

Political change and socioeconomic policies in Central America: patterns of interaction

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The particular insertion of Central America in wider contexts of political and policy change

During the 1980s, two fields of analysis received most attention from political scientists. In Western Europe the crisis of the Keynesian welfare state gave rise to a vast academic and political debate. The discussion developed in a period of political stability. In Latin America the collapse of the authoritarian regimes gave the debates on transitions to democracy a privileged place in the academic and political agenda. Such controversies were held in a context of delayed social and economic problems.

During the 1990s, the evolution of the political scenario has modified academic priorities. In Europe the initial debate on state–market relations has been largely replaced by a discussion on new forms of governance in complex societies. The emergent agenda now includes basic political points like institutions and party systems. Meanwhile, the end of the transition processes in Latin America has reopened the door for a discussion on the contents of social and economic policies.¹ Without considering this debate, it may be extremely difficult to understand the current problems faced by most Latin American countries during the democratic consolidation period.²

This line of reasoning also applies to Central America; nevertheless, this region has remarkable particularities. Developmental models and strategies are not easily exported and what may have been successful in other areas has faced additional difficulties in the social and political context of Central America. The previous patrimonial state model, the level of underdevelopment, the greater class inequalities, the prominent role of armed conflict over the transition period and the diverse degrees of political change have markedly constrained the development of social and economic policies. In addition, this particular situation does not make viable attempts to understand the reality of the area with the analytical tools of mainstream transition theory which were applied to the main South American countries.³

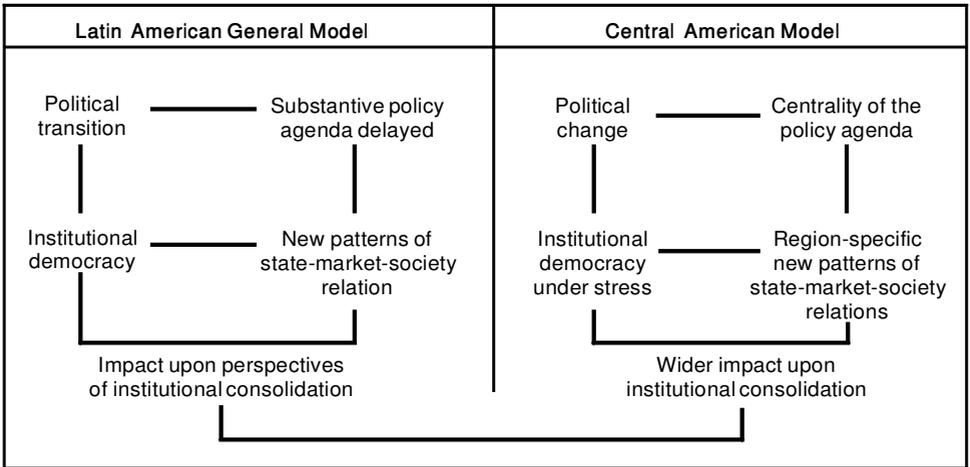


FIGURE 1 **Political Change and Public Policy. Interaction Models in Latin America and Central America.**

In the public policy sphere, the prevailing neoliberal perspective has been developed within a context of devastated infrastructures, minimum-size internal markets and extreme external dependency. In addition, systemic tensions continue to exist and they shape the attitudes and strategies of the main opposition actors in the substantive policy arena markedly. As a consequence, there is a comparatively stronger need, when Central America is at the stake, to make an intertwined analysis of the politics and policy domains in order fully to understand them over the most recent period: this will help to explain the relevant impacts of the restructuring of the state roles upon the perspectives of democratic consolidation in the area (see Figure 1). If politics is always important for understanding development options, in Central America it has been absolutely crucial.⁴

The consequences of social and economic policies in Central America go far beyond the substantive arena. Political pluralism depends on extremely fragile pacts among political elites and has not yet shown its advantages to the Central American populations, except for the very important step represented by the end of armed conflict. The economic and political situation of most countries makes them especially sensible to external economic pressures, but accomplishing externally designed economic programmes is likely to affect the costly pacts made on the basis of growing political liberalisation. Economic plans built on purely economic grounds may have unexpected and probably costly political consequences in a period when the new regimes' legitimacy needs still to be built up.

Central American politics and policies: inter-country commonalities and patterns of variation

Each of the Central American countries has particular features, both in its

politics and its policies, in the evolution of its political systems, as well as in the ideologies and decisions made by the political parties which have been in power.

The sphere of politics

The region comprises cases as different as a consolidated democracy with christian and social-democrats succeeding each other in office (Costa Rica): a restrictive formal democracy which has undergone relevant but less visible changes, only mildly related to the nature of the party in power (Honduras); a popular revolution transformed into liberal democracy, with two governments which were expected to be markedly divergent (Nicaragua); and two countries evolving with varying success from authoritarian to democratic regimes, in a situation of clear hegemony of conservative political actors (El Salvador and Guatemala). It is possible, however, to find some common features. Central America faces the second half of the 1990s with civilian governments, elected in not overtly fraudulent elections, and with unequal but important progress in building inclusive political arenas. Democracy, on the other hand, is far from consolidated, except in Costa Rica. The negotiation process in Guatemala has not yet achieved peace and respect for human rights; the first democratic elections and the implementation of the Chapultepec agreements in El Salvador are being threatened by violence; attempts to demilitarise the Honduran state and society face resistance from the armed forces; and systemic conflict has not yet disappeared in Nicaragua.⁵

The sphere of public policy

Here inter-country heterogeneity is significant. In El Salvador and Guatemala the respective governments are being forced to learn how to make policy in a new, more pluralistic arena, which includes emerging popular sectors and left-wing forces. In Nicaragua, the Chamorro–Lacayo executive has restructured the policy regime built up by the FSLN, as much as the implementation of the Calderon–Figueres agreement is reshaping the Costa Rican political economy. Finally, neoliberal policy routines are remarkable in Honduras, although facing mounting opposition, insofar as real democratic spaces expand. But commonalities may also be found in this field. All Central American countries have become integrated into the neoliberal mode of regulation that emerged in Latin America during the 1980s.⁶ The formation of governments with right-wing ideologies and with important links with the modernising economic elites, will be a fundamental step in this direction.⁷ Economic policy change prioritises its monetarist dimension and is overdependent on external financial agencies; social policy change tends towards selectivism and lower levels of de-commodification. Finally, it should be underlined that examining the policies of the Central American governments entails the reopening of the old debate on the degree of state autonomy. The weakness of the Central American states as civilian regulators of the social conflict, as well as the lack of efficiency of their bureaucratic structures make them highly sensitive and/or accessible to a range of interests,

specially to business, because of their privileged position in the distribution of power resources.⁸

The following sections of the article will assess the styles and policy contents in the economic and social fields over the most recent period in the five Central American states. The final section will deal with the patterns of interaction between policies and politics.

Economic and social policies in Central America: an assessment of their styles and contents

Policy-making styles and legitimation-building processes: between concertación and conflictual politics

In the context of both European Keynesian and Latin American 'national-popular' states, agreements between unions, business organisations and governments were developed as channels to formulate and implement social and economic policies. The neo-corporatist model includes a trade-off between wage and labour market with redistribution programmes. Through this process, it becomes an instrument of regulation of class conflict and of production of distributive outputs.⁹

The Central American case is completely different. The lack of previous 'national-popular' periods is probably responsible for the non-existence of a tradition of social arrangements.¹⁰ However, the most striking feature is that these have appeared in the least expected period, at a time of intense neoliberal restructuring. There are two main circumstances which help to explain this fact. First, *concertación* appears on the basis of a shared perceived need: consolidating emerging democratic regimes. Second, the regulation of class conflict is largely replaced by an attempt to build legitimation for adjustment policies.¹¹

The limits of social agreements in Guatemala and Nicaragua. Social agreements appear in two cases: Guatemala and Nicaragua. The political context within which they are negotiated presents both similarities and differences. In both cases they were made after a new president had been elected (Chamorro in Nicaragua and Cerezo in Guatemala). However, in Nicaragua this involved a context where democratisation had been at stake for years and where an important change in substantive policies was predictable. Guatemala, on the other hand, has just witnessed the first steps of the process of liberalisation and marked economic policy changes were not expected.

In Guatemala, the word *concertación* has been constantly used by the Cerezo government from its first months in power, in 1986. However, it was not until 1988 that negotiations started and an agreement was reached, with the popular sectors organised in UASP.¹² Two relevant factors help to explain this timing. First, UASP itself had not appeared until a few months earlier. If the government wanted to negotiate, it had to do so with three or four main unions plus a very diverse set of popular organisations. Second, during its first two years, the government could count on a pretty large group of social sectors which gave it implicit support (including large sectors of the unions). It was not until this

informal network started to break, that the government became interested in negotiating.¹³

The March 1988 agreements included an increase in the official minimum wage, price controls, moderate increases in electricity bills and some political accords on human rights. However, most of these agreements were never put into practice and this largely affected the credibility of later attempts to repeat the operation. Also, a shifting focus from the socioeconomic to the political arena in Guatemalan politics, as well as the relative weakness of a central actor such as industrial unions, contributed to the failure of the arrangement.

In Nicaragua the government emerging from the 1990 election enacted a series of public policies addressed to reverse some of the sandinista socioeconomic achievements. These decisions produced a revival of social conflict, soon translated into relevant strikes that paralysed the country during May and July. In November, the government and the chief organisation of sandinista unions, FNT, signed the *Acuerdos de Concertación*. The prize for social peace was the guarantee of the maintenance of certain social benefits, as well as the possible participation of workers as future owners or shareholders in part of the state-owned companies to be privatised.¹⁴ Even if the agreement did not make clear a global policy answer to the economic situation, it can still be considered a corporatist pact addressing the regulation of distributive conflict in classical corporatist terms.

During 1991 and 1992 not only the content but also the (highly technocratic) style of policy formulation made it difficult to combine it with social agreements. A new wave of social upheaval in 1993, centring around the Esteli combats and a transportation strike, together with some government acknowledgement of the failure of their adjustment programmes, opened the door to new *concertación* offers. However, neither their contents nor the actors involved were the same in this second wave. The goal was not so much to reach inter-class consensus as to build legitimacy for government policies. The negotiations dealt with residual social programmes in compensation for support for orthodox monetary policies, which were unquestioned. Also, the negotiating partners were not unions but political parties. Thus this second *concertación* was more part of a political negotiation process, to be fully understood in the second part of this paper, than a real attempt to reach a neo-corporatist agreement.

One relevant common trend in both countries refers to two of the usual main actors of the *concertación*: governments and unions.¹⁵ The participating governments were facing strong opposition which, depending on the case, was distributed within the parliament, the streets, the socioeconomic organisations or the army. Also, they both needed to start framing new policies, which were likely to foster resistance. They were, in consequence, in need of allies. The Cerezo government had an absolute majority in parliament, but was basically isolated within civil society at that time. The Chamorro government did not even have the support of its own party. On the unions' side, they were facing a government which was probably not their ideal, but which they did not want to see fail in a few months for political reasons. This closed the door to a strategy of outright opposition. In any case, political reasons were probably more important than economic considerations to explain the use of this agreement mechanism.

The potential for sociopolitical conflict in Costa Rica. In Costa Rica, as mentioned above, the neoliberal shift, within a stable systemic framework, did not entail a call for broad *concertación* agreements. Instead, policy restructuring is being developed through a predominantly conflictual policy-making style. This conflict is complex, many actors of different natures are involved and it takes place simultaneously in diverse arenas of interaction. Also, this conflictual policy style is highly dynamic.

Since 1990–94, there has been a remarkable constant in the Costa Rican policy process: the majoritarian opposition party developed a confrontational strategy with regard to the policy stances of the government: the PLN opposed the adjustment proposals of Calderon, while PUSC strongly opposed the spending programmes and the fiscal reforms of Figueres. In addition, in a multi-sided process, the latter had to adjust his own preferences and the contradictory interests of industrial and financial capital regarding tax and monetary policies. In 1995 things changed radically. Figueres' neoliberal shift was built up through a process of inter-elite dialogue, which culminated in the 'Reform of the State Agreement' signed only by the leaders of the two main parties in June. This paved the way for a new scenario defined by new consensual relations between the PLN Partido de Liberacion Nacional and PUSC Partido de Unidad Social Cristiana, but also by the emergent dynamics of conflict in three parallel arenas. In the executive arena, traditional social democrats were removed and replaced by modernising, right-wing ministers in a cabinet crisis. In the party arena, former MPs and ministers demanded an ideological congress of the PLN, as they assumed party leaders were acting against the principles and values of the PLN founding manifesto. Finally, a class conflict arena re-emerged in Costa Rica, at the grassroots level, during the final months of 1995. More than 30 unions, including the most representative of the country, joined forces in the Comité Cívico Nacional (CCN), which coordinated a strategy of mobilisation and strikes, widely supported by public sector employees. On the other side, the main business organisation, UCCAEP, explicitly backed not only the neoliberal state reform but also the government strategy of refusing any kind of deal with the CCN regarding the main issues of dispute.

Economic policies: a monetarist and overdependent neoliberal shift

Between 1950 and 1977 the Latin American economies grew regularly at an average rate of 5.5%. Even though these economies were already part of a global economic system, interest rates on foreign debt were kept below 15% of the area's total exports. This context allowed the shaping of a development scheme aimed at creating a national industrial fabric in a framework of national protected markets. In Central America, this model was always very weak, because of a combination of structural disadvantages and the predominant patrimonial state. Only the creation of the Central American Common Market could be considered a regional expression of the Latin American growth regime during this period.

During the 1980s and 1990s, the economic scenario changed dramatically. Between 1980 and 1984 GDP decreased and the debt interest grew to 35% of

exports at the continental level. In this context the new model will be based on the neoliberal restructuring of economic policies—relying on direct links between unconditional support for the restoration of profit rates and national development—and will have a much greater dependency on conditions imposed by the IMF. The insertion of the Central American economies into this emergent framework presents some specific features. First, within its overall neoliberal basis, the monetary dimension of the adjustment prevails largely over the more structural elements, such as the extremely weak support for national productive capital through a range of new supply-side policies. Second, external dependency is greater, since the average rate between external debt and GDP in Central America (74%) is double that of Latin American (36%). Thus the scale and scope of the pressures coming from external financial agencies over social and economic policies will be greater than in other areas.

Both aspects, monetarism and overdependency, will be found in all the five cases studied. However, there is still some space for economic policy variation. On the one hand, the current governments of El Salvador and Costa Rica are introducing elements of structural adjustment far beyond the experience of the other countries. On the other hand, the real degree of external policy dependency becomes clear only by considering, alongside the structure of credit sources,¹⁶ strong domestic political mediation. Here, the pattern of variation changes. While in Honduras, El Salvador and probably Guatemala, the main economic policies would have been much the same without IMF pressures, in Costa Rica and Nicaragua the balance of domestic political forces might have forced partially different policies.

In the three national cases which have recently undergone armed conflicts and political change, relevant economic policy shifts have taken place, thus reinforcing the hypothesis of close systemic/substantive links. However, these shifts have followed different directions according to national political variables.

In El Salvador during the 1980s, the viability of the counter-insurgent political regime was dependent almost entirely upon US military assistance. Insofar as the alignment of economic policies with the IMF was a permanent condition of the maintenance of this assistance, real government autonomy became severely eroded.¹⁷ In the postwar period, the new Arena government, with an enhanced level of national autonomy, put forward a comprehensive Economic Plan (1994) based on the establishment of a fixed exchange rate between the colon and dollar, the virtual abolition of external trade barriers, measures against fiscal fraud and an ambitious public sector reform, including the deregulation of service markets and the privatisation of public monopolies. All this had to be completed with a tax reform initiative, agreed with the Democratic Party of the former FMLN leader J Villalobos, addressed to enable the financing of the peace process and the extensive programme of land property transfers.

In Guatemala during the 1980s the IMF and World Bank also were decisive agents pushing for economic adjustment and taking advantage of a context of regime dependency, although this was less clear than in the Salvadoran case. The pressures of these external agencies explained to a large extent the adoption of the so-called *paquetazo* of neoliberal policies in 1989 (a 30% devaluation of the national currency, increases in the price of basic products and the privatisation

of the state-owned airline), following a first set of IMF-inspired monetarist policies in 1985. Recently, within the new context of democratisation, the framing of key economic policies has been transferred to the new arena of the peace dialogue. Thus, it has been nationalised; also it has become more openly conflictual. Employers are refusing any de-alignment with regard to IMF orthodoxy, the URNG will not accept any agreement without assuring a fiscally viable land reform, while the government seems ready to accept some kind of redistribution, although constrained by its neoliberal agenda, which is excluded from negotiation.

In Nicaragua the economic policies of the 1990s, following the electoral defeat of the FSLN, are subject to far-reaching change. Over the sandinista period the diversification of external sources of credit in combination with ideological variables did not allow space for any relevant IMF policy role. The specific contents of the recent neoliberal shift can be explained on the basis of three variables: the preferences of the new government, pressure applied by external financial agencies and the internal balance of class forces, marked by a relatively well organised labour movement. In 1991 and 1992 the Nicaraguan government adopted an orthodox neoliberal orientation, with privatisation of state-owned companies, deregulatory policies and a lack of any measures to support national small and medium-sized firms. In 1993 the government presented a new set of policies, shifting the accent partially towards the promotion of internal development. To justify them, the executive criticised the IMF for having inspired the previously failed model. Yet industrial conflict and strikes over the control of privatised companies were considered to be mainly responsible for the failure. Meanwhile, the new policy package was designed along three basic lines of change: (a) the adoption of a plan of public investment to create the preconditions for endogenous long-run development; (b) an offer to re-establish a framework of social and political dialogue with opposition actors; (c) negotiation with the IMF on a new, less orthodox adjustment programme for 1994–1995, de-emphasising stabilising measures and stressing the re-allocation of external funds to internal productive sectors.

In the two national cases without armed conflicts and systemic changes, a trend towards the substantive convergence of key aspects of their economic policies has recently been in motion. Nevertheless, for Honduras the deepening of the neoliberal perspective means the full assumption of the policy legacy, while for Costa Rica this might entail the most radical policy change of its modern history.

In Honduras, the recent framework agreement reached by the new PL government of Carlos Reina and the IMF, whereby this agency would provide US\$600 million over the next four years, may be examined in terms of policy maintenance with regard to the structural adjustment package signed by the ex-president Callejas (PN) Partido Nacional. During 1994 GNP had fallen (–2%), drought was severe, 80% of the rural population were below the poverty line and the amount directed to pay the foreign debt was more than double that for education or health spending. Even under these conditions the IMF imposed an orthodox policy of labour market deregulation, privatisations and rising prices for basic goods. In summary the threefold absence of an armed conflict (El

Salvador, Guatemala), a more or less developed welfare system (Costa Rica) and a balance of political forces without a well-organised left (Nicaragua) leaves Honduras fully inserted in the monetarist and overdependent neoliberalism earlier defined.

In Costa Rica the PLN governments of the 1980s had maintained a pragmatic economic policy approach, subject to incremental changes but without any strategic shift. During the early 1990s, the macroeconomic performance showed some emergent recessive trends. For instance, in 1994 the rate of inflation grew to 19.9%, while the real minimum wage was almost 10% below the 1990 level. At the same time the fiscal deficit rose to 8.3% of GNP. Within this new context the Christian Democrat government of R Calderon made a decision to move Costa Rica towards the neoliberal wave,¹⁸ thus agreeing a rolling structural adjustment strategy with the IMF. The recent return to office of the PLN has simply consolidated the strategic shift. In March 1995 the World Bank announced that US\$350 million of the third structural adjustment package would not be delivered to Costa Rica unless a range of policies was implemented to reduce public spending, bureaucracy and deficit. In June President Figueres and the leader of the PUSC and former president, Calderon, signed the Reform of the State Agreement, under which state-owned companies would be privatised, public spending cuts would mainly affect the social security system, civil servants would be made redundant and some government agencies would be abolished. Clearly, this represents a real turning point in the Costa Rican political economy, not only on substantive grounds but also in terms of the actors involved: for the first time a Social Democratic government had adopted orthodox neoliberal policies.

Social policies: restructuring social security, welfare markets, public services and labour regulations

The classical Western welfare policies never reached a similar development in Latin America. Populist states based their social dimension on labour regulation, basic universal services and subsidies to basic products, which were not able substantially to reduce social inequalities. Neoliberal programmes not only affected economic, but also social policies: deregulation of labour markets, and decreasing funding for health, education or social housing projects, without any compensation. The consequences of polarisation and social exclusion have produced so much social pressure in most countries that, in the 1990s, most governments are setting new social agendas addressed to cover the most basic needs of sectors of the population living in extreme poverty.

The Central American patrimonial states did not even develop the basic social regulations and provisions of the Latin American populist models.¹⁹ Nevertheless, a pattern of variation can be drawn. On the one hand, those countries which have never put in motion public mechanisms of social distribution: El Salvador, Guatemala and Honduras. On the other hand those countries which have implemented social policies under specific historical circumstances: Costa Rica, following the 1948 social democratic agreement, and Nicaragua, over the decade following the 1979 revolution.

Setting the agenda: El Salvador, Guatemala and Honduras. In the first three cases, the respective patrimonial states evolved on the basis of the socioeconomic exclusion of the vast majority of the population. In the late 1970s, 75% of the Guatemalan population, 70% of the Honduran and 61% of the Salvadoran were living below the poverty line. The emergence or strengthening of armed conflicts over the last decade—the result of these explosive social situations together with a lack of real democratic spaces—made things even worse: public budgets became even more concentrated on military expenditure. Strictly residual and selective social projects were aimed at legitimising counterinsurgency strategies or used as simple clientelistic tools in pre-election periods. Nevertheless, figures are clear: in El Salvador between 1977 and 1987, the share of the national budget devoted to health services decreased from 10% to 8% and education spending also moved down from 22% to 14%. In addition, real wages in the mid-1980s were less than half of those a decade earlier. In Guatemala, unemployment was three times higher in 1989 than in 1981. Moreover, in 1986, 100% of the defence budget was actually spent, whereas only 25% of the expected budget was actually used by the health and education departments.²⁰ In Honduras in the mid-1980s unemployment was over 50% of the active population and a significant part of the rural population was threatened with starvation. Meanwhile the army and servicing of the foreign debt absorbed 60% of the budget; health and education spending never reached 15%. More recently, the democratisation or demilitarisation processes of these three countries have altered the scenario of social policy making: governments have had to face the demands of a new network of popular actors. In 1995 in Honduras, public sector workers went on strike in demand of wage increases and a reversal of the privatisation programme, while the community movement mobilised against increases in urban transport, electricity and water bills. In El Salvador and Guatemala there have been increasing popular pressures towards the reform of the land property structure. However, the coming into office of neoliberal governments—currently well represented by the Arzú, Reina and Calderon presidencies—has involved significant steps in the opposite direction. For example, the Salvadoran government recently made proposals to abolish the still weak system of public social insurance and to replace it with a private capitalisation model.

Restructuring the agenda: Nicaragua and Costa Rica. In Nicaragua the social policies of the sandinista period tried to build a welfare regime that guaranteed socially inclusive development.²¹ Since 1991 the new policies of the Chamorro government have reversed much of this model: deregulation and simultaneous contraction of the public and formal labour markets, and substantial cuts in social spending (health and education, subsidies on basic goods and the service/cash package of the welfare agency, INSSBI). The moderate 1993 policy change also had its expression in the social arena, whose main outcome was the Social Action Department Programme, initially devoted to creating 20 000 emergency jobs for public projects. The social effects of this neoliberal restructuring have already become evident. Unemployment increased to one third of the manufac-

turing sector and produced a 20% fall in the formally active population. This factor will produce a substantial increase in the informal sector, over-exploitation of natural resources and a sustained crime increase. Poverty and social need indicators show clear trends: the infant mortality rate has increased, cholera is appearing, and access to water, energy or health and education services is increasingly limited. The impact of these tendencies will specifically affect women, young people and the rural population, producing more intensive socially and spatially located processes of exclusion.

In Costa Rica social policies were considered one of the keystones of the social and political consensus on which the country based its long tradition of peace and stability. However, even this usually non-partisan issue has been affected by the neoliberal wave. Social policy cuts and attempts to restructure the Costa Rican welfare regime were severe during the PLN Monge government and the 1990–94 PUSC administration. Nevertheless, the most serious strategy to dismantle the most remarkable aspects of the social protection system²² has taken place since the signature of the Figueres–Calderon Agreement on the Reform of the State in June 1995. There are five fundamental social policy aspects to this agreement: (a) reform of social security: the Chilean model of capitalisation is not at stake, but the conditions for access are being tightened and replacement rates will decrease; (b) retrenchment of public sector jobs; (c) deregulation of basic service and welfare markets, the most important being the new bill restructuring the privately rented housing sector; (d) de-investment in public services as a means of pushing middle classes out of the welfare system without making formal de-universalisation decisions; and (e) maintenance of the personal social services and means-tested programmes directed to palliate social exclusion.

Public policies and democratic consolidation: patterning their interaction in Central America

The aim of this section is to show that the policies described, and the positions that political actors adopt regarding them, can only be understood properly by considering the wider politico-institutional framework. When democracy is consolidated (the Costa Rican case) interaction between the systemic (politics) and the substantive (policy) arenas tends to be less relevant. Instead, when democracy is weak and easily reversible, or the democratisation process is ongoing (as in Guatemala, Nicaragua, El Salvador and Honduras), the interaction becomes a key variable: the threat of new armed conflicts and the efforts made to avoid them are key elements of analysis in understanding the positions of the actors with regard to social and economic policies. We will discuss this hypothesis through analysis of the Guatemalan and Nicaraguan cases. In both examples we find clear linkages between events in the political arena, the policies designed and reactions to them.

In *Guatemala* the 1985 election contributed to building a more open political arena. Henceforward, the formulation of public policies will also adopt a more pluralistic profile. During the first half of the 1980s counter-insurgency had been the *raison d'être* of the Guatemalan state itself. In the new political situation, all

sectors of society started to look at the government in order to find solutions to social and economic conflicts. However, they were not facing a usual pluralistic situation. In a context of continued human rights abuses, political opportunities were hardly equally distributed. A considerably weak government, questioned by key sectors of the traditional elite, needed to be extremely sensitive to business organisations' demands. On the other hand, popular organisations faced the fear, and the real continuation, of repression, when trying to put pressure on the executive.

Politics and policies will be in constant interaction. A would-be democratic campaign needs to mobilise popular sectors. The military regime itself made some efforts to achieve a higher turnout and regain legitimacy. The Christian-Democratic party (DCG) made its own efforts to remobilise its traditional popular base. In this process, it created, for instance, the pro-land movement led by father Girón. As a consequence of the political evolution of the country, an issue that had been off the country's political agenda for years had to be reincorporated. The DCG government tried to translate these demands into moderate land distribution policies, by buying voluntarily sold terrains at market prices. Even these attempts were considered as going too far by most of the landed elite. After significant pressure, and two coup attempts in 1988 and 1989, land redistribution policies were abandoned.²³ The political opening had reintroduced certain policy domains, but the lack of consolidation of the democratic process itself cancelled the opportunities to deal with them. At the same time, the lack of an answer to any of the crucial social problems contributed to discrediting the political opening and turnout rates never reached the 1985 level again.²⁴

Still at a hypothetical level, we could frame the De Leon Presidency in terms similar to the ones described below for the Nicaraguan case: a situation where political actors negotiate support (or at least neutrality) among themselves, making transactions between the political and the socioeconomic arena. De Leon was elected president as a consensus candidate after the 1992 Serrano coup. His previous career as Ombudsperson, where he had strongly opposed human rights abuses and asked for substantial social changes, created important expectations of social and political changes. If he had tried to make progress in both fields, he would probably have received significant popular support, but also fierce and radical opposition from both the military and business organisations. Instead, he concentrated his efforts on the political domain, both in institutional reform as well as in advancing the process of negotiation with the URNG guerrillas. In both issues he made progress with relevant steps, even if their effectiveness is still not completely clear. On the other hand, he went much further than his predecessors in the process of privatising major state companies, without making any other substantial change in the neoliberal orientation of former governments.

As a president without a party or any parliamentary group openly supporting him, he was likely to face opposition from both right and left. He confronted the opposition of one of the traditional conservative sectors, the army, while progressively gaining the support of the other, the business organisation, CACIF, which was apparently willing to moderate its opposition to the peace process if

its economic policies were fulfilled. On the other side, even if popular sectors strongly opposed his social and economic policies, he was able to keep a moderate level of social peace since they were seeing their goals advancing at the political negotiation table.²⁵

In Nicaragua, the new social and economic policies of the Lacayo–Chamorro government were a clear attempt to redefine the state role in the process of accumulation and distribution. The new state model keeps its welfare roles to a minimum and emphasises the obtention of larger benefits for the economically wealthy. This set of policies could be expected to face strong opposition from hostile actors, both in the union (FNT) Frente Nacional de Trabajadores as well as in the political front (FSLN). As expected, the FNT opposed the government policies and organised resistance against them. However, the FSLN adopted a much softer attitude, and some sectors of it even supported the basic aspects of the policies adopted.

How can we explain this FSLN strategy, so different from its traditional substantive policy positions? First, since its 1990 electoral defeat, the FSLN has made clear its willingness to support the government, whenever that meant backing democratic institutions and an inclusive political system. The existence of a radical conservative group around Vice President Godoy reinforced the systemic coalition government–FSLN. Second, the existence of this coalition provided short-term institutional benefits for the FSLN: a presence at the Supreme Court, in the direction of the National Assembly, at the maximum electoral body (CSE) and in the management of the army and the police. Third, the more moderate FSLN sectors happily now achieved a clear hegemony in the party's institutional activity.²⁶ Fourth, the FSLN faced clear difficulties in defining an alternative programme, other than returning to the framework of bureaucratic statism.

The combination of these factors allowed the systemic coalition to be projected in the substantive arena, although in a much more conflictual and unclear way. The institutional FSLN elites, the government, the bosses of the bureaucratic apparatus and the military leadership, constituted a flexible network of actors giving support to government adjustment policies. Over the past few years, most political conflict has not been organised around the classical left–right cleavage in parliament, but between political elites and popular movements. This situation also has clear limits and problems. First, it may become contradictory because of one of the factors which appears to underpin it: the need for institutional consolidation. On the one hand, when neoliberal practice collapses, the need for alternative substantive policies and for a political party to make them viable become unavoidable conditions of systemic stability. Otherwise, potential might develop for social explosion. On the other hand, such a scenario may help to reinforce the only apparent opposition, the neo-authoritarian populist group organised around the Managua mayor and the Vice President, whose electoral victory could have unpredictable consequences for the Nicaraguan polity, probably re-introducing a model of exclusionary politics that seemed to have been largely overcome in recent Nicaraguan history. Second, the overcoming of this contradiction may be taking place through the breakdown of a fundamental political actor: the FSLN. The breakaway group, the Movimiento

de Renovación Sandinista (MRS), led by S Ramírez, may have clarifying effects in the substantive field, resituating the FSLN on the left. However, this can not be considered in isolation from another reality. The split has also taken place on the grounds of an elitist and exclusive leadership battle. This fact undermines the credibility of the political parties and it may entail a further rolling back of the cultural values of mass political involvement in Nicaragua.

Concluding remarks

Even with the diversity of the five Central American countries studied here, we have identified a set of common characteristics in their social and economic policies. Some of these features differentiate them from most of the rest of Latin America. Others, by contrast, have a very different expression in the three countries that have undergone armed conflicts. Two crucial variables commonly emerge and make these three countries a special case: economically, the impact of war together with their previous history and social structure, has ensured that they faced an aggravated crises, making neoliberal recipes more costly in social terms and specially inefficient in economic ones; politically, their lower degree of political stability make it necessary to understand their politics and policies from a common, intertwined perspective.

The close linkages between the systemic and the substantive arenas produces ‘sophisticated’ interactions and ‘unnatural’ alliances among the political actors playing simultaneously in both of them. Pressures in favour of the free market or of social justice have to be faced keeping in mind that democracy is not deeply installed in these countries. Meanwhile, efforts to build democratic institutions are constrained by the extent to which governments are capable of constantly fuelling systemic legitimacy through substantive public policies.

Notes

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¹ S Haggard & R Kaufman, eds, *The Politics of Economic Adjustment*, Princeton, NJ: Princeton University Press, 1992.

² See M Alcántara & I Crespo, *Los límites de la consolidación democrática*, Salamanca: Ediciones Universidad de Salamanca, 1995.

³ Two critiques of the path-breaking work of G O’Donnell, P Schmitter & L Whitehead (*Transitions from Authoritarian Rule*, Baltimore, MD: John Hopkins University Press, 1986) can be found for all Latin American cases in F Agüero & M Torcal, ‘Elites, factores estructurales y democratización’, *Revista de Estudios Políticos*, Vol 80, 1993; and, for the Central American area, in J Font & R Gomà: ‘Actores y cambio político en Centroamérica. Un marco de análisis’, *Papers*, Vol 49, 1996.

⁴ From a similar point of view in comparative perspective, see R Bates & A Krueger: *Political and Economic Interactions in Economic Policy Reforms: Evidence from Eight Countries*, Oxford: Basil Blackwell, 1993.

⁵ Two interesting area overviews can be found in J Dunkerley, *The Pacification of Central America*, London: 1994 and in G Bataillon *et al.* *Centro América entre democracia y desorganización*, Guatemala: FLACSO, 1994.

⁶ ‘Mode of regulation’ means a set of social and economic policies adopted by a government over a period as a management mechanism of its ‘accumulation regime’. See, for instance, R Boyer: *La teoría de la regulación*, Valencia: Alfons el Magnànim, 1992.

⁷ This was the situation in the early 1990s, with right-wing governments in all five countries. See D Close, ‘Central American elections 1989–90: Costa Rica, El Salvador, Honduras, Nicaragua, Panama’, *Electoral Studies*, Vol 10, 1991.

- ⁸ For the Salvadoran case, see A Segovia, 'Límites y dilemas de la política económica', *Síntesis*, Vol 8, 1987. Their importance in the Guatemalan case is clearly stated in J Cambranes, ed, *500 años de lucha por la tierra*, Guatemala: FLACSO, 1992. An interesting overview of their role in the area appears in Inforpress: *Los empresarios centroamericanos ante la crisis*, Guatemala, 1988.
- ⁹ G Lehbruch & P Schmitter, *Patterns of Corporatist policy-making*, London: Sage, 1982.
- ¹⁰ Bulmer-Thomas, *The political economy of Central America since 1920*, Cambridge: Cambridge University Press, 1987.
- ¹¹ In a situation apparently more appropriate for the development of socioeconomic pacts, like the Costa Rican one, they were not particularly successful during this period. See R Steichen, 'La negociación económico-social, ¿un mecanismo democrático a la deriva?', in C Bataillon *et al*, *Cento America entre democracia y desorganización*.
- ¹² The Unidad de Acción Sindical y Popular (UASP) is the umbrella organisation in which union and popular groups have joined to make specific socioeconomic and human rights demands. It includes the more active and progressive sectors of the popular movement, but not all its relevant organisations.
- ¹³ An excellent overview of this period is provided in J Painter, *Guatemala: False Hope, False Freedom*, London: CIBR/Latin America Bureau, 1987.
- ¹⁴ The union demand was a 51% share in 128 companies to be privatised. Finally, they obtained a minimum of 25% in about 100.
- ¹⁵ The lack of participation or the secondary role played by the business organisations in the cases discussed reinforces the idea of the different contents of the Central American *concertación* with respect to the neo-corporatist tradition.
- ¹⁶ Even if all international creditors establish their own conditions, those countries with more plural sources of external credit are less dependent on the large international agencies. On the importance of external assistance in the area, see X Gorostiaga, 'Los dilemas económicos de Centroamérica 1990: integración o Taiwanización', in *Estado, democratización y desarrollo en Centroamérica y Panamá*, Asociación Centroamericana de Sociología, Guatemala, 1989.
- ¹⁷ A Segovia, 'Límites y dilemas de la política económica'. The role of external agents is also covered in M González & S Berrios: 'El Salvador: crisis y política económica del régimen democrata-cristiano (1984-88)', in *Estado, democratización y desarrollo en Centroamérica y Panamá*, Asociación Centroamericana de Sociología, Guatemala, 1989.
- ¹⁸ A Sojo, 'Actual dinámica socio-económica costarricense y las opciones de desarrollo social en el ocaso del siglo XX', *Síntesis*, Vol 8, 1987. The important role of US AID in shaping social and economic policies during the 1980s is discussed in C Sojo *La utopía del Estado mínimo*, Managua: CRIES, 1991.
- ¹⁹ J Dunkerley, *Power in the Isthmus*, London: Verso, 1991.
- ²⁰ AVANCSO, *La política de desarrollo del Estado guatemalteco*, Guatemala, AVANCSO, 1990.
- ²¹ A Martínez Cuenca: *Sandinista Economics in Practice*, Boston, MA: South End Press, 1992; and R Spalding, ed, *The Political Economy of Revolutionary Nicaragua*, London: Allen & Unwin, 1992.
- ²² After a period of continued internal discrepancies, the more socially orientated sector imposed their will in most policy decisions. See CEDEAL (1991). A comparison of social policies of previous governments appears in Valverde, Donato & Rivera, 'Costa Rica: movimientos sociales populares y democracia', in Rojas, ed, *Costa Rica: la democracia inconclusa*, DEI, San Jose, 1989.
- ²³ A more exhaustive review of these agrarian policies can be found in G Pedroni & A Porres, *Políticas agrarias, programas de acceso a la tierra y estrategias de comercialización campesina*, Guatemala: FLACSO, 1991.
- ²⁴ Also, in the work of most Guatemalan social scientists there is a clear evolution from their optimistic evaluation of the political opening in 1985 to more pessimistic views in the 1990s. Many who considered the transition to democracy almost completed in 1986, doubted whether it would ever be fully realised by 1994.
- ²⁵ The government had also started limited social programmes, concentrated on areas with extreme poverty levels and where guerrillas were still active. FIS, FONAPAZ and FODIGUA were some of these programmes, which incorporated some NGOs in their implementation and were mostly financed with external assistance.
- ²⁶ O Neira *et al*, 'Reactivación: la última oportunidad', *Envío*, Vol 137, 1993.

