



**A TALE OF TWO SITES: POLITICAL STRUCTURE
AND POLICY PERFORMANCE IN COSTA RICA AND
EL SALVADOR**

Alfred G. Cuzán

**Technical Papers
Series - No. 12**

**Office for Public Sector Studies
Institute of Latin American Studies
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Austin, 1977**

Institute of Latin American Studies
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PREFACE

Those who have followed the evolution of this series over the past year will note that it has undergone a number of changes. Beginning as a modest operation, the first eleven papers made available in mimeographed form, are a cross-sampling of the work prepared for a workshop convened by the Institute of Latin American Studies during the spring of 1976. With this paper by Cuzan not only has the format changed but also the content.

The alteration in format by moving from the mimeographing of a limited number of papers to a more extensive printing through use of an IBM Composer reflects the success of our initial series. The request for these papers over the 1976-77 academic year first doubled and then tripled. This response both in number and in individual communications has indicated that the papers have had a much wider utility to other than originally anticipated. The new format enables us both to meet this increased demand and to make more apparent our intent that this series be considered more than simply another random publication of ephemeral material. Any librarian who deals with pamphlets, occasional papers, and the like knows all too well the problems entailed in locating and cataloging such materials on a regular basis. Through the use of copyrighting and now more formal printing we wish to establish this series as a serious and continuing cooperative academic endeavor.

In content this twelfth paper in the *Technical Papers Series* also represents a shift when compared with our first publication. Originally those of us active in planning the 1976 workshop on policy implementation in the public sector throughout Latin America got together in an informal post-conference meeting to decide how best to give wider circulation to the individual papers presented at the workshop and discussed amply in the meeting's working sessions. Rather than pull together these papers into a single edited volume, we opted for an occasional paper series in which we would issue individual papers selected from the original pool, but not necessarily all of them. With the present paper we leave behind the reprinting of conference papers and turn now to a more formal selection process in which this paper has been and future ones will be reviewed and refereed on campus through the Institute Office for Public Sector Studies.

This last development, the sponsorship of these papers by an organized unit within the Institute, represents a third change in the *Technical Papers Series*. Originally a small, ad hoc interdisciplinary faculty studies group, the public sector studies program a year later has become a much more substantive operation within the Institute's activities. Under the direction of Alfred Saulniers, an economist who is serving as coordinator of the Office for Public Sector Studies, we have new research underway on campus on the public sector in Latin America and have developed a teaching component which fits into the Institute's current M.A. program and is coordinated at the doctoral level with individual departments. As an outlet for new and important public sector research, we aspire through this series to building a much more solid empirical basis for interdisciplinary research and dialogue on the role of the state in the economy and society throughout Latin America and related world areas.

Austin, July 15, 1977

Lawrence S. Graham, Associate Director

A TALE OF TWO SITES: POLITICAL STRUCTURE AND POLICY PERFORMANCE IN COSTA RICA AND EL SALVADOR¹

Alfred G. Cuzán
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A growing body of research in political science and public administration is currently exploring the causal linkages between organizational structure and public policy outcomes. Recent findings suggest that under certain conditions the form of institutional arrangements has a determining influence on their performance.² This line of inquiry could yield valuable practical results, for if the way government is organized has an effect on policy independent of "ecological" variables, then attempts can be made to raise the level of social welfare through conscious changes in its structure.³ Such a possibility might be of interest to developing areas where, as in Latin America, previous findings have stressed the deterministic aspects of political culture, historical traditions, and economic dependency.⁴

This paper compares the performance of two Central American political systems that differ significantly in political structure—Costa Rica and El Salvador. The former resembles a polycentric model of organization, while the latter typifies the Latin American model of a monocentric regime. A representative case study from each country, dealing with almost identical issues of policy, will serve as the basis for comparison. The cases are evaluated on the following criteria: efficiency, equity, and the level of force required to execute the policy. The data show that the Costa Rican case outperformed its rival on all three. They also indicate that the allocation of public resources is more likely to reflect citizen preferences in a system of free exchange among autonomous political units than in a centrally directed hierarchy of choice.

Two Models of Organization in Comparative Perspective⁵

Theories about public organization in developing areas can be grouped into two general categories. On the one hand, a monocentric model argues that only by centralizing decisions can a polity effectively mobilize collective efforts to make an impact on national problems. Public investments stand the greatest chance of success if they are directed from a central vantage point from which the whole gamut of economic alternatives can be objectively assessed.⁶ Accordingly, a nation must allocate its resources at the highest level of government, where the parochialism of local interests will not stand in the

way of popular needs. Either a centralized bureaucracy or a mass political party are in a position to view public problems from a perspective wide enough to enact policies that are consistent with the national welfare.⁷

On the other hand, a polycentric model retorts that centralized bureaucracies tend to become rigid and arrogant and to lose, distort, or misinterpret valuable information concerning citizen preferences and environmental conditions.⁸ Single-party systems in which electoral competition is weak are notoriously unresponsive to popular demands and are easily captured by self-serving elites.⁹ As a consequence, attractive economic alternatives will be missed and costly mistakes will be made by bureaucrats positioned at various levels of a hierarchy that is out of touch with political and economic realities. Public interests are better served in a system in which autonomous decision-makers at several levels of government are free to pursue partial objectives and to participate in the enactment of programs that affect the interest of their constituencies. The combined effort of a multitude of local governments can harness a nation's energy and channel it into productive endeavors without having to clear all important matters with a center far removed from the area of operations.¹⁰

Theories about Latin American politics are similarly divided over the relative merits of these two forms of governmental organization. While some writers such as Charles Anderson, James Busey, and William Stokes argue that centralism has been one of the major obstacles to rational policy-making in many countries of Latin America, others like Jacques Lambert and Claudio Véliz maintain that it deserves credit for the achievements that have already taken place, and that it is the only hope for the future. In defense of the latter position, Véliz writes that:

The principal feature of contemporary Latin American nationalism . . . is the return to a type of political behavior firmly rooted in an autochthonous centralist tradition. On this tradition is founded the structure of institutions and political habits of Latin Americans; on it, as well, are based the organizational successes of the past decades. Latin Americans are increasingly conscious that in

harnessing the momentum of this tradition to the needs of national development, they will acquire understanding and mastery of the problems of their nations¹¹

Stokes sums up the opposite view:

There have been leaders of the most valiant courage and the greatest virtue and integrity in every Latin American country who have attempted to make politics the reasoned art of democratic compromise. When such men have relied upon centralized power, they have invariably fallen short of their ideals. When they have permitted such principles as individualism, voluntarism, and decentralization to operate, as in Uruguay, Argentina, Chile and Costa Rica in certain periods of the histories of these countries, better results have been achieved.¹²

A TWO-NATION COMPARATIVE STUDY¹³

This paper brings to the argument data from two Central American countries that differ significantly in organizational structure—Costa Rica and El Salvador. The two are not only geographically close, they are similar in many respects. Both are tropical, mountainous countries, small in area as well as in population. Coffee is the mainstay of their export-oriented, largely agricultural economies. In both countries, less than 40 percent of the population lives in urban areas. Neither country has a large Indian minority. Rather, they are inhabited by whites and *mestizos* for the most part, although Indian characteristics and heritage are more evident in El Salvador. On the other hand, Costa Rica has visible black and Chinese populations, whereas these groups are largely absent in El Salvador. The countries do differ, however, in social and economic conditions, with Costa Rica ahead of El Salvador on most indexes of social and economic development.¹⁴

Structurally, El Salvador exemplifies the Latin American pattern of presidential dominance.¹⁵ All instruments of government are subordinate to the national executive. The office has been occupied for almost two decades by military officers governing under the banner of a party organized and led by the armed forces. The party has controlled the Congress during the same period, lending nearly unanimous support to the administration. The Supreme Court plays a minor role, nearly always in support of the president. Municipal finances, personnel, and ordinances are subject to presidential control through the Ministry of the Interior. A network of voluntary associations held together by a presidential agency provides still another link between the national executive and local communities.

By contrast, Costa Rica is the Central American country that most closely resembles a polycentric model of organization.¹⁶ No presidential hierarchy unifies all political and administrative elements within a centralized network of command. Rather, the Costa Rican system is characterized by a separation of powers, a decentralized administrative structure, competitive elections, and substantial autonomy for local governments. Hundreds of neighborhood corporations independently design and execute local projects financed in part through property taxes raised within their jurisdictions. They are also powerful lobbyists before Congress and the national administration.

Policy outcomes associated with these opposing types of political systems are now explored in the context of two case studies that are fairly typical of the policy processes prevalent in each country. The two cases have to do with the decision to locate a public project—a sanitary landfill in Costa Rica, a hydroelectric dam in El Salvador. In each instance, the main beneficiary of the project was the metropolitan center, and substantial costs were imposed on the rural periphery. However, each system processed the various interests involved differently—Costa Rica through mutual accommodation and bargaining, El Salvador by central direction—and thus two different patterns of policy outcomes were yielded. While the cases differ in the type and, especially, the scale of the projects that were decided upon, they are sufficiently similar to make a reasonably good comparison.

The evaluation of how each system performed is made on the basis of three criteria: efficiency, equity, and the degree of force required to execute the official decision. The lower the total costs of a policy in relation to its benefits, the more efficient it is.¹⁷ The more a policy benefits the better-off members of society at the expense of the worse-off, the less equitable it is.¹⁸ And the more a policy requires the use of force for its execution, the less acceptable to the citizenry it can be said to be.¹⁹ If one system can be shown to be more efficient, more equitable, and less dependent on force than another, then it is judged to perform better than its rival.

A Dam at Cerron Grande²⁰

The first case study takes place in El Salvador. During the 1971-1972 presidential campaign, a government-owned corporation announced plans to develop the hydroelectric potential of a major river valley. Local residents objected and organized a major challenge to the agency's decision. After several months of heated dispute, a newly inaugurated president ruled in favor of the project on the grounds that the nation had to develop its internal energy resources in order

to be independent of foreign oil.

The hydroelectric project of Cerrón Grande consists of an earthen dam on the Lempa River, the country's largest, in an area that bears its name. The Hydroelectric Commission for the Lempa River (CEL), a government-owned corporation whose board of directors is appointed by the president, is responsible for its execution. Feasibility studies were conducted by Harza Co., a U.S. consulting firm employed by CEL. Estimates of total construction costs range from \$80 million to \$120 million, the largest single public investment in the nation's history.²¹ Cerrón Grande is expected to more than double CEL's 1972 capacity of 200 megawatts. Demand for electricity is projected to grow at 11 percent annually for the next decade. Eighty percent of electric consumption takes place in San Salvador, the capital, where most industries are located. In 1970, industry's share of total consumption was 43 percent.²²

Cerrón Grande will have a large, concentrated impact on the Chalatenango Valley, located approximately twenty-five miles north-northeast of San Salvador. About eighty-five square miles of rich agricultural land will be inundated. This is more than 2 percent of the total available for cultivation in El Salvador, and includes almost 20 percent of all land devoted to sugar cane.²³ A private estimate indicated that thirty-eight villages, eight bridges, and fifteen miles of roads will disappear, and almost \$6 million of annual agricultural production will be lost. At least one sugar mill will have to be relocated. Forty-five thousand people will be affected.²⁴ According to CEL, of the land that will be inundated 60 percent is owned by eleven families, while the remaining 40 percent is distributed among 1,440 proprietors.²⁵ A sample of the latter group revealed that in 1972 less than 20 percent of them had electricity in their homes.²⁶

The very magnitude of the project was certain to generate local opposition. Shortly after CEL made its announcement, the large sugar producers organized a Commission of Affected Property Owners and Towns (CPPA) to battle the agency in the press, in political circles, and on the streets. The commission attracted the support of influential segments of public opinion, among them professional associations, newspaper editors, former government officials, academicians, and members of the clergy. However, it was unable to incorporate into its ranks important leaders of the valley's peasantry, who organized separately not so much to fight the dam as to assure adequate compensation for their expected losses.²⁷

The campaign against construction of the dam reached a climax between June and August, 1972. During this time, CPPA and its allies challenged Harza's estimates of the costs and benefits that would be generated by the project and

questioned the grounds upon which various alternatives to Cerrón Grande had been eliminated from consideration.

Harza's choice of Cerrón Grande over other possible sites for a dam was based on the estimated cost per kilowatt-hour of the several alternatives. Critics rightly pointed out that this was not an adequate measure since it only included the financial costs to CEL, leaving out nonconstruction costs. To be valid, a comparison of this nature has to take into account all the direct and indirect costs and benefits expected of each alternative over time, discounted at an appropriate rate of interest. Interestingly, Harza did just that in determining Cerrón Grande's superiority over oil-burning plants. Its failure to do so with regard to hydroelectric alternatives left it vulnerable to methodological attack.²⁸

Property owners in the valley also challenged Harza's evaluation of their land and its productivity. The consulting firm assumed that agricultural production in the valley would remain static for the next fifty years, even though it had increased an average of 10 percent per year between 1966 and 1971. In its estimate of the value of current production, Harza used the price of sugar cane but not of the sugar produced, leaving out the value added by industry. When these two assumptions were dropped, the advantage of Cerrón Grande over oil-burning plants disappeared.²⁹

Substantial nonconstruction costs of the project were either classified as "social costs" not to be included in the calculations,³⁰ or actually missed altogether. Critics brought up the following: emotional and relocation costs will be imposed on a population that is forced to abandon its homes and properties against its will. Long-established communities that function as social, economic, and political centers, integrating individuals and groups around them, will be destroyed. The lake will expose the remaining population to health hazards from untreated sewage brought to it from San Salvador by the Acelhuate River, a tributary of the Lempa. The lake will also force the rerouting of the Troncal del Norte highway, increasing transportation costs between Chalatenango and the capital.

Another cost of Cerrón Grande was not discussed by its opponents, yet the subsequent conflict brought it to light. That is the political and military costs incurred in carrying out a large-scale uprooting of thousands of people. If there were a way to measure the economic costs of man hours, equipment, and energy devoted to arguing, haranguing, protesting, marching, and other forms of individual and collective resistance, and if to that could be added the costs incurred by the government in persuading, cajoling, repressing, coercing, and intimidating the protestors, it might be

concluded that these costs alone are high enough to warrant the consideration of less disrupting alternatives.³¹

CEL brushed aside all arguments against Cerrón Grande as the work of "empiricists."³² Rather than engage its critics in a technical discussion of the project, the agency tried to justify its decision to the public on the grounds that Cerrón Grande would generate employment, promote tourism, and bring about agrarian reform. Many of CEL's newspaper advertisements during the controversy presented idyllic pictures of dams in bucolic settings under headings like "Cerrón Grande is Progress," and "Cerrón Grande Will Save on Foreign Exchange."³³ The agency argued that postponing the project would only increase the cost of electricity and warned of shortages should the project not be approved immediately.

As the months went by and CEL would not budge, the opposition became increasingly militant. Thousands of signatures were collected on anti-Cerrón Grande petitions. Large demonstrations were held in Suchitoto, San Francisco Lempa, and nearby towns. Marches on the capital were organized. Demonstrators threatened violence and vowed to defend their properties. Several mayors and councilmen from the area initially supported these efforts. The Congress sent a committee of its members on a fact-finding trip to the valley. Not to be deterred, CEL went ahead with the construction of a road to the site from the city of Chalatenango.³⁴

The national administration, while proclaiming its neutrality, aided CEL in various ways. It used the police, the army, and paramilitary groups like the Nationalist Democratic Organization (ORDEN) to block highways, turn back truckloads of protestors, and detain newsmen on days when demonstrations were scheduled.³⁵ According to a professor at El Salvador's Catholic university, the army virtually occupied the valley, intimidating the opposition.³⁶ Municipal officials were called to San Salvador by the Ministry of the Interior, introduced to CEL personnel, and instructed to lend them their support.³⁷ The president visited several villages by helicopter to denounce the "campaign of vilification" carried out against the project.³⁸

On August 14, 1972, less than three months after his inauguration, the country's president went on television and announced his decision to go forward with the project.³⁹ In a threatening tone, he justified Cerrón Grande on nationalist grounds, arguing that the country could not be dependent on foreign oil. He criticized the "selfish" elements who had campaigned against the project, and warned that further opposition would not be tolerated. He also announced the formation of a seventeen-member Reloca-

tion Commission composed of ministers and other high-ranking officials of the government, chaired by the vice-president of the Republic. Not a single representative of the affected area was appointed to serve. The commission was given the task of executing a relocation program for those displaced by the project and other measures designed to compensate the local population. After the speech, members of a landowning family were threatened with expulsion if they persisted in their opposition.⁴⁰

The president's speech put an end to the resistance of the sugar producers. As a paid announcement from one of the families put it: "To us . . . Cerrón Grande was a 'closed case' the moment the president of the Republic announced his decision. . . ."⁴¹ The fight against the dam collapsed. Still to be settled were the terms on which properties would be purchased, people relocated, and municipalities compensated for the loss of revenue sources. The large landowners changed tactics, opting for secret negotiations with the government. Those without power or influence—the small farmers, laborers, town-folk, and villagers who make up the bulk of the population of the valley—were left to deal with the government on their own.

At this point a radical priest from Suchitoto, the owner of a farm and an agricultural school in the valley, organized a Central Peasant Committee (CCC) to pressure the Relocation Commission into fulfilling its commitments.⁴² The government had pledged to pay the full value of expropriated properties and to relocate those unable to move on their own. It had also promised programs in tourism, fishing, and reforestation with the dual purpose of employing those left without jobs and generating revenues for the municipalities.

The government's initial reaction was to oppose the CCC. The police harassed the leadership and interfered with the recruitment of new members. But an appeal to the president brought temporary relief. He visited the area and conferred with its leaders, promising freedom to organize and due consideration of their demands.

It soon became clear, however, that official pledges were not being carried out. After the first meeting, the Relocation Commission did not convene again. Small farmers complained that CEL's agents were pressuring them into selling their land quickly, at what they considered to be below-market prices. Even the promises of employment evaporated as contractors brought their own personnel and trucks to the site. The CCC organized a march on the capital to gain publicity for its grievances. It also threatened an invasion of several large estates to coincide with the March 1974 congressional elections unless the government acted on its promises.

The government's response was to purchase land for the first of five agricultural communities on which to relocate displaced peasants, who would pay CEL back the money received for their old properties as partial payment for the right to live and work there. The plan called for tillable land to be held in common in a modern version of the *ejido*; peasants would be issued certificates of participation that could not be transferred until the debt to the government had been paid. The communities would be administered directly by the central government and would not exercise municipal powers.⁴³

Whether Cerrón Grande proves to be an asset or a liability to El Salvador remains to be seen. The project was scheduled for completion in 1977. At that time the total financial costs will be known, and a few years after that the economic and political costs will become apparent. CEL's predictions will then be compared to actual results.⁴⁴ But whatever these turn out to be, it is clear that the agency did not make a persuasive case for its project. Most opinion leaders argued for a postponement in which to conduct additional studies. However, CEL refused to budge. Its prestige and reputation were at stake and it would not accept the possibility that it could have made a mistake. Agency pride and the arrogance of power played important roles in the decision to build Cerrón Grande.⁴⁵

It was symptomatic of the project's lack of credibility that the government had to resort to military force and presidential threats in order to "make it work," as Charles Anderson would put it.⁴⁶ An unworkable plan was converted into an ongoing "solution" through the massive display of force. Not only is it bound to involve substantial military costs, possibly on a continuing basis, it will also make it more difficult for the decision process to come to grips with future problems in a spirit of cooperation and good will.⁴⁷ These costs are hard to measure, but, when included as a liability in the balance sheet of Cerrón Grande, they add still another doubt regarding the wisdom of the project.

Nobody Wants a Dump.⁴⁸

This case study deals with the location of a garbage dump in the metropolitan area of San José, Costa Rica. Central and metropolitan officials spent several months during 1973 searching for an appropriate site. Three counties vetoed the construction of the project within their jurisdictions. The dump was finally built in the township of Río Azul, but only after intensive negotiations with local leaders produced an agreement to compensate the township for the costs imposed on it by the project. The solution, a product of bargaining among independent officials from several levels of government, was arrived at without the use of force.

Río Azul is a poor, semirural township of 1,200 residents located southeast of San José, Costa Rica's capital. Most residents live in wooden and tin shacks strung along a dirt road that connects the village to nearby cities. Two factories are located there. In August 1973, the only signs of organized community life in the township were an old church, an overcrowded elementary school, a dirt lot that served as a make shift soccer field, and a few family grocery stores and bars. It was hard to believe that its people had just emerged victorious in a battle with metropolitan and central authorities over a garbage dump.

In May, national and city officials announced that the old garbage dump in Pavas, a township of San José, would be closed and that a sanitary landfill would be built elsewhere to replace it. Two reasons were given: the dump was almost full, and a projected expansion of an airport located in the vicinity required it for safety and aesthetic reasons.⁴⁹ For years, the people of Pavas had complained about the nauseating odor, the filthy trucks, the scavengers, the health hazards, and other aspects of the facility but to no avail. Understandably, the township greeted the news with a sigh of relief.

Garbage collection and disposal in the San José metropolitan area is a cooperative venture among ten municipalities and the Ministry of Public Health. Each locality collects the garbage within its jurisdiction and assesses its citizens for the service. An intermunicipal council administered by the municipality of San José runs the garbage dump, which is regulated by the Ministry of Public Health. About 100 tons of garbage are disposed of daily. The service is operated at a deficit by all the municipalities; San José alone loses more than \$200,000 annually.⁵⁰ The possibility of establishing a special metropolitan district to provide the service has been discussed. A uniform tax based on street frontage would be levied throughout the entire area, regardless of service level. This scheme would naturally benefit San José, where the concentration of hospitals, restaurants, and people is higher than anywhere else in the country. As a councilwoman from Santa Ana, a county west of San José, put it in an interview, "It's one of those arrangements where the big fish eats the smaller fish."

Finding a site on which to locate the landfill proved to be a difficult task. The engineers working on the \$25 million project initially picked an area known as Tirrases, in Curridabat county, east of San José. Curridabat did not like the idea. The municipal council announced its opposition and demonstrators took to the streets. On June 11, the national police used tear gas to disperse the crowd. Local leaders argued that the proposed dump was too close to populated areas and would pollute an underground aquifer that could produce up to 300 liters per second. After a meeting with the president, a Curridabat resident, they were assured that the landfill would not be built

in the county.⁵¹

Encouraged by Curridabat's victory, Pavas organized to force the closing of the old dump. On July 3, eighty local residents from the Rohmoser housing development attended a meeting at which an emergency committee was elected.⁵² Those present were in a militant mood. Most speakers argued in favor of a violent confrontation with the government. "Maybe we need to expose ourselves to tear gas and to police mistreatment of our children in order to get attention to our plight," a speaker said. A San José councilman arrived late and tried to calm the group. He congratulated Pavas on its patience and pleaded against the use of violence: "Do not resort to violence, that brings unintended consequences. Use the avenue of dialogue, education, prudence, understanding. But I ask you from the bottom of my heart, do not resort to violence." An emergency committee officer responded, "We want a peaceful solution, but we are not passive. Unfortunately, violence seems to be the only way to get attention." The rhetoric of violent threats was being used to harass the authorities into action.

That same week, 500 Pavas resident marched in front of the garbage dump carrying signs that said "Good-bye to the dump," "Out the dump," and the like. San José's city manager was present. She asked the citizens assembled to act peacefully and with good sense because "nothing is gained by violence."⁵³

After lengthy discussions with municipal officials and the minister of public health, the emergency committee agreed to wait until August before taking the matter into its own hands. Ten days before the deadline the committee started a countdown. Every day it would publish a small ad in the newspapers showing a black skull which proclaimed "X days left for the closing of the dump in Pavas. Pavas will no longer be the sanitary disposal unit for the metropolitan area. Neighbors, remain on the alert!"⁵⁴

The position of the government became increasingly difficult. Pavas was now aroused and threatened violence unless the dump were closed. Surrounding communities resisted plans to turn their territory into dumping grounds. Officials opted to discuss possibilities in secret for fear of touching off local opposition prematurely. Leaks could not be totally avoided, however. Upon learning that a farm within its jurisdiction was being considered as an alternative, the municipal council of Santo Domingo de Heredia, a county located five miles north of San José, in Heredia province, immediately went on record as opposing the move. The council argued that the proposed site was only 500 yards from a school in an area of rapid population growth. The county manager said in an interview, "If they (San José) want to dispose of garbage,

it is only logical that they find a place in any county of San José, but not in Santo Domingo. We belong to Heredia."⁵⁵ Two neighborhood corporations joined the municipality in their opposition. On the afternoon of July 18, an anonymous flier urged the citizenry to form a common front "against the garbage invasion."⁵⁶

It was in this atmosphere of tension and uncertainty that on August 3 tractors and other heavy machinery made their appearance in Río Azul. The curious were told that they were there to improve the pothole-ridden road. But the township soon learned the true mission of the machines; to convert a local farm owned by the Ministry of Public Health into the despised *basurero* (garbage dump). Reaction was swift.

Río Azul residents, including women and children, promptly lined up in front of the tractors and trucks, hindering their movement. Local spokesmen demanded a halt to the operation, arguing that no one in the township had been informed of the project, let alone consulted. Aid was requested from Tres Ríos, the county seat, which sent trucks to block San José's machinery. La Unión officials protested that the autonomy of its territory had been violated, and that San José had not even applied for a construction permit. By this time, San José's county manager had arrived and was trading insults with the local women. Late that afternoon, San José withdrew "to avoid problems." Río Azul had won the first battle.⁵⁷

The next few days were marked by furious activity on the part of local residents. Fearing a police attack, meetings were organized by the various organizations of the district to plan a defensive strategy. These organizations included the neighborhood development corporation, the church board, the education board and the association of school patrons, the local chapter of the National Association of Educators (ANDE), and the sports clubs. The factory unions lent their support, too.

At the same time, late-night meetings were held in Río Azul's church and in the La Unión municipal building for the purpose of negotiating an agreement. Among the most important officials present were the minister of public health, the chairmen of the city councils of San José and La Unión, councilmen and the city manager from La Unión, and the area's congressman. The officers of the township's neighborhood corporation acted as Río Azul's representatives. A key figure at those meetings was the local priest, who was credited with making an agreement possible.

In the meantime, on August 4, the public health minister bowed to Pavas and closed the old dump. Jubilant, the district celebrated its victory during a three-day long carnival. Among the principal features of the celebrations was a mock funeral march in which the dump was "buried." The emergency

committee pledged itself to pressure national authorities to turn the old garbage dump into a children's park.⁵⁸

While Pavas celebrated, garbage piled up on the streets of San José. Officials worried about an epidemic and urged a mass inoculation of the population. The city council petitioned the president to declare a state of emergency and to use "all necessary means" to put an end to the situation.⁵⁹ This meant the use of force. But the president deferred to his minister, and held back the troops.

On August 7, an agreement was finally worked out. The central government, the municipalities of San José and La Unión, and the Río Azul neighborhood corporation signed a document whereby the township consented to the installation of the landfill in its territory in exchange for a number of concessions. The national and county governments committed themselves to fulfilling nineteen conditions demanded by Río Azul.⁶⁰ The most important of these were improvement of the local aqueduct; pavement of the main street and improvement of other roads in the area; the installation of street lights and a public telephone; completion of the soccer field; relocation of the school; recognition of property rights to the families squatting on the ministry farm; construction of a community center; and the assurance that a majority of the workers employed in the operation of the landfill would be Río Azul residents. In addition, the congressman promised to introduce two bills in the legislature. One would authorize Río Azul to impose a tax on every privately owned garbage truck entering the township. The other would incorporate a vigilance district, composed of members from Río Azul and surrounding local units, empowered to close the landfill if health standards were violated. Immediately after the agreement was made public, the municipality of San José announced that service charges for garbage collection would have to go up. Thus the nonconstruction costs of the landfill were to be borne by those who received the service, and not by the residents of Río Azul.

The agreement was hailed by the newspapers, which called it original. Editorials praised Río Azul for its aggressiveness, shrewdness, and patriotism.⁶¹ However, many if not most of the township's inhabitants did not trust the government's promises. The government was given a year's time to fulfill its part of the bargain. Five months later, only one condition had been met—the installation of the public telephone. The township threatened to close the dump on January 16, 1974, unless the government moved to carry out its pledges.⁶² On January 12, the municipality of San José was authorized by the intermunicipal council to buy a farm on which to build a new school and a community center for Río Azul. The Ministry of Public Works promised to begin construction right away.⁶³ Thus

the government had to be pressured into fulfilling its commitments. It was clear that without continuous agitation on the part of Río Azul, the government would soon forget its promises. It was up to the local leadership to devise strategies that would force the government to carry out its obligations.⁶⁴

The outcome of the garbage crisis was a novel one. The metropolitan area found a place in which to dispose of its garbage, and a poor, forgotten township won material concessions that when fully implemented will mean a substantial improvement in the welfare of its residents. An exchange was struck between two unequal but autonomous entities in which each party gained something from the transaction. The township did not have to sacrifice its interests unilaterally in favor of the metropolitan area.

In retrospect, it seems that if the national and county governments had offered to compensate local residents from the beginning, opposition to the landfill would not have built up as rapidly and forcefully as it did. It was only because local communities saw themselves as being victimized by San José that they resisted. As they saw it, San José was trying to dump its problems on them. Central authorities, however, did not view it that way. Under the rhetoric of the national interest, they viewed the crisis as stemming from the division of the metropolitan area into ten counties, a situation that allowed parochial interests to come before the interests of all. As the public health minister put it at the height of his frustration: "The time has come to analyze this problem from the point of view of the national and not the local interest, even if for a particular locality this would mistakenly mean a thorn in its heart."⁶⁵ The local argument, however, was that if the national interest was so important, then the nation could easily afford to set aside several thousand dollars to make the thorn easier to bear. When it did, resistance to the project weakened to the point where an agreement was possible.

Perhaps the most outstanding feature of the garbage crisis was that it was resolved without the government having to impose a solution by force. In many ways, this made the task of the authorities much harder. They had to shop around for a site and negotiate at length with local officials until an outcome acceptable to all the parties emerged. The decision costs were certainly high. However, the military and political costs of a central imposition could have been much higher. An "easy" short-term solution would have involved the deploying of troops to Río Azul, Santo Domingo, or Curridabat. The government undoubtedly had the means to impose its will by force. Yet the legacy of bitterness and resentment that it would have entailed could not be ignored. It would also have required a strong contingent of security guards to eliminate the possibility of sabotage, and that would have added to the

operating costs of the facility. As it was, work on the project was begun with at least the tacit acceptance if not the guarded cooperation of the majority of Río Azul residents.

COMPARING THE TWO CASES

The two case studies just examined contrast the ways in which two countries resolved a central-local conflict over the decision to build a public project. Cerrón Grande is an example of the monocentric approach, of central execution of solutions and arrangements devised at the top without local participation. Río Azul, on the other hand, illustrates the polycentric method, of negotiation and bargaining among autonomous levels of government. The most important differences in decision processes and policy outcomes between the two cases are as follows:

(1) In Costa Rica, at least five local entities participated in blocking the project, or driving it out: Curridabat, Santo Domingo, La Unión, Río Azul, and Pavas. In El Salvador, local units were able only to protest, and, after a while, not even to do that, as the Ministry of the Interior exerted pressure on them to quit.

(2) In Costa Rica, two different communities were successful in stopping the project after a central decision had been made; Curridabat, and Río Azul-La Unión. In El Salvador, work never ground to a halt. In fact, CEL went ahead with the construction of the road to the site from Chalatenango at the peak of the controversy.

(3) In Costa Rica, national and metropolitan officials had to negotiate with local representatives who stood for the collective interests of the community and had to come to terms with their demands *before* starting work on the project. In El Salvador, national policy-makers did not negotiate with local leaders and did not have to meet local conditions before carrying out their plan.

(4) In Costa Rica, the landfill was built *after* local consent was obtained. In El Salvador, the project was continued over local objections.

(5) In Costa Rica, a greater number of political actors with independent constituencies participated in the negotiations: councilmen and city managers from three counties; a congressman; officials from the neighborhood corporation; ad hoc community leaders; and ministry personnel. In El Salvador, there was not an equivalent give-and-take among independent actors. Municipal officials were instructed on how to behave by the Ministry of the Interior; members of Congress representing the area stayed on the sidelines.

(6) In Costa Rica, the community received *collective compensation* for the landfill in the form of local improvements stipulated by its representatives. In El Salvador, compensation was centrally determined by a Relocation Commission in which there was no local representation, and the compensation was directed at *individuals*, not communities.

(7) In Costa Rica, the community was granted the authority to regulate the landfill and to receive revenues from it. In El Salvador, no such arrangement was worked out; instead, displaced peasants were to be organized into cooperatives tied to the central government. Thus, whereas in Costa Rica the solution promoted local independency and autonomy, in El Salvador it perpetuated dependence and reliance on central officials.

(8) Finally, in Costa Rica, the solution devised was peacefully implemented by voluntary consent, without the use of force. In El Salvador, the execution of policy required the massive display of military power by the central government in order to quell local opposition.

CONCLUSIONS AND RECOMMENDATIONS

On two out of three criteria by which policy performance is evaluated in this study, the polycentric model clearly comes out ahead. The costs and benefits of a public project were more equitably allocated and the decision-process was far less violent in Costa Rica than in El Salvador. As for efficiency, the answer is less obvious. While serious questions regarding the efficiency of Cerrón Grande were raised, the issue was not part of the Río Azul controversy. The economic costs of the various sites were pretty much the same. Questions of equity and politics were far more important. Nevertheless, a conclusion regarding the relative efficiency of the two models is possible.

One of the arguments advanced by the monocentric theory is that in a centralized system, decision-makers can acquire the breadth of perspective necessary to tackle national problems without interference from special or narrow interests. Most, if not all, of the facts relevant to public decisions can be collected and synthesized at one point, thus maximizing the rationality of public policy. Yet, as the conflict over Cerrón Grande illustrated, a centralized system can easily miss or fail to give proper weight to important consequences associated with a policy. CEL was either unaware of or unconcerned with the substantial social, economic, and political costs that the nation would have to bear on account of Cerrón Grande. The agency's refusal to acknowledge them, even when faced with massive resistance, seriously undermined its claims to objectivity. It is altogether possible that the costs of Cerrón Grande will exceed its benefits. It was adopted because those who

will pay a substantial portion of the costs had no access to the accounting process, while those who will reap the benefits did. The nation thus embarked on a project of doubtful value without proper analysis or deliberation. Ironically, among those most negatively affected are the poorest and least powerful elements of Salvadorean society.

By contrast, a polycentric system provided Costa Rican communities with the institutional means to defend their collective interests. Control over its own territory was the tool used by Río Azul to veto a decision highly unfavorable to its residents. National authorities had to bargain with the township in order to gain approval for their project. Compensatory measures were worked out in order to defray the costs imposed on the community by the landfill. The indirect costs of the facility were thereby made explicit, and provision was made to take those costs into account.

This outcome suggests that in a polycentric system the "pricing" of public policies is more efficient than in a monocentric one. This is because if local governments were to exercise autonomous control over territory, resources within their domain could not be appropriated by other units without their consent. Local approval would be secured only if certain conditions reflecting the value of the resource to local residents were met. This would force decision-makers to choose only those projects in which total benefits exceeded total costs. Thus, local units would "price" collective resources over which they had jurisdiction—the greater the social costs of a policy or program, the more its sponsor would have to pay local units. Competition among the latter would restrain any one of them from charging a price that was too high relative to the costs involved.⁶⁶ Of course, the indirect costs of certain projects could be so high that local prices everywhere would make them uneconomical.⁶⁷

In the future, the decision on where to build a public project might be made as follows: the agency in charge would specify the nature and requirements of its project and would invite communities to "bid" on it. Local governments, either individually or joined together in councils or other forms of intergovernmental arrangements, would submit lists of conditions under which they would accept the project. Other things being equal, the project would be located in the locality whose price was the lowest. The costs would be passed on to the beneficiaries. In this way, local prices would (1) zone public projects and (2) allocate the costs and benefits of those projects, both according to the supply of and the demand for citizen consent. This would be the closest thing to a free market in the public sector.⁶⁸

Had this scheme been in effect in Costa Rica and El Sal-

vador during the course of the case studies examined here, would the outcomes have been any different? In Costa Rica, such an arrangement would not have made much difference. It would only have formalized what in fact happened. The township would have had the authority to license and tax the landfill for the benefit of local residents, but compensation to the community would have taken the form of cash payments rather than "in kind" equivalents of goods and services. More than likely, the amount paid the township would have been higher than it was. In El Salvador, however, the results would have been quite different. The prospect of paying local taxes on the scale necessary to cover the losses incurred by the communities of the Chalatenango Valley on account of Cerrón Grande would have dissuaded CEL from even planning the giant project in the first place. A combination of smaller, less destructive alternatives would have been adopted instead. And the Salvadorean government would possess a greater understanding of the complex set of costs generated by its decisions on electric production and its pro-industrialization policies in general.

NOTES

1. This paper draws from several chapters of my dissertation, "Centralization and Scope: Political Structure and Policy Performance in Costa Rica and El Salvador." Indiana University, 1975. An earlier version was presented before the 1975 meeting of the American Society for Public Administration, Chicago. The research was supported in part by a grant from the National Institute of Mental Health. I am deeply indebted to Professor David Collier, Indiana University, who patiently guided me through three years of doctoral work.
2. See, for example, Susan B. Hanse, "Participation, Political Structure, and Concurrence," *American Political Science Review*, December 1975, pp. 1181-1199; John D. Montgomery, "The Allocation of Authority in Land Reform Programs: A Comparative Study of Administrative Process and Outputs," *Administrative Science Quarterly*, March 1972, pp. 62-75; Elinor Ostrom, "Metropolitan Reform: Propositions Derived from Two Traditions," *Social Science Quarterly*, December 1972, pp. 474-493; David O. Porter and Eugene A. Olsen, "Some Critical Issues in Government Centralization and Decentralization," *Public Administration Review*, January/February 1976, pp. 72-84; and Larry L. Wade, *The Elements of Public Policy*, Columbus, Ohio: Charles E. Merrit Publishing Company, 1972.
3. In Chapter II of *The Elements of Public Policy*, Wade summarizes the arguments over whether environmental or institutional factors predominate in the shaping of political outcomes, both in the American states and cross-nationally.
4. An important exception is James Payne, "Peru: The Politics of Structured Violence," *Journal of Politics*, May 1965, pp. 362-374.
5. Dale Krane provides an excellent summary of the two models of "Longitudinal Patterns of Centralization and Development: Testing Theories of Government Organization," paper presented at the 1974 meeting of the American Political Science Association, Chicago. The applicability of the two models of Latin America is examined in Wilburg Jiménez Castro, *Los dilemas de la descentralización funcional: Un análisis de la autonomía institucional pública*, San José, Costa Rica: Escuela Superior de Administración Pública, 1965. See also Warren F. Ilchman, *Comparative Administration and "Conventional Wisdom"*, Beverly Hills: Sage Publications, 1971.
6. This reasoning also lies at the heart of the Planning-Programming-Budgeting System, or PPBS. See, for example, Samuel M. Greenhouse, "PPBS: Rationale, Language, and Idea-Relationships," *Public Administration Review*, December 1966, pp. 271-277.
7. S. N. Eisenstadt, "Bureaucracy and Political Development" and Bert F. Hoselitz, "Levels of Economic Performance and Bureaucratic Structures," both in Joseph LaPalombara (ed.), *Bureaucracy and Political Development*, Princeton: Princeton University Press, 1963; Alfred Diamant, "Political Development: Approaches to Theory and Strategy," in John D. Montgomery and William J. Siffin (eds.), *Approaches to Development-Politics, Administration and Change*, New York: McGraw-Hill, 1966; Gideon Sjoberg, "Ideology and Social Organization in Rapidly Developing Societies," in Fred W. Riggs, *Frontiers of Development Administration*, Durham, North Carolina: Duke University Press, 1971.
8. That bureaucratic structures are likely to be misinformed about their environment is argued by Gordon Tullock, *The Politics of Bureaucracy*, Washington, D.C.: The Public Affairs Press, 1966. For a contrary view, see Herbert Kaufman, *Administrative Feedback: Monitoring Subordinates' Behavior*, Washington, D.C.: The Brookings Institution, 1973.
9. See Daniel Cosío Villegas, *El sistema político mexicano*, Mexico City: Cuadernos de Joaquín Mortiz, 1973.
10. Joseph LaPalombara, "Alternative Strategies for Developing Administrative Capabilities in Emerging Nations," in Riggs, *Frontiers*; Nicholaas Luyky, "Rural Government in the Strategy of Agricultural Development," in Montgomery and Siffin, *Approaches to Development*; Fred W. Riggs, "Bureaucrats and Political Development: A Paradoxical View," in LaPalombara, *Bureaucracy and Political Development*; and Peter Berger, *Pyramids of Sacrifice*, New York: Basic Books, 1975.
11. Claudio Véliz, "Centralism and Nationalism in Latin America," *Foreign Affairs*, October 1968, p. 83.
12. William Stokes, "Latin American Federalism," in Peter G. Snow (ed.), *Government and Politics in Latin America: A Reader*, New York: Holt, Rinehart and Winston, Inc., 1967, p. 173.
13. An extended comparison of Costa Rica and El Salvador appears in Chapter II of my dissertation, "Centralization and Scope: Political Structure and Policy Performance in Costa Rica and El Salvador."
14. In 1971, Gross National Product per capita was \$500 in Costa Rica but only \$291 in El Salvador; illiterates made

up 11 percent of the total population in Costa Rica as opposed to 42 percent in El Salvador. See *Ibid.*, p. 18.

15. The term "presidential dominance" is used by Jacques Lambert to describe the centralized characteristics of most Latin American governments. See his *Latin America: Political Institutions and Processes*, Berkeley: University of California Press, 1967.

16. Gary Wynia, *Politics and Planners—Economic Development Policy in Central America*, Madison: The University of Wisconsin Press, 1972.

17. A good discussion of efficiency as it applies to public policy appears in Allen V. Kneese and Charles L. Schultze, *Pollution, Prices and Public Policy*, Washington, D.C.: The Brookings Institution, 1975.

18. The concept of equity or justice generates considerable debate. Note, for instance, the collection of articles commenting on John Rawls's *A Theory of Justice* that appeared in the June 1975 issue of *The American Political Science Review*. This paper hopes to avoid conceptual quarrels by adopting a common-sense notion of what is *not*, rather than what is, equitable.

19. See Ted Gurr, *Why Men Rebel*, Princeton: Princeton University Press, 1970.

20. Information for this study was obtained from a variety of sources, including interviews with persons involved in one aspect or another of the case, who, for obvious reasons, will remain anonymous. Newspaper coverage of the events narrated here was extensive, allowing most statements of fact to be checked against the public record.

21. The lower figure is an early government estimate. In an interview, a CEL official conceded that the total will be well above that. Opponents claimed from the beginning that the project would cost at least \$120 million. See *Diario Latino*, July 7, 1972, p. 7, and July 12, 1972, p. 12.

22. "Proyecto Hidroeléctrico Cerrón Grande," CEL publication, San Salvador, August 15, 1972, pp. 6, 7, and 14.

23. Xavier F. Beltrán et al., "Cerrón Grande," *Estudios Centroamericanos*, August-September 1972, p. 540.

24. *Diario Latino*, June 2, 1972, pp. 16-17.

25. Interview with a high official of the Relocation Commission.

26. Beltrán, "Cerrón Grande," p. 573.

27. The pronounced inequality of land tenure in El Salvador is associated with severe class differences that stand in the way of collective action in defense of common interests. Had all leaders of the peasantry joined forces with the sugar producers, it is doubtful that CEL would have prevailed.

28. Beltrán, "Cerrón Grande," pp. 533-534, 537-538.

29. Francisco and Roberto Orellana, "Análisis del Estudio del Proyecto Cerrón Grande Elaborado por Harza Engineering Co.," June 2, 1972, unpublished manuscript, pp. 44-56. The authors are engineers, members of one of the largest landowning families in the valley.

30. Beltrán, "Cerrón Grande," p. 537. See also *Diario Latino*, July 7, 1972, pp. 16-17 and July 12, 1972, p. 10.

31. In "The Political Economy of Efficiency," Aaron Wildavsky notes the reduction in political costs accomplished by the Soil Conservation Service when it abandoned eleven controversial large watershed projects in favor of the small watershed program. *Public Administration Review*, December 1966, p. 297.

32. *Diario Latino*, June 5, 1972, p. 17.

33. *Diario Latino*, June 1, 1972, p. 15; June 5, 1972, p. 17; June 21, 1972, pp. 18-19; June 20, 1972, p. 9; July 25, 1972, p. 14; and July 27, 1972, p. 23. The opposition resented what is called CEL's "slogans." See July 26, 1972, p. 15.

34. *Diario Latino*, June 2, p. 3; June 5, pp. 3, 16; June 8, pp. 2, 18; June 12, pp. 1, 3; June 20, pp. 23-24; June 26, pp. 2, 3 and 16; June 28, pp. 15-18; July 5, p. 16; July 7, pp. 16-17; July 8, pp. 16-17; July 13, p. 1; and July 21, pp. 2, 30. All dates are for 1972.

35. *Diario Latino*, June 12, 1972, p. 3, and June 27, 1972, p. 19.

36. Interview with the professor, a native of Chalatenango.

37. *Diario Latino*, June 26, 1972, pp. 2, 24, and July 25, 1972, p. 16.

38. *Diario Latino*, August 21, 1972.

39. *Diario Latino*, August 15, 1972, p. 16.

40. Interview.

41. *Diario Latino*, August 28, 1972, p. 25.
42. Interview.
43. Interview with the Executive Director of the Relocation Commission.
44. CEL had hoped that its first large-scale hydroelectric venture, the Fifth of November dam, would last seventy-five years. Yet a CEL planner confided that less than thirty years after its completion, silt had reduced the volume of the lake by 50 percent. The associated reduction in electric capacity motivated the agency to build another dam in the shortest possible time.
45. The extent to which the private interests of high government officials were served by the project is open to conjecture. CEL's general manager, one of the driving forces behind Cerrón Grande, is a member of a powerful family with extensive holdings in industry, the main beneficiary of the project. The family also owns a sugar mill in the Chalatenango Valley that will not be affected by the lake and thus stands to benefit from the elimination of competition. To some observers, the conflict over Cerrón Grande had the overtones of a feud among families. It was so viewed by CPPA—see *Diario Latino*, June 22, 1972, p. 19.
46. Charles Anderson, *Politics and Economic Change in Latin America*, Princeton: D. Van Nostrand Co., Inc., 1967.
47. Warren Illchman and Norman Uphoff, *The Political Economy of Change*, Berkeley: The University of California Press, 1969, p. 71.
48. Information for this study was obtained through interviews and newspaper sources. As in the case with Cerrón Grande, an effort is made to cite published material whenever possible.
49. *La Nación*, May 6, 1973, p. 2.
50. *La República*, August 12, 1973, p. 14.
51. The site chosen included part of a farm owned by the president, who may have welcomed an "expropriation" of his property in exchange for a sum that was higher than the market price. Here again, it is difficult to determine to what extent the private interests of a government official were being promoted by public policy.
52. The author was present.
53. *La Nación*, July 8, 1973, p. 42.
54. See, for example, *La República*, August 1, 1973, p. 26.
55. *La Nación*, July 17, 1973, p. 2; and *La República*, July 18, 1973, p. 20.
56. *La Nación*, July 19, 1973, p. 6.
57. *La Nación*, August 6, 1973, p. 2. The ministry farm bordered on the president's Curridabat property, and planners predicted that the landfill would eventually expand to include it. Thus the search had come full circle.
58. *La Nación*, August 7, 1973, p. 33.
59. *La Nación*, August 8, 1973, p. 58.
60. *Ibid.*, p. 4 and 8. The author obtained a copy of the document, entitled "The following are the conditions on which we accept the landfill in Río Azul."
61. *La Nación*, August 8, 1973, p. 14 and August 13, 1973, p. 14.
62. *La Nación*, November 13, 1973, p. B-1; January 11, 1974, pp. 2-A and 2-B.
63. *La Nación*, January 12, 1974, p. 37-A; *La República*, January 13, 1974, p. 32.
64. In Río Azul, as in Cerrón Grande, the courts played no role in settling the conflict. Without judicial remedies, the potential for violence was high. This brings to mind Riggs's observation that "It is when we turn to study of the new nations that we suddenly become aware of the crucial role of the courts in maintaining the viability of a politically developed system. . . ." See Fred Riggs, "Bureaucrats and Political Development: A Paradoxical View," in LaPalombara (ed.), *Bureaucracy and Political Development*, p. 154.
65. *La Nación*, August 5, 1973, p. 6.
66. On competition among local units, see Robert Bish and Vincent Ostrom, *Understanding Urban Government*, Washington, D.C.: American Enterprise Institute, 1973; Charles M. Tiebout, "A Pure Theory of Local Expenditure," *Journal of Political Economy*, October 1956, pp. 416-424; and Robert Warren, "A Municipal Services Market Model of Metropolitan Organization," *Journal of the American Institute of Planners*, August 1964, pp. 193-204.
67. See Wade, *The Elements of Public Policy*, p. 13.
68. Applications of this system to the allocation of water resources are discussed in my dissertation, *Centralization and Scope*, pp. 183-186.