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# PUERTO RICO: STATE FORMATION IN A COLONIAL CONTEXT

*Pedro A. Cabán*

## *Abstract*

This article examines U.S. Puerto Rico relations during the American century through the prism of the colonial state and identifies eight periods of fundamental political and economic change that altered the conduct of U.S. colonial practice in Puerto Rico. These periods witnessed the emergence, ascendancy and decline of local political coalitions that competed for control of the control state. The coalitions articulated distinct economic projects and pursued different strategies to resolve Puerto Rico's status as an unincorporated territorial possession. Each period was also marked by insular economic restructuring precipitated by shifts in U.S. fiscal policies and changes in the economy, by U.S. congressional efforts to enact legislation to resolve Puerto Rico's dependent territorial status, and by changing perceptions of hemispheric challenges to U.S. national security interests.

## *Resumen*

Este artículo examina las relaciones entre Estados Unidos y Puerto Rico durante el Siglo Americano a través del prisma del estado colonial e identifica ocho períodos fundamentales de cambio político y económico que alteraron la práctica colonial estadounidense en Puerto Rico. Dichos períodos

presenciaron el surgimiento, la ascendencia y el descenso de las coaliciones políticas locales que competían por el control del estado. Las coaliciones articulaban distintos proyectos económicos y perseguían diferentes estrategias para resolver el status de Puerto Rico como una posesión territorial no incorporada. Cada período estuvo igualmente marcado por una reestructuración económica insular precipitada por los cambios en las políticas fiscales estadounidenses y en los cambios de la economía, por esfuerzos del Congreso de Estados Unidos para promulgar legislación que resolviera el status de Puerto Rico como territorio dependiente y por cambios en las percepciones hacia los retos hemisféricos a los intereses para la seguridad nacional de Estados Unidos.

### *Résumé*

Dans cet article on examine les rapports entre les Etats-Unis et Porto Rico, pendant le Siècle Américain, à travers l'évantail de l'état colonial et on identifie huit périodes fondamentales de changement politique et économique qui ont altéré la pratique coloniale étasunienne à Porto Rico. Ces périodes ont connu le surgissement, la montée et le déclin des coalitions politiques locales qui concurrençaient pour le contrôle de l'état. Les coalitions articulaient divers projets économiques et poursuivaient des stratégies différentes à fin de résoudre le statut de Porto Rico, en tant qu'une possession territoriale non incorporée. Chaque période a été également marquée par une restructuration économique insulaire, précipitée par les changements dans les politiques fiscales étasuniennes et les changements de l'économie, par les efforts du Congrès des Etats-Unis à promulguer des lois qui trouveraient une solution au statut de Porto Rico en tant que territoire dépendant et par des perceptions changeantes des défis hémisphériques lancés aux intérêts de la sécurité nationale des Etats-Unis.

**F**rom a highly centralized administration supervised by U.S. Army generals, career bureaucrats and carpet bagging politicians who relegated local participation to the ritualistic and symbolic, the state in Puerto Rico has evolved into sprawling bureaucracy with substantial resources. Although still a colony, Puerto Rico is administered by popularly elected officials who command extensive decision-making powers over local affairs. In this article I examine the evolution of the state in Puerto Rico and identify eight periods as particularly salient in this process. These periods are: (1) dismantling and replacing the Spanish colonial regime (1898-1900), (2) establishing the colonial state, (1900-16), (3) consolidation and demise (1917-31), (4) reworking the colonial formula (1932-40), (5) relative autonomy (1941-51), (6) Commonwealth and industrialization (1952-68), (7) demise of ELA and annexation (1969-1988), and (8) reappraisal of the Commonwealth (1989-2000).

These periods witnessed the emergence, ascendancy and decline of local political coalitions that became actively involved in the administration of the colonial state. While all political forces and coalitions opposed colonialism, each advanced different solutions to the island's vexing status as an unincorporated territorial possession. The three positions—statehood, self governance and independence—stacked out over a century ago, are still advocated by Puerto Rico's dominant political parties. Historically those governing coalitions that were able to maintain political stability and the legitimacy of U.S. rule were often granted wide latitude by the federal government to manage strictly local affairs. But whenever these coalitions proved incapable of resolving economic and social dislocations that threatened stability, the federal government intervened. Typically these crises in colonial management corresponded to the demise of the governing coalition and the ascendancy of new political forces.

During each of the eight periods the political fate of these coalitions was effected by a combination of factors, which included changes in the U.S. domestic political economy,

congressional legislation and executive branch decisions on insular affairs, fiscal and trade matters, and hemispheric strategic and security considerations. Although it is a simplification, the political history of U.S. colonialism in Puerto Rico appears to follow a pattern of federal government neglect and inaction punctuated by overt engagement when politically salient issues emerge. For each of the periods I will review the emergence, consolidation and decline of those sectoral coalitions that gained control of the state in Puerto Rico, and discuss their performance in managing economic change, maintaining stability and advancing its status preference.

### ***Dismantling and Replacing the Spanish Colonial System (1898-1900)***

The United States' colonial policy was designed to economically incorporate Puerto Rico, the Philippines and Cuba into the empire, and to secure the allegiance of their subjugated peoples. The War Department administered the possessions until a "government which comports with the interests and inclinations of the dominant power" was established by Congress (U.S. Department of War, Bureau of Insular Affairs, 1902). From 25 July 1898 through 1<sup>st</sup> May 1900, Puerto Rico was governed by army generals.

Although U.S. colonial officials agreed that Puerto Rico was "in possession of a complete system of local government," they decried that it "were so completely at variance with American theory and practice that it was inevitable that radical changes would have to be made at the earliest possible moment" (Edwards 1904). The military governors lost little time in dismantling the system of governance the Spanish had set up in the island. The army issued scores of general orders to establish an "organized government in harmony with American methods," which would promote the Americanization of the colonial subjects (Edwards 1904:276). The military quickly set up a highly centralized

administration that ruled by decree and which was profoundly insulated from local political forces (see Go 2000).

During the brief period of military rule, the War Department established a new court system, an insular constabulary and an internal revenue system; expanded and modernized the sanitation and public health system, and began an accelerated road construction program (Berbusse 1966; Cabán 1999). The governor-generals scuttled the archaic educational system left by the Spanish and initiated a system of compulsory mass public education that would spearhead the Americanization of Puerto Rico's people (Negrón de Montilla 1971). According to Governor-General Guy V. Henry, "the work of Americanizing a new colony inhabited by an alien people, of a race diametrically opposed to the Anglo-Saxon in very many respects," was one of his primary responsibilities. His duty was "to encourage native talent in adopting our ideas or morals, government and institutions," and to "educate those inhabitants of the island to our way of looking at things" (Henry 1899).

The change in sovereignty inaugurated a dramatic restructuring of Puerto Rico's economy. The monetary conversion that resulted in a significant devaluation of the local currency, massive increases in costs of imported capital goods, a new tax code, and restrictions on the supply of credit altered the local economy. Particularly affected were the coffee *hacendados* who, in addition to suffering devastating losses caused by a terrible hurricane in 1898, lost their European markets when Puerto Rico was incorporated into the U.S. customs area (Schwartz 1992). Given the importance of sugar for the national economy, colonial officials designed policies to erode those social relations of production and structure of property ownership that could block the arrival of U.S. firms (see Cabán 1999). Initially Puerto Rico's sugar planters benefited from the arrival of the sugar refiners, but gradually they appropriated a substantial portion of the island's productive resources and threatened domestic producers. This expansion was aided by fiscal and monetary policies designed to

integrate Puerto Rico's economy into the metropolitan structure of production and trade (Quintero Rivera 1980). While it is certain that U.S. capital would have eventually overwhelmed the domestic sugar producers and refiners, it is also undeniable that the military regimes created the basis for this process to unfold quickly (Ayala 1999). The economic and institutional policies effected by the military regimes appear not to have promoted rural landlessness prior to World War I (Ayala and Bergad 2002). However, they set the foundations for the eventual displacement of Puerto Rican sugar manufacturers and general landlessness during the 1920s (Bird 1937).

By deftly exploiting long-standing ideological and political differences between the leadership of Puerto Rico's dominant parties, the governor generals were able to frustrate effective opposition to their rule. The Federal Party, the more influential of Puerto Rico's two political parties, advocated statehood preceded by a period of liberal self-government, while the Republican Party endorsed colonial tutelage as a preparatory phase for statehood. The governor generals appointed members of the minority Republican party to titular positions in the administration to check the influence of the Federals and establish political equivalence between the parties. Popular opposition to the new colonizer was also tempered since the rural population harbored antipathy and suspicion of the propertied classes who had benefited from the same Spanish colonial system that had so abused the rural laborers (Picó 1987).

So complete was the transformation of Puerto Rico's institutions that on the eve of the transition to civilian rule General Davis confidently reported: "the new government ordered by Congress... could be launched and carried forward in an efficient and economical manner" (Root 1916). After 1900, the civilian colonial officials would carry forth the Americanizing mission, and U.S. corporations would begin the process of transforming the island into a tropical sugar bowl. Congress and the executive branch learned much during this brief period of military rule.

The lessons learned would be the basis for devising a sophisticated colonial policy, not only for Puerto Rico, but for the other possessions and Cuba as well.

### ***Establishing The Colonial State (1900-1916)***

The Foraker Act of 1<sup>st</sup> May 1900 was a comprehensive measure designed to transform the economic, legal and political foundations of Puerto Rico.<sup>1</sup> It embraced the British philosophy that the colonies must generate their own revenues and create a favorable investment climate, including an effective infrastructure to attract private capital (Havinden and David 1993). According to Charles Allen, Puerto Rico's first civilian governor, the costs of running the colony had to be from insular sources "without the American treasury to rely upon to make up any deficiency" (Wood 1902).

The Foraker Act authorized the president to appoint a civilian governor who presided over a bicameral legislature that was comprised of a locally-elected lower House and a U.S. appointed eleven member Executive Council. With singular ideological determination, the Executive Council embarked on a comprehensive and systematic campaign to complete the task of dismantling the governmental and judicial institutions established by Spain. The Department of Education continued the Americanization campaign initiated by the military-run schools. The department was crucial in constructing and implanting a new and alien world view centered on the prevailing myths of the American experience, but completely divorced from the historical context of the Puerto Rican people's lived experiences (Guerra 1998). The courts and body of Spanish jurisprudence that guided their conduct were targeted for systematic change. For some officials there was "no more ready or more practical method of Americanizing our new possessions than by the enactment and enforcement of American laws, and the introduction and practice of American jurisprudence" (U.S. Department of State 1904).

Colonial officials continued to exploit the distinctive material interests and ideologies of Puerto Rico's political parties. These officials intruded in their dynamics and worked to alter the configuration of local political forces. During the seventeen-year Foraker period, the Republican Party emerged as a vociferous and active political force promoting Americanization and annexation of Puerto Rico. The party articulated the interests of business sectors and occupational groups that stood to gain from economic and institutional modernization. Initially the professional strata, lawyers and doctors in particular, comprised its leadership, although sugar cane growers and merchants became very prominent (Negrón Portillo 1981; Quintero River 1977; Ramos 1987; Meléndez 1988). In contrast, prominent in the Federal Party's were sectors linked to Spanish commercial interests, especially the coffee *hacendados* and small coffee cultivators. According to colonial officials the party included the "more conservative elements of the population" and the "leading classes of the country" (Rowe 1902; Negrón Portillo 1981b). Muñoz Rivera concurred noting that the party contained "most of the better element of the native planters, commercial men, wealthy inhabitants of the city and the educated and refined Porto Ricans all over the island" (Muñoz Rivera 1899). But in 1904, in an effort to undercut the Republican Party's appeal to the popular forces, the Federal Party was reorganized as *La Union Puertorriqueña* (Negrón Portillo 1981a).

Although the economic position of traditional export sectors continued to erode, annexation held out the prospects of significant material advancement for Puerto Rican men and women of business. Given the rapidly expanding demand of sugar in the U.S., Puerto Rico's sugar cane growers envisioned stupendous growth in demand for their product. Puerto Rican sugar producers, among them Spaniards who decided to remain, were beneficiaries of the U.S. corporate sugar investments throughout the 1920s. The transformation of Puerto Rico into a large scale sugar producer

created new economic categories and reconfigured local political forces.<sup>2</sup>

The politics of this formative period of U.S. rule were framed by the competing material interests of different sectors of the local bourgeoisie and the expanding professional strata. Politically the Union and Republican both advocated statehood, but the former demanded autonomy for Puerto Rico if Congress failed to act quickly on statehood. The Union sought to shield those sectors of domestic capital most threatened by the incipient arrival of U.S. capital. The Republicans, on the other hand, welcomed the North American investors not only for the new economic opportunities they provided. Neither the Republicans nor the Union represented the interests of the rapidly growing rural and urban working class. The political elite was engaged in political battles on two fronts: first, against the U.S. officials as they attempted to negotiate access to power, and secondly against its own working class that struggled to devise its own political voice (Lewis 1963).

The fast-paced growth of sugar production and tobacco processing created a large working. Despite fierce opposition from the bourgeois political parties, the *Federación Libre de Trabajadores* (FLT) spearheaded the organization of the growing labor force in the sugar fields and tobacco sheds. The proletarianization process was so swift, comprehensive and exploitative that it provoke wide-scale industrial conflict. The period from 1900 through 1917 was marked by an escalation of labor unrest and resistance as the sugar and tobacco corporations refused to accede to the workers' demands for higher wages and better working conditions (Silvestrini de Pacheco 1979). They faced hostile opposition from colonial officials who were determined to preserve industrial peace and corporate profitability during the pre-World War I era. Only when labor strife threatened to undermine political stability and erode corporate profitability did the federal government intervene. In March 1912, the U.S. established a Bureau of Labor whose lofty purpose was "to promote the welfare

of the laboring classes, to protect them from exploitation or unjust treatment by their employers or by other persons of capital” (Puerto Rico, Bureau of Labor, 1914:495).

The economic structuring aggressively pursued by the colonial authorities exacerbated preexisting class antagonisms, ideological schisms and political ambitions that predated U.S. sovereignty over Puerto Rico. Ángel Quintero Rivera described the unfolding political dynamics as “la política triangular.” Political conflict centered among the organized proletariat, the landed oligarchy that had been on the verge of establishing its ideological hegemony on the eve of the U.S. invasion, and the “metropolitan power and classes and social sectors in the colony whose interests were identified with its policy” (Quintero Rivera 1975). In the context of a highly fractured political and economic landscape, no unified nationalist movement for colonial emancipation could be forged. This divisiveness eased the task of colonial authorities to pursue Americanization and Puerto Rico’s economic transition. Nonetheless, the *Unión Puertorriqueña* waged a relentless political and propaganda campaign to force Washington to liberalize the Foraker Act. By 1916, opposition extended to other sectors of Puerto Rico’s political leadership, which uniformly voiced its exasperation with Washington for failing to expand the scope of local participation in the governing process.

The Foraker Act sought to reconcile a set of ideas that emerged from the political and social experience of the American people themselves with the economic and strategic imperatives of a new expansionist phase in the development of the American empire. The result was an ambiguous territorial doctrine that established a second class citizenship and which barely passed judicial review. The territorial status of Puerto Rico and the Philippines, and the constitutional basis for Congressional authority to legislate over them were decided by the Supreme Court in May 1901. The cases established the legal rationale that Puerto Rico was not a nation, a historical community that defined

itself, but merely a geographical possession of the United States, the rights of whose inhabitants were to be determined by Congress (Rivera Ramos 1993:300).

### ***Consolidation and Demise (1917-1931)***

The 1917 Jones Act was hurriedly passed as a war measure in order to quiet the voices of discontent in Puerto Rico on the eve of U.S. entry into World War I. By liberalizing the despised Foraker Act and conferring collective U.S. citizenship on Puerto Ricans, U.S. authorities hoped to silence the growing expressions for autonomy and independence. The grant of citizenship served to underscore the determination of the U.S. to retain possession of its prized colony. The prevailing attitude was uttered by a congressman who warned Puerto Ricans that the reason U.S. citizenship was granted was “so... that the independence propaganda be discontinued, and that our sovereignty remain there permanently... Puerto Rico will never go out from under the shadow of the Stars and Stripes” (U.S. House 1996:7473). The Executive Council was replaced by an elected Senate. Despite the change, effective decision-making power remained centralized in the office of the appointed governor, who worked closely with the War Department’s Bureau of Insular Affairs. Nonetheless, by dissolving the hated Executive Council, the federal government had made an important symbolic concession to the persistent advocates of self-government.

In the midst of the disruptive economic changes, access to state power became particularly urgent for the Puerto Rico’s embattled landed elite. The state became the institution through which those sectors who failed to adopt to the new economic order could gain influence and power. In the wake of the Jones Act, Puerto Rican political parties underwent a seemingly endless process of formation, fragmentation, alliance building and decomposition. From 1917 to 1928, the autonomy-minded *Alianza Puertorriqueña* was the dominant electoral force that unified the

Union and disaffected Republicans who were frustrated with their party's conservatism. These Republicans warned against the denationalization of the economy, the relentless Americanization of the population and the systematic marginalization of Puerto Ricans from key decision-making center. The *Alianza* was also forged to thwart the Socialists, who were emerging as an electorally viable political party committed to annexation (Quintero Rivera 1975:76). In 1928, the Union scuttled its alliance with the Republicans and reorganized itself as the Liberal Party. But, almost immediately, reform-minded *independentistas* who advocated economic restructuring, agrarian reform and political emancipation within a framework of collaboration with the United States challenged the old guard.

Those Republicans who had refused to join the Union in the *Alianza* formed an electoral pact with the Socialist Party. Although the Republicans and Socialists were class enemies, they gravitated toward each other because of a shared ambition to displace the Union, the perennial advocate of Puerto Rican autonomy and representative of traditional agrarian interests (see Negrón Portillo 1981a). The Republicans, like the Socialists, were ardent annexationists and patriotic advocates of Americanization. Their *Coalición* dominated local politics until 1940 and worked closely with colonial authorities and the U.S. sugar corporations. The Socialist Party essentially relinquished its formative role as the independent political expression of the rural proletariat when it joined the pro-business Republicans (García and Quintero Rivera 1982:105, 114).

By the late 1920s, Puerto Rico was engulfed in a deep political and economic crisis, which was further aggravated by a disastrous hurricane that struck the island in 1928. In March 1929, the *Coalición*-controlled legislature requested a \$100 million emergency loan from Washington for economic rehabilitation. The Hoover administration's meager allotment of \$6 million for road rehabilitation, school house construction and loans to rebuild the devastated farms utterly failed to arrest the widespread

immiseration. The *Coalición* clung to power, but in the context of political disorder, relentless challenges to its rule and economic collapse was neither capable of managing the political economy nor legitimizing colonial rule. On the eve of Franklin Roosevelt's victory, Puerto Rico's political landscape was fragmented into highly polarized and deeply antagonistic camps: a newly formed Liberal Party that advocated independence, a militant nationalist party that called for a radical break from the U.S., a decaying autonomy movement, and an entrenched, but vulnerable, annexationist coalition that was loyal to the United States (see Meléndez 1994:104).

### ***Reworking the Colonial Formula (1932-1940)***

The Roosevelt administration was acutely aware of the urgency for economic rehabilitation, agrarian reform and emergency relief to arrest the deterioration in the island, and extended its version of the New Deal to Puerto Rico. The emphasis was on reform, relief, rehabilitation. The New Deal not only interposed a new dynamic into Puerto Rico's political economy, but made evident the need for an alternate approach for managing the colony. It sought to curtail the unbridled brutality of market forces under the oligopoly of the sugar corporations and promote a more rational structure of resource allocation and equity-based growth.

The disastrous economic downturn of the late 1920's intensified labor's resolve to extract a measure of economic justice from the sugar barons. During the early 1930s, widespread strikes and political protest seemed to consume the country. The widening destitution and social immiserization continued to chip away at the legitimacy of the colonial regime. The Socialist Party and its labor wing, the FLT, were unable to impose industrial peace and control the militancy of an increasingly restive rank and file. Political party interference led to debilitating schisms between its politically complacent leadership and the militant rank and

file. Conflict over wages and working conditions took on a militant, nationalist and anticolonial configuration. In 1934, the FLT experienced its most severe challenge when striking workers rebelled against the leadership for negotiating an unfavorable contract with the Association of Sugar Producers (Taller de Formación Política 1982). The seeming collusion between the state and the corporations inflamed the already torrid state of industrial relations and accelerated the deteriorating political situation. In this context of profound disaffection with the established order, the Nationalist Party emerged, in the early 1930s, as a militant independence movement. With its strident anti-colonial appeals, glorification of a nationalist ideal and willingness to resort to armed struggle, the Nationalists posed a very real threat to political stability (see Ferrao 1990).

The social and political crisis prompted Roosevelt to create the Puerto Rican Policy Commission in 1934 to devise a program for restructuring the island's economy. Known as the Chardón Plan, the program would diminish the sugar corporations' extensive power over Puerto Rico's land and human resources through agrarian reform, state-owned and -operated import substituting industries, and diversification of agricultural production. Not surprisingly the *Coalición*, the Sugar Producers Association and influential U.S. politicians waged a vociferous opposition campaign and ultimately forced the Roosevelt administration to modify the Chardón Plan, which was the basis for the Puerto Rican Reconstruction Administration—PRRA—(see Mathews 1960:244). Since the *Coalición* had proven incapable of arresting the political turmoil and social decomposition, the PRRA was placed under the authority of the U.S. Department of the Interior. The PRRA promoted agrarian reform; light manufacturing and public investments in new productive activities provoked the sugar corporations. The *Coalición* and its corporate allies denounced the PRRA for usurping the powers of the colonial government and marshaled support from their congressional allies in Washington to undermine the

agency. Despite this resistance, it was evident that the Roosevelt administration was exploring alternative approaches to manage the troubled colony.

Although the PRRA did mitigate short-term human suffering and temporarily slowed the pace of social dissolution, it failed to mollify the militant voices of independence. In 1936, the PRRA was purged of its independence-minded Liberals. The cautious elder leadership of the Liberal Party, anxious to demonstrate its loyalty to the colonial regime, also expelled the independence advocates from the party in May 1937 (Mathews 1960:324).

The dramatic events of the 1930s radically transformed politics as usual and gave dissidents in the Liberal Party an unparalleled opportunity to shatter the hold of the traditional elites. In 1939, the expelled liberals united under the political leadership of Luis Muñoz Marín to form the *Partido Popular Democrático* (PPD). The PPD's unexpected electoral achievement in 1940 was an incontestable expression of popular discontent with the prevailing political leadership. The Roosevelt administration supported the PPD because it advocated an equitable model of capitalist growth within the colonial framework.

### ***Relative Autonomy (1940-51)***

The 1940s was a decade of rapid economic restructuring and political transformation. During this period the material and institutional foundations were firmly established for a post war transition to a manufacturing-based economy. Under the direction of the PPD the state acquired a new role as an agent for economic reform and emerged as a highly effective legitimator of the prevailing colonial relationship. In the aftermath of the 1930s' crisis and ensuing leadership vacuum, the PPD appeared as the only viable force that could command the popular support required to stabilize the troubled colony (Baldrich 1981). For the U.S. officials, whose eyes were turned to the conflagration in Europe, stability in strategically significant Puerto Rico was a priority. In

order to attain its security goals in the Caribbean, the federal government worked with the PPD, but stifled its radical impulses.

The *Populares* appealed to a broad spectrum of society, but relied heavily on poor rural workers, impoverished farmers and remnants of the once prominent *hacendados*. The PPD campaigned against the excesses of the absentee sugar corporations while it called for more socially responsible and equitable route to development.

Puerto Rican scholars have postulated that by using the power of the state, the PPD sought to restore a measure of national control over the trajectory of economic growth. Quintero Rivera observed that the PPD-orchestrated industrialization program was the product of the aspirations of the displaced *hacendado* class who hoped to promote a project of autonomous national capitalist development in which they could reassert their control over society's productive forces (Quintero Rivera 1981, 1988). Santana Rabell conjectured that when the PPD came to power in 1940 the country lacked a powerful domestic bourgeoisie that had the "objective capacity" to direct a project of national capitalism. Once U.S. capital had established its dominance over the local economy in the 1920s and 1930s, it "exhausted the material possibilities for the development of a powerful national bourgeoisie." The PPD "had no alternative but to associate itself in a dependent and subordinate manner to North American capital," and strove to control the colonial state in order to exercise some direction over Puerto Rican society (Santana Rabell 1984:61, 170).

Governor Rexford Guy Tugwell, a member of Roosevelt's New Deal brain trust, was a strong advocate of planning and a Keynesian-style state regulation of market forces whose ideas on institutional modernization and economic reform influenced the development goals of the PPD (Padilla 1970; Tugwell 1970). Thus, although the PPD decried the evils of absentee corporations, its ideology and agenda for economic reconstruction were in

keeping with the New Deal spirit and its reformist thrust. On 28 November 1940, Luis Muñoz Marín assured President Roosevelt that “economically and administratively our purposes are parallel to those of the New Deal, as applied to the Puerto Rican condition” (Centro de Estudios Puertorriqueños 1986:15).

With the start of World War II, non-sugar private external capital investments virtually evaporated and normal trade was severely disrupted. Fortunately for the PPD, the war-induced market distortions were beneficial to its development strategy. Revenues to finance a broad array of reforms, infrastructure modernization and bureaucratic expansion came from excise taxes and extraordinary expenditures for military construction projects. This revenue explosion provided the PPD with much of the financial wherewithal for its ambitious reform program. From approximately 1940 to 1947, the PPD pursued an inward-oriented development strategy that encompassed state capitalism and agrarian reform.

According to economist James Dietz, during the 1940s “the colonial state performed the functions of a collective capitalist: it took risks and accumulated capital; it invested, made plans and carried them out” (Dietz 1986:186). During this period the sugar corporations had little choice, given their waning political influence, to cede the policy arena to the PPD. The passage of the Jones Costigan Law revealed the weakening political influence of the sugar lobby. The law, which was enacted over the opposition of Governor Blanton Winship and Puerto Rican Sugar Producers Association (Mathews 1960:144-145), imposed limitations on Puerto Rican sugar imported to the U.S.

Although somewhat politically humbled in Washington, locally the sugar corporations preserved their dominance over the economy during the war years. In fact, the sugar corporations were an important component of the PPD’s economic program since their refineries relied on Puerto Rican growers (*colonos*) to supply the bulk of their cane. As late as 1948, approximately 75 percent of the raw sugar produced by four U.S. absentee sugar

corporations was purchased from cane cultivated by independent farmers. The import quotas had not lessened Puerto Rico's dependence on the crop as its primary source of earnings, which grew by over 35 percent from 1940 to 1946, while raw sugar production increased by comparable amounts. These production increases took place as the corporations imposed labor force reductions of 32 percent during this period (Perloff 1950:75, 401). Through the agrarian reform program the PPD attempted to increase the amount of sugar cane lands held by Puerto Ricans in order to reduce landless and increase income, while expanding the party's political base (see Pantojas García 1990).

The PPD acted quickly to gain self governing powers for Puerto Rico by arguing that self rule was essential for the effective management of insular affairs. In 1943, the PPD-controlled legislative assembly signed a concurrent resolution demanding that at war's end Puerto Ricans be granted the right to exercise self determination (Trías Monge 1997:103). In the same year President Roosevelt set up an executive level committee to examine ways "to reinforce the machinery of self-government in Puerto Rico." He also called on Congress to amend the Jones Act to permit Puerto Ricans to elect their own governor and to "redefine the functions and powers" of both governments (Hunter 1966:102-103). Both of these initiatives were seen as indications that Washington was pleased with the PPD's handling of colonial matters.

While the PPD was able to operate with a measure of autonomy during the interregnum, the fragile and conjunctural foundations of its experiment in state capitalism and reform became painfully apparent after the war. The economy immediately confronted serious problems. Unemployment rose, revenues from wartime sources fell to prewar levels, demand for sugar declined, industrial production stagnated while the population had grown by over a quarter million. In 1947, the U.S. Tariff Commission dealt the PPD's program for equity-based development a fatal blow when it concluded Puerto Rico could

not survive economically as a sovereign nation (Baver 1993:14-15; Maldonado 1997:52-55). The post war economic down turn, political opposition in Washington to state ownership of productive resources and market regulation, and the Commission's devastating prognosis left the PPD with little choice but to abandon its inward oriented growth plan. When World War II came to an end, so did the brief period of state capitalism and land redistribution.

PPD planners devised an alternative program of industrialization by invitation that was dubbed Operation Bootstrap. In 1948, Luis Muñoz Marín, now governor, reorganized the state bureaucracy with the aim of effecting the transition to a growth strategy based on U.S. investments. Planning, industrial promotion, infrastructure development and program implementation were centralized in the governor's office (Puerto Rico: Office of the Governor 1949). The newly established planning board allowed the governor to coordinate all phases of the economic program and to adjust it according to changing economic needs and conditions (Stead 1958:14). A labor bureaucracy was set up to monitor and mediate industrial labor relations, regulate wages and train union leaders in collective bargaining. These policies were designed to convince U.S. investors that the PPD would establish the requisite industrial peace necessary for industrialization (Cabán 1989).

By the late 1940s, the PPD had devised the institutional framework to effect transition to a manufacturing economy in which U.S. capital would have a decisive role. Its strategy was to guarantee greater profitability in Puerto Rico for manufacturers than competing industrial centers in the United States. PPD planners seemingly anticipated the trajectory of postwar economic restructuring in the U.S. and devised a strategy to insert Puerto Rico into this new order. Through its control of the colonial state, the PPD had the power to create a favorable investment climate for U.S. firms. In the process the PPD continued to legitimize the colonial relationship. The implication of the industrialization

program was clear: Puerto Rico's post war development would rely almost exclusively on U.S. capital and markets. While low wages and tax incentives were important, political stability was essential for the success of Operation Bootstrap. The PPD expelled members who advocated independence and suppressed the Nationalist Party in an effort to eliminate sources of political dissension and conflict. Moreover, in coordination with the federal government, the PPD promoted the emigration of labor that was displaced in the transition from agriculture to manufacturing (History Task Force 1979).

In the aftermath of the war, the U.S. became a driving force for global decolonization, but its claim to moral leadership was obviously compromised since it held Puerto Rico as a non-self governing territorial possession. In order to blunt international criticism over Puerto Rico, Congress enacted two measures that seemingly granted Puerto Rico self-governing powers: the Elective Governor Act of 1947 and Public Law 81-600 (3 July 1950). The latter set a procedure for establishing a republican form of local government in Puerto Rico with its own constitution.<sup>3</sup> Subsequent to its approval of Puerto Rico's constitution, the United States informed the United Nations that Puerto Rico was a self-governing territory that had freely entered into a compact with the United States. According to Muñoz Marín, the new relationship was a compact of free association based on the principle of consent which took "away from the very basis of the relationship the nature and onus of colonialism. It cannot be revoked or changed unilaterally" (Borg 1975:7). Nonetheless, Congress asserted it retained constitutional authority to alter the compact, annul the Puerto Rican constitution or "veto any insular legislation which it deems unwise or improper" (Helfeld 1952:307). In 1997, Congress reaffirmed that the "arrangement (P.L. 81-600) for local territorial government has not changed Puerto Rico's status as an unincorporated territory subject to the plenary authority of Congress under the Territorial Clause" (U.S. House 1997). Neither did ELA alter the laws that had locked

Puerto Rico into the U.S. circuit of production and trade since 1917.<sup>4</sup>

### ***Commonwealth and Industrialization (1952-68)***

The *Estado Libre Asociado* (ELA) was proclaimed on 25 July 1952 and presented to the United Nations as signifying the end of Puerto Rico's colonial status. In a bipolar postwar world in which national security was threatened by communist expansion, the concept of ELA as a territorial arrangement that straddled statehood and independence appealed to U.S. policy makers. ELA and the ascendancy of the PPD signified for these policy makers that the interminable struggle between the independence and statehood advocates had been superseded. ELA retained the most economically attractive features of the colonial relationship—exemption from federal regulations and taxation, duty free access to U.S. markets and monetary system. Congress further enhanced Puerto Rico's investment climate by amending the internal revenue code to permit U.S. corporations that established plants in the island to repatriate their profits tax free upon liquidation of their operations. ELA enhanced the island's attractiveness as a profitable investment site for U.S. firms.

Throughout the 1950s and 1960s, the planning priorities were elegantly simple: to harness domestic resources for industrialization and counteract the destabilizing social effects of rapid economic change. Since planners were confident that the increased employment generated by Operation Bootstrap would significantly increase the income, expenditures for social welfare and public housing ranked very low in their development priorities (Santana Rabell 1984).

The PPD devised a developmental ideology that depicted the colonial state as rising above the material interests of capital and labor, and engaged in a process of social reconstruction for the realization of collective well-being. It assiduously cultivated the image of the state as harmoniously and productively mediating

the relations between capital and labor. Moderately progressive labor legislation, significant job creation in the public sector and extensive mediation of industrial labor relations imparted substance to the ideology. Through these measures the PPD garnered widespread labor union support and was able to supervise a lengthy period of peaceful industrial labor relations (Cabán 1984).

Once ELA was established, PPD strategists used it as a foundation from which to launch a relentless campaign to “perfect” the Commonwealth relation (Cabán 1993). On 23 March 1959, less than seven years after the proclamation of ELA, Puerto Rico’s Resident Commissioner introduced legislation in Congress to amend Public Law 600. But persistent Congressional opposition to the implicit claim of sovereignty contained in the bill forced the PPD to substitute a substantially revised measure later that year (see Bhana 1975:177-186). The U.S. Congress also opposed any changes in legislation that abridged the federal government’s constitutional authority to regulate Puerto Rican affairs. After two years of uneventful legislative activity in Congress, the measure died quietly in early 1961. In 1967, amid deteriorating economic conditions, internal PPD rifts over development strategies and the growing popular appeal for the statehood movement, the PPD-controlled legislature approved a bill to conduct a plebiscite on status. Unlike its predecessor in 1952, the 1967 referendum was not authorized by federal legislation and did not bind Congress to respect the results. The PPD anticipated overwhelming popular support for the Commonwealth proposal, which would give it “the authorization to develop the Estado Libre Asociado... to the maximum level of self-government” (Trías Monge 1981:245). To the chagrin of the PPD, the statehood proponents garnered over a third of the votes. The results intensified the divisions within the PPD and contributed to the party’s electoral defeat in 1968 to the pro-statehood *Partido Nuevo Progresista* (PNP).

By the late 1960s, Operation Bootstrap had reached its limits to growth (Villamil 1979). The party’s relentless drive to “perfect

the Commonwealth” was frustrated by Operation Bootstrap, which made Puerto Rico’s economy and society ever more reliant on the federal government to provide social welfare benefits to individuals and emigration to relieve political and social pressures. From 1951 through 1968, federal grants in aid increased from 10 percent of the insular government’s budget to 23 percent, while total federal transfers jumped from \$122 million to \$470 million (García Passalacqua 1984:49). Increased dependency on federal transfers to sustain basic consumption and government operations were telling indications that Operation Bootstrap had failed to generate the promised advances in employment and social well being. Ironically, this dependency strengthened the statehood movement since as a commonwealth Puerto Rico received only a fraction of the benefits it would receive as a state (see Meléndez 1988:117).

The desultory results of the 1967 referendum ultimately produced an irreconcilable split in the PPD, and a faction abandoned the party to organize the *Partido del Pueblo* (Velasquéz 1974). In 1968, this party siphoned enough votes from the PPD to result in the election of millionaire industrialist Luis Ferré as the New Progressive Party governor. The stunning defeat marked not only the end of PPD hegemony, but rekindled the destabilizing debates of the 1930s and 1940s over Puerto Rico’s political status.

### ***Demise of ELA and Annexation (1969-88)***

The PNP’s unexpected victory ushered in a period of intense party competition that has lasted three decades. The PPD returned to power in 1973, but lost to the PNP in the subsequent elections of 1977. Under the leadership of Carlos Romero Barceló, the PNP retained control until 1984, when Rafael Hernández Colón and the PPD retook the governorship and the legislature in a bitterly contested election that year. The PPD retained the governorship for two terms, but was defeated in the 1992 elections by PNP gubernatorial candidate Pedro Rosselló, who

also served two terms. In the 2000 elections, PPD San Juan mayor, Sila María Calderón, became the first woman elected governor of Puerto Rico.

Each party has employed state power to solidify its electoral base, has lobbied the federal government for more assistance or exemptions from regulations, and devised economic initiatives to advance their territorial status aspirations. In this regard the PPD and PNP behave as any other political party that acquires state power in democratic systems. Since the inception of ELA, the PPD has lobbied for increased self-governing powers, while the PNP has aggressively advocated annexation into the Union. During the twenty years it has controlled the governorship, the PNP was able to build a permanent pro-annexationist constituency that comprises almost half the electorate. Since 1968, every PNP administration also endeavored to intensify Puerto Rico's dependence on federal transfers, as it sought to dismantle the institutional and political elements of ELA. But once the PPD regained control of the state, it attempted to revive the campaign to convert ELA in an autonomous, self-governing entity. Since 1968, electoral campaigns have become fiercely contested ideologically-tinged battles between autonomy and annexationist forces. But party loyalty notwithstanding, voters cast their ballots for candidates who promise economic growth, job security, public safety, etc. (see Meléndez 1998).

During Ferré's tenure Puerto Rico lost regional markets in the U.S. to East Asian producers. In an effort to check rising joblessness and dampen the impact on the economy, Ferré increased public sector employment, expanded public services and obtained more federal aid social assistance. Through a variety of inducements, the Ferré administration sought to weaken the PPD's traditional hold over the private sector unions (Cabán 1989). Despite these efforts, labor militancy increased and the frequent disruptions did menace the country's fragile investment climate. Moreover, the PNP was racked by internal power struggles and was unable to mount an effective campaign in 1972

against a rejuvenated and reorganized PPD. Nonetheless, Ferré's 1968 victory was indisputable proof of an impending realignment. The PNP discarded the elitism and conservatism of the old Republican annexationist movement, and portrayed itself as a progressive political force concerned with the plight of Puerto Rico's increasing number of poor people (see Meléndez 1985).

The PPD returned to power in 1973 on the eve of a deep recession, and much of its energies were expended in trying to halt the severe economic downturn. Throughout his tenure Governor Hernández Colón was forced to contend with declining corporate profits, increased unemployment, unparalleled labor militancy—which rendered the structure of industrial labor relations ineffectual—and a marked deterioration in the state's fiscal condition. Once in office Hernández Colón resurrected the campaign of “perfecting” the Commonwealth with renewed vigor, and in 1973 obtained presidential approval for a commission to study U.S.-Puerto Rico relations. The committee's report, released in October 1975 as the “Compact of Permanent Union,” called for a unprecedented devolution of autonomous powers to Puerto Rico. The PPD argued that the restrictive Puerto Rico Federal Relations Act denied the island the policy tools and the flexibility to adjust development policy to the changing regional and international economic conditions.

During the waning months of the PPD administrations, the U.S. Treasury sought to dismantle Section 931, a tax provision that was immensely beneficial to U.S. corporations with investments in Puerto Rico. The Treasury argued that tax provision failed to generate sufficient industrial employment and was exceedingly costly to the federal government because of lost federal tax revenues. The PPD collaborated closely with the U.S. multinational corporations and effectively derailed the Treasury Department effort. Ultimately, Section 931 was replaced by a new code that was designed to stimulate increased investments in job-creating activities in Puerto Rico, and which permitted the subsidiary branches of U.S.-based corporations to repatriate

earnings derived from their Puerto Rican operations tax free to the United States. The new Section 936 was crucial to sustaining Puerto Rico's economic base and facilitated the transition to high tech industrial investments (Baver 1993; Suárez-Lasa 1994).

The PPD's claim to a populist legacy was badly tarnished by the decidedly pro-business response to the crisis. Transnational corporations were granted generous incentives and virtual freedom from environmental regulations, while the PPD imposed austerity measures and cut government services. During the mid-1970s, major strikes broke out in the state-owned telephone company and water resources authority. During Hernández Colón's watch, Puerto Rico became a risky location for the foreign investor. The developmental credo that industrialization required sacrifices by the general population had lost all validity for a sizable population that was mired in poverty and unemployment. For many Puerto Ricans, the PPD had resurfaced as a technocratically inclined elitist organization that had forgotten its origins as the champion of the country's *jibaros*. The austerity measures and confrontation with the labor unions proved highly unpopular and were important factors explaining the PPD's defeat to Romero Barceló and the PNP in 1976.

Party strategists argued that economic development, industrial peace and social justice were more likely under statehood since growth was not contingent on tax holidays and cheap wages. In 1978, the PNP enacted Law 26, which replaced total tax exemptions in traditional manufacturing industries while extending exemptions to firms engaged in export-service (Pantojas-García 1990:149).

Aware that the PNP was not committed to preserving Section 936, the U.S. Treasury launched a campaign to rescind the provision. The Treasury argued that Section 936 was a corporate welfare program, and like its predecessor, Section 931, failed to generate sufficient employment. Over 50 percent of the tax benefits went to the pharmaceutical industry that generated only three percent of all employment (Baver 1993:88). Moreover, in

light of the huge federal deficits, the loss tax revenues to the Treasury could no longer be justified. Multinational firms rejected the claims and lobbied aggressively to preserve Section 936. They used the threat of an investment strike to persuade PNP officials to lobby on their behalf (Suárez 2000:52-53). Notwithstanding its philosophical opposition to Section 936, the PNP was forced to lobby for retention of Section 936. The Caribbean Basin Economic Recovery Act (CBERA) proposed by the Reagan administration further jeopardized Puerto Rico's already tattered economy. As originally formulated, CBERA would have virtually eradicated Puerto Rico's preferential access to U.S. markets. A coordinated campaign by the PNP and its corporate allies convinced Congress to retain Puerto Rico's preferential tariff, trade and fiscal benefits. In both instances the PNP was forced into the politically awkward role of lobbying the U.S. Congress to protect arrangements that were at the heart of the economic foundations of PPD's growth strategy (see Cabán 1991).

The economic downturn induced by the protracted U.S. recession undermined popular support for the PNP. Particularly damaging for the PNP's electoral prospects were cuts in social programs imposed by the Reagan administration. Reductions in social welfare spending intensified the precarious economic conditions of the poor and urban working class—a core constituency of the PNP. Ironically, although President Reagan publicly supported statehood, the Reagan Revolution undermined public confidence in the PNP's ability to garner increased federal assistance. Despite its avid pro-American public posture, the PNP was unable to increase Congressional support for statehood, nor was it able to materially alter Puerto Rico's dependence on external capital for its economic survival. Romero Barceló intensified the anti-union policies of the PPD, and in particular confronted the well-organized and militant unions in the vital infrastructure industries (see Meléndez 1994). In the context of the economic recession and alienation of public sector workers,

the PNP was unable to defeat a reinvigorated PPD in the 1984 elections.

Hernández Colón and the PPD returned to power in 1985, and within a few months was faced with a new Treasury Department attack on Section 936. Treasury claimed that the provision was “one of the most complex in the tax law, expensive, difficult to administer and yet has not been effective in creating jobs in the possessions” (Brumbaugh 1988:7). Under the leadership of the PPD, the multinational corporations formed the Puerto Rico-U.S. Foundation as a lobbying organization to protect the tax law. Congress was eventually persuaded to retain Section 936 when Puerto Rican policy makers proposed a creative capitalization plan for regional development (Baver 1993:107-110; Suárez-Lasa 1994:197). The Puerto Rican government proposed to generate \$100 million in new private direct investments for beneficiary Caribbean Basin countries. “The plan was designed to extend part of the 936 tax incentive to investment in other Caribbean areas,” and as such complemented Washington’s strategic objectives in the region (Brumbaugh 1988:7).

The Section 936 debacle left little doubt the PPD had to develop growth strategies that were not reliant on this vulnerable fiscal device. The Economic Advisory Council appointed by the governor recommended converting Puerto Rico into a strategic nucleus from which multinational firms would embark on regionally-oriented production activities. To make the economy less reliant on Section 936 corporations, the committee recommended incentives to promote domestic capital stock formation and called for public investments to assist locally-owned industries to develop technologies and products for use by the multinational firms. It recommended the privatization of numerous government operations and services, and significant down sizing of the public bureaucracy (see Consejo Asesor Económico del Gobernador 1989). However, these recommendations were challenged by the Economic Development Administration

(EDA), which continued to champion the traditional industrialization by invitation strategy. Puerto Rico's business weekly, *Caribbean Business* (1 November 1990), questioned the wisdom of the EDA's proposal, noting that "it is time for Fomento to formulate strategies and assume a strong leadership position in stimulating investment, economic growth and job creation in other sectors of the island's economy." By 1989, the EDA's strategy had prevailed, although some minor initiatives inspired by the council were enacted. Despite remarkable changes in the U.S. economy, the PPD was locked into the industrialization by invitation strategy it helped devise four decades earlier.

### ***Reappraisal of the Commonwealth (1989-2000)***

Hernández Colón returned as governor in 1989, but in the 1992 elections PPD gubernatorial candidate Victoria Muñoz lost the governorship to Pedro Rosselló, of the PNP, who served two terms. During this decade Congressional attitude toward ELA changed dramatically. Not only was ELA considered anachronistic, but key congressional leaders refused to consider the PPD's repeated demands to revise the Puerto Rico Federal Relations Act. In fact, the PPD was advised that the Supreme Court had affirmed the "temporary nature" of the unincorporated commonwealth relation.<sup>5</sup> The economic and strategic forces that propped up ELA for over a century were no longer relevant at the end of the millennium. During this remarkable decade the Soviet Union collapsed, the North American Free Trade Agreement was established, and the federal government rescinded Section 936. The first development effectively diminished Puerto Rico's strategic significance. The second exposed Puerto Rico to new low cost trade competitors and undermined its competitive advantage. The third revealed that Congress was no longer willing to promote investment in Puerto Rico by subsidizing corporate profitability (see Cabán 1994). The decade has also been marked

by two notable, but aborted, attempts by Congress to enact legislation to authorize a referendum on political status.

In January 1989 the Senate Energy and Natural Resources Committee introduced legislation to conduct a status referendum in Puerto Rico. This process resulted in an intensive policy analysis of impact of a change in territorial status (statehood, independence or enhanced commonwealth) on the U.S. political economy. But, after two years of public hearings, committee meetings and numerous government studies, the proposed measure died in committee (Cabán 1993; Meléndez Vélez 1998:161-201). Uncertainty as to which of the three status options would serve the national interest best doomed the measure.

Legislators found fault with all the proposals for altering Puerto Rico's constitutional status as a territory. They challenged the PPD's enhanced commonwealth, which in effect called for an autonomous state with sovereign powers (except in the areas of common defense, citizenship, currency and market). Predictably the U. S. rejected any proposals that would diminish the federal government's powers over insular affairs. Mary Mochary, a State Department representative, "objected to delegating Puerto Rico authority vested in the executive branch by the U.S. Constitution," and considered proposals for Puerto Rico to enter into international agreements as "most objectionable" (Cabán 1991:19). The Defense Department also opposed any change that would reduce its military assets in Puerto Rico or compromise its dominant role in determining the island's strategic utilization (Rodríguez Beruff and García Muñiz 1996).

Many in Congress feared that statehood would ultimately result in a massive drain on the U.S. Treasury for social welfare expenses for Puerto Rico's poor, which comprised approximately 60 percent of the population. Particularly objectionable to conservative legislators was the PNP's notion of "estadidad jibara," the idea that annexation into the union would ensure Puerto Rican sovereignty over language and cultural issues (Meléndez Vélez 1998:187). Ultimately, the Senate committee

reacted negatively because of apprehension about the political and social impact of fully incorporating into the U.S. body politic the Spanish speaking, Catholic nation of Puerto Rico.

Independence was the most economically attractive alternative since it entailed the complete phasing out of federal transfer payments and elimination of fiscal support for Puerto Rico. In order to assure Puerto Rico's economic viability, the Puerto Rican Independence Party (PIP) called for unrestricted access to U.S. markets, preferential commercial and investment treaties. Moreover, since the leaders of the PIP would not challenge continued U.S. military presence in the sovereign republic of Puerto Rico, national security was not jeopardized. Yet, opposition to the independence proposal did materialize over the length and cost of transition period for phasing-out federal transfer and subsidies. Some in Congress rejected any implication that the U.S. was obligated to subsidize Puerto Rico until it could establish a viable economy.

While the aborted process revealed the prevailing relationship deficient, the U.S. was not prepared to approve Puerto Rican statehood or independence. The PPD sought to counter what it perceived as growing sympathy in the U.S. for statehood by emphasizing the Puerto Rico's distinctive national identity. PPD governor Hernández Colón signed into law a bill that repealed a nine-decade old statute that legalized English and Spanish as official languages. In addition, on 8 December 1991, the PPD conducted a referendum on Democratic Rights that was portrayed as a popular mandate for cultural sovereignty and political autonomy under U.S. citizenship. The PPD was confident that the referendum would convince Congress that Puerto Ricans were cultural nationalists who reject statehood. To its chagrin, the electorate voted down the proposal 53 percent to 45 percent.

The defeat set the stage for the PPD's humiliating electoral loss to the PNP in 1992. PNP governor Pedro Rosselló, sensing that popular support for the PPD had eroded, called for a plebiscite on political status. The plebiscite would be a non-binding

preference vote that would not obligate Congress to respond. Nonetheless, the plebiscite was potentially very significant because Congress could not easily dismiss overwhelming mandate by U.S. citizens for Puerto Rican statehood. On 13 November 1993 Puerto Ricans chose not to alter the balance of power between the statehood and commonwealth forces. The commonwealth received 48.6 percent, statehood 46.3 percent and independence 4.4 percent. The meaning for Congress was clear: it would not proceed on status legislation given profound divisions among Puerto Ricans.

Notwithstanding these seeming irreconcilable political cleavages, five years later, in March 1998, the U.S. House of Representatives, in a 208 to 207 vote, approved H.R. 856. Known as the Young Bill, it was “a bill allowing the people of Puerto Rico to exercise their right to self-determination.” The PPD implacably opposed the measure because it stated explicitly that ELA was not a constitutionally recognized territorial status. The party threatened to boycott any referendum that failed to include its own definition of a “new Commonwealth.” This would be an autonomous body politic with its own character and culture, not incorporated into the United States, and sovereign over matters governed by the Constitution of Puerto Rico. Congressman Peter Deutsch criticized the PPD for attempting “to make a specific set of special rights for an unincorporated territory permanent, rather than resolving the status of the territory through independence or statehood. The PPD wanted “to mix-and-match the most beneficial features of statehood and separate nationality, make it binding on the U.S. forever” (Congressional Record, 4 March 1998, E370). Ultimately the measure died when the Senate Natural Resources and Energy Committee failed to act, so the PNP enacted legislation to hold a non-binding referendum on Puerto Rico’s status on 13 December 1998. The ballot included four territorial options (statehood, territorial commonwealth, free association and independence). The PPD called on its followers to vote for a fifth option: none of the above. This option garnered the most votes

and was widely interpreted as a rejection of the process as conducted by the PNP, and an affirmation for ELA.

During the PNP tenure the Treasury Department continued to lobby for repeal of Section 936. On 18 June 1996, the Senate Finance Committee complained that “the high cost of these tax benefits is borne by all U.S. taxpayers” and called for repeal claiming that few corporations benefited from law (U.S. Senate 1996). PNP Resident Commissioner Romero Barceló, a long term opponent of Section 936, argued that “while wealthy corporations in Puerto Rico are given billions of dollars in annual tax credits, the poor, the disabled, the elderly, and children at risk are denied the same safety net and economic opportunities that their fellow citizens receive in the 50 States and the District of Columbia” (*Washington Post*, 14 Dec. 1994). The possession corporation tax credit was finally repealed on 20 August 1996.

In anticipation of the cancellation of Section 936, the Rosselló administration formulated a New Economic Model in 1994 that “emphasized competitiveness and productivity” while promoting “economic diversification, instead of the almost exclusive reliance on manufacturing that characterized previous economic policy” (Díaz Saldaña 1997). In 1998, the Puerto Rican government enacted a Tax Incentive Act to prepare the country for a transition to a “knowledge based economy.” To compensate for NAFTA-induced loss of its markets in the U.S., the PNP wanted to attract firms specializing in the manufacture of high value products and corporate services. Although the PNP economic measures were reactions to the changing economic and political environment, two aspects of the employment generating strategy that have been in place for decades did not change— heavy public investments in infrastructure development and massive bureaucracy that generated a third of the country’s economic activity.

Since its inception the PNP strove to portray Puerto Ricans as patriotic U.S. citizens who were entitled to statehood. The battle to end naval bombardment and training in Vieques was initially

adroitly exploited by the party as a legitimate, popular struggle by disenfranchised U.S. citizens. The killing, in April 1999, of a civilian security guard by an errant bomb dropped by a U.S. Navy jet galvanized Puerto Rico against military use of Vieques. A small, but determined, protest action by the poor community of Vieques was transformed into organized campaign that garnered international support. An unprecedented coalition, which cut across party lines and unified Puerto Ricans and non-Puerto Ricans alike on the island as well as in the United States, waged a visible and effective of civil disobedience and incursions into the restricted bombing range in Camp García. Although each of the political parties sought to exploit the nonpartisan crusade for its own electoral purposes, the movement remained resolutely non-partisan. Initially, the PNP supported the protests and blamed colonial as the reason why Puerto Rico was unable to halt the Navy Department's use of Vieques. President Clinton's executive order to resolve the crisis was rejected by the popular organizations as well as all the political parties. However, Rossello's unanticipated decision to endorse President Clinton's controversial order was seen as a betrayal by the broad array of pro-Vieques forces, and fractured the national consensus (Cabán 2002; Barreto 2002).

Sila Calderón's election to the governorship in November 2000 was widely interpreted as a popular repudiation of the PNP for its stance on Vieques. Her open support for the Vieques movement was deftly couched in human rights terms, and parlayed into a emotive defense of Puerto Rican national identity. According to Calderón, "We are Puerto Ricans who are U.S. citizens, we are not U.S. citizens who happen to be Puerto Ricans. We are Puerto Ricans first" (Cabán 2001). The resurgence of Puerto Rican national pride has been a source of indignation for many in Congress.

### *Summary Conclusion*

Although brief, the period of military rule fundamentally altered the political landscape and rules of the game. At the turn of the century, Puerto Rico's political parties primarily represented the interests of the country's leading economic and social actors. Although they were ideologically similar, the Federal and Republican parties nonetheless developed radically different approaches in their dealings with the new colonizer. Conscious that they could work more easily with the annexationist Republican Party than the autonomy minded Federal Party, the U.S. governor generals deliberately sought to erode the influence of the Federals, unquestionably the dominant political force, while they promoted the fortunes of the Republicans party.

During the Foraker period, the division between annexationist and autonomy tendencies was heightened, and ideological differences that reflected class distinctions and emerging national identity issues became evident. The Socialist Party emerged as a working class movement that repudiated the Federal party, which it considered elitist and a vestige of the Spanish period of agrarian rule. On the eve of U.S. entry into World War I, prominent members of the Union party who frustrated by the federal government's refusal to alter the colonial subordination became particularly vocal independence advocates. Elite resistance and labor militancy hindered the efforts of U.S. colonial officials. But cleavages along class and ideological lines did stifle the development of an island-wide resistance to colonial tutelage. Nonetheless, the signs of dissatisfaction with colonial rule were unmistakable.

These developments set the context for the third phase, which was characterized by liberalization of the colonial regime, the grant of U.S. citizenship and new coalition building across party lines. While local input into the political process was increased, the central government did not diminish its oversight and control of colonial affairs. Prominent Republicans, disgusted with

oppressive and inflexible colonial rule, abandoned their party and forged an alliance with the Union. This *Alianza* continued to agitate for further liberalization of the regime. Those Republicans who remained committed to annexation as a state formed a coalition with the statehood-oriented Socialist Party. By 1928, the *Coalición*, which had worked productively with the colonial authorities, displaced the *Alianza* and dominated the local political process. The 1917 Jones Act established a new state structure that held out the promise of increased representation and accountability. But after a dozen years, the state proved demonstrably unequal to tasks of guiding the economy and controlling the excesses of the sugar kingdom. U.S. officials realized the colonial regime was losing its legitimacy and capacity to preserve social order.

The arrival of the Roosevelt administration inaugurated the fourth phase. During the decade of 1930, Washington wrestled with the reality of a leadership vacuum that hampered its ability to deter further deterioration of the economic and political situation in Puerto Rico. It intervened directly and decisively in colonial affairs to an extent not seen since the period of military rule. In order to promote equity-based development and ameliorate social decomposition, the Roosevelt administration created a federal bureaucracy which virtually rivaled the existing colonial state in size and resources. During this troubled decade, the entrenched *Coalición* was unopposed and worked closely with U.S. colonial officers, unhampered by a deeply fragmented Liberal Party. The federal government's efforts to employ the PRRA as a base for an alternative political force comprised of progressive, but disaffected members of the Liberal party were frustrated by a series of factors, including the emergence of the revolutionary Nationalist Party.

But in 1940, the Liberal dissidents resurfaced as the PPD, a popular movement that coalesced an array of disaffected forces, including advocates of independence, labor organizations and the impoverished rural labor force. Cognizant of the inevitability of

the country's entry into World War II and eager to impose stability in the strategically significant, but troubled colony, U.S. officials sanctioned the activities of the PPD. The party's leadership deftly balanced the demands of workers and anti-colonial forces with the strategic and economic interests of the United States, holding out the promise of independence while expressing its unwavering allegiance to the war effort. The PPD effected the transition from an internally oriented, but war-based economy into industrialization program financed by external capital. The political and social costs to engineer this change were significant, including suppression of independence forces, large scale emigration and the virtually complete denationalization of the economy. Yet, the PPD retained control of the state until 1968, in large measure because of the absence of a viable political opposition and generous federal government subsidies. During this period of extended rule, the PPD never abandoned its quest to expand Puerto Rico's self-governing powers and continuously lobbied for federal legislation to alter the island's territorial status as an insular possession.

With the eclipse of PPD hegemony in 1968, Puerto Rican politics entered a phase of sustained party competition as Commonwealth and statehood forces fought closely contested electoral battles for control of the governorship and legislature. By 1992, the urgency and political drama of Puerto Rico's seemingly endless struggle for political independence and social democracy had diminished. As politics became routinized, the state took on a new role as the object of intense political struggle. With its ample budget, control of billions of dollars of federal subsidies and extensive powers, the state was not only the single largest employer, but it was pivotal for the economic fortunes of local business interests. While the PPD and PNP advocated different resolutions for Puerto Rico's territorial status, it was becoming increasingly difficult to distinguish them ideologically. One outcome of the emergence of the PNP as a viable alternative to the PPD was renewed congressional interest in authorizing a

referendum on Puerto Rico's political status. The Executive Branch also began to reassess the costs of its fiscal policies that had converted the island into a lucrative investment site for capital rich U.S. multinational corporations.

What distinguishes the final phase is that the PNP had to contend with dramatically altered global economic and political changes that directly affected Puerto Rico's role within the U.S. system. The collapse of the Soviet Union and its East European satellites, the end of Central American insurrections and deterioration of Cuban influence in the hemisphere diminished Puerto Rico's perceived strategic significance. At the risk of undermining the Puerto Rican economy, Congress acted to rescind Section 936, which had benefited a handful of multinational corporations with overseas operations in the island. While it also revealed its frustration with ELA, Congress made evident that it opposed statehood. Puerto Rico's economic and strategic value to the United States continued to wane during the period of PNP rule.

With the phasing out of its longstanding fiscal prop, the economic growth options available to the PNP were extremely limited. The management of the colony by domestic political forces had been routinized into a relatively predictable range of activities. The PNP, as had the PPD, expended millions of dollars retaining prestigious law firms and influential lobbyists in an effort to extract concessions and favorable decisions from the legislators and executive officers. Demands for increased federal transfers, expansion of public sector activities and a resurgence of the politics of territorial status were the central concerns of the PNP during this troubled period. Revelations of massive graft and corruption and federal prosecutions not only tarnished the image of the PNP, but undermined the legitimacy of the state. The 1990s made evident the utter routinization of status politics in Puerto Rico, and the declining relevance of the state for U.S. objectives in the region.

By the end of the 1990s, Puerto Rican politics on the island was visibly influenced by the activities and the growing political engagement of Puerto Ricans in the U.S. electoral politics. Puerto Rican Congress people (Luis Gutierrez, Nydia Velázquez and José Serrano) challenged the Resident Commissioner as the sole representative voice for Puerto Rico. Their activities influenced the federal government's assessment of Puerto Rico-U.S. relations, particularly on the issue of Vieques. The unity of Puerto Ricans in Puerto Rico and the United States for ending U.S. naval use of the island of Vieques was unprecedented and revealed the increasing political salience of the Puerto Rican constituency. The perception among U.S. policy makers that issues that affect Puerto Rico resonate with the Latino population of the United States injects a new dimension to the study of Puerto Rico-U.S. relations.

The state in Puerto Rico has evolved from an autocratic military regime that was imposed on a subject people, into a republican government with an expansive bureaucracy that has attained substantial autonomy over insular affairs. The context in which U.S. colonial policy was framed over a century ago has been radically altered, and Puerto Rico's role within the empire has undergone a profound redefinition. The state has evolved in the context of a continuous stream of changes in the U.S. political economy, regional and global transformations, and a vibrant domestic political process in which coalitions and political parties have exercised significant influence in the conduct of the colonial state.

Now the twin forces that have driven U.S. policy toward Puerto Rico during the last century are dissipating. U.S. national security considerations—from confronting European expansion into the Caribbean to preventing the installation of communist regimes in the region—are essentially without substance since the collapse of the Soviet Union. The internationalization of capital and the emergence of new trading regimes have undermined Puerto Rico's economic significance for U.S. corporations.

The state in Puerto Rico has gradually been transformed into an instrument to advance the status aspirations of the political party that has captured the governorship. Consequently, the state is losing its capacity to mediate, manage and represent the changing expressions and aspirations of the Puerto Rican population. Control of the state is portrayed by the dominant political parties as essential to effect a transition in territorial status, which is necessary in order to effect improvements in the economy and society. Puerto Rico enters the third millennium as a colony whose dominant political forces are enmeshed in a century old struggle to convince the United States to erase colonialism as one of the last vestiges of the American century. The political leadership insists that the crisis of governability is a function of colonialism. For many Puerto Ricans this relentless pursuit of status change is anachronistic and irrelevant given the multitude of social and economic problems that plague Puerto Rico.

A distinctive cultural nationalism is unfolding in contemporary Puerto Rico which appears to disassociate the issue of territorial status from national identity. No party can lay claim that it is the consciousness of Puerto Rican national identity. Given this emerging consciousness which lies outside the traditional political process, the relevance of the state as an integrative institution is under challenge. This cultural nationalism is not necessarily anti-American or pro independence. But it is most definitely based on the notion that despite being a territorial possession, Puerto Rico and its people possess political rights that transcend and challenge the formal-legal parameters of colonial rule. This emerging identity lays bare the claim that the state is the only institution that can interpose itself between civil society and the metropolitan state and represent and mediate on behalf of the Puerto Rican people. This novel political development has injected a new dimension to the unsettled colonial question.

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## Notes

- <sup>1</sup> For this period see Cabán (1999), Luque de Sánchez (1980), Berbusse (1966) and Santiago-Valles (1994).
- <sup>2</sup> Some of the relevant literature here includes Giusti Cordero (1998), Ayala (1999), and García-Muñiz (1996).
- <sup>3</sup> A selective list of the works on the establishment of the commonwealth of Puerto Rico and the United States-United Nations exchanges over Puerto Rico's territorial status include García Muñiz (1984), Trías Monge (1980), Bhana (1975), Torruella (1985), Rivera Ramos (2001), Fernós Isern (1974) and Robert A. Pastor (1985).
- <sup>4</sup> These included exemptions from federal taxation, a common monetary system, inclusion in U.S. customs area, provisions for the collection and return of excise taxes, access to U.S. financial markets, special treatment under federal tax laws, insular maritime legislation, partial exemption from the Fair Labor Standards Act, prohibitions against commercial treaties with foreign nations, direct federal transfers to individuals and the public bureaucracy, and application of Taft-Hartley legislation. The federal government retained control over monetary and trade policy, mandated the exclusive use of U.S. flag carriers for ocean-based trade, and kept the original Foraker Act provisions that authorized the colonial administration to establish a tax system.
- <sup>5</sup> Robert J. Lagomarsino Statement, U.S. House: Committee on Resources: Hearings H.R. 856; 19 March 1997. Representative Doolittle on 26 June 2000 criticized the commonwealth "is a drain on the American taxpaying public. Its status is an affront to our constitutional system of government." U.S. House, Congressional Record, 26 June 2000 (E1113).