

The United States and the Economic Development of Puerto Rico

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The United States and the Economic Development of Puerto Rico

PUERTO Rico became an insular possession of the United States following the Spanish-American War in 1898. Shortly thereafter the island was brought within the monetary and tariff structures of the United States, and mainland capital began to flow into the island, especially in the form of investments in the sugar industry. These factors were mainly responsible for shaping the Puerto Rican economy and for tying it closely to the economy of the United States.¹

Today the tie is very close indeed. The Puerto Rican economy is largely dependent on external trade, and almost all of this trade is with the United States. About 95 to 98 per cent of the island's exports are marketed in the mainland, while some 93 per cent of the imports are from the Continent. Puerto Rican trade is significant also from the mainland point of view, since the island is the fourth or fifth largest customer in the Western Hemisphere and one of the chief sources of supplies of sugar, tobacco, rum, and hand-processed textiles and apparel.

I

The people of Puerto Rico today enjoy a level of living which, while substantially short of that achieved by the more industrially advanced nations, is comparable to that of the richest nonindustrialized areas. Thus, for example, estimates of per capita income in 1949 indicate that Puerto Ricans had an average income (in terms of roughly equivalent purchasing power) larger by far than the majority of the people of the world and greater than all but four of the Latin American and Caribbean countries. Puerto Rico's per capita income of \$295 was 15 per cent less than the top Latin American income of Argentina but almost exactly equal to that of Cuba, which is very much richer in natural resources; two and a half times that of Mexico; four times as

¹ For details, see Harvey S. Perloff, *Puerto Rico's Economic Future* (Chicago: University of Chicago Press, 1950), pp. 110-44; United States Tariff Commission, "Puerto Rico's Economy with Special Reference to United States-Puerto Rican Trade" (Washington, D.C., May, 1943; mimeographed); Robert L. Sammons and Belén H. Cestero, *Balance of External Payments of Puerto Rico, 1942-46* (Rio Piedras: Social Science Research Center, University of Puerto Rico, 1948); and Rafael de J. Cordero, *La Economía de Puerto Rico y sus problemas* (San Juan: Departamento de Instrucción, 1949).

large as that of the Dominican Republic; and over seven times as great as that of Haiti. These are, of course, admittedly rough measures, but other welfare indexes suggest a similar picture.

Puerto Rico's income is certainly quite low in terms of Western industrial standards, but it is, nevertheless, far above what could be expected or explained on the basis of internal resources. As a matter of fact, the island has remarkably few natural resources in relation to its large and rapidly growing population. There are practically no mineral resources of any importance. Fish in nearby waters do not seem to be abundant. Most land was stripped of timber years ago. The island's only relatively rich natural resource is its soil which, together with a very favorable climate, provides the basis for a varied agriculture with a year-round growing season. However, this resource is severely limited in extent. Puerto Rico, which is 100 miles long by 35 miles wide, with a mountainous interior, has only about a million acres of arable land. With a population of $2\frac{1}{4}$ million, this amounts to less than a half acre of cultivable land per person and makes Puerto Rico one of the most densely populated areas on the face of the globe.

It would be difficult to explain Puerto Rico's present level of living without giving due weight to the economic advantages to the island of its special relationship to the United States. The protected market of over 150 million consumers that is open to Puerto Rican products, the large mainland investments in the major industries, together with the substantial Federal expenditures and contributions that have been made to the island, have evidently served to compensate for the island's limitation in natural resources. However, a review of the economic history of Puerto Rico would suggest that this special relationship cannot alone explain the current level of insular income. The unprecedented wartime and postwar prosperity in the United States is, of course, a factor of primary importance. It is inevitable that Puerto Rico, with its economy so completely integrated with the mainland, should be directly affected by the ups and downs of business conditions in the Continental United States. An additional element is the manner in which during the past decade the people of Puerto Rico through their government have put the special relationship with the United States to effective use in carrying out a balanced and planned program of economic development. This latter factor has had a great deal to do with changing the situation from one in which Puerto Rico was widely considered the most shameful spot in the

United States scene—the prime example of American colonial exploitation—to one in which Federal agencies can use Puerto Rico as a training ground in connection with the Point Four program with a certain pride in the accomplishments that are so evident in the island today.

The main features of the economic relationship between the United States and Puerto Rico were set down at the beginning of the century shortly after the island became a possession of the United States, and these features have largely determined the role that the United States has played in the economic development of the island. While this role has been along a rather consistent line of development, three fairly distinct stages can be identified. The first of these is the period from the turn of the century to the early 1930's; the second is that of the New Deal era from 1933 to the entry of the United States into World War II; while the third covers the war and postwar period to the present.

II

Puerto Rico, together with the Philippine Islands and Guam, was ceded by Spain to the United States by the treaty of peace signed in Paris on December 10, 1898. The primary interest in the island was evidently closely related to the vital concern of the United States in seagoing routes and protection of the mainland, the same interest and protective aim that prompted the imposition of the Platt Amendment on Cuba and that later led the United States to assume general supervision over the Caribbean area.

The United States position with regard to the political status of Spain's former colonies, other than Cuba, was far from clear. Some powerful organized-business groups strongly favored an expansionist policy and saw in these islands potential markets and outlets for investment, but there were no specific ideas as regards the form of annexation most favorable for such exploitation. Other groups opposed any imperialist expansion, some on moral grounds and as a violation of time-honored American principles, others because of the fear of competition from "cheap labor" areas. From such groups came a continual pressure for the granting of independence to the island possessions. Once there was a departure from the established territorial system—dictated by the fact that American sovereignty was now established over noncontiguous lands already thickly settled, with people

of alien cultures, languages, and political traditions—the nation found itself on an uncharted sea. The result was continual improvisation with no clear concept of ultimate political status and of an economic relationship fitting such ultimate status. Under the circumstances, it is not surprising that the political, administrative, and economic arrangements that were made should have reflected, in a general way, underlying American traditions and the socioeconomic ideas of the period rather than a specialized, well-defined colonial policy.

Looking back, it can be seen that in spite of seeming shapelessness a certain pattern could be discerned in the policy operating in American dependencies. It was that of the United States itself: a stress on political rights and political form; on schooling, public health, and facilities for getting around; on the economic side, an acceptance of the desirability of *laissez faire*, with certain modifications, however, as exemplified by tariff and other political provisions favoring powerful special-interest groups; culturally, a tendency to impose American values, including the English language.

In accordance with the provisions of the Foraker Act of 1900, free trade with the United States was established and Puerto Rico was brought under the tariff laws of the nation.² The island was exempted from contributing to the support of the Federal Government, applying the principle of “no taxation without representation.” United States internal revenues, collected on Puerto Rican products, and custom duties, collected on foreign goods destined for Puerto Rico, went to the insular rather than to the Federal treasury. One provision of the act limited ownership or control of land by any one corporation to 500 acres, but no serious attempt at enforcement of this restriction was made until 1935. Evidently the government was satisfied with merely paying lip service to the principle of preventing land monopoly.

The tariff assimilation of the island by the United States had an enormous and almost immediate effect on the Puerto Rican economy. In fact, it can be said that the United States tariff shaped the insular economy just as decisively as the American laws and administrators were shaping the island’s political structure (laying down the lines of administration “until the road was grooved so deeply that the carriage

² Free trade was actually established on July 25, 1901, by presidential proclamation, after the insular legislature had provided a system of local taxation in accordance with the provisions of the Foraker Act. Until that date, goods shipped between the island and the mainland were subject to a tariff amounting to 15 per cent of the regular tariff schedule then in effect on trade between the United States and foreign countries. The customs duties collected during that period were used to finance insular government operations.

of state could not slide out of it into the ditch," according to former Governor Theodore Roosevelt). The island became increasingly dependent on external trade or, more specifically, on a few cash crops destined for the mainland market to be exchanged for almost all its necessities. The total value of exports and imports grew from less than \$18 million at the beginning of the century to about \$180 million thirty years later. The share of the mainland in Puerto Rico's external trade, which amounted to some 15 per cent of exports and 24 per cent of imports (average annual value of 1893-1896) toward the end of the Spanish regime, rose in 1901 to 65 per cent of the exports and 78 per cent of the imports, and by 1930 amounted to 95 per cent of the exports and 87 per cent of the imports.

The concentration on export crops inevitably made the island increasingly dependent on the import of a large share of the foodstuffs consumed as well as the import of almost all the manufactured goods used in the island. At the end of the nineteenth century, some 42 per cent of the value of Puerto Rico's farm production were food crops for local consumption, the remainder being cash-export crops. By 1929 the proportions were 28 per cent for food crops and 72 per cent for cash-export crops. During the latter year, about 60 per cent of the total food supply was imported, and only 40 per cent was produced locally. This ratio has not changed very much since then.

It was the high tariff on sugar and certain other farm products, such as tobacco and fruits, that made the production of these cash crops highly profitable and induced the investment of outside capital in large quantities. Mainland corporations bought out and leased large tracts of land and organized them into manager-operated sugar plantations. They brought new lands into cultivation through irrigation. They built modern sugar *centrals* where cane from thousands of acres could be ground to replace the hundreds of antiquated small sugar mills on individual estates. These activities stimulated sugar production throughout the island; sugar was planted on the best soils and even climbed the hillsides. Puerto Rico, in fact, became a "sugar island" shortly after it came under the United States tariff. Five years after the introduction of mainland capital, sugar production had risen to over 200,000 tons, from an annual average of 57,000 tons during the last decade of Spanish rule. By the 1930's production had achieved an average level of over 900,000 tons.

The introduction of American capital, together with the protected market, also initiated a tremendous growth of the tobacco industry, in

large part through the establishment of tobacco-stemming plants and cigar factories. The fruit industry similarly felt the stimulus of outside investment and the production of grapefruit, oranges, pineapples, and coconuts achieved some importance.

But it was primarily because of the development and growth of the sugar industry that transportation, communications, and electric-power facilities as well as banking, insurance, and other business-service enterprises developed in Puerto Rico, largely made possible by outside financing. According to a report of the Brookings Institution, the total of mainland and foreign holdings in Puerto Rico in 1928 was approximately \$176 million. This was estimated to be about 20 per cent of the total wealth of the island. Investments in the securities of the insular and municipal governments accounted for about one fourth of all external holdings, while 40 per cent of these holdings were made up of outside investments in the securities of Puerto Rican corporations. Approximately two thirds of the securities of sugar corporations and most of those of the tobacco companies, the banks, and the public utilities were held outside the island. During 1927-1928—the only year for which the Brookings study presents detailed data—some \$12 million were paid to outsiders in interest, dividends, and rents. This would suggest an over-all rate of return of 7 per cent on the outside holdings.³ During the same period, the deficit on current account, that is, the trade and service deficit in the island's external balance of payments, was covered by an increase in indebtedness to foreigners of approximately \$10 million. "With reference to former years, running back to 1900," the Brookings report points out, "we know that there must have been a substantial deficit on trade and service accounts combined; this by virtue of the fact that there has been a large increase in foreign investments in Porto Rico since the beginning of the American occupation."

In any balanced evaluation of the forces that determined Puerto Rico's economic development, due weight must also be given to certain physical, market, and demographic factors. The lack of readily exploitable mineral resources, the limited amount of land in relation

³ This, of course, provides only a very rough approximation, considering the difficulties of estimating the "true" value of many types of investments. The study of Gayer, Homan, and James includes a careful estimate of the returns on absentee investment in the sugar industry. For the years 1923 through 1935, the total earnings of the three major American-owned companies were estimated to have been 10.2 per cent on the average annual investment in Puerto Rico; *The Sugar Economy of Puerto Rico* (New York: Columbia University Press, 1938), pp. 152-56.

to the population, together with the special climatic conditions, of themselves dictated specialization in commercial crops which could be grown on an intensive basis and marketed in areas less well equipped for cultivating such crops.

Yet, while it is evident that certain strong forces other than tariff assimilation played an important role in setting the broad outlines of the Puerto Rico economy, there is little doubt that the specific direction of the island's economic development was determined by United States tariff policy and the inflow of mainland capital which it induced. But the tariff policy that so conditioned Puerto Rico's economic life and the well being of the people of the island was designed to further mainland interests and, more specifically, organized sectional economic interests that could make themselves felt politically. Thus, the earlier tariffs that, in effect, set the framework for Puerto Rico's economic development, as well as the later tariffs that had so much to do with the gains and losses of the industries which were established in the island, with the levels of wages and with the prosperity of the island generally, were a reflection of economic policy about which Puerto Ricans had little, if anything, to say. In quite a few instances, duties were changed at a time and in a manner that adversely affected the entire Puerto Rican economy.⁴

Moreover, while tariff protection, together with mainland venture capital, gave a tremendous impetus to the island's economy and brought about a substantial degree of over-all economic progress, these over-all gains evidently did not involve any great improvement in the living conditions of the masses of the people. Colonel Theodore Roosevelt reported that when he arrived in Puerto Rico in 1929 to take over the governorship, he found "Poverty was widespread and hunger, almost to the verge of starvation, common. . . . Every city or large town had its slum, where the squalor and filth were almost unbelievable." The average Puerto Rican could find work only during certain months of the year, and when he worked he received a weekly income of less than three dollars.

Many factors undoubtedly contributed to these unfavorable conditions. The severe limitation of the natural resources was, of course, a key element. For another thing, the very forces that encouraged the rapid growth of a few cash-export crops discouraged the development

⁴ There is no doubt, however, that the relative gains and losses for Puerto Rico from its tariff assimilation with the United States shows a decided gain for the island. For a discussion of this point, see United States Tariff Commission, "Puerto Rico's Economy," pp. 106-9.

of a sound and balanced land-use pattern. The cultivation of these crops involved a high development of the narrow coastal and inner plains, but an accompanying neglect of the upland culture. Over 70 per cent of the soils in Puerto Rico are in hills and mountains, so that the area for the growing of lowland crops is quite restricted. During the Spanish regime, a prosperous coffee industry had developed in the highlands under the protection of a tariff, but hurricane damage, the softening of markets, and the loss of tariff protection had virtually destroyed this industry. The failure to revive the coffee industry or to develop other highland crops meant that the growth of the island's agriculture was necessarily limited. Also, an important cultural element was involved here. It is significant that from 1899 to 1929 official classification of land showed only a slight decrease in coffee acreage—from 197,000 to 192,000 acres—despite the sharp drop in coffee exports. Coffee growing had become a way of life as well as a business for the people of the highlands, with the strong attachments that this normally involves. The clinging to an unprosperous industry may be interpreted as a socio-economic lag, but the fact is that it had serious consequences for the welfare of a large sector of the population and signified the failure to evolve an integrated socioeconomic structure in the island.

Also, the high degree of concentration on sugar-cane cultivation meant the creation of a large class of field laborers who could find work only during the relatively short sugar season, with necessarily low pay for their unskilled labor. The development of other intensive field crops providing year-round work and higher pay for the greater skills called for, required—as later experience showed—the type of central guidance and help that the government of the period was not prepared to provide. This was true also of the establishment of manufacturing plants to process the farm products of the island other than sugar and tobacco and the few minerals available in Puerto Rico. In other words, the protection of the tariff, the play of competition, and the guardianship of a business-minded administration were not by themselves sufficient to develop fully the limited resources of the island.

Possibly most important of all was the very great and continual increase in population. The total impact of American economy and culture was decidedly one-sided. While the death rate was sharply reduced, the birth rate remained at its previous high level, resulting in a constantly upward rate of natural increase. The population of Puerto Rico increased from 953,000 in 1899 to 1,544,000 in 1930. Thus, the impressive over-all economic gains were largely dissipated by the very

rapid growth of the population, so that after thirty years of more or less continual economic expansion, the condition of the masses of the people remained deplorable.

III

If the prevalent institutions and ideas were not capable of providing higher levels of living for the average Puerto Rican during periods of prosperity and rapid economic expansion, they were even less capable of coping with economic depression. For Puerto Rico, the period of depression had begun earlier than on the Continent. A devastating tropical hurricane in 1928 played havoc with the crops and caused severe property losses. The island had barely dug out from under the storm damage when it fell victim to the effects of the world-wide depression. Production in most of the major branches of the economy fell, incomes contracted drastically, a very large proportion of the labor force was unemployed, and most families of the island experienced great distress.

Despite the great and widespread suffering among the Puerto Rican people, the only aids given by the Federal Government before the summer of 1933 were hurricane relief grants totaling some \$4 million and loans of about \$6 million to agricultural producers (this in the face of hurricane damage estimated at about \$85 million).

Commencing in 1933, however, and throughout the New Deal years, the desperate condition of its island possession received full recognition, and the Federal Government gave aid generously and in some instances with constructive results. The various national-emergency relief acts were applied to Puerto Rico. In all, Federal relief and work relief expenditures in the island through June 30, 1941, totaled about \$130 million. The major agency in the program of relief and rehabilitation was the Puerto Rico Reconstruction Administration established in 1935 as successor to the Federal Emergency Relief Administration. This independent Federal agency, in addition to tackling the immense problem of caring for the unemployed, set out to develop a permanent program of economic reconstruction, including the promotion of industrialization (a cement- and an industrial-alcohol plant were established, and hydroelectric facilities increased), the expansion of education and health services, and an attempt at rural rehabilitation through the resettlement of farm families and the promotion of co-operatives. This involved the first relatively co-ordinated attempt to solve under-

lying economic problems of the island. A proposal of the administration to establish a program fostering population control, however, was turned down in Washington.

Another important source of Federal emergency funds expended in Puerto Rico was the Agricultural Adjustment Program. A.A.A. payments were represented largely by disbursements to sugar producers for acreage limitation, restriction of marketings, and compliance with prescribed farm and labor practices and were related to the sugar-control laws. Under the Jones-Costigan Act of 1934 and the Sugar Act of 1937 limits were placed on the production and marketing of sugar in all the so-called "domestic" areas of the United States. These quotas served to put a lid on the growth of the sugar industry in Puerto Rico but at the same time helped to stabilize the industry and to maintain income levels. This was in contrast to the situation in Cuba that suffered seriously from the catastrophic decline of world sugar prices.

During the New Deal period Puerto Rico also gained from an expansion of regular grants-in-aid for education, agricultural research and extension, highways, and so forth. Such grants, which had amounted in total to only \$3½ million during the first thirty years of American rule, came to about \$11 million during the nine years from 1933 through 1941. In total, during the latter period, regular and emergency Federal outlays in Puerto Rico, not including any military expenditures, added up to some \$205 million or an annual average of about \$23 million. This was equal to 11 per cent of the total insular net income for the whole period and was as high as 17 per cent of the annual income in one or two years. In some years during the thirties the Federal outlays were larger than the total insular government budget.

There is little doubt that these large Federal outlays did much to mitigate suffering and to keep income levels substantially higher than they would have been without such aid. Unfortunately, however, these contributions merely served to fill a part of the gap created by the economic conditions and underlying trends. With the advent of depression—and with the drastic fall in prices, the weakening of the markets for island products, and the imposition of sugar quotas—the stream of outside investment that had characterized the earlier period of American rule was reduced to a trickle. Thus, there was merely a transfer from dependency on outside private capital for the maintenance of income and employment to dependency upon the Federal Government's expenditures, aids, and transfer of internal-

revenue funds. Moreover, in spite of the size of the Federal contribution and in spite of the serious effort made by the Puerto Rico Reconstruction Administration and other Federal agencies to develop new sources of income, it seems evident that relatively little was done to strengthen the foundations of the island's economy or to solve the underlying economic problems. Possibly the most important permanent contribution of the New Deal efforts was to demonstrate the importance of experimentally tapping economic potentialities and the possibility of evolving new social arrangements. In a sense, then, they laid the groundwork for the social revolution that was to come with the advent of new political forces in the island.

IV

After Pearl Harbor, emergency relief expenditures were reduced drastically, but the regular Federal grants and expenditures continued in increasing volume. Puerto Rico had only recently been included under certain sections of the Social Security Act, and a number of other outlays, particularly for highways, grew in importance as did the administrative expenditures of Federal agency offices in Puerto Rico. Farm subsidies under provisions of the Agricultural Adjustment and Commodity Credit Programs continued to involve payments of many millions of dollars. In all, from 1942 through 1950, Federal Government aids and expenditures in Puerto Rico totaled about \$325 million or an annual average of \$36 million. Thus, in the half century of American rule the Federal Government had made nonmilitary outlays of roughly \$538,000,000 in Puerto Rico, 98½ per cent of the total since 1933.

With the outbreak of the war, however, the largest Federal outlays by far were those for military and related purposes. The expenditures of the army and navy continued in large volume even after the war while the payments for veterans' benefits reached sizable proportion. In the nine years up to June 30, 1950, military, veterans', and related expenditures totaled about \$785 million or an annual average of roughly \$87 million. While military expenditures cannot be considered in the category of Federal "contributions" to Puerto Rico, and their long-run "benefit" to the island's economy might well be questioned, these expenditures, together with those for nonmilitary purposes, have had important economic repercussions in Puerto Rico. Possibly the most significant effect has been that the island's economy has become ad-

justed to a large volume of Federal outlays. These expenditures have bulked large on the receipts side of the island's balance of payments for over a decade, and, in fact, during the war years they exceeded merchandise exports, the other principal credit item, as a source of external purchasing power. Since the end of the war these outlays have financed most of the substantial deficit in the island's merchandise trade, or, in other words, they have permitted imports greatly to exceed merchandise exports. In 1949-1950, for example, imports exceeded exports by \$112 million (\$234 million of exports compared with \$346 million of imports), while net Federal transactions resulted in an income to the island of \$124 million.

During the 1940's, also, the special tax arrangements established by the Organic Acts of 1900 and 1917 became of economic importance. These financial provisions involved the return of all Puerto Rican customs receipts, the waiving of all income and inheritance tax collections, the return of United States internal revenues on Puerto Rican goods consumed within the states, and the waiving of internal-revenue collections on goods of either Puerto Rican or United States origin consumed within the island. During the war years Federal excise taxes on Puerto Rican products that were transferred to the insular treasury (consisting chiefly of rum taxes) made up a sizable proportion of the total insular government revenues. These funds, together with the Federal aids and expenditures, have served to finance a large share of the total outlays on governmental activities in Puerto Rico and have enabled the insular government to undertake a program of economic expansion.

Within the past decade the United States Government has also come to play a significant role in the Puerto Rican economy through the administration of Federal minimum-wage provisions. The application of the Federal wage-and-hour regulations of the Fair Labor Standards Act almost killed the entire Puerto Rican needlework industry and threatened the existence of other industries as well. Because of the conditions created by the application of the law, an amendment was passed which authorized the Administrator of the Wage and Hour Division, upon the recommendation of industry committees and after hearings, to set rates below the statutory minimum. Since there has been a tendency in Puerto Rico for the minimum wage rates to become the prevailing rates, the administrative decisions often play a decisive role in both the level of wages and the competitive position of important industries. Moreover, since the wage differential between

the island and the mainland is frequently the determining element in decisions of Continental industries to extend their operations to the island, these administrative determinations of minimum wages can be expected to have a great deal to do with the success or failure of Puerto Rico's current efforts to attract mainland industry.

A final element in the current economic picture which deserves attention is the large volume of Puerto Rican emigration to the mainland. Puerto Ricans have been citizens of the United States since 1917. As such, they are free to migrate to any area under the United States flag. Before the end of World War II migration to the mainland was on a relatively small scale, averaging about 2,500 a year between 1917 and 1944. Since the end of the war, however, it has averaged about 30,000 persons a year. An exceptionally strong "pull" has been exerted by the unusually good employment opportunities and relatively high wages arising out of the postwar labor shortages in the United States. Emigration has undoubtedly been playing an important role in Puerto Rico's efforts to solve its economic problems. Roughly half the net annual increase in the island's labor force has been absorbed by the movement to the states. This has served to bring into manageable proportions the problem of providing employment opportunities for the large and rapidly increasing labor force.

After a half century of American rule, the Puerto Rican economy has developed to the point where it can provide the people of the island a level of living that is high by Caribbean standards and remarkably high in the light of its lopsided resource-population balance. But it is an economy that has become totally dependent on the protection of the United States tariff, on a large flow of Federal funds and private Continental capital, and on the free movement of Puerto Rican workers to the mainland. Thus, the various laws, administrative arrangements, and economic policies that the United States applied to its island possession for a wide variety of reasons, ranging from the pressure of self-seeking interest groups to a sense of political responsibility and of humanitarianism have served to determine not only the character of the island's economy but its political status as well. They have so profoundly affected all aspects of Puerto Rico's life that it has long been evident that any drastic alteration could readily cause a complete economic breakdown, with correlative collapse in all spheres of social organization.

The reality of the Puerto Rican situation was taken as a starting point by a new political party, the Popular Democratic Party headed

by Luis Muñoz Marin, which was formed at the end of the 1930's and has been in power since 1941. Under its leadership, Puerto Rico has undertaken a program of planned economic development that is outstanding in its breadth, its intelligence, and its effectiveness. It is based on the strong support of the Puerto Rican masses and is in every sense a real democratic achievement. It has involved far-reaching land reforms and agricultural diversification; a great expansion of the public services and facilities that are so essential to economic expansion, including education, health, transportation, electric power, and so forth; and a concerted effort to industrialize the island, including the establishment of a number of manufacturing plants which were later sold to private enterprise.⁵ It has made effective use of the various economic advantages offered by the island's unique relationship with the United States. Thus, for example, a large share of the United States internal-revenue funds returned to Puerto Rico have been applied to financing the industrial and agricultural development programs, and the special tax provisions have been turned to advantage in attracting Continental investment in new manufacturing establishments.

But, at the same time, it has been hampered by certain aspects of this relationship. For one thing, the insular government has not taken the urgently needed measures to control the fantastic growth in population, for reasons which can only be interpreted as a fear of the consequences that might result from the antagonism of groups *in the United States* which are opposed to publicly sponsored birth-control measures. What this means in a small overcrowded island with the highest rate of natural increase in the world is not difficult to grasp.

Another limitation arises from uncertainties centering about United States economic policies, especially in regard to tariff rates and the extent and direction of Federal expenditures. The fact that the very elements upon which Puerto Rico is so dependent are, in most instances, subject to forces and pressures that have little to do with the specific conditions in the island makes the carrying out of a planned developmental program extremely difficult. Nevertheless, the over-all advantages of the special economic relationships that have come into

⁵ For a description of this program, see United Nations, *Economic Development in Selected Countries*, II (February 1950), 182-218; Grace and Rexford G. Tugwell, "Puerto Rico's Bootstraps," *Harper's Magazine*, February 1947, pp. 160-69. An excellent statement of accomplishments, problems, and plans is provided by the *Message of Governor Luis Muñoz Marin to the Seventeenth Legislature at its Third Session*, May 14, 1951 (San Juan: Government Service Office, 1951).

being, combined with the determined and intelligent effort of the Puerto Rican people to develop to the fullest their economic and human potentialities, may make possible the realization of levels of living beyond any current statistical projections.

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