Volume VII — fasc. 2
July-October 1991

Journal of Developing Societies

A Forum for Developmental Issues in Developing and Developed Societies

Journal of Developing Societies, Vol. VII (1991)

Economic and Political Effects on Presidential Popularity in Costa Rica

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Introduction: Economics Matters to Voters

SCORES OF STUDIES of the popularity of chief executives in the United States and Europe leave no doubt that, as Lewis-Beck (1988: 22) puts it, "economics matters". When economic indicators such as income growth and inflation register desirable changes, the popularity of presidents and prime ministers, measured in public opinion polls and electoral returns, goes up. Voters appear to hold incumbents responsible for macro-economic performance, approving of their performance if, for example, income rises and/or inflation falls during their tenure, and disapproving otherwise.

These and related economic effects on what are called "political popularity functions" hold across the major industrial democracies. In a survey of aggregate time-series studies conducted over the last two decades in the United States, Great Britain, West Germany, France, Italy, and Spain, Lewis-Beck observed that

> Despite the cultural and institutional differences that distinguish these nations, some clear patterns emerge. Economics and elections are joined. This judgment is statistically quite secure. The number of vote and popularity functions reported for these countries now number well over one hundred. All but a handful find that economic conditions are significantly related to electoral outcomes. *One conclusion is unambiguous: macro-economic downturn is associated with a fall in government support.* (Lewis-Beck, 1988: 29. Emphasis in the original.)

So regularly and forcefully do economic variables turn up as significant influences in statistical estimates of presidential (or prime ministerial) support in these countries that Lewis-Beck was led to conclude that voting models which exclude economic variables commit specification error (1988: 159).

In light of these findings, we would do well to study the effects of economic conditions on government support in the less-developed areas of the world. Indeed, some studies show that economic conditions are associated with

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political stability, or the lack of it, in Latin America. An analysis of eight Latin American countries between the years 1946 and 1983 shows a ''highly significant connection between frequency of military government and the level of inflation'', with inflationary peaks associated with regime change (Paldam, 1987: 143, 164). Another study, one which included 18 Latin American countries, Spain, and Portugal during the years 1968-1983, found that, ''There are fewer protests, riots, strikes, armed attacks, and irregular changes of government in years of fast economic growth than in years of stagnation or economic contraction. Thus, economic growth per capita seems to reward incumbents in the Iberic-Latin region with the same coin as in the United States, i.e., with longer tenure in office and greater popularity'' (Cuzán, Moussalli, and Bundrick, 1988: 236).

Closer to our concerns, several studies of Costa Rican public opinion show variation in presidential support associated with the economic crises of the last decade. An analysis of citizen evaluations of two presidents of the same political party, where one was in office before and the other during a severe economic crisis, shows that ''Costa Ricans are not insensitive to the performance of their incumbents. On every one of the six items respondents rated the pre-crisis administration as more effective than the administration in power during the crisis'' (Seligson and Gomez, 1989: 170-171. See also Seligson and Muller, 1987; and Finkel, Muller, and Seligson, 1987).

The aforementioned studies are strongly suggestive of a relationship between economic conditions and governmental support in Latin American countries. However, they are not comparable to the studies of popularity functions in Europe and North America. For one thing, either the economic or the political variables take on discrete or extreme values: hyperinflation, economic crisis, pre- and mid-crisis administrations, political violence, military coups, regime change. In the multi-country studies (Paldam, 1987; Cuzán, Moussalli, and Bundrick, 1988), the relationship between economic conditions and government support is implicit. It is assumed that coups and other changes of government occur during economic downturns or hyperinflation because these conditions cause a loss of incumbent popularity, which in turn encourages rival elites to take their followers to the streets or storm the presidential palace in a military coup. In the Costa Rica studies by Seligson et al, the analyses rely on two or three surveys taken several years apart, and the primary purpose of the researchers was to investigate whether what turned out to be a temporary decline in presidential popularity eroded the more basic regime support (it did not).

To duplicate the North American and European studies it is necessary to correlate frequent, incremental changes in both economic conditions and presidential popularity within as well as between administrations. The purpose of this research note is to carry out just that type of analysis with Costa Rican survey data. The data span an entire decade during which voters were asked to evaluate presidential performance three times a year in three consecutive administrations. Before proceeding to the analysis, though, a few words about Costa Rica's democracy are in order.

Costa Rica: A Third World First-Rate Democracy

Costa Rica, a Central American country the size of South Carolina or West Virginia, has less than three million people. About a third of its workforce is employed in agriculture, fishing, and related activities, almost twice that employed in industry. Coffee, bananas, beef, and other agricultural products make up most of the value of exports. Only about one-half of the population lives in urban areas. At less than $ 2,000, Costa Rica's gross national income per capita is below the Latin American median and only a fraction of what it is in the United States and other industrial democracies.

Yet, having held ten consecutive competitive and peaceful elections since 1953, Costa Rica has had the longest period of uninterrupted constitutional democracy in Latin America, longer than some West European countries, such as France and Spain. The last civil war or revolution took place in 1948. The following year, a constitution was adopted which provides for a republican government divided into the customary three powers, with the president and national assembly elected every four years. The system has weathered economic crises and continues to enjoy widespread legitimacy (Seligson and Muller, 1987).

Costa Rica's "system of stable liberal democracy [is] without parallel in Latin America" (Booth, 1989: 417). Other Latin Americanists evaluate it just as positively, rating Costa Rica on the Fitzgibbon-Johnson reputational index as the most democratic in the area since 1965 (Wilkie and Ochoa, 1989: 213). Freedom House, a New York-based human rights organization that has been evaluating the world's governments on political and civil rights since 1972, has consistently given Costa Rica, but no other Latin American country, the highest possible score on both dimensions (Wilkie and Ochoa, 1989: 210-212). In Freedom House's 1990 report, Costa Rica scored higher than France, and was placed in the same freedom category as the United States, West Germany, Great Britain, and Spain—the only Latin American country to have been so distinguished (Freedom House, 1990: 21-25). The country's rate of political participation is also very high. As Seligson and Gomez put it, "in Costa Rica, for at least the last four decades, participation has been as wide, broad, and deep as it has been among the most highly developed and institutionalized democracies in Western Europe and North America" (1989: 158).

Costa Rica's political party system is bimodal, with most of the votes cast for president going to the candidates of two major parties, or of one major party and a coalition of parties opposed to it. The better organized of the two parties, and the winner of most presidential and legislative elections, is the National Liberation Party (PLN), of social democratic orientation, formed by the victors of the 1948 revolution. For over two decades, Costa Rica's electoral competition has pitted the PLN against various anti-PLN coalitions put together for the purpose of contesting the quadrennial presidential elections. However, more recently the anti-PLN forces have merged into a second major party, the Christian Social Unity Party (PUSC), which "advocates orthodox neoliberal economic policies and major reductions in the size of the state bureaucracy'' (McDonald and Ruhl, 1989: 176). The PLN has something of an ideological or programmatic affinity with the Democratic Party and the PUSC with the Republican Party of the United States. In 1988, then president Oscar Arias of the PLN endorsed Michael Dukakis for the U.S. presidency. The PUSC victorious candidate in the 1990 election, son of a former president and leading figure of the side that lost the civil war, made a point of his friendship with George Bush.

Data, Methodology, and Specification

The country's democratic credentials having been established, we now describe the variables and data that will allow us to test the hypothesis that economic conditions have an effect on presidential popularity in Costa Rica. Since 1979, a Gallup International affiliate, *Consultoria Interdisciplinaria en el Desarrollo*,[1] headed by Charles Denton, a political scientist who has written about Costa Rica (Denton, 1971 and 1985), has surveyed Costa Rica's voters three times a year, usually in February, July, and November.[2]

One of the questions asks interviewees to evaluate the performance of the incumbent president as ''very good, good, neither good nor bad, bad, or very bad''. Assuming that respondents who rate the president's performance as ''very good'' or ''good'' can be said to approve of the way he's handling the job, adding the percent of responses falling in these two categories yields the president's approval rating, APPROVE. Another support measure is obtained by calculating the difference between the percent who approve and the percent who disapprove (those who rate his job as ''bad'' or ''very bad'') of the president's performance, MARGIN. Presumably, MARGIN is a more discriminating measure of presidential support. It can distinguish between presidents with identical APPROVE ratings who differ in the extent to which they inspire hostility or indifference among those who do not approve of their performance.

The general ordinary least squares (OLS) regression equation for estimating presidential popularity in Costa Rica is as follows:

Popularity = a + b1Prices + b2GROWTH + b3CYCLE + b4PARTY + b5USA + E

where

Popularity	= either APPROVE or MARGIN;
PRICES	= percent increase in the WHOLESALE price index or in the CONSUMER price index (both indexes measured by the Costa Rican Central Bank) between the month in which the poll was taken and the previous month;
GROWTH	= annual rate of growth in World Bank estimates of per capita Gross National Income in 1987 dollars;
CYCLE	= a binary (dummy) variable which takes the value of 1 in the first two and the last two polls conducted in the first and last year of an administration, respectively, and 0 in every other poll;
PARTY	= a binary (dummy) variable which takes the value of 1 during a PLN administration, 0 otherwise;

USA	= the percent approval rating of the president of the United States, as measured by Gallup;
a	= constant term (intercept);
b1, ..., b5	= regression parameters;
E	= stochastic error term.

Our expectations are as follows: In keeping with findings in North America and Europe, we expect Popularity to vary inversely with Prices and directly with GROWTH. That is, we have every reason to believe that in Costa Rica voter support for the incumbent president will rise with economic growth but fall with inflation. A caveat, however, should be noted: Although there are monthly inflation figures, only annual values of Gross National Income per capita are available. This is unfortunate for, as Lewis-Beck (1988: 116) notes, "The work on popularity functions routinely uses quarterly or monthly data, rather than annual". This is one of the handicaps of working with less developed countries: the data are not always available in the quantity and quality one would like. Annual per capita Gross National Income growth (or contraction) rate data was utilized with the three polling observations taken each year.

We expect a positive correlation between presidential popularity and CYCLE. It has been established in the United States that, *ceteris paribus*, presidential popularity is cyclical. It is high during the first few months of a president's term, known as the honeymoon period, after which popularity drops around mid-term, and then rises again in a pre-election surge (Tatalovich and Gitelson, 1990). Lewis-Beck reports that cyclical patterns have also been found in Great Britain and France (1988: 15-16, 18). However, Borooah and Borooah (1990: 75) found no cyclical effect on government popularity in Ireland. Still, we expect to find one on account of the " 'honeymoon' of immunity from criticism" that is traditionally accorded to new administrations in Costa Rica (Seligson and Gomez, 1989: 179).

PARTY is also expected to have a positive impact on Popularity. As previously mentioned, the National Liberation Party has won more presidential elections than any other party in Costa Rica. Its principal founder, Jose Figueres Ferrer, who died recently, holds the record in the popular vote for president, having received 65 percent in 1953. No other candidate has reached even 60 percent. The PLN is the only party to have won two consecutive presidential elections in a row (in 1970 and 1974, and then again in 1982 and 1986). Also, although it did not happen in 1990, usually when the PLN loses the presidential election, it still keeps control of the national assembly, albeit with the help of two or three votes from minor, usually far-left parties. For these reasons, we expect that PLN presidents will, other things equal, have greater popularity than non-PLN presidents.

Finally, the equation includes USA, the American president's approval rating, to see if the glow of presidential success in Washington shines in San Jose, redounding to the advantage of the Costa Rican chief of state. This hypothesis is not too farfetched, considering that Costa Rica depends on the United States for trade, financial assistance, and national security.

Results: Economics Matters in Costa Rica

Table 1 shows the ordinary least squares regression estimates of two measures of presidential popularity in Costa Rica: APPROVE and MARGIN. Two sets of equations are shown for each variable, one where inflation is measured by changes in the consumer price index (CONSUMER) and one by changes in the wholesale price index (WHOLESALE). However measured, inflation has a negative, statistically significant effect on both indicators of presidential popularity. The strongest relationship, however, is between WHOLESALE and MARGIN, which is graphically shown in Figure 1. On the other hand, economic growth has an invariably positive impact. These findings are consistent with our expectations and with what is known about popularity functions in the industrial democracies. Economics matters to Costa Ricans, too.

Table 1

OLS regression estimates of presidential popularity measures Costa Rica, 1979-1989 (t-statistics in parentheses)

	Approve		*Margin*	
PARTY	23.1*** (4.8)	22.8*** (5.0)	49.6*** (6.8)	48.9*** (7.2)
CYCLE	6.3 (1.4)	8.3* (1.9)	11.9* (1.7)	15.1** (2.3)
GROWTH	0.9** (2.3)	0.7** (2.1)	1.5** (2.6)	1.3** (2.5)
USA	-0.1 (-0.36)	-0.1 (-0.5)	- 0.6* (-1.9)	-0.6** (-2.2)
CONSUMER	-185.3* (-1.8)		-376.2** (-2.4)	
WHOLESALE		-201.5** (-2.6)		-381.9*** (-3.3)
INTERCEPT	29.5	30.8	16.7	18.7
Adj. R sq.	.73	.75	.81	.84
N	33	33	33	33

*** significant at .01 level
** significant at .05 level
* significant at .10 level

Also consistent with our expectations are the results obtained with the variable CYCLE. As in the United States, Great Britain, and France, presidential popularity in Costa Rica is cyclical. Other things equal, public approval of incumbent performance is highest at the beginning and at the end of an administration.

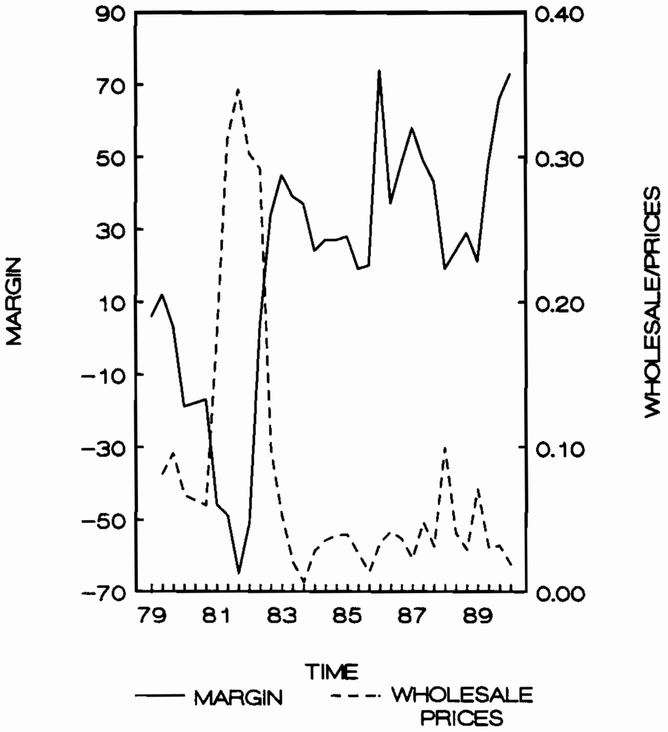

Figure 1. Inflation and Presidential Popularity in Costa Rica

PARTY, too, behaves in the expected direction: PLN presidents are more popular than non-PLN presidents. In fact, the single best predictor of incumbent popularity is whether the president belongs to the PLN or to another party. However, this finding should be treated with caution. The data cover only three administrations: two PLN and one non-PLN presidents. The latter, Rodrigo Carazo Odio, elected in 1978, was plagued by domestic and foreign-policy problems. During his term in office, Costa Rica plunged into what Seligson and Gomez (1989: 164) call the "most severe and protracted economic crisis of the century". The highest inflation rates in the data occurred during his administration, as Figure 1 demonstrates. To make matters worse for Carazo, who had helped the Sandinistas to come to power in Nicaragua, a policy that was popular at the time, Costa Ricans came to feel threatened by the Sadinista regime, and relations between the two countries rapidly deteriorated (Peeler, 1990: 16-17; Seligson and Gomez, 1990: 464). The one-two punch of a domestic and an international crisis coming simultaneously was apparently too much for Carazo's popularity: the lowest approval ratings in the data took place during his term in office. (See Figure 1.) Thus, what may appear as the greater popularity of PLN presidents may simply reflect the low esteem in which the Carazo administration was held.

The one variable whose effect on presidential popularity did not meet our expectations is USA, the popularity rating of the American president in the month in which Costa Ricans were polled about their president. We had hypothesized that American presidential success would spill over to his Costa Rican counterpart. Yet, USA has no effect on APPROVE and only a modest impact on MARGIN. However, in the latter case the sign of the relationship is *negative*, i.e., the higher the presidential approval rating of the president in the U.S.A., the lower that of his Costa Rican counterpart. This anomalous result is easily explained, however, by the fact that presidential terms in the U.S. and Costa Rica do not coincide. In fact, the popularity cycles run counter to each other: the Costa Rican president is elected mid-way through the American president's term, when the latter's popularity is at its nadir. We can safely conclude, then, that presidential popularity in Costa Rica is uninfluenced by that in the United States.

It should be noted that the five predictors together account for over 70 percent of the variability of APPROVE and over 80 percent of MARGIN. Thus, the general model fits the data rather well.

Summary and Conclusions

This paper set out to test whether, as in North America and Europe, economic conditions have an effect on the popularity of the Costa Rican chief executive. The results are positive: regression analysis demonstrates that in Costa Rica presidential popularity is enhanced by economic growth and damaged by inflation. Thus, it appears that economic conditions affect presidential popularity not only in the large industrial democracies, but in small and agricultural-based democracies, as well. These findings would seem to strengthen Lewis-Beck's position regarding the inadequacy of voting models which omit economic variables. They also support the conclusion of earlier studies by Seligson and others that Costa Rican voters, like their counterparts in North America and Europe, hold their elected officials responsible for economic outcomes.

NOTES

1 Seligson and Gomez (1989: 172, 182) cite a CID poll published in *La Nacion*, Costa Rica's largest newspaper.

2 We wish to thank Dr. Denton for graciously allowing the first author to see the results of these and other surveys during a 1990 visit to Costa Rica.

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