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AGRArian Policies  
IN DEPENDENT SOcieties  
Costa Rica

There is no area of investigation in the field of Latin American studies which has attracted more research in recent years than has the dependency theory. Countless words have been written and much academic “blood” has been spilled in the debate over the strengths and weaknesses of interpreting Latin American society, polity, economy, and culture within the framework of the dependency theory. While there is still much heat generated by those who hold differing opinions on the dependency perspective, serious research is proceeding in a number of areas in an attempt to document the ways in which and the extent to which Latin American nations are dependent on forces beyond their control. This paper attempts to further

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that research by focusing on agrarian public policy in Costa Rica.

Research on public policy in Latin America is not a virgin field of inquiry. As early as 1963 Hirschman published his much quoted volume, *Journeys Toward Progress*, which focused on major policy areas. Two recent conferences, one organized by Guillermo O’Donnell and Oscar Oszlak in Buenos Aires on the subject of “Public Policy and its Impacts in Latin America,” and another run by James Malloy and Carmelo Mesa-Lago in Mexico on “Social Security and Inequality in Latin America,” attest to the continued interest. Perhaps the area in which the greatest volume of research has been conducted is public spending. Leading itself to easy quantification and relatively abundant data bases (characteristics whose value is not to be underestimated in the “data-poor” context of Latin America), research on public spending has focused on overall government expenditures (Ames and Goff, 1973) and on sectoral analysis (Wilkie, 1970; Coleman and Wanat, 1973; Daly Hayes, 1973; Baloyra, 1974). While most of these studies are longitudinal in design, they are limited by the unavailability of public expenditure data from the distant past. Thus, there is almost no work on public expenditures made before the present century.

Research on the general field of public policy in long-term historical perspective is almost nonexistent. While it is to be understood that an investigation of all areas of public policy in Latin American countries from colonial days to the present is beyond the ken of any one researcher, individual investigators can study particular areas. What will be attempted here is an examination of a single, although very important, sector in one country. I plan to outline the major policies formulated and implemented in the agrarian sector in Costa Rica from the colonial days up to the present. Because the time period under analysis is such a long one, the treatment will have to be limited to the major policies which helped determine the contours of Costa Rica’s agrarian development.
While the nature of the subject requires a chronological approach, my central purpose is not to record the historical facts. Rather, in tracing the development of agrarian policies in Costa Rica, I hope to illustrate how Costa Rica's dependency on outside powers has had a significant impact on agrarian policy formulation and how those policies came, in turn, to shape the nature of Costa Rican social and economic life.

_Agrarian Policy Under Spanish Control_

Costa Rica was perhaps the poorest colony in the New World. The primary reason for its poverty was the near absence of gold and silver, metals which had served as a primary source of wealth in many other Spanish possessions. In the absence of these precious metals the colonists turned their attention to the production of cash crops for export in order to buoy up the depressed economy of the colony. However, this effort was not rewarded with success for a number of reasons.

By far the most significant reason for the failure of agricultural development in colonial Costa Rica was the severe shortage of Indian labor. While there is some debate as to the actual number of Indians in Costa Rica at the time of the conquest (Seligson, 1974: 309), it has been established that within several decades of the conquest epidemics had decimated their ranks (Macleod, 1973: 205-206). The acute shortage of Indians made it impossible for the colonists to establish the labor-intensive hacienda found elsewhere in the New World. From the perspective of the nineteenth and twentieth centuries, the failure to establish the hacienda can be viewed only as a blessing: Costa Rica did not have to cope with this institution, whose inefficient methods of production and labor repressive practices continue to be a major inhibitor of growth in the
### Table 1
Production of Cacao in Colonial Costa Rica (1678-1805)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Haciendas</th>
<th>New Trees</th>
<th>Old Trees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>-</td>
<td>98,980</td>
<td>30,000</td>
<td>128,980</td>
</tr>
<tr>
<td>1682</td>
<td>52</td>
<td>59,600</td>
<td>18,900</td>
<td>78,500</td>
</tr>
<tr>
<td>1719</td>
<td>-</td>
<td>-</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>1737</td>
<td>89</td>
<td>99,290</td>
<td>137,000</td>
<td>237,138</td>
</tr>
<tr>
<td>1741</td>
<td>144</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1751</td>
<td>142</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1775</td>
<td>136</td>
<td>-</td>
<td>-</td>
<td>179,400</td>
</tr>
<tr>
<td>1778</td>
<td>-</td>
<td>26,556</td>
<td>163,349</td>
<td>189,905</td>
</tr>
<tr>
<td>1805</td>
<td>-</td>
<td>-</td>
<td>111,336</td>
<td>111,336</td>
</tr>
</tbody>
</table>


agrarian sector of many Latin American countries. Nevertheless, from the perspective of the colonial era, the absence of the hacienda meant the absence of wealth.

With no gold and silver and an insufficient labor supply, ambitious Costa Ricans had no choice but to dedicate their attention to subsistence farming while they searched for an export crop which would require little attention and, therefore, little labor.

Cacao was hit upon as the ideal crop, and planting was begun in earnest in the Atlantic region in 1650 (Facio Brenes, 1972: 28). The area was chosen because, in addition to having the warm, humid climate necessary for growing cacao, it was close enough to the Atlantic ocean to make export an easy affair.
thereby retained their superior economic position. Costa Rica’s first agrarian policies thus influenced the future economic and political development of the country.

Despite the efforts of the colonists to make cacao a success, the crop was completely abandoned in the early part of the nineteenth century, and Spanish colonial policy was the cause of the failure. The imposition of stiff taxes kept profit margins at a relatively low level. In addition to the taxes imposed directly by Spain, there were taxes levied by the local Audiencia of Guatemala, to which Costa Rica belonged. However, some profits were still being made due to the fact that a significant portion of the crop was smuggled out of the country and therefore evaded the taxes entirely. A more significant problem for the growers was that, since the plantations were located close to the sea, they were subject to constant pirate and Indian invasions. The fierce Zambos-Mosquitos Indians and the infamous pirate Henry Morgan invaded the area continually, killing the plantations’ workers and making off with the crops. The responsibility for the defense of the plantation was in the hands of the Audiencia of Guatemala. Unfortunately, the audiencia was too far away and too little interested in distant Costa Rica’s problems to make any serious effort to protect the plantations. For years Costa Rica had sought to leave the Audiencia of Guatemala in order to become part of the nearby Audiencia of Panama, from which the cacao producers hoped to obtain greater protection for their crops. Not only did the Crown not accede to this demand, but, as late as 1811, on the eve of the destruction of Spanish hegemony in the New World, the Audiencia of Guatemala prohibited Costa Rica from trading with Panama (Facio Brenes, 1972: 28-29). Because of high taxation and frequent losses of the crop to marauders, the Costa Rican cacao producers were unable to compete with the low prices of beans which were beginning to be produced in large quantities in Rivas, Nicaragua; consequently, the plantations were closed down (Vega Carballe, 1972: 15).
The net effect of Spanish colonial policy on Costa Rica was the prevention of the establishment of profitable and durable agrarian enterprises. Thus, as long as the control of Costa Rica's public policy remained totally in foreign hands, there was little that the colony could do to develop a successful agrarian policy. With independence, however, Costa Rica was placed in control of its own agrarian policy.

The Early Independence Period:
An "Independent" Agrarian Policy
Stimulates Coffee Production

Costa Rica did not fight for its independence from Spain; in fact, the announcement in 1821 came as a surprise to most settlers of the colony (Monge Alfaro, 1966: 146-153). Even before official independence, however, Spain's grip on Central America had been loosening and the outlines of an independent agrarian policy were being formulated in Costa Rica. The policy was independent in the sense that it was made by Costa Ricans without overt interference from outside forces. The policy was not, however, free from the influence of those forces. In particular, the demands of the international capitalist system (what Wallerstein, 1974, has termed the "world-economy") were to be a heavy influence on the decision-making process.

The colonial era had kept Costa Rica in a state of dire poverty. The little country had neither the precious metals nor the native labor of the wealthier colonies of South America (Tinoco, 1945), and the restrictive policies of the mother country had prevented the development of a profitable export sector. As a consequence, there was a pent-up demand for imported goods, such as iron implements of all sorts, medicines, household goods, and so on. Costa Ricans needed to develop some means of generating a cash surplus so that they could import these items. Accomplishing this goal meant linking the
economy to the international capitalist system through the export of some commodity.

Coffee, which has been introduced in Costa Rica in 1808, was not initially perceived as a crop with substantial profit potential. As of 1820 very few people cultivated the bean, but in 1821, a few months prior to independence, the local government took its first steps to promote coffee growing. In that year the Ayuntamiento de San José passed a decree that provided free state land to any individual who agreed to plant coffee on it. This resolution was followed by a similar one from the Ayuntamiento de Cartago a few months later. Real progress in the growth of coffee began in 1825 when Costa Rica's first chief-of-state, Juan Mora Fernández, decreed what was the first agrarian policy of the new republic: coffee was exempted from the payment of the diezmos tax. This exemption was followed in 1831 by a decree stating that anyone who cultivated coffee on state lands would automatically become the owner of those lands if he worked them for five years.

In the years that followed several more decrees were issued, each one granting new lands and encouraging the planting of coffee. As a result, coffee production soared. Exports, which stood at a mere 23,000 kilograms in 1832, increased 50 times this amount a decade later and nearly 400 times by the third quarter of the nineteenth century (see Table 2). As a consequence of the coffee boom, unheard of wealth began to pour into the little country.

In 1841 road construction began to be financed by a small tax levied on coffee exports. Roads were built from the meseta to the Pacific port of Puntarenas; to Sarapiquí to the north, and to Matina and Moin to the east. The ports of Puntarenas, Caldera, and Matina were also improved (Araya Pochet, 1971: 80-81; González Flores, 1933: 19). The prosperity produced by coffee was sufficient, even in those early years, to allow funds to be directed toward the creation of other, much needed infrastructure projects: the postal service was established, the
<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Year</th>
<th>Exports</th>
<th>Year</th>
<th>Exports</th>
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<td>1908</td>
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<td>1877</td>
<td>8,156</td>
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<td>3,973</td>
<td>1878</td>
<td>11,287</td>
<td>1911</td>
<td>12,641</td>
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<tr>
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<td>1879</td>
<td>10,702</td>
<td>1912</td>
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<td>7,934</td>
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<td>11,442</td>
<td>1926</td>
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</tr>
<tr>
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<td>5,195</td>
<td>1894</td>
<td>10,777</td>
<td>1927</td>
<td>16,154</td>
</tr>
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<td>4,964</td>
<td>1895</td>
<td>11,090</td>
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<td>13,671</td>
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<td>15,367</td>
<td>1932</td>
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<tr>
<td>1867</td>
<td>9,200</td>
<td>1900</td>
<td>16,101</td>
<td>1933</td>
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<tr>
<td>1868</td>
<td>9,382</td>
<td>1901</td>
<td>16,374</td>
<td>1934</td>
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<tr>
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<td>9,331</td>
<td>1902</td>
<td>17,499</td>
<td>1935</td>
<td>24,797</td>
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<tr>
<td>1870</td>
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<td>1903</td>
<td>17,333</td>
<td>1936</td>
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<td>12,674</td>
<td>1937</td>
<td>26,520</td>
</tr>
<tr>
<td>1872</td>
<td>11,592</td>
<td>1905</td>
<td>18,048</td>
<td>1938</td>
<td>24,981</td>
</tr>
<tr>
<td>1873</td>
<td>9,200</td>
<td>1906</td>
<td>13,774</td>
<td>1939</td>
<td>20,245</td>
</tr>
</tbody>
</table>


The city of Cartago (previously damaged by an earthquake) was rebuilt, the streets of San José and Cartago were paved, and in 1844 the University of Santo Tomás was opened (González Flores, 1933).
The cacao bean, which had been used as the medium of exchange in colonial days and which was, therefore, a symbol of the uncapitalized nature of the Costa Rican economy, began to disappear. In 1832 the first national currency, called "americana insurgente," made its appearance, and in 1823 the first silver and gold coins were ordered minted. The mint (la Casa de Moneda) was officially established in 1828 (Núñez, 1971: 123). With its newly found wealth, the republic was able to pay its debt to the ephemeral Central American Federation established in Guatemala in 1824 (Karnes, 1961). By 1826 the public treasury already had an income of 16,000 pesos; the total rose to 24,000 pesos in 1826, and to some 120,000 pesos in 1849. The major source of this steadily increasing wealth was the establishment of the first customs duty in 1839—a tax on the mountains of imported goods which filled the holds of the returning coffee ships (Araya Pochet, 1971: 81).

Other salubrious consequences of the "coffee miracle" were forthcoming. The ships which returned from the continent brought with them tools for agriculture and construction. These items made possible more efficient work in the fields and the construction of more healthful and comfortable homes. Damp adobe walls began to give way to brick and wood, and windows were installed to bring light and air into the once dark dwellings. Iron stoves replaced the smokey open-hearth arrangement of the past, and porcelain dinnerware replaced the wooden bowls of poverty. The steel hoe, plow, shovel, saw, machete, and ax brought about a revolution of efficiency, while the corn mill and rice winnower freed the housewife of hours of drudgery (González Flores, 1933: 20-21). The ships also brought new materials for more comfortable clothing, books to stimulate the mind, and medicines to cure the body. And with the cargo came immigrants (not a wave, but a ripple), seeking to take part in the newly found wealth. Doctors, lawyers, engineers, and educators—they all came in those golden days of the coffee boom (González Flores, 1933: 20-24).
It is quite clear that Costa Rica's initial contact with international capitalism was a happy one: much progress was made and standards of living were improved. One is forced to conclude that, at least in the Costa Rican case, the link with the outside market economy yielded definite benefits; those who argue that such links in and of themselves are always pernicious would not find their position substantiated by this data. However, such links did turn out to have their negative aspects, and, as time went on, these aspects became more and more explicit. They included the following.

FOREIGN CONTROL OF COFFEE FINANCING

In sharp contrast to other Latin American countries, where the major source of foreign exchange earnings traditionally has been in the hands of foreigners (e.g., copper in Chile, tin in Bolivia), Costa Rica has always kept its coffee production under firm domestic control. The elite of the colonial period, having accumulated some small amounts of capital through the profits of cacao production, became heavily committed to coffee. Extensive genealogical research has demonstrated the close links between the colonial elite and the major coffee growers of the nineteenth century. Indeed, many of the same families who originally settled Costa Rica in the sixteenth century and who later were dominant forces in cacao, were to become the largest growers and exporters of coffee (Stone, 1975).

While the production of coffee was locally controlled, the financing was not. The first exports of Costa Rican coffee, which went directly to London (the earlier exports had been first routed to Chile and exported as Chilean coffee), were carried on British ships and were sold to London import houses. These houses quickly recognized the high quality of the Costa Rican product and did not hesitate to finance the growing of future crops. Thus developed the tradition of London's being the exclusive financier of Costa Rican coffee.
Since the collateral for these loans was the coffee itself, there was very little risk involved in the transaction, and the interest on these short-term loans proved to be quite profitable for the London firms. Thus, on top of the already substantial profit margins they were earning, the importers made an additional sum by extending low risk loans to finance the crops. For Costa Rica this meant an additional loss of capital that would have otherwise been available for domestic development. The mentality of dependency was so deeply entrenched in Costa Rican financial circles, however, that the idea of domestic financing seemed ludicrous.

DIMINISHING PRODUCTION OF FOOD CROPS

As coffee increased in importance, more and more land was turned over to its production. As a consequence, the food crops once grown on these lands were reduced and in some cases eliminated. Thus, while Costa Rica had been self-sufficient in the production of wheat during the colonial period, by 1845 most of the flour consumed by the country was being imported from Chile and late on from California (Meléndez, 1966: 37). Today no wheat at all is produced in Costa Rica, and a loaf of bread costs about 20 percent of an agricultural laborer’s daily minimum wage. In a similar fashion other basic grains have been overtaken by coffee production, and continual shortages exist.

THE CONCENTRATION OF LAND

In colonial days land had been of little value and had not really been considered a commodity to be bought and sold. With the introduction of coffee, however, land became quite scarce, since coffee would grow well only in the cool highlands of the central valley, an area which comprises approximately 6
percent of the entire territory of the country. Land prices increased dramatically in the valley, and, as a result of the high prices, there was a strong incentive for the poor peasant to sell his land to the expanding coffee plantations. In fact, many peasants did sell (de Andrade, 1966), and at the same time laws were being passed granting larger and larger tracts to the coffee growers. While there are no records of the overall distribution of land in Costa Rica prior to the introduction of coffee, all indications are that the great majority of peasants had a plot of land to farm (Stone, 1975: 93). By 1864, however, the census (Costa Rica, 1868) reported that 49 percent of those employed in agriculture were employed as wage laborers, and by 1967 it was estimated (Dirección General de Estadística y Censos, 1968: 9) that this figure had risen to 73 percent. Thus, nearly three-fourths of Costa Rica’s peasant population now consists of landless workers. In this respect Costa Rica is very similar to most other Latin American nations where landless laborers predominate (Feder, 1971: 84).

But what of the one quarter of the population that does own land? How is the land distributed? According to calculations based on the latest census (Dirección General de Estadística y Censos, 1974) Costa Rica ranks as the sixth most unequal of the 54 nations on which there are data (Hudson, 1973: 267). Costa Rica’s Gini index of inequality in 1973 was 86.4 (100 is the theoretical maximum of this index). This figure ties with Colombia and Ecuador and is exceeded in Latin America only by Argentina and pre-1968 Peru. It is clear that the great majority of Costa Rican peasants do not own land, and that of those who do most own very little.

OUT-MIGRATION

As has been discussed, the coffee boom caused many peasants to sell their land in the central valley; the government,
therefore, embarked upon a new agrarian policy designed to open up new lands to these peasants. Just as the homestead acts in the United States provided new lands for those without land in the East, so did the Leyes de Terrenos Baldíos and the Leyes de Cabezas de Familia serve Costa Rican peasants. The first of these laws was passed in 1840, when coffee was already beginning to take a solid grip on the economy. Several other laws followed between 1843 and 1859. As a result of these homestead acts, Costa Ricans began to move in substantial numbers to areas outside of the valley. Thus, while in colonial days nearly the entire population lived in the valley, by 1864 a little over 15 percent of the population lived outside of it. By 1892 this figure had risen to 20 percent, by 1927 to 25 percent, by 1936 to over 31 percent; today it stands at about half of the total population (Sandner, 1962).

As a result of this outward migration, Costa Rica succeeded in reaching its “manifest destiny.” While in some ways the attainment of this destiny can be viewed as a positive consequence of the coffee boom, in other ways it had a more negative effect. For example, since the settlement was accomplished under the homestead acts, one would expect a relatively equal distribution of land to have resulted; however, an examination of the average Gini indices of land concentration of cantones (counties) in the valley and those outside of it reveals that the land in the newly settled areas was as unequally distributed as in the older areas. What can account for the unequal distribution of the nonvalley land? The answer lies in the public policies of the nineteenth and twentieth centuries.

The homestead acts were not the only land giveaways that the government decreed. (In fact, I suspect that the total amount of land given away under these programs was probably a great deal less than that which was given away under other laws, but as of 1975 there are no data available to prove this point.) These other programs were of two types. The first was a series of laws passed to pay off the country’s debts to its
domestic creditors. Thus, after the war against the North American adventurer William Walker in 1856-1857, the government of José María Montealegre passed a decree in 1860 amortizing its debt to the large coffee growers who had lent it money for the war effort. The decree provided that state land be given in exchange for the debt. Since the bulk of this land was outside of the valley and, therefore, not generally suitable for coffee growing, its value per hectare was quite low. Even those with small debts found themselves in possession of huge tracts of land. A similar plan was implemented in 1861 when the cost of a road-building project from the highlands to the Atlantic port of Limón was met by land grants to bond holders (Salazar Navarrete, 1962: 76-77).

The second type of land giveaway resulted from the squatter law (Ley de Ocupantes en Precario) which was passed in 1942. This law was designed to provide relief to land holders in the valley whose land had been squatted on. Under this law the government would purchase land squatted on and, in return, give the injured party land of equal value. Due to the high value of valley land and the low value of the land in other parts of the country, many large land owners used this law to exchange small pieces of territory in the valley for huge estates in the outlying areas. It has been reported that the hacendados of the valley even hired squatters to invade their property so that they could file a claim for the exchange lands (Clark, 1971: 32). As a result of this law, an enormous amount of land was given away to the already wealthy coffee growers. Many of the large estates that sprang up in the post-World War II era were built from land obtained through this law.

UNCONTROLLED ECONOMIC FLUCTUATION

Before the days of coffee, Costa Rica had only tenuous ties with the international economy and, consequently, its ups and
downs had little impact on the country. However, once Costa Rica became linked—by foreign coffee exports—to the world economic system, her isolation was destroyed and downturns in the world economy began to affect Costa Rica severely. It has been said about Brazil that when New York sneezes, Brazil catches a cold. The same can be said about Costa Rica. Whenever the world economic situation became unstable—as it did in the European upheavals of 1848 and in the depressions of 1882, 1900, and 1929—Costa Rica's coffee-based economy suffered. For example, whereas in 1928-1929 Costa Rican coffee exports were valued at $9.8 million, in 1930-1931 they had dropped over 50 percent to $4.3 million (Dirección General de Estadística, 1941). Thus, while the coffee stimulating laws brought wealth to the country, they also subjected it to the vacillations of the world economy. In effect then, the independence which Costa Rica had won from Spain proved ephemeral, because it was soon replaced by an even stronger dependence on the world coffee market.

Public Policy and the Railroad

Since coffee is an export crop, it would have been ideal if it could have been grown along the Atlantic coast, thereby making the transportation costs to the port and shipping expenses to the European market as low as possible. As mentioned above, however, coffee is a highland crop and simply will not grow in the steaming coastal lowlands that were once used for cacao production. As the volume of coffee increased, the problem of shipping tons of beans from the highlands down to the coast became more and more acute. Moreover, since the route to the Atlantic coast was so hazardous, all the coffee was carted to the more distant Pacific coast and then shipped to Europe via a long trip around Cape Horn. It is reported that the sea voyage
between the port of Puntarenas to England took between 130 and 140 days, and cost some five pounds sterling per quintal. While the trip from the Pacific port of Limón cut that down by almost three months and brought the price down to two pounds (Gonzáles Flores, 1933: 22-23; Nunley, 1960: 25), what was clearly needed was a safe route to the Atlantic; since this was the heyday of the iron horse, a railroad was the method of transportation chosen.

Constructing a rail system from the meseta to the Atlantic coast was no easy task, however. The jungle which separated the areas is one of the densest in the world, due to rainfall that exceeds 15 feet a year. In addition, since malaria, yellow fever, and dysentery were commonplace, it was an extremely unattractive area for laborers accustomed to the salubrious climate of the meseta. As a consequence, Costa Rica at first abandoned the idea of an Atlantic railroad and attempted to construct one to the Pacific coast, despite the higher maritime transportation costs. In 1854, Juan Rafael Mora Porras, president of Costa Rica at the time, decreed that Joaquín Jiménez had the exclusive right to use “carros de cuatro ruedas” on a route to the Pacific. That same year the Congress authorized the construction of a wooden or iron railroad to the port, and in 1857 the first nine miles were finished between Puntarenas and Barranca. This small stretch of track was the first railroad in Central America and also earned the distinction of being the first failure. It was not designed for the iron horse but for animal power; it was thus baptized the “Burrocar.” But the poor burro was able to manage no more than two miles an hour with the car empty. Attention was focused once again on the Atlantic port (Garrido Guerrero, 1968: 4-5).

In 1871, the first railroad construction loan from the London firm of Bischoffshein and Goldschmidt was arranged. A complete lack of experience in matters of international finance on Costa Rica’s part meant that this loan, and several that followed, were actually downright swindles. The first loan, for
example, was for one million pounds sterling, but only 56 percent of the total actually reached Costa Rica. Bischoffsheim and Goldschmidt retained 170,000 pounds as their commission for floating the bonds, even though there was no risk involved for them in the proposition (González Viquez, 1914; Soley Güell, 1946: 56). Since the net amount obtained by the loan was far too little to finance the construction of the massive project, a new loan for 2.4 million pounds was made through the Knowles-Foster-Erlander Group of London, but this loan turned out to be even more fraudulent than the previous one, since only 900,000 pounds of the total actually ended up in Costa Rican hands. This time, however, the borrowers were not going to be pushed around (or so they thought), and they hired a law firm to sue the lenders. The case lasted six full years and, in the end, after paying 400,000 pounds in lawyers’ fees. Costa Rica lost. Thus, the total gain on this 2.4 million pound loan was a trifling 500,000 pounds, or some $4.8 million. During the period 1870 to 1882 Costa Rica added $15 million to the project from her own budget. This sum was an enormous amount for the little country: it represented nearly half of her entire state income for this period (Soley Güell, 1946: 57). But railroad fever was high and she was ready to pay almost any price, a fact the “shylocks” in London seemed to be quite aware of.

With the loans secured, Costa Rica turned her attention to the question of the construction itself. The first rails were laid in 1872, but enormous difficulties in the construction process caused extended delays. In 1884 the government signed the now famous Soto-Keith contract. Under the terms of this agreement, Minor C. Keith, the railroad builder, refinanced the English debt and promised to finish the remaining 52 miles of the railroad’s 142 miles within three years. In return, Keith was granted a 99-year lease on the railroad; 800,000 acres of state lands in any part of the country; and exemptions from import duty on all construction materials used to build and maintain
the railroad bed, cars, and engines (Archivo Nacional, 1884). This contract later proved to be the mainstay of the banana monopoly. In 1886 Keith organized the Costa Rica Railway Co., Ltd., which took charge of completing the line and administering its operation (Zúñiga Huete, 1929: 77). The government of Costa Rica at first retained control of one-third of the shares of this company, but in 1889, when the government was unable to repay another English loan, it turned over its shares of the railway in return for Keith's personal repayment of the loan.

What consequences did the public policy decision to provide a rapid and inexpensive transportation system for coffee exports have on Costa Rica? First of all, it was anticipated that the railroad would yield substantial savings on the transportation costs of coffee. These savings, however, never materialized, because the government had lost the control of the railroad to the builders, and the rates that were being charged were a good deal higher than had been expected. Furthermore, whatever savings were achieved were absorbed by taxes imposed on coffee in order to pay off the construction costs. An ironic note was added to the entire sad story of the construction of the railroad with the opening of the Panama Canal in 1914; the long trip around the tip of South America was no longer necessary for coffee shipped from the Pacific Coast. Thus, the railroad was unnecessary once the canal was in operation.

The second consequence of the policy was the incursion of a high foreign debt. Until the beginning of the construction Costa Rica had a very favorable fiscal situation and no outstanding loans. Because of the construction of the railroad, however, the foreign debt had risen to nearly 3.5 million pounds by 1881 (Macune, 1963: 112).

A third and most important consequence of the policy was the development of the banana industry. In order to finance the construction of the railroad, its builders began to plant bananas along side of the already completed tracks. As a result, a
business enterprise was formed in 1885 which eventually came to be known as the United Fruit Company. More will be said about this company in the next section of this article.

A fourth consequence of the railroad construction was the immigration of thousands of blacks to do the building. The government was forced to permit the immigration of shipload after shipload of Jamaicans in order to provide sufficient manpower to build the railroad. Today a small black minority remains in Costa Rica as a result of the migration of the last century.

The migration of blacks to Costa Rica would not in and of itself be significant if it were not tied closely to the rise of the labor union movement, the fifth consequence of the railroad. The plantations proved to be fertile territory not only for bananas but for labor union agitation as well. In the early 1930s, when Costa Rica was suffering under the dual pressure of the world depression and a ruinous disease in the banana plantations, the first massive strikes ever to hit the country broke out in the banana zones (Seligson, 1974: 138-163). Labor unions were given their real impetus from this strike and have gained in strength from the ones that have periodically followed it.

The Twentieth Century and the Beginning of Government Control

Public policy in the agrarian sector played an almost exclusively stimulating role in the first century of Costa Rican independence. It has been shown how government policy stimulated the production of coffee and, inadvertently, the production of bananas. In the twentieth century the government was to begin a slow but constant shift away from stimulation and toward regulation.
What were the reasons for this shift? The answer lies in the transformation of the society brought on by the coffee boom. Before coffee, Costa Rica was almost devoid of urban centers; most of the population was engaged in subsistence farming. But with the economic advances brought on by coffee, the population began to move into the cities and take up jobs in the service sector. Thus, there began to form a nascent middle class with its demands for paved streets and street lighting, hospitals, schools, sanitation, and—most important—jobs. Money had to be found to satisfy those demands, and, thus, attention was turned to coffee as the nation’s primary source of income.

The expenditures of the central government were kept at a low level through most of the nineteenth century and were increased only to pay for the railroad. The only taxes placed on coffee during this period were nominal, amounting to only 25 centimos per quintal. The first radical departure from this "hands-off" policy occurred in 1893 when, due to a severe balance of payments crisis created by declining world coffee prices, the legislative assembly voted a tax of 6 shillings per quintal. The reasoning that was used to implement this tax is significant; article 4 of the law states that:

Notwithstanding the desires of the Government to protect the agriculture of the country in order that it may reach its greatest development, in the present circumstances, although accidentally, it is necessary to ask of it the resources that the Nation needs. [Oficina del Café, 1954: 20]

Thus, for the first time, profits in the coffee industry were recognized as an acceptable target of state taxation to help bail out the nation in times of need. Of course, the coffee barons did not take kindly to such laws and did all they could in the ensuing decades to stop, or at least slow, the growth of taxes. But the economic realities of the day slowly overrode their opposition. Thus, due to international marketing problems caused by World War I, a new tax of $2.30 was imposed for
each quintal of coffee exported, and in 1937 an 8 percent ad valorum tax took effect. And in 1939 the first land tax in Costa Rican history was enacted. Although the rate was low, it was a progressive tax, so that the larger and more valuable estates had to pay more. Since the largest land owners in the country were those in the coffee business, this tax directly affected them.

An even more direct intervention in the coffee industry occurred some six years earlier. At this time there was increasing suspicion on the part of the producers and government alike that the owners of the coffee processing plants (called beneficios) and export houses were failing to pay a fair price to the producers and the appropriate amount of taxes to the government; these suspicions resulted in the creation of a pricing board (Junta de Liquidaciones de Café) which was in charge of setting the price that each beneficio was to pay to the producer. The board was to base its calculations on the quality of the coffee, with a maximum profit for the beneficio of 12 percent (Barrenechea Consuegra, 1956: 6). In that same year, 1933, the Instituto Nacional de Defensa del Café was established by the government as a quasi-public organization designed to promote the production and sale of Costa Rican coffee. The institute was abolished after the Revolution of 1948 and was replaced by the Oficina del Café, which is currently charged with the regulation of the coffee industry in all its aspects.

In the twentieth century, therefore, public policy toward coffee took a major shift from one of stimulation to regulation. What happened to the banana industry in this period? Did it, too, come under state control? The answer is an unequivocal no, which does not mean that efforts in that direction were not made, for indeed they were, but they were unsuccessful.

The fundamental reason why the banana industry did not fall under state control is that it operated as an enclave economy—i.e., the banana industry functioned as an independent eco-
nomie island within the Costa Rican state. The taxes levied on it amounted to only a fraction of 1 percent of the retail price, compared to the 8 percent tax the coffee industry was paying (Seligson, 1974: 133). Furthermore, the United Fruit Company achieved enormous economies of operation by retaining the import tax exemption that had been granted to the original railroad building company from which it had grown.

As mentioned above, attempts were made to regulate the company. In 1930 a law was passed setting up a regulatory board to arbitrate conflicts between the local Costa Rican banana growers and the company; there is no record of this board’s ever having been utilized, however. After the Revolution of 1948 a 15 percent tax on net profits was imposed on the company; this tax was later raised to 30 percent in 1954. To this day, however, the company has consistently reported losses on its Costa Rican operations and has not, it is alleged, paid any income taxes (Salas Marrero and Barahona Israel, 1973: 564).

The banana industry, unlike the coffee industry, escaped attempts to regulate its affairs. Only in the 1960s, with the establishment of new companies in the area once farmed by the United Fruit Company but abandoned in the 1930s for better land along the Pacific coast, did the government attempt to take a firm hand in the regulation of this industry. This was most clearly evidenced within the past year when Costa Rica joined with other banana-producing countries in trying to impose a one dollar per box export tax. The governments of the banana-producing nations attempted to emulate the OPEC oil cartel, but found that the fruit companies were stronger than the governments. In the case of Honduras, for example, it has recently been revealed that the United Fruit Company was successful in bribing high government officials to prevent implementation of the new tax. Investigations in Costa Rica, begun in 1975, are looking into allegations that similar events occurred there.
Agrarian Reform Policy
in the 1960s and 1970s

The last aspect of agrarian public policy which will be examined in this paper is that of agrarian reform. As described earlier in the discussion of the coffee industry, one of the consequences of the agrarian public policy in Costa Rica was the extreme concentration of land in the hands of a few which began to develop after the introduction of coffee. By the middle of the twentieth century the problem had become acute. The large number of landless and land-poor peasants was growing with each passing decade and, with the success of Castro’s revolution in Cuba, Costa Rican law makers increasingly feared rural unrest. Signs of such unrest were evident when increasing numbers of peasants, unable to find land or work, resorted to squatting. It is estimated that over 11 percent of all rural families were squatters in the 1960s, with some 252,000 hectares of land being illegally occupied (ITCO, 1967).

In 1961 the agrarian reform agency, called the Instituto de Tierras y Colonización (ITCO), was created by law. During its first decade of operation, ITCO’s efforts were not particularly successful, primarily because it lacked sufficient financing with which to carry out its programs. Thus, plans for an ambitious reform program were laid to rest as a result of capital scarcity.

ITCO’s first efforts at reform were directed toward coloniza-
tion schemes. These projects were designed to situate a substantial number of peasants on virgin lands owned by the state. It was felt that, in this way, landless peasants could be given their long sought after plot of land, while, at the same time, the expropriation of privately held land could be avoided. Thus, ITCO’s initial efforts were in no way seen as a full scale land reform whereby the unworked and/or abandoned acres of the latifundios would be turned over to land-hungry peasants. Rather, such a politically sensitive redistribution was purposely avoided. Few objected to the granting of a plot of public land
to an unemployed, landless peasant who wanted to work it. The objection would have arisen, however, if the plot that was to be given was privately owned, for that would have signified a direct attack on private property.

A total of 11 colonization projects—covering 35,412 hectares and benefiting 1,222 peasants—were initiated (ITCO, 1972). For the most part the colonies were unsuccessful, and, as a result of financial difficulties, further expansion of the program was halted in 1968. No new colonies have been opened since. The primary reason for the failure of these colonies is that they were located in such inaccessible areas that it was impossible for the peasants to obtain the needed seed and fertilizer and, more important, to transport their goods to market once the crop was harvested. ITCO had promised each colonist that he would be given the infrastructure support he needed to make a go of it, but the limited financial resources of the institute meant that the peasant received little more than a few pieces of tin roofing materials and some survival rations donated by international agencies such as CARE. The promised roads, trucks, agricultural extension facilities, credit, and medical services were painfully slow in coming. During the course of field research in 1973 the author had the opportunity to talk to several peasants who had abandoned these reform colonies. When asked why he had left, one peasant put it this way: “After carrying my sick child for 26 kilometers over the muddy dirt trail to the colony only to have him die shortly before we reached the county health station, my wife and I decided we had had enough. I would rather be poor and have a family than work ten years in the colony only to see my children die.”

After abandoning the colonization program, ITCO spent the period of 1967 to 1969 concentrating on the solution of squatting conflicts that had emerged on lands owned by the state. In total, ITCO legalized the occupation by 3,264 families of 23,826 hectares of state land in the period 1962 to 1972. It also found a solution to squatting incidents on private lands,
which involved 1,381 families and 30,603 hectares. Hence, ITCO has solved fewer than one-fourth of all the squatting conflicts that the institute estimated existed in the 1960s (ITCO, 1967). While there are no reliable estimates of the intensity of the problems in the 1970s, several ITCO officials readily admit that there were considerably more unsolved squatting incidents in the 1970s than there were in the 1960s (personal interviews). Thus, ITCO appears to be losing ground as each year more cases of squatting arise than are solved.

The last few years, however, have seen a rather dramatic shift in ITCO's program. In 1974 Daniel Oduber Quiros was elected to the presidency of the republic and declared his full support for a more active agrarian reform. The institute was given new sources of financing, and the size of its staff was greatly enlarged. By late 1976 ITCO had increased its number of projects from 11 to 38. These new projects included some which were of the more traditional parcel programs and others which involved communal ownership and work (empresa comunitaria). In addition to these projects, a massive land titling program was embarked upon, and new financial resources were pumped into the ailing colonies. Finally, a more aggressive attitude was taken on the issue of expropriation of private land, so that even the United Fruit Company is no longer immune; one project alone involved the expropriation of 18,678 hectares of United Fruit land, an area about half the size of all the original 11 colonies combined. However, ITCO may still be losing ground to the ever more serious land distribution problem.

While it is impossible to predict the long-term consequences of the present inequality of land distribution, there is reason to suspect that in the next decade considerable rural unrest will be manifested. Thus far, however, there are no strong peasant leagues which could serve to galvanize this discontent other than the communist-led banana workers unions. These unions, however, are mainly oriented toward achieving wage increases
and improved working conditions, and not toward expropriating the banana company’s lands. Thus, unless a strong peasant organization is developed, one can expect that rural unrest will continue to be expressed in the form of sporadic outbreaks of violence and squatting.

Summary and Conclusions

This paper has demonstrated that agrarian policy in Costa Rica has not been static; by sketching with broad strokes it has been possible to distinguish four major phases. Each new phase has been accompanied by a change in dependency relations.

The first of these phases occurred in the colonial period, during which time control of Costa Rica’s agrarian policy was exercised totally by an outside force, namely Spain. The attempts of the local population to achieve economic advances were frustrated by Spain, and thus growth was quite limited and dependency was almost complete. The coming of independence was to radically alter this situation, bringing on the second phase of agrarian policy. Thus, the new republic embarked upon a highly successful policy to stimulate coffee production. The iron grip of dependence had been broken and the effects were rapidly felt; these, at least initially, were beneficial to domestic development. A new dependence was established, however, as coffee became the most important element in the Costa Rican economy. This dependence on a single export crop brought with it several consequences: (1) foreign control of coffee financing, (2) diminishing production of food crops, (3) concentration of land, (4) out-migration from the central areas to remote portions of the country, and (5) uncontrolled economic fluctuations.

The third phase of agrarian policy was initiated as a result of the need to establish a cheaper transportation route for coffee
exports. A railroad was built to the Atlantic coast so as to avoid the long sea voyage around the tip of South America. With the railroad came the United Fruit Company's banana empire. Unfortunately for Costa Rican coffee interests, the monopolistic control exercised by the company over the railroad resulted in such high rail freight rates that they nearly counterweighted the savings gained by shipping from the Atlantic rather than the Pacific port. The rates were high because the Costa Rican government had given up its part ownership and control of the company in an effort to help repay the large foreign debt it had incurred in order to finance the railroad construction. Thus, the coffee industry, whose ownership and operation was under virtually total local control, placed itself in a position of dependence upon the foreign-owned railroad.

The establishment of the banana export industry meant that the monoculture export economy, previously dependent on coffee for almost all foreign exchange earnings, was now dependent on two crops. However, since neither commodity is a necessity, any economic downturns in the world economy would cause a sharp reduction in coffee and banana prices. As a consequence, the Great Depression hurt Costa Rica as severely as it did most Latin American nations. Furthermore, domestic attempts to have the banana company help underwrite the rapidly growing expenditures of the modernizing Costa Rican state were unsuccessful. Instead, the domestically owned coffee industry had to bear the burden.

The fourth and final phase of agrarian policy appears in the twentieth century and is—at least in part—a result of the previous two stages. Landless, unemployed peasants have been forced to turn to squatting as an alternative to destitution. Some peasants, of course, have moved to urban areas, but the limited industrial base in this small, economically dependent country means that few jobs are available in the cities. Most peasants, therefore, have remained in the countryside, under increasingly difficult economic circumstances. As a result,
efforts have been made to establish a viable agrarian reform, thereby initiating the fourth and current phase of agrarian policy.

This paper has attempted to demonstrate the ways in which agrarian policies have influenced the development of Costa Rica. It is quite clear that much of the present social and economic structure of the country can be traced back to these policies. This finding alone may give new impetus to those interested in public policy in Latin America, a field which has too long sat on the back burner of the researcher’s stove.

It has also been shown that Costa Rica’s dependency relations have shifted over the years and, as a consequence, agrarian policies have changed. During the colonial period agrarian policy was determined exclusively from without, and consequently, agrarian production was stifled. Independence from Spain brought about an independent agricultural policy which was directed toward the stimulation of coffee production and export. While successful, that policy brought with it a number of unintended consequences detrimental to Costa Rica’s development. Finally, in recent times, agrarian policy has begun to be directed toward rectifying some of the problems created by these earlier policies. Success to date, however, has not been notable, and it is, therefore, difficult to be optimistic about the future.

NOTES

1. The literature is already too vast to begin to cite it all here, but a good overview of the substance and the polemic of the debate on dependency can be obtained from the volume edited by Chibbato and Edelstein (1974), the special issue of the Journal of Interamerican Studies of February 1973 (Vol. 15, No. 1), and the new journal, Latin American Perspectives. A recent addition to the literature which focuses exclusively on Central America is Menjivar’s (1974) volume.

2. Tobacco was also a promising crop in colonial Costa Rica. While it would take us too far afield to deal with it in detail in this paper, it can be said in summary that colonial policy toward tobacco had the same effect it had had on cacao. A state monopoly was imposed on the crop, and the lion’s share of the profits was drained off and sent to the continent. As a result, tobacco was abandoned as a source of wealth in the colony (Fallas, 1972: 37).
3. The events of World War II were to prove that local bankers were operating under a delusion. Domestic financing was possible, but it required an economic crisis to prove it. By 1940 the London credit market had completely dried up and Costa Rican exporters were informed that England could no longer underwrite the crop. In response to this crisis the Costa Rican national banking system took over the financing of the crop in its entirety in 1942-1943. The fact that such a drastic change took place so quickly demonstrates that Costa Rica's previous reliance on foreign financing for its coffee was unnecessary. Thus, the entire first century of coffee exporting in Costa Rica was financed by foreign capitalists.

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