costa Rican political system.

The model includes six actors whose interactions determine the outcomes of the political system (i.e. - the level and cost of services produced). Here a simple and general case of bureaucratic political relationships in Costa Rica is diagramed. The political actors participating in the model are the following: an autonomous agency or ministry that produces a service; two competing interest groups (one representing labor and the other business) that desire different levels of service from the government; political parties whose behavior is motivated by a desire to win elections; a legislature that engages in oversight of the agency or ministry when prompted to do so by an interest group; and an executive that

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6 In reality it is also possible that the Assembly could conduct oversight proceedings to assert its power over the executive; or that opposition party deputies could request that a special investigatory commission be set up with the main purpose being to frustrate the achievement of the administration's policy goals and make the current government and party appear incompetent. However, such "politiquería" ("politics making") is generally done by prolonging debate of bills so that the three necessary votes for passage cannot be taken, instead of through use of the Assembly's oversight powers.
determines the budget of the agency and wants to achieve the president's policy goals for his administration. In-power party leaders, the Executive, and members of the legislature also pressure the agency or ministry when prompted to do so by changes they feel in interest group support. During each time period, or iteration of the model, each actor assesses how his utility was affected by the policy outcomes in the previous period. Each then sends messages to the other actors to try to induce them to change their behavior in a way that will increase the utility of the message sender. These interactions lead to a new level of outputs in the current period, which then causes the process to begin again with another iteration of the model.

Through the use of a simulation, data is generated about how different aspects (i.e. structural and institutional constraints) of the Costa Rican bureaucratic politics system influence government growth. By manipulating the model we can see the effects changes in structural and institutional constraints would have on the size of government (the level of service produced) and on government efficiency. Thus, where a natural laboratory is unfeasible - and it would be difficult to find a government that would allow a political scientist to tinker with its institutions in order to test the effects the changes have on government growth, or anything else for that matter - , and where concrete, reliable data is also unavailable, through modeling and simulation we can expand our understanding of the incentives provided to actors by a political system and hence of the forces that cause governments to grow. Governments can hopefully benefit from this understanding and refine the incentives their political systems provide to actors so that the government bureaucracy will produce services more efficiently.

Data. The information concerning the Costa Rican political system that was used to build the model was acquired from several sources. Most of it, particularly that relating to incentives and how actors communicate with one another, comes from a series of elite interviews conducted by the author over a nine month period in 1988 and 1989. Subjects included: thirty deputies in the 1986-1990 class
of the Legislative Assembly (fifteen deputies from the National Liberation Party, twelve from the United Social Christian Party, the one independent deputy, and the two leftist deputies\(^7\)); the leaders of twenty-eight interest groups (thirteen business groups, thirteen labor unions, one professional college, and one free market oriented think tank); six party leaders from the two major political parties; nineteen top officials in autonomous agencies (nine from the Social Security Medicine Agency, nine from the Agrarian Development Agency, and one from the Water and Sewers Agency); three interviews with current and past members of the Ministry of Planning; two in the Comptroller General's office; and two past presidents of the Republic. Information was also gathered from newspapers, laws and decrees, and from Ministry of Planning publications, to corroborate and expand upon what was learned in interviews. Whenever possible quantitative data was collected to add concrete support to the decisions and assumptions made in the modeling process and during the simulations.

**Organization of the Dissertation**

Having explained why the relationship between bureaucratic politics and government growth is a compelling topic for study, we proceed to the development of the model of Costa Rican bureaucratic politics and the results of the simulation. Chapter Two provides an overview of the Costa Rican political system. This serves as a foundation for developing the model. In Chapter Three the model of Costa Rican bureaucratic politics is presented in written, formal, and diagrammatic forms. Chapters Four and Five are case studies of the intended and actual policy-making process in the Agricultural and Health Sectors of the Costa Rican government, focusing on the Agricultural Development Agency and the Social Security Agency respectively. These studies are intended to make the model more

\(^7\) The sample was chosen to include deputies from each major party from each province, the leaders of each party faction, and members of the Assembly Directorate. Faction leaders and the Directorate are elected yearly. The Directorate is made up of a president, a vice-president, two secretaries, and two alternate secretaries who run the meetings of the Legislative Assembly.
tangible for the reader, and to show how the general model applies to specific cases of bureaucratic politics. Chapter Six presents the simulation and its findings. In this chapter how each actor's political strengths and weaknesses, and how the structure and institutions of Costa Rican bureaucratic politics contribute to the growth of government is shown. Finally, in Chapter Seven the outcome of the "most different systems" test of the generalizability of the theory is discussed. The structures and institutional constraints of the Costa Rican system that are significant to the functioning of bureaucratic politics are highlighted and the forces found to produce government growth are reviewed.
Chapter Two - An Overview of Costa Rican Politics

In order to present the model of bureaucratic politics in Costa Rica, it is first helpful to provide an explanation of the workings and interrelationships of Costa Rican politics. The existing work in the field of bureaucratic politics has looked almost exclusively at the United States. Thus, understanding the similarities and differences between the Costa Rican system of government and that of the government of the United States facilitates explaining how Bendor and Moe's model must be modified to depict the relationships and incentives that make up bureaucratic politics in Costa Rica. To that end, in this chapter the structural, environmental, and behavioral distinctions of Costa Rica, that make it stand out from other democracies, are discussed.

On the surface the two governments have many structural similarities. Both Costa Rica and the United States have presidential versions of a democratic form of government. Both governments have independent executive, legislative, and judicial branches. They both have large bureaucracies that are at least technically under the control of the Executive. Interest groups that lobby elected officials and try to influence government policy are very active in both political systems. In both countries public officials are popularly elected through national elections which are held at regular intervals.

However, there are also significant differences between the two systems. Some of these differences are responses to differing conditions in the two countries. Epstein (1967) emphasized that the conditions of a country are an important factor in explaining why political structures often develop differently in different places. Other differences stem from the extreme difference in the size of the two countries, both in terms of number of people governed, and in terms of land mass. In this respect it would probably be fair to say that Costa Rica more closely resembles the ancient Greek city states, where philosophers such as Aristotle thought democracy would be most able to function, then it does the large, federal system found in the United States.
Structure of the Costa Rican Government

The Executive Branch. The president of the republic, in concert with his cabinet (consejo de gobierno), heads the executive branch of government. The president is aided in his job by a first and a second vice-president, who also form part of the cabinet.¹ The cabinet is made up of ministers with portfolio and without portfolio, all of whom are appointed by the president, and who can be transferred to different posts or removed at the president's discretion. Legislation can be directly initiated by the president, but he must do so in concert with the appropriate minister. Executive decrees, which must not conflict with laws that are already in existence, must be signed by both the president and the responsible minister.

These unusual ties between the president and his ministers, along with the prohibition on reelection of the president, were designed by the framers of the 1949 constitution to limit the power of the president. Their goal was to prevent the rise of a strongman or caudillo, and to keep a dictator from entering office through election. (Ameringer 1982, pp. 39-40; Denton 1971, p.35) However, the president can remove ministers whenever he wants to, and hence a minister who refuses to go along with the policy plans of the president will not be in office for long. Thus, that restriction does not provide a very effective restraint on the power of the president. In reality, however, the power of the Costa Rican president is limited because the constitution builds a system of checks and balances into the relationship between the executive and legislative branches of government which, unlike in many Latin American governments, actually limit the autonomy of the executive.²

¹ The duties of the vice-presidents are determined by the president because little is said about their jobs in the Constitution. Thus, the role of the vice-presidents tends to differ from one administration to the next, as has been the case in the United States with the president's cabinet.

² For example, the president of the republic can only determine the order of business in the Legislative Assembly during the periods when he is able to call it into special
Autonomous agencies. The Costa Rican government also differs from that of the United States in the autonomy the constitution gives to government agencies. In the United States government agencies, generally in the form of Cabinet departments, fall directly under the control of the president, hence his title of Chief Executive. In Costa Rica ministries, which form part of the government bureaucracy, are directly under executive control through the ministers who are appointed and who can be removed by the president. However, many line functions, which in the United States are provided by Cabinet departments, are produced in Costa Rica by autonomous agencies that are subject to limited presidential direction. Though the degree of agency autonomy has been gradually circumscribed through changes in the law since 1968, the intent of the framers of the 1949 constitution was to provide continuity in government agencies, even when control of the government changed hands. (Ameringer 1982, p.41; Martz and Myers 1986; Jiménez Castro no date) By making the agency junta directiva (board of directors) autonomous in deciding both what agency policy would be and how it should be administered it was thought that policy would not follow the all-too-typical pattern of completely changing directions each time a different political party took control of the executive branch of government, and thus services would actually be produced by government agencies.³ (Jiménez Castro 1986, p. 148)

³ Some historical researchers of the 1948 revolution might also add that there was another motivation for making agencies autonomous. This was that Jose Figueres Ferrer and his supporters wanted to insure that the major reforms they began when the 1948 junta, led by Figueres, was ruling the country could not be easily overturned when those who opposed them eventually won control of the government. (Ameringer 1982, p. 41)
However, despite original intentions, over time it became obvious to the presidents of Costa Rica that having agencies that are autonomous in policy making produces a lack of unity and direction in the development of both government policy and of the country. (Jiménez Castro 1986, p. 150) In response the autonomy of government agencies has gradually been limited. First, in 1968 a law was passed that amended article 188 of the constitution such that agencies were no longer autonomous in deciding policy, but only in determining how best to implement the policies developed by the executive. Soon afterward the president and his ministers discovered that the government had no way of enforcing that agencies cooperate with this provision. Unlike ministers who could be removed at the will of the president for not cooperating, the members of the agency juntas directivas were guaranteed their jobs for anywhere from four to eight years unless they were found guilty by the courts of breaking a law. Thus, again in 1970 a new law was passed, known as the "Ley de 4-3". The intention of this law was to produce agency juntas directivas in which at least a majority of the members were loyal to the current president of the republic. This law gave the new president the power to appoint four new junta members for each agency, who would probably be from his party, and the opposition party would have three representatives on each junta. This, it was thought, would bind the agencies to the government, and would dispose them to comply with the 1968 law. Yet again, it was found that the link between the president of the republic and the autonomous institutions was not strong enough. Agencies still generally behaved in an autonomous fashion because junta directiva members, even those from the president's own party, quickly came to associate themselves with the agency, and not with the president, and thus they were not always willing to make agency policy that supported

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4 Law No. 4123 of May 31, 1968

5 Law No. 4646 of October 20, 1970.
the National Development Plan (Plan Nacional de Desarrollo) of the president. In response to this recalcitrance, in 1974 the Ley de Presidentes Ejecutivas (Law of Executive Presidents) was passed by the Legislative Assembly. This law created the office of Executive President in each autonomous agency. The executive president is appointed by the president of the republic, and serves at his pleasure. The executive president is the chief executive officer of an agency. He is a member of the agency's junta directiva, but he is also a full-time employee of the agency. The job of the executive president is to be the link between the president/cabinet and the agency. It is the executive president who transmits to the agency the president's National Development Plan, and any other programmatic plans developed by the executive. (from Decree No. 4199-P, October 4, 1974, Article 5)

To date executive presidents have served as a sufficiently strong connection between the executive and the agencies to provide a largely unified government effort to put into effect the new National Development Plan decided upon by each administration. A problem that remains, however, is that the president of the republic still can only remove the executive president, and not the entire junta directiva of an agency. This has not been a problem in presidential efforts to implement the National Development Plan. However, it has posed a problem several times when the president felt compelled to remove a junta directiva that had proven itself incompetent to deliver the services that are the responsibility of its agency. (from interview with Ing. Eladio Prado Castro, Executive President of the Instituto Costarricense de Acueductos y Alcantarillados) In such cases, through a controversial interpretation of the Ley General de Administración Pública (Public Administration Law), the past two presidents have ousted the ineffective junta directiva and

6 Law No. 5507 of April 19, 1974, followed by Executive Decree No. 4199-P of October 4, 1974 and No. 5642-P of January 6, 1976 clarifying the intentions of the law.
replaced it with a *junta interventora*.\(^7\) The *junta interventora* is supposed to be only a temporary mechanism to introduce extraordinary measures and get the agency functioning properly again. However, a tangential result has usually been the mass resignation of all the members of the "ineffective" *junta directiva* so that the president is free to appoint new, hopefully more effective people. This, however, is an informal, rather than a formal process, and hence there always exists the possibility that some of the members of the temporarily ousted *junta directiva* will not step down gracefully. In that case, as has happened with the Water and Sewer Agency (*Instituto Costarricense de Acueductos y Alcantarillados*), the president gets caught in a power struggle, about which the courts have yet to deliver a ruling.

**The legislative branch.** Costa Rica's *Asamblea Legislativa* is a unicameral house, made up of fifty-seven deputies who are popularly elected through a proportional representation system. Deputies serve a four year term in office, after which they cannot run again for a position in the Assembly for at least four years. Deputies are elected on provincial party slates, with seats divided among the seven provinces according to population.

The constraint of no immediate reelection for deputies is interesting because of the effect it has on the design of the model of Costa Rican bureaucratic politics, and because of its expected effect on legislator behavior which is discussed below. Because of

\(^7\) Law No. 6227 of April 28, 1978, specifically articles 98, 99 and 100. The validity of this interpretation of the law is currently being vociferously questioned by the Comptroller General of the Republic.

President Luis Alberto Monge Alvarez (1982-86, PLN) and President Oscar Arias Sanchez (1986-90, PLN) have utilized *juntas interventoras*. Though no systematic record keeping could be found about the use of *juntas interventoras*, investigation at the archives of the *Casa Presidencial* and of the *Gaceta* of the Legislative Assembly, and information gained from interviews with ex-presidents Carazo and Monge show the following to be the incidences of its use:
- Water and Sewer Institute (AyA), started in 1985
- National Commission for Matters Concerning Indigenous Peoples (CONAI), 1986
- Atlantic Port Authority (JAPDEVA), July 1988
- Costa Rican Tourist Authority (ICT), during the Arias administration
- Institute for Housing and Urban Development (INVU), during the Arias administration
reelection restrictions political parties must be added into the model as another integral component of the Costa Rican system, because they are the only "actors" in Costa Rican politics that can be reelected. The in-power party acts through its faction (fracción) in the Assembly, and through individual deputies. It also works through cabinet ministers and party militantes (activists) who hold upper level positions in autonomous agencies, such as the executive president and managers.

However, despite the role political parties play in Costa Rica as the "political official" that can be reelected, the model would lose realism if political parties were simply substituted for the legislature in the model. First, ministry budgets are still voted on by the Assembly, though budgets for autonomous agencies are not. According to the 1949 constitution the executive has no power to veto the budget in any part or as a whole. Second, much of the official oversight activity engaged in by the government is also conducted in the Assembly through its special investigatory committees. Other instances of oversight often begin in the form of a denouncement (denunciacía) made by a deputy of some suspected wrongdoing by a government agency. Third, the control political parties have over the deputies in their faction is an informal control. Deputies are independent agents whose vote is their own. Thus, party leaders can only ask the deputies from their party to vote in a certain way, and try to convince them why doing so is the rational thing to do. Beyond that a party can threaten to destroy the future political chances of an uncooperative deputy, and in an extreme situation expel him from the party. But a deputy can only be removed from his curul (seat in the Assembly) if the Assembly votes to remove his immunity and he is convicted of a crime by the

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8 Party leaders can declare a party line (línea del partido) on an issue, but they are reluctant to do so because they have no legal power to enforce the line on their deputies. A deputy who votes against the party line can be ousted from his party and his faction, but the party cannot remove him from the Assembly. Thus, removing a renegade voter would only be reducing the potential size of the party's voting block. Because of this pressure tends to be more of the "for the greater good of the party" sort.
courts; and it is rare for the Assembly to abandon one of its own and remove a deputy's immunity. Thus, at times there are power battles between a faction and its national party leadership. One deputy stated that the fracción is really the party, and that the party directorate should not think that it has the power to direct the actions of the deputies when the fracción has discussed an issue and decided to vote a certain way. Lastly, because the party at times also tries to exercise influence over members of the executive branch and senior officials in the autonomous agencies, it is more realistic to retain the legislature as an actor in the model, and include political parties as a separate actor as well.

Oversight, or maintaining political control over the other branches of government, is generally thought to be one of the duties of the Legislative Assembly, and of deputies. (Taylor 1989, p.10, Costa Rican Constitution of 1949) Many of the deputies interviewed, both from the PLN - the party currently making up the government - and from the opposition parties, explained that they view oversight as primarily the job of opposition party deputies. Government party deputies are predominantly occupied with committee work and writing and passing laws, while opposition party deputies are naturally disposed to look for and draw attention to evidence and rumors of wrong doing and inefficiency by government officials, ministries, and agencies.

Oversight occurs in several forms in Costa Rica. One or more deputies can petition the president of the Legislative Assembly to set up a temporary, Special Investigatory Committee charged with looking into specific accusations of wrong-doing by a government entity. Oversight can also take the form of a denunciation made by a deputy, or another government official, to the Public Ministry or to the Comptroller General of the Republic (Contraloría General de la República) which will then investigate the charges. With these types of oversight, if firm evidence of law breaking is found, the Special Investigatory Committee or the Public Ministry can recommend that the case be tried in the courts. A more informal, but often used form of oversight involves a government official,
often a deputy, making a public statement accusing a government entity of malfeasance and/or inefficiency. The press will generally pick up on the statement and print a story on the subject in the national newspapers. Though such oversight actions may not lead to an official investigation, they do cause the accused agency a great deal of embarrassment. (from interview with Prof. Norma Jiménez Quirós, PUSC deputy 1986-1990) Agencies know that if they do not attend to the problem at this stage, then the scandal will grow and a full-fledged investigation may result. As is explained in Chapter Three, agencies wish to minimize government oversight of their activities. It is because of this desire that Costa Rican agencies will generally react to embarrassing news coverage in order to minimize the scandal and hence the probability of more formal oversight measures.

It is important to note that even though Costa Rican legislators are elected through a proportional representation system at the provincial level, Costa Ricans know which deputy from each major party represents their canton. Deputies from both of the major parties campaign to represent specific cantons. However, because there are only fifty-seven deputies, roughly half of whom come from each of the two major parties, and there are eighty-one cantons, some cantons do not get represented by a deputy aspirant who campaigned to represent them from each of the parties. In that case, because both parties want to have one of their deputies covering every canton, the "left over" cantons are assigned by each party to one of their deputies from that province. These assignments are decided by the members of the party's delegation in the Assembly from the province in conjunction with the party leadership. The fact that constituents know who is their deputy from each party is important to the functioning of the model. Though national level interest groups will appeal to any deputies who have a reputation for being sympathetic to their

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9 A canton is relatively the equivalent of a county or parish in the United States. Local governments are at the canton level.
cause, local level groups (e.g. - asociaciones de desarrollo or development associations, and other more specifically oriented associations) generally bring their case to the deputies who are specifically responsible for their canton. Because of this, if a group does not feel satisfied with the attention it has received from its deputy it knows that it can complain to party leaders that their deputy is not doing his job. The party tries to attend to these situations because it knows that continued feelings of neglect, and the discontent with the party that it produces, will make it more difficult for the party to win the votes of those constituents in the next election. (from interviews with deputies)

**Political parties.** Costa Rican politics involves an essentially two party system. The oldest party is National Liberation (PLN - Partido Liberación Nacional), which was founded in 1951 by José "Pepe" Figueres Ferrer and the followers who helped him defeat the Calderonista forces in the 1948 revolution. Though some would claim that the PLN began as a personalist vehicle to promote the election of Figueres for president of the republic, it has become an institutionalized, non-personalist political party. The party espouses a social democratic ideology. It has run candidates for president, for local government positions, and party slates for deputies in every election since 1953.

The established parties in opposition to the PLN were not officially able to form one party until a law passed in 1982 permitted what had previously often been a coalition to become a party. Since the passage of the 1982 law the PLN's opposition has been known as the United Social Christian Party (PUSC - Partido Unidad Social Cristiana). Previously the PLN's opposition was a

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10 The 1948 revolution was a battle for power between the forces of Rafael Angel Calderón Guardia and Jose Figueres Ferrer. Figueres led the movement against the government because of government sponsored election fraud in the 1948 presidential elections and because of his opposition to the alliance between the Calderonistas and the Communist party that had been forged to give Caldron's Republican Party a majority coalition in the Legislative Assembly.

mixture of supporters of ex-president Rafael Angel Calderón Guardia (the Calderonistas) and other generally conservative groups running under various banners. Parties and coalitions were constantly being formed and then losing influence. However, despite the lack of formal unity, the opposition, under various coalition names, won the office of the presidency in 1958, 1966, and 1978 and controlled a majority in the legislature from 1978 to 1982. Since 1982 the PUSC has developed strong national and local organizations and appears to be institutionalizing. However, it can also be personally identified with Calderón Guardia's son, Rafael Angel Calderón Fournier, known as "Junior", who was the party's victorious candidate for president in the 1990 election and who ran for president under the PUSC banner but was defeated in 1982 and 1986. Only the passage of time will tell if the PUSC can move beyond its current, personalist stage.

There are also generally several small leftist and independent parties in existence, that usually manage to elect a few deputies to the Legislative Assembly. If one of the mainline parties has a small majority in the Assembly, or if a coalition is needed to form a majority, then the independent deputies can temporarily play a key role in legislative politics. (see Table 2.1) Deputies from these small, opposition parties also play an important role in the oversight process. Because of their lack of connections in the executive branch of government, and their general inability to obtain financing to help groups who are sympathetic to them, these deputies tend to devote a large portion of their time to denouncing government inefficiency and to highlighting government policy errors.

The leadership of both major parties is made up of a combination of the past presidents elected from the party, the party secretary general, the current president of the republic if

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12 Due to constitutional restrictions the current president of the republic cannot also function as the head of his party. The president is supposed to maintain political neutrality. Thus, each party is led, on a day-to-day basis, by a secretary general. Each party chooses its secretary general through an election at a party national convention.
Table 2.1
Distribution of Deputies by Party in the Legislative Assembly

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PLN</th>
<th>PUSC</th>
<th>CU</th>
<th>UN</th>
<th>PR</th>
<th>PD</th>
<th>RD</th>
<th>RN</th>
<th>NI</th>
<th>DC</th>
<th>RNI</th>
<th>other*</th>
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<td>1</td>
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<td>66-70</td>
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</tbody>
</table>

* Independent or leftist deputies holding no affiliation to either the PLN or its major opposition party(s)

** In 1962 the number of deputies in the Assembly was increased from 45 to 57.

Source - Tribunal Supremo de Elecciones, Cómputo de Votos y Declaratorias de Elección

Key to Party Names
PLN - National Liberation Party
PUSC - United Social Christian Party
CU - United Coalition
UN - National Unification Party
PR - Republican Party
PD - Democratic Party
RD - Democratic Renovation Party
RN - National Republican Party
NI - National Independent Party
DC - Christian Democratic Party
RNI - National Republican Independent Party
applicable, and the current candidate(s) for president of the republic. (from "Estatutos del Partido Liberación Nacional" and "Estatutos del Partido Unidad Social Cristiana") The party national convention, called the "National Assembly," is the highest governing body of each party.

An interesting sort of dual leadership develops in the in-power party after it has chosen who its candidate in the next election for president will be. Before that time most deputies in the Legislative Assembly feel a strong sense of loyalty to the president of the republic because of a coattails effect, even if at the same time they are also "campaigning" for their candidate to win the party's presidential primary. (from interviews with deputies) However, after their party's official candidate has been chosen deputies often start to rally around him, and to listen to his counsel about how to vote on key party and campaign issues. Their motivation in doing this is to curry favor with the new presidential candidate. By so doing their hope is that if their candidate is elected he will give them a position in his cabinet. At the same time the current president has more than a year left in office, during which time he can often find himself at loggerheads with his faction in the Assembly. Hence, during this time in particular, the president becomes a lame duck because his party and its leadership become extremely interested in getting reelected, and policy concerns may temporarily take a back seat.

Interest groups. Interest groups were found to be abundant and to play an important role in the policy outcomes of Costa Rican politics. The most important work to date about interest groups in Costa Rica is *Grupos de Presión en Costa Rica* (1967) by President Oscar Arias Sanchez. Though Arias wrote this work more than twenty years ago, and hence it does not discuss the much more recent flowering of groups as regular and important actors in the policy decision-making process, it is still extremely useful for the history of pressure groups it provides. In addition, Arias develops a list of three characteristics of groups that determine the amount
of power a group will have in the policy process. This list provides a useful starting point for understanding how interest groups function in Costa Rica.

According to Arias a group's power is determined by its size, its financial capacity, and its prestige in the public eye. (Arias 1967, pp.71-73) Because Costa Rica is a democracy, a large group translates into a large block of votes for a party to win, and hence a weighty tool of influence for the group. Since Costa Rica is such a small country (2.8 million people in 1987), a group representing several hundred votes is large enough to be considered significant by a political party. However, small groups can also wield a large amount of power if they have access to a large bankroll. Wealthy groups can put pressure on the government through expensive means such as taking out many, large advertisements in the national newspapers. Putting on a media blitz is a commonly used method for trying to sway public opinion. Such passive activities, that do not disrupt people's daily lives, also give the group that uses them a positive public image. On the other hand, inconveniencing actions, such as striking or blocking roads, lower a group's prestige in the eyes of the Costa Rican public. (Arias 1967, pp.71 and 73)

Arias also explains that historically groups have had trouble organizing in Costa Rica. (Arias 1967, pp.72, 74-75) They have had a tendency to fragment along ideological lines, or to organize company by company instead of industry-wide. This fragmentation limits group strength because the government can address a particular grievance of one group, rather then being forced to face the demands of the members of an entire sector. Groups such as unions, whose major strength is in their numbers rather then their financial base also are faced with the problem that generally only a small percentage of the relevant population actually becomes a member of the group.

Two types of interest groups are commonly found in Costa Rica. One is the national, or possibly provincial, level interest group that closely resembles what is traditionally called an
interest group in the United States. Unlike in the U.S. where the term "pressure group" is avoided because of its negative connotations, in Costa Rica these groups are widely accepted as organizations that, among other things, put pressure on the government concerning policy, and hence they are called "grupos de presión." The other type of interest group is found at the local level and is refered to as an "asociación." Asociaciones are organized for a specific purpose such as community development (in which case they are called asociaciones de desarrollo integral), or to lobby the government to provide a particular service for their community such as a clinic, or better athletic or cultural facilities (these asociaciones are refered to as asociaciones de desarrollo específico). (from the Dirección Nacional de Desarrollo de la Comunidad, Departamento de Financiamiento Comunitario)

Most major interest or pressure groups in Costa Rica are either organizations of producers, such as the Chamber of Commerce, the Chamber of Industrialists, or the Chamber of Cattle Producers; or labor unions. Often the national pressure group is an umbrella organization for several smaller groups organized at the provincial level. However, there are also professional "colleges" which are often refered to, rather inaccurately, as interest groups. The main purpose of a College is to maintain professional standards and provide services such as a journal to members. The members of the profession are generally represented politically through a separately organized union, or unions. The Asociación Nacional de Fomento Económico (ANFE - National Association for Economic Growth) which describes itself as a think tank (from interview with Lic. Thelmo Vargas M., President of ANFE), is also often incorrectly labeled as an interest group. A virulently anti-communist pressure group, the Movimiento Costa Rica Libre (Free Costa Rica Movement) also exists as a political interest group. For the purpose of this study only national level business and labor groups will be considered, because they are the most powerful in national politics, and they have the most resources to bring to bear on policy decisions.
The resources available to the two types of pressure groups differ greatly, and thus their ability to influence policy outcomes is also not equal. After having conducted interviews with the leaders of twenty-five groups the following were determined to be the political resources commonly used by business and labor oriented interest groups.

All but one of the chambers I studied represents a major interest in the Costa Rican economy (e.g. - commerce, industry, major agricultural export products), the exception was the Chamber of Bus Companies. Because the national economy depends on these products the opinions of the groups representing their producers are also of great importance to the government. This seems to be one point that was left out of Arias's list of factors that determine a group's power. Groups that represent interests that are essential to the economy have an open channel of communication with the executive branch of government. Some, such as the coffee and banana producers, even have a government agency that regulates their industry, generally according to industry desires, and also provides formalized communication with the government.13

Because of their ease of access the major economic interests in Costa Rica are usually able to solve problems in a gentlemanly fashion, before they become a crisis that must be taken to the media with an appeal for public support. If the president of the Chamber of Commerce or the Federation of Sugar Cane Producers is concerned about the potential effects of a new policy being discussed by the government, he simply calls the Minister of Economy or Agriculture, or the President of the Republic, and schedules a meeting or they will talk about the problem over the telephone.

If an issue does get to the point of becoming part of the public discussion, the Chambers generally defend their position in a

13 The juntas directivas of the Institute de Café (ICAFE) and of the Asociación Bananera Nacional (ASBANA) include several representatives from the industry. They also have strong ties with the national Chamber of each industry.
technical fashion, phrased in terms of "what will be best for Costa Rica." They realize that both major parties support a welfare state and that large landowners and industrialists therefore do not have quite the autonomy in Costa Rica that they do in many Latin American countries. However, they also know that ministers and legislative committees do not have the money or the skilled staff to conduct their own technical studies of potential policy options. Because of this chambers often assist the government by conducting a technical analysis of the issue, and sometimes even by drafting the bill for the Minister or Deputy to submit to the legislature. If the above is not enough to defend their interests the affected chamber will declare an all out war, at times in concert with other chambers or through the Union of Chambers. They will conduct a media blitz, placing daily advertisements in the major newspapers and also on television. They will hold roundtable discussions, give interviews, and write letters to the editors of the major newspapers. All of these actions are taken as part of a grand effort to rally public opinion behind their cause, and all of it will be phrased in terms of "what is best for Costa Rica." Chamber leaders will also hold meetings with the relevant ministers and the president, and they will lobby deputies and give testimony to the committee debating the bill if the issue is a proposed change in the law.

In summary, the chambers have a great deal of experience at defending their interests. They will first try to discuss issues calmly with the relevant members of the executive branch of government. If that is not sufficient, they have the funds and the organization already in place to wage a major attack. Overall, business interests have a high success rate at winning their battles.

Unions, on the other hand, have access to much more limited political resources. Their funds are minimal, due to the reduced resources of their members. Also of great importance, individual unions have traditionally not represented many workers because of fragmentation. Statistics from 1986 show 15.5 percent of the
work force to be unionized. (Donato and Rojas 1987, p.117) Union credibility and prestige tend to be low because of the image of unions being associated with communism. (from interviews with union leaders; and from Ameringer 1982; Denton 1971) Finally, Costa Rican unions are being threatened by a movement called "Solidarismo". Solidarismo associations are set up inside companies and they include both workers and management. The purpose of a solidarismo association is similar to that of a company credit union in the United States. The associations are united at the national level through the Unión Solidarista and collectively represent about fifteen percent of the working population, which takes away potential members from the unions.

Because of the low percentage of the workforce that is unionized and the currently high level of unemployment and underemployment in Costa Rica, unions cannot easily make the case that they represent a crucial element in the economy, as can the chambers. (see Table 2.2) Hence, union leaders do not have easy access to executive branch officials. Some government entities, such as the Council that sets public and private sector wage guidelines and the Juntas Directivas of several of the autonomous agencies, by law include the participation of labor representatives. However, if a union leader wishes to speak with a minister he cannot generally just call him up and expect to receive an appointment. He will often be told that the minister is busy, or he will be sent to talk to a functionary who lacks decision-making power. Often if a union leader wants a meeting with a high government official he must send 100 union members to sit in the Ministry offices, which makes normal office functions impossible, in order to pressure the Minister into giving him an appointment. (from interviews with union leaders)

However, despite these difficulties, unions usually start dealing with an issue by communicating with the responsible government officials. They will first send telegrams to the appropriate officials. If they do not receive a response they will often send the telegrams again. However, the union will also begin
<table>
<thead>
<tr>
<th>Year</th>
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<th>Percentage Unemployed</th>
<th>Percentage Underemployed</th>
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</tr>
<tr>
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<td>1,006,137</td>
<td>5.5</td>
<td>6.3</td>
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</tbody>
</table>

Source - Ministerio de Trabajo y Seguridad Social, Ministerio de Economía, Industria y Comercio; Dirección General de Planificación del Trabajo, Dirección General de Estadísticas y Censos, Encuesta Nacional de Hogares, Empleo y Desempleo
to hold meetings and take out newspaper advertisements stating the problem and saying that if a response is not received by a certain date further action will be taken to draw attention to their cause. As the deadline draws closer more meetings will be held and more advertisements will be placed in the papers, and the form the "further action" will take is explained. It may take the form of a march or a strike, or a large number of union members gathering outside the Ministry or Legislative Assembly building, or the office of the president. All of these activities cause inconvenience and embarrassment for the government. In such cases the strength of the unions is in the number of people they can call up and the inconvenience they can cause. However, unions face impediments in the use of such tactics. La Nación, Costa Rica's most important daily newspaper, is extremely conservative (Hughes and Mijeski 1984, p.40) and will often refuse to print union advertisements. Unions receive a better response from the other papers, but still the response is generally cool and unions rarely receive positive news coverage. (from interviews with union leaders; content analysis of daily newspapers; and Hughes and Mijeski 1984, p.40) Another impediment to union action is that it is illegal for public sector employees to strike. Hence, when they do decide to resort to strike tactics to make themselves heard, the strike leaders are often prosecuted or lose their jobs.\footnote{Though strike leaders who are prosecuted are usually not put in jail, they are often put on probation which prohibits them from participating in future strikes. Also, for a family bread winner of limited resources, losing a job is in itself a very stiff sanction.} Also, because of the way the labor code is written private sector employees, who can strike legally, find it almost impossible to unionize. Private sector workers do not have civil service job security, and hence workers who try to unionize usually get fired. (Espinoza 1986, p.65; from interviews with union leaders)

If a battle is being fought in the Legislative Assembly, unions have more political resources available to them because they can bring their numbers into play. Union leaders will lobby the
commission debating the bill and the leaders of the parties within the Assembly. They will also get union members to send letters and telegrams to their deputies, and they will send large groups of union members to the public viewing gallery of the Assembly, often with posters, every day the bill is being discussed.

In summary, due to financial, prestige, and legal limitations the effective tools available to unions for defending their interests are few. But unions do have numbers. Hence, when union leaders can remind a Minister or Deputy, who is a representative of a political party that the union represents a large number of voters who will become disaffected if their needs are not addressed, then they can make some progress. Politicians who continually ignore workers know their party will have trouble winning worker votes in the next election. And in Costa Rica that means the disaffected workers will be voting for the opposition party, not abstaining from voting as in the United States.

Asociaciones, because they have a local rather than a national focus, spend their time lobbying deputies, ministries, and autonomous agencies to try to convince them to provide a specific service to their community, rather than attempting to influence policy at a general level. (from interviews with deputies) An asociación is often organized for the specific purpose of getting government funds, and sometimes materials, that the community can use along with the funds it has raised itself and community labor to build a desired facility. In order to receive funding and materials from the government an asociación must be registered with the Dirección Nacional de Desarrollo de la Comunidad (DINADECO). Common projects for asociaciones include small bridges and aqueducts, remodeling or expanding a school or church,

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15 Union members, plus the people of voting age in their extended families, do represent a large and potentially significant block of votes.

16 Voter turnout is generally between 75 and 80 percent of registered voters, and everyone over the age of eighteen is automatically registered to vote.
building a soccer or basketball field or a grain elevator for the community.

In order to get the help they need to build these projects asociación leaders will go to the appropriate minister or executive president of a government agency and petition him for the needed funds and/or materials. If the group on its own does not receive a positive response from the ministry or the agency, or if they doubt their chances of success from the beginning, they will enlist the help of the deputy(s) who represent them to add force to their efforts. The deputy, especially the deputy from the currently governing party, generally feels compelled to help these groups because if he does not he will acquire a reputation in his district as being unhelpful and uncaring, and thus be of little use to his party as a campaigner in the upcoming election. (from interviews with deputies) Opposition party deputies are sought out less often for help because they do not have access to funds or connections in the executive branch with which they can help these local groups. Most opposition deputies who were interviewed said that their help was mainly limited to tactical advice and moral support. (Taylor 1989 pp.11-12) Deputies from the majority party in the Legislative Assembly can also help asociaciones by giving them partidas específicas. Partidas específicas are two percent of the national budget that the majority party deputies divide equally among themselves for use in their communities.

For the purposes of the model of Costa Rican bureaucratic politics only national level interest groups will be considered to be one of the key actors. Though asociaciones are an important and interesting part of Costa Rican politics, their role in determining the level and cost of services produced, as well as regulation enforcement, is small. National level pressure groups, both those who represent producers and those of organized labor, however, play an active role in influencing policy. As such they function in Costa Rica in many of the same ways that interest groups function in bureaucratic politics in the United States and Europe, although they act in some different ways as well.
The Effect of Size on the Workings of Costa Rican Politics.

During interviews with Costa Rican deputies I was repeatedly told that Costa Rica functions the way it does because it is a very small country. Over and over again it was explained that the system works, despite the apparent lack of formalization of communication, because it is a very small country, where people actually have access to elected officials and to the leaders of political parties. Costa Rica covers 19,730 square miles (51,100 square kilometers), and had 2.8 million people in 1987. The United States covers 3,615,211 square miles (9,254,940 square kilometers) with estimates of 247.5 million people in 1989.

The plausibility of this explanation is difficult for U.S. citizens and scholars alike to accept because there is such a great physical and mental distance between most of us and our national governors in Washington, D.C. The "rational" U.S. citizen knows that his single voice will not be heard by the national government, and many of us are even daunted by the prospect of trying to organize a pressure group that is large enough to make its opinions felt in Washington. However, this is not the case in Costa Rica. The people of Costa Rica feel very strongly that their governors are only in office because their votes put them there, and they do not hesitate to remind both individual officials and political parties of this fact. Costa Ricans bring their complaints and problems straight to the highest government officials with the feeling that it is the obligation of those officials to listen to them. New groups are constantly organizing at the local level in Costa Rica to lobby the government for a particular service in a community. Large interest groups working at the national level also have a strong sense of political self-worth, and become indignant when government officials do not attend to them with the proper courtesy. (from interviews with union leaders and government officials)

Costa Rica's geographical smallness also makes it possible for informal methods to suffice in the communication of local needs to government agencies. In the United States government offices have
complaint forms, and public relations offices, and local offices that perform a liaison function connecting the agency headquarters with the actual recipients of the benefits or project, and it is at that level that requests for services or complaints begin. In Costa Rica, on the other hand, the most common method of complaint and demand making is still for individuals or groups to go to the agency's headquarters in San José and ask to speak to the minister or executive president of the agency. Bureaucrats complain that this process is the cause of much inefficiency, and that it keeps high government officials from spending their time planning the direction policy should take. (from interviews with autonomous agency officials) However, this ability to personally contact high government officials allows people to feel that their problems are actually being heard by someone who can actually do something about them. Also, it functions as a sort of preliminary filter through which all demands and complaints are sorted because people will not go to the trouble of traveling to San José, possibly enlisting the help of their Deputy for their cause, and waiting for an audience with the head of an agency, unless they are serious about the issue. Finally, projects that are brought to the attention of a minister or executive president by a deputy have also been "sorted" of a fashion. The very fact that the deputy is willing to give his time to a specific project is a testament to its value to the people of the community because they were able to convince the deputy that it was important to him to help them on it. Also, his efforts show that the deputy thinks that the project is of enough importance to merit his using his scarce political resources (i.e. - calling in favors with agency executive presidents or ministers) to fight for it.

There is currently a movement within the Costa Rican bureaucracy to decentralize the decision making process. As part of this decentralization most autonomous agencies are setting up regional offices with regional directors who have the power to allocate funds and projects to address the demands of local groups. (from interviews with autonomous agency officials) However, it
will take some time to spread the word to the people that they no longer must bring their problems directly to top agency officials in San José in order to get any action. Also, only time will tell if the people of Costa Rica will decide that these regional directors actually have the power necessary to address their needs, or if instead that they are just another level of bureaucracy that must either be traversed or circumvented with the help of a patron such as a deputy.

Another way in which the small size of Costa Rica makes informal types of communication functional is party knowledge of the actions of deputies. The consensus among deputies is that the party leadership knows what deputies have done during their four years in the Assembly, though there is no systematic method of record keeping. Party leaders have several ways of keeping themselves aware of what deputies are doing, and all are effective only because the country is not very large. One is that the current president of the republic and his ministers are aware of what projects a deputy has brought to his community, because they are asked to take part in project inaugurations. The party's new presidential candidate is also aware of the community works of the deputies from his party because he and his staff travel all over the country during election campaigns. During the candidate's travels he and his staff have many opportunities to talk with local party leaders who can tell them their opinion of their deputy and what he has done for the community. Finally, national party leaders hear evaluations of deputies through a "trickle-up" information process. Party assemblies meet first at the district, then the canton, provincial and national levels. Each lower level sends delegates to meetings at the next higher level and they bring their opinions about a deputy's effectiveness with them.17

Such a system would be difficult to make work in a large country where candidates and party leaders were not capable of

17 Though a provision is made in the Statutes of the Legislative Assembly for roll-call votes to be taken, this method of voting is used only a few times a year, and thus is not useful to parties for monitoring the behavior of their deputies.
visiting every community, and talking to every party activist who wishes to make himself heard. However, in Costa Rica, which covers slightly less territory than West Virginia, it is feasible for presidential candidates, party secretary generals, and deputies to keep in contact with the people on an informal level.

**Differences in Electoral Laws and Restrictions.**

As was mentioned above, in Costa Rica the president is permanently prohibited from seeking reelection to that office.\(^{18}\) A more unusual characteristic of the Costa Rican system is that deputies may not run again for office in the Legislative Assembly until they have been out of that office for at least four years. Thus, pursuing a career as a legislator is impossible in Costa Rica. Another restriction on election is that in order to run for the office of president or deputy a person may not hold a position in the national government above a certain level during the year prior to the elections (e.g. - minister or vice-minister positions, executive presidency of an agency). These rules were incorporated into the 1949 constitution and the Electoral Code in order to prevent the creation of strong men and to allow new life to continually enter into the system. (Ameringer 1982, p.105; Denton 1971, p.68) However, critics of the system have said that these restrictions also prevent any institutional knowledge from developing, and cause the system to flounder for a long period of time at the beginning of each new administration. (Ameringer 1982, p.106; Denton 1971, p.38)

The main effect the extant literature in political science would lead us to expect from these reelection restrictions is a very low, to non-existent level of constituency service performed by deputies. (Mayhew, 1974) However, as has been shown by Taylor (1989), contrary to what the existing knowledge would lead us to believe, Costa Rican legislators commonly devote half, or often

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\(^{18}\) Originally the Constitution permitted an ex-president to run again after he had been out of office for eight years. However, in 1969 the Constitution was amended to permanently prohibit reelection of a president.
even more, of their time to constituency service activities. Their reason for doing so is that it is commonly believed, by both deputies and their parties, that a deputy having a high profile in his district as actively working for his community will help the image of his party in the next election. Engaging in constituency service will also enable the deputy to be a more effective campaigner for his party/candidate. Costa Rican deputies are not acting without self-interest in this, however. It is commonly believed by deputies that a deputy who does not pull his weight in his district, and who does not do his part to help his party win the next election, will not be allowed by his party to continue in politics. It is the perception of deputies that their party has many ways of making itself aware of who is working to help his party, and who is merely working to help himself.¹⁹ And, working through your party is basically the only way to make a career in Costa Rican politics.

Due to the strict limitations on who can be reelected to office and when, parties are important political actors in Costa Rica. Because parties are the only political entity that can be reelected they are, in many ways, the force that links the members of the executive and legislative branches and top officials in the autonomous agencies. Parties, acting through party leaders, can forge this link because party militantes know that the only way they can continue in politics is with the blessing of their party. A militante who is not also a team player (e.g. - constantly working so that his party will win the next election by helping to put forth an image of the party as a political machine that is able to get things done for the people) will not be offered a position in the next government. (from interviews with deputies) Parties do not generally need to remind their members of this, because they know that if their party does not control the executive branch of government there will be no positions for them to fill. Thus, party leaders generally have a great deal of influence when they contact

¹⁹ See section above about the effect the size of the country has on the workings of the Costa Rican political system.
the executive president of an autonomous agency to say that they have received complaints from an interest group or asociación that they have not been listened to. Thus also, deputies are willing to devote a large percentage of their time to helping constituents and attending to asociación demands. And because of this influence political parties must be factored into the model of bureaucratic politics in Costa Rica.

In conclusion, on the surface the political systems of Costa Rica and the United States have much in common. However, there are several significant differences that, in particular, are important for how the model of Costa Rican bureaucratic politics is designed. One such difference is the restriction against immediate reelection for deputies, and the prohibition of reelection for presidents. These limitations increase the importance of parties, the second important difference between the two systems. It is the desire parties have to win reelection that drives the Costa Rican political system. Third, much of the Costa Rican bureaucracy is organized into autonomous agencies, which are not directly under the control of the executive, as are the line functions provided by Cabinet departments in the United States. The autonomy of much of the bureaucracy leads to a fourth difference between the systems, which is that the legislature in Costa Rica does not approve the budgets of autonomous agencies. Instead their budgets are overseen by the Comptroller General of the Republic, who is appointed by the Assembly but who is not controlled by the Assembly. This difference greatly reduces the role played by the Assembly in communicating the policy preferences of interest groups to agencies.

From here we move on, in the next chapter, to building a model of bureaucratic politics in Costa Rica. The model is developed in detail, and then in later chapters the results of the simulations are presented and analyzed.
Chapter Three - A Model of Costa Rican Bureaucratic Politics

Introduction - Government Growth and Its Linkages with Bureaucratic Politics

The basic assumption of this research is that the growth of government is linked to the workings of bureaucratic politics. In this chapter a model of bureaucratic politics in Costa Rica is developed that shows how the various actors taking part in the political system interact with one another. The premise is that, by understanding the incentives that influence the behavior of actors, and the limitations on their actions caused by how the system (and its institutions) is structured, we will expand our knowledge about what causes governments to grow.

Based on the premise that actors are rational and that they are constantly trying to maximize their own utility, actors are predisposed to do that which will maximize their utility, not necessarily that which is desired of them by other actors in the system. Thus, if Actor A wants Actor B to do something, then he must make doing the desired task be in the best interest of Actor B whose cooperation he needs (i.e. - so that it will maximize Actor B's utility). How Actor A can make compliance with his wishes be in the best interest of Actor B depends on the structural and institutional constraints of the political system. The organization of the political system determines what utilities an actor tries to maximize, and thus what incentives that actor has to act in a particular fashion. Hence the organization of bureaucratic politics in a country provides each actor with an "incentive structure" that determines how that actor will behave when he receives signals from other actors in the system.

It is generally assumed that bureaucrats want to expand their budgets, their domain, the number of agency personnel. (Niskanen 1971; Bendor and Moe 1985) However, in order to understand the behavior of government agencies we need to also understand their, often quite complex, linkages with the other actors in the political system - notably the executive, the legislature, political parties, and interest groups. Once the workings of these relationships have
been made clear, both how they influence and limit the actions of agencies, we can then deduce how the arrangement of a political system effects the growth of its government.

Six actors take part in the model of Costa Rican bureaucratic politics - an agency, two interest groups, an executive, a legislature, and the in-power political party. The agency starts the system in motion by producing a particular level of service at a particular cost. The agency decides the cost and the level at which it will produce the service based on its desire to maximize its utility. The agency’s utility increases if its budget and/or slack resources increase, if it can avoid oversight, and/or if it can achieve its policy and programmatic goals. However, the agency’s budget, and hence its slack; the amount of oversight it must endure; and how close it can come to achieving its own programmatic goals are influenced by how its chosen service output level and cost were received by the concerned interest groups. Interest groups enter the political system and behave as political actors when their utility is affected either positively or negatively, or they think it will be affected by a government policy. If a group benefits by a service provided by the agency they will want the service to continue to be

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1 The Executive in Costa Rica means the President and his Cabinet. In the 1949 Constitution, the president along with his cabinet are referred to as the Council of Government (Consejo de Gobierno) which functions as a collective executive.

It will be assumed that there is always one party, the in-power party, that holds an absolute majority of the seats in the Legislative Assembly. The in-power party will be defined, for the sake of simplicity, as the party controlling the Executive and a majority in the Legislative Assembly. Though at times different parties have controlled these two branches of the government, that case will not be examined at this time.

2 Slack is the amount of the agency’s budget that is not devoted to producing the service the agency is charged with producing. (Bendor and Moe 1985)

3 The assumption being used here is that bureaucrats in an agency may want the agency to achieve certain goals. Working for these goals may have been the initial incentive to people to seek employment in the agency. Or, since the civil service code provides bureaucrats with a job tenure that politicians do not have, bureaucrats may wish to continue the policies or programs for which the agency was originally established and hence may not be responsive to a change in focus for the agency caused by a new government that puts emphasis on different policies.
produced at its present level or possibly for service levels to be increased. If the "service" hurts a group (i.e. - it costs them money, for example increased regulation of pollutant emissions increases the cost of production for business) the group will lobby to decrease service levels and costs. Groups communicate their policy preferences to elected officials and political parties so that they, in turn, will use their political resources to influence the behavior of the agency. Elected officials and political parties respond to pressure from interest groups because they want to be reelected.\textsuperscript{4} Elected officials send messages to the agency through its budget, by engaging in oversight, and by pressuring senior, politically appointive agency officials. The leaders of the in-power political party try to explain to agency officials that if their actions do not please voters the party will not be reelected and then politically appointed agency officials will also be out of a job.

From these messages the agency receives from elected officials and party leaders, the agency can assess the changes in its utility caused by its previous actions. In response the agency will modify its behavior (i.e. - its service output levels and their costs) in an attempt to increase its utility, and the whole process has come full circle, and will begin again.

Even from this brief description of the linkages of bureaucratic politics in a generic democratic system,\textsuperscript{5} it can be seen that the means of communication available to the actors are very imprecise. Actors can only really communicate with one another if they can work through each others' incentive structures. They can only send effective messages to each other if the incentive

\textsuperscript{4} In Costa Rica only parties can be immediately reelected to the same office. Members of the executive branch and the Legislative Assembly respond to interest group pressure so that they, their government, and hence their party, will be thought of as responsive. They think that this responsiveness will induce interest group members to vote for the in-power party in the next election, and if so the party, and its members who seek a career in politics, will be allowed to continue in government.

\textsuperscript{5} The above outline of the linkages of bureaucratic politics is based heavily on the work of Jonathan Bendor and Terry Moe (1985).
structure built into the system allows such messages to be sent and correctly be interpreted.

The way the democratic system in Costa Rica is set up most communication between political actors is indirect, relying on an intermediary. An example of this is that interest groups send their policy preference messages to the agency through elected officials instead of communicating with the agency directly. Communication tends to be indirect because actors have access to political tools with which they can affect the utility of the intermediary. Actors do not often possess the tools they would need to influence the utility of the actor whose behavior is really the matter of concern. For example, interest groups have the ability to influence political parties and people in elective positions because groups represent voters who will determine the future of the party and its elected officials. Interest groups do not, however, have access to many political tools with which they can directly effect the utility of the agency whose behavior really concerns the group. Interest groups cannot change the agency's budget because budgets lie within the domain of governments. Nor can interest groups easily engage in legal oversight of the agency, because that too is a governmental activity (unless of course the group decides to sue the agency on constitutional grounds). Thus, indirect forms of communication between actors are used.

Through indirect means of communication a message does eventually find its way to the agency. These messages, in the form of pressure from elected officials and the in-power party, changes in the size of the agency's budget, and oversight, do in some way constrain the behavior of the agency. Government agencies, even the so-called "autonomous" agencies found in Costa Rica, are not completely autonomous actors. However, it is not certain that the agency's interpretation of the message/pressure it receives is the message interest groups were actually trying to send. It is also not

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6 This also applies to how actors communicate in Bendor and Moe's model of bureaucratic politics in the United States.
certain, because of the nature of the agency's incentive system, that once a message is received it will have the desired effect on agency behavior. As Bendor and Moe (1985) discovered in their simulation of bureaucratic politics in the United States, providing an agency with more funds will not necessarily cause more of the desired service to be produced. The agency may direct all or part of the increased budget to slack, or to addressing other programmatic goals. Similarly, reducing the agency's budget may not produce less of the service. Instead, the agency may place a premium on continuing present service levels and take funds out of its slack resources to continue production at previous levels.

Deductions About How the Arrangement of the System of Bureaucratic Politics Effects Government Growth

The fundamental assumption of this segment of the government growth literature is that the arrangement of the political system affects government growth. (Niskanen 1971; Borcherding 1977; Bendor and Moe 1985) This is shown to be the case because the structure of a political system and its institutions set up each actor's incentive system, and it is only through tinkering with an actor's incentive system (particularly that of bureaucrats) that a government can grow efficiently, or decrease its size without decreasing services. Because I assume that bureaucrats are trying to maximize their utility, then other actors can only induce bureaucrats to modify their behavior if they can make it in the best interest of the bureaucrat to do so (i.e. - so that modifying his behavior will increase the bureaucrat's utility). This is the same argument that Woodrow Wilson tried to present to political science 100 years ago when he was advocating the study of public administration. Wilson wrote that through examining the incentives to action bureaucrats have we can learn how to ensure that bureaucracies carry out the policies and programs legislated by the government (1889).

By modeling bureaucratic politics in Costa Rica, we will observe how actors can effectively communicate with one another,
and what types of messages get obscured during the transmittal process. From the simulation we will also learn what types of pressure from interest groups (voters) and elected officials will induce bureaucrats to act in a desired fashion. If the policy espoused by the Executive (in Costa Rica through the President's National Development Plan) calls for expansion of the public sector (e.g. - government provision of more social services or an expanded role for the government in the economy), then through modelling we can learn how to set up incentives that will induce bureaucrats to provide the desired new services instead of absorbing the new funds into slack or diverting them to other programs. If the government's desire is to diminish the size of the public sector (for example in response to international and domestic economic pressure), then modelling can show us what incentives will induce bureaus to decrease slack instead of cutting back services that the people of a country have become accustomed to receiving from their government.

The Model of Costa Rican Bureaucratic Politics

This section contains a detailed explanation of the model of bureaucratic politics in Costa Rica, including an examination of the incentives that influence the behavior of each actor. The model is presented in sections, with each section devoted to the activities and decision processes of an individual actor. This method of presentation is chosen to emphasize that each actor works under the restriction of only having limited information about the environment. Each actor functions in his own universe, constantly trying to increase his utility. However, it is not enough to look at a single actor's strategies in a collective choice setting. The joint strategies of all actors must be considered.

The model of Costa Rican bureaucratic politics could be adapted to apply to many specific types of political environments. Different political parties could control the executive and
legislative branches of the government. Interest groups could be battling over the level of services produced by a government agency, or about how strictly a regulation is enforced by a ministry. There might be only one interest group concerned about a government policy, and that group could be battling to defend its interests which are contradictory to the interests of the government bureaucracy. In such a case the bureaucracy would be playing the dual roles of "bureaucracy" and "interest group." This situation occurred in 1959 when the nurses union (the Asociación Nacional de Profesionales en Enfermería - ANPE) lobbied the Legislative Assembly to pass a law establishing a College of Nurses in which all nurses would be required to hold a membership. The union had to confront the Social Security Medicine Institute that was against the passage of such a law. Another example of the government behaving as an interest group was mentioned by the President of the Agriculture and Agricultural Business Chamber, Sr. Juan Rafael Lizano. He explained that agricultural interests often view how the economy should be directed very differently then do the government's economic advisors. There could also be situations where one of the competing interest groups is not truly an organized group, but yet it still has a great deal of influence on elected officials. An example of this would be foreign businesses arguing against a new tariff that would protect domestic production. However, for this work the focus is on a simple, and quite general case that, as in Bendor and Moe's 1985 work, is driven by two competing interest groups.

[Insert Figure 3.1, "A Model of Costa Rican Bureaucratic Politics" about here.]

The agency, which will be referred to as Agency X, is concerned with maximizing its budget and slack resources, minimizing oversight, and achieving its own policy and

7 Different parties controlled the executive and legislative branches of government from 1958 to 1962, and from 1966 to 1970. During those two governments the majority in the Legislative Assembly was controlled by the National Liberation Party (PLN), and one of the parties in opposition to the PLN won the presidency.
Figure 3.1
A Model of Costa Rican Bureaucratic Politics

- **Agency**
  - lobby, pressure
  - budgets, pressure
  - oversight, pressure

- **Interest Groups**
  - lobbying, votes
  - lobbying

- **In-Power Party**
  - lobbying

- **Legislative Assembly**
  - lobbying

*outputs - service*
programmatic goals. Agency X achieves these goals, and maximizes its utility, by producing a level of service at a cost that appeals to the interest groups. However, the two interest groups participating in the model are in competition. One wants less of the service and the other desires more. Thus, the agency's behavior (its decision about what level of service to produce at what cost) is never going to satisfy both interest groups. At least one group could always increase its utility by having the agency produce a different level of the service at a different cost. Because of this paradox, one or both of the interest groups will always be lobbying the executive, and/or deputies and/or the leaders of the in-power party to change the level and cost of the service that is produced. The elected officials and the party, who are concerned with achieving their own goals and improving their chances at reelection, respond to interest group lobbying by pressuring the agency, engaging in oversight of the agency, and changing the agency's budget.\(^8\)

### The budget for Agency X

The process of decision making (weighing changes in utility) and communicating among actors can be modeled through a series of equations. Equation 1 shows how the budget for Agency X changes from one time period to the next.

\[
B_{t+1} = cN_t + F_t + eR_t + vL_t \tag{1}
\]

where:
- \(B_a\) = budget of agency X (*This is a dollar value*)
- \(c\) = the fixed percentage of the national budget received by Agency X as it is written into the constitution. If Agency X is assumed to not have such a budget guarantee then \(c=0\). (*This is a percentage*)
- \(N_t\) = the national budget at time \(t\) (*This is a dollar value*)

---

\(^8\)The executive has two goals that define its utility function. The first is achieving the President's program goals for the country as set out during his campaign and in his administration's National Development Plan. The second is to maintain a positive image for the party so that it will be the victor again in the next elections. The utility maximizing goal for deputies is to help their party win control of the government in the next election, and in so doing to promote their own political careers. The utility of political parties is maximized by winning the next election.
\[ F = \text{the revenue received by Agency X from non-governmental sources for services provided (e.g. - social security payments regularly deducted from paychecks, social security contributions paid by non-government employers, electric and water bills)} \] *(This is a dollar value)*

\[ R = \text{revenue guaranteed to Agency X from the government (e.g. - social security contributions paid by the government as an employer, contributions made by the government to the social security fund for all Costa Ricans, percentages of taxes guaranteed to Agency X in its enabling legislation, such as liquor taxes)} \] *(This is a dollar value)*

\[ e = \text{the fraction by which 'R' is devalued to take into account that the government usually does not pay its bill to an agency in full. The amount the government does pay is one of the ways the government can send signals to the agency about its satisfaction with the agency's performance.} \]

\[ L = \text{the amount by which Agency X wants to augment its revenues with loans (This is a dollar value)} \]

\[ v = \text{the fraction by which a loan request 'L' is devalued to take into account that the full amount of Agency X's loan may not be approved by the Ministry of Planning. This is another of the ways the government can send signals to the agency about its satisfaction with the agency's performance.} \]

'\(e\)' and '\(v\)' are ways in which the executive branch can influence the size of Agency X's budget, and thus send messages to Agency X about the government's satisfaction with its service production level and cost in the previous period. '\(e\)' is decided by the Ministry of Finance which is the office in the executive branch that decides how much of the government's bill to Agency X the government will actually pay in a given iteration of the model instead of holding the funds under accounts payable.\(^9\) '\(v\)' is determined by the Ministry of Planning.

\(^9\) '\(e\)' is allowed to vary from 0 to 1 because at times the government has paid very little of what it owes to certain autonomous agencies.
Planning which must give its approval to agency plans to secure loans that will increase Costa Rica's international debt.\textsuperscript{10}

**How Interest Groups Convey Their Opinions About Policy to the Government.** The budget for Agency X changes because groups that are dissatisfied with the agency's performance have brought their grievances to the government and to the in-power party. Both the business chamber and the labor union each desire that Agency X produce a particular level of service at a particular cost. When the level of service actually produced or its cost is different from what one of the groups desires the discontented group will lobby sympathetic government officials to try to change the agency's behavior. Interest group behavior takes the form of lobbying deputies, members of the Executive, or in-power party leaders such as the party secretary general. A group will throw its support to the opposition party when it no longer considers it to be useful to spend time lobbying the current government.

In this section of the model two assumptions are made. First, it is assumed that when business and labor interest groups are lobbying for contradictory goals, unless labor is willing to work much harder than business (i.e. - throw all its possible political resources into the struggle), business groups have more influence with the government than do unions. Thus:

\[ UR_t = h + j \times \text{benefits} \] \[ BR_t = k + m \times \text{costs} \]

where: \( UR_t \) = the political resources the labor union has access to during time \( 't' \)
\( BR_t \) = the political resources the business chamber has access to during time \( 't' \)
\( 'h', 'j', 'k', \) and \( 'm' \) are positive constants.\textsuperscript{11} \( 'm' > 'j' \) so that in the model there is a tighter relationship

\textsuperscript{10} 'v' is allowed to vary from 0 to 1.

\textsuperscript{11} The function of these constants is to produce resource curves that represent increasing marginal costs and decreasing marginal benefits of increased service
between business group resources and the cost of service produced by the agency than there is between union resources and the benefit gained from the service.

The justifications for this assumption can be found in the interest groups section of Chapter 2.

The second assumption, taken from Bendor and Moe, is that as the level of services approaches infinity, or as the level of service provided increases, the political stakes rise. Hence, interest groups will devote their political resources to supporting the political party which supports the group's interests. In Costa Rica this assumption means that as a group is increasingly hurt by a policy (increasing marginal costs) it will first threaten to throw its support to the out-of-power party if its needs/demands are not addressed by the government. If the group continues to be ignored by the government then the group will actually begin to support the opposition party. Support for the opposition can take the form of campaign contributions by group members, a media campaign emphasizing the problems with the government's current policy, or votes for the opposition.

Because, business interest groups in Costa Rica tend to be better organized, and to represent a larger portion of the members of their sector than do labor unions, again the model must be systematically biased in favor of business. A detailed explanation of the reasons for this asymmetry in interest group power can be found in Chapter Two. The imbalance in organizational strength produces a closer relationship between an increase in costs and action taken by the business chamber (i.e. - use of the group's political resources) than it does between a change in benefits and action taken by the labor unions. This is incorporated into the model by making constant 'j' in equation 2 smaller than constant 'm' in equation 3.

production. Thus, the lobbying resources of business increase at an increasing rate, and those of labor increase at a decreasing rate and may eventually even decrease.
Once the business chamber and the labor union have determined what resources they currently have in their political arsenals (equations 2 and 3), they will decide how much of these scarce resources they wish to devote to lobbying the government during the current time period. Interest groups can lobby members of the Council of Government (the Executive) to attempt to change policy about the service (meaning changing the budget for Agency X). They can also lobby the leaders of the governing party so that the party will pressure its militantes in the executive branch, the legislature, and in the agency to change the agency’s behavior so as to please the more forceful of the two interest groups. Each group can also lobby sympathetic deputies to engage in oversight of Agency X if it is not producing the level of services expected, or if the cost is much higher than was planned.

For an interest group to “lobby” the executive, leaders of the governing party, and/or sympathetic deputies, means the group uses some or all of its political war chest to send a message to the government about the intensity of its policy demands. As was explained in Chapter 2, business chambers and labor unions generally progress through several stages of pressuring the government when trying to defend their interests. However, so as not to overwhelm the model with details, for now interest groups will be assumed to make only one lobbying strategy decision per time period about how to use their political resources to best defend the group’s interests (equations 4 and 5). Each of the two competing interest groups uses a portion of their political resources (UR and BR from equations 2 and 3) to lobby the executive, the leaders of the governing party, and deputies. A group can also decide to hold some of its political resources in reserve. In this way the provision mentioned above, that it is almost impossible for labor unions to win a battle unless they employ all of their political resources against the better organized business groups, is incorporated into the model. Thus:

\[ UR_t = M_u + Q_u + S_u + R_u \]  \hspace{1cm} [4]

\[ BR_t = M_b + Q_b + S_b + R_b \]  \hspace{1cm} [5]
where: UR_t = the political resources the labor union has access to in time 't' (from equation 2)
BR_t = the political resources the business chamber has access to in time 't' (from equation 3)
M_U = the amount of UR_t the union decides to use to lobby the president of the republic in time 't'.
M_B = the amount of BR_t the chamber decides to use to lobby the president of the republic in time 't'.
Q_U = the amount of UR_t the union decides to use to lobby the leaders of the governing party in time 't'.
Q_B = the amount of BR_t the chamber decides to use to lobby the leaders of the governing party in time 't'.
S_U = the amount of UR_t the union decides to use to lobby deputies in time 't'.
S_B = the amount of BR_t the chamber decides to use to lobby deputies in time 't'.
R_U = the amount of UR_t the union decides to hold in reserve at this time.
R_B = the amount of BR_t the chamber decides to hold in reserve at this time.

12 Business groups are assumed to devote resources first to lobbying members of the executive branch 'M_B', and then to lobbying deputies 'S_B'. This assumption was made because, as is explained in Chapter Two, chambers have very effective means of access to members of the executive branch that often enable business to successfully address issues before they become matters of public debate.

13 Q_U and Q_B are assumed to be greater than zero only during years three and four in an election cycle. Undeniably this is a simplification of reality, but simplifications are a necessity of modeling. This assumption was deemed acceptable because the party is most effective at lobbying its activists when an election is "just around the corner." Thus, it is assumed that interest groups would be most inclined to devote scarce political resources to lobbying the party at the times when doing so should have maximum benefit.

14 Unions are assumed to devote resources first to lobbying deputies 'S_U', and then to lobbying members of the executive 'M_U'. This assumption was made because, as is explained in Chapter Two, unions have more effective means of access to deputies than to officials in the executive branch.
Elected officials and the in-power party evaluate changes in their political support. It is from the changes in interest group pressure between time 't-1' and 't' that the party, executive, and legislative actors in the model obtain the information on which they base their behavior in time 't+1'.

With this new information about what interest groups think of the agency's performance the in-power political party, the executive, and deputies assess the change in political pressure they feel from their environment. The in-power party makes its assessment about how the amount of pressure it is feeling from interest groups has changed from the point of view of its desire to be reelected. The party evaluates the change in pressure it feels from the interest groups both in terms of the difference in the absolute level of pressure it is receiving from each group and in terms of the change in pressure from each group from time 't-1' to 't'. Equation 6 expresses how the in-power political party evaluates the pressure it feels from the two interest groups.

\[
P = a \times ([Q_u(t) - Q_u(t-1)] - [Q_b(t) - Q_b(t-1)]) + b \times \begin{cases} 
Q_u & \text{if } Q_u > Q_b \\
Q_b & \text{if } Q_b > Q_u \\
0 & \text{if } Q_u = Q_b 
\end{cases} + c \times \begin{cases} 
1 & \text{if } t = \text{election year} \\
-1 & \text{if not} 
\end{cases} \quad [6]
\]

\[{}^{15}\text{It is assumed that there is an election cycle that effects how the party, the executive and deputies weigh pressure from interest groups. During the first three years of the cycle the third element of equations 6, 7, and 8 add -1 to the equation to bias the pressure evaluation in favor of business. In the forth year +1 is added to the equation in order to favor labor. This assumption is made because politicians in Costa Rica know that they cannot win elections without the support of workers and their families because they represent the majority of the voting population. Thus, in election years the concerns of labor become preeminent. However, between elections it is most important for the government to maintain a stable economy for which business support of the government is essential. Thus, the government will pay more attention to business demands. At any time, however, if either group becomes exceedingly concerned about an issue, and suddenly devotes all, or almost all, of its resources to lobbying government officials and the party, the concerned group will receive the attention of the government. To further justify the existence of such an elections cycle in government behavior was often noted by labor leaders who said that Costa Rica is democratic every four years during elections, but is only interested in the concerns of business the rest of the time.}\]
Where: \( P = \) the in-power party’s evaluation of the pressure it receives from the two interest groups from time ‘\( t-1 \)’ to ‘\( t \)’

\( a, b, \text{ and } c \) are constants that weight the importance of the three components of the evaluation

\( Q_t = \) the pressure put on in-power party leaders by either the business or labor interest group in time ‘\( t \)’

If \( P \) is positive it signifies that the party is feeling more pressure from the union group than from business. Hence, the party will recommend to the executive branch, to its representatives in the Assembly, and to party militantes (party activists) who are leaders in the agency that more of the service be produced. Such a change, the party hopes, will make labor happy with the government’s performance, and hence with the party, and thus the labor union members will be disposed to vote the party back into power in the next election. If \( P \) is negative the party will recommend decreasing the amount and cost of the service that is produced by the agency. The party makes this recommendation to its representatives in government and in the bureaucracy in order to please the members of the business interest group and hopefully win their support for the next election.

The executive also evaluates the lobbying pressure it feels from the two interest groups. Like the party, the executive takes into consideration both the difference in the absolute amount of pressure it is receiving from labor and from business, and the change in pressure levels from each group from time ‘\( t-1 \)’ to ‘\( t \)’. The executive also incorporates the signal it receives from the party (‘\( P \)’) into its decision calculus. Equation 7 expresses how the executive evaluates the pressure it feels from the two interest groups.
\[
E = a \times [(M_{Ut} - M_{U(t-1)}) - (M_{bt} - M_{b(t-1)})] + b \times \begin{cases} 
M_u & \text{if } M_u > M_b \\
M_b & \text{if } M_b > M_u \\
0 & \text{if } M_u = M_b 
\end{cases} \\
+ c \times \begin{cases} 
1 & \text{if } t = \text{election year} \\
-1 & \text{if } t \neq \text{election year} 
\end{cases} + d \times P \tag{7}
\]

Where: \( E \) = the executive's evaluation of the pressure it receives from the two interest groups from time 't-1' to 't'

\( a, b, c \) and \( d \) are constants that weight the importance of the four components of the evaluation

\( P \) = the message sent by the leaders of the in-power party to the executive about the change in interest group pressure felt by the party from time 't-1' to 't'

\( M_t \) = the pressure put on the executive by either the business or labor interest group in time period 't'

Based on this evaluation of the pressure it is feeling, and on whether or not current levels of agency service production make it possible for the president to achieve his policy goals for the agency, the executive will decide how to modify the agency's budget through 'e' and 'v' in equation 1. If 'E' is greater than zero, and the president's policy goals require that more service be produced, the executive will allocate more funds for the agency.\(^{16}\) If 'E' is equal to or less than zero, and the agency is producing more service than is necessary for achieving the president's policy goals, then the executive will allocate less funding to the agency (i.e. - it will choose to pay off its debts with other government agencies instead of with Agency X). If the executive's evaluation of its support from

\(^{16}\) In Costa Rican this means the Executive branch, in particular the Ministry of Finance, will decide to turn over a large percentage of the funds the government owes the agency ('e' in equation 1) (i.e. - the tax revenues that are guaranteed to the agency in its enabling legislation, etc.) The Executive, through the Ministry of Planning, will also permit the agency to look for external sources of financing in the form of international loans ('v' in equation 1).
interest groups shows that less service should be produced by the agency to keep business happy, but the needs of the president's policy goals still call for more service; then the executive will compromise and increase the agency's budget, but not by as much as it would if all signals were positive.17

Finally, the deputies in the Legislative Assembly also evaluate the pressure they feel from the two groups. Deputies use the same method to evaluate interest group pressure as do the executive and the in-power party (see equation 8). They use their evaluation of interest group pressure to determine whether or not to engage in oversight, and what message to send to the agency through oversight. As was explained in Chapter Two, oversight occurs in many different ways in Costa Rican politics (e.g. - individual deputies pressuring agency officials; through a Special Investigatory Committee in the Legislative Assembly; when interest groups pressure the agency by causing negative publicity for the agency in the media). In order to incorporate all these different forms of oversight into the model the deputy's evaluation of pressure from the competing interest groups will be used as a proxy for telling the model when oversight will occur. Thus, though we refer to a "deputy's" evaluation of interest group pressure, this is shorthand for an individual deputy, the legislature as a whole, or for an interest group deciding whether or not to try to influence agency behavior through oversight.

\[
A = a \times \left( S_{Ut} - S_{Ut(t-1)} \right) - \left( S_{Bt} - S_{Bt(t-1)} \right) + b \times \begin{cases} 
S_{U} & \text{if } S_{U} > S_{B} \\
S_{B} & \text{if } S_{B} > S_{U} \\
0 & \text{if } S_{U} = S_{B} 
\end{cases} + c \times \begin{cases} 
1 & \text{if } t = \text{election year} \\
-1 & \text{if } t \neq \text{election year} 
\end{cases} + d \times p \tag{8}
\]

17 The opposite is true if pressure on the Executive is stronger from the union, yet more service is being produced by the agency then is necessary for achieving the president's policy goals. The president is assumed to have such freedom to pursue his policy goals for his administration because he is constitutionally prohibited from seeking reelection, and thus as a "lame duck" for his entire time in office he has more freedom to pursue his policy goals for his government.
Where: $A =$ the "deputy's" evaluation of the pressure it receives from the two interest groups from time $t-1$ to $t$

$a$, $b$, $c$ and $d$ are constants that weight the importance of the four components of the evaluation

$P =$ the message sent by the leaders of the in-power party to the members of the party's faction in the Assembly about the change in interest group support for the party from time $t-1$ to $t$

$S_t =$ the pressure put on deputies by either the business or labor interest group in time period $t$

Oversight will occur in the model when lobbying exceeds a pre-set threshold level ($T$ in equation 9). The threshold level after which action will be taken, is the level of lobbying at which the deputy feels that if concrete action is not taken his party will lose electoral support from the effected group. This means that once complaints about agency treatment or service provision, and complaints transmitted through the party, pass a critical threshold, then action, in the form of oversight, will be undertaken. If $A$ is positive and greater than the threshold, then pro-labor oversight will occur (i.e. - oversight that questions why more of the service is not being produced by the agency). If $A$ is negative and greater than the threshold, then oversight will send a message to the agency to decrease service production and thus appease business interests. Thus:

$$O_t = \begin{cases} A_t & \text{if } |A_t| \geq T \\ 0 & \text{if } |A_t| < T \end{cases} \quad [9]$$

where: $O =$ oversight

$A =$ the deputy's evaluation of the pressure received from the two interest groups from time $t-1$ to $t$

$T =$ the threshold above which further lobbying will provoke action in the form of oversight

Now the process of bureaucratic politics has gone through one iteration of the model, and it is once again time for Agency X to
decide what its level of service output should be. Agency X decides how much of its service to produce in the new period, and at what cost to business (i.e. - how efficient it will be), based on the changes in its budget (equation 1) and slack resources, the amount of oversight it had to endure during the previous period (equation 9), and how close it is to achieving its own policy/service level goals.\footnote{An agency can have pro-business (i.e. - it desires to produce less service than is socially optimal) or pro-labor (i.e. - it wishes to produce a higher level of service than is socially optimal) policy goals.}

"These new quantities are now inputs to [Agency X] that alter its utility, telling it whether the environment is approving or disapproving of its past behavior. As noted, [Agency X's] utility function contains one or more of four potential components - budget, slack (the amount of the budget not devoted to enforcement), hassling, and policy (in the form of [a service] level the agency prefers to all others, its ideal point) - and therefore the [impact of this feedback] on its utility will depend in part on precisely what combination of these the agency happens to value.... Once the agency has assessed its utility change, it follows an adaptive strategy in setting a new value for its choice variable, efficiency." (Bendor and Moe 1985, pp.758-759)

Equation 10 models how Agency X determines its new efficiency level. The efficiency level the agency chooses in time 't+1' is a function of how the agency's utility changed from time 't-1' to 't', as is explained in the cases that follow at the end of the chapter.

\[
f(t+1) = a(B_t - B_{t-1}) + b(K_t - K_{t-1}) + cO_t + dG_{at} \quad [10]
\]

where: \( f(t+1) \) = the level of efficiency at which Agency X chooses to produce its service during time 't+1'.
\( K_t \) = agency slack at time 't'.
\( G_{at} \) = agency policy goals, or the level of service the agency wants to produce.
After Agency X decides what its new efficiency level will be, the amount of service the agency will produce can be determined from Equation 11:

\[ S_t = u \times f_t \times B_t \]  \[11\]

where: \( S_t \) = the amount of service produced by Agency X during time 't'. This is measured in "units of service", all units of service will be assumed to be equivalent.

\( u \) = a constant symbolizing units of service purchased by one unit of spending.

\( f_t \) = the level of efficiency at which Agency X chooses to produce its service during time 't'. This is a fraction.

\( B_t \) = the budget received by Agency X for time 't'. This is a dollar value.

This new amount of service production by Agency X yields new levels of benefits for the labor union and new cost levels for the business chamber. Here I am assuming, as do Bendor and Moe (1985), that groups experience diminishing marginal returns (benefits) and increasing marginal costs from more services. This means that costs felt by the group that is hurt by a policy increase at an increasing rate, and benefits felt by the group that is helped by the service increase at a decreasing rate. Thus:

\[ \text{benefits}_t = n \times S_t - p \times S_t^2 \]  \[12\]

\[ \text{costs}_t = q \times S_t + r \times S_t^2 \]  \[13\]

where: \( n, p, q, \) and \( r \) are positive constants

\( S_t \) = the amount of service produced by Agency X during time 't'

19 These constants were set at 0 or 1 for the different elements of the agency's utility function depending on which factors were valued by the agency in a given version of the simulation. For example, if the agency was only concerned with maximizing its budget then \( a=1 \) and \( b, c, \) and \( d=0 \).
Now the path can be traced by which system outcomes are produced in every iteration of the model. When a new agency is established it is given a budget which it uses to produce service. Interest groups then assess how they are affected by the amount of service produced by the agency. In turn, they lobby their contacts in the executive and legislative branches of the government, and in the in-power party, pressuring for more or less service depending on which will increase the group's utility. The party and its elected officials then assess how their utility has changed because of the pleasure or displeasure of the interest groups. They are not necessarily concerned with producing the level of service that is desired by a particular interest group. Instead, the party and its militantes want to bolster the chances for the party to be reelected. Members of the executive branch also want to achieve the president's policy goals for his administration. Based on these standards, they assess the change in their utility and they pressure the agency accordingly by changing its budget, and engaging in oversight. From this response the agency learns how its behavior (really the efficiency at which it choose to produce its service) in the previous period effected its utility. And, in turn, the agency will change the efficiency of its production in the manner that it thinks will maximize its utility, and the whole process beings again.

To illustrate how Agency X is able to learn from past experience, and thus modify its behavior (i.e. - efficiency level) adaptively, the simple case where only the size of Agency X's budget changes is shown with all the possible permutations.

Case 1: If \( S(t-1) > S(t-2) \) and \( B_t > B(t-1) \)

then \( f_t > f(t-1) \) and \( S_t > S(t-1) \)

where: \( S_t \) = the amount/level of service produced by Agency X during time 't'. This is measured in "units of service".
\[ f_t = \text{the level of efficiency at which Agency X chooses to produce its service during time 't'. This is a fraction.} \]

\[ B_t = \text{the budget received by Agency X for time 't'. This is a dollar value.} \]

In this case increased service in the previous time period, which was the result of increased agency efficiency, led to an increased budget for Agency X. This positive result told the agency to produce even more of its service in the new period. Increasing service producing larger budgets for Agency X means that the union interest group (the group that values more of the service being produced) had more influence over government officials than did the business group.

**Case 2:** If \( S(t-1) > S(t-2) \) and \( B_t < B(t-1) \)

then \( f_t < f(t-1) \) and \( S_t < S(t-1) \)

In this case increasing service in the previous period led to a budget decrease for Agency X. This signifies that the business interest group (that values less of the service being produced) had more influence on government officials than did the union group. Thus, they asked leaders of the in-power party, the president and/or sympathetic deputies to intervene and convince the agency to produce less.

**Case 3:** If \( S(t-1) < S(t-2) \) and \( B_t > B(t-1) \)

then \( f_t < f(t-1) \) and \( S_t < S(t-1) \)

In this case service had decreased in the previous time period, yet the budget for Agency X increased. This would seem to be an illogical outcome, but it is a possible permutation of the system. It is also an example of what can result from inexact, indirect, trial-and-error methods of communication between political actors. The government gives Agency X more funds in order to provide it with the means to produce more service. This means that the union
Interest group that wants the government to provide more of the service has had more influence over elected officials than the business group. However, the agency may misinterpret or ignore the signal and not increase service production. It may complain that it still does not have the resources it needs to increase service production, and instead devote the new funds to building up its slack reserves or to achieving other programmatic goals.

Case 4: If $S(t-1) < S(t-2)$ and $B_t < B(t-1)$

then $f_t > f(t-1)$ and $S_t > S(t-1)$

Here, Agency X had been decreasing the amount of service it was producing, possibly to increase its slack reserves. In this case the agency interprets the reduction in its budget as a "punishment" for its actions. The decrease in budget is a punishment because it means the agency's utility decreased. The agency responds by producing more of the service (i.e. - producing service more efficiently). The government may have decreased Agency X's budget because it wanted to reduce the agency's slack. However, the government may instead have been trying to tell the agency to produce even less of the service because anti-service (i.e. - business) interest groups were pressuring the government. Thus, this is another example of the potential for undesired outcomes when communication between actors occurs by inexact, trial-and-error methods.

In more complicated situations, where Agency X's budget changes and it is afflicted by oversight, and/or the agency has a complex utility function in which several weighted factors contribute to its utility, then the agency will still try to maximize its utility by adapting its efficiency level. To do this the agency will examine all the forces that are pressuring it, and decide what type of change in efficiency will diminish these pressures. The agency wants its budget and slack to increase, and it wants to avoid oversight, plus agency leaders and bureaucrats may have their own ideas about what level of service production they want to achieve,
and its executive president and managers want to comply with the requests of the president, deputies, and party leaders in order to further their own political careers. Thus, the agency will change its level of efficiency in order to maximize its utility. And, as in the simple case, a change in Agency X’s level of efficiency will change the amount of service produced and its cost.

Having now introduced all of the actors in the model and how they communicate with one another, it can be seen that the relationships between actors are often quite complex. This complexity is caused by the fact that all of the actors are constantly responding to changes in the behavior of other actors by changing themselves. An equilibrium is not reached in each period because there is always an actor that can increase its utility by changing the level and cost of services produced by the bureau. Thus, the system continually progresses from one iteration to the next.

Because of the complexity of the actors’ relationships and the continuous behavior changes, it becomes necessary to simulate, via computer, the behavior of the actors in Costa Rican bureaucratic politics. Through the use of a simulation we can discover the logical end to which various behavior patterns can progress. We can also study the outcomes (i.e. - size of government) produced by the existing incentive structure that influence the behavior of bureaucrats. The purpose of this work is to study the causes of government growth. To this end, through simulation we can learn what types of messages from interest groups and elected officials are correctly interpreted by the agency and which are misconstrued. In particular we can expand our knowledge about how the bureaucracy can be induced to produce more or less of a service according to the desires of the people. To do this an effective incentive structure must be designed for the agency that causes it to be in the best interest of bureaucrats to produce at the level and cost desired by citizens and interest groups. Since it is not possible in a research setting to tinker with the actual bureaucracy; as a
substitute we can model possible incentive systems in order to preview their effectiveness. In so doing the study of bureaucratic politics can develop a body of knowledge about how actors in politics communicate with one another and about how to induce bureaucracies to efficiently produce the services for which the bureau was established.

In the ensuing chapters an explanation of the simulation and its results is presented. However, before presenting the simulation, in order to increase understanding of how the actors in the system communicate with one another, two case studies are presented. The first case study looks at the workings of the Agricultural Sector, focusing on the Agricultural Development Institute. This case was chosen because the Agricultural Sector is often cited as being typical of the Costa Rican public sector and generally has a reputation for efficiency. The second case study looks at the Social Security Medicine Institute (CCSS) in the Health Sector. That case provides an interesting comparison with the Agricultural Sector because the Health Sector is dominated by the CCSS even though the legal authority to direct health policy resides with the Minister of Health. With the knowledge gleaned from the two case studies it will be easier to understand the assumptions made in the generic model so that the simulation could be conducted.
Chapter Four
Bureaucratic Politics and the Case of the Agricultural Sector

The Costa Rican public sector is itself organized into substantive policy areas also called sectors. In theory the sectors working with the Ministry of Planning and the president’s National Development Plan are supposed to produce coherent policy in the areas of agriculture and natural resources; economy, industry, and commerce; education; health; labor; and transport, energy and communication. Through the Planning Laws of 1963, 1974 and 1982¹ and their accompanying Executive Decrees² a policy-making process has been designed that is intended to provide opportunities for all those who will be affected by a policy to give their input about it. In terms of the model this would mean opening up the process of bureaucratic politics so that there can be direct communication between actors instead of less exact, indirect communication. Thus, an on-going policy with a direction can be produced by the government from the outset, instead of ad hoc policy being made through a series of negotiating and pressuring iterations.

However, as is often the case in policy-making; the real world does not look much like the intentions expressed in the laws, and thus the model developed in Chapter Three does not allow for much direct communication between actors. In this chapter the policy-making process as it is described in the Planning Laws is briefly outlined. Then the policy process as it actually works will be explored using the structure of our model of bureaucratic politics as a guide, and looking at the case of agricultural policy for illustration. Through this example the mathematical model developed in the previous chapter is made more tangible and its workings and the incentives influencing the behavior of each actor can be explained in greater detail.

¹ Law Number 3087 of January 31, 1963; Law Number 5525 of May 2, 1974; and Law Number 6802 of September 6, 1982.

² Decree Number 9644-P-OP of February 20, 1979; and Decree Number 14184-PLAN of December 9, 1982.
Policy-Making in the Agricultural Sector According to the Planning Laws

The Agricultural Development and Renewable Natural Resources Sector (Sector de Desarrollo Agropecuario y de Recursos Naturales Renovables) (Agricultural Sector) was formally created by Executive Decree. The purpose of the Decree was to bring the entities that make up the Agricultural Sector into compliance with the planning laws and decrees. The Agricultural Sector is made up of all the programs and agencies (both public and private) that are devoted to any aspect of agricultural development and/or marketing and/or rural development and land distribution. The Minister/Rector, the director of the Sector, is the Minister of Agriculture and Livestock. He is responsible for coordinating the actions of his ministry, and the other government entities that compose the Agricultural Sector. The Minister/Rector is the most important link between policy development in his Sector, other Sectors, the Ministry of Planning (MIDIPLAN) and the President of the Republic. The Minister/Rector is charged with defining the policy of the government for his Sector. He is to direct and coordinate the actions of his Sector at the national and regional levels. He


4 The governmental and semi-governmental entities making up the Agricultural Sector are the following:
   - The Agrarian Development Institute (IDA)
   - The National Production Council (CNP)
   - The riego program of the National Electrical Service (SNE)
   - The agricultural insurance branch of the National Insurance Institute (INS)
   - The rural and agricultural development credit programs of the National Banking System
   - The agricultural education programs of the National Apprenticeship Institute (INA)
   - The agricultural marketing program of the National Center for Supply of the Cooperative Development Institute (INCOP)
   - The Autonomous Institute for the Development of Coffee (ICAPE)
   - The Committee for the Defense of Tobacco (JTAB)
   - The National Confederation of the Sugar Cane Industry
   - The National Banana Producers Association (ASBANA)
approves the government's "Plan" for his Sector and explains the Plan to the other government entities that make up the Sector. (Article 12, Decree No. 14184-PLAN).

The Minister/Rector is advised in his task of defining policy for his Sector, and aided in the job of coordinating Sector activities, by the National Sectorial Council. In the case of the Agricultural Sector this Council is called the Consejo Nacional Sectorial de Desarrollo Agropecuario y de Recursos Naturales Renovables (CAN). The Council is composed of the Minister/Rector, the Ministers of Planning and of the Presidency, and the presidents of the Juntas Directivas of the institutions that are part of the Sector. The Council is to meet at least once a month to analyze the political, technical, and institutional problems of the Sector (Article 14, Decree No. 14184-PLAN) and to coordinate the programs and projects of the Sector (Article 9, Decree No. 14263-A-PLAN).

Each sector also has a Consultative Commission. This Commission is intended to integrate into the sector's decision making process the popular and private organizations that are most related to the sector. According to the Planning Laws the Commission is to meet at least once a month. It is to serve as a forum in which the popular and private organizations related to a sector can express their anxieties about or support for policies and make policy recommendations to the Minister/Rector. (Article 17, Decree No. 14184-PLAN) In the Agricultural Sector this Commission is expected to include representatives of the cooperative sector of society, the National Union of Small and Medium Sized Producers, the agricultural chambers, and the four major labor confederations. (Article 15, Decree No. 14263-A-PLAN)

The planning laws and decrees also make arrangements for a Committee of Managers (Comisión Gerencial) to be made up of the managers and executive directors of all the institutions of a sector. The job of this Committee is to support the work of the presidents of the Juntas Directivas and the National Sectorial Council. This Committee is to meet at least once a month to propose and analyze issues of common interest to the agencies that make up a sector.
The managers' decisions are then to be recommended to the Committee of Presidents of the Juntas Directivas⁵ and to the National Sectorial Council. (Article 20, Decree No. 14184-PLAN)

Directly subordinate to the Minister/Rector in each sector is the Executive Secretariat for Sectorial Planning. Resources for each sector's secretariat are to come from MIDIPLAN and from the ministries and other government entities that compose the sector. The Secretariat carries out and evaluates the policies of the Minister/Rector and of the National Sectorial Council. The Secretariat is also charged with coordinating the projects that make up the Development Plan for its sector. It is to do this with the help of the planning departments of the agencies that make up the sector. Another duty of the Secretariat is to conduct studies and evaluations and supervise all technical, investment and financing projects related to the sector and report on them to the Minister/Rector. Finally, the Secretariat is to be in charge of establishing adequate means of communication with the agencies of the sector and the public, private, and international organizations that are affected by sector activities. (Article 23, Decree No. 14184-PLAN). In the Agricultural Sector the Planning Secretariat is known as the Secretaria Ejecutiva de Planificación del Sector Agrario, or SEPSA. The Executive Director of SEPSA also presides over the meetings of the Consultative Commission and the Sectorial Technical Committee described below.

The final national level component of each sector is the Sectorial Technical Committee. In the case of the Agricultural Sector this Committee is known as the Comité Técnico Sectorial de Desarrollo Agropecuario y de Recursos Naturales, or COTECSSA. This Committee is composed of the Executive Director of the Planning Secretariat and the heads of the planning departments of the agencies that compose the sector. The purpose of this Committee is to coordinate and promote the planning process in the agencies of

⁵ The Planning Laws do not mention anything about this Committee accept to say that the Managers Committee is supposed to report to it.
the sector in order to support the work of the Planning Secretariat, the National Sectorial Council and the Minister/Rector. This Committee is to meet at least once every two months to support the Planning Secretariat in the formulation of sectorial programs and policies and to help with the control and evaluation of projects. (Articles 26 and 27, Decree No. 14184-PLAN) Provisions are also made in the planning laws for an Intersector Technical Committee. The Intersector Committee is to be presided over by the Director of the Division of Sectorial Planning of MIDIPLAN. The purpose of this Committee is to provide for the technical coordination of the activities of the various sectors in the formulation, implementation and evaluation of the National Development Plan, and of the more specific sectorial plans. (Article 28, Decree No. 14184-PLAN)

At the regional level, a similar committee structure for communication and planning is also supposed to be set up. Five administrative regions have been established in Costa Rica. Each Sector has been directed to establish a permanent regional office to serve as the chief link between the national and subregional offices of the ministries and agencies of the sector, and to coordinate the sector's activities in the region. There is also to be a Consultative Committee for each sector in each region, that is to meet monthly to strengthen popular, private sector, and municipal participation in sectorial planning. (Article 37, Decree No. 14263-PLAN)

Policy-Making in the Agricultural Sector - A Look at How it Actually Works

Before launching into the more detailed explanation of what incentives influence the behavior of the actors in bureaucratic

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6 By Decree Number 10157-P-OP of June 1, 1979. This Decree divided the country into five regions that are distinct from the seven provinces. These new boundaries are supposed to divide the country into units with relatively homogeneous needs and interests.

7 Decree Number 14184-PLAN of December 9, 1982.
politics in the Agricultural Sector, it will first be helpful to provide an overview of how the Sector actually functions - in contrast to the idealism of the Planning Laws outlined above. Reading the laws and decrees that legally establish the national and sectorial planning processes in Costa Rica would predict a model that functions rather differently then the model developed in the previous chapter. Provisions are made for inter- and intra-sectorial communication links at all levels, with the goal of producing coordinated national development through the efficient use of scarce resources. It is hoped that direct communication within sectors will eliminate duplication and that institutionalized coordination between sectors will permit policies to be complimentary instead of contradictory. By providing for regular consultation with related private sector groups (e.g. - chambers and unions) and local governments, it is hoped that public opposition to policies can be avoided and technically infeasible programs can be made workable before they are implemented.

The system of planning as outlined above makes provisions for most of the key actors in Costa Rican bureaucratic politics - interest groups, agencies, the executive. The Legislative Assembly is not excluded in that it can still influence policy and the planning process by passing laws and through its role in the budget process. The in-power party can still influence the policy-making process through its ability to pressure/influence ministers and agency executive presidents who are militantes in the party.

However, in reality the policy-making process in the Agricultural Sector, and probably in each of the sectors, does not occur as the laws prescribe it. Although the Agricultural Sector is commonly described as the best functioning sector, many of the advisory committees and consultation commissions set up in the

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8 The Legislative Assembly has the exclusive power to approve the budget (meaning the budget for the executive, legislative and judicial branches of the government, not the budgets of the autonomous agencies), and the President is given no veto power over changes made in the budget by the Assembly. (Nelson 1983, pp.193-194) Individual deputies serving on the Budget Affairs Committee can also influence policy by reapportioning Ministry budgets to earmark the necessary funds for pet projects.
laws do not actually meet. In fact, several senior agency officials interviewed had not even heard of some of the committees described in the Planning Laws.9

In the Agricultural Sector the National Sectorial Council, the CAN, does meet. However, how frequently it meets, and how much it actually contributes to policy design depends on the style of the Minister/Rector and the President of the Republic. SEPSA, the Planning Secretariat for the Agricultural Sector, does exist and is greatly utilized by the Minister/Rector. However, it does not have the staff or funding it would need to carry out all the analysis and oversight assigned to it in the Planning Laws. (from interview with Ing. Luisa Chinchilla Fonseca, Assistant Director of SEPSA)

The regional sectorial and intersector and coordinating mechanism in the Agricultural Sector is rated as quite effective by senior IDA officials. This is the case because the regional level officials know each other, and they can see the administrative problems that can be most easily alleviated through cooperative efforts. However, at the national level it is much more difficult to achieve such cooperation for two reasons. One, Minister/Rectors, when they enter office, do not generally know what powers the Planning Laws give them in their sector. By the time a Minister does discover what his powers are, if he does, the autonomous agency Executive Presidents have already been running their agencies on their own for several months, and they resent the Minister's intrusion. Two, the Minister/Rector is often more of a politician than an expert in the specific policy field of his sector. Thus, he is frequently reluctant to enter into a power struggle over a technical issue with an Executive President who is often more substantively knowledgeable. (from interview with Dr. Ottón Solís Fallás, Minister of Planning from 1986-88)

9 From interviews with Sr. Rodrigo Chaves A., Manager of IDA; and Sr. Juan Rafael González C., Economist and Financial Advisor for IDA.
A Study of the Interaction of IDA with the Other Actors in the Bureaucratic Politics of the Agricultural Sector

Having now explained how policy is supposed to be made, and why in reality the planning process does not closely follow the Planning Laws, we are now ready to examine the functioning of a particular agency and how bureaucratic politics functions with reference to that agency using the model as a template. The Agrarian Development Agency (IDA) was selected for investigation for several reasons. One key reason for its selection is that agrarian policy has long been of interest to students of Latin American politics because of its assumed relationship with social unrest. Two, the Agricultural Sector was recommended as a good choice for study because it is commonly believed to be one of the best functioning sectors in the Costa Rican public sector. From within the Agricultural Sector IDA was chosen for intensive investigation because of the integral policy implementation role it plays. Also, during the nine months in which the field research and data collection for developing the model were conducted no major, high-publicity policy battles involving IDA took place in the Agricultural Sector. This is useful in terms of the generalizability of the analysis to be conducted. It means that IDA and the other bureaucratic politics actors were functioning under normal

10 The duties of IDA include:
- Implementing the government's agricultural policy
- Administering the national reserve lands (e.g. - basic development of the lands, peasant colonization, land distribution, and adjudication)
- Conserving Costa Rica's natural resources
- Implementing the government's agriculture extension and credit programs
- Coordinating the government's construction of necessary agricultural infrastructure (e.g. - farm-to-market roads, irrigation systems, bridges, schools, clinics, etc.)
- Taking action about illegally appropriated land
- Stimulating the organization of peasant and co-operative associations
- Soliciting research from national and international sources about solutions to agricultural problems in Costa Rica
- Conducting internal studies about land productivity in order to elevate the national level of production
- Land distribution

From Article 3 of Law Number 6735
circumstances instead of under the pressure of a specific, unusual, highly politicized issue that had become a matter of national debate. Thus, IDA was not chosen at random from among the government's autonomous institutions. Rather IDA was selected due to a combination of factors including its reputation, general interest to the study of Latin American politics, and the favorable circumstances surrounding it while the field research was being conducted.

IDA was established in 1982\textsuperscript{11} as part of the transformation of the Lands and Colonization Institute (Instituto de Tierras y Colonización) (ITCO).\textsuperscript{12} It continues the work of its predecessor, plus it is charged with several new functions. IDA is an autonomous institution, and as such has autonomy in its decisions about how to administer the policies made by the government that pertain to it.\textsuperscript{13} IDA's activities are directed by an Executive President and a \textit{Junta Directiva}. Below the Executive President are two managers and their advisor/assistants. All of these upper-level bureaucrats are political appointees (i.e. - \textit{militantes} in the governing party). The \textit{Junta Directiva} is composed of the Executive President of IDA, the Minister of Agriculture, five people of "knowledge and recognized experience in the field," and a representative of the campesino movements that are affected by IDA's policies.\textsuperscript{14} (Article 8, Law No. 6735)

The answer to the question, "Who decides upon the policy that IDA implements?" depends on whom you talk to. It is at this stage where policy-making in Costa Rica starts to diverge from the textbook-like planning laws. According to the Planning Laws, policy, and in particular each administration's National Development Plan,

\begin{itemize}
  \item\textsuperscript{11} Law Number 6735 of March 29, 1982.
  \item\textsuperscript{12} ITCO was established in 1961.
  \item\textsuperscript{13} Since the passage of Law No. 4123 in 1968. Before 1968 agencies were autonomous in both making and implementing policy.
  \item\textsuperscript{14} The members of the \textit{Junta Directiva} are chosen by the president and his Cabinet.
\end{itemize}
is to be made by the President and his advisors in conjunction with the Ministry of Planning. To what extent policy trickles down from the top (i.e. - the President) versus bubbles up from the bottom (i.e. - the regional offices of the agencies that make up a sector) is difficult to determine - both from reading the laws, and from speaking with people who are involved in the planning process. The Laws state that the National Development Plan is to be devised by the Ministry of Planning (MIDIPLAN). The Ministry is supposed to produce both a ten year and a four year Plan with the latter being sufficiently detailed by sector to direct the activities of the public sector. These medium and long range Plans are supposed to be augmented by yearly Plans which are to be produced from the partially elaborated Plans submitted to MIDIPLAN by each Ministry and autonomous agency. (Law No. 3087, January 31, 1963) However, the law goes on to say that Ministries and autonomous agencies take part in the planning process voluntarily, but that they are required to submit a copy of their yearly Plan to MIDIPLAN. (Articles 14 and 15, Law No. 3087) According to ex-President Rodrigo Carazo Odio, during his administration policy was made by MIDIPLAN, the Ministries, and the President. Agency Juntas Directivas approved how policies were to be implemented, not what the actual policy was to be. Dr. Ottón Solís Fallás, ex-Minister of Planning, explained that, at least while he was Minister, the National Plan was in actuality developed by MIDIPLAN and the Ministers/Rectors of the Sectors working together. Sector leaders knew what the general goals of the new administration were. From these general guidelines each Sector formulated its part of the Plan. He assumed that the Ministers/Rectors were keeping in touch with the Executive Presidents of the autonomous agencies within their Sectors. Each Minister/Rector would send his Sector's proposed Plan to MIDIPLAN. Then, through a process of revising and negotiation, a final draft of the Plan would be put together that was agreeable to both partners and that would then be passed on to the President. MIDIPLAN's job in the process was to coordinate Plans and programs across Sectors, for which it is particularly suited because it sees all the sectorial
Plans and the big picture of the President’s goals for his administration. Thus, the Ministry can prioritize projects across Sectors.

Another version of the answer to the question, who makes the policy IDA implements, was heard from senior IDA officials. The Executive President of IDA (who has held that post for three years), explained that it is the CAN that makes policy for the Agricultural Sector. The CAN (of which IDA’s Executive President and the Minister of Agriculture are both members) analyzes problems in the Agricultural Sector and decides upon possible solutions. These solutions (policies) are then brought by the Executive President back to IDA. However, these policies must still be approved by IDA’s Junta Directiva before they can be implemented. He emphasized that it is the job of the Executive President to present programs to the Junta and gain the Junta’s approval. An Executive President who is repeatedly unsuccessful at winning approval for policies emanating from the Executive branch can be removed by the President and his Cabinet. (from interview with Lic. Sérgio Quirós Maroto, Executive President of IDA)

How Interest Groups Interact With IDA and the Agricultural Sector, and the Significance of this Interaction for the Model

15The Executive President is appointed by the President and his cabinet, and can be freely removed by them. The office of Executive President was established by Law No. 5507 in 1974 to provide for a direct link between the Executive branch and the autonomous agencies.

16 The Gaceta (the daily record of government activities) showed twenty-two agency Executive Presidents to have left office before the end of the four year term for which they were appointed. However, it would be inaccurate to assume that all sixteen left office because they had lost the confidence of the President of the Republic. Some were moved to other positions in the government and some may have stepped down for personal reasons. One of the reasons it is not possible to determine why an executive president stepped down is because presidents prefer to not acquire the image of instability that comes from constant turnovers in their government. (from interview with President Rodrigo Carazo Odio) Thus, they prefer that people be convinced to leave and do so of their own volition.
The planning laws provide for organized interests to communicate with the Agricultural Sector through the Consultative Commissions, at both the national and regional levels. This is not, however, where such communication actually takes place. In fact, this Commission does not even exist in the Agricultural Sector. Formal links for communication can also be found in IDA's *Junta Directiva*. A provision is made in IDA's enabling legislation for there to be a representative on the *Junta* of the campesino movements that are affected by IDA's policies. Though there is actually a campesino movement representative on the *Junta*, this channel is not listed by union leaders as an effective means of communication with the agency.¹⁷

How groups communicate their needs and policy concerns, both in the case of IDA programs and in the model, depends on who the group represents, as was explained in Chapter Two. Agricultural producers have different, and generally more effective, means of access open to them then do campesino groups.

Producer groups express their concerns about policy issues through the Minister/Rector of the Agricultural Sector and the President of the Republic, and at times through the Minister of Finance and the President of the Central Bank.¹⁸ Producer groups have three advantages that make it easier for them than for unions to express their opinions directly to top officials in government. One is the familial, business, and university relationships and friendships their members often have with people who hold government office. (Denton 1971, p.92) As the President of the

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¹⁷ People in the government consider these representatives to be an institutionalized form of communication for groups (from interview with Dr. Otton Solis Fallas, Minister of Planning 1986-88). However, the popular groups, for whom the *Junta* representatives are intended to provide access, do not consider them to be useful.

¹⁸ The Minister of Finance and the President of the Central Bank have influence in most Sectors of the government because of the role they play in loan approval and in deciding in which Sectors the government will pay its accounts in full (i.e. - tax revenues guaranteed to an agency, etc.) and through their membership in the National Budget Authority (one of the Commissions that must approve all autonomous agency budgets).
National Chamber of Agricultural Producers said, he has open access to the President of the Central Bank, because they are brothers. Two, is that the chambers represent the producers of the products that generate most of Costa Rica's foreign exchange. Thus, the government knows it must listen to these groups because the welfare of their businesses is also the welfare of the country's economy. Advantage three comes from the fact that producer chambers often have the best information about agriculture in Costa Rica. The Ministry of Agriculture can use this information to supplement its own data. Producer groups make direct contact with policy leaders in the government in general, and with the Minister/Rector of the Agricultural Sector in particular, after the chamber(s) has conducted its analysis of the issue under discussion and prepared a report about what its members think are the most appropriate policy responses for the government to take.\textsuperscript{19} If they are not able to resolve the issue in a gentlemanly fashion at this level, for instance if there are opposing groups within the government bureaucracy\textsuperscript{20} or in the campesino movements, then they will take their campaign to the press and the public through forums such as holding round table discussions. Media pressure usually brings the government to talk with producer groups. (from interviews with Sr. Juan Rafael Lizano, the President of the Cámara de Agricultura y Agroindustria; Sr. Luis Umaña Aguilar, Executive Director of the Cámara Nacional de Bananeros; Lic. Arnoldo Lotes Echandi, Executive Secretary and Legal Advisor of the Cámara de Cafetaleros; Lic. Rándall García Gólcher, Executive Director of the Federación de Cámaras de Productores de Cañas)

How the leaders of producer groups said they communicate their policy desires/pressure the government was confirmed by senior IDA

\textsuperscript{19} This description of the advantages producer groups have for conveying their policy preferences to government should help clarify and further justify the assumption made in footnote 14 in Chapter Three about an election cycle influencing how politicians weight changes in interest group support.

\textsuperscript{20} It was mentioned by chamber leaders that the government's economic advisors often see agricultural issues very differently then do the producer groups.
officials. Campesino groups lobby IDA, but producer groups have the means to pressure higher level government officials such as the Minister of Agriculture. Also, because it is the Agriculture Ministry and the President that make policy (IDA's task is mainly to implement it), approval of or discontent about a policy is brought to the Minister, not to the agency. (from interview with Sr. Rogér Segura Carmona, Assistant to the Manager of IDA) In terms of the model this means that if the business chamber approves of the current level of service production, or if it would prefer that less service be produced, then it will lobby the executive, not the agency that actually produces the service.

Campesino groups do not, in reality, have access to top government officials. Because of this lack of access they must use other methods to affect policy decision-making and implementation. When a campesino group disagrees with the way a law or program is being put into effect, its members do not go through the process of following set agency complaint procedures because doing so accomplishes nothing. Instead they use pressure tactics such as sending 100 group members to stage a sit-in at the agency offices in San Jose. They will resort to such practices if group leaders cannot obtain an appointment with the Executive President of IDA or the Minister of Agriculture. Campesino groups tend to have more success when they are trying to lobby elected officials, such as deputies (especially those who are friendly to their cause) or presidential candidates. This is because political parties and their elected representatives are aware of how hard it is to win elections without the support of rural workers and their families. Thus, campesino groups can use the reelection desire/incentive of the in-power party and its militantes to their advantage when lobbying for their policy/service level preferences. However, if traditional lobbying is not sufficient for a group to win its battle, there are always public pressure tactics such as blocking streets, hunger strikes, blockading or taking over public buildings, and press conferences all of which can remind the government about how many votes campesino groups represent. (from interview with Sr. Juan
Mejías, Secretary General of the Federación Sindical Agrícola Nacional; and from interviews with labor confederation leaders)

IDA officials, however, are constantly being lobbied by campesino groups, especially by people who need land. The Executive President of IDA said that his door is always open to campesino groups so that he can be aware of their demands. Campesino groups can come to his office in San José, or they can attend the giras he and other IDA officials make around the country. It was also explained to me that IDA was established by the government to work with campesinos and hence it is always being pressured by them to do things and to do them faster. (e.g. - obtain land, loans, services). If campesino groups do not feel they are getting the attention they deserve they will take action such as blocking roads to get the government's attention. In such occasions IDA sends people to negotiate with the campesinos, gradually working up the hierarchical ladder of IDA management until a resolution has been reached. Sometimes differences of opinion are so grave that the Minister of Agriculture must negotiate in person.

Significance for policy and for the model of differing forms and amounts of access being available to groups. The most important element of the above discussion about how groups can influence both agricultural policy and IDA's implementation of programs is that campesino groups have access to fewer effective means for influencing policy than do producer groups. This inequality is reflected in the model of bureaucratic politics by advantaging the chamber in its lobbying efforts, and by making it more difficult for the union to be heard, accept in election years.21 The problem faced by campesino groups is that they lose credibility in the eyes of the public when they resort to inconveniencing methods to draw attention to their cause (i.e. - blocking a road) and they do not often have the option22 or the resources to use more "civil" methods of

21 This inequality is incorporated in part three of equations 6, 7 and 8 in Chapter Three.

22 Labor leaders repeatedly complained that it is almost impossible for unions to get positive news coverage, and that it is often even difficult for them to find a newspaper that will publish their paid advertisements.
influence (such as a media blitz). Thus, actual policy will tend to be in closer alignment with the desires of producers than peasants, even if party platforms support social democracy. The realities of the pushing and pulling of bureaucratic politics generally favor producer groups and disadvantage campesinos. The major exception to this dichotomy should occur during election years. In those years the in-power party becomes acutely aware of the fact that a large percentage of the voters are represented (at least tangentially) by campesino groups. Thus, political necessity provides an incentive to the in-power party and its militantes in government to try to please/placate the large block of the electorate represented by campesino organizations. Hence, during election years it should be easier for campesino groups to make their demands heard by policy makers, because politicians will feel an abnormally large incentive to be attentive to the large number of voters represented by campesino groups.

How the Executive Branch Interacts with IDA and the Significance for the Model of this Interaction

The President of the Republic has several direct lines of communication to the Junta Directiva of IDA. By the 1980s the Constitution had been refined sufficiently to provide the Executive with several formal, legal means of access to the Junta Directivas of the autonomous agencies. Article 188 of the Constitution, which originally gave the autonomous agencies autonomy in both the making of policy decisions and in deciding how policies should be implemented, has been limited by a series of laws and decrees such

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23 Again, as is the case with labor unions, campesino groups do not represent a high percentage of the rural workforce. However, group members and their extended families, and others who sympathize but are not members of the group, represent a large block of votes for a political party with aspirations toward holding or continuing to hold power to offend.

24 Law No. 4123 of May 31, 1968; Law No. 4646 of October 20, 1970; Law No. 5507 of April 19, 1974; Decree No. 4199-P of October 4, 1974; and Decree No. 5642-P of January 6, 1976.
that now agencies are only truly autonomous in making decisions about how to implement the government's policies and programs.

The goal of these refinements in the organization of the government has been to provide unity and leadership to policy-making, and to give the President the power he needs to direct policy. However, there are still chinks in the Executive's armor. Though government agencies are, in law, no longer autonomous in the making of policy, it is still difficult for the President to discipline an unruly Junta Directiva. It is now almost impossible for an agency such as IDA to take off on a policy tangent of its own design (e.g. achieving service production goals that far exceed the service production needs of the policy goals of the president). However, it is still very difficult for the President to force an agency to effectively implement a policy or program to which it is opposed, because the system does not yet provide the agency with sufficient incentives to do so. The effect this remaining agency "autonomy" has on government growth is examined in Chapter Six through the simulations. These stumbling blocks to communication between the Executive and the autonomous agencies which make it difficult for the President to effectively control policy, are explored here in detail with reference to the case of IDA.

The Minister of Agriculture and the Executive President of IDA are the President of the Republic's main links to IDA. The Minister is chosen by the President and can be removed by him. The Executive President is selected by the President and the Cabinet, and can also be freely removed by them. As was mentioned above, an Executive President who consistently fails to get the Junta Directiva of his agency to approve the policies and programs of the Executive will not remain in office for long. The same is true for ministers. However, the President's legal powers of coercion are limited by the fact that IDA's Junta Directiva still has decision-making power. The Junta still must approve all programs that are to be undertaken by IDA. Though Junta Directiva members are chosen by the President in conjunction with his Cabinet, they cannot be removed before the end of their term unless the Comptroller General finds
evidence of wrongdoing. Thus, at times Junta members have become more loyal to their agency than to their political patron - the President. Because of this chink in the President's armor, he does not have all the legal power that is sometimes necessary to direct policy.\(^{25}\)

However, in general the Executive and the Junta Directiva of IDA (and other agency Juntas) have been able to achieve peaceful resolutions to their differences. Policy is not developed in a dictatorial fashion by the Executive and then forced on the agency. Instead, ideas and plans are passed back and forth. Agency planners and the Junta Directiva are given the chance to comment on programs they think are unfeasible and to suggest alternatives. (from interviews with ex-President Rodrigo Carazo Odio; ex-President Luis Alberto Monge Alvarez; and Sr. Rodrigo Chaves A., Manager of IDA; and from "Investigación Sobre Presedencias Ejecutivas" 1976). Because the Executive President is a full voting member of the Junta Directiva he takes part in Junta discussions of policy and programs and has ample opportunity to explain why the Executive is advocating a particular policy. If agency planners genuinely do not think an idea is workable, they can send their opinions back to the Executive through IDA's Executive President. ("Investigación Sobre Presedencias Ejecutivas" 1976, p.23) The Minister of Agriculture, or the Vice-minister, is a member of IDA's Junta Directiva which also provides for communication between IDA and the Executive. (from interview with IDA Manager, Sr. Rodrigo Chaves A.)

The significance for the model of bureaucratic politics of gaps in the Executive's control of IDA. As explained by interactions between IDA and the Executive, the lines of communication are open

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\(^{25}\)An example is the use of a Junta Interventora in the Water and Sewer Agency since 1985. The reason the Executive has made such protracted use of what is intended to be a short term measure is that two of the members of the Junta Directiva that was replaced by the Junta Interventora have not voluntarily resigned. Though in this case the Junta Interventora was established because of incompetence in the Junta Directiva not because of non-compliance with the president's policy, it still illustrates how the President's control is limited by gaps in his legal power.
between the Executive Branch of government and IDA. Thus, as is provided for in the model, the President can make suggestions to IDA (or he can pressure the agency) to change its policy on an issue, or to move a program up or down the priority ladder, etc. However, the President's options are limited to making suggestions. The President and his Cabinet can remove the Minister/Rector of the Agricultural Sector or the Executive President of IDA in the hopes of improving communications by placing someone who is more politically skillful or loyal in the job(s). But, the Executive cannot replace a *Junta Directiva* just because its members are uncooperative.26

The result of having a largely informal link between the Executive and IDA, instead of a relationship that is strictly defined by law, is that Executive control of IDA behavior/policy implementation is less than complete. IDA still has some autonomy. IDA's resources are limited if it wants to make major shifts in Agricultural policy on its own (especially expansionary shifts). However, IDA can affect policy outputs by dragging its feet and not placing a high priority on policies or programs about which it is not in agreement with the Executive. In sum, if IDA wishes to produce less of a service then is required to meet the president's policy goals, the system does not give it sufficient incentive to do as the president wishes if doing so means overriding the policy preferences of the agency.

*How the In-Power Political Party Interacts with IDA and the Significance of this Interaction for Agricultural Policy and for the Model*

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26 The Executive can encourage a *Junta* member to step down because his views differ greatly from those of the Government he is supposed to represent. Such prompting generally works because *Junta* members do not wish to continue in office if they have lost the confidence and support of the Executive. However, as the need for protracted use of a *junta interventora* at the Water and Sewer Agency mentioned in footnote 25 shows, such informal methods are not foolproof. (from interview with Ing. Eladio Prado Castro, Executive President of the Water and Sewer Company)
The in-power party has influence over senior IDA officials (the Executive President, managers, and their assistants) because all of the top posts in IDA are politically appointive positions. Thus, they are filled by party militantes (party activists) who generally want to continue their political careers in future administrations. These senior IDA officials understand that they must be mindful of their reputation in the party, or scarce political jobs will be given to other, more cooperative party supporters. The party has the advantage when dealing with its militantes that demand for political positions is greater than the supply and thus the party can be a discriminating "buyer". Party leaders and presidential candidates can afford to evaluate party militantes on the basis of their trayectoria, honestidad y idoneidad (their party history, honesty, and capability). Someone who has a history of hurting the party's image by making its governments appear ineffective, instead of constantly working to improve the party's chances of winning reelection, will not be rewarded with positions in future governments. Thus, party activists who want to continue in politics feel a strong incentive to heed the pressures and suggestions they receive from party leaders and more senior militantes.27

Suggestions from party leaders are generally heeded by IDA's top officials. But the party does not always have strong ties with ministers and executive presidents. The success party leaders have at influencing ministers and top agency officials (e.g. - influencing them to address the complaints of a particular peasant group who needs land, or is pressuring to get a road paved or a bridge built) depends on whether the Minister or Executive President feels his first loyalty is to the President or to the party. At times party leaders feel compelled to discuss a particular official's behavior with the President, because they think the official's actions (or lack

27 Suggestions from people who are not yet leaders in the party, but who are higher up in the party hierarchy such as deputies, will also be heeded. Deputies are considered to hold posts that are politically superior to top agency officials because they have the privilege of submitting names to the Executive of people to be agency managers and Junta members, and even ambassadors. (from interview with Sr. Roger Segura Carmona, Assistant to IDA Manager)
of action) are hurting the party. Whether or not the President will act on the suggestions of party leaders often depends on where political ties lie (i.e. - if the agency official is a close friend of the President). (from interview with Dr. Walter Coto Molina, Secretary General of the National Liberation Party) However, IDA's executive presidents, managers, and their assistants have many reasons to want to be responsive to deputies (and we can assume the same logic applies to higher ranking party members). One important reason for being cooperative is that IDA's Executive President cannot actively participate in politics, because doing so is prohibited for certain top government officials by Costa Rica's campaign laws. Thus, he needs the goodwill of leading deputies to further his political career. Also, deputies are acknowledged to be important people in the party. Their party connections are strong and thus they can help to determine the political futures of IDA's Executive President and other senior officials in IDA. Top IDA officials will even want to be receptive to the petitions of deputies from the opposition parties. They do so because opposition deputies are predisposed to cause a scandal for IDA if it ignores their requests, because doing so will damage the image of the government. Senior IDA officials have an incentive to avoid scandals, in part because they complicate the jobs of top agency officials. However, scandals also reflect on the entire government and may hurt the in-power party's chances of being reelected, and thus may negatively effect the political futures of IDA officials.

**Significance for the model of in-power party influence on IDA policy.** Party influence is significant at the level of program implementation - who a program actually benefits. This is policy at a practical level, and it is commonly thought by party leaders to be directly related to the party's vote share in the next election. The party can generally persuade IDA officials to cooperate in these cases because IDA officials know that they cannot continue in

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28 This particularly applies to the first five deputies on the in-power party's San Jose list, who are hand picked by the presidential candidate, and who are commonly thought of as the president's representatives in the Legislative Assembly.
politics unless their party wins the next (presidential) elections, because if the party does not win there will not be jobs available. If a program is already part of IDA's yearly Plan (e.g. - the building of schools as part of the expanding agricultural extension program; attending to the needs of landless peasants), pressure from party leaders can move a group's request to the top of the waiting list. This political tool is particularly important in the case of campesino groups that do not have the same ease of access to decision makers such as ministers as do owner/producer groups. (from interview with Dr. Walter Coto Molina, Secretary General of the National Liberation Party)

However, at the level of policy making and implementation, the party must try to persuade ministers that devoting scarce agency resources to implementing a specific policy will help the party in the future. Ministers (who are generally militantes in the party)\textsuperscript{29} are concerned about maintaining the positive image of the party. At times, though, ministers and executive presidents are cross-pressed by party interests and the policy goals of the President - who gave them their jobs and who can take them away. In such cases the party may encounter great difficulties in succeeding with its influence efforts. (from interview with Dr. Walter Coto Molina, Secretary General of the National Liberation Party)

These political realities affect the model by decreasing the effectiveness (or certainty of success) of party pressuring of ministers and top agency officials. The model is constructed such that party pressure alone does not guarantee a change in agency/ministry behavior. The influence party pressure has on service production outcomes is greatly diminished if the party and the president are not in agreement.

\textsuperscript{29} Sometimes ministers are close friends of the President and have not previously been active in politics (e.g. - Ing. Guillermo Constenla Umana, Minister of Public Works and Transport during the Arias administration). At times presidents have also selected ministers who are members of an opposition party, but who are well known for their skill in a particular field (e.g. - Lic. Rodrigo Madrigal Nieto, Minister of Foreign Relations during the Arias administration).
How the Legislative Assembly Interacts with IDA and the Significance of this Interaction for the Functioning of Bureaucratic Politics in the Agricultural Sector

The Assembly can try to influence IDA's behavior through oversight and by passing laws that legally direct or restrict IDA's activities.\textsuperscript{30} The Assembly also has limited influence over agency budgets\textsuperscript{31} because it must ratify all loans greater than 10 million colones (131,926 dollars at the average 1988 conversion rate of 75.8 colones to the dollar). However, the Assembly's influence over autonomous agencies through budgets is limited even in the case of loan approvals, because loan bills are essentially assured of passage. Protracted debates on the floor of the Assembly may cause loan monies not to be received by an agency until after they are needed or would have been most effective. However, loan bills are only brought before the Assembly after all the international negotiations have been completed. The agency has successfully presented its case for why it needs the money and a foreign country or international lending agency has already been found that is willing to fund the project. (from interview with Lic. Jorge Angel Jiménez Calderón, Administrative Director of IDA) Thus, the Assembly is under a great deal of pressure to pass these bills. IDA officials and current deputies who were asked how often they could remember loan bills being rejected answered that they could not remember this happening. From reviewing the fate of loan bills\textsuperscript{32} from 1961 to the present I found that only 17 of 216 were not approved (less than 8 percent). The way the foreign loan solicitation

\textsuperscript{30} Though only the oversight capability is built into the model developed here.

\textsuperscript{31} Regular agency budgets (i.e. - how the agency plans to use its "ordinary funds" - the funds the agency is allocated in its enabling legislation) are not subject to Assembly approval. Instead regular agency budgets must pass inspection by MIDIPLAN, the National Budget Authority, and the Comptroller General of the Republic.

\textsuperscript{32} Looking at loans from the Inter-American Development Bank, the International Reconstruction and Development Bank, the U.S. Agency for International Development, and the Central American Bank for Economic Integration.
system is set up greatly diminishes the role of the Legislative Assembly in the loan approval process. By the time it is the Assembly's turn to rule on a loan, a great deal of time, analysis, international goodwill, and often domestic publicity have already been invested in the project. Because of this the Assembly feels a great deal of pressure to not embarrass the government that conducted the negotiations by turning down a loan. Thus, the Assembly's task is often limited to reviewing the constitutionality of the terms of the loan, and to occasionally requiring that specific clauses of the agreement be modified.

Oversight is the most common form of Assembly intervention into the activities of the autonomous agencies. Legislative oversight of the bureaucracy does not take the form of systematic, institutionalized, permanent investigatory committees. The only committees in the Assembly that are specifically charged with conducting oversight are the special investigatory committees that are established when a problem is brought to the attention of a deputy(s). The permanent committees that oversee specific substantive policy areas (the Comisión Permanente de Asuntos Agropecuarios y Recursos Naturales in the case of the Agricultural Sector) do not have the support staff they would need to constantly review the implementation of laws and the use of budgets. However, the people of Costa Rica are quick to bring problems of bureaucratic malfeasance to the attention of individual deputies. In Costa Rica oversight occurs more in a "fire alarm" than a "police patrol" fashion, according to the McCubbins and Schwartz (1984) analogy.33

If IDA is brought under the spotlight of a special investigatory committee because of the way it is implementing a program (or possibly not implementing it), then there is a high probability that IDA will change its behavior, because the agency's utility is diminished by oversight. However, a change in behavior, especially a change in the desired direction, is not a certainty. Again, counter

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33 Meaning that oversight is triggered by the complaints of citizens and groups rather than because the legislature systematically investigates bureaucratic compliance with the laws and discovers noncompliance.
pressures IDA receives that may induce IDA to act in a fashion contrary to the desires of the overseer must also be taken into consideration (e.g. - pressures from the Executive and the party, and IDA's own policy agenda).

During the economic crises of the 1980s, the Assembly has passed several laws that severely constrain the behavior of autonomous agencies and all other public sector entities. The purpose of these laws has been two-fold: one, to control government growth and bring the economy back into a stable state; two, to bring the Costa Rican public sector into compliance (at least partially) with the conditions of the economic readjustment loans it has received. According to the Administrative Director of IDA, Lic. Jorge Angel Jiménez Calderón, it was with the passage of the law that created the National Budget Authority that the autonomous agencies really lost their autonomy. Now it is almost impossible for IDA to act quickly on a project, and to produce its services efficiently, because it must wait for so many approvals before it receives the funds to actually implement a program.

Significance of Assembly interaction with IDA for the model of bureaucratic politics. The tool most readily available to the Assembly for influencing IDA's behavior is oversight. Being the victim of oversight induces IDA to change its behavior because IDA, like any government entity, wishes to avoid being involved in a scandal, because the pressure of the scandal diminishes the agency's utility. Thus, if deputies start to investigate IDA's activities

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34 Law No. 6821 of November 26, 1982 creating the National Budget Authority (Ley de Creación de la Autoridad Presupuestaria); Law No. 6955 of February 24, 1984, known as the "Emergency Law" (Ley para el Equilibrio Financiero del Sector Público or the Ley de Emergencias).

35 The National Budget Authority must give its approval to public sector loans before international negotiations can legally begin. Before agencies can obtain approval of their budget from the Comptroller General they must get the approval of the National Budget Authority. Finally, before an agency can hire new personnel, or replace employees who have retired, it must receive the approval of the National Budget Authority. Note - the National Budget Authority is composed of the Ministers of Finance and of Planning, and the President of the Central Bank.
(either by setting up a special investigatory commission, or simply by making public statements about rumored discontent with agency performance) IDA will generally take action quickly so that peoples' complaints will stop and a serious, in-depth investigation will not be conducted. However, as with all the other forms of communication in our model of bureaucratic politics, it is not certain that Assembly pressure through oversight will have the desired effect on IDA's behavior. Once again, other intervening factors must be taken into consideration such as cross pressures from the Executive and the in-power party and IDA's own policy objectives. The effects of these cross pressures on the size of government are also investigated through the simulations.

Policy-making in the Agricultural Sector was explored here in order to examine more fully the various forces that influence policy-making in a fairly typical Sector of the Costa Rican public sector. After seeing how the participants in bureaucratic politics in the Agricultural Sector interact, it can now clearly be seen that no one actor in the agricultural policy-making process has complete control over the direction agricultural policy will take, or over the amount of service IDA will produce. Even the Executive, who has formal control over directing policy, does not have all the legal power necessary to guarantee that policy will be implemented as planned.

It is the purpose of this work to investigate how the various actors in bureaucratic politics communicate with one another and to discover what are the linkages and incentive systems that hinder effective communication. From there, through simulations we can move on to studying the effects these communication breakdowns have on the size of government and possible ways to modify the incentives faced by bureaucratic actors. For it is not government growth in itself that is a negative outcome for a country. Rather it

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36 Even after a special investigatory commission has been set up in the Assembly, a real investigation often does not occur. If the deputies on the commission do not have sufficient interest in the subject they will often not produce a final report, and the commission may not ever even meet.
is a bureaucracy that does not provide at minimum cost the services citizens and policy-makers desire of it that impedes development.
Chapter Five
Bureaucratic Politics and the Case of the Health Sector

The Health Sector merits special examination in this study of bureaucratic politics because it is an unusual and important case in the Costa Rican public sector. The functioning of Health Sector bureaucratic politics deserves careful investigation in part because of the success of state-run health care in Costa Rica.\(^1\) It would seem reasonable to assume that part of the success in health care service provision stems from bureaucratic politics linkages in the Health Sector that make for clear communication between actors and a functional incentive system that actually induces bureaucrats to produce services efficiently. However, closer investigation shows that instead of clear chains of command or communications that follow the mechanisms laid out in the National Planning Laws, the actual workings of the Health Sector are often the reverse of what was intended in the Planning Laws. This is the other reason the Health Sector should be the subject of case study analysis. Possibly from studying the organization of the Health Sector\(^2\) we can learn about an incentive system that yields efficient production of the services that are desired by groups and the government.

\(^1\) In 1961 the Legislative Assembly modified Articles 73 and 177 of the Constitution to state that the CCSS would, in ten years, provide health, maternity, and social security benefits to the entire population (i.e. - universal health care). Though this goal was not completely accomplished in the time frame intended, by 1987 more then ninety percent of the population was covered. Other indicators of the success rate of the Costa Rican medical system are the infant mortality rate of 17.8 per 1000 in 1986, down from 76 per 1000 in 1960; the life expectancy of 74 years in 1986, up from 63 years in 1960; and the existence of 2.6 hospital beds per 1000 population in 1987. (Source for all statistics: Departamento de Estadistica, Ministerio de Salud, and the Dirección Técnica Actuarial y de Planificación Institucional, CCSS)

\(^2\) The Health Sector is composed of:
- The Ministry of Health
- MIDIPLAN
- The Ministry of Culture, Youth and Sport
- The Social Security Agency (CCSS)
- The Costa Rican Institute for Water and Sewers (AyA)
- The National Insurance Institute (INS)
Of these the CCSS is the most important autonomous agency.
The legally superior official for health policy, the Minister/Rector of the Health Sector, is the Minister of Health. However, in reality, especially since the 1960s when the power of the Social Security Agency (Caja Costarricense de Seguro Social - CCSS or Caja) increased because of the constitutional amendment to universalize public health care, the Executive President of the Caja has basically been free to choose the policy path of his agency. The Executive President of the Caja often even effectively directs policy for the entire Health Sector. Though leading officials in the Caja will not outwardly admit this policy strength which would risk offending the Minister of Health, it is implied (especially when referring to the open lines of communication the Caja has with other key actors in government). Officials in the Ministry of Health also understand that the Ministry does not have the political power or prestige that the Caja and its Executive President have. Because of this power distribution the Ministry often takes its policy cues from the agency instead of the reverse as is stated in the decree that established the Health Sector.3 (from interview with Dr. Lenin Saenz Jimenez, Director of Planning for the Ministry of Health) The Caja is also financially very important. Not only is the Caja's budget larger than that of the Ministry of Health, it is the largest single item in the entire Costa Rican budget. (see Table 5.1) Thus, instability of any sort in the Caja, or a decision by the Caja to shift policy emphasis, affects the entire Costa Rican economy. Finally, with Dr. Miranda as its leader,4 the Caja also has more prestige and political expertise than the Ministry. This policy directing strength the Caja has, and its large size compared to the other entities in the Costa


4 Dr. Miranda has been Executive President of the Caja since 1982 and he was the Caja's Medical Manager from 1970-1978. During much of his time as Medical Manager the Executive President was not a doctor and hence the importance of the position of Medical Manager was amplified. From 1978 to 1982 Dr. Miranda's party was not in control of the government, and thus he was not in a position of administrative influence during those years. Because of his position as effective "Director of Medicine" in Costa Rica for sixteen of the past twenty years, Dr. Miranda brings a prestige to the Caja that it is difficult for the Minister of Health to confront successfully.
Table 5.1
Comparison of Budgets for the CCSS, Ministry of Health, Average Budgets for Autonomous Agencies, Total Central Government Budget*, and CCSS Budget as a Percent of the Central Government Budget*
(budgets in ten thousands of colones)

<table>
<thead>
<tr>
<th>Year</th>
<th>CCSS</th>
<th>Ministry of Health</th>
<th>Average Budget for Autonomous Agencies**</th>
<th>Central Government Equalled by the CCSS Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>21,616,070</td>
<td>2,039,674</td>
<td>3,242,127</td>
<td>42,500,625</td>
</tr>
<tr>
<td>1985</td>
<td>12,177,361</td>
<td>1,215,872</td>
<td>2,767,347</td>
<td>31,341,058</td>
</tr>
<tr>
<td>1984</td>
<td>9,552,887</td>
<td>1,309,163</td>
<td>2,378,749</td>
<td>25,146,870</td>
</tr>
<tr>
<td>1983</td>
<td>7,871,617</td>
<td>739,487</td>
<td>1,882,685</td>
<td>17,714,060</td>
</tr>
<tr>
<td>1982</td>
<td>5,891,308</td>
<td>440,651</td>
<td>1,197,773</td>
<td>11,670,698</td>
</tr>
<tr>
<td>1981</td>
<td>3,770,064</td>
<td>372,299</td>
<td>731,993</td>
<td>8,805,585</td>
</tr>
<tr>
<td>1980</td>
<td>3,022,704</td>
<td>273,170</td>
<td>548,693</td>
<td>8,029,197</td>
</tr>
<tr>
<td>1979</td>
<td>2,422,816</td>
<td>268,959</td>
<td>431,826</td>
<td>7,035,893</td>
</tr>
</tbody>
</table>

Source: Memorias Anuales de la Contraloría General de la República and Leyes de Presupuestos Generales de Ingresos y Egresos

* Central Government Budget figures do not include the budgets of autonomous agencies
** Average budgets not including CCSS budget
Rican government, are the key distinguishing features of the Health Sector.

Thus it is because of the Health Sector's distinctiveness and its success at carrying out its mission that it was chosen for investigation in the second case study. The Social Security Agency was selected as the specific agency to be examined within the Health Sector because it is the largest entity in the Sector, and of all the autonomous agencies that are part of the Health Sector it is the only one whose primary responsibility is health care. Particularly of interest in this case study is how the inverted chain of command in the Health Sector affects incentive systems and the politics of health service provision.

A Look at How Policy is Made in the Health Sector

As in the Agricultural Sector, policy-making in reality does not occur as it is intended to according to the Planning Laws. The various technical and consultative advisory committees set up in the Planning Laws do not generally meet. However, other, generally informal, commissions, which serve many of the same functions, have often been established in their place.

Dr. Miranda, the Executive President of the Caja, explained that Caja programmatic policy is made by the Caja's Junta Directiva of which he is a member. The Caja makes its own policy, but it always attempts to work within the general policy outlines set by the current government for the Health Sector. How the President's general policy guidelines are communicated to the autonomous agencies depends on the president. During the administration of President Luis Alberto Monge Alvarez (PLN, 1986-1986) agency Executive Presidents took part in bi-weekly Cabinet meetings. Thus, communication between the President of the Republic, his Ministers, and the Executive Presidents was direct. With President Oscar Arias Sanchez (PLN, 1986-1990) Executive Presidents do not attend Cabinet meetings and thus presidential directives (directrices) to an agency are channeled through the Minister/Rector of each Sector and through other Ministers whose portfolio is relevant to the agency. In
the case of the Caja this means the President sends his policy directives to the Executive President through the Ministers of Health and of Labor (e.g. - President Arias has sent a directive to Dr. Miranda suggesting or requesting that a program of pensions for 1948 war veterans be established). The program is then evaluated by the Executive President, after which he submits it to the *Junta Directiva* of the Caja for approval. (from interview with Lic. Jorge Arturo Hernandez Casteñeda, Financial Manager of the CCSS). Dr. Miranda explained, however, that in the particular case of the Caja, due to its importance as the largest entity in the government, there are also regular and open communications between the Executive President of the Caja and the President of the Central Bank and the Minister of Finance.

It is important to note that, though the Social Security Agency is generally considered to have more policy mobility then the other autonomous agencies because of its size and prestige, its freedom has not been unaffected by the fiscal austerity programs of the 1980s. Fiscal restraint programs have reduced the autonomy of the Caja because now so many offices must give their approval before money is spent or a new project is started. For example, if the Caja, or any agency, wants to build something new that involves loans (such as a hospital), they must first submit the project to MIDIPLAN for its approval. MIDIPLAN will then evaluate the proposed project based on whether it is in keeping with the current National Development Plan. Often MIDIPLAN will cut a project’s budget, even if in general it approved the project. Thus, the Caja must be very selective about what it thinks is really important. For the model this means that the Caja must be very careful how it prioritizes its own policy goals, because its funding will be tight, and thus there will only be scarce funds available with which it can attempt to achieve these goals. Budgets and personnel are also limited by the National Budget Authority (*Autoridad Presupuestaria*). If a Caja employee retires, the Caja must petition the Budget Authority for permission to hire someone new to fill the position. And if the Caja wants its employees to be compensated for working overtime (and
overtime hours are often required in the medical field), it must have the request approved by the National Human Resources Commission. All of these additional bureaucratic procedures greatly slow down work. (from interview with Lic. Salomón Rodríguez Lobo, Administrative Manager of the CCSS)

Unlike the formal system of inter-institutional coordination that is spelled out in the Planning Laws, coordination in the Health Sector is mostly informal. Except in cases where policy decisions of a political nature must be made (e.g. - a decision for all government entities to make a unified effort to cut back on imports and to produce domestically), informal lines of communication are preferred over formal. The formal methods of communications that do exist involve working through the Executive President of the Caja to negotiate with other Executive Presidents, Ministers, and the President of the Republic. Formal conventions are also often used as a type of legal contract between two or more government entities. But informal lines of communication between the Caja and important ministries (i.e. - Health, Labor, Finance, Planning, the Central Bank) and other autonomous agencies are also well developed. Once the Ministers and Executive Presidents have made their political decisions, the Managers of the involved agencies start working

\[5\] Conventions (convenios) are generally signed documents, but sometimes they are still just verbal agreements. A convention is a legal contract that must be approved by the Comptroller General of the Republic. There are two kinds of conventions: specific, problem-solving conventions; and general, "umbrella" problem-preventing conventions. Conventions are usually signed to be in effect for a specific period of time. There are rarely problems with one party not complying with its part of the agreement because both parties generally benefit from a convention. Also, the cosigners try to work closely together in the project so that problems can be solved before they get to the level of causing non-compliance. Finally, the signing of a convention is usually a public thing, that will be publicized. Thus, the people are expecting something to be produced and if it is not they will set off "fire alarms" of complaint. Hence, the parties to a convention will usually try to solve problems before they lead to public embarrassment. (from interview with Sr. Juan Rafael González C., Economist and Financial Advisor at IDA)

An example of a convention is the December 1987 convention between the Caja and the Ministry of Health that created the Consejo Inter-Institucional made up of the Vice-Minister of Health, the Medical Manager of the Caja, and the regional directors from both the Ministry and the Caja. The purpose of the convention is to facilitate working together to regulate the integration of the medical services process.
together on the administration of the project. Access to counterparts in other agencies and ministries with whom coordination is desired is easy and frequent. Inter-institutional commissions are regularly established to facilitate the coordination of programs. An example is the Caja's current five-year plan that was developed in 1987. A few months after the Caja produced its Plan, the Ministry of Health announced its own five-year plan. The two Plans are complimentary, and during the planning process the Caja and the Ministry were confronted with the importance of continued communication. The result was that a coordinating commission, that meets monthly, was set up to continue coordinating the two Plans as they are implemented. (from interview with Dr. Guido Miranda, Executive President of the CCSS) Other examples of informal communication are regular discussions between the Medical Manager of the CCSS and the Vice-Minister of Health about project implementation, and meetings between Caja regional administrators and their Ministry of Health counterparts to resolve regional problems. (from interviews with Dr. Guido Miranda, Executive President of the CCSS; Dr. Edgar Cabecas Solera, Medical Manager of the CCSS; Lic. Salomón Rodríguez, Administrative Manager of the CCSS; and Lic. Jorge Arturo Hernandez Casteñeda, Financial Manager of the CCSS)

Having laid out how policy is made in the Health Sector, and particularly in the Social Security Agency, we can now explore how the peculiar power relationships of the Health Sector affect incentive systems and the politics of social security provision. Particularly of interest is how having an extremely powerful autonomous agency in a policy sector affects methods of negotiation among actors and how it is possible for the executive, the legislature, and the in-power party to direct policy and constrain the size of government in the Sector.

**A Brief Summary of the History and Organization of the Caja**
The Social Security Agency was established in 1943 as an autonomous agency. The founding of the Caja was one of the major accomplishments of President Calderón Guardia's (National Republican Party 1940-1943) social reforming program. The Caja is charged with the provision of medical care for the sick and for maternity care, and with collecting social security savings and distributing social security benefits to the disabled, the retired, and surviving dependents. In 1961 articles 73 and 177 of the Constitution were amended to dictate that the universalization of social security by the Caja would be mandatory within ten years, and guaranteeing for the Caja sufficient funds so that it would be able to accomplish this ambitious goal. However, in reality the Caja had to negotiate constantly with the government to get it to pay an adequate amount of its yearly debt to the agency, so that it could at least make progress toward the goal of social security for all Costa Ricans. It eventually took approximately twenty years, rather than ten, to universalize social security benefits in Costa Rica. Currently, however, more than ninety percent of the population is covered.

The top position in the CCSS hierarchy is held by its Junta Directiva. The Junta Directiva has nine members: the Executive President of the Caja, two representatives of the state who are not Ministers, three representatives of employers (nominated by the Unión de Cámaras), and three representatives of labor (one each nominated by the labor movement, the cooperative movement, and

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6 Created by Law No. 17 of October 22, 1943.

7 President Calderón Guardia's social programs included a labor code guaranteeing a minimum wage to some workers and the right to collective bargain and to strike; a law allowing squatters to gain title to land that had previously lain fallow; and health insurance. (Nelson 1983, p.40)

8 For a complete review of the negotiations that transpired in the process of removing sealings on mandatory inscription into the public health care system and universalizing eligibility for Caja services see Rosenberg 1976, particularly Chapter VI.
the *Solidarismo* movement). Below the Executive President in the Caja hierarchy are three managers: the Medical Manager, Administrative Manager, and Financial Manager. As in the case of IDA, all of these upper-level bureaucrats are political appointees, and are hence *militantes* in the governing party.

**How Interest Groups Interact with the Caja and the Health Sector, and the Significance of this Interaction for the Model**

As with the Agricultural Sector, the Planning Laws provide for organized interests to communicate with the Health Sector through Consultative Commissions at both the national and regional levels. Groups are also by law given a voice in the *Junta Directiva* of the Caja. However, the Consultative Commissions do not exist in reality, and union leaders who were interviewed often complained that their supposed "representatives" on many autonomous agency *Juntas Directivas* did not provide a useful link through which they could make their needs and demands known to government.

Interestingly enough, experience has shown that in the case of social security and medical benefits it has not been workers who have demanded the expansion of services. Unions have historically been passive on such issues. (Rosenberg 1976) Instead, Caja leaders and politicians who have become aware of peoples' needs as they bubble up from within the Caja itself10, have initiated campaigns to expand and amplify coverage. (Miranda 1988; Mario Echandi Jiménez "Reforma del Seguro Social" in *Revista del 40 Aniversario del Seguro Social*, pp.17-19; Rosenberg 1976). Hence, the CCSS can clearly be pointed to as a case of bureaucracy induced government growth.

On a much smaller scale, however, such as the need for a clinic to be built in a community, interest groups do pressure the Caja. A

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9 Nominations are submitted by the appropriate group to the Cabinet, which then makes the final decision about who will be appointed to the *Junta Directiva*.

10 Caja policy-makers are made aware of the need to expand coverage or to address new medical needs through communication with Caja regional directors and project managers.
group from the community, often times an asociación, may contact the Caja directly with their request, through the Caja director in their region. Instead of direct contact, or along with it, the group may choose to pressure the Caja administration with the help of their deputy. According to Sr. Miguel Herrera Murillo, Assistant to the Medical Manager of the CCSS, deputies bring requests directly to the Executive President of the Caja or to the three Managers. The Caja attends to the requests of deputies out of respect for their office. But the Caja will not always comply with a deputy’s request he said if the request is deemed after analysis to be invalid. This source went so far as to say that the Caja does not give special attention to the requests of deputies just because it is good politics to do so; because politics really does not have much influence on health policy decisions. However, if there is overcrowding at a clinic due to over-demand for services being caused by a population increase in a neighborhood, or if poor and inefficient service is being provided by an urban clinic or hospital, people will take their complaints to top Caja officials either in person or in writing. And if they do not receive the desired response, they will further pressure the Caja through the press.

Employers (patronos) have not in recent years needed to concern themselves with pressuring the Caja to defend their interests. This is because the Caja understands that it cannot raise

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11 This is an interesting response because it contradicts the incentives political appointees in agencies are expected to have to cater to the requests of other party militantes in order to help their own political futures. This answer could be explained by the possibility that this respondent does not consider himself to be a politician, and hence does not desire to continue in politics.

12 In 1988 an Office of Complaints was established in the main Caja offices in San Jose, and the CCSS is in the process of setting up smaller complaint offices in hospitals. This is being done to diminish the administrative inefficiency of people bringing complaints directly to top Caja officials when lower-ranked administrative officials are better positioned to actually investigate the complaints. However, concerned people are slow to change their methods of registering complaints. Hence, many people are still bringing their complaints to the Executive President and the Managers. (from interview with Sr. Miguel Herrera Murillo, Assistant to the Medical Manager of the CCSS)
social security contribution percentages for employers (or for workers or the government) when it would be politically damaging to the in-power party or to the Caja to do so. For several years actuarial advisors in the Caja have been submitting to the Caja's Junta Directiva an analysis that explains that social security contributions need to be raised because of the increasing cost of paying pensions to people who are living longer. Technically the Caja can behave autonomously and raise the contribution rate because it is given the power to do so in its enabling legislation. However, the Caja's directors understand that to raise the rates currently, in an election or pre-election year\textsuperscript{13} would be politically infeasible. Raising contribution rates would probably cause worker strikes and could inflict great political harm on the in-power party, the PLN. Because these same Caja directors are also militantes in the PLN, they do not want to make political waves currently. Instead they are waiting for the right time, which is probably the year after an election. The problem of funding, in order to be explainable politically, probably also needs to have become more urgent before it will truly be the "right time" for a contribution hike. In the interim, the Caja is making certain that its analysis of why such a raise is needed is as complete and accurate as possible. When they do decide to raise the contribution percentages they will need to carefully explain their case in order to try to convince the affected groups of the necessity of the measure, and minimize the political backlash. To win support for a contribution increase, Caja leaders will make presentations to the major business chambers and to the faction leaders in the Legislative Assembly. (from interview with Lic. Alvaro Viquez Nuñez, Administrative Planning Director of the CCSS) Thus it appears that the Caja has a complex utility function. If the Caja were solely interested in large budgets it would raise contribution rates, regardless of the political costs. In this case,

\textsuperscript{13} This research was conducted in 1989 which was a "pre-election year." Elections were held on February 4, 1990.
however, it appears that minimizing political costs is considered to be of greater importance than maximizing budgets.

Unions representing medical workers, on the other hand, frequently come into conflict with the Caja. None of the union leaders representing Caja employees who were interviewed mentioned using the union representatives on the Caja's *Junta Directiva* as a means of communicating with the Caja. It took the National Union of Caja Employees (UNDECA) four years (from 1985-1988) to win a labor court case to get Health Sector wages raised despite the government's structural adjustment and austerity programs. It is the opinion of the union's Secretary General that the case took such an unprecedented amount of time to be decided because the Caja and the government were actively working against the union. The union spent the first two years of the petition unsuccessfully trying to open negotiations with the Caja but the Caja would not negotiate. Even once UNDECA moved its case to the Arbitration Court, and then to a Labor Court because of lack of action in the Arbitration Court, it still had to resort to large strikes and demonstrations that were embarrassing for the government and inconveniencing to the public before a decision was finally handed down by the Labor Court. And currently, though after four years of struggle the union did finally win its case, UNDECA is now having to threaten to strike and take its case to the public again in order to force the Caja to pay the back salary increases the Health Sector workers were awarded. (from interview with Sr. José Luís Loria Chaves, Secretary General of UNDECA; and from content analysis of newspapers) On a smaller scale, but as another example of the lack of utility of the union representative on the Caja's *Junta Directiva*, as viewed by the unions; the lawyer for the Association of

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14 The Secretary General of the National Union of Caja Employees (UNDECA), the Secretary General of the National Association of Nursing Professionals (ANPE), the President of the College of Doctors and Surgeons, and the lawyer for the Association of Employees of the Social Security Agency (AESS) were interviewed.

15 Negotiations between the employer and the employees are how arbitration (*a laudo-arbitral*) is supposed to be started according to the Labor Code.
Employees of the Social Security Agency (AESS) explained that if an association member has been sanctioned or suspended unjustly by the hospital that employs him the AESS does not try to enjoin the help of this contact. Instead, the AESS will first follow the official procedures outlined by the Caja for handling such complaints. But if that effort is not successful, he must take his case to the labor courts.

The strength of the Caja and its comparatively great autonomy (compared to other supposedly autonomous agencies) make it a difficult government entity for groups to bargain with. Its credibility, strength, and autonomy make the Caja an intimidating force for groups to confront. And, even when a group does decide to take on the challenge, as labor has over wage increases in recent years, the Caja is difficult to beat because the government stands behind it. Even the Ministry of Health, when acting as both bureaucracy and interest group, is reluctant to do battle with the Caja because it realizes that the Caja may legally be its subordinate, but that in reality it is the stronger actor in the Health Sector.

As was explained by the Caja's Medical Manager, interest groups do not generally try to influence health policy in Costa Rica. However, the thirty-three unions that represent Caja workers do have a large effect on Caja expenses because they fight to defend their interests. Thus, if our model of Costa Rican bureaucratic politics had been developed specifically to explain the case of health

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16 Caja rules for appealing a sanction against a worker state that the worker, and his union if he chooses, must first discuss the case with the worker's supervisor. If the worker is not satisfied he can then talk to his supervisor's administrative superior, and then to the hospital or division director. Finally, appeals can be taken to the labor relations committee (junta de relaciones laborales). If the worker still is not satisfied he can appeal to the labor courts. (from interview with the lawyer for the Association of Employees of the Social Security Agency)

17 For example, if the Ministry of Health wants to expand its responsibilities by more explicitly defining what health services are to be provided by the Caja and which by the Ministry (e.g. medical care by the Caja, preventive medicine by the Ministry) and then to negotiate funding for projects from the Caja.
policy, the influence in the model of interest groups on policy would have been greatly diminished. Instead of focusing on how interest groups act, interactions between the Caja and the Executive would have been the primary focus of how policy is made, and how the policy domain of the Caja increases. Interest groups, meaning unions here, would predominantly have been factored into the model as a force increasing service production costs and thus the size of government (because of their demands for higher wages, etc.).

**How the Executive Branch Interacts with the Caja and the Significance of this Interaction for the Model**

In his relations with the Caja the President of the Republic has the same legal tools available to him for communicating and enforcing his policy goals as he does with IDA and all other autonomous agencies. The modification of Article 188 of the Constitution that makes agencies autonomous only in administration and not in the making of policy also applies to the Social Security Agency, despite the impression that the previous discussion may have given. When the President of the Republic wishes to introduce a policy or program to the Caja, he still works through the Executive President for whom performing this function of go-between is one of his mandated jobs.

Policy-making in the Health Sector, as in most areas of the Costa Rican government and also in the society at large, is more often a story of negotiation then of confrontation. The lines of communication are open, at least to most actors (though labor claims that there is not always a way for them to make their interests heard). The difference in the case of the Caja is that the actor that is generally in a position of disadvantage for winning the negotiations - the agency - has its bargaining power increased because of its prestige and financial strength. Thus, the ability of

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18 See Chapter Four for a detailed explanation of these tools.

19 Note - this strength comes not only from the fact that the Caja is the largest single item in the Costa Rican government's budget, but also from the fact that the Caja is a large item in the accounts payable column of the government's books. This has
the President and his Ministers to impose a policy on the Caja is more limited than it is with other agencies. Because of the Caja's success at delivering the services for which it was created, its analysis of the feasibility of a potential policy, and the opinion of its Executive President and Managers, will be carefully considered by the Executive branch. In the model these circumstances would increase the chances of the agency being able to convince the president to make the agency's policy goals his policy goals too. This would increase the probability of the agency being given the budget it needs to achieve its own goals. Especially while Dr. Miranda is Executive President of the Caja, with his years of tenure in office and his reputation, the President would not lightly make the decision to dismiss him if they had a clash of opinions. Dismissing any Executive President, however, is within the President's legal rights. As Dr. Miranda explained, Caja policy is made by the Caja. But its directors do try to work within the general policy outlines of the current administration for the Health Sector.

However, the Caja does feel the effect of fiscal restraints. Its budget is limited, especially by the reality that it cannot expect the government to pay its entire bill to the Caja. Thus the Caja must prioritize policies and desired programs. (from interview with Lic. Salomón Rodríguez Lobo, Administrative Manager of the CCSS) This financial constraint has the effect that the Executive can limit the overall size of the Caja and its rate of growth. But the Executive cannot easily force the Caja to use what resources it does have on the projects most desired by the Executive (and by interest groups). (Bendor and Moe 1985) The Executive could start a scandal through the Comptroller's Office, by claiming that the Caja is not using its funds in accordance with the administration's National Development

happened because the government is the largest contributor to the Caja's coffers, since it is both an employer of a large percentage of the population and responsible for the state's portion of the social security bill. The government is generally unable to pay the entire bill and thus the accounts payable total grows each year. Thus, when the Caja needs funds it can request/demand that the government pay part of its debt. (from interview with Dr. Guido Miranda, Executive President of the CCSS)
Plan. Such a scandal, however, would probably not be in the best interest of the governing party. It would imply that the government is not able to keep its own house in order - since the President and the Executive branch are expected to be able to direct the autonomous agencies. The government prefers to avoid such scandals, and would rather negotiate with the agency, because the public tends to hold the Executive accountable for all bureaucratic inefficiency, regardless of whether or not the Executive really has the legal power to prevent it. Thus the government is again, in reality, limited to using negotiation as its most serviceable tool for dealing with an agency. And in the case of bureaucratic politics in the Health Sector, because of the Caja's importance and strength the agency has an enhanced ability to pursue its own policy goals, and thus feels less incentive to comply with the policy goals of the executive.

Again, if the model of bureaucratic politics were being designed specifically to explain policy behavior and government growth in the Health Sector, the strengths of various actors at influencing the actions of other actors would have to be reevaluated. The Executive still sends signals to the Caja, both verbally and through paying or not paying in full its part of the Caja's budget. However, the influence of the Executive is diminished in the case of health policy. In its negotiations with less prestigious agencies, the Executive is in a much better position to be forceful (i.e. - the weaker agencies have greater incentive to comply with the wishes of the executive). Plus, with other agencies the President always holds the credible threat that an Executive President who is uncooperative or ineffective at winning approval of the President's policy by the agency's Junta Directiva will be removed. But such a threat, though legally possible, is not really politically viable in the case of the Caja. In the realm of health policy the Executive generally concedes in policy-making decisions to the superior knowledge of the Caja. The Caja has a proven record of successfully carrying out the duties with which it has been charged. Because of
this success the Caja has earned itself a certain amount of real autonomy in directing health policy.

As do all parts of the Costa Rican government, the Caja suffers the problem of inadequate funds to do all programmatically that it would like. The Executive can influence Caja behavior by choosing to use scarce state resources to pay its bills to other agencies instead of to the Caja. By choosing to do that the Executive can further restrict the policy and program options available to the Caja. But even in budget battles the Caja rarely loses because it has much experience at defending its budget requests and in presenting a convincing case for why a particular project is necessary and will be beneficial to the people of Costa Rica (i.e. - electorally beneficial). Thus the model would need to be modified to give the Executive less influence over Caja decisions.

How the In-Power Party Interacts with the Caja

The aspects of the Health Sector, and particularly of the Caja, that make it different from the other Sectors do not affect how the in-power party tries to influence the behavior of top Caja officials. As is the case in the other Sectors, the party is able to appeal to the political sense of its militantes who hold top positions in the Caja (i.e. - the Executive President, the Managers, and their assistants). Senior officials in the Caja know that they will only continue to have their jobs after the next election if their party is reelected. They also understand that they can do their part in the reelection effort by helping to project the image that the current government is attending to the needs of citizens and that the government is efficiently providing the services that are the reason for its existence. Also, top Caja officials who aspire to elected positions such as a seat in the Legislative Assembly need to curry the favor of party leaders by helping to maintain the current government's image.

Thus, though some Caja officials may say that special attention is not given to the requests of deputies simply because it is the politically astute thing to do, complaints are not voiced that
the Caja is less responsive to deputy or party needs than any other agency. The bond of militantes to their party is strong regardless of where they work, inside or outside the government. The relationship between party and militante only becomes problematic if a particular Caja administrator feels a stronger sense of loyalty to the President or Minister who is his immediate political patrón then to the party - even though it is the party that will face reelection. Because of the depth of the political patronage system, if several top officials in an agency place more importance on loyalty to their patrón then to their party, the ability of the party to insure that government agencies attend to the demands of party supporters can be greatly diminished. The implication of party influence, or lack of it, for the model in general, and for the particular case of the Health Sector, is that party influence over agency behavior has been made secondary to Executive influence when the two are in conflict. The agency assesses the signals it is receiving from all relevant actors, but it may weight some signals more heavily then others. In particular the model has been designed such that the signals of the party will be regarded as less important than signals from the Executive if the two disagree.

How the Legislative Assembly Interacts with the Caja

In its regular administrative activities, the Assembly as an institution does not infringe upon the autonomy of the Caja. The administration of social security is the job of the Caja and it has the legal and experiential authority to do its job without outside interference. Individual deputies may suggest/pressure that a new clinic, for example, be set up in a neighborhood or canton that the deputy represents. But deputies can do little more then suggest. Beyond that deputies must rely on Caja officials acknowledging the generally superior positions deputies have in the political pecking order of the party and thus how winning the favor of a deputy could positively affect the official’s political future. Deputies cannot move funds within the Caja’s budget, and specify them for building a clinic in a particular place, because the Assembly does not vote on
agency budgets. The highest authority to give approval to autonomous agency budgets is the Comptroller General of the Republic.

The Assembly can try to influence Caja behavior through oversight by setting up a special investigatory committee. The process is the same as was outlined in Chapter Four for IDA. However, when investigating the incidence of the use of such commissions between 1955 and 1988, oversight of Caja affairs was only found to have occurred once. Oversight of the Caja to spur the Caja to take action about inefficiency or poor quality service is most likely to take the more informal form of scandal in the press. People will complain to the press if they think the service at a hospital or clinic is not acceptable, or if there are long delays to see a doctor because of over-demand. In the interest of simplicity all forms of oversight are factored into the model as legislative oversight. In the future, however, more detailed work needs to be done to determine when citizen and interest group annoyance becomes strong enough that complaints to the press are no longer seen as sufficient and action (oversight) must be taken by the Assembly.

Lastly, the Assembly can, and has, passed laws that limit the Caja's autonomy and that of all autonomous agencies and other parts of the government. Restrictive laws have not been directed specifically at the Caja and in particular these laws have not been an attempt to direct Caja policy. In the future, however, the Assembly could play an important role in Caja policy-making. Lic. Alvaro Viquez Nuñez, the Director of Administrative Planning at the Caja, mentioned that when the Caja finally does raise the social security contribution rates of employers, workers, and/or the

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20 The Assembly does determine the budget or the Executive branch of government. Thus, deputies have the opportunity to reallocate funds and specify money (partidas) within a Ministry's budget for specific projects requested by the deputy's constituents. Such funds are referred to as transferencias.

21 Examples of this kind of "scandal" were seen frequently in the newspapers while this field research was being conducted.
government, Caja directors will first work to convince the business chambers and the faction leaders in the Assembly of the necessity of such a measure. This implies that without the support of the Assembly it will be much more difficult for the Caja to raise contributions without causing disruption in society and being highly criticized.

Overall, in comparing the Health Sector to other policy Sectors, we have a difference more of degree then of kind. It is not that the Executive does not have input into and ways of influencing Caja decisions, but rather that the strength of Executive influence is diminished in the case of health policy. Interest groups are not systematically kept out of the decision-making process in the Health Sector. They have not, however, traditionally played a significant, positive role in the expansion of social security coverage. It is important, though, to consider the often contentious relationship between the Caja and unions representing Caja employees, including doctors. The relationships between the in-power party and the Caja, and between the Legislative Assembly and the Caja, are not significantly different from the way the party and the Assembly interact with other agencies. In summary the Caja is more truly an autonomous actor then are most government agencies. This autonomy makes it possible for the Caja to devote more of its resources to pursuing its own policy goals, and it diminishes the incentives the Caja feels to comply with the needs of other actors. Particularly in terms of policy that produces government growth, the Caja is able to exercise unusual autonomy. New program ideas (i.e. - growth) generally come from within the agency based on its perceptions of the needs of Costa Ricans. But Caja leaders are also wary of abusing their agency’s autonomy. Caja directors understand that they can only continue in office if their party is reelected, and that the Caja must support the government and contribute to its image of being capable and effective instead of rife with conflict. Thus the Caja and the Executive negotiate and work together because avoiding conflict maximizes the utility of both actors. Caja
officials are also receptive to the requests and suggestions of party leaders and legislators, though they are under less pressure to accept all such advice than are the less prestigious agencies.
Chapter Six - Simulation Results

In this chapter we examine the results of the simulation. Our interest in the analysis is three tiered. One concern is whether the results of the Costa Rican simulation support or contradict Bendor and Moe's findings about bureaucratic politics in the United States. Thus, with this work we begin to test the generalizability of the relationship between bureaucratic politics and government growth. Our concern is to discover if the distinguishing structural and institutional constraints of the Costa Rican political system have a significant effect on the behavior of agencies and the service outcomes of the system. A second purpose of this study is to compile a list of factors stemming from the organization of the Costa Rican political system that promote the expansion of the Costa Rican government. Thirdly, we are interested in uncovering general linkages between bureaucratic politics and government growth. The second and third issues will be discussed in the conclusion chapter.

Simulation of the Effect the Organization of Bureaucratic Politics in Costa Rica Has on the Cost and Efficiency of Service Provision

The Baseline Model

Initially a Baseline Model of Costa Rican bureaucratic politics is examined. This is a model of the six key actors of the system behaving as described in Chapter Three, without modifications. In each iteration of the model the executive determines a budget for the agency based on its evaluation of the pressure it feels from the two competing interest groups and the input the executive receives from the in-power party.\(^1\) Also, in each period the legislature decides whether or not to engage in oversight of the agency, and what message to send to the agency through its oversight activities.

\(^1\) What message is sent to the executive and the legislature by the in-power party is determined by the party's evaluation of the pressure it is feeling from the interest groups.
Whether or not oversight occurs depends on deputy evaluations of the pressure felt from the two interest groups and input from the in-power party. The agency uses this budget and oversight information, and its assessment of how its present efficiency and service production levels are effecting its slack reserves and the achievement of its own policy goals to evaluate the change in its utility. Based on the change in its utility the agency decides on a new efficiency level that it thinks will maximize its utility in the next period. The agency's efficiency decision and its budget determine the new amount of service produced by the agency. The agency's new service output level in turn effects the costs incurred by the business group and the benefits from the service that are enjoyed by labor. These costs and benefits in turn determine the lobbying resources each group will have at its disposal in the next period.

In the Baseline version of the simulation labor is disadvantaged in the political arena compared to business, both in terms of its lobbying resources and by an election cycle that influences how the in-power party, the executive, and deputies evaluate interest group lobbying. The election cycle adds weight to business arguments in years one, two, and three of an administration, and only advantages labor in election years. In this version of the simulation there are also no constraints on the range of variance permitted for the agency efficiency variable. In succeeding versions of the simulation a lower limit is placed on agency efficiency, but in this case that variable is permitted its full range of variance. In all versions of the simulation constraints are built into the model such that efficiency can vary a maximum of plus or minus ten percent from one period to the next. Budgets are also limited to increases or decreases of ten percent per period.²

² The ten percent per period limit on budget change is deemed to be a reasonable assumption because it closely matches actual average yearly budget changes for the thirteen major autonomous agencies in Costa Rica. Though in some years an agency's budget may increase or decrease by more than ten percent, on average the changes have been close to, or even less than this limit. The average yearly budget change for each agency has been calculated based on the years where the budget changed by less than 100 percent. Increases of 100 percent or more are held to represent changes in the
Version 1 of the Baseline Model: The Budget Maximizing Agency

For this first Version of the Baseline Model the agency maximizes its utility by increasing its budget. An agency that desires to obtain the largest budget possible engages in the actions that are within its means to increase its budget. In the case of the model of Costa Rican bureaucratic politics, this means the agency varies how efficiently it produces service.

For Bendor and Moe's model of the U.S. system of bureaucratic politics the outcome rate of efficiency and the amount of service or enforcement produced depends on whether the agency initially chose to increase or decrease its efficiency. In other words, the outcome is up to chance. The agency initially adapts its efficiency level up

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3 Why the agency wants to increase the size of its budget is not important to the analysis at this time. The agency's purpose might be to gain access to the resources necessary to produce more service, or to build up slack, for example. Regardless of its motivations for desiring larger budgets, based on its limited decision-making knowledge the agency will adapt its efficiency level in the way it thinks will achieve the maximum budget possible.
or down arbitrarily, because as yet it has no past experience on which it can base its efficiency decision. In successive periods the agency decides how to modify its efficiency based on the results of its past efficiency changes (i.e. - did they produce bigger or smaller budgets). If the agency initially decides, by chance, to increase its efficiency, and in the next period its budget increases, the agency surmises that increasing its efficiency produces the desired result of a larger budget. Thus, the agency continues to increase its efficiency. But if, on the other hand, equally by chance the agency's first move is to decrease its efficiency, and in the next period the agency's budget goes up, the agency surmises that decreasing efficiency produces larger budgets. The agency responds by continuing to decrease its efficiency and produce less service. Thus, despite ever increasing budgets, the end result over many iterations of the model is that no service is produced at any price.

The Baseline Model of bureaucratic politics in Costa Rica, however, degenerates to no service production at any price, regardless of whether the agency's first move is to increase or decrease its efficiency. This outcome is the first of several results that led to the conclusion that other factors must be incorporated into the model of the Costa Rican system of bureaucratic politics before it would adequately depict reality and reach equilibrium levels of service production. Bendor and Moe's conclusions at this stage were that a desire to maximize its budget make "...an agency responsive to the power configurations in its environment." (1985, p.762) However, this is not yet apparent in the Baseline Model of Costa Rican bureaucratic politics.

Overall the results of this Version of the Baseline Model (see Table 6.2) reinforce Bendor and Moe's findings that budgets are a very imprecise mechanism for influencing agency behavior. This is expected in Costa Rica where the government has much less direct control over agency budgets than does the Congress in the United States. As was explained in Chapter Two, the Constitution of 1949, provides only the Comptroller General with the power to approve,
Table 6.1
Major Components of the Model

<table>
<thead>
<tr>
<th>Variables to be Calculated</th>
<th>Factors Affecting Variables</th>
<th>Impact of Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Level produced by the agency</strong></td>
<td>Agency efficiency (eq.3.10)</td>
<td>Positive</td>
</tr>
<tr>
<td>(eq.3.11)</td>
<td>Agency budget (eq.3.1)</td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Budget provided to the agency</strong></td>
<td>Executive’s evaluation of support from labor and business groups (eq.3.7)</td>
<td>Positive</td>
</tr>
<tr>
<td>(eq.3.1)</td>
<td>In-power Party's evaluation of support from labor and business groups (eq.3.6)</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Service level needed by the president to achieve his policy goals</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>PSI &gt; SI Positive</td>
<td>PSI &lt; SI Negative</td>
</tr>
<tr>
<td><strong>Efficiency level chosen by the agency</strong></td>
<td>Change in agency budget and/or slack</td>
<td>Effect depends on previous efficiency choices made by the agency.</td>
</tr>
<tr>
<td>(eq.3.10)</td>
<td>Change in oversight</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Agency's policy goals</td>
<td>PSI &lt; G Positive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PSI &gt; G Negative</td>
</tr>
</tbody>
</table>

Key: PSI is the level of service production desired by the president.
SI is the service level produced by the agency in the previous period.
G is the agency's goal for service production.
### Table 6.2
Simulation Results

<table>
<thead>
<tr>
<th>Version</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors on which the agency evaluates its utility:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgets</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Slack</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Oversight</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Agency policy goals:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pro-Business</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Pro-Labor</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Baseline Model:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Level</td>
<td>Deg</td>
<td>Deg</td>
<td>Deg</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Budget</td>
<td>Deg</td>
<td>Deg</td>
<td>Deg</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Deg</td>
<td>Deg</td>
<td>Deg</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Minimum Acceptable Efficiency Model:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Level</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Budget</td>
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<td>200</td>
<td>181</td>
<td>200</td>
<td>80</td>
</tr>
<tr>
<td>Efficiency</td>
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<td>0.4</td>
<td>0.44</td>
<td>0.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Model Incorporating President's Policy Goals:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Level</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Budget</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Efficiency</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Key: Deg - Degenerate (service level and efficiency ~0 and budgets go toward infinity)
disapprove, or modify the budgets of autonomous agencies. The Legislative Assembly has virtually no control over agency budgets.

However, the executive branch does have some influence over agency budgets through two channels. The Ministry of Finance determines how much of the government's bill to an agency will actually be paid in a given year. The requirement that the Ministry of Planning must approve all foreign loans contracted by agencies also gives the executive some influence over agency behavior. Thus, in a government structure that relies heavily on autonomous agencies to provide services, as do the governments of many Latin American countries, budgets alone are a largely ineffective tool for directing agency behavior and for controlling government growth and the level and cost of service production.

Version 2: The Agency that Maximizes Slack

Another possible way for an agency to evaluate its utility is in terms of its slack resources. Slack signifies the portion of the agency's budget that is not used to produce service. Instead these funds are funnelled in other directions such as hiring excess personnel or for the "beautification" of offices.

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4 The Legislative Assembly does have nominal control over the Comptroller General because the Assembly chooses the Comptroller. However, after the initial choice is made the Comptroller can only be removed if he is found guilty of breaking the law. Thus, in reality this does not amount to Assembly control of the Comptroller.

5 The Assembly's only power in the sphere of autonomous agency budgets is that it must approve all foreign loans greater than 10 million colones ($131,926 at the average 1988 conversion rate of 75.8 colones to the dollar). However, the actual significance of this power is reduced because before a loan comes to the Assembly for approval it has already received the approval of the Ministry of Planning and the agency requesting the loan has found an international lending agency or foreign government that is willing to finance the loan.

6 Article 10, Law No. 5525, May 2, 1974. Note - most agencies receive a portion of their income from "clients" as payments for services produced.

7 Though the literature on executive-bureaucratic relations in the United States, however, brings into question the actual ability of a constitutional Chief Executive to direct and control the behavior of executive agencies. Thus the difference may be more one of degree than of kind. (Benze 1985; Garand and Gross 1982)
In this version of the Baseline formulation of the simulation it is still assumed that the government only has budgets at its disposal as a tool for communicating with the agency. The outcome of this simulation once again reconfirms Bendor and Moe's findings that budgets are a very crude means of influencing agency behavior. If the government and the in-power party want more service to be produced (either to appease interest groups and help the party's chances of winning its reelection bid, and/or to achieve the president's policy goals), under these circumstances all they can do is budget more and more money for the agency. In Costa Rica that means approving loans and paying an ever higher percentage of the government's bill to the agency, at the expense of using scarce funds for other projects. Meanwhile, the agency that is concerned with increasing its slack reserves instead of service output, becomes increasingly inefficient. Eventually the agency produces no units of service no matter how large its budget gets. Under these circumstances each year that the agency lowers its efficiency it is "rewarded" with a bigger budget because the government is trying to use increasing the agency's budget to induce the agency to produce more service. Eventually service levels degenerate to zero despite the fact that the union interest group that wants more service to be produced is utilizing all of its political resources to induce the government to produce more service.\footnote{This same system outcome of zero efficiency and zero units of service occurs in this case whether the agency's first move is to increase or decrease its efficiency. Though, of course, a truly slack minded agency would immediately reduce its efficiency in an attempt to begin increasing its slack resources right away.} With only the budget as a tool for influencing the agency's behavior the government is powerless to fulfill the desires of its most active pressure group.

Version 3: The Agency That Wants to Minimize Oversight

When the agency's utility is effected by oversight of its activities elected officials have another tool, other than budgets, for influencing the behavior of agencies. In this version of the Baseline formulation of the simulation the agency maximizes its
utility by minimizing oversight. However, if oversight does not occur in an iteration of the model then the agency evaluates its utility in terms of the size of its budget as in Version 1 above.

For their model of bureaucratic politics in the United States Bendor and Moe examine the effect of legislative oversight on system outcomes. In Costa Rica, however, oversight can come from individual deputies, from a special investigatory committee in the Legislative Assembly, from an investigation of agency activities by the Public Ministry, or directly from disgruntled groups through public embarrassment of the agency in the media. Regardless of its source, however, the assumption in the simulation is always that the agency dislikes the negative attention of oversight, and because of that the agency modifies its behavior to end the oversight.

In Bendor and Moe's model the agency did modify its behavior, and an equilibrium level of service production is reached. The system equilibrated at the same level of service as for the budget maximizing agency, though at a higher budget and lower level of efficiency. The Baseline Model of the Costa Rican system, however, does not produce such positive results. Instead the system once again degenerates to no service being produced at any price. Again, the Baseline Model does not appear to take into account all of the important factors and incentives that influence agency behavior that make up the Costa Rican system of bureaucratic politics.

Version 4: The Agency With Pro-Business Policy Objectives

It is plausible to assume that agency officials can be motivated, at least in part, by their own policy preferences for the agency.9 Agency directors and career civil servants may have their own ideas about what is the "ideal" level of service production for their agency. For example, IDA officials may think that monetary resources and staff energy should be used to provide seeds and

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9 Based on Aberbach and Rockman's (1976) findings about the United States, and on the information gained from interviews with senior IDA and CCSS officials (Lic. Jorge Angel Jiménez Calderón, Administrative Director of IDA). Also see Wynia 1978, pp.60-62.
fertilizers to poor farmers instead of for agricultural extension classes, though both of these programs are supposed to be implemented by IDA.

To examine the effect agency goals have on system outcomes an agency "bliss point" (the agency's ideal level of service production) is incorporated into the model. Version 4 of the Baseline Model looks at an agency whose bliss point of twenty units of service favors business, because the agency desires a level of service production below the social optimum. The social optimum is the service level at which Marginal Benefit is equal to Marginal Cost, or the service level where the benefit from one more unit of service equals the cost of that extra unit of service. An example of an agency having pro-business policy goals would be if IDA chose to emphasize its agricultural extension services instead of its land redistribution function which business finds to be objectionable, but which peasant unions support.

Bendor and Moe find that it is not possible for elected officials (in their case for the Congress) to induce the agency to permanently produce more service than its pro-business bliss point level. All the Congress can do is throw more and more money, larger and larger budgets, at the agency. A larger budget may temporarily cause service production to increase, but this is only the case until the agency can decrease its efficiency and return to producing no more than its ideal level of service. Over time Bendor and Moe's model degenerates such that "budgets eventually explode, and efficiency plunges virtually to zero" (1985, p. 766) while the agency produces at its bliss point level of service production.

The results in this Version of the Costa Rican case are interesting. Bendor and Moe's findings are supported in that the agency does not produce more service than its bliss point of twenty

---

10 For the distribution of labor and business political resources used in this simulation, the social optimum is 33.3 units which is less than the pluralist equilibrium these resource curves generate of 40 units. The pluralist equilibrium is the service level at which labor's political resources are equal to business's political resources (i.e. where the two resource curves in Figure 6.1 cross).
Figure 6.1
Labor and Business Resource Curves

Key: PE is the pluralist equilibrium
SO is the social optimum
units. However, the business interest group has sufficient influence over the executive that the agency's budget does not explode as it does with Bendor and Moe's model. Instead, the chamber is able to induce the executive to provide the agency with a budget no larger than fifty units. Thus, because of the budget constraint, the agency must work at eighty percent efficiency in order to produce its desired twenty units of service.

Version 5: The Agency With Pro-Labor Policy Objectives

In this Version of the model the agency has a pro-labor bliss point which is above both the social optimum and the pluralist equilibrium, and is set at 60 units of service. Bendor and Moe find that under these circumstances the government has an advantage when trying to influence agency behavior. The government desires service production at the pluralist equilibrium level, because that is where labor lobbying resources are equal to business lobbying resources and thus electoral pressure on the party and its militantes is at equilibrium. Because the government desires less service than the pro-labor agency wants to produce the government can deny the agency the budget resources it needs to produce more service than the government desires. As the agency tries to produce its ideal amount of service it becomes more and more efficient. Eventually the agency becomes close to or even perfectly efficient (efficiency = 1), and as the agency's budget continues to decrease the agency is left with no choice but to produce less service. In time Bendor and Moe's agency arrives at a service production level equal to the pluralist equilibrium, which is the service level desired by the government. This equilibrium is reached at a lower budget and a higher level of efficiency than in the other cases (versions 1 and 3).

Though we would expect this same outcome from the Baseline Model of the Costa Rican system, this is not the case. Instead of forty units of service being produced, which would represent the pluralist equilibrium, and the level of service production that is desired by the government, only twenty-five units of service are produced by the agency. Agency efficiency reaches one (maximum
efficiency) because the agency is trying to produce sixty units of service without a budget large enough to do so. However, because of the disproportional strength of business in the Baseline Model, business is able to successfully lobby the executive to give the agency only fifty units of budget, which is only enough to produce twenty-five units of service. Thus the system does not equilibrate at the budget of eighty that would be needed to produce the pluralist equilibrium's forty units of service with the agency working at complete efficiency.

**The Minimum Acceptable Efficiency Model**

Having determined that the Baseline Model does not accurately depict how the Costa Rican system functions, some carefully chosen adaptations are made in this formulation of the simulation. First, the simulation is modified to disadvantage labor somewhat less. It was consistently emphasized by labor leaders in interviews, and from personal observation of the activity of Costa Rican politics, that unions have fewer political resources and less access to government decision-making than do business groups. However, it is possible that the way the Baseline Model is constructed makes labor too weak, and that business is unrealistically strong. The same political resource curves found in Figure 6.1 are used for the "Minimum Acceptable Efficiency Model". These resource curves cross at a low level of service production, so that in most cases business does have more (and generally a great deal more) resources it can use to influence politics than does labor. However, the third element of equations 3.6, 3.7 and 3.8 is removed, which takes out the election cycle element of in-power party, executive, and deputy

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11 Modifications are necessary particularly because the Basic Model does not even consistently produce budget patterns that match those of the thirteen autonomous agencies for which actual budget data was collected. The Basic Model produced an agency budget that for versions 3 and 5 of the simulations degenerated from 100 to 50, and that has not been the case with the budgets of Costa Rican autonomous agencies. Though at times some agencies have suffered minor or even major budget cuts, no agency's budget has had a consistently decreasing pattern over the fifteen years for which reliable, comparable data were available.
evaluations of labor and business pressure. Unions are no longer only given an added boost in their ability to make themselves heard during election years, with business being advantaged (and labor thus being further disadvantaged) during the remaining three years of the election cycle.

Secondly, this formulation of the simulation places a minimum seal on agency efficiency levels. Agency efficiency is not allowed to fall below forty percent.\(^{12}\) The justification for building such a limit into the model is that senior agency officials (i.e. - politically appointive officials) must rely on their party winning reelection in order to continue their own careers in politics.\(^{13}\) Party activists in the agency thus have a personal incentive to keep their agency from contributing to their party’s government projecting an image of incompetence. Essentially what this modification of the model means is that past a certain level of agency inefficiency bureaucrats’ personal goals of continuing in politics are assumed to override other possible agency goals, such as maximizing budgets or slack. Hence, in this version of the simulation, achievement of the predominant agency goal(s) - maximizing budgets and or slack, minimizing oversight, and/or achieving agency policy goals - determines the agency’s efficiency level, unless those goals alone pull agency efficiency down below the imposed seal, at which point the political career goals of bureaucrats take precedence.

Version 1: The Budget Maximizing Agency

\(^{12}\) 0.4 is the minimum efficiency level used in the simulation results presented here. However, other levels were tested, and what minimum level of efficiency is chosen does not significantly effect system outcomes.

\(^{13}\) This relationship between party activists who hold influential positions in the agency and their party is similar to the relationship found to exist between deputies and their party. (Taylor 1989) The desire for their party to be reelected to the presidency so that they can continue their careers in politics is one of the important factors that motivates deputies to engage in constituency service even though they cannot be reelected to the legislature. It is this same desire to further their own political careers that motivates party activists in the agency to limit how inefficient they will permit the agency to become.
With the Minimum Acceptable Efficiency Model the system does reach an equilibrium, and some service is now produced by the agency that wants to maximize its budget. However, the equilibrium level of twenty units of service production that is reached is still far below the pluralist equilibrium of forty units of service. This is interesting because the pluralist equilibrium should be the service level desired by elected officials because it is where the lobbying resources of the two competing interest groups are equal. The pluralist equilibrium service level is also the equilibrium level Bendor and Moe's findings lead us to expect. However, an equilibrium of twenty units of service occurs instead because business has its greatest influence with the executive, and it is the executive that determines agency budgets, and this agency is concerned with maximizing its budget. Most of labor's influence, on the other hand, is with deputies, whose influence with agencies is limited to oversight, and oversight does not come into play in this version of the simulation. Thus, in the model of Costa Rican bureaucratic politics, business has more capacity than labor to influence system outcomes when the agency is trying to maximize its budget.

Version 2: The Agency That Maximizes Slack

This case produces the more predictable equilibrium level of forty units of service. In this case the agency adjusts its efficiency level down to the imposed minimum of 0.4 from its starting level of 0.75 as quickly as possible because it wants to maximize slack. As the agency decreases its efficiency, service production consequently also decreases in each period. When service production drops below forty units the executive and the party feel overwhelming pressure from labor to increase the amount of service produced by the agency. In return the executive passes on higher budgets to the

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14 The simulation results presented here assume a starting agency efficiency of 0.75. This number was chosen arbitrarily. However, when other starting efficiency levels were tested they did not change the equilibrium output levels and costs of the system.

15 The legislature is also pressured by the labor group to get more service produced. However, this is not relevant to the current run of the simulation because this agency
agency. Thus the service level begins to go up again while the agency continues to function at the minimum allowable efficiency. However, the agency's budget does not rise indefinitely. As soon as the budget is large enough to cause the agency to produce more than forty units of service (even though the agency is only working at forty percent efficiency) then business has more lobbying resources than labor, and its pressuring induces the executive to lower the agency's budget. When the agency's budget decreases the level of service production decreases with it because the slack maximizing agency is not inclined to increase its efficiency. Eventually the budget and service level swings dampen out and the system reaches an equilibrium output level of forty units of service, which is equal to the pluralist equilibrium where business and labor resources are equal.

Version 3: The Agency That Wants to Minimize Oversight

Here again the system arrives at an equilibrium level of forty units of service which is equal to the pluralist equilibrium. However, in this case this service level is achieved at a lower budget than with the slack maximizing agency. This happens because with an agency that wants to avoid oversight the government has more than one method of communicating with the agency and of influencing its behavior.

The budget at which the equilibrium level of service is ultimately produced depends on the initial budget at which the agency was induced to produce the equilibrium or a slightly greater

\[\text{is not concerned with the existence of oversight, it is only interested in maximizing its slack resources.}\]

\[\text{16 If the elections cycle element is not removed from party, executive and deputy evaluations of their interest group support, the system reaches equilibrium at ten units of service and a budget of fifty. Equilibrium is reached at a lower level of service in this case because with the elections cycle included business more often has greater influence (more resources) than does labor. Thus business is more often capable of convincing the executive to further lower the agency's budget which has the effect of decreasing service outputs, and of decreasing the agency's slack since the agency cannot lower its efficiency below 0.4.}\]
level of service. When the government can use oversight to induce the agency to produce the level of service desired by groups, the agency produces the desired or equilibrium service level at a comparatively low budget. Also, because of the oversight tool, while the agency still proceeds to try to maximize its budget and/or slack, it is constrained in doing so because oversight decreases the gain in utility the agency gets from bigger budgets or increased slack.\(^{17}\)

Version 4: The Agency With Pro-Business Policy Objectives

In this case again, the outcome is interesting. This agency maximizes its utility by producing twenty units of service, which is its service production/policy goal. However, the level of service at which labor's political resources are equal to business' political resources is forty. Thus, at the agency's optimum service production level, labor's lobbying of the executive and the in-power party is stronger than business lobbying, and thus the agency is given larger budgets. If there were no floor on efficiency the agency could solve this predicament by reducing its efficiency as its budget increases in order to maintain service production at, but not greater than its optimum level of twenty units. This is the outcome produced by Bendor and Moe's model. Here, however, because the agency is limited in how far it can reduce its efficiency, the agency is eventually forced to produce more than twenty units of service. The agency's budget continues to increase until it produces forty units of service, even while the agency is working at only forty percent efficiency. At that point any further budget and service production

\(^{17}\) As oversight increases agency utility decreases, despite the fact that increasing budgets and slack positively effect agency utility. Thus, when the agency adapts its behavior in order to decrease the negative effects of oversight, it also inadvertently lowers its budget and hence its slack.

Again, if the elections cycle of the interest group support evaluations equations is left in the model, the system equilibrates at the lower level of ten units of service. This is the case because of the greatly disproportional amount of political resources a system so arranged provides to business. The ten units of service are also produced at the lower equilibrium budget of fifty. The equilibrium budget for the agency is also reduced because of the extreme power and strength of business.
increases desired by labor are overwhelmed by business’s anti-service lobbying of the in-power party and the executive.\textsuperscript{18}

Version 5: The Agency With Pro-Labor Policy Objectives

In this case the government prevents the agency from achieving its policy objective of producing sixty units of service, because sixty units is more than the pluralist equilibrium level of forty units of service production. The agency needs more resources than it is given in order to produce its bliss point level of service, even if it works at one hundred percent efficiency (where efficiency = 1). Thus the agency produces at maximum efficiency using the budget it is given, in a constant yet futile attempt to reach its bliss point. The agency’s budget is not allowed to rise such that the agency can constantly produce more than the equilibrium forty units of service because when service production is greater than forty units business has more political resources than labor. When business is stronger than labor it is able to successfully lobby the executive and drive the agency’s budget down to a level at which no more than forty units of service are produced.\textsuperscript{19}

\textit{The Model That Incorporates the President’s Policy Objectives for the Agency}

\textsuperscript{18} With a model that includes an election cycle to group influence, the outcome of this version of the simulation is the twenty units of service desired by the agency. However, in order to produce its desired twenty units of service, the agency must produce at seventy-six percent efficiency. This is the case because the disproportionately strong business interest group only makes it feasible for the government to provide the agency with a budget of 53.2. Thus the agency cannot afford the luxury of being maximally inefficient if it also wants to achieve its policy goals.

\textsuperscript{19} If the election cycle were still incorporated into the model then business, with its increased strength, would be able to drive the agency’s budget down even further. Business would continue to successfully lobby the party and the executive to decrease the agency’s budget until only twenty-six units of service were produced even with the agency producing at one hundred percent efficiency. Finally, at that service production level labor would get the upper-hand, and agency budgets would not decrease any further.
Another possible formulation of the model of Costa Rican bureaucratic politics also merits examination. This formulation incorporates the policy objectives of the president, independent of the lobbying influence of interest groups. There are two major justifications for making such an addition to the model. First, the constraints of Costa Rican election law prohibit the president from ever seeking reelection. Thus the president is a lame duck from the day he takes office, and hence he can enjoy the policy independence that being a lame duck can be assumed to provide. Second, the president campaigned for office saying that if elected he will emphasize particular policy areas (e.g. - the Arias administration [1986-1990] campaigned that it would build 80,000 houses). Because of this the president can interpret his victory to mean that he has a mandate from the people to work for his stated policy goals, and thus that lobbying does not represent general public opinion.

This formulation of the simulation continues to incorporate a seal on the minimum level of efficiency that is considered to be acceptable by senior agency officials because of their concern about their own political futures. This simulation also does not include the election cycle element in party, executive, and deputy evaluations of pressure from the competing interest groups. The policy goals of the president are incorporated into the budget decision made by the executive. The executive first evaluates whether the current level of service production meets with, exceeds, or is insufficient for the needs of the president’s policy goals. The president's policy goals are operationalized to be equivalent to a specific amount of service production. For the cases presented here the president's preferred service production level is

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20 It should be noted that Costa Rican presidents have not traditionally pursued careers in active domestic politics after they leave office. No president has held a position as a minister, deputy, agency executive president, or ambassador after his term as president. However, if the ex-president so chooses, he is able to play a guiding or advisory role to his party, since both major parties are set up to include all ex-presidents from the party as permanent members of the party's national assembly.
set at fifty units of service. With this information, along with its evaluation of the pressure it feels from the two interest groups, the executive decides how to modify the agency's budget each period.

Version 1: The Budget Maximizing Agency

Once the president's policy goals are incorporated into the model the system tends to equilibrate at the service level that is preferred by the president. In the case of the agency that wants to achieve the largest possible budget, with the initial parameters used here at first the agency increases its efficiency because doing so produces a larger budget. Increased efficiency is "rewarded" with larger budgets until the agency produces fifty units of service. At that point the president no longer needs more of the agency's service to achieve his policy goals, so he becomes very receptive to pressure from the business interest group to lower service production. Thus, in the next period the executive gives the agency a smaller budget. Because of this the agency perceives that increased efficiency is no longer being rewarded with higher budgets, so the agency decreases its efficiency. Lowering its efficiency brings the agency's service outputs back down below the amount desired by the president, so the executive responds by increasing the agency's budget. Now the agency thinks decreased efficiency is being "rewarded" with larger budgets, which is what the agency desires, so it continues to decrease its efficiency. Eventually agency efficiency reaches the minimum allowable level of forty percent,

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21 Other presidential preference levels were also tested, and they had the same effect on system outcomes.

22 See the Appendix for a detailed explanation of how these two information points are combined in the executive's budget decision.

23 Initial parameters: efficiency of 0.75, service level of 37.5 units, and budget of 100.
and the system proceeds to equilibrate at fifty units of service produced with a budget of 250.

Version 2: The Agency That Maximizes Slack

This agency immediately starts to decrease its efficiency level in order to increase its slack reserves. Because the agency is producing less service than is desired by the president the agency is "rewarded" with larger budgets for decreasing its efficiency. The government increases the agency's budget in an attempt to induce the agency to increase service production to the fifty units desired by the president. Thus, the agency's efficiency continues to decrease until the minimum acceptable level of forty percent efficiency is reached. Once the agency starts producing at the minimum acceptable efficiency level the system begins the process of equilibrating at a service production level of fifty units with a budget of 250. At equilibrium the budget will not fall below 250 because that would cause the agency to produce less than the amount of service desired by the president. The budget also will not stabilize at an amount higher than 250 because a larger budget would cause more than fifty units of service to be produced. When more than fifty units of service are produced the executive becomes receptive to pressure from the business interest group to decrease service production, and the executive moves the agency's budget back down to 250.

Version 3: The Agency That Tries to Minimize Oversight

This version of the simulation produces an interesting outcome. Unlike with the "Minimum Acceptable Efficiency Model," where the system was able to achieve equilibrium at a lower budget outlay compared to Versions One and Two when the government could use oversight to influence agency behavior; in this formulation of the simulation that same positive result does not occur. Instead here the system equilibrates at a production level of fifty units of service, as is desired by the president, but at a budget of 250, as in the two previous Versions. Because of the influence the oversight
tool has on the behavior of this agency the system is initially able to achieve fifty or more units of service production at greater than forty percent efficiency. However, this is not a stable outcome, and the system keeps having efficiency swings which are responded to by the executive with complementary budget swings. As this process continues agency efficiency gradually decreases to the minimum acceptable level of forty percent. At that point, for the president to continue to receive the fifty units of service he needs to achieve his policy goals the executive must provide the agency with a budget of 250.

Version 4: The Agency with Pro-Business Policy Objectives

Here again the executive is able to induce the agency to produce the fifty units of service that are desired by the president. But, because the agency only wants to produce twenty units of service, it is constantly trying to lower production. Because the agency's service production/policy goals are lower than those of the president, the agency responds to higher budgets by lowering its efficiency such that it only produces its desired twenty units of service. However, because a minimum acceptable efficiency level has been imposed on the system, when agency efficiency reaches forty percent the agency has no choice but to produce more service if its budget continues to increase. Thus, the executive must provide the agency with a budget large enough to force it to produce fifty units of service while functioning at the lowest possible efficiency level of only forty percent, which is a budget of 250.

Version 5: The Agency with the Pro-Labor Policy Objectives

As in the previous cases of a pro-labor agency, this agency is not able to produce the sixty units of service it desires. Here the agency is prevented from achieving its own policy goal because, not only is its desired service production level higher than the forty units of service of the pluralist equilibrium, but it is also greater than the fifty units of service that are needed by the president in order to achieve his policy objectives. Thus, this agency is
compelled to produce at maximum efficiency as it attempts to achieve its own policy goals without receiving the budget resources necessary to do so. Hence the system outcome for this Version of this Model is the fifty units of service that are desired by the president, produced for a budget of 100 because the agency is working at maximum efficiency.

**Model Incorporating Presidential Policy Preferences and Changes in Administrations**

This final formulation of the simulation is presented to show the outcome of a model that more closely resembles reality. It incorporates a lame duck president who has policy goals for the agency. But this model also includes changes in administration every four years (here represented as four iterations of the model), and the accompanying probable changes in presidential policy preferences. This simulation continues to impose a lower limit on agency efficiency, as was the case with the previous two formulations of the model.

The results of this simulation are not presented in tabular form because the system is not able to arrive at an equilibrium. The actors in the model of Costa Rican bureaucratic politics adapt slowly. Budgets and agency efficiency are only permitted to change by a maximum of plus or minus ten percent per iteration of the model. As has been the case throughout the simulation, communication between actors is imprecise, and actors modify their behavior adaptively in an attempt to maximize their own utility, which does not always dispose them to respond in the desired fashion to the needs of other actors. Thus, when presidential policy preferences change every four years, as is the case in reality, it is often not possible for the agency to adjust sufficiently to even produce close to the amount of service desired by the president. Because the agency has only four years to understand and react to new budget and oversight cues from an administration, the agency is often still figuring out what type of behavior will maximize its utility when a new government takes over, and the agency's
environment changes again. It seems quite probable, however, that this outcome of the simulation is very similar to reality, and that agencies are regularly in a state of disequilibrium with their environment, because the environment does change very quickly, and accepted theory is that bureaucracies lumber along at a very stayed pace.

Some interesting trends, however, can still be detected from this formulation of the simulation. It should be noted that the general trends were the same in this simulation regardless of whether the election cycle (the third element of equations 3.6, 3.7, and 3.8) was incorporated into the in-power party’s, executive’s, and deputy’s evaluation of interest group pressure. The first point of interest discovered from this formulation of the model is that overall the agency budget follows a generally upward moving path. Second, in all versions of this simulation accept Version 5 (the pro-labor agency), agency efficiency tended toward the minimum acceptable level over time. This occurred despite the regularly changing policy goals of the presidents. The agency with the pro-labor policy preference worked at one hundred percent efficiency for the first eighty iterations of the model. However, it too eventually started to decrease its efficiency as, over time, its budget increased to the point that it no longer needed to function at maximum efficiency in order to achieve its own policy goals. Once it was able to achieve its own policy goals the agency discovered that when the president desired a higher level of service output than did the agency, the agency could increase its budget by lowering its efficiency. The third outcome of interest from this Model is that the amount of increase over time in agency budgets varied from Version to Version of this simulation. Where the government had access to oversight as well as to budgets as a means of influencing agency behavior, budgets increase much less quickly, though they still follow a generally upward trend. The agency budget also increased less quickly at first for the pro-labor agency than for the agencies which evaluated their utility based on other criterion because the
The findings of the various formulations of this simulation show that some of the differences between the U.S. and Costa Rican systems of bureaucratic politics do affect system outcomes. Of particular importance is the degree of imbalance of political resources between labor and business interest groups. Obviously the group that is endowed with more resources is advantaged in playing the political influence game; and if one group is constantly wealthier than the other the data show that it can skew the entire system in its favor. Also of importance for system outcomes is the means of access available to the opposing groups. In Bendor and Moe's model both interest groups attempt to influence system outcomes by lobbying Congressmen, and thus they are fighting their war on the same battlefield. However, in Costa Rica opposing labor and business groups do not in reality have the same amount of access, nor success in lobbying the executive. As was explained in detail in Chapter Two, business has the entre necessary to express its opinions and needs to the executive. Labor, on the other hand, does not usually have much success when it tries to win the attention of the executive, unless it resorts to disruptive tactics. The importance of this unequal distribution of influence becomes apparent in the simulation outcomes, especially with an agency that wants to maximize its budget.

From the data generated by the simulation it also becomes apparent what some of the forces are that produce government growth in Costa Rica. An agency that is not given sufficient incentives to work efficiently produces services much more expensively than does an agency that must produce efficiently if it wants to maximize its own utility. Thus, as is discussed further in the final chapter, government growth and what form the growth takes is a matter of incentives—the incentives elected officials and the party have to act on the policy desires of interest groups, and
the incentives bureaucratic agencies have to produce their services efficiently.
Chapter Seven - Conclusions

The purpose of this research has been three-fold. First, it tests the generalizability of Bendor and Moe's hypothesis that the structural and institutional organization of a system has an effect on the incentive structures that determine the behavior of actors, and hence on government growth and how such growth can be directed and controlled. Specifically our purpose has been to test whether a general relationship exists between bureaucratic politics and government growth, or if the differences between the Costa Rican and U.S. systems are significant such that the relationship between bureaucratic politics and government growth is not the same in the two countries. Second, from the knowledge gained through the simulation, a list is compiled of the forces originating in the Costa Rican system of bureaucratic politics that cause the government to grow. Third, this work was intended to increase our understanding of incentive structures. In particular the objective has been to add to existing studies of the incentives for action that influence the behavior of elected officials (Mayhew 1974; Payne 1972) and to expand this study to include the incentives influencing the behavior of bureaucrats.

By now it is clear that a connection exists between bureaucratic politics and the size of a country's government. The connection lies in the incentives for action a country's system of bureaucratic politics provides to its elected officials and bureaucrats. The assumption underlying this work has been that actors engage in the behavior that, to the best of their knowledge, will maximize their utility. If a political system is set up such that an actor's utility increases more from the inefficient rather than the efficient production of services, then the people of the country are destined to receive services at a higher cost than is technologically necessary.

1 Though at times the knowledge actors have is not very great, as in the model developed here.
Costa Rica has provided a particularly interesting case for study of the generalizability of a theory of bureaucratic politics because of the special constraints of its political system that differentiate Costa Rican democracy and bureaucratic politics from that of the United States. The lack of impact its rules against reelection have on the functioning of bureaucratic politics is very interesting. However, the greater autonomy of bureaucratic agencies does have an impact on system outcomes and thus limits the generalizability of a theory of bureaucratic politics.

The Effect of No Reelection, or of the Necessity of Building Your Political Career Through Your Party

The most distinguishing feature of Costa Rican politics is the difficulty a politician has of pursuing a career in politics unless his party is elected and reelected to control the executive branch. The president of the republic is prohibited from seeking reelection. This means that a successful minister\(^2\) cannot count on his political patron (the president) being able to help him stay active in politics for more than the duration of the current government. A politician can be awarded an electable\(^3\) position on a provincial slate and thus be elected to serve a term in the Legislative Assembly even if his party does not win the presidency. However, deputies are constitutionally prohibited from seeking immediate reelection to the Assembly. Thus politicians who have won seats in the Assembly must continue to curry the favor of party leaders if they want to have a chance at being given one of the scarce positions in the

\(^2\) A successful minister is operationalized as a minister who is able to hold on to his portfolio for four years or who is transferred by the president to another ministerial post but who nonetheless stays in the Cabinet for the entire four years of the administration.

\(^3\) On each of the seven provincial slates the two major parties know approximately what percent of the vote they can count on, and how many seats that vote percentage converts into. These "safe" seats are known as "eligible" or electable. Though each party will put forward a complete slate of candidates to fill all available seats for each province, winning seats beyond the "safe" seats requires that the party have an extremely successful election.
executive branch in the next government if their party wins. Top positions in autonomous agencies, such as the executive president, managers, and members of the agency board of directors, are also filled by political appointment. Thus, the people who hold those positions also will be out of the political arena during the next administration unless their party is reelected and they too are given another scarce appointive position in the executive branch, or are possibly nominated to an electable position on their party's slate of deputies.

This difficulty in building a "traditional" career in politics in the legislative branch of government, contrary to what often happens in the British and U.S. governments, has several interesting effects on Costa Rican bureaucratic politics. First, it makes it more challenging for organized interests to build strong, reliable contacts and supporters in the legislature. Groups in Costa Rica have continuity, many having been in existence for twenty years or more. Because of the constraints of the electoral system, however, they cannot build up cozy relationships with related commissions and/or with key deputies, because who the key deputies are is constantly changing.

Also, since deputies cannot be immediately reelected to a seat in the Assembly they do not have to be concerned with filling their financial war chests with contributions for the next campaign. Though deputies do not want to be the cause of an aggressively adversarial relationship with a group that could hurt their party in the next election; deputies do not have to be constantly weighing how each vote they make effects their personal campaign coffers. Thus, in Costa Rica it is more difficult then it is in the United States for interest groups to tangibly express their pleasure or discontent with the government's stance on an important issue.

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4 Not only does the entire class of deputies turn over every four years, but also deputies rotate commissions every year.
Groups must spread their resources between deputies\(^5\), members of the executive branch, and the major political parties.

The lack of continuity in the Assembly, and often the lack of experience and of research facilities of ministers in the executive branch, however, do provide groups with an interesting opportunity to influence policy. Business groups, in particular, often have better facilities available to them for researching the potential effects of a policy then do government offices. Because of such research strengths they can offer to do feasibility studies and cost/benefit analyses for the government, and even draft legislation. This "help" removes part of the overwhelming information-gathering burdens from deputies and ministers, and from a government that in general can ill afford extensive computers and research staff facilities for its policy makers. This capability, along with other strengths business has\(^6\), provide business groups with an incredible opportunity to mold policy in their favor. Evidence of this can be seen in the simulations outcomes for Version 5 of the Baseline Model and for Version 1 of the Minimum Acceptable Efficiency model. In both cases the outcome level of service production is below both the social optimum and the pluralist equilibrium. This situation of information asymmetries between groups (particularly business groups) and government is as disruptive to system outcomes as is Niskanen's (1971) depiction of bureaucratic politics with an all-knowing bureaucracy and a legislature that is basically at the mercy of the information it receives from the bureaucrats.

Secondly, the lack of an immediate reelection possibility means that every four years the Legislative Assembly is filled with

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\(^5\) With another decision for groups being, should they lobby deputies who are predisposed, possibly for personal reasons, to support them, or should they focus their resources on trying to change the minds of their adversaries.

\(^6\) Other advantages business groups have which facilitate their presentation to government and the defense of their policy preferences include: business, social, familial and school ties with government leaders; the ease of communication that comes with talking with people of the same social class; the relationship between the interests of business and the general stability of the economy. This is discussed in detail in Chapter Two.
new people who are often unaware of the procedures of legislating and novices with the techniques of conducting investigations. This lack of experience makes it more difficult for the Assembly to effectively carry out its oversight function. The end product of this weakened oversight ability can be seen in the outcomes of Version 3 of the simulations. Until a lower limit was placed on agency efficiency with the Minimum Acceptable Efficiency Model, the system degenerated to an outcome of no service production and zero agency efficiency, with budgets exploding—despite the fact that the government had both budgets and oversight to use as tools for communicating with the agency.

Thirdly, the need for a politician to work through his party to build a career in politics leads to a strong link between Costa Rican politicians and their party. (Taylor 1989) It is because of the strong connection between politicians and their party, really their devotion to party, that it was deemed feasible to build a lower limit for acceptable agency efficiency into the model of Costa Rican bureaucratic politics. It is also the desire to be a loyal party worker, so as to further your party's and your own political chances, that induces deputies to engage in oversight when pressured by interest groups, even though they themselves cannot be immediately reelected to office. Thus, the lack of a reelection incentive that on the surface would seem to cause a problem for creating a functional system of bureaucratic politics in Costa Rica instead is overcome by strong political parties that fill the predicted incentive vacuum for politicians. Elected officials listen to the policy preferences of interest groups, and party activists who are bureaucrats listen to the service production needs of elected officials, because they all

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7 It should be noted that there are usually five or six deputies elected to the Assembly who have served as legislators before. These returning deputies do provide guidance and leadership, especially in the first year of a session. However, six out of fifty-seven is still a very low percentage of deputies who have experience in carrying out the duties of the legislative branch of government.

The no-reelection constraint also means that no one in the new class of deputies has a vested interest in continuing the debate of a bill or the investigation of accused wrong-doing that was left as unfinished business by the previous legislature.
know that only when they work as a team will their party have a chance of winning reelection.

But even when the in-power party's militantes work as a team, there is still a high probability that the in-power party will not be reelected. This reelection uncertainty is compounded by the reality that many party militantes, even if their party is elected or re-elected, are vying for a few prestigious politically appointive positions in the executive branch. Almost all activists from the victorious party, who have been deputies in the past, past ministers and vice-ministers and past agency executive presidents from the victorious party want to continue in politics in the executive branch. Therein lies the paradox of Costa Rican bureaucratic politics. It is the desire to have your party win control of both the executive branch and a majority in the Legislative Assembly that is the incentive that drives the otherwise irrational behavior of politicians from the two major parties. Yet few of the people working toward that goal for their party will actually be rewarded with one of the desired posts if their party has a successful election bid. Despite this uncertainty about the payoff, however, a party militante who aspires to a "career" in politics must work hard to help his party project a capable image throughout the entire four years of the current government. Thus the truly surprising aspect of the Costa Rican system is not that parties play a key role in bureaucratic politics, and in politics in general. Rather, the behavior that is difficult to understand is that party militantes who

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8 Only twice since 1949 has the in-power party been returned to office for two successive terms - once in the 1970-74 and 1974-78 Figueres/Oduber administrations, and again with the 1982-86 and 1986-90 Monge/Arias administrations.

9 Another rationale must be at work with activists in minority parties, because those parties do not have a realistic chance of winning control of the government. This, however, is a topic that is not investigated here.

10 The desirable positions that deputies aspire to are executive branch posts such as ministerships, vice-ministerships, and to be presidential advisors.
aspire to a career in politics have not devised a more certain way to pursue their personal goals.

Party unity has both a positive and a negative effect on the size of government. Its effect can be positive in that all true party activists who deserve to call themselves "militantes" work to bolster the image of their party when it is in power. Thus, it is plausible to include elements in the model such as a lower limit on agency efficiency being imposed by top agency officials who are also militantes in their party. But there is also a potentially negative side. The party, and especially the newly elected president who owes his election in great part to the hard work of these party activists, must find some way to reward enough of these "helpers" so that they will not begin to think that their efforts are personally useless, and hence no longer be willing to do their part. Thus, the ranks of government functionaries may swell (i.e. - government growth) beyond what is necessary to produce the level of service that is the social optimum because of the strong link Costa Ricans politicians have to their parties and because parties also need the help of their militantes to maximize their own goal of winning elections. In Latin America in general this problem is exacerbated by the tradition of the government being viewed as the assumed or relied upon employer of a country's high school and college graduates.

The Effect of Bureaucracy Taking the Form of Autonomous Agencies Instead of Executive Bureaus or Departments

There has long been a concern in Costa Rica that the structure of its bureaucracy in distinct, autonomous units makes it more difficult for the country to achieve its development goals. (Jiménez Castro 1986, p.127) In response, starting in 1968 a series of laws were passed that were intended both to gradually reduce the autonomy of the agencies, and to organize the agencies and ministries into policy sectors. In addition, in the 1970s a new

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11 For a detailed description of this attempt to circumscribe the autonomy of the autonomous agencies see Chapter Two.
requirement for receiving international loans was imposed by the international lending agencies that requires each new administration to write a National Development Plan. In order to comply with this new demand, first an Office and then a Ministry of Planning and Political Economy was created. Laws were also passed creating a sectoral and regional planning system for the country. The idea behind all of these changes was to focus the entire Costa Rican government and bureaucracy behind one policy leader, the President of the Republic, so that the government could work efficiently to hasten the development of the country.

But has this effort been successful? The question being asked here is not whether Costa Rica has been successful at development. Rather, the question of interest in this section is, have these reforms been successful at unifying the government and the bureaucracy so that they can work together to efficiently produce the services that are desired by the people of the country (or that are desired by interest groups in the model).

Simulation outcomes do not lend a positive answer to this question for Costa Rica, or for bureaucratic politics in democratic systems in general. Agencies that have their own policy goals which dispose them to produce less service than is desired by the executive, by a powerful interest group, or than is socially optimal,\textsuperscript{12} are able to hamper the achievement of the executive's policy goals. And, if the executive's policy goals are eventually met, the recalcitrant agency can greatly increase the cost of reaching the needed service production level by dragging its feet and producing inefficiently. Bendor and Moe's similar findings about bureaucratic politics in the United States point toward a general conclusion. In order for the elected officials in government to be able to efficiently direct the work of the bureaucracy they need more than

\textsuperscript{12} The term "social optimum" is used as in economics, not to signify some subjectively chosen "optimum" amount of government produced service that would not be possible to justify. The socially optimal level of production is the level at which the marginal cost of the service is equal to the marginal benefit. (Bendor and Moe 1985, p.759)
one means of communicating with bureaucrats and of constraining their behavior options, for example, through a combination of budgets and effective means of oversight. Though of course in the Baseline Model of Costa Rican bureaucratic politics even the addition of oversight was not sufficient to prevent the system from degenerating to an outcome of basically no service being produced at zero efficiency while budgets explode.13

It appears, from both these and from Bendor and Moe's findings, that the best way for a government to insure that it will have the support of the bureaucracy in reaching its policy goals is to maintain enthusiasm among bureaucrats for achieving, or better surpassing, the same policy goals that elected officials are working toward. This conclusion is supported by the outcomes of the simulations of an agency with pro-labor policy goals (or with pro-consumer policy goals in the Bendor and Moe simulations). In these cases the agency wants to produce more service than is feasible in the eyes of politicians who are being persuasively pressured by a discontent anti-service interest group whenever the service production level exceeds the pluralist equilibrium. In the Model Incorporating President's Policy Goals the pro-labor agency also has a service bliss point that exceeds the service level needed to meet the policy goals of the president. Because this agency wants to produce more service then elected officials desire, it is constantly under-funded because it is within the government's power to deny budget requests to agencies that are producing more service then is desired. Thus, for bureaucrats to maximize their utility (i.e. - achieve, or at least come as close as possible to achieving, their service level/policy goals) they must produce at peak efficiency.

This best-case scenario, however, brings up the question of how to maintain the enthusiasm of beleaguered bureaucrats,

13 Though this outcome is reasonable upon a careful examination of the lack of "teeth" in the oversight abilities provided to the Legislative Assembly by the 1949 Constitution. Special Investigatory Committees in the Assembly do not have the right to impose sworn testimony on witnesses. Nor do they have much real muscle with which they can enforce subpoenaed witnesses to actually come before the Commission.
especially under adverse situations such as consistently giving the agency what is in the bureaucrats' opinion an inadequate budget for fulfilling the agency's purpose. There is also the related issue that most agency functionaries are civil servants with some form of civil service job tenure. Thus, many bureaucrats are a constant, while presidential administrations and their policy goals change every few years. This democracy-induced reality that any given agency will probably fall in and out of the policy limelight, especially as administrations change, increases the difficulty of the task of maintaining the enthusiasm and drive of bureaucrats. One of the purposes of the 1970 and 1974 laws \(^{14}\) limiting the autonomy of the Costa Rican autonomous agencies was to amend the enabling legislation of the autonomous agencies so that more people in positions of power in the agencies would be tied to the current president. Lawmakers assumed that this would create an agency leadership which was supportive of the president's policy goals and who would steer the agency in the needed direction to achieve these goals. However, from interviews and from an analysis of the success of these reforms conducted by the Ministry of Planning, there are still some major gaps in the legally enforceable ability of the president to behave as a "Chief Executive." The president still has little legal power to require that a recalcitrant agency reform and work along with the rest of the government in a unified fashion toward reaching his policy goals. (from interviews conducted with Ing. Eladio Prado Castro, Executive President of the Water and Sewer Agency; Sr. Luis Alberto Monge Alvarez, President of the Republic 1982-86; Dr. Ottón Solís Fallás, ex-Minister of Planning 1986-88; Investigación Sobre Presidencias Ejecutivas 1976)

Forces Emanating from the Functioning of its System of Bureaucratic Politics that Cause the Costa Rican Government to Grow

\(^{14}\) Law No. 4646 of October 20, 1970 "Ley de 4-3" and Law No. 5507 of April 19, 1974 "Ley de Presidentes Ejecutivas."
The outcomes of the simulation show the major cause of government growth in Costa Rica that comes from the organization of the country's system of bureaucratic politics to be a lack of sufficient mechanisms for controlling the bureaucracy. Weak budget and oversight links between the executive and legislature and the autonomous agencies do not provide agencies with adequate incentives to efficiently produce services if the agency's own policy goals are to produce lower levels of service than are desired by the executive, or if the agency wishes to maximize the size of its budget or its slack resources. On the other hand, the fluidity of the Costa Rican system, that comes from the lack of reelection for individuals, produces a constant need for party activists to work to bolster the electable image of their party in order to continue their own careers in politics. This actually appears to be an incentive for the bureaucracy to produce services efficiently, because the people holding top positions in the bureaucracy are also militantes in the in-power party.

There is, however, the ever present question of whether political parties and elected officials really value an efficient government as the key to their having a successful political future. It is possible that other factors are considered to be of greater utility for getting the party and its activists elected, and that such factors would not have been incorporated into our model of bureaucratic politics. One such factor could be that increasing the number of jobs that can be doled out for political patronage purposes might be perceived to have a greater electoral payoff than government efficiency. These "extra" positions on the government payroll would, in fact, work against the low cost production of services. Another possible factor that could be of electoral importance, but that would work against government efficiency, would be the government making only a partial attempt to fulfill campaign promises, with the image of progress being the goal more than the efficient production of the talked about services. Savvy politicians may realize that concrete government intrusion in some policy areas, beyond simple rhetoric and setting up an agency, may
alienate more important groups than the less organized votes it may gain the party in the future. Thus, it is important to remember that bureaucratic politics is only one of many potential sources of government growth.

**Implications of this Research**

The interest of this work falls in three very different areas. It contributes to our theoretical understanding of the relationship between bureaucratic politics, incentive structures, and government growth. It updates our knowledge about democracy in Costa Rica, and it does so from the new perspective of laying out who the various actors are in Costa Rican politics, and how they interact and are able to influence one another's behavior, rather than using the more traditional constitutional, historical approach. And finally, this work hopefully shows the utility of examining Latin American politics in the light of models developed to explain First World political systems. In so doing we can connect the study of Latin American political systems, particularly the democracies, into a larger theoretical framework, and use cases of democracy in Latin America to contribute to our understanding of the functioning of democracy in general.

This research has implications beyond Costa Rican politics and beyond simply testing the generalizability of Bendor and Moe's theory of bureaucratic politics. Severe limitations on reelection of the president are common in Latin America. However, studies have not been conducted about the effect such limitations have on the incentives for action felt by both the president as patron and by his political clients (i.e. – the people he appoints to patronage positions, and even to high ranking government officials such as ministers) who owe their current position in politics to a patron who will not be able to help them in the next government. Also, in-power party turnover which is generally the case in Costa Rica, and which has

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15 Reelection of the president is prohibited altogether in countries such as Mexico and Costa Rica, and in other countries such as Colombia and Venezuela a president is not allowed to run again for the office until at least two terms have passed.
been shown to be the norm elsewhere in the region (Dix 1984) may be an important subject for further investigation. The lack of experienced policy-makers and overseers produced by such regular turnover may be one of the reasons that it is difficult for the elected branches of government to effectively oversee the activities of the bureaucracy. Again, this hypothesis needs to be tested cross-nationally before it can be elevated to the level of theory, but it is a factor that both this model and incentive theory target as potentially important.

There are many ways in which this research can continue to be profitably pursued. One possible topic to be pursued in Costa Rica is to model the process by which new policy comes into being, such as the creation of a new autonomous agency, or the drastic overhaul of the enabling legislation of an existing agency. Another possibility, that would particularly benefit from cross-national research, is to test the validity of the generally accepted theory about Third World politics that groups find it more effective to try to influence policy during the implementation stage instead of earlier while the policy is being made. A tangential question would be to look into whether interest group behavior (i.e. - how groups lobby, and at what stage in the policy process) is different in truly functioning democratic system, compared to governments that are semi-democratic or in authoritarian regimes that employ a facade of democracy to help maintain themselves in power. Such work would not be limited to the Latin American region, though it would be interesting to compare group behavior in countries at different stages in the process of the transition to an institutionalized, democratic form of government. Research could also be conducted comparing interest group behavior in the "newer" democracies of southern Europe (e.g. - Spain and Portugal) with the older, established northern European democracies, and also incorporating the eastern European countries as the process of democratization continues. Also, directly connected to the work done here, these findings about the Costa Rican system have to be tested in other long standing democratic Latin American countries such as Venezuela. Until the relationship
between bureaucratic politics and government growth is examined in other Latin American democracies, we cannot be confident that the generalizability of the present results is not limited to Costa Rica, because it is often considered to be a special case since it is such a small country, and it has had a long history of democratic government.

In general there needs to be more study of the incentive structures provided to bureaucrats and elected officials in the governments of less developed countries. This research has shown that in many respects actors in a democracy in a less developed country behave in the same fashion as do political actors in a system that is also democratic, but more developed economically. However, the model did turn up some interesting differences—particularly in the effectiveness of legislative oversight for preventing agency efficiency from plummeting to near zero as budgets explode. Democracy is the accepted form of government in a growing number of countries in the developing world. But all democracies do not function in the same way. Some work through different institutions, for example a parliamentary form of government versus separate executive and legislative branches. How the bureaucracy is organized can also vary from being under the tight control of the executive, to autonomous institutions. Constraints on reelection can differ, as can the practical means of communication between actors. All of these factors potentially have an impact on the incentive structure a political system presents to the actors in bureaucratic politics, and thus they can affect when and the rate at which the government will grow.

It is not the incentives that were merely wishfully written into the constitution, or that were aspired to by founding fathers, that determine whether a government will change in scope in response to the demands of citizens. It is the incentives actors actually feel which they respond to, and which thus determine whether a government will produce the services we call "government" efficiently.
APPENDIX
The Simulation and its Parameters

The simulation is best thought of as a series of ten segments: an initializing segment that is only used during the first iteration of a run, and nine other segments depicting the decision-making of an actor that occur every period.

I. Initialization segment – read in parameters for:
A. The budget given to the agency in the first period.
B. The initial efficiency level chosen by the agency.
C. The initial level of service produced by the agency due to the budget and efficiency parameters.
D. How the interest groups distributed their lobbying resources in the period prior to the beginning of the run.

II. The union determines how to allocate its political resources.
A. Labor determines the benefit it receives from the current level of service being produced by the agency (eq.3.12).
   1. Based on these benefits the union calculates the amount of political resources it has at its disposal during the current period for defending its service level interests before the government (eq.3.2).
   2. The decreasing marginal benefits to labor of various service production levels by the agency are shown in Figure 6.1.
B. The union determines how to distribute its lobbying resources among the in-power party, deputies in the legislature, and the executive, and what it will hold in reserve (eq.3.4).
   1. As a simplification an election cycle is built into labor’s determination of when it will use scarce resources to lobby the in-power party. Because it is assumed that it is most effective for groups to lobby the in-power party when its concern is highest about winning reelection, groups only lobby the in-power party during years 3 and 4 of the election cycle. Labor is assumed to use 10% of its resources to lobby the in-power party in year 3 and 20% in year 4.
2. How lobbying resources are spread between the executive and the legislature depends on the change in the amount of service produced by the agency between time 't-1' and 't'.

a. If service production increased then labor is pleased and it uses its scarce political resources for other tasks. If the service level increased from the previous period then the percentage of resources used to lobby both the executive and the legislature is halved from the percentage devoted to these tasks in the previous period.

b. If the service level stays the same over the two periods, then the union maintains its previous lobbying levels and it continues to devote the same percentages of its political resources to lobbying the executive and the legislature.

c. If the agency's service production level decreased from time 't-1' to 't' labor perceives that its interest are being threatened, and it steps up its lobbying efforts:
   (i) Labor first turns to the legislature for help. If legislative oversight of the agency in the previous period supported the policy preferences of labor then labor increases the amount of lobbying it devotes to the legislature by a larger increment than it does if previous period oversight was not favorable to labor. In either case, however, labor's lobbying of deputies increases.
   (ii) In this case all the residual resources labor has access to are used to lobby the executive branch.

C. Note - In the model interest groups do not know if the agency values bigger budgets or slack, minimized oversight, achieving its own policy goals (or what those goals are), or some combination of the above. Thus, groups are not able to intentionally focus their political resources where they will have the maximum effect on the agency's utility.

III. The business group determines how to allocate its political resources.

A. Business determines the cost it incurs because of the amount of service currently being produced by the agency. (eq.3.13)
1. Based on this cost calculation the chamber determines the amount of political resources it has at its disposal during the current period for defending its service level preferences before the government. (eq.3.3)

2. The increasing marginal cost of various agency service production levels are shown in Figure 6.1.

B. The chamber decides how to distribute its lobbying resources between the in-power party, the executive, deputies in the legislature, and what it will hold in reserve to use for other causes (eq.3.5).

1. As with labor, for simplicity an election cycle is built into the chamber’s decision-making about when it will use resources to lobby the in-power party. The chamber is assumed to use 10% of its resources to lobby the in-power party in year 3 of the election cycle and 20% in year 4.

2. How much effort the chamber devotes to lobbying the executive and the legislature depends on the change in the amount of service produced by the agency between time 't-1' and 't'.
   
a. If service production increased then business is pleased and it uses its political resources for other tasks. If the service level increased from the previous period then the percentage of resources used to lobby both the executive and the legislature is halved from the percentage devoted to these tasks in the previous period.
   
b. If service production stays the same the chamber maintains its executive and legislature lobbying levels from the previous period.
   
c. If service production increased then the chamber perceives that its interests are threatened and it increases its lobbying efforts.
      (i) The chamber first turns to the executive for assistance. If the executive decreased the agency's budget from time 't-1' to 't' then the chamber increases the amount of lobbying it devotes to the executive branch by a larger
increment than it does if the agency's budget had increased. In either case, however, chamber lobbying of the executive increases.

(ii) In this case all the residual resources the chamber has access to are used to lobby the legislature.

IV. The in-power party determines which interest group's pressuring to heed.

A. The party evaluates the pressure it receives from the two competing groups in three different ways (eq.6.6):

1. First the party determines the change in labor pressure and the change in business pressure between time 't-1' and 't'. If either decreased then that change value is set equal to 0. Then the party compares the change values for labor and business.
   a. If the change value for labor is greater than the change value for business, then part one of the party's evaluation equals 1.
   b. If the change value for business is the larger of the two, then part one of the party's evaluation equals -1.
   c. If the two change values are equal then part one of the party's evaluation equals 0.

2. For the second element of the party's evaluation of the pressure it feels from the two groups the party compares the current levels of pressure it is receiving from the two groups.
   a. If labor pressure is greater than business pressure, then part two of the party's evaluation equals 1.
   b. If business pressure is greater, then part two equals -1.
   c. If the two pressure levels are equal then part two of the party's evaluation equals 0.

3. The third element in the party's interpretation of which group's pressuring to heed is determined by what year in the election cycle the current iteration of the model represents.
   a. During the first, second, and third years of the cycle part three of the party's evaluation equals -1.
   b. In the fourth year it equals 1.
c. Note - This element of the evaluation was removed in some runs of the simulation.

B. All three elements of the party’s evaluation are weighted equally in the party’s determination of which group’s pressure to heed when it sends messages to the executive and the legislature.

V. The executive determines which interest group’s pressuring to heed.

A. The executive evaluates the pressure it receives from the two competing groups in three different ways (eq.6.7):

1. First it determines the change in labor pressure and the change in business pressure between time ‘t-1’ and ‘t’. If either decreased then that change value is set equal to 0. Then the executive compares the change values for labor and business.
   a. If the change value for labor is greater than the change value for business, then part one of the executive’s evaluation equals 1.
   b. If the change value for business is the larger of the two, then part one of the executive’s evaluation equals -1.
   c. If the two change values are equal then part one of the evaluation equals 0.

2. For the second element of the executive’s evaluation of the pressure it feels from the two groups the executive compares the current levels of pressure it is receiving from the two groups.
   a. If labor pressure is greater than business pressure, then part two of the executive’s evaluation equals 1.
   b. If business pressure is greater, then part two equals -1.
   c. If the two pressure levels are equal then part two of the executive’s evaluation equals 0.

3. The third element in the executive’s interpretation of which group’s pressuring to heed is determined by what year in the election cycle the current iteration of the model represents.
a. During the first, second, and third years of the cycle part three of the executive's evaluation equals -1.
b. In the fourth year it equals 1.
c. Note – This element of the evaluation was removed during some runs of the simulation.

B. The three elements in the evaluation are weighted equally in the executive's determination of which group's pressure to heed.

C. A fourth element is added to the executive's determination of which group's service level preferences to heed.
   1. The party communicates its evaluation of interest group pressure to the executive.
   2. This element of the evaluation is given half as much weight as the other elements (it is multiplied by a constant of 0.5).

D. The executive uses the summary of this information to determine whether to increase or decrease the agency's budget.

VI. The deputy determines which interest group's pressuring to heed.

A. The deputy evaluates the pressuring of the two competing groups in three different ways (eq.6.7):
   1. First he determines the change in labor pressure and the change in business pressure between time 't-1' and 't'. If either decreased then that change value is set equal to 0. Then he compares the change values for labor and business.
      a. If the change value for labor is greater than the change value for business, then part one of the deputy's evaluation equals 1.
      b. If the change value for business is the larger of the two, then part one of the evaluation equals -1.
      c. If the two change values are equal then part one of the evaluation equals 0.
   2. For the second element of the deputy's evaluation of the lobbying pressure of the two groups he compares the current levels of pressure he is receiving from the two groups.
      a. If labor pressure is greater than business pressure, then part two of the deputy's evaluation equals 1.
      b. If business pressure is greater, then part two equals -1.
c. If the two pressure levels are equal then part two of the evaluation equals 0.

3. The third element in the deputy's interpretation of which group's pressuring to heed is determined by what year in the election cycle the current iteration of the model represents.
   a. During the first, second, and third years of the cycle part three of the evaluation equals -1.
   b. In the fourth year it equals 1.
   c. Note – This element of the evaluation was removed during some runs of the simulation.

B. The three elements of the evaluation are weighted equally in the deputy's determination of which group's pressure to heed.

C. A fourth element is added to the deputy's determination of which group's service level preferences to heed.
   1. The party communicates its evaluation of interest group pressure to the deputies of its faction.
   2. This element of the evaluation is given half as much weight as the other elements (it is multiplied by a constant of 0.5).

D. The deputy uses the summary of this information to determine whether to engage in oversight, and if the oversight should support the interest of the labor group or of the chamber.

VII. The executive determines what the government will contribute to the agency's budget (eq.3.1)

A. Note – Most agencies receive a portion of their budget in the form of payments for services rendered, or as a percentage of the national budget as guaranteed in the Constitution. In other words, some portion of the agency's budget is not determined by the executive.

B. The executive bases its budget decision on two factors:
   1. The executive’s evaluation of interest group pressure. (eq.3.7)
   2. How the amount of service produced by the agency in the previous period compares to the level of service production the president needs to achieve his policy goals.
C. For the "Baseline Model" and the "Minimum Acceptable Efficiency Model" only the first factor is used by the executive to determine how the agency's budget will change.

1. In those cases the percentage increase or decrease in the agency's budget is determined by the outcome of the executive's evaluation of interest group pressure. (from Part V and eq.3.7)

2. The greater the numerical value of the outcome of eq.3.7 the greater the percentage change in the part of the agency's budget controlled by the executive. (maximum change of 10% per period)

3. The change in the budget is positive if the executive's overall evaluation of interest group pressure is a positive number (i.e. labor is pressuring more strongly than business).

4. The change in the budget is negative if the executive's overall evaluation of interest group pressure is a negative number.

D. For the "Model Incorporating President's Policy Goals" the executive's response to interest group pressure is tempered by the desire to achieve the president's own policy goals.

1. If the current level of service is less than the production level that is deemed necessary to achieve the president's policy goals, then the executive increases the agency's budget.
   a. The magnitude of the increase depends on the executive's evaluation of interest group pressure.
   b. If labor pressure out-weighs business pressure, or if the overall evaluation is negative (i.e. business lobbying is stronger than labor) but is a small number (>−1) then the budget increases by a larger percentage than if the overall evaluation is strongly pro-business.
   c. Either way, however, the budget will continue to increase until the executive's policy goals are met.

2. If the current level of service is greater than is needed to achieve the president's policy goals, then the agency's budget may actually decrease.
a. When the executive evaluates labor pressure to be stronger than business pressure, or if the overall evaluation is only weakly negative ($>-1$), then the agency's budget still increases, but by less than in either of the above cases.

b. But if the executive decides that pressure from business greatly out-weighs pressure from labor ($<-1$), then the agency's budget decreases.

3. When the current service level meets the executive's needs the agency's budget stays the same.

E. Both government revenues and loans (the portions of agency budgets that are controlled by the executive) are assumed to increase or decrease by the same percentage.

VIII. Decisions about oversight activities are made. (eq.3.9)

A. Note - Because of the many forms oversight can take in the Costa Rican political arena (see Chapter Two) the deputy's evaluation of interest group pressure (from Part VI and eq.3.8) is used as a proxy for all actors who decide whether or not to oversee the behavior of the agency, and what message to send the agency through oversight.

B. Oversight occurs in an iteration of the simulation if the "deputy" evaluates pressure from an interest group (meaning the result of eq.3.8) to be greater than his predetermined threshold or tolerance level. The threshold is set at plus or minus one.

IX. The agency determines the new level of efficiency at which it will produce its service. (eq.3.10)

A. No complex utility functions were examined in the runs of the simulation that were conducted. Only simple, single-factor utility functions were tested.

B. In the "Baseline Model" of the simulation efficiency is permitted to vary from 0 to 1, its complete possible range.

C. For the "Minimum Acceptable Efficiency Model" and the "Model Incorporating President's Policy Goals" efficiency is not permitted to fall below forty percent (0.4).

D. In the first iteration of all runs agency efficiency increases or decreases by 10% arbitrarily, because the agency does not yet
have enough information about how its behavior effects its utility that it can logically adapt its efficiency level.

E. In later iterations (‘t+n’) the agency decides how to change its efficiency based on what it learned from how its past behavior effected its utility as evaluated in one of the following cases:

1. The agency that maximizes its utility by maximizing its budget.
   a. If the agency increased its efficiency in the past, and the agency’s budget increased, then the agency continues to increase its efficiency. But if its budget decreased then the agency decreases its efficiency in response.
   b. If the agency decreased its efficiency and its budget increased then the agency continues to decrease its efficiency. But if its budget decreased then the agency tries increasing its efficiency.
   c. If the agency did not change its efficiency in the previous period and its budget increased or stayed the same, then the agency continues for another iteration of the model at the same efficiency level.

2. The agency that maximizes its utility by maximizing slack. (slack = 1 - efficiency * budget)
   a. If the agency increased its efficiency in the past, and the agency’s slack increased, then the agency continues to increase its efficiency. But if its slack decreased then the agency decreases its efficiency in response.
   b. If the agency decreased its efficiency and its slack increased then the agency continues to decrease its efficiency. But if its slack decreased then the agency tries increasing its efficiency.
   c. If the agency did not change its efficiency in the previous period and its slack increased or stayed the same, then the agency continues for another iteration of the model at the same efficiency level.

3. The agency that maximizes its utility by minimizing oversight.
a. If oversight pressure signals the agency to produce more service (i.e. - pro-labor) then the agency increases its efficiency in order to stop the oversight procedure.

b. If oversight pressure signals the agency to decrease service production (i.e. - pro-business) then the agency responds by decreasing its efficiency in order to put an end to the oversight pressure.

c. If there is no oversight of agency actions in an iteration then the agency decides how efficiently to produce based on the procedure outlined above for maximizing its budget.

4. The agency that maximizes its utility by achieving its own policy goals.

a. For convenience the agency’s policy goals are operationalized to be a specific level of service production (20 units of service for a pro-business agency, and 60 units of service for a pro-labor agency).

b. If the current service level equals the agency’s goals for production then the agency maintains its current efficiency level.

c. If the current service level falls short of the agency’s goals then the agency increases its efficiency.

d. If the current service level exceeds the agency’s goals then the agency begins to produce less efficiently.

F. Note - All changes in efficiency are assumed to be in increments of plus or minus 10%.

G. Note - If a 10% increase in efficiency would cause the agency to be more than 100% efficient (efficiency > 1) then efficiency is set equal to 1.

H. Note - When a minimum sealing is placed on efficiency, if a 10% decrease in efficiency will lower efficiency below the minimum acceptable level then efficiency is set equal to the minimum acceptable level.

X. How much service the agency produces in the current period is calculated.
A. The amount of service produced by the agency is a function of its budget and the efficiency level the agency chooses. (eq.3.11)
B. Each unit of budget is assumed to produce half a unit of service (in eq.3.11 $u=0.5$).
XI. The simulation begins again at stage II, and repeats until the system reaches equilibrium.
<table>
<thead>
<tr>
<th>Constant</th>
<th>Value Used in Simulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy/Service Level Goal of President</td>
<td>50 units of service</td>
</tr>
<tr>
<td>Revenue received by agency from non-government sources ('F' in eq. 3.1)</td>
<td>50 units of revenue</td>
</tr>
<tr>
<td>Percentage of National Budget guaranteed to agency in the Constitution ('c' in eq. 3.1)</td>
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<tr>
<td>'h' in eq. 3.2</td>
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<tr>
<td>'j' in eq. 3.2</td>
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<tr>
<td>'k' in eq. 3.3</td>
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<tr>
<td>'m' in eq. 3.3</td>
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<td>'a', 'b', and 'c' in eqs. 3.6, 3.7 and 3.8</td>
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<td>'d' in eqs. 3.7 and 3.8</td>
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<tr>
<td>Threshold ('T' in eq. 3.9)</td>
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<tr>
<td>Policy/Service Level Goal of &quot;Pro-Business&quot; Agency ('G' in eq. 3.10)</td>
<td>20 units of service</td>
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<td>Policy/Service Level Goal of &quot;Pro-Labor&quot; Agency ('G' in eq. 3.10)</td>
<td>60 units of service</td>
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<tr>
<td>'u' in eq. 3.11</td>
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<td>'r' in eq. 3.13</td>
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### Table A.2
Variable Ranges

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<tr>
<th>Variable</th>
<th>Range Used in Simulation</th>
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<tr>
<td>Agency’s budget (‘B’ in eq. 3.1)</td>
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<tr>
<td>Revenue received by agency from government (‘R’ in eq. 3.1)</td>
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</tr>
<tr>
<td>Revenue received by agency from loans (‘L’ in eq. 3.1)</td>
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<tr>
<td>‘e’ in eq. 3.1</td>
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<tr>
<td>‘v’ in eq. 3.1</td>
<td>0 to 0.1</td>
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<tr>
<td>In-power party evaluation of interest group pressure (‘P’ in eq. 3.6)</td>
<td>0 to plus or minus 3</td>
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<tr>
<td>Executive’s evaluation of interest group pressure (‘E’ in eq. 3.7)</td>
<td>0 to plus or minus 4.5</td>
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<tr>
<td>Deputy’s evaluation of interest group pressure (‘A’ in eq. 3.8)</td>
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</tr>
<tr>
<td>Oversight (‘O’ in eq. 3.9)</td>
<td>0 or 1 to 4.51</td>
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<tr>
<td>Agency efficiency (‘f’ in eq. 3.10)</td>
<td>0 to 1 in Baseline Model</td>
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<tr>
<td></td>
<td>0.4 to 1 in other Models</td>
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<tr>
<td>Labor interest group’s lobbying resources (UR in eq. 3.13)</td>
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<td>Business interest group’s lobbying resources (BR in eq. 3.13)</td>
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<td>Level of Service produced by agency (‘S’ in eq. 3.11)</td>
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<td>Benefits accrued by labor interest group from service level produced by agency (eq. 3.12)</td>
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<tr>
<td>Costs accrued by business interest group from service level produced by agency (eq. 3.13)</td>
<td>0 to infinity</td>
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Ing. Luis Manuel Chacón Jimenez, PUSC – San José, October 19, 1988, San José.
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Sr. Luis González Herrera, President of the Cámara Nacional de Transportes, January 17, 1989, San José.

Ing. Julio González Madrigal, Executive Director of the Fundación Costarricense de Desarrollo (FUCODES), November 24, 1988, San José.

Lic. Luis Armando Gutierrez Rodríguez, Secretary General of the Confederación Costarricense de Trabajadores Democráticos (CCTD), December 12, 1988, San José.

Sr. Víctor Emilio Herrera, President of the Unión de Cámaras, April 24, 1989, San José.

Sr. Rodrigo Jiménez Vega, Executive Director of the Unión Solidarista Costarricense, January 23, 1989, San José.

Legal Advisor for the Asociación de Empleados del Seguro Social (AESS), December 12, 1988, San José. (name withheld)

Ing. Juan Rafael Lizano, President of the Cámara de Agricultura y Agroindustria, April 18, 1989, San José.

Sr. Antonio López Escarré, President of the Cámara de Comercios, November 7, 1988, San José.

Sr. José Luis Loría Chaves, Secretary General of the Unión Nacional de Empleados de la Caja (UNDECA), January 31, 1989, San José.

Lic. Arnoldo Lotes Echandi, Executive Secretary and Legal Advisor to the Cámara de Cafetaleros, November 30, 1988, San José.

Sr. Juan Mejías, Secretary General of the Federación Sindical Agrícola Nacional, November 30, 1988, San José.


Sr. Alcimira Rera Torres, Secretary General of the Confederación de Trabajadores CostarrICENSES (CTC), December 14, 1988, San José.

Sr. Manuel H. Rodríguez R., President of the Cámara Nacional de Financieros (CONAFIC), September 22, 1988, San José.

Sr. Alvaro Rojas Valverde, Secretary General of the Confederación Unitaria de Trabajadores (CUT), May 4, 1989, San José.
Ing. Fabian Salas Bolaños, Administrative Assistant for the Cámara de Ganaderos, December 7, 1988, San José.
Ing. Luis Umaña, Executive Director of the Cámara de Bananeros, February 21, 1989, San José.
Lic. Thelmo Vargas, President of the Asociación Nacional de Fomento Económico (ANFE), September 7, 1988, San José.
Sr. Abdenardo Vikes, Secretary General of the Asociación Nacional de Educadores (ANDE), October 4, 1988, San José.
Ing. Samuel Yankelewitz Berger, President of the Cámara de Industrias, November 14, 1988, San José.

Interviews with Leaders of Political Parties:
Dr. Walter Coto Molina, Secretary General of the PLN, September 14, 1988 and April 11, 1989, San José.
Ing. Rodolfo Méndez Mata, Secretary General of the PUSC and PUSC deputy for San José, October 19, 1988, San José.
Prof. Maria Julia Picado, Administrative Director of the PUSC, November 2, 1988, San José.
Sr. Oscar Vargas. Secretary of the Executive Committee and member of the Political Directorate of the PUSC. November 4, 1988, San José.

Interviews with Officials in the Agricultural Sector:
Sr. Rodrigo Chaves A., Manager of IDA, February 27, 1989, San José.
Ing. Luisa Chinchilla Fonseca, Assistant Director of the Executive Secretariat of Planning for the Agricultural Sector (SEPSA), May 2, 1989, San José.
Sr. Juan Rafael Gonzalez C., Economist and Financial Advisor for IDA, February 27, 1989, San José.
Lic. Víctor Montoya, Assistant to the Director of Planning for IDA, March 1, 1989, San José.
Sr. Sergio Quiros Maroto, Executive President of IDA, February 22, 1989, San José.
Sr. Roger Segura Carmona, Assistant to the Manager of IDA, April 10, 1989, San José.
Sr. Carlos Viquez, Director of Planning for IDA, March 1, 1989, San José.
Interviews with Officials in the Health Sector:

Dr. Luis Asís Beirut, Director of Medical Planning, CCSS, March 15, 1989, San José.

Dr. Edgar Cabecas Solera, Manager of the Medical Division of the CCSS, February 7, 1989, San José.


Sr. Miguel Herrera Murillo, Assistant to the Manager of the Medical Division of the CCSS, May 3, 1989, San José.

Dr. Guido Miranda Gutierrez, Executive President of the CCSS, January 17, 1989, San José.

Lic. Salomón Rodríguez Lobo, Manager of the Administrative Division of the CCSS, January 20, 1989, San José.

Dr. Lénín Saenz Jimenez, Director of Planning, Ministry of Health, January 27, 1989, San José.

Sr. Alejandro Soto, Assistant to the Executive President of the CCSS, February 28, 1989, San José.

Sr. Jorge Valverde Castillo, Assistant to the Executive President of the CCSS, January 11, 1989, San José.

Lic. Álvaro Viquez Nuñez, Director of Administrative Planning of the CCSS, February 7, 1989, San José.

Other Interviews:


Sr. Eric de Vries, Deputy Director of Mission of the International Organization of Workers (OIT), December 1, 1988, San José.


Srta. Eugenia Monge Ponilla, Assistant to the leader of the PLN faction in the Legislative Assembly, September 20, 1988, San José.

Ing. Eladio Prado Castro, Executive President of the Water and Sewer Institute (AyA), April 19, 1989, San José.

Dr. Ottón Solís Fallás, Minister of Planning 1986–88, February 13 and March 9, 1989, San José.


Lic. Rafael Villegas, Magistrate of the Supreme Electoral Tribunal, December 1, 1988, San José.