

2.1 Comparing Costa Rica and Nicaragua

Main Idea Costa Rica and Nicaragua both work to build a more stable economy, despite different political conditions.

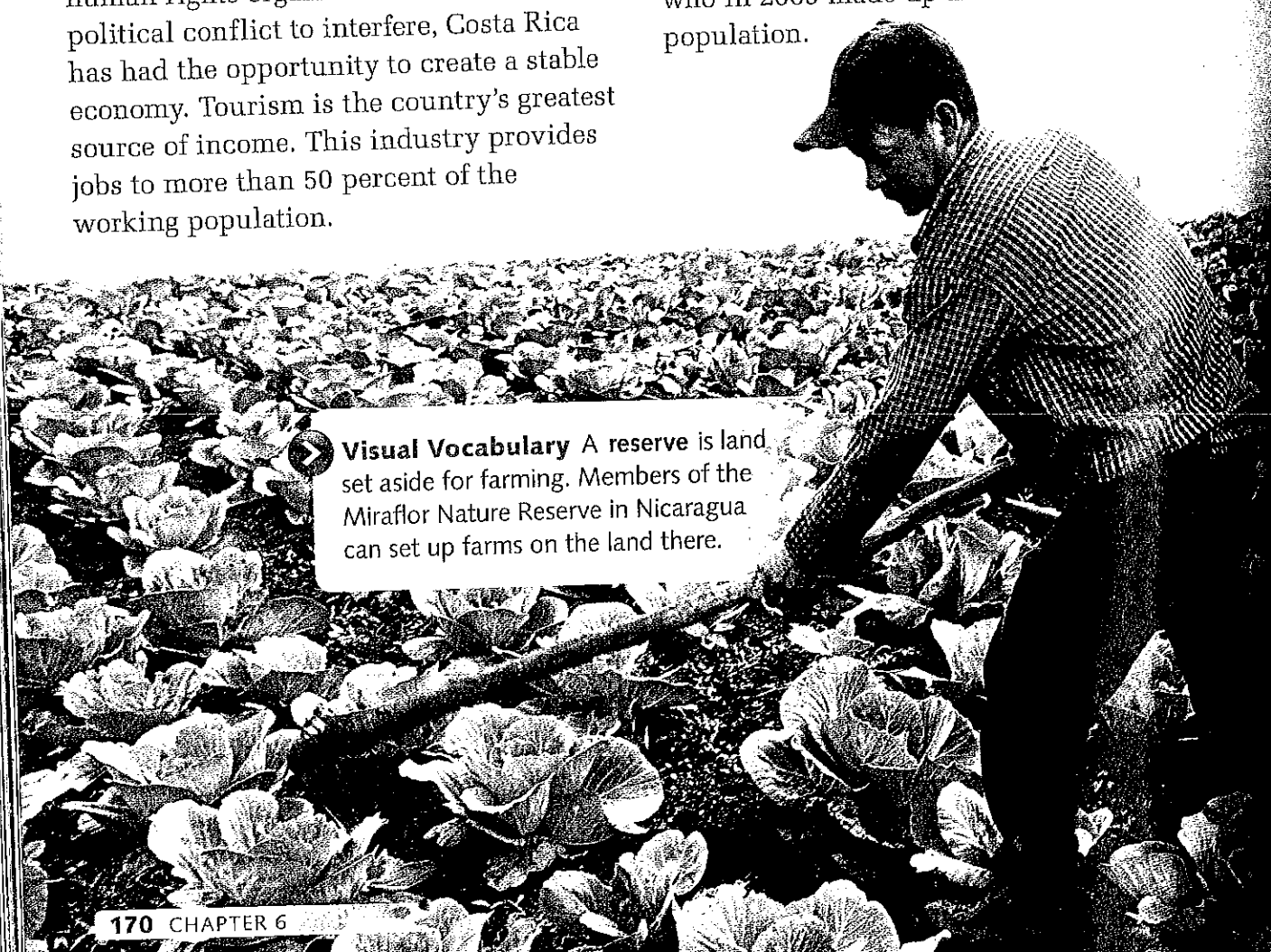
During the 20th century, Costa Rica and Nicaragua (nik uh RAHG wah) had very different histories. As a result, Costa Rica became a strong and stable democracy, while Nicaragua became the poorest country in Central America.

Different Political Paths

Costa Rica has enjoyed peace for over 60 years. In fact, since 1949 the country has never had an army. Costa Rica's capital city of San José is home to several global human rights organizations. Without political conflict to interfere, Costa Rica has had the opportunity to create a stable economy. Tourism is the country's greatest source of income. This industry provides jobs to more than 50 percent of the working population.

Unlike Costa Rica, Nicaragua has had an unstable government since its independence from Spain in 1821. This instability included dictatorships and civil wars that lasted through the 1990s. In addition, the country was hit by a major hurricane in 1998. It destroyed Nicaragua's **infrastructure**, the basic systems a society needs, such as roads, bridges, and electricity. Thousands were left without homes, jobs, or medical care.

Unstable conditions make the fight against poverty more difficult. Nicaragua entered the 21st century facing challenges. It needed to build its economy and develop social programs to help poor people, who in 2005 made up almost half the population.



Visual Vocabulary A reserve is land set aside for farming. Members of the Miraflores Nature Reserve in Nicaragua can set up farms on the land there.

Economic Challenges

Costa Rica's economy has grown over the past 20 years. However, the poverty rate has remained between 15 and 20 percent. Changes in government **policy**—official guidelines and procedures—might account for this lack of improvement.

In the 1980s, after years of heavy spending and borrowing, the country was running out of money. Over the next decades, various policies were enacted to address this economic crisis. The government restricted its spending and raised taxes. Funding was reduced for social programs, many of which were created to help poor people. In 2007, in an effort to bring about economic growth, Costa Rica joined other Central American countries in a free trade agreement with the United States. The agreement went into effect in Costa Rica in 2009.

COMPARING ECONOMIC DEVELOPMENT INDICATORS

	Costa Rica	Nicaragua
Life Expectancy at Birth	77.5 years	71. years
Adult Literacy Rate aged 15 and above	94.9%	67.5%
Per Capita Income (U.S. Dollars)	\$10,900	\$2,800
Population Below the Poverty Line	16%	48%

Source: CIA World Factbook

In 2005, Nicaragua received funds from the United States to address rural poverty. The money was used for factors of production, such as farming equipment. It was also used for **marketing**—advertising and promotion—for rural businesses, and for building roads so these new businesses could better transport goods. Efforts like these can provide long-term solutions for the problem of poverty in Nicaragua.

Before You Move On

Summarize In what ways have both countries built a more stable economy?

ONGOING ASSESSMENT

DATA LAB



Geography

- Analyze Data** How does literacy rate relate to the percentage of people living below poverty? Answer by completing this sentence: As the literacy rate decreases, the poverty rate _____.
- Place** Based on the chart, which country seems to have a better standard of living, or quality of life? How can you tell?
- Make Inferences** Why might small farmers want to set up their own reserve in Nicaragua, rather than depend on government funding?