

NOTES ON THE ECONOMIC AND POLITICAL DEPENDENCE OF PUERTO RICO

by Carmen Gautier-Mayoral

Position paper of the Institute
of Puerto Rican Studies submit-
ted to the Committee of Interior
and Insular Affairs, House of Re-
presentatives, U.S. Congress

Hearings, May 22, 1986.

This paper is to be presented
by Dr. Aida N. Montilla on be-
half of the author who is un-
able to come to Washington at
this time.

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In this very brief paper I shall try to present: (1) some of the main economic indicators of Puerto Rico's total dependence on the United States' economy; (2) the reasons which negate that Puerto Rico be considered - as is fashionable today amongst some of our most prominent economists - a depressed regional economy of the United States; and (3) a few suggestions as to the type of political negotiation which our national Puerto Rican government could try to undertake in order to improve the economy of the island without necessarily costing one cent more to the U.S. taxpayer.

Economic Indicators of Dependence

first part of the

1. As Puerto Rico's economy improved during the/industrialization by invitation period(1947-1968), the absentee ownership of land which had been diagnosed as the problem of Puerto Rico's dire poverty in the thirties was exchanged for the absentee ownership of almost all of the large manufacturing plants on the island. As time passed, capital intensive industry was invited to Puerto Rico while labor intensive industry left the island for countries with lower wages. Today 85 to 90% of direct capital investment

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in Puerto Rico is financed from U.S. sources. By 1983, U.S. direct investment in Puerto Rico had grown to \$17.7 billion dollars, amounting to 7.9% of U.S. world investment and a whopping 59.6% of U.S. direct investment in Latin America. Profits repatriated to the U.S. passed the \$5 billion dollars mark. By 1985, they neared \$7 billion dollars.¹

2. This so called "model of development" has caused the rate of participation of the working age population in Puerto Rico to drop from 52% in the early 1950's to 41% in the early 1980's. In effect the lowering of the unemployment rate to around 13% in the fifties and sixties was only made possible by taking people out of the work force. This was done both by lowering the participation rate and by pushing out of the island over 600,000 Puerto Ricans in the ten year period between 1945 and 1955. As a result, although the population as a whole grew by 150,000 between 1950 and 1960, the working age population grew by only 29,000 and the work force diminished by about 50,000.

Today only about 31% of the working age population have full time jobs and the rate of unemployment fluctuates between 22 and 25%. Thirty percent of personal income in Puerto Rico consists of transfer payments from the United States. Worse still, as Reynolds and Gregory have shown, this model of development - which both our government and industries insist is the "only one possible" - generates unemployment over time and needs continuing emigration.²

¹The data for Puerto Rico from P.R. Planning Board, for Latin America and the world, U.S. Dept. of Commerce, Survey of Current Business.

²Lloyd B. Reynolds and Peter Gregory, Wages, Productivity and Industrialization in Puerto Rico (Homewood: Irwin & Co., 1965).

A recent U.S. Census report quoted in the Puerto Rican press says that 500,000 Puerto Ricans have emigrated to the U.S. between 1980 and 1985.

(3) In 1986 Puerto Rico has the highest public debt burden per capita of any jurisdiction either within the U.S. or in Latin America. This is felt on the island in lesser availability of job opportunities, relatively low salaries and wages, very high rents, extremely low profits for small companies, but above all in the growing denationalization of property. More and more assets or wealth pass from the hands of Puerto Ricans to the hands of non-residents.

(4) The most telling factor of dependence is the irrationality of the Puerto Rican economy. All of the economic reports of the 1970's and 1980's point out that the Island exports practically everything that it produces in order to pay for the importation of almost all of the necessities of life. The extreme dependence on the export of goods and services is demonstrated by the fact that 85% of manufactured goods/are exported to the U.S. Of income originating in the service sector, 80% of tourism comes from the U.S.A. OF WHICH TOURISM IS AN INDUSTRY THIS - that

At this juncture it is worthwhile to point out that this unemployment producing and emigration generating model of development ~~is~~ was presented to Latin America under the Alliance for Progress and today to the Caribbean under the Caribbean Basin Initiative as the example to follow. Is the U.S. willing to accept 40% of the population of each of the impoverished Caribbean nations and to dole out transfer payments to improve the personal income of those remaining? If it is not, I'm afraid the Puerto Rican model cannot be repeated.

Puerto Rico's Economy - an Extreme Case of Dependence -
is not a Depressed Regional Economy of the U.S.

The "model" has been one of transnational and U.S. industrialization on Puerto Rican soil rather than one of industrialization of the Puerto Rican economy. It cannot be considered a depressed regional economy of the U.S. If it were, Puerto Rico would not:

1. Have an unemployment rate and levels of economic and social marginality/nearer to Latin American levels than any U.S. region and qualitatively integrated into the economy in a different manner.
2. Have laws allowing for much greater pollution levels than in the continental United States.
3. Have a rate of militarization per square mile unheard of in any depressed U.S. region.
4. Have a special tax exemption for industrial investment (section 936) not applicable to any continental U.S. depressed region.
5. Exhibit a public debt ^{territory} per capita which is much higher than in any state or ~~province~~ of the United States and than in any other Latin American country.
6. Have been assigned an economic role in the world economy by transnational capital which is essentially different from, the role assigned to the United States and its different regions.

A clear picture of Puerto Rico ^{emerges -} as an extreme case of Latin American dependency vis-a-vis the U.S. economy, emerges. The politics of this model, despite its equilibrating mechanisms, show irrationalities and social decomposition by-products which have begun to worry U.S. government think-tanks, U.S. political leaders in Congress and in the federal executive branch, as well as North American intellectuals.

Negotiations to be Undertaken by the Puerto Rican
Government to Improve the Economy

It is impossible to attempt a restructuring of the Puerto Rican economy without first negotiating greater legal and political powers. There is a minimum consensus among various sectors of the country on some of the political and legal powers indispensable to restructure our economy, like the right to levy tariffs, to be exempt^d from the coastwise shipping act and the power to reach trade agreements with other countries. It is important that Puerto Rico's government broaden that consensus, knowing beforehand that the remedial measures proposed by Puerto Rican political leaders reacting to U.S. proposals are not sufficient to restructure the economy.

Our geographic location and the U.S. need for it to secure its trade and strategic interests is one of the strong bargaining points that could work in our favor. We could negotiate a lucrative lease of American military bases on our soil, as other countries have done. This would help to spur Puerto Rican investment on our soil. According to ^{the} public relations office of Roosevelt Roads Naval Station at Ceiba, that is the world's largest U.S. naval station.

What is needed at present is to make the most of the political and economic situation and to negotiate - for negotiation is after all the very stuff of politics - so as to obtain the widest political and legal powers possible in the present international and sub-regional context. In spite of the seriousness of the current situation, or perhaps because of it, there is no reason why the Puerto Rican government should meekly request, which in politics is never effective. On the contrary, the very seriousness of our predicament, considered within the present set of world circumstances,

could be turned into a strong bargaining position.

Conclusions

Nevertheless, as the experience of the last 20 years has shown, it is not only Puerto Rican meekness, but also U.S. disinclination which has borne no fruit. American preoccupation with the Puerto Rican political status is all a game. Ever since the Decolonization Committee of the United Nations came into existence in 1962, the U.S. executive and legislative branches have been playing at the game of "studying Puerto Rico's status in order to grant us more powers" in whatever direction.³ As soon as we seem to be going in one direction, a Washington pronouncement of some sort changes the direction, and we start all over again.

Since consensus was lost in Puerto Rico after 1968, what is the best way to keep the status quo? Four years of the New Progressive Party and four years of the Popular Democratic Party. As long as Puerto Ricans wish to believe that the man who sits in the governor's chair is to blame for all of their social ills, and that changing him will improve the situation, and as long as the U.S. taxpayers keep sending us money in massive amounts, we shall have no further powers and no status change. Our economy will not be restructured. We could call this the politics of immobility.

I thank you.

³"The fact remains that, regardless of the profuse expressions of the U.S. in favor of self determination, Puerto Rico has never had that right recognized, except rhetorically.", José Trías Monge, former Chief Justice of the Supreme Court of Puerto Rico, Historia Constitucional de Puerto Rico, 4 vols. (Río Piedras: Editorial de la Universidad de Puerto Rico, 1981-83) vol. IV, p. 250. Two pages later he ends the book with the following question: "Will a just and peaceful solution to all of the horrible social, economic and political problems of Puerto Rico be found or will violence overtake this green land?"

Rol de PR en la arena internacional

SERVICIOS NOTICIOSOS
EL REPORTERO

15-V-85

El comisionado residente Jaime B. Fuster, anunció ayer que el Comité de lo Interior y de Asuntos Insulares de la Cámara de Representantes del Congreso Federal, al cual pertenece, celebrará vistas públicas el 29 de julio de 1986, en Washington D.C., sobre el papel que puedan jugar las áreas insulares en el ámbito internacional.

Por otro lado, el alcalde de San Juan y ex comisionado residente, Baltasar Corrada del Río al enterarse de las vistas congresionales reiteró su acusación de que el actual Gobierno del Partido Popular Democrático (PPD) está "jugando a la república".

El Comité Congresional, que preside el representante Morris Udall, de Arizona, decidió efectuar dichas vistas a solicitud de varios miembros del Comité, que desean que se reconozca expresa y claramente el papel internacional que han desempeñado y pueden desempeñar las distintas áreas insulares que son parte de Estados Unidos, según Fuster.

El Comisionado Residente explicó que así como

Puerto Rico en el pasado y en el presente ha ayudado al desarrollo de los países en la Cuenca del Caribe, otras jurisdicciones como las Islas Vírgenes, Guam y Samoa también tienen interés en determinadas actividades en la arena internacional.

Fuster añadió que las vistas en cuestión ayudarán a precisar los parámetros de tal participación internacional, sobre todo a la luz de la renuencia de agencias y departamentos del ejecutivo federal que en el pasado no han promovido con gran entusiasmo el rol internacional de las áreas insulares de Estados Unidos.

Fuster dijo además que estas vistas ayudarán a despejar las dudas de los sectores asimilistas de Puerto Rico han tratado de crear respecto a las iniciativas de la Administración del gobernador Hernández Colón en la Cuenca del Caribe.

"Los anexionistas en Puerto Rico han intentado poner obstáculos a las gestiones del Gobernador dirigidas a ayudar a nuestros vecinos caribeños. Con estas vistas, quedará aclarado de una manera definitiva que Puerto Rico sí puede hacer lo que ha estado haciendo y se le dará un mentis a los reparos de los políticos que se oponen", dijo Fuster.