

Guam Economic Conference  
May 18, 1973  
Guam Hilton Hotel

John Barrance &  
Mary Trent

Copy of the *Manuscript* Mar. II  
15/4

PUERTO RICO: POLITICAL STATUS AND  
ECONOMIC DEVELOPMENT

+ Puerto ~~Rico~~ Rico's political status is a unique political relationship, within the United states ~~XXXX~~ federal system, that has emerged from Puerto Rico's economic realities. In essence, it is a status ~~fitting~~ specifically designed to fit our realities. Puerto Rico could have chosen to try to fit our realities to a political status -- such as independence or statehood. But we decided to create a new status, tailor-made to our needs -- and that is the secret to our status, and to our success.

First, let me try to describe our realities. The history of Puerto Rico is the history of four and one half centuries of poverty. Under the Spanish ~~XXXXXX~~ <sup>(voluntary)</sup> Crown, we subsisted on the generosity of the other, gold rich colonies. On their way back from Mexico and Peru, the Spanish galleons would off load a fraction ~~at~~ of its goal ~~to~~ in San Juan to ~~px~~ sustain, in part, the economy. On July, 25, 1898, when the American troops landed in Guanica, they found poverty as these New England soldiers and officers never dreamed existed. Forty two years of American colonial government in Puerto Rico did not help much. Efforts were made to help. The first military government carried out a road, school, hospital construction program. During the 20's large scale investments were made by U.S. businessmen to develop ~~xxx~~ a sugar industry, and to a lesser extent, a tobacco industry. In the 30's the Roosevelt administration attempted to extend the New Deal to Puerto Rico. But it all failed. It kept the vast majority of the Puerto Rican population from starving, but it did little else.

Why? The answer is very simple. Puerto Rico seemed doomed, by nature, to poverty. A small island (100 miles long and 35 wide), tremendously overpopulated and without natural resources. And ironically, one of the good things that the

americans did soon after arriving, the eradication of ~~fxs~~ malaria and other diseases, caused a population explosion. One million <sup>p</sup>uerto Ricans in 1900; two million by 1940; today there are just over ~~2x~~ 2.8 million -- that is, 2.8 million living on the Island, plus 1.5 million living on the mainland. Of course, these 1.5 million are free to ~~return~~ return to Puerto Rico at any time, and when our economists see ~~a~~ an increase in return migration, as we have seen in recent years, you can believe that it causes a ~~ix~~ tremor of apprehension.

C  
O  
P  
Y  
So in 1940, our per capita income was 121 dollars, and ~~even this was~~ ~~deceptive since~~ Puerto Rico was divided into two classes, the great mass of the people living in extreme poverty, and a very small class living in great wealth. We had had some political progress. Our Legislature was elected by the people; in 1917, Puerto Ricans had become U.S. citizens. But Puerto Rico was a classic colony. The Governor was appointed <sup>by</sup> the Presidente, and more often than not, his selections were quite unfortunate. Our Legislature was controlled by the very rich. In fact, Roosevelt's humane efforts to extend the New Deal to Puerto Rico was vigorously opposed by the local Legislature.

But what most characterized Puerto Rico, and the well-intentioned Roosevelt administrators, was a ~~kapaxafz~~ sense of helplessness. Puerto Rico was not only the "poorhouse of the Caribbean" -- but it seemed inevitably destined to remain so. Our people-land ratio, our distance from the U.S. mainland, indeed a ~~100~~ 4 century old culture of ~~poor~~ poverty, seemed to make development ~~z~~ not only unlikely, but impossible.

Puerto Rico did not ~~and~~ know it then, but what made development appear impossible was the attitude of the Puerto Rican political leadership. Political status had dominated local politicians. ~~The~~ <sup>the</sup> Political status ~~--- independence or statehood ---~~ <sup>versions</sup> were considered the only "ideals" worthy of political action. All ~~over~~ Puerto Rico's ills were explained and denounced in terms of our colonial relationship to the United States. It was the religiously held dogma of our politics that nothing could be done -- indeed nothing should be done -- to resolved our crying social and economic

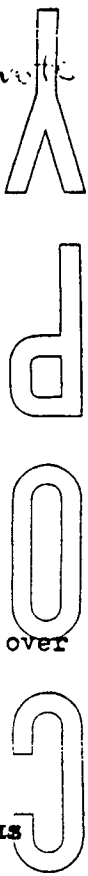
3  
injustices until we first resolved our political status. This dogma ~~literally incapacitated~~  
incapacitated our political leadership ~~of the first century~~ to do anything but  
~~exist~~ endlessly ~~do anything but~~ engage in a status debate that sounded very much like  
~~misericord~~ theological debate of the Dark Ages.

Well, the turning point in our history occurred in 1940. A young political  
leader, Luis Munoz Marin, organized a new political party <sup>that</sup> and took a revolutionary  
stand. → political status, he said, was not the issue, but the misery of the  
Puerto Rican "jibaro" of flesh and bone, Munoz <sup>favoured</sup> ~~was for~~ Puerto Rican independence;  
<sup>did</sup> so ~~was~~ 90 ~~percent~~ of the leadership of his new party. But he made a  
solemn commitment that a ~~vote~~ vote for him was not a vote for independence, but <sup>a vote</sup>  
for economic and social reform. He won the elections with 38 percent of the  
<sup>winning control of the legislature</sup>  
~~votes~~ in 1940, and in 1944 won again with 65 percent of the vote.

Munoz literally turned things around in Puerto Rico. After 1940,  
<sup>bills</sup>  
land and tax reform ~~laws~~ were approved, and signed into law by the liberal,  
New Deal braintruster <sup>appointed</sup> ~~named~~ Governor of Puerto Rico, Rexford Tugwell. Tugwell  
made a great contribution created an ~~efficient~~ <sup>efficient</sup>, honest, <sup>VE</sup> creation government  
bureaucracy -- something indeed ~~rare~~ rare in Latin American cultures. But  
the true revolution was in the values, in the ~~sense~~ sense of priorities, now  
existing in Puerto Rico. Social reform and economic development now had priority over  
political status.

In 1948, Munoz became the first elected Governor, ~~and~~  
~~There~~ was a world-wide wave of anticolonial sentiment. ~~It~~  
It was time for Puerto Rico and the U.S. to lift the island from its colonial status.  
Munoz had already decided that independence was economically impossible for Puerto Rico.  
This had cause a good part of his party <sup>(leadership)</sup> to form an Independence Party, but it got ~~less~~  
less than 10 percent of the vote in 1948. The vast majority of the people had ~~once~~  
again expressed a clear rejection of independence. <sup>larger</sup> A minority of Puerto Ricans wanted  
statehood but that too was economically impossible. Operation Bootstrap was then getting  
under way. Puerto Rico knew that tax exemption was the biggest incentive for a U.S.  
industrialist to establish a new plant 1,500 miles out in the ~~St~~ Atlantic in a  
Spanish speaking culture. Statehood would have meant giving up tax exemption, giving

\* The pot-bellied, posty skinned children whose lives were drained away by ringworms.



4  
up Operation Bootstrap.

The answer was Commonwealth. And Commonwealth was really the status quo. Commonwealth would permit Puerto Rico to retain its U.S. citizenship, its free access to the U.S. market, its common defense, <sup>its common</sup> currency, and its exemption from all federal taxes. It would ~~also~~ also help Puerto Rico keep its culture. The Puerto Ricans are a people with a ~~very~~ distinct cultural heritage four centuries in the making. Today, anyone from the mainland visiting Puerto Rico has a very strong feeling that he is in a foreign country. Culturally, he is.

But Commonwealth represented one fundamental change. For the first time in our history, Puerto Rico had approved directly its political status. The core of Commonwealth ~~status~~ status is the "compact" between the people of Puerto Rico and the Government of the United States. The "compact" spells out the details of the relationship ~~between~~ between both parties. The essential element of the "compact," however, is that it cannot be amended without the consent of both sides -- the people of Puerto Rico and the Congress of the United States. This was the change. Puerto Rico was no longer a territory, a possession, of the U.S. Puerto Rico now belonged to itself. And exercising its self determination, it entered ~~into~~ freely and democratically into a relation of permanent union with the U.S.

The "compact" process was as follows:

In 1950, the Government of Puerto Rico proposed to Congress a bill, now known as Law 600, in which Congress recognized Puerto Rico's right to self determination, its right to draw up its own Constitution, and its ~~desire~~ <sup>willingness</sup> to enter into a compact with Puerto Rico. The unique thing about ~~the~~ Law 600 is that it did not become effective until ~~it~~ approved at the polls by the Puerto Rican people. This is what ~~made~~ <sup>made</sup> it a compact. Puerto Rico approved it in 1951; a Constitutional Convention ~~was~~ was elected; a Constitution approved; Congress approved the Constitution with several minor changes; Puerto Rico approved the changes. On ~~the~~ July 25, 1952, Commonwealth was ~~officially~~ officially proclaimed.

It is ~~precisely~~ at this point that Puerto ~~Rico's~~ Rico's economic development began to take off. Up to 1950, Bootstrap had brought to the Island a total of 82

031985

industrial plants. By 1960, 688 plants were operating on the island; today it is about 2,000. Industrial ~~em~~ employment was 55,000 in 1950; today it is 150,000. Gross income was \$755 million in 1950; today it is \$6 billion. Per capita income was \$279 in 1950; today \$1,713.

What, then, is the ~~lesson~~ lesson of Puerto Rico's experience with political status and economic development?

The obvious lesson is that political status is not an "ideal," it is not a "national purpose." It is a tool. The purpose of a people is not to be a Republic, of the 51st state of the American Union, or the first Commonwealth. The purpose of a people is to achieve a good civilization; a civilization where each human being is free to develop ~~or not to develop~~ <sup>to the maximum</sup> his individual capabilities. Political status should be the servant, not the master, of that purpose. I think the key to understanding why the people of Puerto Rico created and have supported Commonwealth through the years is that Puerto Ricans ~~do~~ love their land and their culture very much, but are not nationalistic. We are the only latin american people that are not now ~~a~~ politically independent. We are also the latin american people with the highest standard of living, the ~~highest~~ highest rate of growth, the most stable democratic government, and I ~~do~~ believe with the ~~highest~~ highest individual freedom.

For Puerto Rico, seemingly doomed to massive poverty and unemployment, political status had to be the best tool possible to ~~reduce~~ reduce poverty and unemployment. We did not make economic growth a sacred cow, but we understood that to seek social justice without very rapid development was a cruel deception.

Puerto Rico today is very far from achieving ~~its~~ its goal of a good civilization. Statistically, unemployment is 11 percent; real unemployment is closer to 30 percent. We have massive slums, our educational and health facilities are ~~tragic~~ tragically inadequate. We are also paying the price for rapid development: crime, drugs, pollution, traffic jams, power shortages, <sup>and</sup> middle class ~~desperation~~ not-so-quiet desperation.

But even the most optimistic economist could not believe that we ~~could~~ could eliminated four centuries of poverty in three decades. And it will not be done in

the next three decades.

But I think that we are finally ~~i~~ on the right road. We are extremely ~~conscious~~ conscious of the need to improve the quality of our development. Puerto Rico also wants to improve certain areas of Commonwealth status giving our Government more autonomy in such areas as federal minimum wages. Perhaps a majority of the people favor giving our voters the right to vote for the President~~x~~ and Vice President.

But we are on the right track, I believe, because we <sup>have</sup> overcome our biggest emotional, spiritual obstacle. Puerto Rico ~~x~~ was really torn between having to choose between two forms of political dignity that were equally detrimental to freeing people of the indignity of extreme poverty and unemployment. The endless battle between independentistas and statehooders was not only ~~sterilizing~~ futile, it sterilized Puerto Rican creativeness. Certainly, segments ~~of~~ of our population continue the debate. But not the ~~may~~ majority; and in ~~1972~~ 1972, after having a pro statehood party in power for only four years, the people reelected ~~x~~ the pro commonwealth party that had governed ~~since~~ for 20 years.

The lesson of Commonwealth to Guam and any other area seeking a political status solution is this:

Begin by understanding with ~~precision~~ precision what is your reality. Determine what is your national goal. And then select the political status that best serves that ~~g~~ goal. This has worked very well in Puerto Rico. And I believe that it will in Guam.