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## COMPARING DEVELOPMENT OUTCOMES: CUBA AND COSTA RICA (1960–1990)\*

Rubén Berrios

### ABSTRACT

*This study examines the development performance of Cuba and Costa Rica, two different economic systems, by using a set of socio-economic indicators to measure their relative successes. The study covers their performance outcome over a three-decade period (1960-1990). In both Cuba and Costa Rica a clear-sighted policy prioritizing social policies was made to raise educational and health standards, and to reduce poverty levels. The role played by both governments was essential in implementing a consistent set of policies, and adequate policy instruments were also employed to improve and preserve a more equitable distribution of income.*

### Introduction

It has long been an orthodoxy that a poor nation can increase its welfare by focusing on economic growth; as the economy prospers, improvements in education, health care, employment, and distribution of income will naturally follow. However, some scholars have argued that without deliberate and systematic attempts directly aimed at increasing the social dimensions of development, economic growth occurs without benefit to the wider society, and this ultimately undermines economic development itself.

“Development” is an elusive term that is often taken to mean a process by which people’s welfare is enhanced. But the goal of development is not simply to achieve greater economic wealth or material well-being. There are other qualitative dimensions aimed at attaining higher living standards, greater equality, and fundamental human rights. The underlying assumption is that development involves changes in structure and institutions as well as growth and distribution (Seers 1972). However, government policies are often implemented to pursue and/or achieve

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material goals through economic growth, which might not increase satisfaction on human needs and basic social justice.

A comparison of the development achievements of Cuba and Costa Rica over the 1960-1990 period with those of the rest of Latin America indicates that this "growth with equity" approach has been more effective in accomplishing the basic goals of development. Although very different from each other in size, political system, and approach to economic policy, both Cuba and Costa Rica have long-standing policies of direct intervention through active government programmes, and as a result, both of these countries have outperformed the rest of Latin America in upgrading the standard of living of the bulk of their populations.

There is a growing consensus in the development literature that investments in social services, particularly health and education, are critical elements for economic development (Lucas 1988; Todaro 1998; Sampaio de Sousa 1998). This study suggests that appropriate social policies may considerably reduce poverty and improve human development and income distribution. It also suggests that such targeting can take place under very different types of political systems. Economic growth in both countries, which has been slower than in many other less developed countries (LDCs), was a necessary but not sufficient pre-condition for poverty reduction. Much of their success achieved in their development efforts is directly related to public policies and a willingness to direct resources to specific areas. In both Cuba and Costa Rica clear-sighted policies prioritizing social policies were established to raise educational and health standards. The role played by both governments was essential in implementing a consistent set of policies and adequate policy instruments were also employed to improve and preserve a more equitable form of income distribution.

There are a number of compelling reasons to examine the social policies of these two countries. Foremost among them are their accomplishments relative to the rest of Latin America and the Caribbean during the 1960-1990 period. The aim of the study is to examine how these two countries made substantial strides in promoting social policy over three decades to reduce poverty levels and inequality. These experiences give insight into how LDCs can advance redistributive policies.

### **Scope and Methodology**

The two nations are geographically close and share many similarities in language, culture, and history, but have significantly different political and economic systems. This study analyzes Cuba and Costa Rica's socio-

economic policies using a longitudinal approach and set of socio-economic variables for judging their development performance. The study covers only three decades up to 1990 because Cuba's statistical yearbook was not made available after 1989 and it was not possible to gather sufficient data to continue a meaningful comparison. Furthermore, conditions changed dramatically for both countries after that year, leading to shifts in their development models.

There are a number of inherent problems in analyses of different economic systems (Zimbalist, Sherman, and Brown 1989). In this case they are exacerbated by the limitations of the data, particularly from Cuba, the lack of uniformity and a different calculation methodology used. The Cuban system of national income accounts uses gross value of production instead of value added to measure aggregate output. There is no detailed data to easily convert gross social product (GSP) to gross domestic product (GDP).<sup>1</sup> Standard indicators presently used to measure levels of development also have their methodological errors and seem inadequate when applied to make comparative ranking. But in addition to the technical difficulties in measuring development, not only is there a bias in favour of material measures, or what Goulet (1992) calls ethnocentrism, but in what is considered quality of life. Another term Goulet uses is reductionism (reducing human development to one narrow dimension). For instance, the use of GDP or GDP per capita is a deficient tool because it only emphasizes the expansion of private income, and therefore, it is inadequate in measuring other social dimensions of development such as infant mortality, life expectancy, and years of schooling (Seers 1972; Goulet 1992). Aware of its limitations, this study makes use of the standardized set of socio-

1 The issue of interpreting a different national income accounting system such as the one Cuba uses to measure economic performance has generated controversy among scholars who monitor the island's economy. For instance, Swedish economist Claes Brundenius and American scholar Andrew Zimbalist have raised methodological and statistical questions about the methods of measuring Cuba's economic growth used by Cubanologists such as Carmelo Mesa-Lago and Jorge Perez-Lopez (1985). See A. Zimbalist, "Cuban Political Economy and Cubanology: An Overview" and C. Brundenius and A. Zimbalist, "Cubanology and Cuban Economic Performance," in A. Zimbalist (ed) *Cuban Political Economy: Controversies in Cubanology*, Boulder, Co: Westview Press, 1988. A more recent analysis on the scope and reliability of Cuban statistics that challenges the arguments made by Cubanologists is A. Zimbalist and C. Brundenius, *The Cuban Economy, Measurement and Analysis of Performance*, Baltimore: Johns Hopkins University Press, 1989. Cuban economist Jose Luis Rodriguez, now Minister of Finance, also raised some fundamental issues on how Cubanologists assess Cuba's economic performance. See J. L. Rodriguez's "Cubanology and the Provision of Basic Needs in the Cuban Revolution," in Zimbalist (1988) and his book titled *Crítica a nuestros críticos*, La Habana: Editorial Ciencias Sociales, 1988.

economic indicators to assess the development of these two countries over the study period.

Despite having followed very different paths of economic development, which is justified under different ideological premises, both countries have demonstrated throughout the course of three decades the viability of their economic strategies. Although no definitive judgment can be made as to which country is more successful, this study seeks to shed light on the reach and scope of each country's social policies and on each government's priorities in its pursuit of sustainable development.

The article was inspired and builds on a paper published by Mesa-Lago and Diaz-Briquets (1988) but also builds on the work of other scholars (Gonzalez 1995; Mesa-Lago 2000; Betancourt 1996; Mehrotra 1997; Sheahan 1987). This study examines the degree both countries' socio-economic policies have led them to meet basic needs in nutrition, health care, sanitation, housing, and education.

### **Resource Endowment and Political Factors**

Relative to the rest of Latin America, Cuba and Costa Rica are small countries located in the Caribbean basin. Cuba is twice as large and its population in 1990 — 10.5 million — was more than three times Costa Rica's of slightly more than 3 million. At that time, 54% of Costa Rica's population was considered urban, whereas Cuba's was about 75% urban (see Table 1). But the rural population in Costa Rica is quite different from that of other countries in Latin America. Many Costa Rican villages are linked by paved roads, most have electricity, piped water supply, and access to public services. The difference in the quality of life in rural and urban areas is less extreme than elsewhere in the region. If one considers "material indicators," one of which is piped water, the difference between Costa Rica and the rest of Central America is startling.

Despite rapid industrialization, both countries remained largely agriculturally based. As small open economies with a narrow resource base and limited domestic market, trade represented more than 60% of GDP for the two economies. Both countries are specialized in one or two agricultural exports: for Cuba it's sugar and for Costa Rica bananas and coffee. Sugar accounts for about three quarters of Cuba's export earnings. Other export products include nickel, cobalt, citrus fruit, and tobacco. For Costa Rica, coffee and bananas have accounted for over 40% of its export earnings. Other secondary export products are sugar, corn, beef, and timber. As commodity exporters both countries have been vulnerable to falling world prices of their main exports.

Table 1: Selected Socio-Economic Indicators

COSTA RICA									
YEAR	Pop Growth	Urban Pop <sup>1</sup>	Share of GDP <sup>2</sup>			Share of Labour Force			Energy Consumption
			Agri	Industry	Serv	Agri	Industry	Serv	(kg of oil equiv)
1970	2.9 (1965-73)	40%	23.5	23	53.4	46.9	19.2	33.9	267
1980	2.5 (1973-80)	46%	17.8	27	55.2	38.7	21	40.3	503
1990	2.4 (1980-91)	54%	16	26	58	26.0	20	54	622
CUBA									
YEAR	Pop Growth	Urban Pop <sup>1</sup>	Share of GDP <sup>2</sup>			Share of Labour Force			Energy Consumption
			Agri	Industry	Serv	Agri	Industry	Serv	(kg of oil equiv)
1970	2.6 (1965-73)	60%	18.1	29.7	52.2	30	26.3	33.6	604
1980	1.5 (1973-80)	68%	12.9	30.7	56.4	22	28	40	953
1990	1.0 (1980-91)	75%	12.4	29.1	58.5	22	28	40	1,192

Sources: ECLAC, *Statistical Yearbook for Latin America and the Caribbean 1994*

<sup>1</sup>Services include construction, transportation, financial services and other. World Bank, *World Development Report 1992*; World Bank, *World Tables 1993*, pp. 200-203; for Cuba 1980 is 1981, see Brundenius (1984), table 3.10, pp. 77.

<sup>2</sup>World Bank, *Social Indicators of Development*. 1993, pp. 77-83 for Costa Rica, Mesa-Lago (2000) for Cuba. Totals do not add up to 100.

In the realm of human resource endowment, both countries have made considerable advances by investing in human capital. The most commonly used measures of a country's endowment of human capital is educational achievement, which can be measured as a percentage of the population that has completed various levels of education or by estimating the average years of schooling. Cuba's educational attainment levels are higher than most countries in Latin America (Brundenius 2001). But Costa Rica's advances have also been impressive (Trejos 1999).

Costa Rica has been distinguished for decades by its relatively homogeneous population, its more developed agricultural sector, its stable democracy, and the fact that it has no army.<sup>2</sup> Cuba, on the other hand, has a more heterogeneous population. When the last census was taken in 1981, approximately 34% of the population was black and mulatto. These percentages were believed to be higher at the end of that decade (de la Fuente 1995). In contrast to Costa Rica, Cuba also has had large military expenditures.<sup>3</sup>

Although the two countries are prototypes of rival economic systems, they exhibit some striking similarities (Mesa-Lago and Diaz-Briquets 1988; Gonzalez 1995). Nevertheless, Cuba is a socialist country, with the means of production mostly collectivized (except for part of agriculture and some types of services). Costa Rica is predominantly market-oriented, with the means of production in private hands and the state sector playing an important role in the allocation of resources.

Cuba's revolution was accomplished by force, leading to the establishment of a revolutionary socialist government that has been ruled by the Communist Party since 1961. In the early 1960s, the Cuban government began to pursue a socialist path of development, brought about a radical transformation in economic organization, and introduced central planning.

- 2 Military spending, particularly in LDCs, is costly because it uses up scarce resources. Armaments are often major imports that use up foreign exchange that would be devoted to capital goods or other necessary imports. Arms expenditures can generate distortions in social and economic development because they generate heavy debts, require maintenance, spare parts, and training that could be put to more productive use. See Ball: 1983; Varas: 1988. According to UNDP (1994), developing countries that spend little on defense and much more on human development have been more successful in defending their national sovereignty.
- 3 In the late 1980s the Institute of International Security Studies estimated that Cuba's armed forces consisted of some 180,000 personnel, making it the biggest military force in the Caribbean and one of the largest in Latin America. See IISS, *The Military Balance, 1988-1989*, London: IISS, 1988. Cuba has had a heavy debt with the former Soviet Union. It is estimated that about half of this debt is the result of arms transfers and military equipment. Large military expenditures resulted from Cuba's participation in helping liberation movements in Africa and Latin America during the 1970s and 1980s.

By virtue of the revolution, Cuba embarked on a development path distinct from the rest of Latin America. In principle, socialism led the state to pursue an economic policy that would be responsive to satisfying basic needs and fostering greater equality, albeit amid austerity (Eckstein 1994; Rodriguez 1990).

Costa Rica, on the other hand, was a typical peripheral capitalist economy, with a representative democracy and long tradition of social service provision by the state (Mesa-Lago and Diaz-Briquets 1988). Since the 1940s, Costa Rica has had a government with a social democratic perspective that developed a reputation as the archetypal "welfare state." Costa Rica embraced democracy, but also in contrast to most of its neighbours, has maintained a stable government over many decades.

### Comparison of Social and Economic Indicators

The differences between Cuba and Costa Rica permit revealing comparisons between two countries whose social indicators improved dramatically and are among the best in Latin America and the Caribbean in terms of satisfying basic needs and reducing significant levels of absolute poverty (Eckstein 1994; Mehrotra 1997; Seligson et al 1996; Rodriguez and Carriazo 1987; Trejos 1994; Weeks 1985; Zimbalist and Brundenius 1989). At the end of the 1980s, both countries had achieved prosperity in terms of social indicators and welfare, which in some cases are comparable to those prevailing in industrialized countries. In both countries income has been more equally distributed than in much of Latin America, and social security, the right to employment, and the promotion of growth with equity have been important policy instruments. Although both countries have had their share of economic problems, they have had successful achievements in reducing poverty levels, lowering infant mortality rates, increasing literacy levels, and providing high levels of health care and employment to broad sectors of the population.

This section examines some of the main economic and social features that distinguish the two countries. First, some basic economic indicators of the two countries are discussed: GDP per capita, degree of economic openness or foreign trade dependency, public expenditures in social services, export concentration, and external debt per capita. Other issues discussed later are poverty and income distribution and the dimension of infant and child mortality, life expectancy, and education. Analysis of the data shows that more equitable income distribution is correlated with lower infant and child mortality than would otherwise be found at the same levels of income



per capita (Brundenius 1984; Trejos 1999). Moreover, national policies with respect to education and health are also manifestations of social purpose intended to ameliorate levels of poverty and inequality (Sen 1981; Dreze and Sen 1989).

Table 2 shows real and per capita GDP for Costa Rica and real and per capita GSP for Cuba, from 1960 to 1990. In absolute terms, Costa Rica's growth rates are higher than Cuba's. Between 1960-90, Costa Rica grew at an annual rate of 4.5%. However, since the population grew at an average of 2.8% a year, real GDP only grew at 1.7%. Costa Rica also fares better than all its Central American neighbours, which experienced rapid economic growth but also greater population growths (Weeks 1985; Bulmer-Thomas 1988). Cuban growth rates in per capita terms are higher in all periods except 1966-70 and 1986-90 (Mesa-Lago and Diaz-Briquets 1988; Mesa-Lago 1994).

During the last decades, Costa Rica's economy has experienced important structural changes. The contributions of agriculture have declined substantially, while those of other sectors, particularly manufacturing and services, have increased (Bulmer-Thomas 1988). Data on the distribution of the labour force by economic activity are presented in Table 1.

**Table 2: Economic Growth Rates in Costa Rica and Cuba: 1960-1990**  
(average annual percentage rates at constant prices)

Years	COSTA RICA (GDP)		CUBA (GSP) <sup>1</sup>	
	Absolute	Per capita	Absolute	per capita
1960-65	5.2	1.3	5.22	3.0
1966-70	7.0	4.0	0.42	-1.3
1971-75	6.0	3.4	7.5	5.8
1976-80	5.3	2.3	3.5	2.7
1981-85	0.4	-2.7	7.3	6.4
1986-90 <sup>3</sup>	4.2	1.9	0.7	0.8
1960-90	4.5	1.5	4.0	3.2

<sup>1</sup>Global social product excludes the value of 'nonproductive' services but is affected by some double counting of intermediate consumption.

<sup>2</sup>The official annual average growth is a rough estimate. Some data is missing.

<sup>3</sup>For Cuba until 1989.

Sources: Costa Rica from ECLA, *Statistical Yearbook for Latin America*, 1980 and 1990. Cuba data is from JUCEPLAN, 1966 to 1971; *Anuario Estadístico de Cuba* 1972 to 1989; *Banco Nacional de Cuba* 1982 to 1989. From Mesa-Lago and Diaz-Briquets (1988) table 4 and Mesa-Lago, *Breve historia económica de la Cuba socialista*, Madrid: Alianza Editorial, 1994, pp. 210. and Informe Económico, Banco Nacional de Cuba (1995), CEPAL (1997), table A.1, pp. 626.

Costa Rica in the early 1960s adopted an economic diversification strategy, which was facilitated by the creation of the Central American Common Market (CACM). These developments led to growth in the external sector. Growth in the industrial sector began to slow down later in the 1970s as Costa Rica encountered difficulties in the development of capital-intensive industrial activities. Energy price increases, higher interest rates, and a deteriorating economic climate produced lower rates of economic growth (Weeks 1985; Bulmer-Thomas 1988). During the first half of the 1980s, Costa Rica experienced an economic crisis marked by declining output, shrinking foreign trade, record inflation, and large public sector deficit (Bulmer-Thomas 1988; Cespedes et al. 1993; Riviera Mas 1987). The government introduced IMF-sponsored measures that included eliminating subsidies, trimming social services, laying off public employees, dismantling trade barriers, and selling off state-owned enterprises. The crisis had an impact on the standard of living of the most vulnerable sectors and the incidence of poverty increased (Gonzalez-Vega and Cespedes 1993; Trejos 1999). Increasing incomes and the expansion of social welfare initially generated more opportunities for the middle and low-income groups; however, this trend was reversed with the economic crisis that Costa Rica was to face in the early 1980s (Gonzalez-Vega and Cespedes 1993; Trejos 1994, 1999).

The gaps in Cuba's economic data have led experts to make only rough estimates for certain years, particularly in the 1960s. The data shows that Cuba's economic growth, as measured by national income, had risen in line with population growth, except for the 1966-70 period.<sup>4</sup> The second half of the 1960s witnessed a generalized decline of the Cuban economy, with the exception of sugar and a few other products. From 1971 to 1975, growth was higher than previous years. From 1976 to 1980, GSP slowed down somewhat as sugar prices dropped, but from 1981 to 1985 there was a vigorous economic recovery and growth rates increased at an average annual rate of 2.3%. In 1986, the Cuban leadership launched a moral campaign labeled as the "rectification process," which reversed reforms of the "market opening" in the first half of that decade. The shift exalted socialist principles, attacked "excessive" earnings, placed emphasis on moral incentives as opposed to material ones, and tightened up market mechanisms. This policy led to a greater centralization and economic inefficiency, and combined with exogenous factors (drought, lower sugar prices,

4 According to estimates by Mesa-Lago, the figures of GSP oscillate between 0.4% and 7.1% and -.3 to 5.4% per capita. There is no definitive data on this issue.

lack of hard-currency credits), resulted in a worsening of economic performance (Perez-Lopez 1992). The annual growth rate from 1985 to 1989 was only 0.7%.

Cuba's economic difficulties can be attributed to both internal and external factors. Important among these were: the exodus of professional and skilled manpower in the early years of the revolution; the switch to Soviet and eastern European supply of machinery and equipment; the US trade embargo, which made it more costly to import goods from faraway places; and the introduction of central planning, which led to production bottlenecks and inefficiency (Mesa-Lago 1994).

The Cuban experience with economic growth shows volatility, with accelerated growth for certain years, contrasted with rates falling below those of Costa Rica in other years. Systemic inefficiencies that characterized all centrally planned economies was manifested in falling productivity, and affected the Cuban economy as it moved toward greater centralization and backsliding (Mesa-Lago 1986, 1994; Perez-Lopez 1987). A case in point is the economic success of "free farmers' markets" in terms of increasing production and efficiency during the early 1980s (Marshall 1988). The opposite effect has been seen with the "rectification" campaign that brought about a reversal of reform and tightening of economic control by the state (Perez-Lopez 1992).

An important aspect of the Cuban experience was the government's efforts to reduce inequality between town and country. Overall, there has also been a trade-off between slower growth for a sustained effort to reduce inequality (Seers 1975; Mesa-Lago 1986). A key issue that is at the core of development is improving the quality of life. As Seers puts it, a country's development performance was not a question of, "how much did a nation's income grow? But rather, whose income grew?" (1974 262).

The Costa Rican experience can be roughly divided into two phases. During the 1960s and 1970s, the economy grew at moderate rates and the economy as a whole performed relatively well. During the 1980s, there was a period of decline and stagnation due to large foreign debt and large deficits. As Rodriguez and Smith have documented, some of the "gains in poverty reduction made in the 1970s were largely reversed during the 1980s" (1994 381).

Both Costa Rica and Cuba's foreign trade experienced deficits, but Cuba's has been larger. Both countries resorted to heavy borrowing in order to cover their trade deficits. In the case of Cuba, the former Soviet Union provided most of the economic aid throughout the three decades, totaling about \$65 billion by 1989, approximately half of it in non-repay-

able grants and the remainder in medium and long-term loans at low interest rates. Cuba's hard currency debt with market economies by 1989 was estimated to be \$6.7 billion and very little of it has been paid since 1982. The Soviet Union also announced at the end of the 1980s that Cuba owed it 15 billion rubles or its equivalent of \$24 billion (Mesa-Lago 1994). However, this amount has been substantially reduced due to the devaluation of the ruble. Meanwhile, Costa Rica's foreign debt, which in 1990 stood at over \$4 billion, ranked among one of Latin America's worse debts in per capita terms (Honey 1994).

Economic inequality in most Latin American countries has historically been very pronounced and recent studies confirm that this continues to be true (Psacharopoulos et.al 1997). Both Cuba and Costa Rica started out better than average in 1960, and by 1990 they had improved their positions relative to the rest of Latin America.<sup>5</sup>

One area in which Cuba and Costa Rica can be distinguished from the rest of Latin America is with respect to rural poverty, which, although higher than urban poverty in all countries, is not as disproportionately high for these two countries (Colburn 1993). One of the explanations is that Cuba and Costa Rica have extended education to the rural areas, whereas other countries have a poor record of rural education. Both Cuba and Costa Rica have made serious efforts to improve schooling overall, particularly primary education. In the former, "primary education for the poor was one of the first priorities of the post-revolutionary government. The pre-revolutionary base had been one of the best in Latin America, which is not to say that it was good" (Sheanan 1987: 46).

By Latin American standards in 1960 Cuba had a relatively well-educated population. However, access to higher education was restricted to the wealthy. When the revolutionary government took over the educational system it made it free of charge. In the early years there was an aggressive literacy campaign to educate adults, a move to eliminate inequality in education, to prioritize the rural poor, and to shift emphasis from university to primary and secondary education, and a shift from academic to vocational training. According to UNESCO (1993), "at the end of the 1980s education was practically universal — in contrast to the rest of Latin America where secondary school enrollment ratio was under 50% at the same time."

5 According to CEPAL (1994), in 1970 40% of Latin America's population lived under the poverty line, and twenty years later, 39 was classified as poor, hardly a change in two decades. In many countries poverty actually increased over this time period.

According to a UNDP report, the illiteracy rate in Cuba in 1958 was 23.1%, but it was reduced to 3.9% by 1961 (UNDP 1997). In the UNESCO report, which makes an international comparison on the effect of each country to maintain and improve education, known as Basic Education Index, Cuba ranks first with an index of 96.9%, ahead of all the developing countries (1993: 23-26).

Cuba and Costa Rica's successes in reducing poverty are also manifested in their impressive accomplishments in health. In Cuba, public health, along with education, was given priority in the early years of the revolution. Both are fully funded by the state and freely available. Both became powerful symbols of egalitarian values (Rodriguez 1990; UNDP 1997). This is evident in Table 3, which shows that Cuba had a rapid increase in school enrollment and one of the highest literacy rates in Latin America. Health indicators have improved more rapidly in Cuba than in the rest of Latin America. Cuba also had the lowest level of infant mortality, the highest level of life expectancy, and the greatest increase in the number of physicians per inhabitant. Cuban health indexes are outstanding relative to its level of income, and by the end of the 1980s they resembled those of developed nations (Feinsilver 1994; UNDP 1997). Throughout the period under study, the Castro regime preserved its most significant accomplishments in public health and even used them as a basis of political outreach to other developing countries (Feinsilver 1989). In 1990, Cuba's health statistics were impressive, "with 195 inhabitants per physician, and 95% of the population attended by family doctors living in the communities they serve" (American Association for World Health 1997).

Health care in Costa Rica is considered second only to Cuba. Costa Rica has universally available health services, and its public expenditure on health as a percentage of GDP was the highest in the region in both 1980 and 1989. Costa Rica's success in this area is the result of state-sponsored intervention. One of the country's commitments to citizen health is its social security system, which covers four out of five Costa Ricans — easily one of the most extensive in the region (Booth and Walker 1989).

Data on infant mortality rates and life expectancy are also provided in Table 3. Costa Rica and Cuba stand out with the lowest levels of infant and child mortality in Latin America and the Caribbean. According to Sheahan, "the key explanation of their greater success in reducing infant and child mortality is that they have much lower degrees of inequality than the rest of the region" (1987: 27). In both countries the governments undertook deliberate policies to raise the standard of living of the lowest 60% of income recipients. Colburn (1993) stresses that both Cuba and Costa

Table 3: Social Development and Welfare Indicators

Country	Illiteracy*		School enrollment rates**				Public expenditure on health (%GDP)		Population (per # of physicians)		Infant mortality (per 1000 deaths)		Hospital beds (per 1000 inhabitants)		Life expectancy			Pop. with drinking water (%)	Daily protein consumption	Supply of calories per day					
	1970	1980	1990	1960	1975	1980	1990	1970	1980	1989	1970	1990	1970	1980	1990	1960	1980				1990				
Argentina	7.4	6	4.2	91	85	87	92	0.3	0.5	0.9	528	62.4	58.9	33.2	25.6	5.6	5.3	65.5	68.7	71	64	99	3,070		
Bolivia	36.8	30.9	21.6	45	71	72	77	0.9	1.7	2.5	2018		138.2			2.2	1.8	2.8	43.5	48.6	54.5	56	52	2,010	
Brazil	33.8	25.4	18.3	48	72	81	89	1.3	1.3	4.5	2081	848		78.8		3.7	4.2		55.9	61.8	65.6	92	61	2,730	
Colombia	19.2	15.6	11.3	48	71	73	74	4.8	8.7	22.97	1081	99.8		55.1	15	2.2	1.7		56.2	62.2	68.8	90	55.8	2,450	
Costa Rica	11.6	8.3	6.1	74	79	78	76	0.4	11.3	8.7	1622	1205	70.8	61.5	20.2	4	3	2.2	61.6	72.2	74.9	93	64	2,718	
Cuba	12.9	7.9	5.2	78	89	93	93	2.0	2.4	4.7	1385	330	35.4	35.9	19.6	10.7	6.8	5.5	7.4	64	72.8	75.4	98	73	3,130
Chile	11	8.5	6	76	92	90	91	1.7	2.1	1.8	2160	2165	125.1	70.8	33	16	3.8	3.4	3.3	56.9	67.1	71.8	87	70	2,480
Ecuador	25.8	18.1	11.6	66	76	88	88	0.5	1.8	1.1	2909	1078	100	76.6	82.4	2.6	1.8	1.6	54.7	61.4	66	64	50	2,400	
El Salvador	42.8	33.8	27.4	49	63	64	69	1.3	1.5	0.8	4217	2641	76.3	66.6	42	2	1.3		52.3	62.2	64.4	55		2,330	
Guatemala	54	46.2	38.5	32	40	48	55	1.2	1.2	1.2	3656	3999	91.9	87.1	65.5	43.6	2.3	1.8	47	56.4	63.4	64	55	2,250	
Haiti	78.7	69.1	60.7	34	47	36		1.1	1.8	1.2	8921	6006							45.6	50.7	55.7	40	48.1	2,018	
Honduras	43.1	39	33	50	59	70	77	1.5	2.2	0.4	3992		52.1	33.2	94.7	68	1.7	1.4	47.9	57.1	64.9	69	54	2,210	
Mexico	25.8	17	12.3	58	77	88	84	0.4	0.4	1.482	951	74.2	68.5	60	41	1.4	0.8	0.7	58.6	64.1	69.7	83	80.2	3,060	
Nicaragua	42.5	41.8	38.7	43	54	73	72	0.7	4.4	1.9	2147	1789	70.2	93	71	2.3	1.7		48.5	56.3	64.8	57		2,240	
Panama	18.7	14.3	11.2	68	89	85	85	1.8	1.6	1.9	1735	879	56.9	40.5	31.6	3.3	3.8	3	62	69.2	72.4		58	2,270	
Paraguay	19.9	14.1	9.7	70	65	69	72	2	0.4	1.6	916	1007		33.7	48.6	1.6	1	1.1	56.6	64.1	67.1		68.2	2,680	
Peru	27.5	20.2	14.3	57	85	90	96	0.9	0.8	0.6	3465	92.1		104.9	124.2	2.2	1.7	1.5	49.1	56.9	63	58	53.7	2,040	
Dominican Rep.	33	26.2	20.5	67	72	81	75	2	1.6			100.6	50.1	84.3	65				52.6	60.3	66.7	61	50.3	2,310	
Uruguay	6.1	5.3	3.4	91	84	85	95	1	1.3	915	341	47.4	42.6	37.6	20.6	5.9	6		68.4	69.6		83	82.4	2,690	
Venezuela	23.5	15.1	9.9	69	76	76	86	1.7	1.3	1120	578	53.9	49.3	43.3	24.2	3.1	2.8	2.4	61	67.7	70	68	66.8	2,440	

\*population aged 16 and over. For Cuba is 10 and older for 1970.

\*\*primary and secondary

Source: ECLA, *Anuario Estadístico de América Latina y el Caribe* 1980, 1992; 1999 UNESCO Statistical Yearbook, 1999 UNDP, *Human Development Report*, 1993; UCLA, *Statistical Abstract for Latin America* as taken from ECLA Statistical Yearbook for Latin America, 1966, 1974, 1983, 1985, 1992; Pan American Health Organization, 1994

Rica also "have practiced the least urban bias in the region." The traditional urban-rural gap has been reduced through a more equitable distribution of social services to protect the rural poor (e.g., both education and health programmes were strongly promoted in the rural areas).

Since the early 1960s, Cuba made aggressive efforts to eradicate transmittable diseases, promoting health education, launching an active campaign to increase immunization, and building new medical facilities (Rodriguez and Carriazo: 1987). Health care was to be provided free of charge to the entire population. The emphasis since has been not only curative medicine but also preventive care. In the 30 years under consideration, the number of hospitals in Cuba has nearly tripled. Moreover, the number of inhabitants per doctor has also rapidly decreased. During these past three decades there has also been a rapid growth of specialized personnel in the health fields.

While in 1960 Cuba was already ahead of most Latin American countries in health indicators (Betancourt 1996; Eckstein 1994; Mesa-Lago 1994), it continued to make tremendous strides for the next 30 years. In 1960, the infant mortality rate was already the lowest in the region, and life expectancy the third highest. Infant mortality dropped from 35 per 1,000 live births in 1960 to 10.7 in 1990 (Table 3). Not surprisingly life expectancy at birth during this period stood at 75, the highest in Latin America and comparable to those of most industrialized countries. What is most striking is that the country's high performance on these basic measures of welfare were maintained and improved during the 30 years of revolution even though output and national income did not grow as rapidly as the Latin American average. In sharp contrast to the rest of Latin America, Cuba grew modestly but was much more successful in satisfying basic needs and reducing its levels of poverty (Rodriguez and Carriazo 1987; Rodriguez 1990).

In Costa Rica, transmittable diseases have practically been eradicated and infant mortality also dropped considerably. Since 1960 there was a precipitous decline in infant mortality, from 61 per 1,000 in 1970 to 20 per 1,000 in 1980 and to 15 in 1990 (Rosero-Bixby 1985; Dreze and Sen 1989; McGuire 2000).

Also, as educational opportunities were made available, especially in the rural areas, women took advantage in increasing numbers. In Cuba the female labour force rose from 25% in 1970 to nearly 48% in 1980 (Brundenius 1984). Better education, continued fertility decline, and expansion of health care also led to less gender inequalities in both countries relative to the rest of Latin America.

Employment is another important factor when discussing equity. It was an immediate priority for the revolutionary government of Cuba beginning in the 1960s. Throughout the 1970s and 1980s, Cuba maintained high levels of employment, as was common practice in centrally planned economies. Maintaining high levels of employment resulted in overstaffing in state enterprises, inducing a decline in labour productivity.

Costa Rica also has an impressive record in maintaining low levels of unemployment. This was due to a favorable land/population ratio, rapid industrialization, and the expansion of the public sector. This is somewhat surprising since population growth rates for Costa Rica have been high. To cope with unemployment, the government has had a national employment policy to assist those seeking employment opportunities.

The provisioning of a system of social security has also been an important element in promoting policies of human development. From the outset, the Cuban Revolution provided coverage for the entire population, because prior to it, funds for pensions and health care were limited and its distribution was unequal. Costa Rica also has made significant strides in terms of its social security system. Income distribution is central to the concept of equity. Although there is no official data on income distribution in Cuba, there are very rough estimates of personal income. Brundenius (1984) estimated that in 1953 the poorest 40% of the population received 6% of the total. In 1962 it was 17%, and in 1973, 20%. Mesa-Lago has some misgivings about these estimates, but concluded in an appraisal of the revolution from 1960 to 1980, that "Cuba's distribution (of income) is probably the most egalitarian in Latin America" (1981: 144).

Income distribution for Cuba between 1953 and 1978, as measured by Brundenius (1984), is shown in Table 4. Before the revolution (1953 figures) the poor (bottom four deciles) had a much lower share of income than in Costa Rica (1961). The middle class had a larger share (four middle deciles) in Cuba but its wealthy had less. By 1962, when the revolution collectivized the means of production, increased wages and pensions, and subsidized services (housing, transportation, electricity rates), income distribution began to improve. Table 4 shows that by 1962 the richest 10% had suffered a dramatic decrease in income. As a result, the lower middle-income groups gained substantially in shares of income. By 1973, there was an even greater reduction in the upper two deciles, which was transferred mainly to the middle sectors. By 1978, there was some improvement in the distribution, although the overall effect is slight because the Gini coefficient drops only from 0.28 to 0.27.



Table 4: Income Distribution in Cuba (1953-1978)

Deciles	1953	1962	1973	1978
1st (poorest)	0.6	2.5	2.9	3.4
2nd	1.5	3.7	4.9	4.4
3rd	1.9	4.8	5.4	5.3
4th	2.5	6.2	7.1	7.1
5th	4.3	9.5	10.5	9.3
6th	6.8	9.5	10.5	10.4
7th	10.6	12.0	12.5	12.6
8th	13.9	-13.1	13.5	14.1
9th	19.1	18.4	15.1	15.3
10th (richest)	38.8	23.0	19.4	18.1
(top 5%)	(26.5)	(12.7)	(9.8)	(9.5)
Total	100%	100%	100%	100%
Gini coefficient	0.55	0.35	0.28	0.27

Source: Data is from *Anuario Estadístico de Cuba*, 1968, 1972, 1974-81, as compiled by Claes Brundenius, *Revolutionary Cuba: The Challenge of Economic Growth with Equity*, Boulder: Westview Press, 1984. Table 5.1, pp. 113, 5.3, pp. 114, 5.6, pp. 116.

Costa Rica has had a relatively low degree of inequality because of favourable historical conditions. Much of its success in tackling the causes of poverty is due to an active social policy that engaged low-income sectors in the growth process, a better integrated labour market in the economic process, democratic governance and political stability since 1948, and a degree of bargaining power among social groups (Seligson, Martinez, and Trejos 1996).

Although these equalizing measures helped in improving income distribution for the poorest sectors, they also acted against incentives to increase production and enhance efficiency. During the three decades under study, Cuba was managed through central planning, and its economic decisions proved to be costly because it emphasized ideological mobilization over economic efficiency. However, according to Sheahan "no representative government in Latin America has done nearly as much to alleviate poverty and equalize income" (1987, 256).

In Costa Rica there are household surveys on family income distribution by Céspedes (1979, 1983) and CEPAL (1981, 1987). Costa Rica's income per capita is slightly below the median for Latin America, yet it has a much lower proportion of families living in poverty. According to a World

Bank study (Gonzalez-Vega and Céspedes 1993), Costa Rica has been an example of growth with equity. It claims that there is a strong positive association between rapid economic growth, improvement in the distribution of income, and alleviation of poverty. Analyzing poverty indicators and long-term welfare, Dreze and Sen (1989) conclude that Costa Rica has been successful in reducing poverty. Between 1960 and 1980 life expectancy increased to 73 years, which is comparable to life expectancy in developed countries. Booth and Walker (1989), Weeks (1985), and Bulmer-Thomas (1988) also conclude that from the 1960s on, Costa Rica has been successful in reducing absolute and relative levels of poverty.

Table 5 shows Costa Rica's distribution of income since 1961. It is evident that in 1961 income distribution was very unequal, with the top 20% receiving 60% of the income. However, from 1961 to 1971 there was a significant decline in the top decile and a deterioration in the middle deciles. From 1971 to 1980 income distribution improved across the board, but worsened after the severe economic crisis of 1982-83. The Gini coefficient was reduced from .50 in 1961 to .43 in 1971, which by Latin American standards is low. But despite this exceptional condition, Costa Rica experienced a serious increase in poverty during the period of recession

Table 5: Income Distribution in Costa Rica (1961-4988)

Deciles	1953	1962	1973	1978
1	2.8	2.1	1.5	11.6
2	3.4	3.3	3.0	3.2
3	3.7	4.2	4.1	4.3
4	3.9	5.1	5.2	5.5
5	4.1	6.2	6.3	6.6
6	5.4	7.5	7.5	8.1
7	7.3	9.3	9.2	9.9
8	9.7	11.7	11.4	12.4
9	14.2	16.2	15.1	16.8
10	45.5	34.4	36.7	31.7
Gini coefficient	0.50	0.44	0.47	0.42

Source: 1961: CEPAL. "Antecedentes estadísticos de la distribución del ingreso: Costa Rica, 1959-1982." LC/G, 1987, pp. 22; 1971: Céspedes, V.H., "Costa Rica: la distribución del ingreso y el consumo de algunos alimentos," Serie Económica y Estadística No 45, Escuela de Ciencias Económicas y Sociales, San Jose: Universidad de Costa Rica, 1973, p. 48, 53; 1983: Trejos, J.D. y Elizalde, M.L., "Ingresos, desigualdad y empleo: evidencias recientes sobre las características y evolución del perfil distributivo en Costa Rica," *Revista de Ciencias Económicas*, VI, 2, pp. 87-104; 1986: Trejos, J.D., *Reformas económicas y distribución del ingreso en Costa Rica*. Serie Reformas Económicas No. 37. LC/L.1228, Santiago: CEPAL, 1999. Compiled by Juan D. Trejos.

from 1981-85 (Cespedes, Jimenez and Lizano 1983; Gonzalez-Vega and Cespedes 1993). This crisis led to some deterioration in the distribution of income due to structural adjustments policies. Overall, there was no real improvement and the Gini coefficient in the 1980s was back to the 1971 level. Poverty did decline over time, when higher levels of economic growth resumed after 1986 (Trejos 1999). The most plausible interpretation of the Costa Rican experience is that it did not suffer the sharp increase in inequality that other countries experienced during the "lost decade" of the 1980s.

Dreze and Sen note that "Costa Rica's economic system is a fundamentally inegalitarian one, and falls short of guaranteeing adequate entitlements to all" (1989: 242), but it has the foundations of a welfare state with "excessive public efforts in the domains of health, education, social security, and income support." And the improvement of living conditions is particularly reflected in the decline of infant mortality, the high percentage of population with drinking water, and other social development indicators as shown in Table 3.

Information from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) on 13 countries (Cuba not included) shows that Costa Rica in 1990 had 23% of its population living in poverty, much less than the average in Latin America as a whole, which was 39% (CEPAL 1994). Although Argentina and Uruguay had lower levels of poverty, Costa Rica has had greater success in reducing its levels of poverty. In this sense, Costa Rica is an interesting example of a small LDC, particularly in terms of its efforts in satisfying basic needs.

According to Seligson, Martinez, Trejos (1997), 50.3% of Costa Rica's population lived below the poverty line in 1961. In 1971, 29.4%; in 1977, 18.5%. But the economic recession of 1981-83 increased the levels of poverty (35.8% in 1983). In the second half of the 1980s, under economic recovery, poverty levels decreased again (22% in 1986). Although the report stresses that low-income sectors saw their income drop, income in other sectors dropped as well. However, Berry (1997), notes that between 1980 and 1982 the recession brought about a sharp decline in GDP, a 23% decline in per capita income, and a 25% cut in wages. While the incidence of poverty stabilized between 1986 and 1990 under a programme of export promotion and growth, wages did not grow, but unemployment decreased. As Costa Rica adopted a more orthodox strategy of stabilization, reports indicate that poverty began to increase after 1990.

Surprisingly, income distribution in Cuba and Costa Rica were not very different in the early 1970s except for the richest decile, which, as

expected, received a much smaller share in Cuba. The Cuban income distribution data do not include as income the many social services received by the population at no cost or at subsidized prices nor do Costa Rica's (Mesa-Lago and Diaz-Briquets 1988).

In Cuba, while the revolution corrected some of the fundamental problems afflicting many LDCs (poverty, inequality, and unemployment), it has left doubts about its ability to raise standards of living in a substantial way. The collapse of its socialist benefactors has revealed the vulnerability of a small country with limited resources that must stand on its own and rely on its export sector and the tourist industry to preserve the achievements of 30 years of revolution. Due to the nature of its centrally planned system, the Cuban economy has also shown signs of strain and fragility. But in spite of structural problems, its accomplishments cannot be easily overlooked.

In contrast to the vast majority of Latin American countries, Cuba did well, even during the "lost decade" of the 1980s, when other countries substantially reduced their social expenditures. Even Costa Rica, which was faced with an economic crisis during the first three years of the 1980s, social spending was reduced by 18% annually, during those years. The social achievements of Cuba are impressive compared to the rest of Latin America even if some of its economic policies were not economically efficient because of its emphasis on ideological priorities.

### Different Measures of Development Performance

Calculating development performance or measuring people living in poverty require arbitrary definitions of the standard to be used. The United Nations Development Program has two different approaches and, therefore, two sets of results available. One is the human development index and the other is the human poverty index. For instance, in its 1993 *Human Development Report*, with data for 1990, the UNDP ranked 173 countries. The ranking or "human development index," is based on the following: life expectancy at birth, adult literacy rate, mean years of schooling, literacy index, schooling index, educational attainment, real GDP per capita, and adjusted real GDP per capita. Cuba appears in 75th place and Costa Rica in 42nd place in the Human Development Index. However, if one examines Table 6 closely, in most of the social indicators (life expectancy, adult literacy, mean years of schooling, educational attainment) Cuba has performed better, except for real GDP per capita, which for Costa Rica is twice that of Cuba. The reason Cuba appears far down in the ranking is

Table 6: Human Development Index, 1990

HDI Rank	Life expectancy at birth	Adult Literacy rate (%)	Mean years of schooling	Literacy index	Schooling index	Education attainment	Real GDP per capita (PPP \$)	Adjusted Real GDP per capita	Human development index	GNP per Capita minus HDI Rank
42 Costa Rica	74.9	92.8	5.7	0.92	0.46	2.31	4,542	4,542	0.852	34
75 Cuba	75.4	94.0	7.6	0.94	0.62	2.49	2,200	2,200	0.711	26

Source: UNDP, Human Development Report, 1993.

that GDP per capita is given a much greater weight in the final measurement. But this type of measurement would seem inappropriate for Cuba since money income plays a less important role on the island than in other countries because many of the basic necessities are provided or are heavily subsidized. The ranking is surprising because as Mehrotra (1997) notes, "Cuba's social indicators improved so dramatically as to become not only the best in Latin America, but in some cases comparable to those prevailing in the industrialized countries" (384).

Caution is needed in calculating human development indices, since despite the provision of basic social services the lack of private cash income can still be a factor in depressing welfare. This appears to be the case among some Cubans, particularly in cities. One could argue that there are no homeless Cubans because housing is universally provided, but conditions in some areas are poor because of inadequate maintenance and scarcity of material. The lack of private cash income means residents have no means to improve their housing. Housing construction in Cuba has increased faster than population growth, but problems remain because the structure of the population has also changed. Luzon (1988) argues that despite notable accomplishments in housing problems persist.

The other way of measuring human development is the "human poverty index" which focuses on the situation and progress of the most deprived people. Human poverty index is different from the income-based measures of poverty index. It refers mainly to "countries that have invested heavily in reducing deprivations in basic human capabilities" (UNDP 1997: 22). Both use categories of information associated with human development — characteristics of human lives and quality of living beyond what income information can provide.

In the 1997 "human development index" of the *Human Development Report*, Cuba ranks second and Costa Rica fifth out of 78 LDCs for which data was estimated. According to the report, results for these countries show that "overall progress in human development was pro-poor, effectively helping the most deprived lift themselves out of poverty" (UNDP 1997: 23-24). The main components of the human poverty index are: survival deprivation, deprivation in education, population without access to health services, and underweight children under age five. While both countries perform much better than most LDCs, the main difference is in the component percentage of population without access to health services. In Cuba it is 0, while in Costa Rica it is 20% of the population without access to health services.

The World Bank has also begun publishing *World Development Indicators*, which provides an even broader and richer set of data. The problem, again, is the ranking of countries according to their "level of development." The World Bank also uses per capita income as one of its key indicators. Direct comparison of the two country rankings shows substantial differences.<sup>6</sup> Both the World Bank and the UN reports raise questions about the use of these development indicators and the weight assigned to these indicators. The flaw of the conventional measurement of per capita income is the criteria emphasizing the expansion of private income and downplaying survival-related capabilities. Alternative assessments of development performance may give the indicators different weights and therefore rank countries differently.

There are other indices used to compare levels of development. Gonzalez (1995) uses a Socio-Economic Development Index, which contains four major components: income, diet, health, and education. With the exception of income, which is measured by GNP per capita, each component consists of two measurements (e.g., measuring diet are kilocalories and protein consumption, health is measured by infant mortality and life expectancy, education is measured by literacy and percentage of population in higher education). Based on this analysis, it is interesting to note that both Cuba and Costa Rica make improvements with the latter showing more marked improvement during the three decades under study. This essentially tells us that changes over the period is a better indicator than the absolute level at the end.

Other indices that have been used to compare development are the Physical Quality of Life Index (PQLI), which measures the standard of living on a scale of 0 to 100. The PQLI measurement compares life expectancy, infant mortality, and literacy, providing a perspective on the physical well-being of individuals. Another index is the Index of Social Progress, which consists of 11 sub-indices with more than 40 components including economic, political, health, and demographic factors. Yet another index is the Human Suffering Index consisting of 10 components. Depending on which index ends up being used, since they all provide some comparative measurement, they all raise controversy in terms of ranking the countries. For instance, if political reform is considered, then Cuba would probably rank low.

6 Although Cuba is excluded from World Bank loans, her performance has been praised by the Bank for doing a good job in reducing infant mortality, raising school enrollment, and achieving high standards in health care when it released its World Development Indicators in 2001.

A problem with all attempts to measure for purposes of comparison is deciding what weight to give the various criteria. Even if a list of comparative criteria could be agreed upon, the issue of weighing the different criteria would still need to be addressed. Should more weight be given to per capita income, as the UN does? What about growth and equity? Or efficiency and democratic participation? In making comparisons between countries, differences occur over: 1) the weight assigned to different criteria; 2) the facts of performance of these economies; and 3) theories of performance of countries with different economic and political systems.

Finally, a sticky issue that remains unresolved is the degree of dependence due to export concentration or excessive reliance on one country for trade and aid. There have been subjective approaches to this issue, but few attempts to measure it (Fitzgerald 1988; Mesa-Lago 2000). Export concentration tends to aggravate trade dependence, and both countries have relied heavily on one or two commodities for export. As exporters of primary commodities, these two countries have been vulnerable to price volatility and experienced deteriorating terms of trade (Cuba being the exception in trade with the USSR during 1960-89).

Another issue of dependence is that of trade partner concentration. Both countries have relied heavily on either the United States or the Soviet Union for trade and aid. One issue to consider, which is beyond the scope of this paper, is whether this dependence tends to be more symmetric or asymmetric.

Yet another aspect of dependence is external debt, which has worsened the economic position of many LDCs during the past 15 years (both countries would rank among the most heavily indebted in per capita terms).<sup>7</sup> The dependency issue is very difficult to measure since no benchmarks or specific indices have been developed to calculate it. Therefore, the dependency analysis has resulted in generalizations that are still inadequate in explaining satisfactorily the full picture (Fitzgerald 1988, Passe-Smith 1984; Pollit 1985).

Throughout the period under consideration, the rate of economic growth for both countries was slow; but Costa Rica's was steadier and Cuba's more volatile. Cuba fared better in per capita terms because its population

7 In the case of Costa Rica, one report stresses that during the 1980s decade both Costa Rica and El Salvador received 80 percent of all aid to the entire Central American region. For Costa Rica bilateral concessional aid was mainly from the US. The flow of aid increased after 1981, relative to the rest of Latin America, framed on US foreign policy which was trying to overthrow the Sandinista government of Nicaragua. The case of Cuba has been documented by Mesa-Lago (1994: 2000).



growth was very modest, while Costa Rica's population growth was above the Latin American average. Both countries actively engaged in poverty-focus strategies by redirecting resources to improve the quality of life of the overall population. According to the Human Poverty Index ranking of 78 developing countries prepared by UNDP (1997), Cuba ranked 2 and Costa Rica placed 5, but according to the Human Suffering Index (prepared by the Population Crisis Committee) for the end of the 1980s, of 20 Latin American countries considered, Costa Rica was ranked 1st and Cuba 5th.

The performance in equity was similar in relative improvement, but Cuba led in absolute levels. Cuba showed greater improvement relative to Costa Rica in some indicators such as more egalitarian income distribution, decrease in open unemployment, and decrease in infant mortality rates,<sup>8</sup> but Costa Rica did quite well in others. Although there is no data after 1986, Cuba was by far the most egalitarian in terms of income distribution in Latin America at that time.

### **The Difference Social Expenditures and Government Social Policies Make**

All measures indicate that Cuba and Costa Rica, both small countries with limited resources, have fared much better than their Latin American and Caribbean neighbours. The key to their success has been focused, sustained government support of social policy that emphasized providing universal support of the population in basic needs and services, and promoting economic growth by creating a healthier, better educated work force.

According to Sheahan (1987), the four major factors that contributed to increased equality in Cuba after the revolution were: 1) the government's priority in providing the dominant share of social investment (education and health) and productive investment in the rural sector; 2) the elimination of large private landholdings; 3) the creation of full employment regardless of its effects on costs; and 4) the introduction of a system of rationing for basic necessities.

Costa Rica shows that in spite of its economic resource limitations (small size, agro-exporter) its success in reducing poverty is attributable to its public policies that are designed to improve the welfare of its most vulnerable citizens. In 1971, social security coverage became "universal"

8 The argument that Cuba has fared better is challenged by Betancourt (1996) who maintains that in 1960 Cuba ranked high among Latin American countries in indices of health and education. For a counter argument see Rodriguez (1988, 1990) and UNDP (1997).

and has increased to cover 85% of the population. In that same year, the first National Health Plan was elaborated and additional resources were also channeled to low income groups through social assistance programs. The results were noticeable after infant mortality rates decreased dramatically. The other determining factor in reducing poverty has been Costa Rica's policy on education, particularly at the primary level. Government figures show that between 1950 and 1990, spending on education as part of total public spending steadily increased.

The cases of these two countries show that typical manifestations of an LDC such as poverty, high levels of unemployment, and income inequality can be corrected by a total overturn of the system, as in Cuba, or by following measured social and economic policies, as in Costa Rica. Being endowed with high land use, a homogeneous population, and being a stable democracy that abolished its army in 1949, as in the case of Costa Rica, helps a great deal.

Costa Rica, under various administrations, has had active public policies associated with improving human development and aimed at reducing the levels of poverty (Garnier et al. 1997; Rosero-Bixby 1985; Seligson, Martinez, and Trejos 1996; Sojo 1989). Although practically all LDCs have policies designed to combat poverty, very few have achieved the same success as Costa Rica.

In Costa Rica, the state has played a leading role in the development of a mixed economy. What is significant is that Costa Rica being a small market economy its government had a strong commitment to its social policy by increasing spending on social programmes. As one study puts it, "social development was viewed as a pre-requisite for economic growth; what is more, social development became the key element of development *per se*" (Garnier, et.al 1997). In part, this effort was made possible because it had low unproductive expenditures (the military was abolished in 1948). However, in recent years the challenge of globalization has required substantial reforms of Costa Rica's statist orientation as social policies were given less of a priority or viewed as secondary to economic policies.

Cuba also has an impressive record in providing collective services and satisfying the basic needs of its population. Although dependent on the former Soviet Union for three decades, which shielded it from external disequilibria, Cuba provides positive lessons as an exemplary case in Latin America and the developing world in advancing social welfare. One of the most important features of the socialist development strategy followed by Cuba from the outset has been its emphasis on providing redistributive measures to reduce inequality between the countryside and the city, prioritize

and provide free access to health care and education, and a commitment to improve and maintain levels of infant mortality and maternal mortality.

While the socialist development strategy of Cuba differs in fundamental ways from the Keynesian approach followed by Costa Rica, they have in their own ways been workable to the extent that both have improved their social indicators and solved the most basic poverty-related problems by improving human welfare. Why have both countries shown achievements superior to the rest of Latin America? One answer is that both countries have had a much more extensive system of public spending on social programs as a significant component of government policy for the delivery of food, health care, and education. In 1990, Cuba spent 20.08% of its GDP on social benefits including social security, health, and education, a percentage greater than that spent by Japan, Australia, and the United States; Latin American countries averaged 10.4% (CEPAL 2001). Costa Rica has consistently spent a greater percentage of its GDP on social benefits than its Latin American and Caribbean neighbours.

Another factor is that despite their slow economic growth, these two countries have consistently placed a high value on social development policy. These strategies cannot be assessed in purely economic terms, but must also be seen in the broader context of what these social policies have achieved. These examples of relative success do not prove that their experience can be generalized to other countries, but do illustrate that they are workable strategies under very different economic and political conditions.

The final explanatory variable, although not fully explored here, is the contrasting elements and nature of political regimes. Cuba is a country that underwent a revolution resulting in the introduction of a new socialist model of social and political life in the region. Since the early 1960s it has maintained a centrally-planned approach to economic organization, a one-party state with restrictions on political freedoms, and embraced socialism as the guiding ideological and political force of its revolution. The central focus of the revolution has been on redistribution. It is socialism that has radically transformed Cuba. Costa Rica, on the other hand, could be labeled as a social democracy that has open and fair elections, and where the state has played a key role in macroeconomic management. An important feature of this type of model has been the consistent effort upon the value of democracy as a political system and its efforts to achieve fundamental reforms. The two models are very different from one another and those that have existed in the rest of Latin America and the Caribbean during the three decades under study. The fact that the two different political

approaches can yield similar results shows the importance of what ends a government chooses to pursue.

### Concluding Remarks

This study examined how Cuba and Costa Rica have achieved high levels of health and educational indicators over a 30-year period. As World Bank President James Wolfensohn said, "Cuba has done a great job on education and health and it does not embarrass me to admit it" (La Republica 2001). Ironically, Cuba does not receive loans from the World Bank, and as Wolfensohn said, its achievement did not come as a result of advice from the institution. Its approach, and that of Costa Rica, were somewhat different from the policies that the World Bank was prescribing for LDCs. His praise indicates a recognition of the positive social indicators in these alternative development approaches.

The important lessons that can be drawn from the experiences of Cuba and Costa Rica are that rapid progress toward poverty reduction is possible through active social policy that focuses available resources in a two-tiered approach to improvement: first, to provide basic social services such as shelter and health care universally and a commitment to equity through food subsidies and employment; second, to create a population capable of sparking economic development through education. Though both countries have had relatively slow growth, the fruits of that growth have been ploughed back into enhancing human capital – through programs to sustain people physically and upgrading their training and skills to enable them to become a more productive, more highly qualified labour force.

Although economic growth is an essential requirement for poverty reduction, it is not sufficient. A number of Latin American countries with impressive rates of growth have seen poverty increase, rather than decrease. Equally important is the distribution of growth. The quality of growth, or what is known as growth with equity, is what holds the key to poverty reduction (Taylor, Mehrotra, Delamonica 1997). Although income distribution plays a central role in enhancing human development, equity means a wider distribution for participation in social and economic life. The linkages between growth and other aspects of human welfare (health, education, life expectancy) are not automatic. In order to maintain growth with equity, it is necessary to make investments in human development. The experience of these two countries over three decades shows that social redistributive policies not only benefit the poor but also the development

of their productive potential. Improved levels of literacy and advances in public health-care enable poor people to participate in economic growth and share more equitably in its benefits. In both Cuba and Costa Rica investment in human capital and social programs has been an integral part of their overall economic development policy. The approach has been not just the provision of services, but enhancing the access of poor people to these services.

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