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# PROMESA, Puerto Rico and the American Empire

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When President Barak Obama signed the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) he reignited a debate on Puerto Rico's role within the American empire that had been publicly dormant for years. PROMESA became law soon after the Puerto Rican government announced it could not pay down a $74 billion debt obligation to investors holding Puerto Rican municipal bonds. This landmark legislation established a Financial and Management Oversight Board for Puerto Rico (FMOB), "to provide a method for a covered territory to achieve fiscal responsibility and access to capital markets" (Public Law 114-187 2016).

PROMESA is a watershed moment because it marks Puerto Rico's diminished, if not inconsequential, role in the American empire. Although the financial crisis was the proximate cause that prompted Congress to enact PROMESA, two changes in U.S. policy set the context for its current financial debacle. By the mid-1990s Puerto Rico's strategic significance for the U.S. had virtually evaporated, and its standing as an internationally competitive investment site for U.S. corporations was vastly diminished. In the context of these consequential changes, the Clinton and Bush administrations demilitarized Puerto Rico (See Ruiz-Marrero 2002), and terminated a federal tax law that was the foundation of Puerto Rico's industrialization by invitation program. These two policy changes contributed to a dramatic decline in external investments. This in turn caused the insular government to adopt risky economic policies to generate external capital flows, most prominently increased reliance on the sale of municipal bonds to finance government operations.

In this essay I discuss America's ascension to hyper-power status, how this contributed to changes in U.S. colonial policy, and the impact of the changes on Puerto Rico's political economy. Second, I show that PROMESA was a legal instrument devised by the federal government to deprive the insular administration of authority to manage Puerto Rico's political economy. I then look at the contradictory properties of colonialism that simultaneously promote and deter capitalist development. I also discuss how the FMOB's capacity to restore Puerto Rico to positive economic growth is undermined by colonialism. The article concludes with comments on Puerto Rico's unprecedented outmigration that began in 2006 as Puerto Rico descended into a long recession. Hurricane Maria, which struck Puerto Rico in September 2017, made an already deplorable situation worse. The exodus of Puerto Ricans, which accelerated after the hurricane ravished the economy, imperils the island's economic recovery.

## Puerto Rico in a Unipolar World

Colonies are constitutive of empires; they are sources of raw materials and captive markets for manufactured commodities from the metropolis, they can be a repository for the metropolis's surplus labor (for example European settler colonies, or military occupation) or they can serve as sources of imported cheap labor for the colonial power (Puerto Rican case). But, ultimately a colony is expected to generate wealth for the colonizer. Colonies are also military and strategic assets that are deployed to project the empire's power and to expand its territorial reach. From the dawn of the Progressive Era through what may be the beginning of the end of the American Century Puerto Rico fulfilled these functions as a colony of the United States (Stengel 2017, Mason 2009). However, during the last two decades Puerto Rico's strategic and military significance has virtually evaporated. Equally as important, since 2006 Puerto Rico has failed to attract sufficient external capital investments to return to positive economic growth. The federal government's response to Hurricane Maria points to Puerto Rico's declining importance to the United States. It is difficult to conceive that if Puerto Rico had been devastated by a hurricane during the height of the Cold War that the federal government's response would have been as untroubled as has the current administration.

Puerto Rico's declining significance in the American empire occurred as the United States' rose to hyper-power status. The United States occupied a position of global supremacy after the collapse of the Soviet Union and the resulting demise of the post-World War II geopolitical regime. Months before the dissolution of the Soviet Union in 1991, British journalist Peregrine Worsthorne, observed, "there are now no longer two superpowers. There is one hyper-power with all the rest far behind" (Brands 2016). The era of superpower conflict for global supremacy had come to an end. Charles Krauthammer referred to this era as the "unipolar moment for the United States" (Krauthammer 1990/1991). In the post Cold War unipolar period the "United States possessed multiple and mutually reinforcing dimensions of dominance" that made it a formidable power, if not dominant power (Brands 2016, 11). In his 1993 State of Union address President Clinton alerted the nation to this new status. He announced, "We are the world's only superpower," and called for reduction in military spending given America's unrivalled supremacy.[1]

An array of factors precipitated the disintegration of the Soviet Union, but the onset of globalization appears to have been particularly salient (Lockwood 2000). The Soviet Union was an ossified and anachronistic regime whose centrally planned economy was utterly incapable of adjusting to the dizzying technological advances and swift pace of globalization. In contrast, the United States was in the forefront of a global restructuring of capitalist production relations. Not surprisingly globalization had adverse consequences for Puerto Rico's vulnerable economy. Puerto Rico had served important strategic and ideological functions during the Cold War period, and it had figured prominently in the investment strategies of different sectors of American capital. But Puerto Rico's well-defined and seemingly fixed status within the American empire quickly and unexpectedly unraveled as the United States assumed a new status in the international economic and political order. Puerto Rico's export-led manufacturing strategy, which was dependent on U.S. capital and U.S. markets, became economically unsustainable in the era of globalization and intensified international trade. Puerto Rico's strategic function in advancing American geopolitical and ideological goals in its confrontation with the Soviet Union became anachronistic and inconsequential as the Cold War dissolved. Puerto Rico's current financial crisis is primarily the consequence of the rapid loss of the federal military funding for the Roosevelt Roads Naval Base and other military facilities, and the demise of its once internationally heralded economic growth model.

## Puerto Rico, Militarization and the American Century

For nearly a century Puerto Rico factored prominently in America's imperial aspirations in the Caribbean. By 1917, when Puerto Ricans were conferred U.S. citizenship, the island's role in the emerging American empire was well defined. Puerto Rico's strategic significance continued to grow before and during World War II. Puerto Rico was placed in the highest funding category for construction of shore and submarine bases before the U.S. entered the war. Under Admiral John W. Greenslade's naval base expansion program the "Puerto Rico contract" increased from $8,475,000 in 1939 to $103,000,000 by 1943, $1.45 billion in 2016 (United States. Bureau of Yards and Docks 1947). The Roosevelt Roads Naval Base was built in 1940, and included a live fire training range on the island of Vieques. At its height the military had exclusive possession of about 13 percent of Puerto Rico's territory from which it operated twenty-five military installations (García Muñiz 1991).

With the onset of the Cold War Puerto Rico was deployed as a potent propaganda tool by the U.S. in its ideological war with the Soviet Union. Puerto Rico was widely promoted as a successful case of democratic economic development in free association with the United States. Puerto Rico stood in contrast to Cuba, which was portrayed as a communist dictatorship wholly dependent on the Soviet Union for its survival. Puerto Rico also figured prominently in U.S. strategic and security activities in the Caribbean region. The Department of Defense headquartered the Atlantic Fleet Weapons Training Facility at the Roosevelt Roads naval facility, one of the largest U.S. military bases in the world. The military bases in Puerto Rico, particularly the island of Vieques, served as a training facility and staging area for military operations in Guatemala (1954), the Dominican Republic (1965), Grenada (1983), Panama (1989) and Haiti (1994). The Honduran military received training in Puerto Rico, and exiled Cubans also trained in Puerto Rico for the Bay of Pigs invasion (1961). The Reagan administration considered training the Nicaraguan counterrevolutionaries in Puerto Rico (Rohter 1986).

Puerto Ricans were protesting live weapons training in Vieques since the late 1970s. The Clinton administration reassessed continued use of Vieques for bombing practice after the dissolution of the Soviet Union in 1991 and the growing isolation of Cuba. Popular resistance had escalated since the killing in 1999 of a Puerto Rican civilian security guard by errant bombs. The Navy department insisted that continued training in Vieques was vital to national security and essential for military preparedness. However, the relentless opposition ultimately convinced the Clinton administration and pro statehood governor Romero Barceló to hold a referendum on continued military use of Vieques (Barreto 2002, McCaffrey 2002, Ayala 2011). But President George Bush abandoned this plan after Romero Barceló's successor, the pro commonwealth governor Silvia Calderon, rejected the agreement. The Navy's rationale for retaining Vieques became untenable when Deputy Defense Secretary Paul Wolfowitz commented that, "Vieques, within a matter of five to 10 years, would be completely obsolete. You cannot train with modern weapons on a World War II training basis"(Shanahan 2002).

Bush ordered the Navy to end military training operations in Vieques by May 2003. On March 31, 2004 the Navy Department permanently closed the Roosevelt Roads Naval Base since its primary function was to manage, supply and coordinate military operations in Vieques. The success of the anti- bombing campaign was due in part to the changed strategic situation in the Caribbean after the dissolution of the Soviet Union and the erosion of Cuba's economy and political influence. There were simply no military or politically viable challenges to U.S. hegemony in the region. In this context, the naval installations and training facilities were anachronistic relics of an earlier imperial project, not suited to the unipolar status of the United States. All that remains of the sizeable military presence is Fort Buchanan, a 450-acre support base, and a radar surveillance facility in Vieques.

The struggle to remove the Navy from Vieques was an important achievement that affirmed Puerto Rican national identity. However, in economic terms the successful battle for Vieques was ultimately a costly victory. The base closures had a devastating economic impact on southeastern Puerto Rico. The Navy estimated that the Roosevelt Roads naval base employed 2,500 civilian workers and injected $300 million annually to the local economy. Total job losses in the region were estimated at 6,000. In 2016 the unemployment rate was in excess of 17 percent and poverty afflicted about half of the 77,000 residents in the surrounding communities of Fajardo, Ceiba and Naguabo (Cimadevilla 2003).

After operating the Roosevelt Roads facility for over 60 years, the Navy abandoned the facilities without providing transitional compensation to the localities to mitigate the economic impact of their departure. In 2011, seven years after the base closures, the President's Task Force on the Status of Puerto Rico recommended federal assistance to repurpose Roosevelt Road. Funding would "accelerate upgrades to this infrastructure, attract investors and developers, expedite the phased redevelopment, and create jobs" (United States. House of Representatives 2006). But no action was taken. Five years later, congress set up its own task force to explore how to restore Puerto Rico to economic health. This task force released a report 2016, but unlike the earlier task force it did not recommend federal assistance to convert the naval base for civilian use. Instead the task force faulted Puerto Rico for its slow progress on redeveloping the base and urged that it "develop a sensible and sustained strategy (Congressional Task Force 2016).

Defunding Development: Ending the Section 936 Possessions Corporation Tax Credit

Special federal tax provisions allowed U.S. firms that invested in the possessions to retain profits without assuming a federal tax liability. Congress enacted these measures to "assist the U.S. possessions in obtaining employment producing investments by U.S. corporations" (United States. Senate 1976, 279). A senate finance committee reported, "The U.S. Government imposes upon the possessions various requirements … which increase the labor, transportation and other costs of establishing operations in Puerto Rico." Consequently, "without significant local tax incentives that are not nullified by U.S. taxes" Puerto Rico "would find it quite difficult to attract investments by U.S. corporations" (Joint Committee on Taxation 1976). Section 931, and its successor Section 936, succeeded in attracting external investments leading to a transformation of Puerto Rico's economy. After enacting the Industrial Development Act (1947) to complement Section 931, Puerto Rico quickly attracted U.S. manufacturing firms and experienced sustained growth for almost two decades (See Dietz 2003).

The industrialization by invitation program, dubbed Operation Bootstrap, was hailed as an economic miracle and widely promoted by the United States as a development model that should be emulated by small open economies that lacked capital and exportable natural resources. Puerto Rico had developed an economic growth model that converted the island into an internationally competitive investment site for U.S. capital. Between 1948 and 1970 the firms that migrated to Puerto Rico were primarily low wage labor intensive manufacturing industries. The period of greatest growth was between 1960 and 1965 (Ruiz 2016). By 1970 labor-intensive manufacturing was no longer viable and policy makers promoted the development of oil refining and petrochemical industries (1970-1975). This risky strategy, which was dependent on cheap petroleum pricing, could not be sustained. The third phase (1976-1996) commenced when Congress enacted Section 936. The law was designed to attract capital-intensive firms ("de alto contenido de capital") in electronics, scientific instruments and pharmaceuticals (United Nations. Commisión Económica para América Latina y el Caribe 2004). The law was enacted after the recession of 1973-1976, in which Puerto Rico "suffered one of the most serious economic setbacks in its modern history"(Ruiz 1976). Twenty years later President Clinton decided to phase out Section 936 by 2006. The impact of Section 936 firms on Puerto Rico's economy will be discussed below. Here I will discuss the fiscal and budgetary factors underlining the Clinton administration's decision to terminate Section 936 (General Accounting Office 1993).

The pharmaceutical industry obtained the highest profits of all industry groups because transferred intangible assets to Puerto Rico. In the early 1980s Congress and the Treasury Department reported they were "concerned" that Section 936 would encourage pharmaceuticals to shelter profits earned from drug patents by transferring their income to Puerto Rico (United

States General Accounting Office 1992). The Treasury Department accused Section 936 corporations of evading federal taxes, leading to substantial revenue losses for the federal government. The Congressional Research Service reported that the “intangible asset intensive industries” create “relatively few jobs in the possessions” and warned that the number of “jobs created is too small in relation to the tax exemption”  (Brumbaugh 2000, 3). According to the Tax Policy Forum, “the total cost of the Section 936 tax credit to the U.S. Treasury in 1989 was approximately $2.5 billion.”  The present value of its cumulative costs during 1979-89 is approximately $52 billion.”  If Section 936 were not revised “the incentive scheme would bring losses of $15 billion in potential tax revenues between 1993-1997 (Hexner 1995, 236). In 1998 six companies received  $912 million in tax breaks (Citizens for Tax Justice Staff 2016).

Other industries also obtained huge Section 936 tax benefits, including Microsoft which avoided $4.5 billion in federal income taxes over three years (Cohen 2013). In an attempt to end transfer pricing The Treasury department forced Section 936 firms to reallocate profits earned from patents from their Puerto Rican subsidiaries to the parent firm. But Eli Lilly, G. D. Searle, and other pharmaceutical firms took the Treasury to court and obtained a favorable settlement (Avi-Yonah 2012). The revenue losses attributed to Section 936 added noticeably to the federal deficit, a situation the incoming Clinton administration was determined to end. Multinational corporations were investing in Puerto Rico because it was a safe offshore tax haven. A prominent think tank on federal tax policy concluded that, “It is time to admit that the attractiveness of section 936 as a tax scheme has come to far outweigh its role as an employment- producing incentive” (Citizens for Tax Justice Staff 2016). Critics denounced Section 936 as a corporate give away, of dubious effectiveness for sustaining Puerto Rico economic growth. In his 1993 State of the Union address President Clinton emphasized the urgency of increasing federal revenues in order to reduce the nation's soaring deficit. The Clinton administration approved the Small Business Job Protection Act of 1996 which included a ten-year phase out of the Section 936 tax credit to end in 2006.

While the causal relationship between the termination of Section 936 and the financial crisis continues to be debated (Congressional Task Force 2016). The Puerto Rican economy experienced a severe contraction after 2006 (Krueger, Teja, and Wolfe 2015 ). The Treasury department reported that between 2006 to 2013, Puerto Rico lost 230,000 jobs in a workforce that numbered only 1.2 million (Puerto Rico's Economic and Fiscal Challenge). The Development Bank of Puerto Rico reported that the end of Section 936 "led to a significant contraction in employment in Puerto Rico's manufacturing sector. By some estimates, between 1996–2014 the phase-out of Section 936 itself caused the loss of 270,000 jobs when its total effect is calculated" (United States. Senate. 2015, 37). Due to its complete financial and trade integration into the metropolitan economy, and reliance on U.S. capital inflows to sustain production and consumption, Puerto Rico is subject to the vagaries of the U.S. economy. By relying on Section 936 as the primary source for external investments Puerto Rico's economy was vulnerable to a financial crash if this fiscal tool tax were ever terminated. Indeed this was the conclusion of a Washington, D.C. based think tank; "Without a strong domestic corporate presence to fill the void, the economy began to contract, along with tax revenues" (Greenberg and Ekins 2015).

Puerto Rico became a battle ground where the federal government's determination to reduce the national deficit clashed with multinational corporations that were intent on protecting their profits. The Section 936 debacle demonstrates the contingent nature of the federal government's commitment to promote growth in the territorial possessions. If the corporate drive for profits threatens the fiscal priorities of the federal government, the government will terminate preferential tax treatment for the possessions. Puerto Rico had very little influence on the federal government's decision to terminate the tax legislation that was the backbone of its program to attract direct external investments. Puerto Rico was not included in the policy process; its role was limited to hearings and speeches on the house floor by its non-voting representative. A Congressional Task force concluded that "Puerto Rico is too often relegated to an afterthought in congressional deliberations over federal business tax reform legislation." The task force recommended "Congress make Puerto Rico integral to any future deliberations over tax reform legislation" (Congressional Task Force 2016, 36).

Section 936 devolved into an insular partisan issue. The pro-statehood Partido Nuevo Progresista (PNP), and the pro Commonwealth Partido Popular Democrático (PPD) each argued that the future of island's territorial status hinged on the resolution of Section 936. (Brumbaugh 2000, Dietz 2003). The PNP lobbied for ending corporate welfare for external investors, which it saw as a prop for the PPD. The PPD fought aggressively to preserve Section 936, since its electoral future depended on preventing increased unemployment.

PROMESA: A reaffirmation of colonialism

PROMESA is landmark legislation because it refutes a long-standing narrative that Puerto Rico is a self-governing territory (See Torruella 2016 ). President Truman wrote that with the 1952 founding of the Commonwealth: "that full authority and responsibility for local self-government will be vested in the people of Puerto Rico. The Commonwealth of Puerto Rico will be a government which is truly by the consent of the governed" (Truman 1952). The newly designated Commonwealth was deployed during the Cold War to refute the Soviet Union's assertions that the United States was a colonial power. In congressional hearings on the Commonwealth bill, Jack K. McFall assistant secretary of state stated that "in view of the importance of ‘colonialism’ and ‘imperialism’ in anti-American propaganda, the Department of State feels” that the commonwealth bill “would have great value as a symbol of the basic freedom enjoyed by Puerto Rico” (United States. Senate Committee on Interior and Insular Affairs 1950 15). Subsequent to the establishment of the Commonwealth, at the request of the United States Puerto Rico was removed from the United Nations list of non-self governing territories. The U.N. resolution affirmed the U.S. petition (November 23, 1953) that “the People of Puerto Rico have effectively exercised their right of self determination” and the young international organization recognized Puerto Rico as “an autonomous political entity.” Puerto Rico was transformed from an international issue to a domestic political matter. But the question of Puerto Rico’s colonial status was later taken up by the U. N. Decolonization Committee, and between 1972 and 2016 the Committee adopted “35 resolutions and decisions” on the question of Puerto Rico (United Nations. Special Committee 2016).

The Partido Popular Democrático (PPD), the architect of the Commonwealth, had asserted for decades that Puerto Rico had attained full powers of self-government. Given the federal government’s assurances, and the United Nations resolution attesting to Puerto Rico’s status as a self-governing autonomous territory under the sovereignty of the United States, the insular government, either under PPD or PNP control, operated for decades with the understanding it had formal autonomy over domestic affairs. However, as the PROMESA bill was being discussed in Congress, Puerto Rican officials learned of the federal government’s intentions to enact PROMESA. At the 2016 UN Committee on Decolonization hearings Puerto Ricans from virtually the entire political spectrum condemned the proposed PROMESA bill, and many demanded the decolonization of Puerto Rico. Former Governor Aníbal Acevedo Vilá of the PPD, called on the UN to “express its strong condemnation” of the U.S. government for enacting PROMESA because it is “a crude exercise of colonial power…and a unilateral revocation of the restricted powers of self-government that Puerto Rico has achieved” Ricardo Rosello Nevares, gubernatorial candidate of the PNP said, “the creation of a fiscal control board was a plan to limit democracy…. The Special Committee could no longer ignore the fact that Puerto Rico was a colony and should, therefore, be placed on the list of Non-Self- Governing Territories” (United Nations Special Committee 2016 ).

Two U.S. Supreme Court decisions in 2016 reaffirmed that the Commonwealth of Puerto Rico did not have sovereign powers. These decisions suggest that the 1952 United States declaration to the United Nations that Puerto Rico had ceased to be a colony was contrived. In both court case, one involving double jeopardy and another on bankruptcy legislation, the Supreme Court ruled that the Puerto Rican court and legislature had no independent powers to rule on these matters. In *Puerto Rico v Sanchez Valle*, the Court ruled that double jeopardy provisions did not extend to the possessions. According to the Court only sovereign entities can prosecute individuals for the same crime (states of the union are sovereign, territories are not). In the second case, Puerto *Rico v. Franklin California Tax-Free Trust*, the Supreme Court ruled that federal bankruptcy law preempts the bankruptcy legislation that Puerto Rico had enacted as a first step to restructure the debt. This effectively meant that Congress had the constitutional authority to restructure Puerto Rico’s economy.

At the annual meeting of the U.N. Committee on Decolonization, the PNP again charged that the FMOB was a colonial imposition. Puerto Rico’s Secretary of State castigated Congress for legislating “without representation of Puerto Ricans, an undemocratic board that has powers over the elected government. If that is not colonial, international law does not exist” (Torres 2017). The decolonization committee expressed its “concern” about the further restrictions on

Puerto Rico’s autonomy imposed by PROMESA. The committee was apprehensive that with the “mandated establishment of the Financial Oversight and Management Board, the already weakened area in which the prevailing regime of political and economic subordination in which Puerto Rico operates is reduced even further” (United Nations General Assembly 2016 ). A Harvard Law Review study of PROMESA concluded, “the Board can influence nearly any area of policy making in Puerto Rico.” The Board also undercuts any autonomy Puerto Rico had in respect of economic and social affairs.” The extensive powers conferred on the Board “are fundamentally incompatible with U.S. standards for self-government” (Harvard Law Review 2017).

By enacting PROMESA Congress’s reasserted its prerogative to impose restrictions on the policy and law making responsibilities of the insular government. PROMESA “holds supremacy over any territorial law or regulation that is inconsistent with the Act or Fiscal reform plans.” The Board has “broad sovereign powers to effectively overrule decisions by Puerto Rico’s legislature, governor and other public authorities” (Congressional Budget Office 2016). Congress used the FMOB to usurp the insular government’s fiscal responsibilities and empowered the board with the authority to annul legislation approved by the democratically elected legislature and governor. PROMESA painfully reminded Puerto Ricans that, notwithstanding the United States assurances to the contrary, the Commonwealth’s fiscal autonomy was illusory. In reality, the authority vested in the Commonwealth was always provisional and contingent on meeting the needs of the American empire. When the debt overhang problem threatened huge losses for institutional investors and politically connected hedge funds, Congress “revoked” the insular government’s implied fiscal autonomy.

With the passage of PROMESA Congress also gave notice that it lacked confidence in the ability of Puerto Rico's political class to manage the crisis and restore Puerto Rico to economic health. House Speaker Ryan was confident that with the enactment of PROMESA Puerto Ricans "will learn fiscal discipline from a board or experts who can create efficiencies in state run corporations." Ryan claimed that Puerto Rico "paved the way for this disaster with decades of irresponsible policies like over spending and fiscal mismanagement." Senator Rubio Marco escalated the ideological rhetoric when he reported that "left leaning economic policies made it too expensive to do business in" Puerto Rico (Ryan 2016). The American Enterprise Institute also blamed the crisis on the insular government's "highly irresponsible public spending activities and the egregious mismanagement of the economy." But the AEI also concluded that the crisis was partially a "result of the highly reckless lending behavior of its creditors. Those creditors were blinded to the island's economic and financial vulnerabilities by the lure of high-tax free interest rates" (Lachman 2016). Neither the PNP nor the PPD could resist the wholesale issuance of bonds. The insular administration may have had few options because as corporations disinvested in Puerto Rico, the municipal bond market became the primary source of capital to sustain government operations. But this excessive reliance on the bond market, virtually assured the inevitability of Puerto Rico's fiscal debacle.

## The Artificial Economic Advantages Colonialism

In his classic *Puerto Rico Freedom and Power in the Caribbean*, Gordon Lewis observed that Puerto Rico's successful transition to an industrialized economy was the result of "all the artificial advantages that flow from her American connection." The American connection had various elements, some sanctioned by the Jones Act of 1917, and others that were policies and practices devised by the federal government to promote investments and consumption in the territorial possessions. Lewis also perceptively wrote that Puerto Rico's prosperity has been "an overspill, as it were, of the American system in the post war expansionist period" (Gordon Lewis 1963 184). The "overspill," or abundance of U.S. capital in search of investment opportunities, was a necessary but not sufficient condition for Puerto Rico's rapid economic growth from 1950 through 1973.[2] In fact, manufacturing firms were not particularly eager to invest in Puerto Rico; they had to be induced to do so by the promise of higher profits. This is where the American connection provided an artificial advantage. As described above, Puerto Rico's industrialization by invitation program combined federal tax exemptions, insular tax holidays and subsidies, and low wage labor to generate consistently high levels of economic growth from 1950 through 1970. From 1947 through 1963, GDP annual growth rate was 6.6 percent. For the next decade GDP growth averaged 7.7 percent, reaching an all time high of 13.80 percent in 1971. During the recession (1973-1977) growth plummeted to 1.66 percent. Puerto Rico experienced a negative growth rate of -3.80 percent in 2009. In fact, except for 2012, Puerto Rico has endured negative GDP growth rates.

Puerto Rico's colonial administration was established by the Jones Act (1917) and the Puerto Rico Federal Relations Act of 1950 (Public Law 600), which paved the way for the establishment of the Commonwealth of Puerto Rico in 1952 (PL 447). The federal government also makes policy and enacts laws and statutes that are applicable to territories. Laws that apply to Puerto Rico, such as Section 936 of the U.S. tax code, can be enacted, amended or rescinded, while leaving colonial legislation intact. The "American connection," is not limited to the Jones Act (1917) and PL 600, but as mentioned above, includes more narrowly focused legislation, and executive orders.

Colonialism promotes, as well as impedes, capitalist expansion (Cabán 2015). In the case of Puerto Rico some of the most notable impediments include the inability to control monetary policy, and lack of authority to set tariffs or negotiate trade agreements. Puerto Rico does control immigration policy. Federal labor, safety, minimum wage laws and standards apply to Puerto Rico as they do to the states. Federal minimum wage standards apply to Puerto Rico. The federal government sets and enforces environmental regulations, transportation rates, and communications. The 1920 Federal Maritime Law mandates that all shipping between Puerto Rico and the United States must be conducted in U.S. built vessels and operated by U.S. crews. The Puerto Rican government estimated that the law imposes "import costs at least twice as high as in neighboring islands"(Krueger, Teja, and Wolfe 2015 ). Moreover, Puerto Rico is barred from membership in international financial institutions such as the International Monetary Fund, the World Bank or regional development banks. Consequently Puerto Rico cannot contract debt outside U.S. capital markets. Federal transfers to individuals, including Medicaid, are arbitrarily capped at levels below that of the states.

According to Lewis colonialism offers "artificial advantages" which helped propel Puerto Rico into a dominant economic position in Caribbean. Common citizenship, currency, market and defense are attributes that have proven beneficial for the Puerto Rican economy. Import duties on certain merchandise exported to the United States are returned to the Puerto Rican treasury. Investments are not subject to "risks of currency devaluation, import and exchange controls" or nationalization of property without compensation (Commerce 1979 ). Capital, commodities and labor flows freely between the United States and Puerto Rico. From 1942 until 1981 Puerto Rico was exempted from U.S. minimum wage requirements, making the labor costs cheaper in Puerto Rico than in the United States. Unrestricted migration to the United States has served as a safety valve allowing the removal of surplus labor from Puerto Rico. The post World War II exodus may have disguised Operation Bootstrap "failings" to materially reduce unemployment (Dietz 2003 176). Unrestricted outmigration also "raised the average skills of workers and the marginal productivity of labor" and had a "positive effect on the industrial sector" (Alida Castillo-Freeman 1992 ). Economist José Villamíl notes that migration was a "well delineated policy. Its contributions to the initial success of Puerto Rico's development efforts cannot be underestimated" (Villamil 2006 75).

Residents of Puerto Rico are not subject to federal taxes on personal income earned on the island (but are required to pay Medicare and Social Security). Section 3 of the 1917 Jones Act permits the Puerto Rico government to issue bonds that are exempt from federal, state and insular taxes. The triple tax-exempt bonds backed by the authority of the insular government were very attractive to investors. The bond market was an important funding stream used to finance Puerto Rico's infrastructure modernization that was an essential component of the campaign to attract external investments. Funds from U.S. capital markets also allowed the insular government to pay for some of the costs of the social reproduction of labor (e.g. what is necessary to physically maintain the workers and their dependents, and train and educate workers). Federal transfers to individuals boosted income and increased consumption of basic products, the majority of which were imported from the United States, and helped finance the operation of the insular administration. For over a century tax legislation favorable to U.S. corporations was a particularly notable "artificial advantage," of colonialism.

## Section 936 High Profits, Low Job Creation and Fiscal Instability

Pharmaceutical corporations accumulated most of their profits through transfer pricing schemes, and not from the value created by workers.

In 1987, the pharmaceutical firms amassed 56 percent of all profits accumulated by Section 936 corporations, but accounted for only 18 percent of the jobs attributable to these corporations. The pharmaceutical industry received $1.3 billion of the $2.3 billion in total Section 936 tax benefits, but employed only about 18,000 of 100,916 workers (United States. General Accounting Office 1992 ). In 1987, tax benefit per employee was $70,788 or "for each dollar of employee compensation, pharmaceutical companies received $2.67 in tax benefits" (Joint Committee on Taxation 2006). According to the Federal Reserve Bank, "To get the maximum benefit from Section 936" manufacturing firms would need to employ a relatively small and lower-wage workforce. The firms located "other, higher-value-added components of the enterprises (such as management or research and development) elsewhere" (Bram, Francisco E. Martínez, and Steindel 2008 ). Congressional Representative Edolphus Towns expressed the frustration shared by many opponents of Section 936. Tax policies "have failed to put Puerto Rico on a path toward equality with the mainland." Economic growth (GNP) failed to "reduce the gap in per capita income (one third that of the mainland), living standards (four times the number of people live below the poverty level) and unemployment (twice as high as the mainland)." The labor force participation rate was "abysmally low" (Towns 2006). The pharmaceuticals made a disproportionately large percentage of their global profits in Puerto Rico through transfer pricing techniques, rather than through the actual value created by labor. In reality, Puerto Rican labor was marginal to profit making and they were becoming an expendable component of wealth creation. The type of labor used in pharmaceutical manufacturing is readily displaced by robotics. Puerto Rico's economy was distorted as pharmaceuticals came to quickly dominate the manufacturing sector. The insular government undermined local development initiatives and dampened employment because domestic corporations were taxed while foreign corporations operated virtually tax-free (Puerto Rico: Junta de Planificación 2016 30).

Tax Foundation, reported that U.S. firms began to flee Puerto Rico with the repeal of Section 936, and "without a strong domestic corporate presence to fill the void, the economy began to contract, along with tax revenues" (Greenberg and Ekins 2015). Since the expiration of Section 936 in 2006 the Puerto Rican economy has been in a tailspin. A Treasury Department report observed that, "from 2006 to 2013, Puerto Rico lost 230,000 jobs in a workforce that numbered only 1.2 million." Poverty increased and is now almost three times higher in Puerto Rico than on the mainland (46 percent versus 16 percent), with children and the elderly particularly affected." Levels of inequality were higher in Puerto Rico than in any state in the union (United States. Treasury Department nd, 1).

According to a senior official at Moody's Analytics, ten years after expiration of Section 936, Puerto Rico's economy was "far and away the weakest of any state in the country. By many measures, including the loss of output, GDP and wealth, it is already suffering a depression. Even more disconcerting, there is no prospect of the economic slide ending soon (United States. Senate. Judiciary Committee 2015). The pharmaceutical industry recently acknowledged that Section 936 had failed to generate employment growth and to make an enduring contribution to Puerto Rico's economy. A decade after the expiration of Section 936, the president of the Puerto Rico-USA foundation, a trade organization that represents the interests of U.S. firms operating in Puerto Rico, expressed his disapproval of the use of federal tax breaks to reactivate the island's economy and emphasized that "the important point here is the fact that the economic model possible as a territory using manufacturing tax breaks has not and will not any longer work." Growth in Puerto Rico was stunted during the Section 936 period, "In fact between 1980 and

2000 the mainland U.S. GNP rose 90 percent, while during the same period the GNP for Puerto Rico grew only 60 percent … the present economic model is obsolete and its has proven it does not work" (Regis Jr 2016 ).

The period of sustained economic growth between 1950 and 1970 was seemingly attributable to the "American connection." However, Puerto Rico was successful because it was competing against manufacturing regions in the United States with higher labor costs, and exporting to the mainland market. This favorable investment situation quickly ended with the onset of globalization. But by the mid 1980s and through the 1990s technological advances in production, communications and transportation undermined Puerto Rico's competitive position. International treaties and multilateral agreements on trade (NAFTA, CAFTA, Free Trade Agreements) irrevocably ended any inherent advantages that the American connection offered Puerto Rico. Puerto Rico's economy was kept afloat during this period primarily because Section 936 continued to generate huge profits for the pharmaceutical industry. While the Section 936 helped enrich foreign corporations, these did have not enduring impact for Puerto Rico's economy. Investors were the primary beneficiaries of Section 936, and not the residents of Puerto Rico who received wages substantially below mainland wages for the same work. Puerto Rico development strategy was designed to promote growth without equity.

<u>Federal Transfers</u>.

Transfers from the federal government to Puerto Rico factor prominently in the island's economy. Transfers to individuals and the to insular government helped to finance government services, hire public employees, mitigate high levels of poverty and inequality and fuel consumer demand. In 1979 U.S. Commerce Department reported, "That the amount of Federal funds received in Puerto Rico has an extremely important effect" on the economy. "By any kind of measurement, the quantities are substantial, as is their relative importance to the economy" (United States Department of Commerce 1979 ). Almost for decades later, federal transfers still "constitute an important flow of external funds from the exterior into the economic system of Puerto Rico" (Puerto Rico: Junta de Planificación 2016 30). Federal transfer payments to individuals are divided into two categories. Earned benefits, which include Medicaid, Social Security and veterans pensions, and direct aid (nutrition assistance, grants). The federal government also helps finance the insular administration. Federal transfers acquired an even more important role in mitigating poverty after government imposed austerity measures. The effects of Hurricane Maria on poverty levels and unemployment rates will be enduring, which will require increased and sustained direct federal aid until the economy begins to recover.

Federal transfers increased substantially after the 1973-1976 recession. In 1977 federal transfers to individuals accounted for 30 percent of Puerto Rico's gross national product. Transfers increased by 148 percent between 1975 and 1979 (Puerto Rico. Junta de Planificación 2008). Federal transfers to individuals escalated further and between 1985 and 1999 had increased by 250 percent ($3.4 billion and $8. 1 billion), far exceeding the annual inflation rate. By 2003 federal transfers accounted for approximately 22 percent of personal income and by 2016 had increased to 26 percent of personal income (Puerto Rico: Junta de Planificación 2016 30, Susan M. Collins 2006 163). The bulk of federal transfer payments are to individuals. In 2016, the transfers to individuals totaled $16.98 billion out of a total of $17.2 billion in federal transfers. Approximately 81 percent ($13.7 billion) of the transfer payments to individuals were comprised of earned benefits, and were not welfare related (Puerto Rico: Junta de Planificación 2016).

Some economists maintain that federal transfers to individuals helped reduce poverty levels related to the island's high unemployment rates that ranged from 16.9 percent in 2010 to 12.4 percent in 2016. Orlando Sotomayor, found that "poverty has fallen sharply" and that "public transfers played a decisive role in restraining growth in inequality and in reducing poverty levels that were also affected favorably by changes in the distribution of female earned income" (Sotomayor 2004 ). According to James Dietz poverty reduction was not attributable to Operation Bootstrap. Dietz maintains that "poverty decreased because of the growth of federal transfer payments to individuals that compensated for the structural failures of the development program and industrial phasing to reduce the incidence of poverty" (Dietz 2003 166). After the end of Operation Bootstrap the percentage of the population living poverty continued to decline, and dropped from 58.9 percent in 1989 to 48.2 in 1999. However, seventeen years later poverty levels were not materially lower. In 2016 46.1 percent of Puerto Rico's population lived in poverty, which was significantly higher than the U.S. average of 14.7 percent. During the last 18 years poverty has declined by only 2.1 percent (United States. Department of Commerce 2000). Hurricane Maria markedly increased poverty levels from 44.3 percent to 52.3 percent. (Caribbean Business 2017).

Political economist Emilio Pantojas García challenged the portrayals of Puerto Rico as a welfare dependent state because of its purportedly heavy reliance on federal transfers to individuals (Pantojas García 2007). After the 1973-1977 recession federal transfer payments to individuals increased steadily. Between 1980 and 2000 total federal nutritional assistance, housing subsidies, and education grants declined from 35.8 to 23 percent of federal transfer payments to individuals, while transfers of earned benefits increased. There was an inverse relationship between nutritional assistance and earned benefit transfers over an extended period.

In addition, the U.N.  Economic Commission on Latin America and the Caribbean (ECLAC) reported that with the exception of the 1973-1975 recession, federal transfers were not anti-cyclical response. In other words, the federal government did not materially increase non-earned benefits to counter the rising unemployment and poverty attributed to the recession.  Federal grants in aid (non-earned) decreased following the recession from 57.8 percent of total federal transfers in 1980 to 34 percent in 2002 (CEPAL 2004  21). These figures continued to decline. By 2016 federal grants in aid (including nutrition) totaled $2.99 billion out of total federal transfers of  $17.2 billion (17 percent) (Puerto Rico. Junta de Planificación  2016. A-41).

In 1971 the Agricultural Department included Puerto Rico in the federal Food Stamp Program. By 1978 Puerto Rico's food stamp program was the largest in the nation "in terms of both the percentage of the population participating and the total value of stamps issued monthly" (Government Accounting Office 1992). About half the population of Puerto Rico received $50 million in food stamps each month. The federal government  replaced the Food Stamp Program in 1982 with a bloc grant program (NAP-Nutritional Assistant Program) in order to reduce the amount of funding Puerto Ricans received from the Food Stamp Program, which totaled $916 million for fiscal year 1981. However, under the block grant annual federal funding for fiscal years 1982 through 1986 was capped at $825 million, this was a 10-percent or $90 million reduction from the fiscal year 1981 funding level which removed of 20 percent of the participants (Government Accounting Office 1992). The federal government imposed new restrictions on eligibility that resulted in a further reduction in the number of Puerto Ricans receiving nutritional assistance.  In 2011 nutrition assistance was increased to $1.77 billion and provided food to 1.4 million poor residents of Puerto Rico, and represented about 2.5 percent of total national nutrition assistance spending.  By 2016 nutritional assistance had increased to $1.91 billion, which correlated with annual inflation rates.

Federal discretionary funding for Puerto Rico has always been below amounts allocated to the states. A government study concluded that federal transfers programs for health and nutrition would be substantially greater if Puerto Rico were treated as a state (United States. Agriculture Department 2016). Over three decades ago Puerto Rico's resident commissioner, Baltasar Corrada, complained to a congressional committee about the discriminatory treatment. He testified that Puerto Rico lost "more that $300 million compared to what we would have received in fiscal year 1983 if Puerto Rico had remained in the national food stamp program and the program had retained eligibility standards and funding that prevailed for fiscal year 1981" (United States. Congress. House. Committee on Agriculture. Subcommittee on Domestic Marketing 1983). U.S. Department of Agriculture pointed out the continued discriminatory treatment of Puerto Rico. Had the island been included federal Supplemental Nutrition Assistance Program (SNAP) in 2010, 222,000 more residents of Puerto Rico would have received nutrition assistance, which would have resulted in an annual increase of $457 million (Report 2012). But the Supreme Court ruled that Congress could provide Puerto Rico a lower level of reimbursement since it had the constitutional authority to "treat Puerto Rico differently from States so long as there is a rational basis for its actions," (Riley v. California).

<u>PROMESA and the Economics of Colonialism</u>

PROMESA was approved after 10 years of almost continuous negative economic growth, debt overhang crisis, diminished prospects for attracting job generating external investments, declining revenue flows, the down grading of government bonds, and the inability of Puerto Rico's political class to effectively manage the insular political economy. On July 30, 2017 the FOMB released a report on its progress in fulfilling its "statutory mandates of helping Puerto

Rico to achieve fiscal responsibility, regain access to capital markets, restructures its outstanding debt, and return to economic growth" (Financial Oversight & Management Board for Puerto Rico 2017). Andrew Biggs, a member of the board, defined the mandate much more succinctly: what does it take "to make Puerto Rico a better place do to business. You have a set up that makes it difficult for employers to hire" (Briggs 2017).

Colonialism imposes the same constraints on policy making for the FMOB as it did for the insular government. A committee established by Puerto Rico's governor in 1975 to study post-recession economic growth strategy concluded that, "We have been regretfully forced to conclude that Puerto Rico has very little scope for financial policies which would insulate the Island from overseas economic and financial developments." The committee, which was chaired by Nobel laureate economist James Tobin, concluded that although Puerto Rico's association with the United States has been "economically advantageous for the Island … some constraints must be acknowledged" (Tobin 1975).. These same constraints compel FOMB to promote an economic growth model that will attempt remake Puerto Rico into an internationally competitive investment site for U.S. capital. In other words, Operation Bootstrap redux but with austerity. The amalgamation of foreign capital and cheap domestic labor managed by the federal and insular governments and supplemented with federal transfers, was the basis for capital accumulation since the initial days of U.S. colonial rule. However, the successful reactivation of this type of externally financed growth model is doubtful in the current era of globalization.

The FMOB adopted recommendations of a report commissioned by the Puerto Rican Government Development Bank. The report emphasized that "structural reforms" were necessary "for restoring growth" which is a precondition for restoring Puerto Rico's competitiveness for external capital. The "key" to restoring growth "is local and federal action to lower labor costs gradually and encourage employment" by revising minimum wage, labor laws, and welfare reform.  "Local laws that raise input costs should be liberalized and obstacles to the ease of doing business removed" (Krueger, Teja, and Wolfe 2015 ). David Lachman, a resident fellow at the American Enterprise Institute, endorsed the report's recommendation for reducing the "currently high minimum wage" and "reform of federal welfare payments" to make consistent with local conditions. Labor laws should be streamlined to reduce the employment costs and increase labor market flexibility. Lachman called for reform of the "the island's highly uncompetitive market where labor participation is below 40 percent"(Lachman 2017).

For decades Puerto Rican officials embraced a growth strategy that conservative economists profess will attract capital and promote growth — "low taxes, few regulations, and low wages"(Reich 2016  December 9). In 1976 Governor Rafael Hernández Colón testified before a congressional committee that the insular government needed to control wages and environmental policy in order to have "the flexibility needed to regain economic momentum." Hernández Colón insisted on wage differential for comparable jobs in the U.S. and Puerto Rico. "The wage differential between Puerto Rico and the United States is very significant in terms of our ability to promote new industry into Puerto Rico."  He claimed that the elimination of differential will make "it much more difficult for us to continue to do our job of industrializing Puerto Rico" and told the congressional committee that a low wage is better than no wage. Teodoro Moscoso, Puerto Rico's economic development administrator was more direct. "The most significant factor in our deteriorating competitive situation has been the rapid increase in labor costs" (Committee on Interior and Insular Affairs 1976,  264, 260).

Hernández Colón's comments elicited a stern reaction from Congressman Miller. "This is not what this government is about, to create a class of working poor for some damned industry who wants to violate EPA. I cannot believe you are going to set up this kind of enclave" (363). The Puerto Rican officials' wage proposal was based on the Tobin committee's recommendation to "hold dollar increases in labor costs in Puerto Rico below the trend in the Mainland" and a salary freezes for government employees. The report recommended adopting a "policy of wage and salary restraint to the private sector." Ultimately the prosperity of business firms is "vitally dependent" on the workers "willingness to accept severe limits on labor cost increases for several years" (Tobin 1975, iv).

The Krueger report recommendations are strikingly similar to those made by the Tobin committee. Although written over forty years apart, both argue that lower wages increases competitiveness and is an incentive for investment (See Calero 2015). The notion that wage suppression will spur economic growth is an ineluctable belief of Puerto Rican planners. According to the Krueger report, economic growth demands extracting greater value from Puerto Rico's working men and women and eliminating social welfare programs that discourage people from entering the labor market. The FMOB has proposed an array of measures to "shock the system" into growth (Krueger 2017). These measures include deficit reduction, wage controls, reduction in government services, "right sizing" the insular administration, deregulation and privatization. Other revenue generating and cost saving measures include, elimination of Christmas bonus for public sector workers, closing 167 public schools, cuts to the University of Puerto Rico, over 100 percent increases in university tuition and other fees, laying off thousands of public employees, cutting central government subsidies to the municipalities, furloughing public employees of two days per month, eliminating tax incentives and subsidies, and cuts of 10 percent from pensions of retired workers (Quintero 2017).

The FMOB  employs the same austerity measures previously adopted by the PPD and PNP to a failed attempt to increase government revenues (Martínez-Otero 2015, Balmaceda 2017). Austerity measures, implemented after the onset of the 2008 recession, failed to restore Puerto Rico to solvency and did not attract job-creating foreign investments.  Governor Luis Fortuño (2009-2013) dismissed thousands of public workers and suspend a number of collective-bargaining agreements (Act 7). Governor Alejandro Garcia Padilla (2013-2017) enacted similar legislation that further froze collective-bargaining agreements (Act 66). In fact, the IMF has debunked austerity as a route to growth (Ostry 2016).  Concerned that the FMOB had "gone too far with the imposed the austerity measures," Representatives Nydia Velásquez and José Serrano warned José Carrión, chairperson of the board, that "some of the measures required… go beyond simple belt-tightening and will undermine growth and consumer demand." Velásquez and Serrano opposed the planned $450 million reduction to the university of Puerto Rican system,  as well as a 10 year reduction of $6.1 billion in health care "which is excessively harsh." The proposed 10 percent reduction for pensioners "is a severe blow to one of the most vulnerable segments of the population" (Velásquez 2017).

The FMOB is locked in an Operation Bootstrap mindset. Yet Operation Bootstrap was the product of a particular phase of capitalist development that preceded globalization. The U.S. employed the success of Operation Bootstrap as an effective ideological tool to undermine the appeal of the Soviet Union. But what Operation Bootstrap had to offer capital was cheap labor and a legal tax evasion scheme, and an arsenal of additional profit-inducing incentives industries. This growth strategy generated sustained high growth rates because colonialism was consistent with the requisites of the American empire and the accumulation strategies of U.S. capital. But these conditions vanished after the dissolution of the Soviet Union and after globalization restructured global economic relations. In the wake of these seismic geopolitical and economic changes, Puerto Rico lost its privileged role in the American empire.

Globalization and colonialism have made economic growth based on external capital and markets unsustainable, what is to be done? If Congress does not amend PROMESA, the FMOB's policy making will rely on austerity measures to extract value from Puerto Rico. Congress may have not choice but to adjust the regulations and possibly enact new legislation as a short-term corrective measures to preclude a human disaster (Velasquez 2017). It is clear that the United States faces an irreconcilable dilemma in how it responds to the financial crisis in its once prosperous colony. Congress authorized the FMOB to resolve the debt crisis and to promote economic growth, and to do so without provoking a political disturbance. Congress wanted to insulate the FMOB from the political pressures that could interfere with its task of restructuring the economy. The FMOB is not accountable to the people of Puerto Rico — those who are most affected by the board's decisions. Nonetheless, the severity of the austerity measures FMOB has indeed triggered sustained popular resistance and political opposition.

Ultimately PROMESA reinstates the system of direct colonial administration that preceded the establishment of the Commonwealth of Puerto Rico in 1952. However, the FMOB is unprecedented in the history of U.S. colonial administration. Although the control board is an instrument of the federal government it is authorized to act independently as its surrogate to administer the colony (Cabán 2017a). Moreover, by creating an ostensibly independent nonpartisan administrative entity comprised of financial and banking experts, the federal government creates the illusion that it is not engaged in the politically charged and contentious debt resolution process. In other words, through an act of prestidigitation Congress transformed a crisis in colonial administration into a debt overhang problem that is subject to resolution by financial technicians. Democratic accountability and economic justice have been sacrificed in order restore solvency and resume the outflow of profits that has been the hallmark of U.S. treatment of Puerto Rico.

Economic Depression, Hurricane Maria and Depopulation;

Hurricane Maria's enduring legacy might be to prompt Congress to rethink PROMESA's mission of enforcing austerity on an impoverished people (Cabán 2017b). Any expectation Congress may have had about restoring Puerto Rico to fiscal health through PROMESA has been erased by the hurricane. The destruction of the economy has accelerated the departure of Puerto Rico's most valuable resource- its people, particularly those in their prime working years. The hemorrhage of human capital imperils a return to economic normalcy any time soon.

Puerto Rican outmigration has been a permanent feature of the island's history under the U.S. colonial rule. Along with profits and commodities, whether sugar or pharmaceuticals, Puerto Ricans have been exported to the mainland since the initial days of the U.S. occupation. U.S. colonial officials ever concerned about popular uprisings by dispossessed, marginalized and impoverished Puerto Ricans actively promoted the removal of the island's surplus population during the early colonial era. After World War II the removal of surplus population helped to maintain unemployment and poverty at politically tolerable levels—the so called safety valve effect. The structural relationship between population outflow and capital inflow has been constitutive of capitalist development in Puerto Rico. In effect, the federal and insular governments have employed population control as a policy tool to manage the insular labor pool and direct Puerto Rican workers to labor markets on the mainland where they were needed. The architects of Operation Bootstrap calculated that economic growth depended on a robust program of managed population removal.

However, the abrupt changes in labor market demand after 2006 ended the link between migration and growth. With the termination of Section 936, which resulted in a dramatic decline in labor demand in the manufacturing sector, and the ensuing economic recession that exacerbated already intolerable unemployment levels, Puerto Ricans migrated to the United States in unprecedented numbers. The post 2006 migration exceeds the "great migration of Puerto Ricans" of the period of uninterrupted economic growth between 1946 and 1964. By 1964, 470,000 Puerto Ricans had migrated to the United States, a number that a renowned demographer "considered one of the greatest peacetime population movements recorded in contemporary history" (Senior 1966 , Senior 1953). In contrast, 525,769 Puerto Ricans or 14 percent of the population left the island between 2006 and 2016 (Meléndez 2017). Hurricane Maria vastly accelerated the outmigration of Puerto Ricans and has resulted in the largest sustained migration in Puerto Rico's history. The Florida Division of Emergency Management reported that between October 3, and November 30, 2017, 208,000 people from Puerto Rico arrived at Florida airports (Sesin 2017). For the first time in its history Puerto Rico is experiencing a process for depopulation that appears to be irreversible. Puerto Ricans will continue to abandon their island as long as the financial control board adheres to a neoliberal program of austerity measures, and Congress refuses to acknowledge its treatment of Puerto Ricans as second-class citizens who reside in a colony of the United States.

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[1] More recently Sebastian Gorka, former deputy assistant to President Donald Trump, stated in a Fox News interview, "We are not just a superpower. We were a superpower. We are now a hyper-power." Washington Free Beacon. http://freebeacon.com/politics/gorka-pegs-united-states-hyper-power/