THE POLITICAL ECONOMY OF COLONIALISM IN PUERTO RICO

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This article is a rebuttal to the argument that Puerto Rico cannot be considered a colony of the United States because the people of the island have rejected independence. The position presented here is that the democratic process through which Puerto Ricans have seemingly rejected independence has been flawed, and that this flaw has made it difficult to discover whether they truly oppose or support independence. The underlying theme of this article is that the Puerto Rican and U.S. ruling elites have not allowed the Puerto Rican masses to choose among all the possible status alternatives. By not adopting policies to develop the endogenous productive capacity of the insular economy, the elites have eliminated economically viable independence as a status option.

Is Puerto Rico a colony of the United States? From 1898 until 1952, there was but one possible answer to that question. However, since the adoption of commonwealth status, under which the island allegedly has been "freely associated" with the United States, the same question has evoked varying shades of affirmative and negative responses.

Today, the debate over Puerto Rico's political status revolves around a number of important issues. However, the most fundamental question receives much less consideration than it deserves. That question is: do the Puerto Rican people favor independence? The reason why this question has not been at the forefront of the status debate in recent years is that the answer seems exceedingly obvious. Many observers point out that Puerto Ricans have overwhelmingly rejected independence. In the plebiscite held on the island's status in 1967, independence received less than 1% of the ballots cast.[1] Moreover, since the adoption of commonwealth status in 1952, pro-independence platforms have received scant support in insular elections.[2] In view of this evidence, many observers claim that the will of the Puerto Rican people is quite clear: they do not favor independence.

Contrary to common belief, however, the will of the people of Puerto Rico with respect to independence is not quite as clear as the "evidence" may seem to suggest. The democratic process through which Puerto Ricans have seemingly rejected independence has been flawed, thus making it difficult to discover whether they truly oppose or support that status option. Only if a genuinely democratic process is established on the island will we be able to discover the real will of the Puerto Rican people.

Dependent Capitalism and the Illusion of Genuine Democracy

For the most part, the electoral mechanisms through which Puerto Ricans have appeared to reject independence have followed western democratic principles to the letter. However, it is the spirit, rather than the letter, of democracy that has been violated on the island. The U.S. and Puerto Rican ruling elites have created the illusion of genuine democracy by allowing the masses to vote in regular and relatively free elections. But a careful examination of Puerto Rican politics reveals that the much vaunted democratic system is one in which the masses are prevented from choosing among all the possible status alternatives.

More often than not, independence is thought of in the most elementary of terms: a country is either sovereign or it is not. But in the case of Puerto Rico, this conceptualization of independence reduces the issue to a false simplicity. A number of different types of independence could be offered to the people of Puerto Rico. These types of independence can be classified into two broad categories: economically viable independence and economically unviable independence. There is no doubt that the Puerto Rican masses have had the opportunity to support independence through the ballot box. But they have not been given the opportunity to support the type of independence that would be economically viable. Instead, they have been given only the option of choosing a type of independence that would most assuredly result in economic disaster. In order to understand why this is so, we must examine the evolution of Puerto Rico's relationship with the United States.

Puerto Rico's relationship with the United States can be divided into three broad periods: 1898 to 1947; 1947 to 1970; and 1970 to the present. The years 1898 to 1947 correspond to the period of dependent agrarian capitalism on the island. In this period, the predominance of capitalist over precapitalist relations of production in Puerto Rican agriculture was consolidated under a U.S.-dominated plantation system. The second period, 1947 to 1970, was characterized by the expansion and development of U.S.-dominated industrial capitalism on the island. This was the era of the so-called Puerto Rican "economic miracle," in which fast and furious aggregate growth was achieved through a development model known as "industrialization-by-invitation." Finally, the period of 1970 to the present has witnessed a crisis in the island's model of dependent industrial development and a transition to a regional economy of the United States. In this period, the subservience of insular economic processes to the U.S. political and economic systems has become so extreme that the Puerto Rican economy now resembles a U.S. urban slum economy.

The political foundation of the relationship between Puerto Rico and the United States was originally laid by the Organic Act of 1900. The keystone of the Act (also known as the Foraker Act) was that all statutory laws of the United States, except when locally inapplicable, would be extended to Puerto Rico. Moreover, the U.S. Congress reserved the power to annul insular legislation.

The Foraker Act also laid the foundation of the economic relationship between the United States and her new colonial possession. With passage of the Act, the U.S. Congress exercised its power to shape the colony's trade relations and prepared the way for future U.S. commercial penetration of the island by extending the U.S. monetary system to the Puerto Rico. Furthermore, shortly after passage of the Act, the island was incorporated into the U.S. tariff system. The free market that remains in effect today between Puerto Rico and the United States was established by presidential proclamation in 1901.

In 1917, the U.S. Congress enacted the Jones Act (also known as the Organic Act of 1917) to reshape the political foundation of the relationship between the United States and Puerto Rico. The Jones Act offered American citizenship to all those Puerto Ricans who did not decline it; but without voting representation in the U.S. Congress or the right to vote in U.S. presidential elections. Despite the grant of U.S. citizenship, however, there is little evidence to suggest that the average Puerto Rican benefitted very much from continued U.S. rule.

Throughout this period, U.S. colonial policy was shaped by a laissez-faire economic philosophy, the logic behind which was, quite simply, that wealth would be conveyed to the island by U.S. private capital (Carr, 1984, p. 223). Free-market, trickle-down theories of economic growth, complemented by the institutional arrangements established by the Organic Acts, governed the relationship between the United States and its colony.

U.S. economic penetration of Puerto Rico in the first few decades of the twentieth century was organized along the lines of an enclave economy oriented toward an extractive agricultural industry whose produce and profits were sent to the metropolis (Navas Davila, 1978, pp. 53-54). This economic relationship, while facilitating the penetration of U.S. private capital, did little to improve the standard of living of the masses. Conditions on the island were such that even those Puerto Ricans fortunate enough to be employed were likely to be living in extreme poverty. As Miles Galvin's study of the island's labor movement demonstrates, by the 1920's "the Puerto Rican worker had sunk to a level of poverty more abysmal than that of the traditional preindustrial economy of neighboring Haiti" (1983, p. 64).

By the 1940's, Puerto Rico entered into a period of transition from the dependent agrarian capitalism of the previous four decades to dependent industrial capitalism. During this period, the local government launched a program of economic development based on public-sector promotion, ownership, and operation of key industrial enterprises. By the end of 1945, almost all of the modern industrial sector was government-owned (Villamil, 1983, p. 97). This industrial strategy was to be supplemented by the promotion of tourism, the export of rum, and government participation in some areas of agriculture.

The transition period of 1940 to 1947 can best be described as one of "semi-dependent" industrial capitalism. In some respects, the insular government's industrial plans were oriented toward autonomous growth. The strategy was autonomous in the sense that it did not depend on the participation of foreign private capital in industrial activities outside of the sugar, tobacco, and needlework sectors. The Puerto Rican government sought to diversify industrial activity away from these traditional sectors, thus widening the base of economic growth. During this period, it was thought that this could be accomplished without dependence on direct private investment from the United States. Instead, the Puerto Rican government reserved for itself the role of industrial entrepreneur. It established two types of public corporations: one to provide infrastructure services for the economy, and the other to undertake production in the manufacturing and agricultural sectors in direct competition with private enterprises.

It should be pointed out, however, that the development strategy of 1940-47 was not characterized by full autonomy. Even though U.S. private capital did not dominate new industrial activities on the island in this period, the Puerto Rican government did depend on the transfer of public funds from Washington to help finance its ambitious plans. Military expenditures during World War II constituted the largest portion of incoming American capital in the early 1940's. Defense dollars entering Puerto Rico in 1941 amounted to $235 million and reached approximately $1.3 billion in 1944 (Navas Davila, 1978, p. 55). In addition, there was a windfall of approximately $160 million in federal rebates of excise taxes on Puerto Rican rum sold in the United Stated during the wartime shortage of whiskey. This sum exceeded the entire 1940 insular budget by some 500% (DiPaolo, 1976, p. 26).

After World War II, the insular government began to question the viability of its program of government-sponsored industrial and agrarian development. On the one hand, in strictly economic terms, there was some doubt as to whether the strategy would yield the desired results. But more importantly, the Cold War between the United States and the Soviet Union led the insular government to reconsider its public-sector strategy. Interestingly enough, it was the U.S.-appointed governor of the island, and one of the most enthusiastic advocates of the public-sector strategy, Rexford G. Tugwell (known to conservatives in the U.S. as "Rex the Red"), who became the target of early "witch-hunts" in Washington.

By the late 1940's, pressure from conservatives in the United States was successful in bringing about the eventual demise of the public-sector strategy upon which "semi-dependent" industrial development was based. As Garcia Passalacqua (1983, p. 221) explains, "...the Great Fear of the late 1940's and its rabid anti-communism also convinced him [Munoz, who was elected governor in 1948] to abandon his original socialist ideas and embrace capitalist development. Between 1946 and 1948, he turned 180 degrees." However, despite the abandonment of the public-sector strategy, industrialization was still considered to be the key to Puerto Rico's future. Yet it was thought that there was not enough indigenous private capital available with which to carry out these plans. Therefore, Munoz Marin elected to turn to the importation of private capital and technology through tax-exemption incentives.

Puerto Rico began to pass from the transition phase of "semi-dependent" industrial capitalism into the phase of fully-dependent industrial capitalism with the enactment of the Puerto Rican Industrial Incentives Act of 1947. According to the Act, new industries could be exempted from all Puerto Rican taxes, originally for ten years, and later up to thirty. The act was the cornerstone of a comprehensive program of incentives for foreign capital organized by the economic development agency, Fomento, under the name of "Operation Bootstrap." In addition to tax incentives, it included subsidies, loans, employee recruitment and training, technical services, government-provided factory buildings, infrastructure support, and above all, free access to the U.S. market and the political presence of the United States which insured against the risks generally associated with foreign investment.

The significance of this change in development strategy was that it brought about a modification in the processes by which the Puerto Rican economy was subordinated to the United States. For the first half-century of the colonial relationship, the vast majority of U.S. investment was in the sugar sector. However, under Operation Bootstrap, Puerto Rico became a U.S.-controlled export platform for manufactured goods. Direct private investment in manufacturing for export became the principal mode of incorporation of the island into the U.S. economic orbit (Villamil, 1983, p. 100). But changes did not only take place in the economic sphere. The political relationship between the island and the metropolis also was modified.

In the late 1940's, Munoz Marin, who was previously an advocate of independence, rejected both independence and statehood as viable alternatives for the immediate future. Instead, he favored a political status that he believed would improve the "highly undesirable" existing relationship with the United States and at the same time preserve the existing economic relationship that he argued was "absolutely necessary to the survival of the people" (Wells, 1979, p. 475). In 1950, Munoz and the PPD persuaded the U.S. Congress to enact Public Law 600, granting Puerto Ricans the right to adopt their own constitution. After submitting Public Law 600 and the subsequent new constitution to the Puerto Rican people for their approval, the Commonwealth of Puerto Rico (in Spanish, the Estado Libre Asociado, or "Freely Associated State") was established in 1952.

The concept of commonwealth status was problematic from the outset. Much of the debate surrounding the purportedly "new" status focused on Public Law 600, the legal basis for commonwealth. When the law was enacted, governor Munoz Marin claimed that it was the "foundation of a new political status for Puerto Rico" (Johnson, 1980, p. 35), representing "its unequivocal disappearance as a United States colony and its emergence as a new autonomous polity" (Wells, 1969, p. 231). But it was clear that this interpretation of the implications of PL 600 was not acceptable to many members of the U.S. Congress. In fact, in an effort to soothe opposition in U.S. governing circles to commonwealth status, the then resident commissioner of Puerto Rico in Washington, Antonio Fernos Isern, testified before the House of Representatives that H.R. 7674 (the House version of PL 600) "would not change the status of the island of Puerto Rico relative to the United States. . .it would not alter the powers of sovereignty acquired by the United States over Puerto Rico under the terms of the Treaty of Paris" (Wells, 1969, pp. 230-31).

The debate continues over whether the adoption of commonwealth status represented any meaningful change in Puerto Rico's relationship with the United States. However, it can not be denied that the U.S. Congress retains the power to unilaterally enact laws that have direct impact on the island since Public Law 600 did not alter the provisions of the First Organic Act which made U.S. federal legislation applicable in Puerto Rico.

Leaving aside the political debate for a moment, the industrialization strategy facilitated by commonwealth status has been considered by some observers to have been a resounding success. The insular government was able to attract a large number of foreign (predominantly U.S.) industrial operations to the island. By 1967, Fomento had promoted approximately 1,500 factories; and, by 1970, the manufacturing sector was providing 141,000 jobs and producing 25% of the island's net income (Wells, 1979, p. 475). In constant dollars, the island's GNP tripled between 1950 and 1970, and per capita income increased from $296 to $1,384 (Heine and Garcia Passalacqua, 1983, p. 35) (for additional measures of this nature, see appendix 1). If one examines a set of conventional socioeconomic indicators, it is apparent why today the Puerto Rican standard of living is the envy of its third-world neighbors: there is one automobile on the island for every three inhabitants and one telephone for every four persons; the economy provides four times as many jobs in manufacturing as in agriculture; life expectancy is roughly the same as that of U.S. mainland citizens, and there is one physician on the island for every 513 inhabitants; a literacy rate of 90% has been achieved, and in 1981 over one million Puerto Ricans (approximately one out of every three people on the island) were enrolled as students; and, while in 1940 a full 80% of housing was considered inadequate, this figure was reduced to 21% by 1978 (Heine and Garcia Passalacqua, 1983, pp. 32-35). Yet, these measures of socioeconomic development, as impressive as they may be in a third-world context, do not tell the whole story.

In recent years, despite the outward appearance of relative prosperity, Puerto Rico has experienced a structural economic crisis. Appearances are deceiving on the island because the crisis is not one of consumption, but of production; and it is a crisis which has been brought about largely as a result of the very same neoclassical model of industrialization-by-invitation which was responsible for earlier aggregate growth. Since the inception of Operation Bootstrap, growth in the modern capitalist sector has occurred independently of, and to the detriment of, genuine national development. The net result of this process has been a decline in the island's endogenous productive capacity (Gutierrez, Sanchez, and Caldari, 1979) and a deepening dependence on external sources of tax-incentive-generated investment capital. In recent years, as Elias Gutierrez (1983, p. 117) explains, the insular economy has become so highly leveraged and asymmetrically sensitive to the U.S. economic cycle that a new dependence structure has developed. This new structure has been described by Gutierrez as a transfer economy: one that can be best understood as a "regional economy" of the United States, and strikingly similar to U.S. urban slum economies. Puerto Rican dependence on the United States has deepened to such an extent that the island has become a "welfare colony": one which would not be able to survive without federal largesse in the form of transfer payments.

Although the processes of regional integration were present throughout the period of dependent industrial capitalism, the year 1970 is chosen to mark the birth of the Puerto Rican regional economy. This year was chosen for three main reasons. First, whereas in the previous two decades the island's economic development had been based predominantly on labor-intensive manufacturing, construction, and tourism, in the 1970's, there was a marked shift to, and reliance on, capital-intensive industrial activity. This shift made the island even more dependent on U.S. capital and technology. Second, by the early to mid-1970's, Puerto Rico's so-called "economic miracle" was clearly over. It was during this decade that the Puerto Rican economy entered in to a deep structural crisis marked principally by a decline in the rate of investment and growing unemployment. The third reason for selecting 1970 as the beginning of this period stems from the large increase in federal funds transferred from Washington to San Juan. During the 1970's, the insular economy was rescued from total collapse by a dramatic increase in the level of federal transfers on which Puerto Rico has remained precariously dependent to the present.

In recent years, Puerto Rico has survived as a beggar economy in which levels of consumption are higher than levels of production. This gap between consumption and production has been bridged, to a large degree, by federal transfers to individuals. Federal aid to individuals on the island has included a number of programs, the most significant of which has been the food stamp program (now called the nutrition assistance program). Proportionally, Puerto Rico is the largest single recipient of this type of assistance. With a population of roughly 3.3 million, the island receives more than 10% of all the benefits distributed by the program (Carr, 1984, p. 219). By 1980, over half of the families on the island were eligible to receive these benefits (Heine and Garcia Passalacqua, 1983, p. 39), and, by 1984, the program supported 67% of the population (Carr, 1984, p. 8).

The three trends outlined above all point in one direction: to the formation of a Puerto Rican regional economy whose main characteristics have been an increased vulnerability to the U.S. business cycle, a rise in the level of public indebtedness, an increasing dependence on U.S. tax incentives to attract investment, and a growing dependence on the federal dole (Sanchez Vilella, 1984, p. 6). As Richard Weisskoff (1983, p. 172) points out, "the latest stage of development now has left Puerto Rico dependent on the United States for capital, materials, technology, consumer goods, food, and the cash subsidies to pay for them all." The transfer of federal funds to Puerto Rico topped the $5 billion mark for the first time in FY 1984 (*Caribbean Business*, April 17, 1985, p. 6). Moreover, the island now relies on these federal funds for approximately 30% of its GNP (*Wall Street Journal*, Oct. 30, 1984, 1: 18) (for additional measures of dependence and underdevelopment, see appendix 2).

Under such extreme conditions of dependence, unless an effective strategy for the expansion of the island's endogenous productive capacity were to be adopted, Puerto Rico's independence would certainly be economically unviable. Herein lies the violation of the spirit of genuine democracy on the island. To date, the Puerto Rican and U.S. ruling elites have chosen not to adopt such a strategy, thus denying the Puerto Rican masses the option of economically viable independence.

The Failure to Create the Option of Economically Viable Independence

The failure to create the option of economically viable independence can be attributed to several factors: the abandonment of the public-sector, semi-autonomous development model in the late 1940's and the subsequent trajectory of insular government growth strategies; the nature of the island's linkages with the international capitalist system; the long-term nature of the endeavor; the legal structure of the island's relationship with the United States; and the failure of the United States to define the relationship it would be willing to maintain with an independent Puerto Rico.

Much of the blame for the failure to create the option of economically viable independence lies with the Puerto Rican ruling elite. By bowing to U.S. Cold-War pressures to abandon the public-sector, semi-autonomous development model in favor of the importation of U.S. private capital, Munoz Marin and the PPD turned their backs on the opportunity to lay the foundations for future autonomous development.

The trajectory of neoclassical development strategies since the inception of commonwealth status has been a major cause of both the island's deepening dependence on the United States and the decline in the economy's endogenous productive capacity. Operation Bootstrap was successful in bringing about rapid aggregate growth and capital-intensive industrialization, but it set into motion the processes which would further subordinate Puerto Rico to the United States. As Bertram Finn (1983, p. 29) explains, "to a large degree, the sensitivity of Puerto Rico's economy to exogenous forces. . . is due to the very success of Puerto Rico's development policies." Finn's argument is supported by Elias Gutierrez (1983, p. 118), who contends that the very same policies and factors that made the government's growth strategies apparently successful -- the attraction of external capital, migration, and increasing transfer payments -- "were also responsible in part for the present incapacity of the Puerto Rican economy to sustain independent anti-cyclical policy or endogenous long-run growth."

As industrialization-by-invitation appeared to be enjoying unparalleled success (measured in terms of aggregate growth), other sectors of the economy were opened up to U.S. private capital. The penetration of U.S. private capital into commerce and finance began to undermine the position of the Puerto Rican entrepreneurial class, thus upsetting the balance in the alliance between the local entrepreneurial class, the state, and foreign private capital upon which dependent industrial development was based. One of the most serious implications of the weakening of the Puerto Rican entrepreneurial class was the further loss of local control over the economy. As Bertram Finn (1983, p. 30) explains, "Puerto Rico's export oriented growth strategy enabled our [the Puerto Rican] economy to benefit from the massive U.S. mainland market, but also had the effect of surrendering some of the ability to control our own economy." Supporting this position, Villamil (1983, p. 104) argues that for Puerto Rico, "the worst manifestation of external dependence is the loss of control over many areas of activity related to development policy since 1948." The bottom line with respect to this issue of the trajectory of PPD growth strategies is that by surrendering local control over the economy to external forces, it became increasingly difficult, if not impossible, to create the option of economically viable independence.

Another factor which has contributed to the loss of local control over the economy, thus adding to the difficulty of creating the option of economically viable independence, has been the nature of island's linkages with the international capitalist system. As the dependent industrial development strategy achieved rapid aggregate growth, it made the insular economy more vulnerable to international pressures. By opening up larger segments of the economy to factors external to the island, market conditions in the United States, interest rates in the world's financial markets, and world trade conditions were directly transmitted to a larger segment the economy, thereby exercising greater influence over Puerto Rico's rate of economic growth (Finn, 1983, p. 39).

One specific manifestation of this international pressure lies in the transfer of technology through imported capital. In most cases, imported technology reflects the factor endowment ratios and relative prices found in the country of its origin. Since these ratios and prices have been different from those prevailing in Puerto Rico, the result on the island has been what Elias Gutierrez (1983, p. 119) calls "technological unemployment." In other words, technology imported from more developed countries has tended to displace Puerto Rican workers.

In the 1960's and 1970's, the process of technological unemployment was hastened and intensified in Puerto Rico by the tendency of wages on the island to rise relative to new centers of low-wage production in the third world (much of the upward pressure on wages came from the application of U.S. minimum-wage legislation to the island). To counteract competition from these countries, further efforts were made to shift from labor-intensive industries to capital-intensive ones. This shift had several important consequences for the island. First, the trend toward increasing capital-intensity created a need for heavy borrowing from U.S. capital markets. Second, increases in external financing led to increasing leakage of revenues as more income had to be allocated to debt servicing. Third, the rising demand for capital goods further increased the intensity of the island's import dependence. And finally, labor redundancy led to an intensification of the dependence on federal transfers to support the growing number of unemployed.

Another obstacle to the creation of the option of economically viable independence has been, quite simply, the long-term nature of the endeavor. Economically viable independence is not something that can be obtained overnight, simply through a victory at the ballot box. It would require years of preparation and a concerted effort on the part of both the U.S. and Puerto Rican ruling elites to develop the endogenous productive capacity of the insular economy. This means, of course, that the Puerto Rican government must, for a long period of time, be in the hands of political parties committed to the achievement of this goal. But, since the inception of commonwealth status, the Puerto Rican government has been controlled by parties hostile to independence. Another consideration is that any long-term commitment to the development of greater self-reliance would require many short-term sacrifices which undoubtedly would be politically unpopular. It would be very naive to expect parties hostile to independence to adopt unpopular policies in order to pave the way for possible independence.

Even if the Puerto Rican government had been controlled in the past by parties genuinely committed to the task of preparing the economy for possible independence, it is not likely that they would have been completely successful. The legal structure of Puerto Rico's relationship with the United States would have constituted a major constraint on any such effort. Under this legal structure, the government of Puerto Rico does not enjoy a number political powers normally associated with genuine sovereignty, many of which would be needed to redirect the economy toward more autonomous growth.

The low level of genuine political sovereignty is easy to illustrate in the case of Puerto Rico: the United States controls the island's monetary system; federal maritime laws restrict the use of inexpensive foreign shipping lines for the transport of goods between the island and the United States; minimum wage guidelines are dictated by Washington; the Puerto Rican government is not allowed to enter into economic agreements with third countries without U.S. approval; the Puerto Rican government has no voice in international economic agreements entered into by the U.S. that directly affect the island; and Puerto Ricans have little power to protect their internal markets. Moreover, a great number of federal agencies operate on the island, bringing with them a wide variety of regulations designed for the U.S. economy. Garcia Passalacqua (1984, p. 47) provides a list of government operations and services under total or partial control of the United States, the legal bases for which are often "unknown or nonexistent": military bases; induction into the armed forces; veterans' affairs; immigration and naturalization; criminal investigations; aerial traffic; radio and television; cable communications; customs; the coast guard; social security; labor-management relations; wage and hour regulations; parks and historic sites; geological surveying and mapping; census-taking; postal service; soil and water conservation; welfare benefits distribution; fresh product and meat inspection; health quarantine stations; policing of communicable diseases; the weather bureau; farmers' and public housing; loans to small businesses; and atomic energy. Finally, the U.S. judiciary also has a role to play on the island. In the commonwealth model, there is a dual system of local and federal courts and jurisdictions. At the top of this system is the U.S. Supreme Court which has the power to review the decisions of the Puerto Rican Supreme Court in cases concerning federal and constitutional issues.

The range of powers with which the United States can intervene in the Puerto Rican economy is not the only important issue here. The quality of that intervention is also critical. The needs of a small dependent economy like that of Puerto Rico are quite different from those of the powerful U.S. economy. Nevertheless, federal programs and regulations affecting the island generally have not been tailored or redesigned to meet those needs. Thus, the application of inappropriate programs and regulations has often been harmful to the insular economy. For example, the application of U.S. minimum wage regulations on the island has contributed to unemployment (Gutierrez, 1983, p. 119; *Caribbean Business*, Jan. 9, 1986, p. 22; Santiago, 1986), and the manner in which federal welfare programs have been extended to Puerto Rico has created a work disincentive in certain sectors of the economy (Heine and Garcia Passalacqua, 1983, p. 41; *Caribbean Business*, Feb. 5, 1986, p. 20; Carr, 1984, p.215; Weisskoff, 1983, 1985; Santiago and Rossiter, 1985, p. 272; *Wall Street Journal*, Oct. 30, 1984, 1: 19).

For the most part, the United States has been unwilling to make any significant changes in the legal relationship which would afford the government of Puerto Rico the powers necessary to establish more local control over the economy. Without these powers, even the most dedicated pro-independence government would find it extremely difficult to make the Puerto Rican economy more self-reliant.

Finally, economically viable independence has not been an option for the Puerto Rican masses simply because the United States has not defined the type of relationship that it would be willing to maintain with the island if Puerto Ricans were to opt for independence. Since the U.S. position has not been clarified, Puerto Ricans must assume the worst of all possible scenarios: that all federal economic aid and investment incentives on which the island has become precariously dependent will be eliminated immediately after independence. Under present conditions, such action would likely bring about the total collapse of the Puerto Rican economy. There has been some talk (largely from pro-independence elements on the island) of a possible transition period in which some form of economic aid would continue for a limited time after independence. However, the United States has never formally committed itself to such a plan.

Conclusion

Puerto Rico's path of development has had a dual effect on the island's masses. On the one hand, the integration of the insular economy into the U.S. economic orbit has raised their standard of living. On the other hand, it has made them extremely dependent on federal largesse. Despite the aggregate growth of the insular economy over the last several decades, Puerto Rico has become less able to fend for itself. Much like a drug addict, the Puerto Rican economy has needed progressively larger doses of federal transfers which, in the short term, have led to a feeling of well-being, but, in the long term, have undermined the capacity of the island to break its dependence.

Under these circumstances, the democratic process on the island has been seriously flawed. The Puerto Rican and U.S. ruling elites have established a political and economic relationship which has not provided the Puerto Rican masses with a realistic opportunity to support the option of economically viable independence. In other words, the cards have been stacked against independence. With respect to the status issue, the Puerto Rican people have indeed been offered three alternatives: commonwealth, statehood, and independence. However, when independence is tantamount to economic suicide, it is not a real option, but merely a ploy to fulfill the letter of western-style democracy. The spirit of democracy requires another option: economically viable independence.

APPENDIX 1

Selected Socioeconomic Indicators: 1950, 1986*

	1950	1986
Gross Product (a):	755	15,794
Gross Product Per Capita:	342	4,807
Gross Domestic Product (a):	724	21,109
Net Income (a):	614	12,927
Net Income Per Capita:	278	3,934
Net Income By Origin (a)		
Agriculture	149	385
Manufacturing	89	7,491
Trade:	102	2,218
Finance/Insurance/Real Estate:	52	2,295
Services:	42	1,726
Government:	70	2,389
Personal Income (a):	653	14,947
Employment (b):	596	776

* Fiscal years; current prices.
(a) $millions.
(b) Thousands of jobs.
Source: Junta de Planificacion de Puerto Rico, 1987.

APPENDIX 2

Selected Socioeconomic Indicators: Selected Years	
Unemployment (a)	
1950	13%
1986:	21%
Net Out-Migration (f)	
1940-83	875,000
(total population in 1983: 3,265,200) (h)	
Gross Fixed Domestic Investment As Percentage of Gross Product (a)	
1970:	30%
1986:	15%
Imported Capital As Percentage of Total Capital Funds (b)	
1950:	43%
1980:	74%
Import Dependence (ratio of value of merchandise imports to GDP) (c)	
1950:	.48
1980:	.57
Import Dependence (ratio of value of merchandise imports to GNP) (d)	
1950:	.46
1980:	.74
Income Distribution (Gini coefficient, excluding food stamps and OASDI transfers) (e)	
1953:	.415
1977:	.466
Federal Transfers As Percentage Of Disposable Personal Income (g)	
1970:	2.2%
1983:	18.5%

APPENDIX 2 cont'd.

Selected Socioeconomic Indicators: Selected Years

Total External Debt ($billion) (i)	
1963:	2.5
1978:	22.3
Debt-Equity Ratio (i)	
1963:	0.8
1978:	2.7

Sources: (a) Junta de Planificacion de Puerto Rico, 1987; (b) Dietz, 1986, p. 260; (c) Dietz, 1986, p. 271; (d) Dietz, 1986, p. 289; (e) Weisskoff, 1985, p. 12; (f) Weisskoff, 1985, p. 58; (g) Weisskoff, 1985, p. 66; (h) Junta de Planificacion de Puerto Rico, 1984, p. 66; vol. II, XIII-1; (i) Gutierrez, 1983, p. 123.

NOTES

1. It should be noted, however, that pro-independence groups on the island called for a boycott of the plebiscite. Only 65.8 percent of eligible voters cast a ballot. This was lower than the typical turnout for general elections (approximately 80 percent), but roughly equal to, or slightly better than, other non-election turnouts, such as those called to approve Public Laws 600 and 447 (Johnson, 1980, p. 137).
2. The Independence Party (PIP) registered its best performance in 1952, when its candidate for governor received 19 percent of the vote (Wells, 1985, p. 622). Since that time, its support has declined sharply. In the 1964 elections, the Independence Party received 2.8 percent of the vote, and in 1984, 3.56 percent (Falk, 1986, p. 107).

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