



Puerto Rico's meaning to the Atlantic Community

by Edward G. POSNIAK

Edward Posniak, Washington economic correspondent for Basler Nachrichten of Basle and Der Bund of Berne, suggests Puerto Rico's "rags-to-riches" success story may be the answer for other underdeveloped countries. Former economic consultant in the Caribbean island, Posniak also sees possible emulation by France and Algeria of the United States-Puerto Rico relationship.

PUERTO RICO, the small tropical island in the Caribbean, may provide solutions to two burning problems of our era. How to deal with countries newly independent or seeking independence in political terms, and how to provide the rapid economic development all underdeveloped countries are seeking today.

In Arnold Toynbee's phrase, the revolution of rising expectations—in terms of a higher standard of living and of political autonomy—is at the root of most of the free world's crucial problems today. If Puerto Rico provides clues to their solution—based on political independence and economic interdependence—its experience is worth studying.

In recent months, Puerto Rico's commonwealth status—neither a dependent territory of the United States nor one of the 49 states—has attracted attention among thoughtful observers. During the recent Senate debate on Alaskan statehood, there were those, like Senator Fulbright of Arkansas and Senator Monroney of Oklahoma, who argued commonwealth status would also be preferable for Alaska. In the current French controversy over French Algerian integration, the suggestion has been made for commonwealth status for Algeria like that of Puerto Rico within the United States. This suggestion comes in the wake of earlier interest in the outstanding success of Puerto Rico's economic development program as a model for other underdeveloped countries. The combination of "Operation Commonwealth" and "Operation Bootstrap," as Puerto Rico's development program is known, makes its experiment of double significance to the Atlantic community.

A tropical island about 11 miles long by 3.5 miles wide, inhabited by 2.1 million people, Puerto



W. H. Jones, *Illustration* (W. H. Jones, *Illustration*)

Rico is the easternmost and smallest of the Greater Antilles, composed, in addition, of Cuba, Jamaica,

Haiti and the Dominican Republic. Approximately 1,600 miles southeast of New York and 500 miles north of Caracas, Venezuela, it occupies a strategic crossroad position between North and South America. Its location at the approaches to the Caribbean Sea, and thus to the Panama Canal, gives it military importance. Partly for this reason, Puerto Rico remained a colonial possession for more than four centuries, first as a colony of Spain and later, after the Spanish-American War of 1898, as a territorial possession of the United States. As a colony it fared poorly in the economic sense, and the paucity of natural resources added to the island's material poverty.

Colonial Puerto Rico developed an agricultural economy, devoted largely to producing cash export crops. An official Puerto Rican government report states: "During the first four decades under the American flag, it became a typical 'sugar-colony,' its economic life, transportation, social mores, and much of its political life geared primarily to the production and export of sugar, all dominated in turn by powerful absentee corporate capital." Luis Muñoz Marín, the present Governor of the island, termed Puerto Rico a "factory worked by peons, fought over by lawyers, bossed by absent industrialists and clerked by politicians."

Considering these inauspicious beginnings of American rule, Puerto Rico's transformation within less than a generation from "the poorhouse of the Antilles" to "the wonder island of the Caribbean" seems even more amazing. How did democratic self-rule take the place of absentee oligarchic and plutocratic control within so short a time? How were rapid economic development, industrialization and rising standards of living achieved on a small tropical island devoid of natural resources, suffering from overpopulation, and characterized by mass unemployment, hunger and disease only a quarter of a century ago?

*Roosevelt, Tugwell and Luis Muñoz Marín,
Architects of Puerto Rico's progress*

"Wars begin in the minds of men," states the preamble to UNESCO's Charter. So does human progress, manifested in self-government and economic development. Three men, above all others, were the architects of Puerto Rico's transformation—Franklin D. Roosevelt, Rexford Guy Tugwell and, most of all, Luis Muñoz Marín.

It was under the New Deal that the first efforts were made to overcome the island's crushing

burden of poverty through public works projects and self-help efforts, slum clearance and low-cost housing projects, unemployment relief and settlement programs. As Governor of the island under President Roosevelt, "brain-truster" Rexford Tugwell launched some of the programs that have since raised living standards and converted poverty into prosperity. He also prepared the island for democratic self-government and political autonomy.

Puerto Rico's status today is a Commonwealth or an "Associated Free State"—*Estado Libre Asociado*—of the United States. As an autonomous state, it adopted its own constitution, elects its own officials, appoints its courts, and has complete local self-government. This self-governing status was enacted in a "compact" between the Congress of the United States, which approved it in 1952, and the people of Puerto Rico, who ratified it in a referendum. Puerto Ricans have no voting representation in Congress—they elect their own Legislature—and cannot vote for the President. Therefore, in accordance with the principle of American Revolution, "No taxation without representation," they pay no Federal taxes. However, with a few specific exceptions, all Federal laws, including those governing military service, apply to the island.

In the words of Adolf A. Berle, Jr., Assistant Secretary of State in the Roosevelt Administration: "Puerto Rico has independence in everything except economics, defense and foreign relations—and these three are international by hypothesis. The commonwealth concept is free to evolve, moreover, either in the direction of independence or in the direction of statehood. President Eisenhower has promised to recommend that Congress give Puerto Rico independence any time islanders vote for it."

A few Puerto Rican politicians still talk independence, and others statehood, but most of the people today seem to like their commonwealth status. Perhaps they sense their freedom because they are, as one Puerto Rican leader puts it, "in a room with the doors open." Statehood would lead to a degree of Federal regimentation and "bureaucratic formalism" with Federal rules and regulations incompatible with the different customs and patterns of a Spanish culture. Independence would leave the island adrift as a non-viable economy, sever the umbilical cord to the mainland's capital market system and source of migration for its surplus population.

How does Puerto Rico's commonwealth status



With an area of 3,500 square miles, Puerto Rico has some 1,000 miles of modern hard-surface roads. (USISI)

differ from the British Commonwealth of Nations?

It is a good deal tighter. Unlike the Commonwealth Nations, Puerto Rico has no independent defense or foreign relations, as do India or Canada, or the Sudan, Ghana or Malaya to which it can more properly be compared in size and importance. (Actually Puerto Rico is much smaller than these and economically far less viable on its own.)

Beyond Nationalism

The commonwealth concept of Puerto Rico reflects the "beyond nationalism" philosophy of Governor Muñoz Marín. An ardent advocate of independence in the early unhappy days of American rule, his thinking has undergone an evolution that present-day apostles of nationalism may come in time to share. "I want my people to want independence," he explained to a friend in the early 1930's. "Once they do that, they will set powerful forces in motion and may bring things to a point where independence is unnecessary or even bad." Given an enlightened attitude in European metropolitan countries today, a similar evolution in the thinking of the leaders of colonial countries is not improbable. The centrifugal forces of newly-born nationalism have their counterpart in the centripetal forces of modern economics—

among them the economic interdependence of a rapidly shrinking world.

The election of 1940 in Puerto Rico was won by a new party, the Popular Democratic Party and a new leader, Muñoz Marín. They were pledged to economic development, improved education and public health, greater democracy and emancipation from the political hold of the sugar companies. With full support from Washington (Roosevelt—Truman—Eisenhower) Puerto Rico has forged ahead in all fields. Agricultural production has increased materially, but the industrialization program has progressed so rapidly that more than half of the island's income today derives from manufacturing. Industrial production has tripled since 1940, and the net real income of the population has more than doubled—from \$463 million in 1940 to more than one billion in 1957. The average annual income *per person* has risen from \$121 in 1940 to \$443 (in current prices) in 1957. The average annual income *per family* has risen from \$1495 in 1950 to \$2215 in 1957. Imports from the United States have risen from about \$150 million in 1940 to nearly \$600 million in 1957.

Since 1951 alone, more than 600 new industrial enterprises have been set up in Puerto Rico by *Fomento*, the island's Economic Development

Administration with investments totaling about one billion dollars and an annual employment of some 40,000 persons. Most of this capital came from mainland private investments. Initially most of the new industrial plants were small factories in such industries as clothing, but in recent years some large-scale enterprises have sprung up, including oil refineries and chemical factories. The beginnings of a potentially important petrochemical industry are also in the making, with crude oil from Venezuela only 500 miles away.

Simultaneously (and crucial to the island's development both as an industrial economy and as a political democracy) great strides have been made in education. Illiteracy has been reduced to less than 20% of the population and should disappear entirely in a decade or two. So rapid have been public health advances that Puerto Rico's crude death rate is lower today than is (the continental) United States'. (The island's near-perfect climate helps here!) In less than two decades, average life expectancy has increased from 46 to 68 years! (Life expectancy in Chile is 36 years and in Egypt 30 years!)

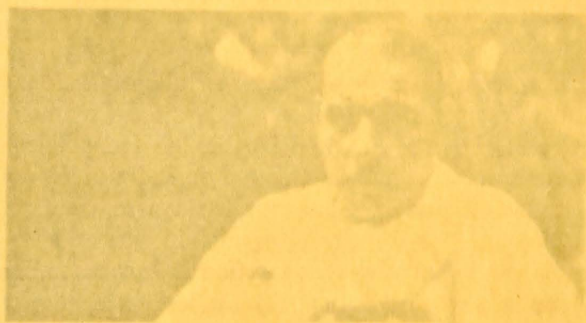
Government officials from India and Israel, Ghana and Venezuela—wherever the "revolution of rising expectations" is exploding tumultuously—are coming to Puerto Rico to study its successful experiment in economic development and democracy and to apply its lessons at home on their return. What are these lessons? What accounts for this "progress in seven-league boots" of "Operation Bootstrap"?

There is no question that Puerto Rico's special relationship with the United States—its being a part of the United States tariff system, its access to the American capital market, its ability to "export" some surplus population to the United States mainland—has played a very large part in the success of the development program.

These favorable conditions are unique, and not available to other underdeveloped countries. On the other hand Puerto Rico suffers from a combination of handicaps—its poverty of natural resources (no coal, oil or metallic ores,) small size and overpopulation—not present in many other underdeveloped countries. Thus it may be argued that the benefits from the special relationship with the United States have only offset the special handicaps confronting Puerto Rico. However, many of the concepts and techniques used in Puerto Rico to foster economic development are applicable to other underdeveloped areas of the world.

Most of these new concepts and techniques are symbolized by the term *Fomento*. As one student of Puerto Rico has observed, "*Fomento*—the Spanish word for development—has become a vital and pervasive symbol in island life. In any city or town on the island one is likely to see a sign reading *Otra Fabrica del programa de Fomento*, standing before one of the hundreds of new factories established by private industry under the auspices of the Economic Development Administration. *Fomento* means more to most Puerto Ricans than just the agency responsible for these structures and facilities—to the people of Puerto Rico, *Fomento* means a new and better life, and they look at its truly remarkable economic achievements with pride in themselves as Puerto Ricans who are building their own future." (1)

In short, *Fomento* means self-help, self-help with the aid of private capital investments from the American mainland, the assistance of government planning, but self-help nevertheless. For it is the people of Puerto Rico who are providing



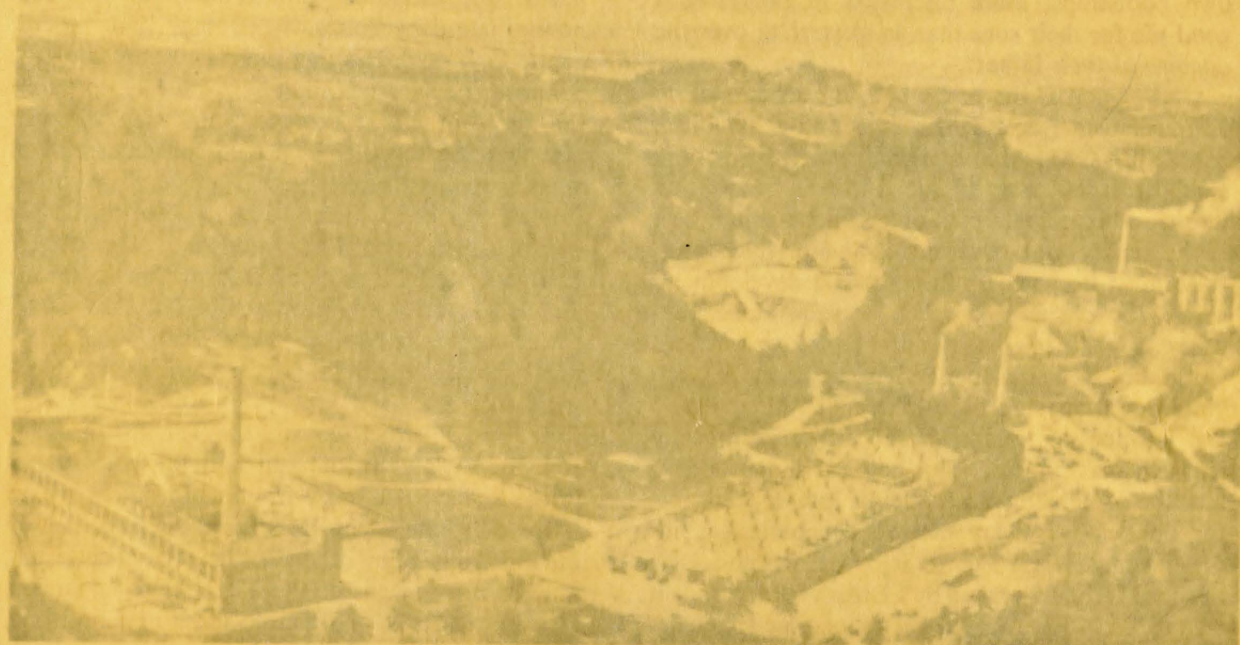
Luis María Muñoz, present Governor of Puerto Rico. (Courtesy of the U.S.I.S.)

the initiative, the brains and the labor for this vast enterprise.

Lack of Dogmatic Rigidity

As to the techniques used in this imaginative effort, they are many, varied and flexible. There is active government encouragement and stimulation of private American capital investments, by means of such devices as tax exemption for a ten-year period; energetic promotion of and search for new industries that could be profitably developed in Puerto Rico (run-away plants from

(1) William H. Stead, *Fomento: The Economic Development of Puerto Rico*, National Planning Association, March 1958, p. 3.



New factories at Guaynabo produce paper products, cement and glass. Approximately 200 new industries have been launched in Puerto Rico since 1941. (USIS)

the mainland, in search of cheap labor, are not welcome in Puerto Rico;) an extensive government research program designed to discover new local products and new uses for existing products; and, perhaps most important of all, an ambitious and comprehensive government program of public construction—roads, highways, electric power and water supply, ports and harbors, housing, school construction, hospitals and so forth—designed to provide those pre-conditions of economic development without which industrialization cannot proceed, and which, at the same time, private capital cannot provide because of their generally unremunerative nature.

The above does not by any means exhaust the many novel devices used in Puerto Rico to foster economic development. But it is sufficient to indicate perhaps the most striking feature of the Puerto Rican experiment—its flexibility and lack of dogmatic rigidity. Not for Puerto Rico the doctrinaire insistence, common in many influential circles, that private enterprise is the source of all good, public enterprise the source of all evil. Government in Puerto Rico plays an essential part in planning and laying the groundwork for economic development. Nor do Puerto Ricans believe in the opposite dogma, common in all too many underdeveloped countries, that private

capital is of necessity grasping and exploitative, and that all development must be government development. Government planning in Puerto Rico is both flexible and realistic, not doctrinaire and utopian.

**Government and Private Enterprise must
be Partners**

If the many visits to Puerto Rico by leaders of underdeveloped countries should result in their grasping this central concept—that government and private enterprise are complementary, not antagonistic, that both must be partners in progress or remain adversaries in stagnation—then the Puerto Rican experiment may indeed turn out to be of global significance. If developing countries like India and Indonesia, Egypt and Iraq, come to share and apply this concept in their own development programs, the ancient ideological warfare between anachronistic dogmas may fade away and give birth to a new reality. Whether this new idea is called "mixed enterprise" or "democratic planning" or something else, matters little. What matters is that the shape of things to come is becoming increasingly evident in various corners of the globe, from Puerto Rico to the Tennessee Valley, from Israel to Mexico—wherever men of

good will are laboring to lift themselves by their own bootstraps, more interested in providing a good life for their sons than in quarreling over the dogmas of their fathers.

Cutting across the present strife over capitalism vs. socialism, colonialism vs. anti-colonialism, nationalism vs. internationalism, lie certain stubborn facts, struggling hard to gain recognition in a world seemingly bent on self-destruction. One is the reality that government and private enterprise must be partners in economic development, a task too big and complex for each alone. Another is that in the rapidly shrinking modern world both colonialism and anti-colonialism are yesterday's anachronistic concepts. Also, in an age of nuclear weapons, nationalism ultimately leads to mass suicide, and political independence must be combined with economic interdependence, for no country today can be economically "independent." When Puerto Rico's Governor, Luis Muñoz Marín, was asked by a British correspondent when Puerto Rico would get "economic freedom" from the United States, his answer was, "about the same time Britain does."¹

New Horizons, New Bonds of Equality

Both metropolitan countries like France and emerging lands like Algeria may find much to ponder in the transformation of the former unhappy "colonial" relationship between Puerto

Rico and the United States into the present partnership, based on political autonomy and economic interdependence. Both may find the gigantic task of developing the oil resources of the Sahara far transcends the ability of each to tackle the problem single-handed. Both may discover that working together in a common enterprise of great scope and challenge will ultimately result in forging new bonds of equality in place of the old ties of dependence. It may be that when André Malraux, then Minister of Information in the de Gaulle Government, proposed a "TVA for Algeria" and called for a "New Deal," he had in mind something similar to the Caribbean isle experiment.

Beyond Puerto Rico and the Tennessee Valley (the little island in the sun and the great valley in the Smokies) lie new frontiers to be conquered—the oil resources of the Sahara, the high dam on the Nile, the valley of the Jordan, the once fertile, now barren reaches of the Tigres and Euphrates. If men can lift their sights to these new horizons, forgetting old hatreds and quarrels in a new common task of great endeavor, then Puerto Rico with its brave new world of *Fomento* will have truly repaid its discovery by Christopher Columbus by helping its mother continent discover vast new lands that now lie beyond men's imagining. In this sense, Puerto Rico's meaning to the Atlantic community may lie simply in repaying an almost five-century old debt.

No one had ever been confronted with Muñoz's complex problem. His approach to it, his attaining of position and his way of working it out—all had to be sui generis; there were no antecedent solutions . . . There was simply no possibility of his having been guided by learning. No one ever before had rescued a backward area from decline, or at least no backward area was ever raised so rapidly by such unique methods. . . . It must have been far from congenial to the youthful radical nationalists to conclude that an independent Puerto Rico could never become either prosperous or politically significant. All his sentiments must have been outraged and the tortuous maneuvers involved must have seemed humiliating in prospect. Nevertheless, Muñoz achieved it for himself and, moreover, forced it upon his supporting elite.

Rexford G. TUGWELL
The Art of Politics