

University at Albany, State University of New York

Scholars Archive

Latin American, Caribbean, and U.S. Latino
Studies Faculty Scholarship

Latin American, Caribbean, and U.S. Latino
Studies

1989

The Colonial State and Capitalist Expansion in Puerto Rico

Pedro Caban

University at Albany, State University of New York, pcaban@albany.edu

Follow this and additional works at: https://scholarsarchive.library.albany.edu/lacs_fac_scholar



Part of the [Latin American Studies Commons](#)

Recommended Citation

Caban, Pedro, "The Colonial State and Capitalist Expansion in Puerto Rico" (1989). *Latin American, Caribbean, and U.S. Latino Studies Faculty Scholarship*. 14.

https://scholarsarchive.library.albany.edu/lacs_fac_scholar/14

This Article is brought to you for free and open access by the Latin American, Caribbean, and U.S. Latino Studies at Scholars Archive. It has been accepted for inclusion in Latin American, Caribbean, and U.S. Latino Studies Faculty Scholarship by an authorized administrator of Scholars Archive. For more information, please contact scholarsarchive@albany.edu.



THE COLONIAL STATE AND CAPITALIST EXPANSION IN PUERTO RICO

Pedro A. Cabán

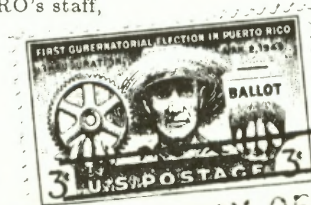
On January 19th of this year the leaders of Puerto Rico's three electoral parties signed an historic statement calling upon President Bush to begin a process leading to the final resolution of Puerto Rico's political status.¹ This is the only occasion in recent history in which the Island's political leadership has made a unified public declaration calling for a revision of the Commonwealth status. It represents the prevailing view among U.S. and Puerto Rican policy makers that the colonial relationship is seriously deficient. While the accord among the Island's political leaders is relatively novel, the issue of the colonial state's long term capacity to manage the local political economy in the interests of the United States has been the subject of academic and government studies.

By 1975 it was fairly obvious that Puerto Rico's post-war model of economic growth, which was associated with marked social gains, was exhausted. In that year the Committee to Study Puerto

Rico's Finances presented its sobering analysis of the local economy.² The Committee, whose recommendations presaged the supply side dogma of the Reagan administration, emphasized eliminating regulations which impeded corporate profitability and a substantially diminished state role in providing basic social services. The Committee endorsed the orthodox palliative that vibrant economic growth would increase the aggregate social wage and result in the overall material improvement of society. By 1975 it was apparent that capitalist growth was transforming Puerto Rico's position in the international division of labor, and with it the colonial state's role in material and social reproduction.

Puerto Rico's post-war industrialization policy succeeded in large part because it could guarantee greater profitability than competing regional manufacturing centers in the U.S. But by the late 1970s, planning strategy was altered in response to the investment needs of multinational

PEDRO CABAN is Assistant Professor of Political Science at Fordham University and was a Scholar in Residence at the CENTRO during 1987-1988. This article summarizes a broader project on the colonial state, which was financially supported by the Ford Foundation. The author wishes to thank CENTRO's staff, Angelo Falcón, and Dennis Searcy for their helpful comments.



DAY OF ISSU

corporations. Puerto Rico was no longer competing solely with decaying regions in the mainland, but with the newly industrializing economies. Policy planners had to devise more profitable investment schemes to attract these globally oriented firms.

Puerto Rico's changing role in the world economy had at least three serious implications for the Island's traditional growth model. After the mid-1970s, Puerto Rico could not attract industries with a low capital to labor ratio, and opted to promote firms that did not require cheap labor to realize acceptable profits. The new firms were in service, finance and high tech production. In order to enhance Puerto Rico's global appeal, new firms were not expected to employ socially appropriate technologies in the conduct of their activities. Second, the federal government took a central role in providing for the needs of an expanding population that was excluded from the benefits of growth. While the colonial state preserved the institutional and financial conditions necessary for investments and profitability, a greater share of the socialized costs of reproduction was absorbed by the metropolitan state.³ Finally, planners called for dismantling anachronistic restrictions imposed by colonialism so the colonial state could have the flexibility to adjust to the impulsive character of advanced capital.⁴

These developments suggest that under the prevailing colonial relation the colonial state can not adequately

manage the conflicting requirements of capital and labor. To understand the current situation, which is one of the declining efficacy of the colonial state to promote accumulation and sustain the legitimacy of colonial rule, it is necessary to develop an historical account of the state's evolution and function.

A comprehensive historical account should address the following: The colonial state's degree of autonomy from the metropolitan state to influence the trajectory of capitalist development; its ability to adjust to the changing requirements of foreign capital; the forces that determine the nature and substance of the colonial state's intervention in the political economy; and the nature of colonial state and class relations and its relations with the domestic capitalist class.

There are five distinct periods in the evolution of the colonial state from its inception in 1898 through the past year.⁵ The periods and their definable characteristics are: (1) formation of the colonial state apparatus (1898-1917); (2) consolidation and demise of the state apparatus (1919-1939); (3) relative colonial state autonomy (1940-1952); (4) redefining the colonial state (1953-1968); (5) and crisis of the colonial state and economic restructuring (1969-1988). Each period is a relatively discrete conjuncture characterized by one or more of the following: transformation in the productive forces, a major political crisis that confronted the colonial state, or federal legislation which altered the terms of colonial subordination.

The present article will focus on the later stages of this process, beginning with the changes around 1952 and proceeding up to the present.

By 1952 the colonial state was neither an instrument of monopoly capital (as it was through the 1940s), nor was it superfluous to monopoly corporate capital (as it appeared to be during the 1940s). Rather, the colonial state was rapidly evolving into a managerial apparatus that promoted foreign investments and harmonized social relations. The colonial state was widely perceived as an integrative institution that harmoniously and productively fused the material interests of capital and the working class. Yet, these outward changes in the form of the colonial state, and the nature of its intervention in the political economy, did not represent a substantive transformation in colonialism. Through bureaucratic expansion and centralization, the colonial state achieved a deeper presence in civil society. But it did not internalize and reflect class divisions and struggle. It did not serve as an arena of class conflict within which the contradictory interests of labor and capital were mediated in the interests of sustaining the capitalist social formation. The events of the 1940s and early 50s revealed that the role of the colonial state was altered to promote a new model of capitalist production, and to preserve social cohesion and the legitimacy of colonial rule.

Puerto Rico's relationship to the United States is defined by Public Law 600 (PL 600) and

the Puerto Rico Federal Relations Act it authorized. The Commonwealth was established in 1952 and officially portrayed as a new and autonomous political entity which granted the people of Puerto Rico authority over their internal affairs. In theory PL 600 permitted the local authorities to formulate domestic public policy. Yet it retained the basic structure and properties of the colonial state that were established by previous Congressional legislation and Presidential decrees.

PL 600 was significant because it created a set of social institutions and arrangements that enhanced the prospects for long term corporate investments and profitability. It represented the culmination of a formal U.S. effort, in alliance with the PPD, to reconstitute the insular social structure of accumulation.⁶ One of the purposes of PL 600 was to convert the colonial state into a more efficient institution for capitalist expansion and colonial legitimation. Although the structure of colonial rule was preserved, the colonial state was given the requisite autonomy to devise planning and social policies consistent with the requirements of a more advanced phase of capitalist development. This phase differed from the sugar enclave economy and required a pronounced and sustained colonial state role in regulating social change and class conflict. The colonial state's post-war task encompassed both economic and social functions.

By the late 1960s the compelling logic that guided

planning was that industrialization would improve social conditions and generate material wealth. Capital inflows, irrespective of their relationship to local social and economic needs, would generate employment and revenue for the colonial state.

Development was defined as job creation through rapid industrialization. By granting total tax exemptions to new industries, by assuming many of the related start up costs, and by generously subsidizing industrialization, the colonial state essentially depleted its revenues.⁷ Social justice, through state intervention, was not a priority since the demands on the colonial state would be reduced through the emigration of surplus population and increased public sector employment.⁸ Planners also anticipated that an increasing share of the costs for social welfare provision would be paid by the metropolitan government.

The organic acts tended to fortify the political and material conditions of local elites who supported colonial rule. Changes in the colonial arrangement were enacted either to initiate a transition to a new mode of production or during crisis ridden periods that threatened social decomposition. Metropolitan reforms were partially intended to co-opt potentially defiant sectors of local capital and their representatives. PL 600 and the establishment of the Commonwealth enhanced the position of local class forces that sought to advance their material interests by advocating closer integration to external capital.⁹ They were given the

opportunity to participate in colonial rule and to preserve their material base as a subordinate actor in an economy dominated by U.S. capital.

The PPD adroitly promoted an image as the political embodiment and protector of the Island's values and way of life. During the 1950s and through the mid-1960s, the PPD-controlled state devised a social compact which consisted of socially progressive legislation and a developmental ideology. The developmental ideology depicted the state as rising above the material interests of capital and labor and as engaged in a process of social reconstruction for the realization of collective well being. Integral to this vision was the notion that social equity would be realized under a state guided program of externally financed industrialization. Progressive social legislation, job creation in the public sector, and extensive mediation of industrial labor relations imparted substance to the ideology. The PPD, which enjoyed widespread labor union support, supervised a lengthy period of peaceful industrial labor relations. Although the distributive policies were not intended to transform the structural bases of inequality in the economy, they did moderately alter its effects at the level of consumption and built support for colonialism.

The post-war structure of accumulation was notable for a pattern of consistent colonial state support for U.S. firms, remarkably peaceful social class relations, and long term stability in the monetary, trade and tax systems. The Island's

experience was promoted as a model of peaceful economic growth based upon solid ties with the U.S. and respect for democratic political institutions and practice. In reality, the colonial state's role in regulating social cohesion and promoting industrialization was not so benign. It actively promoted the removal of surplus population, participated in programs for the mass sterilization of women, purged the organized labor movement of independence, as well as nationalist and communist leadership, and effectively repressed the Nationalist Party uprising during the early 1950s.¹⁰

These accomplishments were short lived, and by the late 1960s the long term stability of the system was unraveling. Changes in the class structure, internal conflicts and ideological cleavages within the PPD, signs of the impending exhaustion of the export manufacturing model, a rapidly deteriorating fiscal condition, and the collapse of harmonious industrial relations undermined the post-war growth strategy.

CRISIS OF THE COLONIAL STATE AND ECONOMIC RESTRUCTURING: 1969-1988

The post-1968 period can be divided into two phases. The initial phase (1969-1976) was notable for the demise of light manufacturing industrialization, the eclipse of PPD hegemony and the collapse of the social contract. During this period pro-statehood forces (Partido Nuevo Progresista, PNP) were temporarily able to capitalize on factional disputes in the

PPD and expose its ideological and programmatic bankruptcy - but only to again relinquish political control to the PPD once its own agenda for economic growth and statehood was invalidated.

By 1976, as its vital institutional role in the accumulation process was eroding, the colonial state was converted into the intense object of local political struggle. Control of the colonial state has shifted between the PPD and PNP, and an accumulation model based on high technology export oriented firms has been promoted. Since then the colonial state has exhibited a deteriorating capacity to sustain social cohesion and the legitimacy of colonial rule.

During the Luis Ferré administration (1969-1972), labor intensive industrialization reached its limits of expansion. By the end of 1970, the economy was becoming an export platform for pharmaceuticals and other capital intensive industries. The changing nature of industrial development was a result of increased international competition in production areas over which Puerto Rico enjoyed comparative advantage, and the associated loss of regional markets in the U.S. that island-based industries once dominated.

To counter this decline the PNP administration accelerated the transition to higher paying U.S. firms, relied more heavily upon the Federal government as a principal agent for sustaining local consumption, and tried to reconstruct the social contract by acceding to organized labor's

demands. The PNP attempted to expand its electoral base by increasing the public sector labor force. It also built popular support for statehood by attributing improvements in social conditions to a responsive federal government. Despite these efforts at expanding its base, the PNP lost the 1972 elections to a reunited PPD.

92 The PPD regained power on the eve of a deep recession, and much of its economic planning was shaped by the serious dislocations caused by the protracted downturn. Deteriorating conditions led to an intensified level of political discord which threatened to undermine investor confidence in the state's capacity to manage the colony. Moreover, the new colonial managers were forced to contend with declining corporate profits, increased unemployment, unparalleled labor militancy which rendered the structure of industrial labor relations ineffectual, and a marked erosion in the fiscal condition of the state. Because of deteriorating credit ratings, the colonial state had difficulty obtaining capital in the bond markets to finance the operation of public corporations. The PPD faced a daunting task: to employ the colonial state's limited powers to re-establish an internationally favorable investment climate for U.S. capital and to reconstruct the post-war social contract. But the colonial constraints, and extensive reliance on U.S. credit markets, severely limited the PPD's scope of policy options. Such constraints meant that investor confidence

could only be restored at the expense of the general population.

The PPD's industrial promotion strategy called for more attractive incentives for high technology firms; increased worker productivity and harmonious labor relations; the use of fiscal policy to realize investible surpluses; modernization of the Island's institutional and physical infrastructure; and aggressive lobbying in Washington for increased funding. The strategy was successful to the degree that it attracted transnational firms engaged in assembly, testing and distribution activities. But the new industrial structure, firmly implanted by 1976, required a direct role for the colonial state, which, as it shifted resources to this sector, intensified the existing social inequalities. These industries employed socially inappropriate technologies, while their net contribution to state revenues was minimal. Also, the aggregate social wage bill attributable to their operations was negligible relative to their profits. They intensively used infrastructure facilities, including subsidized energy and transportation costs, and their productive activities caused serious environmental damage. But the new growth model did not halt the colonial state's escalating fiscal crisis, nor did it reduce unemployment and labor militancy.

With the outbreak of violent strikes in critical state run enterprises and key private industries, Puerto Rico was an exceedingly risky investment location. The PPD's decision to

respond to the crisis by imposing tight fiscal policies, including reduced government services to the population, was an important factor leading to its defeat by the statehood party in 1979. Ironically, while the PPD advocated increased autonomy, it relied upon the federal government to assume a more visible and intrusive role in sustaining production and consumption.

Along with control of the colonial state in 1977, the PNP acquired the economic predicament that had disabled the PPD. However, it advocated a different growth model. It enacted economic policies and executed a political program that were intended to further integrate Puerto Rico into the metropolitan system and weaken the Commonwealth arrangement. While much of the PNP's work was at the ideological level, it also promoted restructuring to undermine the colonial foundations of the economy and fortify Puerto Rico's dependency on the federal government. In other words, while colonialism provided numerous advantages to external capital - exemption from federal taxes and minimum wage legislation, and limited federal regulation of industry - the PNP enacted measures intended to diminish the importance of these benefits for corporate profitability. The new colonial managers sought military contracts, increased reliance on federal subsidies and a greater federal bureaucratic presence on the Island.

While promoting this model of accumulation, the PNP

proposed that the foreign corporate sector absorb a more equitable share of the tax burden, which was disproportionately falling on the middle class. The Industrial Incentive Act of 1978 was in part designed to democratize the tax regime by eliminating total exemption and gradually phasing out the tax holidays enjoyed by foreign capital. By providing production and investment incentives and modernizing the infrastructure, the PNP sought to attract more pharmaceutical, electronics and other high tech firms. These were high profit firms which could more readily adopt to the new incentive programs. Multinational firms were also encouraged to establish operations in Puerto Rico by the benefits they realized under Section 936 of the Internal Revenue Code. Section 936 directly contributed to the huge profits high technology firms realized in their subsidiary operations on the Island.

The success of the new economic growth program would ultimately depend on Congress' willingness to preserve the advantages U.S. firms obtained from colonialism. When Congress attempted to eliminate Section 936 in 1982, it threatened virtual economic collapse in Puerto Rico. The Caribbean Basin Economic Recovery Act was a second measure which jeopardized the Island's economy. As originally formulated the Caribbean Basin Initiative (CBI) would eradicate Puerto Rico's preferential access to U.S. markets. It was apparent that Congress had the power to act unilaterally on Section 936 and CBI, and thus deal a mortal blow to the



CUANDO HAYA TERMINADO DE LEER ESTE



EL
Correo del

AÑO IX

SAN JUAN DE PUERTO RICO

TRIBUTO DE MUJERES DE PUERTO RICO

(Párrafos tomados del discurso en la gran Asamblea Popular de Agosto 15).

(Párrafos tomados del discurso en la gran Asamblea Popular de Agosto 15).

¡Cuántas mujeres campesinas, he visto fajándose al trabajo en el bohío, preparándole el bocao de comida a sus hijos, planchándole la ropita para que vayán limpias a la escuela! ¡Cuántos hogares campesinos he visto que descansan no sólo en el machete y la azada con los que el padre hace su parte del trabajo de todo el pueblo, sino también en el sacrificio, la abnegación de la madre que ambiciona con toda la limpieza de su alma que haya una vida algo mejor para sus hijos! ¡Empujando la plancha, lavando la modesta ropa en el río, trayendo la lata de agua sobre la cabeza, juntando la candela, sosteniendo sobre sus

horr
del
rial
lavo
hac
com
un
que
do
de
atre
¿Qu
que
eso
can
qui
ayu
se

TOS

¡Vive rápidamente

**los Votos de Ustedes en Noviembre
Electo por Primera Vez en 400 Años
el Gobernador de Puerto Rico**

colony's economy. Only after a sustained and coordinated campaign by the PNP administration and its corporate allies was Washington convinced to preserve some of the Island's tariff, trade and fiscal benefits. In both instances the PNP was placed in the awkward role of lobbying Congress to retain privileges that were at heart of the economic foundations of colonialism.

The PNP under Romero regime intensified the anti-union policies of the PPD and in particular sought to confront the well organized and militant unions in vital infrastructure industries. The nature of post-1968 growth required that the colonial state provide reliable and affordable services in communications, water resources, and electricity. When major strikes broke out in these industries, the PNP acted decisively by dismissing large numbers of workers, waging a media campaign against the unions, and taking legal action against the leadership.

The PPD regained power in 1984 and embarked on a strategy that drew much from the previous administration. But in contrast to its earlier tenure in government (1973-1976), it began to examine alternatives to the traditional industrialization by invitation approach. Its current strategy calls for continued investments by the most advanced sectors of capital. But the PPD is also officially promoting local capitalist development through subsidies, financing and incentives to stimulate the

formation of new high technology industries in growth fields. These industries would be linked to the pharmaceuticals as suppliers of new technologies and products for use and further elaboration by the multinational firms.

While current economic planning is decidedly determined by the accumulation imperatives of multinational capital, the technical and managerial class is divided on which economic sectors to promote. The Economic Development Administration (EDA) continues to champion direct foreign investment, irrespective of its social impact and long term economic consequences. EDA maintains an unwavering faith that Section 936 will not be rescinded and that Puerto Rico will retain its role as an export platform and depository for the accumulated profits of multinational firms. The Governor's Economic Advisory Council advocates a growth strategy that is less reliant on 936 corporations. The committee's technical staff envisions that Puerto Rico will emerge as an strategic nucleus in which diverse multinational firms can undertake a series of regionally oriented activities. While production activities are important, sustained and more autonomous growth requires converting Puerto Rico into a financial, telecommunications, distribution, scientific and technological center in the Caribbean.

This strategy entails a further reduction in the colonial state's role in providing basic social welfare and services. Drawing inspiration from market-oriented policies of the

neo-conservatives in the U.S., the Council advocates the privatization of numerous government functions and services. While it promotes educational reform, the focus is on specialized education to create a scientific and technical pool of human resources to service the new economy. Clearly, the anticipated growth strategy fails to address the needs of the sizeable percentage of the population that will not productively participate in the planned technologically sophisticated financial, service and manufacturing economy. Implicitly, this means a continued, if not enlarged role for the federal government in providing the material and ideological support to sustain consumption and preserve social stability. Social planning is a secondary component of the growth strategy. While the marked division of society into privileged and relatively poor sectors is openly recognized, planners appear to adhere to the belief in the long term ability of market forces to generate acceptable levels of employment.

This planned transition to a new phase of capitalist development requires a more speculative and direct role for the colonial state. Its diversified actions on behalf of capital includes a role as venture capitalist to finance the development of products and technologies that rationally exploit local resources. It has also enacted fiscal policies designed to channel a percentage of billions of dollars on deposit in commercial banks into local initiatives. And it is encouraging the repatriation of

resident Puerto Rican capital held in U.S. banks and financial instruments. In addition, legislation has been proposed to limit corporate profit remittances and to direct the accumulated capital into the formation of globally competitive local firms.

Economic restructuring is closely related to a change in the colonial relationship. A sector of the PPD argues that optimal economic conditions can be realized only if the colonial state acquires more autonomy over fiscal policy, international commercial relations and immigration policy. According to this sector, if Puerto Rico is to be competitive in the global economy it must have the capacity to respond quickly to the changing needs of capital and must control areas that bear directly on issues of economic expansion. This can only be realized by revising critical sections of the Puerto Rican Federal Relations Act. However, the PPD leadership does not advocate sweeping changes in colonial relationship. The declared goal is to effect minor changes to enhance local autonomy in economic decision making, while retaining those features of the colonial relationship that can be used to sustain Puerto Rico's attractiveness for foreign capital.

CONCLUSION

During the last nine decades Puerto Rico's role in U.S. economic and geopolitical spheres has remained remarkably consistent. The Island continues to be a major investment site for metropolitan capital; Puerto Rican workers continue to be

the source of huge profits realized by North American corporations; and the Island occupies a prominent position in U.S. regional military strategy. Despite seemingly momentous legislation which appeared to redefine the nature of Puerto Rico-U.S. relations, the Island is still an unincorporated territory with limited application of the U.S. Constitution and highly restricted representation in the federal government. The federal government has gradually conferred limited powers of self government to Puerto Rico, but it has done so without relinquishing its prerogative to abrogate local legislation or define the range of permissible activity.

Prior to 1952 the colonial state was an apparatus whose principal managers were appointed by the federal government. Alliances between monopoly sugar firms and their dependent local elites guaranteed that the colonial state would not impede the sugar industry's operations. By the 1980s the colonial state was controlled by popularly elected managers, yet it continued to promote the interests of U.S.-based firms above local capital. In both periods, growth and profitability contributed to social inequities and were based on the monopolization of the principal productive and human resources by foreign capital. During the sugar era the federal government acted through the colonial apparatus to promote the objectives of U.S. firms, often against the resistance of local propertied interests. This contrasts with more recent developments.

During the last 15 years Congress has acted twice to eliminate fiscal measures which generate huge gains to U.S. multinational firms, but have resulted in virtually no revenue for the federal treasury. These initiatives were aborted only after an extraordinary campaign by Puerto Rican leaders, their Congressional allies and the multinational lobby. This episode suggests that while the federal government is divided on how to preserve the material basis of its colonial possession, the PPD and PNP are committed to protecting the privileges of the multinational corporations.

The colonial state's capacity to respond effectively to the changing needs and organization of capital is seriously limited since it cannot formulate comprehensive fiscal and monetary policy. Fiscal policies adopted by Congress are more important for the investment decisions of global corporations than the tax exemptions and incentives granted by the colonial state. Moreover, changes in the global operation of capital are undermining Puerto Rico's traditional position in the accumulation strategies of multinational corporations. These highly mobile and globally interconnected firms are actively sought after by many less developed countries. What Puerto Rico uniquely offers, in a politically turbulent and economically competitive world, is the monetary stability, access to metropolitan markets and the property protection accorded capital by the federal government.

Although the colonial state is losing its ability to influence corporate investment, it is still

of critical importance for local political forces and fractions of domestic capital. It is incorrect to view the colonial state as a mere administrative apparatus for the implementation of imperialist initiatives; it is a crucial vehicle for the material and political reproduction of these forces. With the eclipse of PPD hegemony, ideological conformity has given way to alternative popular expectations on the colonial state's role in the conduct of political and economic affairs. But despite changes in political party control of the colonial state, economic and social policy has been relatively consistent. During the last two decades the colonial state has not altered its role in attracting U.S.-based capital. The PPD and PNP continue to employ public resources to attract and retain U.S. firms and have failed to devise rational and just social policies.

In reality the political parties are essentially powerless to effect any transitions in the domestic political economy through control of the colonial state apparatus. Legal constraints on public decision making, external control of dynamic sectors of the economy, and the paucity of domestic opportunities for ownership of resources all conspire to make the colonial state irrelevant for the goals of social equity and equitable growth. The colonial state appropriates value from the domestic economy and serves as the principal conduit through which federal monies are distributed. Given these realities, political struggles center around which party can

increase the level of transfer payments from Washington, or which can promote increased foreign investments. Political parties articulate policies with respect to maximizing the inflow of capital and argue that through increased employment this wealth will trickle down to the population. Yet their ability to effect genuine changes in the operation of the economy is determined by colonialism and by the accumulation needs of the transnational corporations.

Is there a colonial state in Puerto Rico? The formal structure of political rule and social regulation suggests that a colonial state does indeed operate on the Island. Yet is this an institution of public power that has been shaped by domestic class struggle or is it an extension of the federal state? The preceding discussion suggests that over time the federal government has been compelled to make adjustments in the structure of colonial domination to permit increased local elite participation in the operation of the colony. But it has done so without relinquishing its prerogative to unilaterally abrogate local legislation or to protect the property rights of capital.

The state in Puerto Rico is a creation of the federal government and is expected to govern the colony in the interests of the U.S. Periodically the form of the colonial state structure has been altered to enhance regulation of the local political economy by political forces who support the colonial relationship. In the process the metropolitan state has, in the interests of sustaining the legitimacy of

colonial rule, responded to the demands of local forces for an increased say in their own material and political reproduction.

This article suggests that Puerto Rico lacks a definable colonial state. Instead a colonial state *apparatus* has been established and acts as an exceptional extension of the metropolitan state. The colonial state apparatus, in conjunction with federal agencies, dominates the local political process. But since it is an agency of the metropolitan state, it cannot serve as an arena of class struggle because it can neither alter its form to internalize working class demands nor modify production relations to sustain the material reproduction of society. Stated differently, the colonial state apparatus is prevented from subordinating the working class by politically incorporating it into the governing process, internalizing its demands and mediating these demands to sustain capitalist production relations. Congress is the ultimate arbiter of the nature and structure of the state apparatus. Rather than serving as an integrative institution, the colonial state apparatus regulates, attempts to impose harmony and continuously seeks to reaffirm the legitimacy of U.S. control of Puerto Rico.

Because of this degree of dependency, the colonial state apparatus cannot be the object of popular struggles. It has been established and modified to manage the colony, and is deprived of the capacity to effect any changes that impede the administration of colonial

rule. Popular and class struggles find expression outside the institution of the colonial state apparatus. During the last ten years popular forces, which are unattached to political parties, have emerged in many localities. They have organized on environmental, housing, social justice and a variety of other critical issues. What is common is that these popular forces confront the colonial state apparatus and the metropolitan state in order to redress the social inequities that define their reality. The political parties and state apparatus have virtually no base among these active social forces.

As we have seen, the metropolitan state must periodically intervene in an effort to sustain the legitimacy of colonial rule and to contain challenges to capital. The implications of this continuous intervention are that the reproduction of labor power, as well as the reproduction of the colonial state as a material force, continue to be a function of the mediations of metropolitan state in alliance with capital. With the accelerated internationalization of capital and accompanying transformation of the domestic class structure, the colonial state is losing its capacity to preserve the legitimacy of colonial rule and respond to the requirements of capital. It is this crisis in colonial management which suggests that the colonial state apparatus is an historical artifact incapable of realizing its delegated task. And it is this crisis which underlies the most recent calls for change in the Island's colonial status.

ENDNOTES

1. The three political parties, leaders and position on status are: Partido Popular Democrático, Rafael Hernández Colón, supports revising the prevailing Commonwealth status to delegate increased autonomy to the local government; Partido Nuevo Progresista, Baltasar Corrada del Río, supports statehood for Puerto Rico; Partido Independentista Puertorriqueño, Rubén Berrios Martínez, supports a gradual transition leading to independence. Since then Carlos Romero Barceló has been elected president of the PNP.

2. Committee to Study Puerto Rico's Finances, Report to the Governor, December 11, 1975.

3. Federal grants received by the government sector in Puerto Rico increased from \$477.9 million in 1974 to \$1.174 billion by 1987. In addition federal transfers to individuals went from \$606.8 million to \$3.657 billion during the same year. Junta de Planificación, Informe Económico al Gobernador, 1978 (San Juan, Junta de Planificación, 1988). Table A-19, Table A-21.3.

4. The most complete statement on the subject is the Compact of Permanent Union Between Puerto Rico and the United States, Report of the Ad Hoc Advisory Group on Puerto Rico, October 1975.

100

5. Discussion of the periods has been omitted in this version of the paper.

6. Edwin Meléndez, "Accumulation and Crisis in the Postwar Puerto Rican Economy," Ph.D. Diss., University of Massachusetts, Amherst, 1985 is the first to my knowledge who employs the concept of social structure of accumulation to the study of Puerto Rico's political economy.

7. Leonardo Santana Rabell, Planificación y política durante la administración de Luis Muñoz Marín, (Santurce, Análisis, 1984).

8. History Task Force, Centro de Estudios Puertorriqueños, Labor Migration Under Capitalism (New York: Monthly Review, 1979) examines this theme.

9. For a discussion of this theme see Juan Manuel Carrión, "La tarea inconclusa: Notas en torno a las condiciones de transformación social en una situación colonial moderna," Paper presented at the XIV Congreso Latino Americano de Sociología, San Juan Puerto Rico, (n.d.).

10. See Ivonne Acosta, La Mordaza: Puerto Rico 1948-1957, (Río Piedras: Editorial Edil, 1987) for an exhaustive examination of this subject.