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From Economic Miracle to Developmental Basket Case: The Political Economy of Puerto Rico's Operation Bootstrap

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From Economic Miracle to Developmental Basket Case:
The Political Economy of Puerto Rico's Operation Bootstrap

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
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Annandale-on-Hudson, New York
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Dedication

I want to express my deep appreciation to my family for all their sacrifices in ensuring my siblings' and my well-being, education, and success. I dedicate this work to my grandfather, who valiantly served in the US military. His unwavering dedication inspires me to stay strong and focused in my pursuits. I hope to repay the love and support I have received from my family, especially my mother, who has always encouraged me to face challenges with confidence. Finally, I want to express my gratitude towards my brother Geryld for assisting me in enhancing my writing skills for college. Wishing you all the best in Law School.

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Introduction

After the second world war, Puerto Rico's economy was transformed from a predominately agricultural economy to an industrializing economy beginning in the late 1940s. Hence, the economy boomed, and beginning in the 1950s, a wave of US direct investments resulted in the expansion of the manufacturing sector. The political party responsible for Puerto Rico's economy becoming heavily centralized around United States investment was the Partido Popular Democrático (PPD). At the time, the governor of Puerto Rico, Luis Muñoz Marín, believed that US market relations were vital for Puerto Rico's future development. Marín argued against political independence because the island relied on direct investment from the United States. Second to Marín was Teodoro Moscoso, who developed and led Fomento, the Puerto Rico Industrial Development Company, and the Economic Development Administration.

Puerto Rican urban planners, economists, sociologists, and other academic scholars aimed to build a social laboratory, a model for economic growth, and a showcase for democracy for Latin America that the Puerto Rican government would name "Operation Bootstrap" (Lapp 1995: 170). Conveyed in this phrase was the idea that Puerto Rico was taking control of its own economic and political destiny, a point underscored by the creation in 1950 of the Commonwealth of Puerto Rico, otherwise known as the Free Associated State of Puerto Rico. Authorities of Puerto Rico's then-dominant party (PPD) worked hard to foster this intellectual project, hoping to use what they perceived as the competence of American academics in their spectacular attempt to convert Puerto Rico into a modern industrialist society and as a Cold War example for the rest of Latin America.

For the most part, the early returns of Operation Bootstrap strategies worked. Through the late 1970s, Puerto Rico's economy grew at an accelerated rate. Between 1947 and 1958, the

gross domestic product more than doubled, with the actual gross product increasing by over 70 percent. Per capita income also rose by over 80 percent, with a 59 percent increase in real terms (Baer 1959: 649-650). Manufacturing increased the island's per capita income more than all Latin American countries. Investment increased significantly, with a surge of 174% from 1940 to 1947 and a further increment of 335% in the following decade. Private investment experienced a significant increase of 377 percent in the last decade, but its proportion to overall investment only increased from 55% to 60% between 1947 and 1958.

Nevertheless, what once seemed like a complete success story, Puerto Rico, is today a developmental basket case, a point suggested by the following statistics. American corporations have exerted significant control over the primary sectors of the economy in the United States territory. Puerto Rico's economy grew in the 1950s and 1960s due to tax exemptions and low wages that attracted labor-intensive businesses. However, other underdeveloped nations offered similar incentives, and Puerto Rico's share of US apparel imports decreased from 37% in 1961 to 16% in 1974 (Cabán 1989: 564). These sectors include the sugar plantation industry before the Second World War, light manufacturing from the 1940s to the 1970s, and intensive manufacturing, particularly in the pharmaceutical industry, from the 1980s to the present. Consequently, at the present time, there is a necessity to import the vast majority of commodities, including food, consumed in Puerto Rico. As of 2021, the proportion of imported goods in consumption is 85 percent (Zambrana 2021: 61). Within this particular political economy model, it is inevitable that profits generated within the region predominantly flow toward the United States.

The post-war developmental model that took hold under the auspices of Operation Bootstrap in Puerto Rico has resulted in an imbalanced distribution of wealth, with a minority of

privileged individuals amassing excessive resources. At the same time, the majority depends on public welfare. Shockingly, food stamps are accessible to 70% of the population, while the most affluent 20% holds 53% of the total family income. Puerto Rico's income distribution is even more unfavorable than other Latin American countries, with the lowest quintile receiving less than 2% of the total family income in 1970 (Summer 1976: 52).

This presents the following question: Why did Operation Bootstrap, widely recognized as having brought industrialization to Puerto Rico, fail to grow into a viable social and economic plan? That is; how did Puerto Rico go from an economic miracle to a development basket case? That is the core question that animates this research. The main argument is that the development of Operation Bootstrap cannot be understood in isolation from Puerto Rico's colonial status. While American capital and technocratic enterprise were critical to getting Operation Bootstrap off the ground, the island's colonial status ultimately hindered development. Examining Puerto Rico's troubled relationship with the United States helps to bolster the claim that Puerto Rico's colonial status hindered long-term prosperity. For instance, Puerto Rico has had various difficulties with debt and economic growth, many of which have been made worse by the island's colonial situation. Additionally, Puerto Rico has struggled with issues of political representation and economic dependence, making it more challenging to address problems with economic development and growth problems. Looking at these and other elements, it is evident that Puerto Rico's colonial history has significantly influenced the island's economic development.

The essay is organized as follows. Section one summarizes US-Puerto Rican relations since the island became a possession of the United States due to the 1898 Spanish-American War. Section two provides a historical overview of the achievements and failures of Operation

Bootstrap, as seen through the lenses of the strategy's leading economic and political legacies. Section three expands on the argument on how Puerto Rico's colonial relationship undermined the growth of Operation Bootstrap into a viable developmental strategy by distorting development, harming Puerto Rican society, and preventing alternative strategies for economic growth. Section four, the conclusion, entertains alternative explanations for Puerto Rico's ill-fated economic trajectory: especially financial mismanagement and public corruption. Counterarguments related to environmental issues will also be explored. I contend that these counter-arguments cannot be fully understood divorced from Puerto Rico's colonial status.

Section 1. US-Puerto Rican Relations

During the Spanish-American War, US troops invaded Puerto Rico on July 25th, 1898. There, they encountered a four-century-old homogeneous society with early capitalist elements. The emerging local bourgeoisie ran small and medium-sized coffee, tobacco, and sugar cane plantations. A politically aware and culturally affluent class emerged. Spain's 1897 Carta Autonómica established the island's limited electoral governance without independence. (Martínez 1977: 562). Though generous, this Charter produced the landowning elite, whose economic and social views resembled Spanish liberalism. Autonomy meant a local elite caste ruled Puerto Rico for its profit and colonial power's economic and strategic advantage. The US military and Congress abruptly dissolved this political organization.

The United States implemented the Foraker Act, commonly known as the Organic Act of 1900, which extended the application of all federal laws to the island. After the Spanish-American War, Puerto Ricans did not accept the Roosevelt Corollary, which states that it is the responsibility of the United States to train other nations on how to behave as progressive,

civilized people. Throughout the first half of the twentieth century, the United States and Puerto Rico developed an imperialistic relationship in which a metropolitan economy with a better currency and a production and distribution system exerted dominance over a rural economy. According to legal professor Dianne Lourdes Dick, the US practiced “tax imperialism” by rewriting Spanish tax legislation “to provide an ideal environment for large US corporations to do business on the island.” The sad irony is that Puerto Rico’s Spanish taxation system was part of a slowly expanding economy with no foreign debt when the US came and lent money to Spain to fight the Cuban independence movement (Morales 2019: 37). As a result, a paradigm was established whereby virtually all manufacturing in Puerto Rico was geared toward export to the United States, necessitating imports of food and other requirements for domestic use. Overall, Puerto Rico had greater autonomy under the Spanish government than under the history of US and Latin American relations.

The transitional military government allowed Puerto Ricans to run for both houses of the legislature and adopt domestic laws. The United States retained the power to nominate a governor, who could veto any act, and that governor was to be an American, not a Puerto Rican. According to the Library of Congress, Charles H. Allen, a politician from the United States, was installed as the first civil governor of Puerto Rico on May 1st, 1900. Allen served in this capacity (LOC, 2011). In 1902, when Allen retired as governor of the island, the territory’s government had paid off all of its debts and had more than one million dollars in its treasury. However, the Foraker Act put heavy levies on Puerto Rico’s exports to protect American sugar and tobacco businesses against Puerto Rican competition, straining the island’s economy.

On March 2nd, 1917, the Jones-Shafroth Act established Puerto Rico’s institutional framework, with agriculture as the primary economic activity. The act exempted Puerto Rican

bonds from taxes, making them attractive to investors. The local government was established with the help of federal law, laying the foundation for a civilian government on the island. The Jones Act provided the political foundation for colonial exploitation. Puerto Rico is subject to all federal laws except the ones that the United States declares locally inapplicable. Puerto Rico was added to the US tariff system and Constitution without consent. The United States controls essential aspects of Puerto Rican affairs, including defense, money, citizenship, and international trade. Puerto Rico can elect a legislature with limited authority and a non-voting resident commissioner to represent them in the United States.

The Puerto Rican migrant story is unique in that the island's Great Migration arose from an expected difficulty with Operation Bootstrap. The island would have too many laborers as it moved from an agrarian to an industrial economy. (Morales 2019: 48). Around 45,000 Puerto Ricans lived in New York City by the 1920s after the United States annexed Puerto Rico. Most Puerto Ricans worked in low-wage industrial occupations, yet they were paid more in the United States than on the island. The arrival of Puerto Ricans allowed for the development of an umbrella organization of smaller groups to represent Puerto Ricans to a broader audience (Ayala-Bernabe 2007: 68). Migration and US dominance have been sources of friction in Puerto Rico for quite some time. The American dream, a quest for opportunity, resulted in New York's Hispanic population growth. Since the Jones Act (1917) granted US citizenship to all Puerto Ricans, it was designed to recruit more soldiers in preparation for the United States' participation in World War I. Puerto Ricans were at the forefront of the United States military at the time and have continued to be so ever since.

Looking at Puerto Rico can provide insight into events that have taken place in other former colonies and developing nations. These events involve the growing importance of foreign

investment and multinational corporations. Nowadays, the global economy is characterized by the easy movement of raw materials, currency, labor, and finished goods across different parts of the world. However, this free flow of capital can negatively impact developing nations' economies and cause global labor movements, which some countries may need help to handle. Puerto Rican emigration to the United States exemplifies a trend that began in the latter half of the 20th century, where mass migration from developing to developed nations was a significant aspect of global capitalism.

The Puerto Rican experience predicted the impact of foreign currency and multinational corporations on developing nations and emerging economies. The global economy has made trade in raw materials, money, labor, and finished products easier. Unfortunately, the mobility of capital has hurt the economies of developing nations, leading to labor migration across borders. This trend will likely continue, and nations must be prepared to deal with it. The migration of Puerto Ricans to the United States is an example of this phenomenon, which has become a unique characteristic of the late twentieth century.

Puerto Rico and the US are committed to freedom, human rights, and democratic governance. Both were invested in the economic and political growth of the Caribbean region and have made progress through the Alliance for Progress. The partnership was built on mutual understanding and collaboration, thanks to the American people's dedication to innovation and cooperation. The Population Office was created in 1965 under the Alliance for Progress to encourage population management in Latin America. Edgar Berman was in charge of the office and introduced a mathematical equation in 1966 that showed a link between population growth and political instability. For instance, the formula for calculating political instability is

PG/E+SD=PI, as stated by Berman in 1966 (page 10). Moscoso played a key role in this initiative due to their knowledge of population planning in Puerto Rico.

The Alliance for Progress was an initiative during the Cold War in the 1960s. It aimed to provide resources to Latin American governments in exchange for their refusal to adopt communism. This policy helped the United States shift its political ideology from moralism to realism. *Realism* is a writing style that emerged after World War II. It views the world as unstable and ruled by governments competing for power over the less fortunate. Conflict is emphasized over ideals, and governments are primarily concerned with advancing their interests, even if it means destroying others. On August 17th, 1961, the Punta del Este Charter, which codified the Alliance for Progress, was made public. The manifesto and accompanying statements are still persuasive today because they connect socioeconomic and political transformation. The Charter's dedication to democracy is most evident in its accompanying statement, which declares that the Alliance's primary purpose is to build and strengthen democratic institutions by implementing the idea of people's self-determination. It then underlines the Alliance's fundamental belief that free men working via the institutions of representative democracy may best meet man's goals, including those for jobs, housing, land, health, and education. It claims that no system can ensure meaningful growth unless it recognizes the individual's dignity, which is the cornerstone of American society (Smith 2012: 217). The Charter itself is mainly concerned with social and economic issues. Socially, it seeks to enhance medical care, housing, and education, focusing on the lower class's needs. It aimed for equal income distribution and development via more balanced, diverse, and industrialized national economic frameworks based on increased investment, liquidity, and regional integration.

Section 2. The Political Economy of Operation Bootstrap

Neoclassicists believe that there are structural benefits to being a United States economic region. They claim that these advantages include the unrestricted movement of production factors and goods between Puerto Rico and the United States without the structural balance of payments problems and repercussions that plague the majority of national economies. Under this rationale, a free-trade, outward-looking paradigm of development, consisting of incentives for export-oriented US firms, has been pursued since the early 1950s, with only minimal modifications (Benson-Arias 1997: 78). This model, dubbed Operation Bootstrap, was enacted to capitalize on the institutional advantages of being a US economic region. This type of conventional thinking overlooks the asymmetry of the island's insertion into the mainland economy and some of the most dramatic socioeconomic consequences of the policies pursued in this context, even though there are definite advantages to being a part of the US market (especially concerning avoiding the significant inconveniences associated with balance of payments disequilibrium).

During the first fifty years of the 20th century, North American capital was invested in sugar cane, tobacco, the needle industry, and manufacturing. At this time, sugar cane was the most significant crop. North American businesspeople monopolized the best land while peasants suffered. North American entrepreneurs benefited from Puerto Rico's thriving sugar sector. Over time, these capitalists made more money from sugar cane businesses in other nations. Profits from Puerto Rican operations were reinvested in other places, causing agricultural activity to stagnate. (Lubeck 1976: 47). In 1891, Secretary of State James Elaine advised President Benjamin Harrison: "There are only three places that are of value enough to be taken, that are not continental. One is Hawaii, and the others are Cuba and Puerto Rico." (Ayala-Bernabe 2007: 14).

As a result of US policymakers' attempt to spur economic growth in Puerto Rico, the island's labor force was forced to migrate to the United States, specifically New York City.

The industrialization of Operation Bootstrap occurred in two distinct phases. The level of company attraction characterized the initial period of the policy. American corporations invested in Puerto Rico to equip workers with the necessary tools for employment. They were drawn to the region due to its significantly lower labor costs compared to the United States. This shift in labor expenses led to a transition in the employment sector from agriculture to manufacturing, subsequently causing the migration of Puerto Rico's rural population to urban areas.

As a consequence of displacement, more than 450,000 Puerto Ricans migrated. Numerous manufacturing firms had begun aggressively recruiting on the island, and the persistent depression in Puerto Rico had made many residents anxious for a new start. Due to the Great Depression, many employees immigrated to New York City for a higher wage.

American advertisers were highly successful in Puerto Rico. According to Maldonado (1997), Ogilvy believed every effective advertisement required a "hero." This advertisement's savior was the renowned Beardsley Ruml, who assured American businesses that Puerto Rico offered enormous profit potential. The bold, full-page headline proclaimed, "Now Puerto Rico Offers 100% Tax Exemption to New Industries." A chart depicting the effect of tax exemption appeared in the middle of the text: a net profit of \$485,500 after federal taxes becomes \$1 million in Puerto Rico, an increase of 106 percent. A net profit of \$17,500 in the United States becomes \$25,000 in Puerto Rico, a 43 percent increase. In addition, the industrialist would reside on an island "paradise . . . the swimming, sailing, and fishing, are out of this world, and your wife will rejoice to hear that domestic help is abundant." (Maldonado 1997: 218). The hardest part of selling Puerto Rico as a good place for business was that advertisers wanted to find, draw, and

sell the island's soul. He was interested in the word "renaissance." Ogilvy's ads made it sound like what was happening on the island was more than just making roads and eliminating slums. They made it sound like an old and rich culture was returning to life.

At the beginning of the 1960s, the second stage of industrial development began in terms of corporations' extensive capital investment on the premise that capital-intensive industries would provide higher wages and stimulate the creation of secondary industries (Perryman 2019). Before Puerto Rico decided to pander to foreign corporations, the PPD had the opportunity to increase its autonomy and break free from US control. The party believed economic growth and industrialization were essential for Puerto Rico's success. However, they made these choices without taking the time to comprehend that the government had not considered the long-term effects of its enacted policies. Policymakers' desire to meet mainland firms' requirements led to the local government's instability. For example, once this policy direction became programmatically codified, it became necessary to convince the majority of Puerto Ricans that their best interests would be served by turning the island into a profit haven for US investment. (Dietz 1986: 209). As a result, in response to US policies, the government-initiated programs to provide subsidized buildings, workforce specialization training, low-interest financing, and other forms of assistance as incentives for the corporations of the mainland United States.

The inclusion of tax exemptions caused Puerto Ricans to migrate to the United States for higher-paying employment. This document contends that the continuation of Operation Bootstrap has hindered the development of a stable and dynamic economy in Puerto Rico. It has only established economic reliance on direct American investment. Ultimately, the transformation of Puerto Rico's economy is significantly influenced by external policies enacted by US legislatures to integrate Puerto Rico's economy with that of the United States. During the

era of industrial expansion, the relationship between Puerto Rico and the United States centered primarily on promoting investment in areas where private U.S. companies were prepared to invest.

Since labor-intensive enterprises that did not require substantial investments in fixed capital could be established in Puerto Rico, the island attracted industries. Pharmaceuticals, electronics, textiles, petrochemicals, processed foods, apparel, and materials dominate industries. Finance, insurance, real estate, and tourism were the most prominent service industries on the island (Rivera 2020). The attraction of industries by Puerto Rico and the local administration made it simple for economic agents to relocate to potentially more lucrative locations. The instability of these operations would result in high unemployment rates, particularly among the male population, due to the relocation of factory locations.

Production processes were modified under duress based on the island's requirements and preferences. In response to the preferences of the US market, the government of Puerto Rico encouraged the development of a tourism industry. Tourism played an essential role in the urbanization of Puerto Rico. Under a capitalist paradigm, the island's desirable coastal areas became its primary commercial representation in relations with the United States. Regarding export demand, the Puerto Rican government relied significantly on the pharmaceutical industry, textiles, and petrochemicals. In the tourism industry, the government was independent of the ambition of private investors motivated by tax incentives. The creation of more employment on the island was characterized by Operation Bootstrap's depiction of a contracting labor force and economy (Ayala-Bernabe 2007: 194). Due to postwar expansion, the United States reduced its labor force, resulting in a significant migration of Puerto Ricans to the United States continental region. The mass migration of Puerto Ricans significantly impacted the labor force, which was

already in decline, resulting in a decline in the marginal product of labor in Puerto Rico. Due to modifications in US import policy, the decline of Puerto Rico's labor force became evident.

During the early stages of his career, Muñoz Marin played a significant role in the colonial relationship between the United States and Puerto Rico. He identified several issues, such as overspecialization, high unemployment rates, inadequate remuneration, absentee control, and systematic profit outflow, as factors that contributed to this relationship. The individual perceived the state of Puerto Rico as a result of excessive population density and the country's decision to expose its economy to competition and financial influence from the United States. Nevertheless, Muñoz Marin did not perceive a straightforward solution. Given that Puerto Rico's economy heavily depends on its exclusive access to the US market, a sudden separation from the mainland would result in a significant financial setback. The absence of an economic foundation for autonomy in colonialism resulted in severe economic ramifications. The New Deal aimed to offer a resolution. The sugar sector underwent a state-led rationalization effort initiated by Roosevelt, which demonstrated the efficacy of a governmental intervention in addressing the shortcomings of capitalism. The advent of financial institutions facilitated this process.

In a letter to Eleanor Roosevelt, Muñoz Marín said that he had come to believe that the New Deal would make it feasible to establish an "independent economy" that was "as far as possible planned and autonomous...." Muñoz Marín saw a direct correlation between reducing sugar output, taming the excesses of unchecked capitalism, rebuilding Puerto Rico's economy, and getting the island ready for political independence. (Ayala-Bernabe 2007: 101). Muñoz Marín's initial proposal was the Plan Muñoz Marín. Carlos Chardon, an agronomist, requested that the government acquire the United Porto Rico Sugar Company's five sugar mills and 30,000 cuerdas (acres) of land. Therefore, acquired agricultural land would be transferred to more cane

farmers' land. The poorer land would be taken from sugar production, split into small farms, and given to the landless. The strategy would eliminate sugar overproduction and start a regulated agricultural transformation.

Carlos Chardón was named chairman of the Puerto Rico Reconstruction Administration by Governor Blanton Winship in 1935. (PRRA). Luis Muñoz Marín, a senator in the Puerto Rican Senate and member of the Liberal Party, urged the agency's founding; it was patterned on some of Franklin D. Roosevelt's New Deal projects to put people to work during the Great Depression. (Arrigotia 2008: 292). Plan Chardón was well-received. It boosted Agriculture Technician training. Using the Chardón Plan, Puerto Rican legislators initially desired to industrialize Puerto Rico during the second world war. Despite having a budget of just \$500,000, the board approved building a \$2.2 million glass factory since the rise in rum tax rebates would more than cover the investment in the glass factory. (Maldonado 1997: 37). When workers were not leaving Puerto Rico in droves, the island's newly forming businesses benefited greatly from the abundance of low-cost labor. Hence, the fall of the continental rum market hampered glass and paper companies shortly after the war.

Muñoz Marín and his 1940 legislature-winning party were concerned about systematic economic growth. Although his administration came into office with a development program focused on agricultural reform, which was supposed to lead to stricter enforcement of a federal 500-acre limitation law and the creation of a Land Authority and an Agricultural Development Company to increase agricultural productivity and diversify agriculture (e.g., pineapple and dairy production), it was soon realized that the overpopulated island could not support such a program. Puerto Rico's primary development agencies—PRIDCO, the Puerto Rico Planning Board, and the Government Development Bank—were established in 1942. (Baer 1959: 647). The Water

Resources Authority, Transportation Authority, Communications Authority, Aqueduct, and Sewer Authority were founded between 1941 and 1945.

As far as Muñoz Marín was concerned, there was no way out if Puerto Rico had declared independence. As Puerto Rico's economy has become so reliant on the federal government's protection of the US market, the island would quickly collapse if it severed ties with the United States. The lack of a stable economic base upon which to build independence was only one of colonialism's many catastrophic economic effects. Economists thought Bootstrap would go out of business once salaries in Puerto Rico reached the same level as those on the mainland since all other production costs were higher on the island. However, culture is the most contentious of the three terms—economics, politics, and culture. It is open to everything that involves people.

The glass mill was built to supply containers for 1940 rum manufacturing, but when the market crashed, it grew too enormous. The paperboard mill's jute board could not compete with the imported kraft board. The clay-products plant's sanitary ware segment could not compete with European rivals and was shut down. 1948 the shoe factory was unsuccessful because the local market demanded too many different types. (Moscoso 1953: 61). However, this came at a cost since, to reduce political conflict and strife, the PPD evicted independence advocates and crushed the Nationalist Party. In conjunction with the federal government, the PPD sponsored the emigration of agricultural laborers. North American business capital entered Puerto Rico's economy in the late 1940s. Supermarket chains and department shops led to Puerto Rico's dependency on North American products, which devastated its agricultural and commercial industries and raised living costs for the working class.

The timing was essential because the governor from 1941-1946, Rexford G. Tugwell, was the first governor in the four-hundred-year history of the island who planned to implement

substantial changes. Governor Theodore Roosevelt Jr. had tried transformation in the late 1920s, but Tugwell aimed to create a public administration that only existed in Latin America. A professor of economics at Columbia University who was part of Roosevelt's "brain trust" recruited Moscoso into public service. Muñoz Marín, Puerto Rico's first elected governor and its principal leader for forty years, and John F. Kennedy, who entrusted him with a great deal of trust and responsibility. (Maldonado 1997). Although they played essential roles, Muñoz and Tugwell did not create or drive the industrialization program known as Operation Bootstrap, which ultimately rescued Puerto Rico from decades of abject poverty. Teodoro Moscoso is the creator of the Bootstrap framework.

Moscoso was a prominent pharmacist in Puerto Rico. Despite being born into an affluent family and schooled to take over the family company, he devoted his life to serving the people instead. Teodoro Moscoso was born in Barcelona on November 26th, 1910. His father, a pharmacist, had a kid who could help him build a pharmacy chain in Puerto Rico, New York, and hopefully other parts of South America in a 20-year plan. Teodoro's schooling was well-planned and executed; he attended school in New York and graduated from Ponce High School. He then attended Philadelphia's pharmacy school. (Maldonado 1997: 7). In the early 1940s, the island was still recovering from the Great Depression, which had taken Puerto Rico to the edge of calamity. A lasting solution seemed unlikely. World War II brought economic prosperity to the continent, but unrestricted submarine warfare nearly cut off lifelines to the mainland. Puerto Rican food stocks plunged to near-starvation levels while exports dropped.

Increasing agricultural efficiency meant that the available land could only support a few more people and that while long-term factors would slow population growth, the workforce would continue to rise. The Puerto Rico Industrial Development Company (PRIDCO) was

founded to provide alternate sources of employment, particularly in industry. Currently, it is not surprising that early industrial planning emphasized self-sufficiency. Locally, mainland competition needed to be more active because defense considerations and enemy submarines hampered continental exports. Moscoso's first idea in industry and agriculture was to become less dependent on outside sources. The Development Company was organized like its Chilean predecessor but without significant starting capital. (Moscoso 1953: 60). For instance, "Chile's *Corporación de Fomento de la Producción*. He liked the word "Fomento." Back on the island, he corresponded with the Chilean agency only to learn that the war had greatly curtailed its activities." (Maldonado, 1997, p. 25). Nevertheless, American elites believed industrialization was unachievable in PR far from the US mainland.

Economist Harvey Perloff believed that industrialization must be viewed as an extension of agricultural output, and its success will be measured by the value added to island farm goods. Moscoso was optimistic. He did not think Puerto Rico should focus on sugar and rum. Puerto Rico must abandon agriculture. Smaller industries may have worked when the island's population was 500,000, but in the 1940s, it was over 2,000,000. (Maldonado 1997: 27). It was debatable if providing good urban facilities, such as roads and power, is more expensive in the long term than providing adequate rural facilities. However, the urban inhabitants had high expectations upon arriving. In a transitional time, efforts were taken to maintain residents in the nation as long as feasible. Political stability was critical to the success of Operation Bootstrap.

The PPD purged independence supporters and crushed the Nationalist Party to reduce political discord. In cooperation with the federal government, the PPD sponsored the emigration of farm-to-factory workers. After the war, the US became a driving force for global decolonization, but it could not claim to be a moral leader as long as it still had Puerto Rico as a

territory that was not self-governing. To cease international criticism of Puerto Rico, Congress passed the Elective Governor Act of 1947 and Public Law 81-600, which gave Puerto Rico the power to govern itself. (Cabán 2002: 189). Congress argued, however, that it retained the constitutional right to change the agreement, nullify the Puerto Rican constitution, or reject any insular legislation it considered inappropriate. If the Commonwealth were correctly formed, Puerto Rico would be an autonomous state apparatus with its character and culture, not absorbed into the US and sovereign over Constitutional affairs.

A salient aspect of the initiative, commonly referred to as “Operation Bootstrap,” entailed the implementation of a statute in 1947 that granted newly established industries a tax exemption, encompassing both income and property taxes, for ten years. As mentioned above, the legislation was made feasible because Puerto Ricans are exempt from federal taxes; as per the principle of “no taxation without representation,” all income and indirect taxes are classified as commonwealth taxes. (Baer 1959: 649). The scope of eligibility for this exemption was broadened to encompass all manufacturing industries that were not present in Puerto Rico prior to January 2nd, 1947, those that were explicitly identified in the Industrial Incentives Act (primarily comprising pre-existing industries that the government sought to encourage further), as well as commercial and tourist hotels.

The state government was restructured in 1948 by newly elected governor Luis Muñoz Marín to facilitate the shift to a development plan based on investments from the United States. The governor’s office was a hub for all things related to planning, industry promotion, infrastructure development, and program implementation. (Cabán 2002: 188). While Muñoz had a more significant overall influence on Puerto Rico, Moscoso was nonetheless quite influential. Large banners proclaiming Moscoso’s establishment of status symbols of Fomento plants could

be seen all over the island. Each member of Fomento wore his or her Fomento pin with pride, signifying membership in the Puerto Rican government's upper echelons. He conceived and directed a budgeted effort in public relations worth multiple million dollars, which helped improve Puerto Rico's standing in the eyes of the American public and the rest of the globe.

Underdeveloped places like Puerto Rico came to the 20th century with cultural traditions and family patterns unsuited for industrial living and manufacturing. In general, education, nutrition, and physical welfare aspirations were low. Lack of desire hindered the establishment of good work habits. Ignorance and limited wealth served as hurdles to families, which limited and worsened the population issue. Lack of advancement dulls motivation for literacy, competence, and self-improvement. Hence, low salaries and lack of skills limit the installation of labor-saving equipment and new technologies, perpetuating low wages. (Moscoso 1953: 68). Most of Puerto Rico's growth after the war came from US markets and capital. Even though low wages and tax breaks were important, Operation Bootstrap could not have worked without political stability.

Faced with severe unemployment and underemployment in the late 1940s and a growing population, American advisers convinced PPD leaders that introducing the industry to Puerto Rico alone would not provide enough jobs; a substantial decline in population growth may follow in trajectory. PPD leaders and its American advisers viewed population control as akin to industrialization. Moscoso worked on a project several times larger than the original Fomento facilities, including a \$7.5 million luxury resort hotel. Maldonado states, "There was, in fact, much in Puerto Rico to discourage even an initial holiday trip. There were no organized tours, the taxis appeared unsafe, the drivers seemed the case with everyone else on the island, were unable to communicate in English, and restaurants were scarce" (Maldonado 1997: 120).

Moscoso believed visitor trade would expand slowly without decisive leadership and contemporary facilities. It committed a substantial part of its resources to build the Caribe Hilton Hotel, which helped achieve its goal.

Between 1947 and 1949, the Hilton Company built new hotels in San Juan's historic district. The Caribe Hilton became the Hilton Puerto Rico to represent the island's growth. The government erected the San Juan and La Concha hotels on January 1st, 1960. After gambling became legal in 1948, a new airport produced more significant opportunities. Improved air travel options have increased the number of tourists to the island. Due to the Cuban Revolution, Puerto Rico replaced Havana as the leading Caribbean tourist destination. From 1961-1969, Puerto Rico was on a path to greatness as the GDP grew by 3.3% in less than a decade. The slow collapse of the 1950s and 1960s would rapidly drop in the 1970s, devastating Puerto Ricans. Agricultural jobs were also hurt severely by the continuous mechanization trend. World capitalism's postwar boom came to an end in 1974-75. The same went for Puerto Rico. Between 1959 through 1974, the island's GDP expanded by 7.7% a year but dropped to 1.9 percent. (Ayala-Bernabe 2007: 198). Manufacturing jobs decreased, and so did actual earnings. Getting fresh investors became considerably more challenging—however, no new development projects formed throughout the prior period. Still, the island's success was reliant on foreign investment. Puerto Rico's economy has declined for years, with little prospect of revival.

In the 1950s and 1960s, planning goals were to industrialize domestic resources and mitigate the social repercussions of fast economic development. Since planners were confident that Operation Bootstrap would increase income, social welfare, and public housing were low priorities. Moscoso had a vision of Puerto Rico, an island that can be sustained under economic growth alongside population growth. Maldonado states, "At the Ponce Housing Authority,

Moscoso had gained experience in dealing with the government bureaucracy in Puerto Rico and Washington and negotiating with contractors.” (Maldonado 1997: 35). The timing of the Puerto Rican industrial space was impeccable; Moscoso seemed to be fit for most of Puerto Rico’s problems and helped establish a proper industrial and international space for the island. The Economic Development Administration of Puerto Rico became widely regarded as the government development company that has achieved the most significant success in the Western Hemisphere. Naturally, Moscoso recognized that he—not Muñoz—was the driving force behind Bootstrap.

Nonetheless, Moscoso and Fomento achieved their goals by having Muñoz and his massive amount of political power become captives of the national projection of Muñoz as the driving force behind the economic improvements. Muñoz vowed to concentrate on the technical issues of modernizing engineering. Muñoz was also eager to situate the island’s development into the broader Cold War backdrop. Puerto Rico would be a showcase for democracy, while the Developing World served as a battlefield between the US and the USSR.

Puerto Rico was known as the “Cold War paradise” among academics. After the Cuban Revolution in the ’60s, the island became the most popular tourist destination in the Caribbean, with yearly visitor numbers reaching over 500,000. While some came on official business, most were just vacationers eager to enjoy the sun, surf, sand, casinos, brothels, museums, and landmarks the area had to offer. Although Nixon was engaged with pressing national and international issues, the tourist industry has become an increasingly important part of the relationship between the United States and Puerto Rico. (Merrill 2001: 179). Even though many Americans indeed went to Puerto Rico with the sole intention of having fun and relaxing, they inevitably got caught up in a Cold War cultural experience. The advertisements claimed that

Commonwealth Puerto Rico was a postcolonial region with substantial autonomy while receiving instruction in democratic capitalism from the United States. It had attempted “modernization,” a development plan centered on transferring North American capital, technology, and values, as social scientists and US authorities described.

On the fifty-fourth anniversary of the US Navy’s landing at Guánica, the commencement of American occupation and territorial authority, the new Commonwealth’s constitution went into force on July 25th, 1952. Muñoz Marín oversaw the formation of the Commonwealth and regarded it as a way for Puerto Rico to establish the economy that would eventually lead to independence. The title “commonwealth” was supposed to eliminate “colony,” but it essentially ensured that the island would remain a US colony eternally. Although the Muñoz Marín and US cooperation would provide a bountiful economy for American businesses, very little was invested in the island to secure its continued prosperity and stability. (Morales 2019: 45). Formento's most powerful incentive was tax exemption. However, a company had to make money to exploit this. For most industries that moved to the island, this meant being able to pay lower wages than on the US mainland. Muñoz and Moscoso said it was not a cheap-labor policy because Puerto Rico’s goal was to raise wages as quickly as the conditions on the island would allow. (Maldonado 1997: 137). Economists thought Bootstrap would go out of business once salaries in Puerto Rico reached the same level as those on the mainland. The rise in labor was because all other production costs would be higher on the island.

Later, in the 1960s, the demand for oil in the United States ushered in a new phase of industrialization for Puerto Rico. A lack of industries led to the island specializing in processing foreign oil imports for export to the United States. (Ayala-Bernabe 2007: 192). Under the new petrochemical surge established by The Commonwealth Oil Refining Company, the United

States turned to Puerto Rico as a necessity due to the island's suitability for oil refining. The increase in operations in the 1960s led to the discovery of coal deposits along the island, which prompted "US mining companies, such as American Metal Climax and Kennecott Copper, sought concessions to exploit these findings...." The activist group Superpuerto later rejected this idea due to the "environmental consequences of highly polluting oil refining, processing, and transport operations" (Ayala-Bernabe 2007: 192). After Presidential Proclamations 4219 and 4297 of April and June 1973 authorized oil importation upon payment of an import fee, Puerto Rico imported and transported oil exclusively for the United States.

The Puerto Rico petrochemical project was halted, and because the industries never materialized, the Commonwealth Oil Refining Company declared bankruptcy in 1978, leaving a depression along the island's southwest coast. Puerto Rico was familiar with environmental concerns and debt issues. The average annual growth rate of Puerto Rico's real GDP increased from 8.7% between 1955 and 1966 to 10.1% between 1960 and 1970, while the poverty rate decreased from 62.8% in 1970 to 44.8% in the 2000s (Marxuach 2007). Because Puerto Rico's living standards surpass most of Latin America, there has been a sufficient increase in the island's quality of life over the decades.

Fomento proposed a petrochemical complex including oil refining, synthetic fiber, fertilizer, and plastics factories 1961. Oil refining and its ancillary industries would drive industrialization. Thus, the "petrochemical boom," as Emilio Pantojas-Garcia has underlined, marked the shift in the type of investor attracted to Puerto Rico, from the relatively small-scale capitalists in the consumer goods sector to large transnational corporations in more capital-intensive operations. By the late 1960s and early 1970s, Fomento strategists in Puerto Rico announced the plan to build a deep-water oil facility capable of handling tankers bringing in the

raw material for the oil-related plants. (Ayala-Bernabe 2007: 192). Following the 1973 Arab-Israeli War, the Arab oil-exporting governments embargoed the US and raised oil prices, shaking the worldwide oil business. US import policy changed. Puerto Rico's enhanced import quota lost its competitive edge as the petrochemical project stopped. Satellite industries failed, and refining activities shrank. The Commonwealth Oil Refinery Corporation went bankrupt in 1978, leaving rusty ruins along the southern shore. Nearby, the shell of the former Central Guanica shows the severe discontinuities of Puerto Rico's economic growth as defined by the changing wants and tastes of the US market and the pressure of American capital.

An intriguing facet of Puerto Rican development pertains to augmenting productive capacity and per capita living standards concurrently using private capital attraction. The primary inquiry that emerges is the degree to which the Puerto Rican encounter is distinctive and how much of its characteristics can be extrapolated to diverse categories of developing economies. Despite the relative autonomy gained in 1952 under the Commonwealth arrangement, Puerto Rico has yet to evolve into a nation-state due to its colonial relationship with the United States. To clarify, Puerto Rico needs to possess the typical structure of a regulatory framework present in a fully established nation-state, which includes the ability to regulate the flow of capital, goods, services, and individuals and the capacity to implement effective counter-cyclical policies. Puerto Rico exhibits unequal integration into mainland production circuits and institutional regulatory mechanisms. The island is a distinct component of the economic territory of the United States.

Section 3. Dependent Development in Puerto Rico

The capitalist development that imperialists dominate can disseminate capitalist relations and create industrialization. However, it is also in the best interest of foreign capitalists to uphold a certain level of underdevelopment and backwardness in both industry and agriculture. Hegemony is enacted to safeguard their monopoly interest by impeding the proliferation of capitalist social relations and hindering and distorting the advancement of the forces of production. Dietz has selected Puerto Rico as a case study to examine the impacts of capitalist development dominated by imperialist forces in the developing world. Dietz asserts that Puerto Rico's economy has transformed into an urban, industrial, capitalist, and service-based system due to the significant amount of capital investment from the United States. The capitalist industrialization present on the island has experienced disarticulation, resulting in a lack of connection between the local supply and demand. (Dietz 1979: 23). The collapse of the agriculture and industrial sectors focused on meeting local demand can be attributed to their vulnerability to unregulated competition from American agribusiness and consumer-good conglomerates.

According to Dietz, Puerto Rico exemplifies a scenario of capitalist development dominated by imperialism, wherein a lag in local agriculture and industry development and widespread social marginalization accompanies the growth of the capitalist industry. However, it is apparent from Dietz's analysis that Puerto Rico deviates from the norm of imperialist-dominated capitalist development. Puerto Rico represents a unique and unconventional scenario. Dietz acknowledges that reinforcing pre-capitalist structures is less conspicuous in Puerto Rico than in other sovereign states under imperialist control, such as Mexico, Colombia, and Peru. The observed phenomenon can be attributed to Puerto Rico's colonial status and role as a tax haven for transnational corporations based in the United States.

During Operation Bootstrap, there were two main periods of industrial development. Initially, post-maturity, the attraction of the policy to firms was clear. American firms invested in the island to guarantee that Puerto Rican workers had the necessary tools to do the job. They were relocating to Puerto Rico since the island had a cheaper labor cost than the continental United States. As a result, Puerto Rico's economy transitioned from agriculture to industry, forcing rural populations to relocate to metropolitan areas. In the high mass consumption age, Puerto Rico's economy is highly reliant on financial aid from the federal government of the United States because of its position as an unincorporated territory. The island nation possesses specific natural resources; nevertheless, most of the facilities that make up its industrial sector were constructed by American companies. The pharmaceutical industry, the electronics industry, the textile industry, the petrochemical industry, the garment industry, and the textile industry are Puerto Rico's principal industries. The Congress of the United States continues to have authority over commercial activity in Puerto Rico.

In 1934, the Nationalist Party in Puerto Rico organized a month-long agricultural strike that doubled worker wages yet attracted the FBI. The FBI investigated Nationalist Party leaders after this incident. "On October 24th, 1935, police shot and killed four nationalists..." (Denis 2015). In 1936, police killed two Nationalists at the San Juan General Police Headquarters. The first shooting occurred near a police station. On Palm Sunday, March 21st, 1937, a police shooting resulted in the deaths of 19 civilians, two policemen, and left 200 people injured. In a panic and reflecting the brutal nature of Western imperialism, police continued to fire, leading to the deadliest episode in Puerto Rican history. The Ponce Massacre and the Parsley Massacre (which took place the same year) marked times of transition, corresponding to the second of Walt Rostow's five stages of economic growth.

In his seminal 1960 book, "Stages of Economic Growth," economist and historian Walt Rostow outlined the five stages any country must go through to become a developed nation. The five stages included traditional societies, preconditions for take-off, take-off, the drive to maturity, and the age of high mass consumption. Since Walt Rostow's thoughts on development were founded on the concept that modernization was distinguished by the Western world's wealthier, more powerful countries at the time, Puerto Rico's economic history is inextricably linked to Rostow's thesis. (Rostow 1959: 1). Adopting Western-style capitalism and liberal democracy is best for other nations to join the contemporary world. When economies outside the United States could go beyond the agricultural or traditional stage, Puerto Rico was required to undergo the preconditions for the take-off phase before reaching the official take-off phase.

In Rostow's opinion, enterprises and farms need to expand in tandem during the take-off period (Rostow 1971: 6). During this period of upheaval, business, and innovative thought take center stage. However, the second stage in Puerto Rico happened under Spanish and American authority. It was highly improbable that Puerto Rico's economy would flourish under a new colonial authority, unaware of the full extent of the island's economic burden. Another factor affecting the development of institutions was the language barrier. Walt Rostow's theory is essential to the economic history of Puerto Rico because Rostow's ideas about development were based on the idea that modernization was marked by the Western world's wealthier, more powerful countries at the time able to move on from the early stages of development. Other countries should try to become as modern as the West by adopting capitalism and liberal democracy. Once countries other than the US could shift past the agricultural or traditional stage, Puerto Rico had to move past the transition stage, which was the step before the third stage, "take off." Rostow believes that businesses and farming must grow together (Rostow 1971: 6).

The transitional phase is mostly about trade, commerce, and new ideas. Nevertheless, Puerto Rico's transitional phase did not happen while it was under US rule. Exploitation by trade made it very unlikely that the island's economy would take off under a new colonial power that did not know the size and scope of Puerto Rico's economic burden.

Take-off represented the stage where the forces of economic growth expanded and dominated society, leading to localized surges and pockets of everyday activity. Walt argues that this growth is average and that its habits and institutions are built around expansion. The fourth stage is a drive to maturity of Puerto Rico's endeavor to legitimate itself as an economic force while under colonial control. When a new economy takes off, it undergoes a long period of steady advancement as it integrates new technology into its economic activities. Productivity often outpaces population increase since 10% to 20% of natural wealth is invested (Rostow 1971: 9). The economy's composition constantly shifts as technology develops, new industries emerge, and old ones fade away. However, Puerto Rico does not answer to its people; instead, it does so to please the United States, even though US investment on the island should theoretically work.

In the last stage of high mass consumption, society shifted its focus away from prioritizing contemporary technologies. Western countries should have aimed to promote social welfare and security during this period through the democratic process. This stage of advancing beyond technological maturity is also when resources are more concentrated on meeting consumer demands in manufacturing. An example of this is the expansion of the Ford assembly line in the early 1900s, leading to Fordism internationally impacting the growth of car manufacturers such as Japan (Rostow 1971: 11). Unfortunately, Puerto Rico consistently lagged

behind the US, making Puerto Rico dependent on every aspect of US decision-making, financial ones included.

Having been in touch with the American industrial landscape, Puerto Rico is now well aware of how the island's current conditions fall short of the standards expected by American investors. In order to generate an economic miracle, the technocrats understood that many of the steps employed to speed up industrialization were not incentives or subsidies in the traditional sense but rather equalizing measures to help bring circumstances on the island more to scale with those in the United States. Given Puerto Rico's indefinite colonial status, many intellectuals and technocrats are subject to neo-colonial power. They are elites, which translates to the ideology of the oppressor countries for the intellectuals of the insular bourgeoisie. A hybrid, depersonalized elite constantly concealed behind something, whether it is objectivism, intellect, or apathy.

While the 1950s brought many triumphs and miracles to the island, by the mid-1950s, the migration rate had increased to 50,000 a year. This decade they revealed the prejudices and attitudes toward Puerto Rico as more people became unemployed and migrated. Throughout this decade, mainland islanders increased by about 600,000. The real-life Puerto Ricans storming New York's streets and subways were perceived as strange, backward, untidy, noisy, and undisciplined. Puerto Rico's predicament used to generate empathy and shame, but today the vast influx evokes loathing. (Maldonado 1997: 105). Like the Great Migration of Black Americans to the North to escape Jim Crow restrictions, Puerto Ricans also migrated to the North to live in significant metropolitan areas.

Unemployment and restricted economic possibilities pushed many people from small towns and rural areas to migrate to larger cities and, ultimately, the United States. Large-scale migration altered the Puerto Rican colony in New York. Thirteen percent of New Yorkers were

Puerto Rican by the mid-1970s—Puerto Rican enclaves proliferated in New York, including key Boricua areas in the Bronx. In 1973, almost 40 percent of New York's Puerto Rican population resided in the Bronx, followed by Brooklyn (33 percent) and Manhattan (23 percent). In addition, they did not exclusively settle in New York. Many found employment in Philadelphia's textile industry, steel mills, and industries in Chicago, Gary, Indiana, and Lorain, Ohio. (Ayala-Bernabe 2007: 180). The population of Puerto Ricans in the US, success was more prominent in the US mainland compared to the workforce on the island. Why is that? Puerto Rican residents are not fully accounted for as US citizens. Hence, US firms on the island did not need to buy United States wage and salary benefits standards.

Since the beginning of Operation Bootstrap, the island's administration has actively pushed tourism. Puerto Rico established a reputation as a noncommunist development model for the public and commercial sectors after the Cold War. The government made substantial early investments instead of relying on private investors enticed by tax advantages. For instance, incentives provided by the United States and Puerto Rico to encourage American businesses to relocate to the island, including Section 931 of the US tax law, fueled economic growth. As a result of this legislation, Section 931 of the United States Internal Revenue Code exempts the earnings of personal property from federal income tax. At that time, manufacturing in Puerto Rico depended on the island's low wages and the opportunity to sell directly to the United States market, which was unavailable to other low-wage locations. However, the manufacturing sector has not been very successful in employment creation. Due to manufacturing, there has not been much of an increase in Puerto Rico's GDP.

However, the inability to regain prewar market share may be attributed to the need for substantial and ongoing public investments in social infrastructure for the industrialization

initiative. The revenue aspect of the Puerto Rican budget during the early 1960s presents an intriguing phenomenon. The revenue composition of the entity in question reveals that excise taxes accounted for approximately 52% of the total revenue, while income taxes contributed 36%. The remaining revenue was derived from property taxes, licenses, inheritance, and gift taxes. Approximately 67% of the total revenues are derived from tax revenue. At the same time, the remaining funds are obtained from federal government tax revenue returns, primarily from customs collection, federal grants-in-aid, and non-tax revenues (Baer, 1959: 659). Governments of less developed nations typically rely more heavily on indirect taxes than income taxes due to their ease of collection. However, in the specific case of Puerto Rico, the rationale behind this approach is primarily attributed to the prevalence of tax exemption programs.

At this time, Puerto Rico is recognized as a customs territory of the United States. In importation, “duties” refers to the customs charges incurred and any internal revenue taxes imposed. The United States is Puerto Rico’s most significant trading partner. Harvard composition data shows that “Other” industries make up the largest sector in San Juan, with 21.55 percent of the city’s employees. Executive, Legislative, and Other General Government Support is a prime illustration. It accounts for 6.26 percent of the city’s jobs. In the same way, the economy has a significant presence in “Professional and Business Services” (20.34%), including “Administrative and Support Services” (9.36%) (Harvard). As a direct consequence of employment creation by the US, Puerto Rico will be forced to conform to whatever course of action the United States decides to take.

Regarding ties between America’s territory and the US, the emphasis was on encouraging investment in areas where private American firms were ready to do just that. It was between 1947 and 1965 that the first phase of industrialization took place. Manufacturing and exporting

light industries such as clothes, textiles, and food processing were the primary goals of the country's post-World War II industrialization. The second phase included a local government that tried recruiting capital-intensive enterprises for medicine, chemicals, and electronics from the United States, occurring in the 1970s until 1980. The third stage of the island's growth occurred between 1980 and 1996 and was referred to as the "high-tech, high-finance" phase. Legislators in Puerto Rico had envisioned a future in banking, insurance, marketing design, and high-tech industrial asset (Marxuach 2007). Section 936 of the tax law, which exempted US firms from paying taxes on revenue derived from US territory, was utilized to achieve these objectives. It was implemented in 1976 to lure high-tech companies to Puerto Rico while enticing their US counterparts to maintain some of their profits in the territory.

Puerto Rico's money was diverted from island products and industry in favor of purchases made in the United States. In essence, this was great for non-residents of Puerto Rico, yet no federal taxes are due on the profits generated by enterprises located on the US mainland. It is estimated that throughout the 1980s, firms saved \$8.5 billion in taxes, and in 1987, these profit-shifting actions lost the Treasury Department \$2.33 billion in income (Citizens for Tax Justice 2016). Six firms received \$912 million in tax reduction under Section 936 in 1998 when multinationals were disinvesting in Puerto Rico. Puerto Ricans did not benefit proportionally from the tax credit. Puerto Rico swiftly fell victim to the financial curse, which happens when a country's political and economic institutions get co-opted by affluent multinational elites.

Private capital cannot trust the capital nation's political stability. Payment limitations and currency stability insurance are different. If the growing economy obtains adequate funds, imports should avoid causing payment issues. Ensuring investment safety in an undeveloped country is necessary to have fixed-rate convertibility, assuming that capital is directed towards it.

The only way for the developing country and the potential capital-supplying country to solve this problem is to sign a treaty or agreement in which the former guarantees infinite reserves to back up the currency or to link the currencies openly. Linking currencies may be politically challenging since the latter approach removes sovereignty, such as currency management or central banking powers. At the same time, the possible capital source may oppose the former plan because automatic deficit financing might amount to free foreign assistance. The latter aid may be a wiser choice. (Baer 1959: 666). Once firms are ensured stability and other prerequisites are met, capital movements for growth would automatically provide an exchange to finance most imports, reducing deficit financing.

The decade of the 1980s was marked by substantial shifts in Puerto Rico's legislative approach to the expansion of the economy. Throughout this decade, Puerto Rico made efforts to boost regional exports. As a result, Puerto Rico formed the Government Development Bank to invest in projects that assist in the growth of local businesses. By the 1990s, the country's public debt had more than quadrupled, from 6 billion to 12 billion, as a direct result of rising government spending. As a result of changes made to social programs in the United States, Puerto Rico has experienced a reduction in transfer payments, which supported about one-third of the economy. The federal government more than quadrupled the national debt from \$12 billion to \$24 billion between 1990 and the early 2000s. (NPR Chamber: 6) Simultaneously, the government took out loans to maintain operations on the island. In addition, it lowered funding for education and government employment, increased the sales tax, privatized essential public services, weakened labor rights, and worsened healthcare. Thus, establishing an oppressive system in which Puerto Ricans were forced to bear the burden ruined the country's debt. In

general, the actions of the United States have affected the financial security of Puerto Ricans, reduced Puerto Ricans' economic growth, and hindered the rise of income for local governments.

According to the dependency hypothesis, the people living in less developed countries are not to blame for their societies' incapacity to make development as a whole. Frank is adamant that Western powers intentionally ignored these countries' potential for development. According to Dietz, Fernando Cardoso was the one who first suggested the concept of related dependent development, also known as growth inside reliance. In contrast to Frank, Cardoso believes that certain Latin American countries have experienced capitalist growth and industrialization due to expansion in the domestic market, even though this process has been skewed and uneven. (Dietz 1980: 754). Although Frank, in this essay, feels that dependence is necessary for impoverished nations in order for developing nations to flourish appropriately. The markets must adjust in response to Puerto Ricans' demand, not for American investors' benefit.

Puerto Rico suffers because it uses the US dollar as its currency, which raises the cost of exports. The Dutch disease hypothesis was applied to the situation in Puerto Rico to explain why some industries can withstand massive capital injections while others, which may be essential for the island's people, may be adversely affected by these capital injections. The economic policies that led to the development of a sizable manufacturing sector on the island also reduced the strength of the island's other economic sectors. Policies reduced the strength of the other economic subsectors. As is typically the case, Puerto Rico's version of the Dutch Disease has had the opposite effect of the type definition in which resource profits alter the economic structure, particularly in countries where they account for a large share of exports. In Puerto Rico's economy, the increase in manufacturing and policies that encouraged this increase led to declines in other areas of the economy. The economic system established by the US made Puerto

Rico a viable option for capital ventures in specific industries, yet lacked in others, such as educational opportunities for impoverished children. Industrial growth contrasts the typical situation in which a Dutch Disease causes manufacturing to decline.

Several US businesses that had previously operated under the 936 sections of the federal tax code converted to another component of the federal tax code: Controlled Foreign Corporations (CFCs). Firms with CFC status had the same tax benefits as those with 936 statuses, but the employment-creating components of 936 statuses were gone (Hexner-MacEwan: 2017). Despite hailing it as a windfall, no employment or economic growth was generated in Puerto Rico under Section 936. Large pharmaceutical manufacturers in the United States, who could take advantage of the tax benefits, saw a significant increase in earnings. Of all the value created by pharmaceutical companies in Puerto Rico in the early 1990s, when 936 was entirely in effect, the owners' income accounted for 94 percent of value-added. (Hexner-MacEwan: 2017). The issue is that this approach to fostering Puerto Rico's economic growth has not been very effective. In terms of value-added, it has made a primary manufacturing sector possible. Most of this value has come from the profits of companies based off the island, mainly in the United States.

In Sotomayor's Princeton thesis in 1976, she believed the golden age of Operation Bootstrap permitted the Puerto Rican economy to grow in actual numbers. However, the argument is that it was unsuccessful due to local Puerto Rican leadership. Muñoz Marín's ambition for operation bootstrap "was based on a negation of self-sufficiency and an acceptance of utter dependency on the colonial master, the United States. Manufacturing firms in Puerto Rico were almost completely export-oriented to the mainland market, also dependent on the

United States for its investment capital” (Sotomayor 1976: 98). Sotomayor believed the local government was not doing Puerto Rico’s constitution justice.

Puerto Rican racism preceded the American invasion, and the Puerto Rican people were anything but unified prior to 1898. According to Zenon, historians have continually neglected the reality that significant characters in Puerto Rican history were not white. Reports that omitted to note that Albizu Campos, Ramon Emeterio Betances, or Roman Baldorioty de Castro were viewed as mulatto, mixed, or black by their contemporaries tended to preserve the overall picture of Puerto Rico as primarily white. (Ayala-Bernabe 2007: 257). Elite male Liberals in Puerto Rico tried to de-Africanize and moralize working-class men and women to subjugate them to their power. On the other hand, bourgeois feminists sought to achieve the same results for both aristocratic men and ordinary women. Radical working-class males asserted a plebeian solidarity that could go beyond race while denouncing racism on the island. (Suárez 1999: 9). *Imposing Decency’s* author contends that discourses can emerge in a variety of settings, including political and social movements, public debates, newspaper articles, official laws, and decrees, as well as more subtly in court testimony, neighborhood stories, jokes, and songs, as well as people’s daily actions and decisions.

Throughout the 1930s, Luis Pales Matos and others would profoundly alter the intellectual and political climate of Puerto Rico. Pales Matos composed the earliest poems that would later appear in his seminal volume of “black poetry” from 1935, which he considered as a defense of the African element of Puerto Rican culture. (Ayala-Bernabe 2007: 93). However, in Pales Matos’ situation, Africa was his haven from the local social realities. In his poem “Pueblo Negro,” the poet creates a world from his subconscious that he had discovered. The poetry of Pales Matos also presented itself as a defense of the undervalued, much disparaged African

element of Puerto Rican culture. (Ayala-Bernabe 2007: 125). A semi-official cultural apparatus with several currents, public discussions on the effects of modernity, and social science research programs in Puerto Rico—many of which were first led by North American professionals.

With emerging forms of popular culture in a shifting material context, oppositional literary and creative activity is often awkwardly enmeshed in official institutions. Luis Pales Matos' poetry reflects the despair that pervaded Puerto Rico. Pales Matos, however, transformed his pessimism into a magnificent aesthetic accomplishment through his poems. Under Marín's direction, Puerto Rico underwent a "spiritual reorientation." Although Pales Matos' pessimism inspired some of his best works of art, Marín was the architect of a new optimism. (Ayala-Bernabe 2007: 203). Under US colonial administration, it is quite feasible that the social definition of racial borders in Puerto Rico changed abruptly and noticeably in a relatively short period. A time of turmoil began when the United States seized control of Puerto Rico.

The weight of the long-lasting influence of utilizing "rational-legal authority," coined by Max Weber, is depicted in this quotation from the written testimony of Jose Calderon, President of the Hispanic Federation. This legal authority over Puerto Rico was adopted financially, although it was well known then that the local banks on the island would almost certainly default. The CFC system in Puerto Rico eats away at tax income and is opposed to statehood. However, they see statehood as the best way for Puerto Rico to avoid recessions and stay afloat in a Western-dominated market. However, maintaining Puerto Rico's status as a foreign nation harms federal revenue and encourages unfair competition among states. Since Law 22 in 2012, millionaires have been granted tax-free immigration to Puerto Rico. The revival of Puerto Rico's export industry and the rational-legal authority effect are contributing factors. If Puerto Rico

were to become a state, it would be the poorest of all states, which could determine future denials by Congress to pass for statehood or independence.

The shift of low-productivity labor from agriculture to higher-productivity jobs in industry and services during the early years of Operation Bootstrap, Puerto Rico's development program, contributed to income convergence up until 1970 in large part. A more optimum labor distribution that can steer the economy toward its production possibilities curve might improve income trade performance and industrial policy while that change is ongoing. The complex subject of Puerto Rico's standing concerning the United States is one that most people have mostly ignored. This political issue has evident economic repercussions because it draws attention to the issues that isolationist ideology raises. From the municipal to the commonwealth level, valuable resources are wasted in a near-constant race for political advantage. These resources would be better used to advance structural change, selective promotion, and other goals these critical studies outline.

The substance and ramifications of Puerto Rico's constitution are best examined in light of US arguments before the UN in 1952. The UN documents argued that Puerto Rico had a new constitutional status. The 1952 constitution did not improve political autonomy or individual liberties. However, it is inconceivable that the US expected a territorial possession to engage in free and equal agreements with its administering authority. With no recognized legal position to negotiate, the Puerto Rican constitution and the concept of a partnership with the United States take on a precise and aggressive appearance. When Congress legislated on primarily local Puerto Rican problems, such as the Rent Control Law, the Fair Labor Standards Act, and the Bankruptcy Law, all Puerto Rican laws became inoperative. "US Congressional legislation immediately terminated Puerto Rican autonomy over the subjects related to that, as clearly

shown by the long list of US-controlled Puerto Rican affairs” (Denis 1977). The US did not fulfill its legal and moral obligation to transfer all rights associated with establishing an independent nation to Puerto Ricans early on. This oversight may now be a source of regret for the US, as Puerto Rican activists primarily advocate for statehood in order to be included in the autonomous US Constitution.

Puerto Rican legislators of the 1980s made significant reforms to increase government investment to promote economic development. Within this decade, Puerto Rico wanted to facilitate regional exports produced by local businesses. Thus, the Government Development Bank was officially developed in Puerto Rico to invest in programs that would make it easier for local businesses to thrive. The rise in government investments caused deficit spending to increase, which doubled their public debt from 6 billion to 12 billion by the 1990s. Based on the welfare reforms that the United States passed, Puerto Rico had contracted reductions in transfer payments, which supported nearly one-third of the economy. In the 1990s, the government was heavily focused on public spending initiatives that doubled the public debt from \$12 billion to \$24 billion between the 1990s and the early 2000s. (NPRChamber: 6). As the government borrowed as a necessity to keep the island running, it also imposed strict measures that led to cuts in education, government jobs, increased sales tax, privatization of essential public services, decreasing rights of public sector workers, and a deteriorating healthcare system creating an oppressive system in which Puerto Ricans undertook the burden of the debt. Overall, U.S. policies have caused the financial safety of Puerto Ricans to worsen in the long run, which caused Puerto Rico’s economy to stop growing. In return, revenues stopped growing for the local government.

The elimination of section 936 of the United States led to a transition period, which began with a decline in industrial employment on the island based on many firms leaving. Section 936 of the US internal revenue code, passed in 1976, created a hefty tax credit for US corporations operating in Puerto Rico and the possessions of the United States. The US tax code exempted the profits earned by American companies from federal taxes. Puerto Rico's economy relied severely on these incentives. Also, corporations were allowed to import their products into the United States duty-free. This form of deindustrialization in Puerto Rico led to a decline in the workforce, implying fewer jobs available and adversely affecting the economy. (NPRChamber: 4). Since there are fewer financial resources in Puerto Rico, the government revenues regarding taxes began to decrease.

The local government extended the tollgate tax to apply to the return on section 936 corporations' earnings. It incentivized businesses to leave their money in Puerto Rico to have more outstanding capital. This tollgate tax would require them to pay taxes to the Puerto Rican government, something they were previously exempt from when they paid dividends to its US parent corporation from earnings and profits derived from the hotel, manufacturing, or shipping activities (Perryman 2019: 104). Also, the tax break had some unanticipated consequences, precisely the inequitable tax burden that fell to domestic Puerto Rican companies. In 1996, the President, Bill Clinton, signed the bill that would phase out Section 936 over ten years. Subsequently, plant closures and job losses followed, and ten years later, shortly before the Great Recession, employment in Puerto Rico peaked. Left with a dwindling tax base, the Puerto Rican government borrowed heavily to replace the lost revenue. This transition period for section 936 lasted until 2006, which commenced the island's economic depression.

The island has evolved in recent years to escape the dependence trap of the previous century. The well-known ports and distribution centers in northern and western Europe are essential to Puerto Rico's economy. Undoubtedly, pre-packaged medications are being purchased throughout Europe. According to the Census, medicines in calibrated doses packaged for retail use will make up more than 70% of all Puerto Rican exports in 2020, making them the island's most significant export to the rest of the globe. Ireland and Switzerland are the primary importers into Puerto Rico and the leading fuel oil, diesel, and gasoline producers. The value of Puerto Rico's pharmaceutical exports to non-US countries is projected to be \$15 billion. Key categories of US-Puerto Rico trade figures can also be distilled. The New York Times, for instance, grossly understated Puerto Rico's contribution to pharmaceutical manufacturing by using US export data rather than Puerto Rico's own. (Setser 2017). Given that pharmaceutical products and specialized organic chemicals account for most of Puerto Rico's imports and that these products are obtained from nations recognized for helping multinational firms lower their global tax burden, which suggests a bright future for Puerto Rico. They are laying the groundwork for a future in which trade does not rely heavily on US investment, as it did during their industrial era and one in which all Puerto Ricans can be proud.

The island's experience may serve as a model for other developing Latin American economies following the implementation of the North American Free Trade Agreement in 1994, which institutionalizes a milder form of integration between Mexico and the United States than Puerto Rico's commonwealth status and subsequent similar agreements among several other Latin economies and the United States. Second, the island's success in using tax breaks to entice investment from the US can be seen as an extreme example of a trend already visible in Latin America, where governments of varying ideologies are attempting new forms of tax breaks, such

as those about export-processing zones. (Lawrence-Laura 2006: 556). Lessons from Puerto Rico's more extensive experience with economic, social, and institutional integration with the US mainland are separate from the challenges from the twenty-year experience with the section 936 incentives.

PROMESA should be the target of all sights. The Puerto Rico Oversight, Management, and Economic Stability Act is a 2016 US federal law that established a financial oversight board, a debt restructuring mechanism, and accelerated procedures for authorizing essential infrastructure projects to reduce Puerto Rican government debt. This policy must be repealed. The PROMESA statute has been used to divert income from the island to pay bondholders for the cost of Puerto Ricans while failing to address the persistent financial issue. "Repaying a renegotiated debt and having access to financial markets," economist Heidi Calero says (Slavin 2020). Repayment is impossible without economic growth. PROMESA should be abolished, and the Puerto Rican government should be left to its own devices. It will not modify how it approaches legislative problems and should be bound by circumstances to make the necessary modifications and improvements for Puerto Rico's economic health.

PROMESA must be revised to abolish the policy to better the lives of Puerto Ricans and those affected by Maria, such as impoverished women in the labor force. Congress has the ability "under the Territory Clause, to maintain seven unelected masters that can impose their will, favor hedge funds, and deny Puerto Ricans essential services and minimal quality of life" (Vega-Ramos 2019). Puerto Ricans across the US are lobbying local leaders and the federal government for more help and have established a nationwide campaign to raise money for Puerto Rico. Congress should create a method for selecting non-territorial status representatives. Independence, statehood, and sovereign free association are choices. A unique constitutional

status assembly elected by Puerto Ricans should negotiate with the federal government and implement such agreements for a self-executing vote.

All in all, the people of Puerto Rico deserve just legislation, and the diaspora is critical to the country's reconstruction. It may also be vital in influencing the federal government to resolve Puerto Rico's political status. Until then, Puerto Rican residents of the United States and the island residents need to push for more robust policies to promote an economically stable territory to preserve the future of all Puerto Ricans. Puerto Rico's financial issues are caused by a lack of local administrative control, US lack of transparency and accountability, and corruption via institutional expansion, power, and legal authority. Self-determination is vital to Puerto Rico's future, and until it occurs, every referendum and election will legitimize the present system, postponing the removal of colonial status. Puerto Rico will remain marginalized by the colonial system until it becomes independent.

Section 4. Conclusion: Contending with Alternative Explanations

This essay has argued that the colonial system was the primary reason behind the failure of Operation Bootstrap to evolve into a successful long-term economic development strategy. Puerto Rico's colonial status and its role as a tax haven for US transnational corporations have limited the island's potential for economic growth through bootstrap initiatives. The limitations imposed heavily influenced the eventual lack of success. Also, several other factors are part of this story. These explanations do not override the island's colonial status; they cannot be fully understood in isolation from American colonialism.

Puerto Rico had fast growth in the middle of the 20th century due to its reliance on low-cost labor, special duty-free access to the American market, and tax breaks for American

businesses. By the 1970s, though, the strategy had run out of steam, and the government had to resort to ever-more cunning measures to keep the economy and itself afloat. These included pursuing new federal tax exemptions for American businesses, securing more transfers of federal funds, boosting government employment, and issuing ever-larger amounts of public debt.

Because a new economic strategy was not implemented, Puerto Rico's economy appears to be in a state of secular decline. Significant economic indicators have declined or remained unchanged for the past nine or ten years. Official government statistics show that during fiscal years 2006 and 2014, real GNP decreased by 13%. During that time, the island's economy shrank for five straight years before sputtering anemically to 0.5% growth in 2012, (0.2%) in 2013, and (0.9%) in 2014. According to the official government prediction, the GDP would decrease by 1.2% in the 2015 fiscal year (Marxuach 2015). The government was operating on ever-increasing deficits by the year 2000. When Puerto Rico's debt was downgraded to junk in 2014, the dance ended abruptly, and the island was effectively cut off from the financial markets.

Puerto Rico will need to work on many different things to make its economy more stable after the fall of the economy in recent years. Investing in infrastructure, schooling, and technology and making the island business more diverse could help. Economic growth can be achieved by attracting businesses in new fields, like green energy or technology, and encouraging people to start businesses and develop new ideas. Also, dealing with problems like the island's high debt and poverty will make the economy more stable and fairer. Since Puerto Rico's economy has always been based on production, especially in the pharmaceutical business, the government must continue changing that compensation level. Even though this business has brought in a lot of work and money for the island, it has also added to some of Puerto Rico's economic problems.

Certain scholars have contended that the program excessively emphasized luring foreign investment instead of investing in indigenous communities and enterprises. Additional factors that could have potentially contributed to the economic failure of the program are economic shocks and crises, such as the oil crisis that occurred in the 1970s or the more recent financial crisis, both of which have had a notable impact on the economy of Puerto Rico. It could be contended by specific individuals that the program needed adequate time to achieve success or that it was impeded by extraneous factors such as political impropriety or inadequate administration. For instance, Hurricanes Irma and Maria caused significant damage to the archipelago in September 2017. Puerto Rico has also faced multiple corruption cases and delays in receiving federal aid to rebuild infrastructure damaged by the hurricanes. Criminal negligence resulted in over 4,645 deaths. (Osoria 2021: 110). Corruption charges still hinder the recovery process, and the US government has halted recovery funding due to the island administration's lack of accountability and compliance. Governor Ricardo Rosselló resigned in July 2019 due to his mismanagement of Hurricane Maria, corruption, and the release of a controversial conversation. Puerto Rico's ongoing condition of exception and austerity measures made the impact of COVID-19 even worse for the island, which has a history of resilience and suffering through difficult circumstances.

Puerto Rico's pharmaceutical sector was established, assuming the island lacked natural resources for economic growth. However, many natural resources, including unique species and protected areas, make it debatable whether a small island with delicate ecosystems should be used for manufacturing. These concerns apply to all nations threatened by environmental degradation from industrialization and outsourcing. Puerto Rico experienced incredible economic and industrial growth, known as the "936 industries," thanks to government

infrastructure investments and tax exemption programs that attracted American manufacturing companies. These industries included garment factories, electronic appliance producers, food processing facilities, heavy refineries, sophisticated electronics, and pharmaceutical plants. (Pizzini, 2006). Unfortunately, the latter stage of industrial development resulted in the production of hazardous waste, leading to severe health issues in the 936 Industrial Belt on the island's north shore. The government was responsible for water and electrical supplies, with electricity generated by petroleum combustion facilities along the coast and water supplied by dams and reservoirs.

Recently, a drought drew attention to reservoirs when it was discovered that building permits for critical watersheds had been granted. Construction in these areas caused erosion and sediment buildup, significantly decreasing the reservoirs' ability to hold water and contributing to the alleged drought. The environmental movement has repeatedly criticized construction in reservoir basins and raised concerns with the government and industry about the adverse effects of industrial and infrastructural development on coastal regions. Citizens have played a crucial role in preserving the ecosystem. Coastal residents and fishermen opposed the establishment of a coal-fired power plant on the west coast (Pizzini 2006: 44), and a similar environmental struggle occurred in the 1970s and 1980s against coal plants in Rincón and Aguada. These grassroots movements and community-based organizations were fueled by local activists and other concerned individuals, typifying the efforts of industrial societies. Research conducted on the South coast of Puerto Rico reveals that a diverse group of locals, including teachers and fishermen with varying political beliefs, have come together to form a pluralistic community. This community has actively fought against industrial development and pollution through numerous struggles.

Puerto Rico's progress has been hindered by the debate over its constitutional status and political position since the founding of the PPD party. Puerto Ricans have been divided on whether the island should integrate into the United States, become independent, or have a middle-ground status with self-governance and strong economic ties with the US. The political evolution of Puerto Rico is essential for scholars of global public order as it reflects the United States' efforts to address the political desires of a subordinate population. Puerto Rico's political progress has also diverged from other subordinate regions in the last century. The significant aspect is the ongoing debate about Puerto Rico's future. Austerity measures have struck Puerto Rico, while big corporations receive substantial tax breaks and subsidies. The country's adoption of neoliberal policies, including budget cuts, privatized public services, low corporate taxes, and heavy debt issuance, has been ongoing for the past two decades. In response to the economic crisis, every governor since 2006 has declared a financial emergency and used executive orders to address the situation. Puerto Rico was forced to file for bankruptcy with a public debt of \$72 billion and a debt load of \$15,637 per person in 2016. (Osoria 2021: 111). The US Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) in 2016 to respond to the crisis. Following PROMESA, a financial control board was created to manage Puerto Rico's finances.

The legitimization of sterilization by physicians in Puerto Rico and promotion by population agencies in the United States led to the widespread testing of new birth control products by American pharmaceutical companies in Puerto Rico. A study was conducted at Ryder Memorial Hospital involving 1,700 women to test six distinct types of oral contraceptives and intrauterine devices. In addition, over 1,000 women were used to test spirals, coils, loops,

and IUDs during the initial four years of the 1960s (Mass 1977: 73). Impoverished Puerto Rican women at the San Juan Hospital also underwent hospital testing.

Despite its extensive usage in the US, India, and China, sterilization has barely topped one-third of the reproductive-age female populations in Puerto Rico. Three factors may explain this prevalence: Puerto Rican women were pushed to have little children amid a lack of medical sterilization advice, and the government did not promote birth control clinics providing alternate contraceptive techniques. (Presser 1980: 103). Puerto Rican women's desire to restrict reproduction stems from the shift from work to home. In the 1960s, more Puerto Rican women worked and wanted to restrict reproduction. Needlework to get a job and go from blue-collar to white-collar work. While infant mortality was falling, this change meant more newborns were surviving while the financial burden of raising a child on a woman's job was rising. If sterilization was not available, Puerto Rican women might have resorted to illegal abortion in significant numbers, as Latin American women have. Puerto Rico had no government-sponsored sterilization program, and public sterilizations were more challenging to find than private ones. However, the government's laissez-faire approach implied sterilization approval.

Puerto Rico's economy is highly dependent on commerce. It has a strong presence in the global market, as evidenced by its high GDP to exports and imports ratio and the significant foreign direct investment it receives. However, the island has not been proactive enough in interacting with other nations. It lacks opportunities to leverage industrial incentives to promote technology transfer, establish R&D facilities, and license cutting-edge technology.

Unfortunately, Puerto Rico's lack of sovereign authority prevents it from engaging in bilateral negotiations and directly representing its interests in international fora. In the past, Puerto Rico

has made strides in building political and economic institutions, including the Planning Board, PRIDCO, and GDB, that now play a significant role in shaping the island's economy.

Sometimes, institutions that work well in one period may need to be more effective in another. In economics, good institutions ensure equal access to economic opportunities and fair compensation for those who contribute labor and capital while protecting their property rights. However, as the economic landscape shifts to favor those with political connections and concerns over protecting rights increase, Puerto Rico's current institutional framework may not be enough to support economic development. To move forward, experts recommend using any savings from decreased debt service to create and implement a new industrial policy for Puerto Rico that includes coherent horizontal policies, such as simplifying complex permitting processes. Puerto Rico has to be able to access some form of emergency liquidity arrangement or use Chapter 9 of the US Bankruptcy Code shortly to prevent a disorderly default. (Marxauch, 2015). Additionally, implementing additional short-term federal policies, such as granting Puerto Rico the same access to federal healthcare programs like Medicare, Medicaid, and the Affordable Care Act, would give the Commonwealth some much-needed financial breathing room.

Puerto Rico has faced economic, political, and social challenges due to colonialism, debt, and poverty. Operation Bootstrap addressed these issues but had limitations. The lack of local autonomy, transparency, accountability, and corruption have contributed to financial difficulties. Self-determination is crucial for Puerto Rico's future, and any election or referendum will only validate the current system until Puerto Ricans come together and reject their colonial identity.

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