

# THE ECONOMICS OF CENTRAL AMERICA

*Victor Bulmer-Thomas*  
*Queen Mary College, London University*

- COFFEE AND PEASANTS IN GUATEMALA.* By JULIO C. CAMBRANES. (Stockholm: Institute of Latin American Studies, 1985. Pp. 334.)
- COSTA RICA BEFORE COFFEE.* By LOWELL GUDMUNDSON. (Baton Rouge: Louisiana State University Press, 1986. Pp. 204. \$30.00.)
- LAS TRANSNACIONALES DEL BANANO EN CENTROAMERICA.* By FRANK ELLIS. (San José, Costa Rica: Editorial Universitaria Centroamericana, 1983. Pp. 463.)
- LA ECONOMIA DEL BANANO EN CENTROAMERICA.* By JOSE ROBERTO LOPEZ. (San José, Costa Rica: Colección Universitaria, 1986. Pp. 236.)
- EXPORT AGRICULTURE AND THE CRISIS IN CENTRAL AMERICA.* By ROBERT G. WILLIAMS. (Chapel Hill: University of North Carolina Press, 1986. Pp. 257. \$29.95.)
- THE ECONOMIES OF CENTRAL AMERICA.* By JOHN WEEKS. (New York: Holmes and Meier, 1985. Pp. 209. \$39.50 cloth, \$19.95 paper.)
- LA ECONOMIA DE EL SALVADOR Y LA INTEGRACION CENTROAMERICANA, 1954-1960.* By HECTOR DADA HIREZI. (San José, Costa Rica: Editorial Universitaria Centroamericana, 1983. Pp. 133.)
- EL FUTURO DEL MERCADO COMUN CENTROAMERICANO.* By INFORPRESS CENTROAMERICANA. (Guatemala City: Inforpress Centroamericana, 1983. Pp. 129. \$135.00.)
- INTEGRACION ECONOMICA Y EMPLEO EN LA INDUSTRIA CENTROAMERICANA.* By MAX ALBERTO SOTO, CARLOS ALBERTO SEVILLA, and CHARLES FRANK, JR. (San José, Costa Rica: Editorial Universitaria Centroamericana, 1983. Pp. 189.)
- LAW AND AGRARIAN REFORM IN COSTA RICA.* By JAMES P. ROWLES. (Boulder, Colo.: Westview Press, 1985. Pp. 230. \$22.00.)
- COSTA RICA: A GEOGRAPHICAL INTERPRETATION IN HISTORICAL PERSPECTIVE.* By CAROLYN HALL. (Boulder, Colo.: Westview Press, 1985. Pp. 348. \$24.95.)
- HONDURAS EN LA ENCRUCIJADA.* Edited by MECHTHILD MINKNER. (Bonn and Hamburg: Fundación Friedrich Naumann and Instituto de Estudios Iberoamericanos, 1983. Pp. 219.)

*HONDURAS CONFRONTS ITS FUTURE*. Edited by MARK B. ROSENBERG and PHILIP L. SHEPHERD. (Boulder, Colo.: Lynne Rienner, 1986. Pp. 268. \$30.00.)

*COLONIZACION Y DESTRUCCION DE BOSQUES EN PANAMA*. Edited by STANLEY HECKADON MORENO and ALBERTO MCKAY. (Panama City: Asociación Panameña de Antropología, 1982. Pp. 174.)

*ATLAS OF CENTRAL AMERICA AND THE CARIBBEAN*. By THE DIAGRAM GROUP. (New York and London: Macmillan, 1985. Pp. 144. \$40.00.)

It is generally agreed that economic factors played an important part in the regional crisis that struck Central America in 1979 and has plagued it ever since. Publications from all sides of the political spectrum, both inside and outside the region, reflect the consensus that the economic model pursued by the five republics before 1979 contributed in some way to the unfolding of the regional crisis.

The consensus, however, is very superficial. When it comes to determining why the model was defective, a great deal of division and confusion manifests itself (reflected, for example, in many parts of the Kissinger Report). This diversity of opinion is understandable. Economists have all been conditioned to accept the notion that a fast rate of growth of real gross domestic product (GDP) is a "good thing," easing social tensions and paving the way for political stability. Yet the five republics enjoyed rapid growth in the three decades before 1979, and from the end of the 1940s to the beginning of the 1970s, Nicaragua achieved the highest rate of growth in all Latin America (including Brazil). Similarly, the two countries in the region that have escaped civil war and a breakdown in the social order stand at opposite ends of the economic spectrum: Costa Rica is the richest and Honduras the poorest in the region.

The role of economics in explaining the regional crisis is therefore complex. Before 1979 all five republics followed roughly the same model, yet the social and political consequences differed greatly. By conventional criteria, such as real income per head, the model would have to be judged a success, but the conviction remains—however poorly articulated—that the model was deeply flawed. Meanwhile, policymakers from San José to Washington are left with the task of developing new economic strategies for the region while remaining ignorant of why the previous policies failed.

The key to understanding the part played by economics in the regional crisis lies in analyzing the model itself. The model has several layers, reflecting the evolution of the regional economy since its integration into the world economy in the second half of the nineteenth century. That integration took place on the basis of exporting coffee and

bananas, two products that remain central to the functioning of the regional economy. Coffee and bananas have frequently registered spectacular rates of growth, making the region a major supplier of these products to the world market, but they have produced in their wake a series of problems that form the focus of analysis of several of the books reviewed here. In the case of coffee, private estates were frequently established through alienation of communal lands, while labor was often obtained through coercion. In the case of bananas, control has rested in foreign hands, and the industry has enjoyed a privileged tax position that distorted fiscal systems in the region in a number of undesirable ways.

Since the Second World War, regional exports have been diversified through promoting cotton, sugar, and cattle. These new products form the second layer of the model. Growth rates have been dramatic and the new exports have served as an engine of growth, but they have brought in their wake a series of consequences that many (including some of the authors reviewed here) regard as unacceptable. These consequences include excessive deforestation, marginalization of the peasantry, and an unhealthy tension between agriculture for export and agriculture for domestic use.

The process of export diversification was accelerated by the formation of the Central American Common Market (CACM) in 1960. As the third layer of the model, the CACM provided a convenient vehicle for promoting industry in the region by creating a free trade area protected from outside competition by a common external tariff. Thus the CACM was a halfway house between industrial import substitution in one country (as in Peru) and industrial export promotion (as in Hong Kong). The CACM was, in effect, a case of regional import substitution, and it produced spectacular rates of growth of manufactured exports in Central America until the war between El Salvador and Honduras in 1969 and the withdrawal of Honduras from the CACM in 1970. Now in deep crisis, the CACM was formerly held up as the most successful example of regional integration among developing countries. It nevertheless attracted criticism for the unbalanced way that it distributed benefits to member countries, its penetration by multinational companies, its poor employment record, and its failure to break the dominance of traditional exports and the agro-export model.

The three layers of the model, operating in harness if not in complete harmony, provided the foundation for the rapid economic growth referred to above. At the same time, the economic and social dislocation provoked by regional transformation prompted in each republic a program of reforms designed to soften the edges of the process. The reforms covered such areas as social security, organized labor, the fiscal system, and access to land. Although none of these govern-

ments could be said to have succeeded completely in achieving their stated reform goals, a marked contrast had emerged by the late 1970s between Costa Rica and Honduras on the one hand and El Salvador, Guatemala, and Nicaragua on the other. In the latter group, the “reforms” had tended to be token in nature, with certain areas—notably, land reform—remaining virtually taboo.

The ability of Costa Rica and Honduras to implement a meaningful reform program and avoid the worst excesses of the regional crisis can be traced to different causes. While Costa Rica was a healthy example of a functioning representative democracy with political parties responding to electoral pressures, the Honduran case owed much more to the emergence of a strong independent labor movement that gradually broke down the hostility and mistrust among the Honduran elite (including the officer corps) toward organized labor. Needless to say, neither democracy nor a strong independent labor movement was allowed to take root in the other three republics.

The books reviewed here testify to the enormous concern provoked by the Central American crisis inside and outside the region. All focus, directly or indirectly, on various aspects of the economic model outlined above, and several focus on the two republics that have suffered the least disruption (Costa Rica and Honduras). Not one of the books is primarily concerned with the current economic crisis in which the breakdown of the old model has become intertwined with the consequences of political upheaval and world recession. The works reviewed here can therefore be considered contributions to general understanding of the pre-1979 economic model, its strengths and weaknesses, while the more ambitious books strive to account for differences in the impact of the model on the five republics.

Before reviewing the books individually, some general points can be made. Growth in Central America has been export-led, and the export sector has therefore acquired pivotal importance in explaining the workings of the model. Because most of the authors tend to be critical of the model’s functioning, much of the literature is colored by an anti-export bias that is unjustified and risks throwing out the baby with the bathwater. In a technical sense, the emphasis on exports expanded the region’s range of production possibilities, with the result that the main problem has been distributing the benefits from additional exports rather than export-led growth itself. It can be argued that export specialization was taken too far, but determining the optimal point for export specialization is quite different from rejecting the emphasis on export-led growth since the second half of the nineteenth century.<sup>1</sup>

A second general criticism asserts that the literature has great difficulty in avoiding the Scylla of blanket generalizations (and applying them to all five republics) and the Charybdis of single-country empiri-

cism (insisting that all countries are different). External constraints (economic and geopolitical), a shared economic model, and a common heritage permit some valid generalizations, yet the final synthesis requires recognizing the differences between countries. Since 1979 the differences have perhaps become greater than the similarities, but in analyzing the period before 1979, a delicate balance needs to be struck, one that is not found in many of the books reviewed here.

Finally, many of the harshest critics of the economic model are reluctant to spell out viable policy alternatives. This deficiency is serious because the policies currently favored for the region by the IMF, the World Bank, USAID, and similar organizations involving the promotion of nontraditional exports outside the CACM are being adopted by policymakers within the region less out of conviction than because they can envision no alternatives. An almost romantic vision exists among some critics of agro-exports of a self-sufficient peasant-based economy isolated from the vagaries of the world market, while many of the criticisms leveled against the CACM make sense only if the alternative is a planned, socialist economy.

The books reviewed here, with two exceptions, divide conveniently into three groups: works concerned with traditional exports (coffee and bananas), works dealing with postwar export diversification (including the CACM), and works discussing the "special cases" (Costa Rica and Honduras). Julio Cambranes's *Coffee and Peasants in Guatemala: The Origins of the Modern Plantation Economy in Guatemala, 1853–1897* is concerned with the spread of coffee through the Guatemalan highlands before, during, and after the Liberal revolution of the 1870s. Cambranes documents the upheavals in the markets for land and labor occasioned by the introduction of coffee and shows how the Liberals were the first to use state power consistently to support the new export product, irrespective of the disruptions of traditional land-labor relationships in the countryside. He also shows how the coffee growers, at first the beneficiaries of an authoritarian state, gradually fused into an elite that became virtually indistinguishable from the state itself.

Cambranes, a Guatemalan trained at the University of San Carlos and in Eastern Europe, has established himself as the leading agricultural historian of Guatemala because of his thorough command of archival sources inside and outside the country. Foreign archives are important because of the key role played by German growers in coffee development in Guatemala, and Cambranes has tapped these sources to construct through extensive quotations an unrivaled account of the landlords' perspective. He has also mined Guatemalan state archives to document the extreme lengths to which the government was prepared to go to guarantee an adequate supply of labor and land for the expansion of coffee.

The process described by Cambranes is not a pretty one. He states that forced labor and the alienation of communal lands “enriched the agrarian impresarios, businessmen and foreign bankers, the corrupt politicians and big Guatemalan *finqueros* and, on the other hand, it impoverished the rural working masses.” He even claims that “the distribution and use of material richness coffee cultivation produced was highly contradictory and harmful for Guatemalan society in general and the peasantry in particular.” These are extravagant claims, and one is left with the feeling that Cambranes has spoiled his case by overstating it. Coffee provided Guatemala with a stable export crop enjoying long-term growth prospects for almost the first time in its history, and the indirect advantages from the introduction of coffee were substantial: a regular and expanding supply of foreign exchange for the purchase of imports, an increase in fiscal revenues, and an improvement in public works.

Lowell Gudmundson’s *Costa Rica before Coffee* documents the impact of coffee during the first decades of its introduction (the 1830s through the 1860s), despite its title. Like Cambranes, Gudmundson is in total command of the primary sources, many of which he explores for the first time. He uses this information for two purposes: to destroy the alleged myth of Costa Rica as an egalitarian rural democracy before the introduction of coffee and to demonstrate that the impact of coffee did not lead to a process of peasant marginalization or to sharply increased inequality. According to Gudmundson’s thesis, coffee was first adopted by the former colonial elite but soon spread to numerous smallholders as a consequence of Costa Rica’s acute labor shortage and relative abundance of land. By implication, therefore, the introduction of coffee was highly beneficial and contributed to, rather than undermined, social stability.

Gudmundson’s knowledge of early Costa Rican historiography is unrivaled, and he pulls no punches against his adversaries—all those, Costa Ricans and others, who have helped to perpetuate the alleged myth described above. His primary target is the work of Mitchell Seligson, whose book on the peasants of Costa Rica has been very influential.<sup>2</sup> Gudmundson claims that it was Seligson who took the rural egalitarian myth to new extremes and who has given the strongest statement of the allegedly destructive impact of coffee in the nineteenth century.

Gudmundson makes his points with great clarity, basing them on a careful (and critical) sifting of the primary sources, as well as a fair reading of his intellectual adversaries. Although his judgments are harsh, Gudmundson engages in no muckraking, and his book is an excellent example of scholarship in the social sciences at its best. One has the impression that *Costa Rica before Coffee* is not the last word on

the subject and that Seligson and others (including the numerous Costa Rican scholars interested in this period) will fight a determined defensive campaign against Gudmundson's revisionist approach.

To nonspecialists, it might seem as if the issues raised by Gudmundson are outdated and irrelevant. This is not the case, however, as the debate raises questions about the entire nature of the rise of agrarian capitalism in Latin America, questions that retain contemporary interest. As Gudmundson says:

In the literature on the transition to agrarian capitalism, and for well-known reasons of contemporary political struggles, there has been a clear emphasis upon the denunciation of repressive features of the process. To be antibourgeois one has to be anticapitalist, and to be anticapitalist one had to depict the transition to capitalism as based on a more or less ruthless repression of colonial peoples. Whether explicitly or not, analysts who use Neo-Marxist theory and who stress dependency of colonial peoples tend to glorify the comparative virtues of precapitalist society. This is especially the case concerning Latin America. (P. 158)

Gudmundson's destruction of the myth of rural egalitarianism before coffee will be hard to challenge. But his claim that the impact of coffee did not exacerbate existing inequalities is likely to prove much more controversial. In his fascinating final chapter, he draws parallels and contrasts between the introduction of coffee in Costa Rica and in other Latin American countries. In view of the controversies these other cases have raised,<sup>3</sup> it would be surprising indeed if the Costa Rican example did not generate a similar debate. If it does, and if other scholars maintain the standards set by Gudmundson, scholarly understanding of nineteenth-century agrarian capitalism is likely to be considerably enriched.

Frank Ellis's *Las transnacionales del banano en Centroamérica* was first published in 1983, after circulating for some time as an unpublished dissertation. Yet it remains a highly topical book that deserves to be widely read. Unlike so many books on the multinational fruit companies, it aims neither to justify nor to condemn their operations. Instead, it seeks to discover just how the companies functioned during the first three decades after the Second World War. To this end, Ellis investigated eight fruit company divisions in four banana-producing countries (Costa Rica, Guatemala, Honduras, and Panama) to provide unpublished data on yields, labor productivity, and capital intensity.

Ellis paints a fascinating picture. Through a combination of labor-saving technical innovations and genetic experiments, the divisions achieved substantial gains in labor productivity. At the same time, however, the increase in real wages was held to half that of labor productivity, leading to a steady deterioration in labor's share of value added. With the nominal price of bananas constant for most of the period, the

external terms of trade for banana exporters steadily deteriorated. Ellis interprets this decline as confirming the Prebisch-Singer thesis that the benefits of technical change in the “periphery” are not captured by domestic factors of production but are transferred abroad for the benefit of the “center.” Because the banana companies are vertically integrated, the rewards of technical progress in their banana divisions have been reaped by their shipping and distribution networks located outside Central America.

Recognition of these problems prompted several banana-producing countries to band together in 1974 to form the Unión de Países Exportadores de Banano (UPEB), whose purpose was to regain through taxation the benefits from technical change in the banana divisions. Ellis’s book was written too soon after the formation of UPEB to provide a proper assessment of its impact, but his study makes clear the impeccable logic of the banana tax.

The banana industry, unlike the coffee industry, fell into foreign hands soon after its introduction into Central America. Ellis deals with these early years but does not satisfactorily explain this foreign control, which led to a highly unequal relationship with host governments in the prewar period. In the postwar period, the relationship with the host governments has shifted to one of much greater equality, beginning with the companies’ liability for profits tax in 1949 in Costa Rica and Honduras. Ellis does not provide many insights into the decline in political importance of the fruit companies, but despite these criticisms, his work makes an excellent introduction to the workings of the banana industry in Central America.

José Roberto López’s *La economía del banano en Centroamérica* takes up the story where Ellis leaves it. A Salvadoran now working with FLACSO in Costa Rica, López covers the formation of UPEB, the introduction of the banana tax, and the adaptation by the fruit companies to the new realities. He also examines critically the prospects for an international agreement on bananas along the lines favored by the United Nations Commission on Trade and Development

López demonstrates that, despite the machinations of the fruit companies, the banana tax has yielded real benefits without dangerously disadvantaging UPEB members relative to nonmembers (p. 52). At the same time, he shows that the share of the retail price (in North America) going to domestic factors of production actually declined in the decade after 1973 (from 17.9 to 16.9 percent). Only when the tax is included does the share rise, so that the rate of tax remains a major determinant of Central American gains from the banana trade.

Neither Ellis nor López considers alternative uses for bananas that would make it unnecessary to export the product entirely in unprocessed form. The most perishable of tropical products, the banana



has so far evaded almost all forms of processing, a situation that makes companies, workers, and governments extremely sensitive to the vagaries of the world market and to distributional bottlenecks. Despite these problems and the recent closure of United Brands' Golfito division in Costa Rica, López remains sanguine about the prospect for the banana industry, which he regards as having played a stabilizing role in the recent economic crisis. Not everyone would agree with that assessment, which appears to ignore the sharp drop in banana prices since 1983. López has nevertheless produced a fine piece of research backed up with appropriate use of mathematics and statistics. This work and Ellis's study combined provide a comprehensive treatment of the banana industry in Central America.

The focus of Robert Williams's *Export Agriculture and the Crisis in Central America* is the diversification of the region's exports through the expansion of cotton, beef, and sugar (the second layer of the economic model described earlier). His thesis is an ambitious one: he argues that export diversification through the new agro-exports has shattered the traditional relationships between landlords and the rural labor force, creating the preconditions for revolutionary upheaval throughout the region. Although more enlightened state policies in Costa Rica and Honduras have avoided or postponed this outcome, elsewhere the descent into civil war has been irreversible.

Taking cotton and beef as the main products to be studied, Williams asks three key questions: what caused the boom in exports, who were the beneficiaries of the expansion, and in what ways did each boom affect "material life for the average person"? His answers to the first two questions are satisfactory and provide much useful information on the new agro-exports, but the third question proves too ambitious. Determining the impact of the new export products on the "material life for the average person" requires at the least a macroeconomic perspective. Readers need to know the repercussions on the markets for land, labor, and capital in the whole economy—not just in the new export sector. This approach in turn requires examining the traditional export crops (coffee and bananas), agriculture for domestic use, and the urban economy. Williams's judgments of the impact of the new products on these branches of the economy are superficial, rendering the verdict on the more ambitious case he presents unproven.

Williams is a good example of an analyst unwilling to sketch out viable alternatives to the export model that he so harshly criticizes. He portrays the export boom in cotton and cattle in unambiguously negative terms as ecologically and socially destabilizing. By his own admission, however, enlightened state policies in Costa Rica and Honduras were able to stave off the undesirable social (if not ecological) consequences so that in those two countries, at least, the model would seem

to have been viable. Thus Williams leaves unresolved the crucial question of whether the agro-export growth model itself was flawed or whether entrenched interests in certain republics prevented the additional resources produced by agro-export growth from being widely shared.

John Weeks's *Economies of Central America* (which defines the region as including Panama) adopts a broader perspective than Williams's book but shares the latter's essentially negative judgment on the region's trend toward specialization in export agriculture. Weeks's broader view confers certain advantages because it allows him to look at the interactions between export agriculture and the rest of the economy. For example, Weeks notes that regional import substitution through the CACM did not halt the trend toward agro-export specialization, so that industrialization remained very much the junior partner in the export-led model.

Although Weeks is conscious of the need to account for regional diversity, his book is rather disappointing in explaining intercountry differences. Because policy responses and initiatives by Central American governments are hardly discussed at all, Weeks's analysis (which begins in 1950) is obliged to explain country differences by "inherited" factors such as the land-tenure system. The result is little recognition of the relative stability acquired by Costa Rica and Honduras as a result of social and economic reforms.

Weeks devotes two chapters to economic events since 1979, including one chapter on Nicaragua after Somoza. Both chapters have been rapidly overtaken by events, and the account of relations between the Sandinistas and the private sector in particular is now seriously dated. The Nicaraguan chapter is heavily descriptive, and Weeks does not ask whether the Sandinista experiment with a mixed economy represents a viable model for others to follow. In view of the distortions in the Nicaraguan economy as a result of war and hyperinflation, however, such circumspection is probably fully justified.

Weeks is at his best when writing about the manufacturing sector. He has a number of original ideas regarding its evolution and is not convinced that its dynamism was derived only from the CACM. This viewpoint must be regarded as encouraging by those who hope to see industry revive on the basis of nontraditional exports to the rest of the world. Weeks nevertheless documents a number of weaknesses in the industrial sector that are likely to stand in the way of any major transformation. The book contains too many tables for its size (fifty-five), an imbalance that creates the impression that the author was still feeling his way around the subject while writing the text. But as an introduction to the economics of Central America for newcomers, *Economies of Central America* has its merits.

Hector Dada's *La economía de El Salvador y la integración centroamericana, 1954–1960* focuses on a neglected period in postwar economic development when the foundations were laid for the formation of the CACM. Dada, a left-wing Christian Democrat in the first Salvadoran government after the fall of Romero in 1979, wrote this book while at the Catholic University of Louvaine in Belgium in the 1970s. Unlike Williams and Weeks, he takes pains to stress the dynamic character of agro-export growth with its backward and forward linkages. Indeed, Dada perceives a clear connection between the success of agro-exports in El Salvador (coffee, cotton, and sugar) and the emergence of an aggressive industrial bourgeoisie.

According to Dada's analysis, the weakness of export-led growth derives from its tendency toward concentration, which in turn leads to an unequal struggle between workers and capitalists and the exploitation of labor. While the phenomenon of concentration is indisputable in the Salvadoran context, Dada does not explain why so few ever benefited from postwar economic expansion. His book is therefore a tantalizing study that raises more questions than it answers.

Dada's final chapter is given over to the negotiations leading to the formation of the CACM. He outlines the tension between the Central American *técnicos*, who favored the scheme proposed by the Economic Commission for Latin America, and the Salvadoran (and Guatemalan) capitalists, who are said to have supported the U.S. State Department's preference for a scheme involving free movement of factors of production in the area. Dada's claim that the latter proposal prevailed because of the Salvadoran bourgeoisie's belief that free movement would resolve the demographic problem in El Salvador is ingenious but unconvincing.

The study by the respected Guatemalan-based *Inforpress Centroamericana*, *El futuro del Mercado Común Centroamericano*, is less an assessment of future prospects for the CACM (where it is rather weak) than an impressive analysis of where the CACM went wrong in the past. The report is particularly good on the reasons for the departure of Honduras in 1970, providing convincing evidence that Honduran industrialists felt they were losing out as early as 1965. The book also covers thoroughly the role of direct foreign investment in the CACM. But like Weeks, *Inforpress* relies too heavily on tables (81 in 129 pages), which makes the study more suitable for reference than for continuous reading.

The book by Max Soto, Carlos Sevilla, and Charles Frank, *Integración económica y empleo en la industria centroamericana*, is almost a word-for-word translation of their chapter in a Brookings Institution study completed in 1978.<sup>4</sup> The Brookings study was the last word in technical competence, employing the most sophisticated techniques

and econometric methods, but was completed before the 1979 crisis and the subsequent collapse of the CACM, which it utterly failed to predict. No attempt has been made to revise the book reviewed here to take into account subsequent events in the region, making its policy conclusions badly dated and almost irrelevant. The book contains nothing, for example, on the Nicaraguan Revolution and the implications of the Sandinista experiment with a mixed economy for the evolution of the CACM, despite the fact that the book was not published until 1983.

James Rowles's *Law and Agrarian Reform in Costa Rica* is devoted to one aspect of the reformist package that has helped Costa Rica to escape the worst excesses of the regional crisis. The book was published in the Westview Special Studies series designed to cut the cost of publishing scholarly manuscripts. The idea is laudable, but it surely was not necessary to reproduce the book with two conflicting page numbers on every page!

Rowles traces the origins of agrarian reform in Costa Rica from the 1942 Ley de Parásitos through the unsuccessful draft laws of the 1950s to the successful agrarian reform law of 1961 that set up the Instituto de Tierras y Colonización (ITCO). In so doing, Rowles demonstrates that land reform in Costa Rica was not merely a response to the Alliance for Progress nor a token gesture designed to secure U.S. development assistance. His extraordinarily detailed examination of congressional debates, newspapers, and the draft laws themselves documents the divisions within Costa Rican society over the issue of land reform and the lack of commitment of some of Costa Rica's leaders in the 1950s (notably José Figueres) to the necessity of making changes in land-tenure relationships.

As a blow-by-blow account of the final passage of the agrarian reform law, Rowles's study is unsurpassed. But his ambitions exceed the merely descriptive because his main objective is to establish the case for studying the role of law in the process of economic development. Thus the limited impact of ITCO in Costa Rica since 1961 is viewed as reflecting weaknesses in the agrarian reform law itself, which provided an excuse for the conservative interpretation of the issues frequently rendered by the courts.

This question is a controversial one that deserves wider discussion than it has received. The conventional view among development economists is that a change in law will achieve impact only if the political will exists to see the change through despite entrenched interests. Without the political will, the law has form but no content; with political will, the law becomes largely irrelevant. Rowles's book requires a reexamination of this conventional view because of its persuasive case that even with political will, a poorly drafted law will act as an obstacle to change, although he does not challenge the belief that law on its own

is insufficient. As Rowles observes, the passage of law is a necessary, but not sufficient, condition for development.

Carolyn Hall's *Costa Rica* is subtitled *A Geographical Interpretation in Historical Perspective*. Hall is best known for her excellent work on Costa Rican coffee (which has even drawn grudging praise from Gudmundson), and the present book maintains the same high standard and attention to scholarly detail.<sup>5</sup> It lacks the originality of her previous work, however, and makes rather dull reading—rather like an upmarket version of the area handbooks produced by the Foreign Area Studies Department of the American University.

Hall's best work deals with the agricultural sector. For example, in Chapter 4 on the rural areas, she demolishes a number of sweeping generalizations about agriculture in Central America as a result of her exceptional knowledge of farming systems in Costa Rica. She excels on the subjects of classification of farms and the complex relationships among export agriculture, domestic-use agriculture, and large and small farms. Her carefully weighed remarks contrast sharply with the broad brush adopted by Williams. Yet after three hundred pages, the reader is left with little sense of why Costa Rica is different, if it is at all. Perhaps in her next book, Hall will venture to throw a little caution to the wind.

*Honduras en la encrucijada*, edited by Mechthild Minkner, consists of a collection of seminar papers first presented in West Germany in 1982 under the auspices of the Friedrich Naumann Foundation and the Institute for Iberoamerican Studies. The German foundations have played an active and generally positive role in Central America since 1979, reflecting in part the high profile of Central American issues in West German political debate.

Several of the papers deal with economic and socioeconomic questions. The long essay on agrarian reform in Honduras by Adelheid Kuckelhaus and Mario Posas conveys the impression that land reform must expropriate private property to be effective because the essay does not consider alternative land-reform programs. Ubodoro Arriaga provides a short essay on agro-industry in Honduras, while Ricardo Lagos looks at Honduras and the CACM. The collection also includes a study by Juan Ramón Martínez on Honduran social groups as probable subjects of reform and an essay by Víctor Meza on "la coyuntura."

The essays fails to do justice to the reformist current in Honduras, which has done so much to keep the social peace despite the appalling social and economic conditions that Honduras still suffers. The fiscal effort made by Hondurans in the last two decades is completely ignored, while the success of land reform in strengthening, rather than undermining, export agriculture is given no emphasis. Curiously, the

independence of the popular organizations is viewed by some of the contributors as a sign of weakness, rather than strength.

The collection of essays edited by Mark Rosenberg and Philip Shepherd, *Honduras Confronts Its Future*, resulted from a conference held in Miami in November 1984 and sponsored by Florida International University. Of the book's five parts, only two deal with economic themes: Part 3, "Economic Development and Productivity"; and Part 4, "Agricultural Policy and Prospects." These sections are not the best parts of the book as some of the essays are derivative and unoriginal.

Rosenberg and Shepherd have done well to draw on a wide cross section of opinions, including a high proportion of authors from Honduras itself. Unfortunately, as so often happens, many of the participants are very busy men (none of the twenty contributors are women) who have little time to devote to scholarly articles. Paul Vinelli, for example, heads the Banco Atlántida, while Fernando Lardizabal was (at the time of writing) president of the Consejo Hondureño de Empresa Privada. The result is a book that promises much but fails to penetrate the surface. In fairness to the editors, however, it should be said that the noneconomic chapters (on democracy, human rights and social justice, foreign policy, and national security) achieve a generally higher standard, and Shepherd has provided a thoughtful and stimulating concluding chapter.

One more book under review here is the *Atlas of Central America and the Caribbean*, produced by the Diagram Group. Its numerous maps and diagrams covering history, geography, politics, and economics make it a useful work of reference, but the details on individual countries are insufficient for any serious scholar. School libraries are likely to find it particularly useful, although its price will put it beyond the reach of individual students.

The books reviewed here indicate the importance now attached to research on the economics of Central America and, indeed, the funding now available for Central American scholarship. Yet an uncomfortable contrast is evident between resources available for research outside the region and those available within it. Inside Central America, many universities and institutes have become depleted of funds, their staffs demoralized or decimated, and research has suffered. Despite the election of a civilian government in Guatemala, original research has virtually ground to a halt in that country. *Inforpress Centroamericana*, the authoritative weekly report on Central American affairs, has provided refuge for a number of scholars, but there is no substitute for an independent research institute, properly funded. It is to be hoped that *Inforpress* will succeed in its efforts to establish one. In El Salvador, the Jesuit Universidad Centroamericana has preserved a skeletal program of re-

search in the face of appalling pressures, but the tense political situation renders most scholarship highly partisan. The same description applies to the Salvadoran private-sector think tank FUSADES, funded by USAID. Honduran research in the social sciences is now uncomfortably dependent on a small group associated with Víctor Meza at the Centro de Documentación de Honduras. Meanwhile, the high hopes once placed in Nicaragua's Instituto de Investigaciones Económicas y Sociales have begun to evaporate due to the crisis atmosphere that faces the institute every day. Only in Costa Rica can original research be said to be flourishing, and even there serious constraints on funding and publication exist.

Outside the region, interest in Central America has never been higher, and funding for research is probably more attainable than at any previous time. In Western Europe, the Association for European Research on Central America and the Caribbean (ASERCCA) was recently formed and sponsors an annual conference and a regular newsletter. Associations in the United States linking scholars working on Central American topics have multiplied exponentially. Particularly fine examples are the *Central America Writers' Bulletin* run by the University of Texas, which pools information on unpublished manuscripts about Central America, and the *LASA-NICA Scholars' News*, which provides a wealth of information on scholarly work related to Nicaragua. Both publications go a long way in offsetting the parochial tendency in much North American scholarship to ignore research completed in Central America.

The main thrust of research into the economics of Central America, as exemplified by the books reviewed here, has been on the export sector and its impact on the rest of the economy. Many questions remain unresolved that provide clues for the direction of future research. The most important topic remains the question of the necessary and sufficient conditions for successful export-led growth, given that the studies reviewed here provide clear examples of success and failure from an apparently similar export-led model. Despite the emphasis given by the Reagan administration to the Caribbean Basin Initiative (which excludes Nicaragua), it remains unclear whether a policy of promoting nontraditional exports will necessarily yield the social and economic transformations that are needed in the region.

Another topic that requires much more research in the Central American context is the relationship between economic development and ecology. In *Colonización y destrucción de bosques en Panamá*, edited by Stanley Heckadon Moreno and Alberto McKay, several contributors join forces to describe the ecological damage that projects such as cattle raising (which has been favored by multinational banks) can do to the environment. In the context of Panama, this environmental damage

ultimately affects the viability of the canal because of the drop in rainfall. Serious ecological damage has been done elsewhere in Central America as a result of excessive deforestation and overintensive use of artificial fertilizers. Unfortunately, these topics have been hitherto approached in an oversimplified way, implying that deforestation has an infinite opportunity cost. But the recent change of policy by the World Bank concerning the need to take ecological and environmental considerations into account in its project appraisals suggests that a more balanced view may soon prevail.

The turn of events since 1979 suggests additional topics for future research. The collapse of the CACM has been allowed to pass with insufficient attention paid to the question of how it could be revived and whether Sandinista Nicaragua can be incorporated into a rejuvenated market. U.S. support for the CACM is currently limited by the Reagan administration's determination to exclude Nicaragua from the benefits of U.S. funding, but the European Economic Community has indicated its willingness to fund projects (and research) leading to a recovery of the CACM. The experiments with land reform in El Salvador and Nicaragua, added to those in Costa Rica and Honduras, now provide the basis for serious comparative work on agrarian reform in the region from which future schemes (perhaps in Guatemala) could draw lessons. Finally, much more work needs to be done on new uses for traditional exports (such as coffee and sugar) that would enable Central America to continue to exploit its comparative advantage in these products while enjoying more stable prices and markets for its output. With the prospects for peace in Central America now much improved by the progress of the Arias Plan, these tasks are now more important than ever. The region has to regain the huge economic losses of the last decade in as short a time as possible, and the adoption of appropriate economic policies is a matter of urgency.

#### NOTES

1. I have developed these points at greater length elsewhere. See Victor Bulmer-Thomas, *The Political Economy of Central America since 1920* (Cambridge: Cambridge University Press, 1987), chap. 12.
2. See Mitchell A. Seligson, *Peasants of Costa Rica and the Development of Agrarian Capitalism* (Madison: University of Wisconsin Press, 1980).
3. See, for example, the dispute about coffee in Puerto Rico between Laird Bergad and Tom Brass in recent issues of the *Journal of Latin American Studies* 15, pt. 1; 16, pt. 1; and 18, pt. 1.
4. See *Economic Integration in Central America*, edited by William R. Cline and Enrique Delgado (Washington, D.C.: Brookings Institute, 1978).
5. See Carolyn Hall, *El café y el desarrollo histórico-geográfico de Costa Rica* (San José: Editorial Costa Rica, 1976).