Colonial Trajectory As a Determinant of Economic Development in Cuba and Puerto Rico: A Comparison

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Colonial Trajectory As a Determinant of Economic Development in Cuba and Puerto Rico: A Comparison

By Carleigh Haron

Submitted to the International Studies Program, Trinity College
Supervised by Professor Dario Euraque
(c) April 2013
ABSTRACT: As an effect of globalization, the disparity between the richer and poorer nations grows increasingly larger. Colonialism marginalized many poorer, “developing” nations, two of which are Cuba and Puerto Rico. In economic development scholarship on former colonial nations, but Cuba and Puerto Rico are rarely focused on as a central point of comparison. I believe that these two islands prove to be particularly interesting to compare due to their distinct colonial trajectories, which are unique within the realm of all former Spanish colonies in the Americas and from each other. I believe the distinctive character of their colonial development translates into the current economic development and development issues each island faces today. To frame my study I apply the colonial typologies of Jürgen Osterhammel in the analysis of Cuba and Puerto Rico’s history of economic development and colonialism. I conclude that upon reaching sovereignty, Cuba was in a much better position to compete within the global market than Puerto Rico because it was a much more valuable colonial possession due to its more strategic location and larger productive capacity. Under colonialism, Cuba experienced a more intense expansion and modernization of industry, which made it a more powerful economy upon gaining sovereignty. Puerto Rico was a much more vulnerable developing economy because its capacity for development is inherently limited by the dependent structures ingrained under full colonialism and institutionalized in its political status. This study seeks to explore the implications of distinct types of colonialism and how they impact development.

KEY WORDS: Cuba, Puerto Rico, Caribbean, colonialism, economic development, colonial trajectory, sovereignty, dependency, exploitation, revolution
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Comparison: Colonial Trajectory As a Determinant of Economic Development in Cuba and Puerto Rico

Carleigh A. Haron

“Cambiar amos no es ser libre”

“To change masters is not to be free”

-Jose Martí

Figure 0.1: Map of the Caribbean

I. INTRODUCTION

During the Cold War, Cuba surged to the forefront of the conflict as a prominent socialist nation, a major enemy of the U.S. superpower, and underwent a full societal restructuring after only recently gaining full sovereignty in the 1959 Cuban Revolution. Close by, the island of

Puerto Rico, established its subjugated “commonwealth,” or *estado libre asociado*, status within the alternate empire, the U.S., lacking even half the development levels or political representation that every legitimate state of the union enjoyed. One island became recognized as a legitimate international power, while the other battled intense poverty and unemployment without retaining full control of its economy. The roots of Cuba and Puerto Rico’s colonial history are strikingly similar compared to other Spanish colonies; they were some of the first islands that Christopher Columbus claimed for the Spanish Crown and the last to gain sovereignty. What changed during their colonial history that allowed one island to become an internationally recognized power, economically and politically, and the other to lack control over its own economy, by the second half of the twentieth century? To answer this, I will compare the distinct colonial trajectories of Cuba and Puerto Rico to explain their economic development under sovereignty.

Within the first four hundred years of Spanish colonization, Cuba and Puerto Rico both held increasingly vital positions: noticeably by the last half of the nineteenth century when they remained the last Spanish colonial possessions within Latin America. At that time, Cuba was the gem of the Spanish empire, being both economically and militarily strategic. Thus, it experienced a much greater expansion of industry, specifically in the sugar production sector. Puerto Rico held an important position due to its critical location for trade and military strategy and being one of the two last Spanish colonial territories, but its smaller production capacity did not attract the same type of investment that Cuba experienced. With the end of the Spanish-American war in 1898 and gaining a farce of “independence” from the invading Americans, who liberalized and transformed Cuba into a magnet for US and foreign capital, furthering the development of industry and modern infrastructure (while also fueling growing radicalism as Cubans were denied full agency by the U.S.). Puerto Rico grew increasingly dependent as it was transferred from one colonizer to another as a spoil of war. I frame my analysis of their colonial trajectories with three colonial typologies suggested in Jürgen Osterhammel’s book, *Colonialism: a Theoretical Overview*. I argue that both nations have been marginalized as a product of their colonial history,
but upon gaining sovereignty, the Cuban economy was in a more advantageous position to compete within the global market due to its dual importance as maritime enclave and a Spanish Caribbean exploitation colony” while under Spanish rule. Alternatively, the Puerto Rican economy faces enormous difficulties, such as severe unemployment and a lack of industry, due to the ingrained dependency it engendered with the subservient role it maintained as primarily a maritime enclave under the Spanish and then American empires.

CHAPTERS

In the first chapter of my work I analyze various theories of economic development and its relation to colonialism, presenting a survey of relevant scholarship. I then explore some of the typologies found within Jurgen Osterhammel’s book, Colonialism: A Theoretical Overview, and use them to classify the general positions Cuba and Puerto Rico held within the empire. Thirdly, I offer a brief survey of the current economic conditions of each nation. In my second chapter, I analyze the roles that Cuba and Puerto Rico held within the Spanish empire and how that corresponds to the extent of economic development they experienced and the extent of the attention each received from the metropolis by the end of Spanish reign in the New World. Chapter three contains my analysis of the economic development and colonial typology as both islands transitioned from the Spanish colonial empire to the American “sphere of influence,” and the resulting implications. The importance they held and the degree to which they developed under Spanish colonial reign influenced the value Cuba and Puerto Rico held in the eyes of the U.S., which further affected the course of their development. In the fourth and final chapter I present the implications of each island’s colonial trajectory by comparing the level of economic development they experienced within the Cold War and post-Cold War era after gaining sovereignty, and by doing so, I compare the modern implications of their distinct colonial trajectories.
II. CHAPTER ONE—COLONIAL TYPOLOGIES AND THE CURRENT SITUATION

i. INTRODUCTION

Before delving into the colonial histories of Cuba and Puerto Rico, I would like to first discuss the specific implications and distinct forms of colonialism. The specific typologies of colonialism are crucial in considering a nation’s colonial trajectory. To frame my study, I refer to Juürgen Osterhammel’s work, *Colonialism: A Theoretical Overview*, which presents specific typologies that differentiate the forms of colonialism. Before presenting the typologies, I offer Osterhammel’s definition of colonialism,

> A relationship of domination between an indigenous (or forcibly imported) majority and a minority of foreign invaders. The fundamental decisions affecting the lives of the colonized people are made and implemented by the colonial rulers in pursuit of interests that are often defined in a distant metropolis. Rejecting cultural compromises with the colonized population, the colonizers are convinced of their own superiority.²

He presents this definition in the explanation of what he refers to as “modern” colonialism, i.e. the colonialism of the last few centuries that includes the period of Columbus’ “discoveries” and the colonization of the Americas. A key argument in Osterhammel’s analysis of colonialism is that the invaded indigenous societies are truly robbed of control over their historical line of development and manipulated to suit the interests of the external invaders. What distinguishes this type of colonialism from earlier forms present throughout the course of global history is that; “modern colonialism is based on the will to make the “peripheral” societies subservient to the “metropolises.”³

Through this process the foreign invader seizes control of the entire course of history of a people and their prospects of future development, which is why I believe these processes are vital

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³ Osterhammel, 15.
to consider in the analysis of a nation’s economic development. What makes modern colonialism distinct from earlier forms is also particularly important, as this distinction is what set in motion the processes of globalization that created the structure of current world order: the marginalization of the colonized nations to the periphery to be exploited for the benefit of the dominant nations. Once nations like Cuba and Puerto Rico developed on the periphery under colonialism, it proved to be particularly challenging to progress from their marginalized status.

ii. COLONIAL TYPOLOGIES

Once the Spanish Crown incorporated colonial possessions, the metropolis had to decide how to best utilize these new lands in order to extract the maximum profit from. The method of exploitation, which correlates with a type of colonialism, determined the colony’s role and consequent worth to the empire. Osterhammel offers a typology of colonial settlements, three of which I find applicable to the historical trajectories of Cuba and Puerto Rico.

The first is the Caribbean overseas settlement colony. A settlement colony is the establishment of overseas territories through some military force. An agrarian-based settlement develops, while native members of the population are incorporated into the system as subservient laborers. What make this type distinctly Caribbean is that as the native population diminished from disease and genocide, production processes required a new labor supply. To solve this problem, the Spanish (and other Caribbean colonial powers) imported the African slaves as a fresh supply of forced labor. The rest of the Spanish colonial possessions in mainland America fell under the category of Spanish exploitation colonies. The purpose of exploitation colonies is exploitation for the economic and imperial gain of the empire. They are characterized as a product of some extent of military conquest and, specifically for Spanish exploitation colonies, experienced relatively significant degree European immigration from the metropolis that resulted in the development of a mixed society and the creation of a dominant, minority Creole class. A

4 Osterhammel, 10.
third applicable type of colony is the **maritime enclave**. This type of colony is formed through “fleet action” with the intent of accessing local commerce/markets, or to aid in logistics of maritime naval action and the informal control of a formerly autonomous state.  

Both Puerto Rico and Cuba were initially developed in accordance as Spanish exploitations colonies, transformed into maritime enclaves, and then later on developed into Caribbean settlement colonies, focused on cash crop production with slave labor. By the end of the Spanish empire, their status represented a fusion of Caribbean overseas settlement colony and the Spanish exploitation colony because both had experienced a significant amount of European immigration (although to varying degrees), resulting in the creation of a dominant minority Creole class, and had agricultural exploitation with African slaves serving as the labor source. I will use the term **Spanish-Caribbean exploitation colony** to represent this fusion. During this time, both islands also remained important maritime enclaves. The difference in trajectory is the degree to which each was developed within the presented typologies. The Spanish initially exploited both colonies, but would later find Cuba to be far more profitable. Subsequently, Cuba became the focus of Spanish exploitation, while Puerto Rico transitioned into more of a peasant settler society. It remained important under Spanish rule primarily as a maritime enclave due to its militarily and commercially strategic location, which it has maintained under American rule until the present. I reference and explain these typological categories for Cuba and Puerto Rico as I analyze the periods of their colonial trajectories.

**iii. LATIN AMERICAN ECONOMIC DEVELOPMENT THEORY & CURRENT TRENDS: GLOBALLY AND LOCALLY**

Given Osterhammel’s definition of colonialism offered above, two key elements to consider in for the analysis of economic development are (1) the loss of control over the trajectory of development and (2) the tendency of colonialism to create a periphery (colony) that

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5 Osterhammel, 10-12.
is subservient to the core power (metropolis).6 Looking forward through history, let us now consider the current era. The current hegemony of neoliberal globalization has essentially created a bi-polar world in which the core powers have control of the majority of resources, while those on the periphery struggle to compete within the global market to improve living conditions for their people. The modern colonial era initiated this polarized structure and therefore can be referred to in order to explain the economic challenges of the peripheral nations, like Cuba and Puerto Rico. At the core, we have the former (or in some cases, current) colonizers, who forced their former possessions into the periphery of their empire and as a result, centuries later, the periphery of world order.

What does the navigation of a globalized world system imply for nations such as Cuba and Puerto Rico? Pedro Monreal Gonzalez provides us a prospective answer to that question, “The development process in a globalized context is essentially equivalent to a competition to acquire the material and technological bases of contemporary production.”7 He then explains what the development process implies in terms of the polarization between the core and periphery; between the developed and the developing, “The essential difference today is in the degree of participation and relative position that each country has in the global production chains, the control they exercise over these chains, and their prospects of being able to move up to higher levels.”8 The way in which formerly colonized nations have approached development strategies after gaining sovereignty has revealed a tendency for developing nations to adopt policies that actually continue and sometimes deepen the patterns of colonialism.

One of the core development theories is the structuralist ideological movement, which seeks to explain the polarized world structure. Latin American developmental theorists of the early and mid twentieth century, such as the famed Argentine economist Raúl Prebisch, inspired a

6 Osterhammel, 15.
8 Monreal Gonzalez, 229.
school of thought on economic development more-recently dubbed “structuralism.” The structuralist movement claimed that the polarized dynamics of the current world system could be explained by the existence of an international division of labor that consisted of a modern, industrialized center and a dependent, agrarian periphery. This division of labor was established under colonialism, in which the colonizing powers designated their possessions to serve them, usually through the provision of raw materials and agricultural products. Structuralist thinkers focused on correcting blockages that instigated the profound inequities in the system, such as the hoarding of technological advances, syndicate forces and oligopoly of manufactured goods. The main strategy for altering these structures focused on industrializing the peripheral nations. Structuralism stimulated the implementation of economic development strategies throughout Latin America, including the most widely utilized strategy: Import Substitution Industrialization (ISI). It focused on the domestic production of manufactured items that would normally be imported. Ideally, not only would a nation who implemented ISI develop domestic industry, they would also decrease reliance on imported manufactured goods from the center. Love argues that ISI schemes generally failed to deliver the desired ‘restructuring’ in Latin America. Apart from the generally negative results, the structuralist scheme did permit modest industrialization and modernization in Latin American nations. In the nineteen sixties through eighties, Latin America experienced widespread depressed macroeconomic conditions. Contributing to the troubling conditions were the incredible inefficiencies ISI programs generated, by creating distortedly high prices with tariffs, by excluding oneself from the world market and by producing items that would be cheaper to import because of the additional efficiency generated by economies of scale. The basis of structuralism relied on the domestic market as the motor of growth (via industrialization) instead of utilizing international markets.

10 Love, 101-106.
11 Love, 114.
As Latin American policy-makers began to lose faith in structuralism, both Love and Walton agree, neoliberalism became the new strategic development program in the 1980s and 1990s. When structuralism failed to solve existing economic development issues, whose roots lie in colonial trajectory, leaders of Latin American and Caribbean nations, influenced by western powers, turned to neoliberalism as a new development strategy. Walton argues that a broad usage of neoliberalism refers to a transformation in how the state and society interact, in a way that favors market forces over state intervention and provision. The hope of neoliberalism lay in the ability of market forces to redistribute inequalities, encourage development, through private industry and regulate economic volatility. Walton argues that neoliberalism actually exacerbates inequalities in the Latin American state and remains an incomplete strategy for development.\(^{12}\) He asserts that it is incomplete because it relies on market liberalization without considering the social and political institutional context of the nation and how economic processes interact with these institutions. High inequality, as a product of lower aggregate development; and severe instability exacerbated by high levels of debt, are problems consistently present throughout Latin America. Although neoliberal strategies may have provided a degree of growth, trade and financial liberalization, capital account opening and tax reform, increased levels of income inequality. The standard neoliberal solutions (reliance on market forces, etc) are not universally effective. In order to make them work in each nation, policies need to be conditioned to the local context. Walton even ventures to suggest that institutional strength may also be a determining factor in economic performance. Throughout Latin America, institutional structures have traditionally tended to serve elite interests and allowed for the depletion of equality. According to his argument, these patterns of institutional corruption are a continuing legacy of colonial regimes and persist through today, contributing to the development issues of Latin America.\(^{13}\)


\(^{13}\) Walton, 170-177.
The Caribbean itself faces its own distinctive developmental issues, due to the region’s unique colonial trajectory that emphasized heavy sugar/cash crop monoculture based on slave labor. Benjamin Timms presents the typical development challenges Caribbean nations face within the global market and offers an alternative mode of modernization. He critiques Caribbean structuralist-based development strategies and argues that they continue the production patterns of colonialism, by focusing on producing for the external market, similarly to how the islands were exploited under colonialism. Basically, it legitimized the colonial legacy of the plantation economy by emphasizing export agriculture and industrialization at the cost of agricultural production for the domestic market. Customarily, agricultural production for the domestic market is not deemed a sufficient development scheme, but Timms argues that this perspective fails to consider that domestic consumption would be adequate to drive agricultural production. By voluntarily continuing the colonial legacy, these nations invite incredible complications. Implicitly, they remain reliant on increasingly expensive imports for food supply, which attributes to overall food insecurity. What happens when the cash crop fails and there is not a sufficient supply to export in order to import food? These are very real issues that developing nations and Caribbean nations face with the reality of ever-increasing food costs. Timms asserts that the impending food crisis provide perfect impetus for these nations to finally seize the opportunity and change the fundamental structure of their development schemes and attempt to achieve a more reliable food security.

These opinions form some of the debate on how developing nations have chosen to approach development of within the current world order. Cuba and Puerto Rico both experienced certain degrees of structuralism, liberalism, and the implicit issues of being former agricultural export-producing colonies and nations, which created distinct implications for each due to their

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15 Timms, 102.
unique colonial trajectories. Within my comparison of Cuba and Puerto Rico’s colonial trajectories, I will refer to these development theories and their unique significance for each nation.

**iv. LOCAL CONDITIONS IN A GLOBALIZED WORLD**

Before I embark on the historical comparison of Cuba and Puerto Rico’s colonial trajectories, I would like to present a snapshot of the recent economic conditions of the two nations in the current global context in order to highlight some of the long-term consequences of the colonial economic strategies in the current global context.

**CUBA: RECENT ECONOMIC CONDITIONS**

Cuba is home to approximately eleven million people. The state owns and runs most of the means of production, there is free health care, education, universal employment, compensation and retirement benefits, and provision of some foods at low cost. From 1999 on, there has been substantial emphasis on the tourism sector, as a product of reforms in 1993 through 1994, which opened up possibilities for tourism, foreign investment, self-employment and the ability to hold American dollars. Jorge Domínguez asserts that the Cuban economy has the potential to make significant change with greater use of market mechanisms, but at the same time, it totters on the edge of crisis. The central challenges he highlights are: widened inequalities between provinces and urban and rural areas, widespread experience of downward social mobility, volatility in economic growth rates, an economy propelled by the export of services, stagnant agriculture and dependence on food imports, a bankrupt sugar industry and technologically obsolete manufacturing.¹⁶

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Since the ‘Special Period’ crisis that ensued after the collapse of the Soviet Union in 1991, the standard of living has still not come close to reaching pre-crisis levels.\textsuperscript{17} Cuba’s colonial past can be analyzed in order to explain some of the central social and economic challenges the nation faces today. I believe one of the most crucial issues is achieving greater food security. In 2005, still 58\% of calories consumed daily in Cuba were imported.\textsuperscript{18} Although the revolution has greatly improved the quality of life for the Cuban masses in sectors such as education and health care, in the area of nutritional progress has not been quite so egalitarian. This can be attributed to the fact that even after a major food crisis and subsequent revitalization of agriculture in the 1990s that produced a few years of growth, agricultural production has slumped again and Cuba has returned to relying on imports for domestic food consumption. Also since the 1990s, the social equality that the revolution achieved has subsided and with it, equalized access to food. To measure this rising inequality, in 1980 the Gini coefficient was 0.24 and grew to .38 in the 2000s.\textsuperscript{19} Omar Everleny Pérez Villanueva partially attributes this trend to the dual currency system in Cuba, which limits access to foods that can only be bought with the convertible peso (CUC).\textsuperscript{20} The CUC is both convertible to and tied to the dollar, while the regular Cuban peso is not convertible. The convertible peso can only be earned in some sectors which earn more foreign exchange, such as tourism, while Cubans who work in less dynamic sectors, such as government (the principle employer in the nation), are paid much lower wages in pesos.\textsuperscript{21} This contributes to

\textsuperscript{17} Domínguez, 1-17
inequality and promotes underemployment, as many highly educated people (one of Cuba’s greatest assets) choose to work in lower level jobs in more privatized sectors like tourism, which allow them to earn more. There is a shortage of foods that can be bought with the regular peso since many foods are imported and to do so, requires foreign exchange, which is required and needs to keep circulating within the sector. Vidal Alejandro blames the increasing inequalities not on the dual currency system itself, but on the structural imbalances of the system. These imbalances can be explained by Cuba’s colonial history, which allowed the island to continually rely on trade for food security and never permitted the development of an agricultural production sector for domestic consumption.

PUERTO RICO: RECENT ECONOMIC CONDITIONS

It is 2013 and there are almost 3.7 million Puerto Ricans that live on the island. Some of the positive aspects of society are the extremely high literacy rates and educational attainment levels, which are similar to those of the developed mainland.22 The insular economy benefits from unrestricted access to the U.S.; in 2010, the nominal GDP was $95 billion. Unfortunately the insular economy has faced deteriorating economic conditions since the 1970s, which has led to exorbitant migration to the mainland. Its competitiveness, which thrived in the early days of its manufacturing boom, has declined intensely. Unemployment has remained consistently high without seriously being addressed and there are markedly low labor participation rates. The recession that erupted in the mainland economy in 2008, started earlier on the island and conditions have barely improved, if at all. Gross National Product is still 10% lower than it was in 2005.


Overall, some of the major concerns I have for the Puerto Rican economy are the stark difference that exists between GDP and GNP, the incredible unemployment and low labor participation rates and the incredible difference between the island and the mainland. Puerto Rico is supposedly a commonwealth of the U.S., one of the most-developed and economically powerful nations in the world, and part of the U.S. economy, but Puerto Rico remains a nation struggling to develop. In 2010, the Puerto Rican per capita GNP was $15,000, one third of the U.S. average that year. Yet, the U.S. economy has been able to profit from the Puerto Rican economy, even if Puerto Ricans have not been able to. Due to federal tax policies American multinational corporations generate a significant portion of the productivity in the economy. Unfortunately for Puerto Rico, these tax laws allow much of the profit to be repatriated to the U.S. economy, which has created a stark discrepancy between GDP and GNP. In 2010, GDP was $30 billion dollars more than GNP ($65 billion); effectively, Puerto Rico loses almost one third of its GDP through repatriation. Clearly the Puerto Rican economy is structured in a way that does not permit maximization of its full production capacity and allows external corporations to benefit while the island sinks into disillusionment. The openness and connectedness of the Puerto Rican economy to the U.S. economy may be an asset to its economic development in some ways, but it is clear that this structure has not helped Puerto Rico reach similar development levels as the U.S., and has fueled dependency, impeded Puerto Rican economic development and improvement of local conditions on the island. All of Puerto Rico’s development problems are directly and indirectly related to its relationship with the U.S., whether due to the outright limitations on its policy actions or as a cause of the ingrained structures and tendencies of its colonial development.

v. CONCLUSION

For many Latin American and Caribbean nations, colonialism has frustrated economic development. This is certainly true for Cuba and Puerto Rico. Cuba faces the challenge of

23 Ibid.
encouraging economic growth with equity, in keeping with its socialist ideals, but this task is proving to be difficult in a global, post-Cold War market. The Cuban state has still not been able to find a way to boost agricultural production enough to provide more sustainable food security for the Cuban people. Yet, as Cuba pursues its development plans, at least it has the full freedom of control to do so in whichever manner the state sees fit, in keeping with the national ethos of the revolution. As a result of Cuba’s colonial trajectory, it still somewhat struggles, but it maintains much better prospects for improving its development conditions. Puerto Rico on the other hand, faces the challenge of being linked to a developed economy and having to follow the regulations of a developed economy, while remaining a developing economy. Its relationship with the U.S. limits Puerto Rico’s ability to alter the profound systemic dependence that has been established through its unique relationship with the U.S.. How did Cuba’s unique colonial trajectory allow it to secure full sovereignty and better economic conditions in the globalized context, when Puerto Rico’s led it to its current situation, with little hope for improvement?
II. CHAPTER TWO: THE INITIATION OF DIVERGING COLONIAL
TRAJECTORIES: THE SPANISH EMPIRE

i. INTRODUCTION

In 1492, “Columbus sailed the ocean blue.” In primary school, I learned this phrase to help remember the year in which Columbus discovered America. The first grade version of the story painted Christopher Columbus to be a type of hero-adventurer who brilliantly mastered the seas and navigated his way to the discovery of the “New World.” Many years of education later, for me, this mnemonic device now alludes to an event that initiated globalization and western dominance. European empires soon invaded these lush tropical islands, colonized and developed them in ways that benefitted their own interests. Upon eventual independence, they gained sovereignty, but had to develop their ravaged economies in a globalized world they were forced into, a system dominated by their former colonizers. Initially, under Spanish reign, both Cuba and Puerto Rico’s importance derived from their roles as maritime enclaves within the empire. As goes Osterhammel’s description of maritime enclaves, Spain possessed Cuba and Puerto Rico through fleet action, for the purpose of aiding in the maritime logistics of explorations into the mainland and securing of the Spanish empire and trade routes in the New World. After the implementation of the fleet system in the mid eighteenth century, Cuba developed into more of a Spanish settlement type colony with an expansion of industry in Havana and a subsequent population boom of incoming settlers. Meanwhile, Puerto Rico remained a maritime enclave, with a small peasant society. Towards the close of Spanish reign in the Americas in the mid to late nineteenth century, both Cuba and Puerto Rico transitioned into becoming legitimate Spanish-Caribbean sugar exploitation economies. Though both still remained important as

24 Osterhammel, 10-12.
maritime enclaves, gaining further importance as the last two Spanish colonies left in the Caribbean region. What differentiated the two islands by the close of Spanish reign, was Cuba’s more intense expansion of the sugar economy, which attracted more investment due to its larger size, production capacity, and larger slave population, but also because it had a more strategic location. Puerto Rico, alternatively, is less centrally located, maintained a substantial peasant class, imported a much lower rate of slaves and subsequently experienced a lower level of investment into its expansion.\(^{25}\)

### ii. EARLY PERIOD

In his letters to the Crown, Columbus described the island that became Cuba, as a lush paradise and more importantly, one that would surely produce great profit for the empire.\(^{26}\) Upon return and further exploration, expeditions discovered evidence of gold. Word spread and an increasing number of Spanish began to settle on Cuba. The principal economic activity in this early period of the island centered on panning and mining for gold, with the assistance of native Indian labor. The labor systems of encomienda and repartamiento distributed natives as forced laborers among the Spanish, for gold-seeking activities as well as subsistence farming. Cuba then gained a greater importance as a strategic base for further exploration into the mainland throughout the first two decades of the sixteenth century, which helped to stimulate economic expansion. The new territorial acquisitions in the mainland produced less fortunate times for Cuba as the Crown’s attention shifted to the mainland and the larger potential centers of production. With the conquest of Mexico and Peru, the discovery of abundant silver supply further distracted attention from Cuba and the Spanish Caribbean. Within Cuba, the situation worsened as the supply of what little gold existed diminished and the labor supply withered from

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disease and Spanish presence. The combination of unfortunate circumstances in the first half of the sixteenth century resulted in Cuba’s transition to the “backwater” of the empire with most of its purpose residing in its position (astride three major passages) as an outer defense of the edges of the empire. Cuba settled into the role of a maritime enclave, one it maintained through it colonial trajectory.

After Columbus claimed Puerto Rico for the Crown in 1493, the island experienced a similar trajectory as Cuba had in its early stages as a colony. Initially the Spanish were attracted to the island of Boriquén, as it was called in the native language, for its gold deposits. The gold granted Puerto Rico attention for as long as it was forthcoming to the empire, which was a whole of four years (1508-1512). During that time the Spanish similarly exploited the native population with the encomienda labor system for mining and agricultural purposes. By the 1530s Puerto Rico entered into crisis as the native labor source dwindled and the gold sources diminished. Adding to the suffering economic situation, were French corsair and Carib indian attacks on the island. Moderate amounts of African slaves helped to support the lacking labor supply, but the economic activity on the island transitioned to subsistence agriculture and cattle ranching. In the 1530s there was an early attempt to develop the sugar industry on the island, as the government was inspired by the success of surrounding islands. The attempt was fledgling. By 1582, eleven sugar mills existed on the island, which produced 187 tons of sugar annually (versus the 125 tons produced annually per mill in Santo Domingo). Although from 1550 to 1650 sugar was actually the highest official source of income from trade with Seville and Cadiz, income levels were still incredibly low. After the gold ran out it became clear that the Crown also shunned Puerto Rico, so it settled into a position in the backwater of the colonial empire even further behind Cuba, as it was literally farther out of the way. Puerto Rico spent almost two

centuries as a sparsely populated military outpost (or Osterhammel’s version: maritime enclave) on the outskirts of the Spanish empire.\textsuperscript{28}

In the early period of the empire, both islands started out as exciting new assets to the Spanish empire in their short-lived role as gold-mining exploitation economies. The Spanish used forced native labor to take advantage of the limited amount of gold that existed on both islands, resulting in rapid devastation of supply. Cuba was also strategically important in its role as a logistical base for expeditions in the mainland, early on developing its role as a maritime enclave as the Spanish penetrated the hinterland of the mainland Americas. Eventually, as the gold ran out and new, larger colonies were founded with more resources, both islands fell to the wayside. Cuba still retained some relevance as a logistical base for coordinating expeditions to the mainland, but both colonies settled into continually important roles as maritime enclaves, providing security to Spanish maritime transit and commerce.

\section*{iii. INITIATION OF REAL DIVERGENCE: THE IMPLEMENTATION OF THE FLEET SYSTEM}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fleet_system_route.png}
\caption{Map of the Fleet System Route\textsuperscript{29}}
\end{figure}

\textsuperscript{28} Figueroa, 24.  
\textsuperscript{29} “1733 Spanish Galleon Trail –Plate Fleets.” Accessed March 15, 2013.  
In the mid-sixteenth century the Spanish Caribbean began to face an increased number of maritime attacks by corsairs of competing European powers. The threat materialized with the 1537 French occupation of Havana, as well as continued French corsair maritime attacks throughout 1538-1540. Additionally, throughout the 1550s, the island also struggled through persistent attacks by the French, English and Dutch. The patterns of aggression against the island created intense insecurity for the Spanish, who viewed the defense of the Caribbean as essential to the security of the greater empire, in the Americas and at home in Europe. Spain reacted by fortifying the defenses of their insular “maritime enclave” colonies with fortresses and increased garrisons. More notably, they initiated a new system beginning in the second half of the century to aid in the protection of trading vessels from corsair attacks. The new Flota or “Fleet” system established a consolidation of maritime traffic into two yearly fleets that made the trip back and forth from the old world to the new. These fleets were heavily garrisoned with ships for maritime protection and proved to be a more impenetrable force for foes. The new system also established a set route that the fleet followed, which is illustrated in Figure 1.1. With the implementation of the new route, Cuba became the last stop for resupplying before the entire fleet launched for Europe. The introduction of the Fleet System not only provided Havana with increased security for its ports, but actually stimulated crucial economic growth.

The Fleet System allowed the Cuban economy to expand and flourish, primarily in Havana. Due to the influx of people who flooded the city with the biannual fleets, industry and trade flourished. The city of Havana itself developed rapidly and experienced a building boom in the 1570s. Travelers literally had no choice but to spend their money in Havana, and the city dwellers were more than happy to serve their needs. The city population exploded and Havana became the second capital on the island. Although Cuba would remain on the periphery of the

30 Pérez, 28-32.
31 Perez, 28.
empire until the mid-1700s, the Fleet System allowed Havana to become more appealing in the eyes of the Spanish empire. Cuba began to show genuine economic promise with the development of trade and industry and real population boom—transforming itself into a booming commercial maritime enclave, with an expanding population of a Spanish exploitation settlement colony.

The implementation of the fleet system affected Puerto Rico in a drastically different manner, especially in comparison to the abundant economic opportunity that Cuba struck upon. In the seventeenth century, the island featured a low population density (the population did not exceed 10,000 people) and the majority of production focused on subsistence crops, cattle, tobacco, cacao and ginger until about 1638. Puerto Rico maintained distinct land usage patterns from Cuba during this time with cattle ranching business became a central focus of production. *Hatatos* provided ample grazing lands for cattle and *estancias* became a secondary production center, although a lack of access to markets limited the production capacity of both. Overall, the island lacked real importance, except for its role as a maritime enclave, which allowed Spain a broader control of navigation and trade in the Caribbean.

The fleet system created rife opportunity for some areas formerly on the margins of the empire, like Cuba. For others, like Puerto Rico and Santo Domingo, it had the opposite affect. It was easier for Spain to overlook Puerto Rico since its geographical location put it in a very risky position, prone to corsair attacks. Although it was within the general direction the fleet would travel in (as seen in the figure 1.1), stopping at Puerto Rico meant that the part of the fleet would have to break off to get to the island, increasing the likelihood of attack in a risky area. During 1550-1650, less than one fifth of the ships that sailed from Seville stopped at Puerto Rico,

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33 Picó, 255.
34 Figueroa, 25.
35 Picó, 71.
creating an unpredictable situation for receiving supplies on the island.\(^{36}\) This resulted in progressive marginalization of the island from commercial maritime traffic. Inhabitants relied heavily on contraband trade to sell their products and trade for necessary supplies. Puerto Rico was technically only permitted to trade with Spain, but given the neglected status of the island, it was very necessary and easy to participate in the contraband trade with other European and foreign countries via their Caribbean possessions.\(^{37}\) Eventually boats from the Canary Islands gained permission from the Crown to sail to Puerto Rico to supply the island, but the majority of its inhabitants had already come to rely on contraband trade to fulfill their needs.

Corsair attacks by competing European powers forced Spain to pay more attention to its Caribbean possessions. These territories were clearly valued by their competing powers; therefore Spain invested more into securing both islands.\(^{38}\) This proves to be one of the principal points of divergence in the early colonial trajectory for the islands. Both remained maritime enclaves, in the sense that they served to secure the rest of the empire and permitted the continuance of Spanish presence in the Caribbean, but Cuba was a more important enclave because its location allowed it to be the last port stopped at en route back to Europe. Therefore, Havana to develop an increasingly vital role that stimulated the expansion of its economy, adding to its primacy as the premiere maritime enclave in the Caribbean. Additionally, this waves of Spanish and European settlers flocked to the newly booming city: making it a more prominent Spanish settlement colony with a larger, diverse (non-land owning) white population, as well as being a maritime hub.

Meanwhile, Puerto Rico became further marginalized by official powers, as it remained a maritime enclave on the frontier of the empire, and so relied on contraband trade to survive, with a sporadically distributed, majorly peasant population.

\(^{36}\) Picó, 72-81.
\(^{37}\) Figueroa, 25.
\(^{38}\) Perez, 26-28.
iv. THE SEVENTEENTH & EIGHTEENTH CENTURIES

After Cuba expanded its commercial sector with the implementation of the Fleet System and the boom in the port city of Havana, it had the opportunity to boost production to meet the increase in demand. The principal industries for Cuba were cattle ranching, sugar and tobacco. 39 At the time, European demand for leather heightened and the Cuba hinterlands provided ample grazing areas to foster cattle. Cuban sugar production began in 1520, but focused mostly on the production of molasses for domestic consumption and very limited export. The other lucrative cash crop emerging at the time was tobacco, though it often ended up being traded in the (expansive) illicit trading networks on the east side of the island, where the majority of it was grown. In the late sixteenth century, as commercial production expanded, tobacco and cattle became the focal points of production. Although vastly improved, Cuba still remained still a liability for the Crown as it had yet to prove itself a formidable economic power.

The seventeenth century heralded a surge in commercial agricultural production, based around sugar and tobacco. The island had experienced a surge in economic activity by the end of the seventeenth century, but was still struggling to achieve its full production capacity under the disorganized Hapsburg rule. In the eighteenth century, the French Bourbons seized the Spanish throne, increased economic efficiency and organization of the colonies, and stimulated trade between the metropolis and the colonies in the New World. 40 The Bourbons diversified and developed the economy, but also completely monopolized trade, taking control of contraband trade and increasing taxes; giving them exclusive control over resources and receipts. 41 By this era, the insular economy improved, but the material conditions of Cubans worsened, especially on the east of the island, which relied heavily on contraband trade.

39 Perez, 32.
40 Figueroa, 28.
41 Perez, 38-43.
The period between 1760 and 1820 heralded dramatic change for Cuba and Puerto Rico as the Bourbons finally incorporated them into the economy and policies of the empire. Up until this point, the Spanish valued their Caribbean possessions primarily as military enclaves. Cuba, as well as Puerto Rico, received a *situado*, or a remittance from the Virreinato de Nueva España in Mexico to provide funds for military fortification and troops, which their economies came to depend upon.  

As the Spanish Crown encountered troubling economic times towards the end of the eighteenth century, the empire implemented a new strategy of expanding agricultural production in Cuba and Puerto Rico, so that the debtor islands could reduce their dependency on imperial remittances. The Spanish finally began to see the potential incentives of expanding economic production on these backwater islands. The monopolization and restriction of trade under Bourbon rule changed entirely after the British occupation of Cuba in 1762, which helped to expedite the expansion process. While the invasion only lasted ten months, Cubans almost welcomed British rule since they liberalized trade and introduced a heavy emphasis on slave labor, giving the Creole elite a taste of what could be. When the Spanish regained authority over the island by ceding Florida to the British, they deregulated many of its previous restrictions established before the invasion. By 1789 trade was liberalized and Cuban ports opened to unlimited free trade of slaves, although Spanish authorities still profited through heavy taxes.

The increased availability in slaves permitted incredible expansion of sugar production. Landowners invested in new equipment that modernized the production process and the number of sugar mills exploded.

In estimation, 60,000 African slaves were introduced into Cuba from 1512-1763. In less than three decades, 1764-1790, more than 50,000 slaves were added to that population, though the number of slaves was always in flux since the average life span (of those whole actually survived the journey) of African slaves that made it to Cuba was less than seven years due to the

42 Fradera, 166-178.
43 Picó, 117-118.
44 Pérez, 46-47.
arduous conditions of labor. After 1778, all major ports in the island participated in the expanded levels of trade; the concentration of capital, consolidation of land and labor surged, giving definite primacy to the development of sugar production over more diversified production patterns. Thus began Cuba’s transition into becoming a Spanish-Caribbean plantation colony.

The seventeenth century in Puerto Rico brought marked population growth, with the majority of the population comprising of small farmers, cattle ranchers and loggers. After increasing military fortifications and garrisons on the island to secure it from attack, the empire decided to also invest in agricultural production to extort maximum profit from the island. Meanwhile, Puerto Ricans developed their own economy by participating in illicit trade to obtain what they needed and to find markets for their products. After being neglected by the Crown that denied them supplies and opportunity for trade, contraband trade allowed the islanders to achieve a relatively comfortable life despite the negative picture the official trade statistics portrayed. Contraband became a significant part of the Puerto Rican culture. Pico succinctly sums up the situation when he discusses Spanish negligence,

“If sizable investments in capital and a slave workforce had been made, and if there had been adequate access to European markets, Puerto Rican land tenure and the economy would have undergone the radical transformation that shook Jamaica after British conquest in 1655. Puerto Rico did not pay the enormous human cost of promoting production on the island to satisfy the interests of several hundred absent planters and merchants.”

Puerto Rican jíbaros, as peasants were called, happily conducted their business outside of the colonial government’s grasp, with subsistence agriculture and cattle, logging, tobacco growth to trade within the illicit sector. They had a comfortable life, until the reforms in the end of the eighteenth century place strictures around their unruly lifestyle as the Crown decided it was time for Puerto Rico to contribute to the empire economically, and not just absorb funds to secure its

45 Perez, 47-50.
46 Picó, 155-160.
47 Fradera, 178-183.
48 Picó, 65.
military enclave. The end of the eighteenth century brought radical change for Puerto Rico, in which it transformed from a care-free, unruly military outpost on the edge of the empire whose economy consisted of mostly subsistence agriculture and cattle ranching, into a Spanish-Caribbean, export production, exploitation economy. Figueroa refers to this period of transition that took place from the 1760s to the 1810s as the “second conquest and colonization of Puerto Rico,” in which Spain forced the small maritime enclave/peasant society into the North Atlantic-centered world economic system.49 One of the major changes in this period came with new immigration policies and rapid demographic expansion. The population expanded from 44,883 inhabitants in 1765 to 163,192 in 1800. This expanding population majorly consisted of a kind of frontier society, made up by semi-nomadic, mixed-race peasantry with a long tradition of subsistence farming. The question was how to mold this labor pool into a real agricultural workforce.

v. THE LAST PHASE OF THE EMPIRE

In the nineteenth century the distinction between Cuban Creole interests and those of the Peninsular Spanish increased, as a growing sense of Cubanidad developed. During this time the mainland colonies fought for and won their independence. This context provided the opportunity for Cuba to shift back into the Crown’s attention, increasing its value incredibly. Cuba is about the size of all the other Caribbean islands put together, but at the end of the eighteenth century it produced only 3.2% of the regional sugar output.50 There were various reasons why it was not reaching its full capacity, some of them being that: it entered the sugar market later; it had a restricted trade system, a retrogressive tax system and meager capital. With a slave rebellion in Santo Domingo in 1791, opportunity arose for Cuba to gain a significant market share, increasingly so when the island was officially opened up for free trade in 1818. Fradera argues that the conjunction of three key occurrences allowed for Cuba’s economic expansion:

49 Figueroa, 29.
50 Pérez, 54.
liberalization of the Barlovento trade area in 1770-1774, the enactment of free trade policies for Spanish possessions in 1778, and definitively, the unlimited free slave trade 1789-1791. From then on, expansion and modernization became the theme of the Cuban sugar industry. Planters invested significant amounts of capital into technologies that would give them the competitive edge in production efficiency. Some of these technologies included, steam power, new equipment, railroads and more slaves. By the year 1868, Cuba was producing 29.7% of the sugar in the world market.

This extraordinary growth carried important implications. The western portion of Cuba was developing and expanding at a rate that far outstripped the east side of the nation. The boom in sugar production came at the cost of other produce markets such as coffee, which became increasingly insignificant. Reliance on imports reached levels of dependency and virtual monoculture. The advent of free trade (with heavy taxes imposed by the Spanish) allowed Cubans to trade heavily with the U.S. and by 1877, 82% of exports went to the North Americans. Trade with the U.S. proved to be less expensive and more profitable due to proximity and the types of products exchanged. Yet, in this transaction, the Cubans were still losing out since they were required to pay such high taxes to the Spanish. Increasingly, as trade with the Spanish became less advantageous, the only role the royal authorities had in trade was to relegate the terms of trade for Spain’s benefit. Cuban nationalism developed prevalently during this boom period-creating solidarity among the Creole planter class who was losing more and more within the Spanish trade system. This unequal exchange fueled divisions within Cuban colonial society, social fractures that would soon exacerbate into outright rebellion.

In the nineteenth century, Puerto Rico’s transition into a full-fledged Spanish-Caribbean exploitation colony, with new importance beyond its role as a maritime enclave, took place

51 Fradera, 177.
52 Pérez, 59.
53 Pérez, 62.
through enormously increased slave labor, free trade, capital investment, and an opportune moment in the world sugar market. Additionally, Puerto Rican agricultural production focused almost equal weight on the coffee sector, which developed in the highland regions, parallel to sugar production. Secondary products were tobacco and cotton. The independence wars in the mainland forced the Spanish to make some concessions to the islanders, including free trade, the allowance of entry of foreign capital and technologies and for the local authorities to have more authority, especially in their power to establish a direct tax. These rights were established with the Constitution of 1812. Puerto Rico was largely left to itself during the majority of the Spanish colonial reign, surviving on small farming and contraband trade. When other Spanish colonies rebelled, Puerto Rico settled for more autonomy. Spain was more than willing to negotiate as it desperately clung to the last vestiges of its empire in the New World. This was Puerto Rico’s opportunity, and the islanders seized it.

As the mainland colonies rebelled, Puerto Rico and Cuba remained the Crown’s last two possessions and the last two that would be able to produce a profit for the metropolis. Officially, the numbers were deplorable. Unofficially, the inhabitants of the island made a profit through illicit trade of products such as timber, cattle, leather, tobacco and more. With new migration patterns from others Caribbean islands and European nations came skills, capital and slaves that contributed to the development of sugar and coffee haciendas. There was a substantial population of African slaves in earlier centuries, but the liberalization of the slave trade on the island allowed for the expansion of official export crops. Initially this included coffee and sugar, but by 1810 sugar replaced coffee as the primary export product. Similarly to the case of Cuba, this expansion can be attributed to an influx in slave labor and increased productivity due to the introduction of new technologies. In 1765, there were 5,037 slaves. By the year 1821, there were

54 Figueroa, 29.
55 Fradera, 192.
56 Picó, 153-154.
57 Picó, 153.
58 Figueroa, 32.
59 Picó, 155-164.
21,730 slaves in Puerto Rico. Although, Puerto Rico deepened its participation in the slave trade, it contrasted sharply with Cuba, where slaves represented a much higher percentage of the population, reaching almost half of the total population in the peak years of the 1840s. The majority of the other half consisted of a diversified white population. In Puerto Rico, free people of color and mulattoes had a much higher proportion of the population compared to that of the white or slave populations. Contributing to the more racially ambiguous aspects of Puerto Rican society was that slaves were able to buy their own freedom after a certain number of years of service. These distinctive trends in demographics would come to play an important role as the end of the Spanish empire neared.

As sugar production became profitable for the government, laws were passed to facilitate the transfer of more land to sugar production. Puerto Rico adapted French, English and Cuban technologies such as boilers, chimneys, hydraulics and steam power, all of which simplified production and transportation of sugar. By mid-nineteenth century, Puerto Rico was the second producer of sugar in the Caribbean (behind Cuba) and experienced enough economic development to not only run its administration, but also enough for the Crown to undertake construction and improve infrastructure, urban development and even welfare.

vi. CONCLUSION

At this point, Cuba and Puerto Rico both enjoyed extremely vital positions in the empire as the last remaining Spanish possessions in the new world, who now boasted a type of Spanish-style, Caribbean settlement colonization and maintained their strategic positions as maritime enclaves that gave Spain legitimacy in the New World. The Spanish had used the islands, initially for security and logistical support for their mainland territories. After the independence of the mainland Spanish colonies in the Americas, Cuba and Puerto Rico had an increasingly important

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60 Figueroa, 50-53.
61 Picó, 160-164.
role as maritime enclaves that represented the last vestige of Spanish presence in the Americas. With the “second conquest and colonization” in the end of the eighteenth century, both islands inserted themselves into the world market. The Spanish were able to monopolize the islands as centers of production of sugar and agricultural products for the empire and then as their role as the middleman with the advent of free trade. Cuba became much more economically valuable than Puerto Rico because initially, it attracted more investment due to its prime location, which had already allowed the island to develop a central role in imperial commerce, and due to its larger size and greater production capacity provided by the higher degree of slavery. These advantages invited more foreign investment as the sugar industry became increasingly modernized, granting Cuba a greater share in regional/international trade. Puerto Rico became more economically important with the development of its sugar industry, but it remained a generally agrarian peasant society, with a population base of smaller farmers, as a result of being long-neglected by the empire. Demographically, their trajectories diverged as Cuba’s population became more polarized between the large, diverse population of whites (partially a product of population expansion under the fleet system), a larger proportion of African slaves, and a small proportion of free people of color. As the economy boomed, Creole elites lost out on much of the profit to imperial trade policies and began to resent Spain. This unequal exchange between the colonial master and the pivotal population of Creole elite spurred solidarity and the forging of uniquely feisty Cuban identity. Alternatively, the Puerto Rican population featured an extremely high proportion of free people of color and mulattoes. The colonial administration’s control of economic activity principally affected the divided Creole merchant and land-owning elite, which, along with the slave population, represented a much smaller proportion of the Puerto Rican society.
III. CHAPTER THREE: A NEW MASTER & FURTHER DIVERGENCE OF COLONIAL TRAJECTORY

i. INTRODUCTION

It is clear that by the late nineteenth century some of the old colonial powers were losing grip on their possessions in the Americas, creating opportunity for the emergence of a new colonizing power—the United States. Spanish rule increasingly infuriated the Cuban and Puerto Rican elite, as erratic Spanish tariffs and economic policies increasingly dictated their wellbeing. During this time, Cuba and Puerto Rico relied on the North Americans for trade, fueling the growing economic power and influence of America in the region. The U.S. helped free the islands of Spanish reign, but not without a price, the price of relinquishing their sovereignty. With the end of the Spanish-American war in 1898, the American sphere of influence unofficially annexed Cuba and officially claimed Puerto Rico as a spoil of war. Americans were interested in both islands for their militarily strategic geographical position, but before the war, saw Cuba as a much more valuable asset. Under a new empire, Americans exploited Cuba for dual purposes, thoroughly liberalizing and expanding Cuban industry for foreign benefit, making it a modernized type of Caribbean sugar colony and expanding its capacity as a maritime enclave with newly constructed American military infrastructure. As a newly American colony, Puerto continued to primarily serve as a maritime enclave, a pawn within the new U.S.’ regional strategy. Economically, the U.S. constitutionally linked the Puerto Rican economy to the mainland economy and implemented development strategies that became both a blessing and a curse for the island. At the time, colonial divergence split further as Cubans maintained a type of sovereignty and control over their economy, whereas Puerto Rico lacked any type of sovereignty and was required to comply with the U.S. economic manipulation.
ii. THE “SPANISH-AMERICAN” WAR AND THE ESTABLISHMENT OF U.S. HEGEMONY

After the 1860s, American expansionism reached its geographical limits within the continent and leaders began to look outwards, desiring to compete with European powers that had already carved out their distinct spheres of influence. Influential businessmen and members of congress argued for commercial expansion in order to infiltrate new markets and obtain new resources. This strategy required the expansion of naval power in order to obtain and protect access to new markets. The plan that would bring this power into fruition required a Central American isthmian canal to connect American fleets in the oceans on either side of it. The goal was to create a strategic regional enclave in order to project military and economic influence into the Latin American region. Cabán quotes Alfred Mahan, the primary strategist behind Doctrine of Naval Power and sums up his perspective “Colonial possessions were not necessarily held for economic exploitation but would better serve as strategic stepping stones from which to penetrate foreign markets. Territories on which to build naval bases and coaling stations were essential not only to protect maritime commerce, but to gain access to the enormous markets and raw material of Latin America and Asia.”

To secure key transit points for expansion of American business, the U.S. needed to acquire naval outposts on the Caribbean side of the canal. The plan to realize regional domination required annexing Cuba, due to its central location. Doing so was the natural choice since the U.S. already had strong trade relations with the island. The embroiling conflict between Spain and its Caribbean colonies provided the perfect opportunity to carry out American expansionist plans. Cabán quotes Secretary of State James G. Blaine who insisted, ““Cuba, because of it

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64 Cabán, 25.
relation to the future canal and the Gulf trade, must never be permitted to pass out of the American system.”^65 Although at this point, Cuba was a thriving Spanish-Caribbean agricultural exploit economy, but U.S. plans for it emphasized its strategic over wealth-creating role, any profit generated from it would only be a bonus. “‘Cuba has a position that can have no military rival among the islands of the world except Ireland,’ (Mahan 1897, 685, 690). For Mahan, Cuba, more than any other island, was ideal not only because of its strategic location, but because it was ‘susceptible, under proper development, of great resources-of self-sufficingness.’”^66 Although Puerto Rico boasted a strategic position, it lacked the same economic base Cuba offered and so was not so much considered in the original plan. Yet again, Cuba and Puerto Rico’s geographical location rendered them crucially strategic in their capacity as maritime enclaves, although Cuba remained a more attractive target due to its more highly developed economy and central location.

Although dubbed the “Spanish-American” War in the U.S., this conflict originally lay between the Spanish and the Cubans as the original Cuban revolution and war for independence. By the year 1868, the rebellion strengthened as Cubans realized that the island’s administration seemed to be purely for the benefit of the Spanish, while the inhabitants paid the cost. At the time, Cuba was a full-fledged Spanish-Caribbean exploit colony, with a booming, although restricted, sugar market that the Spanish handsomely benefitted from by imposing heavy tariffs on free trade. In 1867 increased protectionist tariffs triggered fiery discontent, instigating the 1868 Grito de Yara in the eastern side of the island, which called for Cuban independence and resulted in a ten yearlong and ultimately unsuccessful war for the Cubans. The significance of this first move for independence lays in its revelation of clear social divisions within colonial Cuban society, which proved to be its downfall.67 The Creole elite of the west wanted to collaborate with the Spanish to negotiate reforms, while the smaller planters in the east refused and battled for independence. In 1879-1880 General Calixto Garcia organized another failed revolutionary

^65 Cabán, 18.
^66 Cáb 
^67 Pérez, 89-108.
offensive, known as the Guerra Chiquita. The third mobilization for independence inspired a much larger following as José Martí’s increasingly popular philosophy of *Cuba Libre* inspired the fortification of a social coalition, by advocating a true independence from foreign rule, Spanish or American, and emphasizing *Cubanidad*, Cuban nationalism. Pérez quotes one of Martí’s famous saying, “‘To change masters,’ Martí repeatedly insisted, ‘is not to be free.’”68 Martí’s establishment of the Cuban Revolutionary Party (PRC) in 1892, helped institutionalize the movement into a national liberation front. In 1895, the war broke out once more with fresh frustration over a yet another sugar crisis sparked by freshly increased tariffs (after an expansive and productive period of reciprocal trade with the US). There was crisis, rampant discontent and a lack of effectual Cuban representation in the government; it became clear to Cubans that their fate was tied to forces that they had no power over. This war battled against Spanish rule, but also against the socioeconomic division, as the popular coalition of the masses, led by the eastern Creole elite, attempted to overthrow the western Creole elite.

By 1898, the Cubans were winning. The Creole elite, on the other hand, lobbied for U.S. intervention, hoping that U.S. support would help secure their interests. The U.S. seized the opportunity and intervened in 1898 under the auspice of “neutral intervention” and handily defeated the already weakened Spanish forces. A congressional precondition of U.S. intervention required passing the Teller Amendment, which promised that the U.S. would not use the opportunity to annex Cuba. Upon completion of the war the U.S. instead forced the Cubans to include the Platt Amendment in their new constitutions as a condition of removing forces from the island.69 The Platt Amendment guaranteed the U.S. the right to intervene at anytime in Cuban government, as they deemed the Cubans themselves “unfit” to govern themselves. The Platt Amendment permitted the U.S. to control Cuba’s international agreements, to regulate the Cuban economy, to intervene in political affairs at their own discretion and to establish a permanent

68 Pérez, 110.
69 Pérez, 136-143.
naval station on the southeast coast of the island in Guantanamo Bay. This process institutionalized politics, but only 30% of Cuban males qualified to vote under the new standards, effectively limiting local participation in their own nation.\textsuperscript{70} The resulting situation ultimately gave the U.S. what it was looking for, control over Cuban sovereignty to secure American economic and military interests, exactly the “new master” Martí had urged Cuba to avoid.

The second half of the nineteenth century represents another clear point of divergence in the historical paths of the two islands. Firstly, in Puerto Rico, sugar was losing primacy as global market conditions favored production of other cash crops such as coffee and tobacco. The increasingly mechanized and capital-intensive sugar market (which thrived in Cuba) proved to be too costly and competitive for the smaller island and opportunity arose with demand for coffee, as the other coffee producers in the region failed to satisfy the growing European market. The 1870s majorly shifted production focus from the sugar fields to the highland, mountainous areas of the island where the coffee industry thrived.\textsuperscript{71} The 1895 crisis similarly affected Puerto Ricans as both Spain and its major trading partner, the U.S., broke their trade agreement and simultaneously raised tariffs. Puerto Ricans anguished over their lack of economic control. Class conflict also emerged between the Creoles and the Spaniards and internally, between the Puerto Rican hacendado and merchant classes. Unlike the PRC in Cuba, the class antagonism was too great and prevented the formation of any type of collective identity or popular movement. Not only were the elites divided between merchants and planters, with competing interests, the majority of the population consisted of landless laborers, jíbaros and free people of color, who were not as infuriated with Spanish rule.\textsuperscript{72}

The hypothesis of a Creole bourgeoisie rests on the premise that there was a degree of homogeneity among the dominant sectors which facilitated the definition of a national identity based on their common interests. But racial, regional, and occupational factors produced diverse, rather than unified, ways of feeling Puerto Rican. Above all, the

\textsuperscript{70} Franklin W. Knight, The Caribbean, the Genesis of a Fragmented Nationalism, 2nd ed, Latin American Histories (New York: Oxford University Press, 1990), 31.
\textsuperscript{71} Picó, 205-206.
\textsuperscript{72} Figueroa, 51.
fact that Puerto Rican nineteenth-century elites did not prevail over the rest of society weakens the hypothesis of the crystallization of a Creole bourgeoisie.\textsuperscript{73}

Since there was no popular national front, there was no collective movement for independence. The majority of Puerto Ricans settled on achieving autonomy \textit{within} the empire. In 1887 the Autonomist Party was established to lobby for the sovereignty to control decisions concerning tariffs, taxes, customs, duties on imports and exports, and agricultural and industrial development. The party aimed to achieve a status similar to that of Canada, which enjoyed the status of a dominion with complete self-government within the British Commonwealth’s legal institutions.\textsuperscript{74}

On November 25, 1897, Spain granted Puerto Rico’s wish, amidst transitioning regimes in Spain and the thick of the Cuban War of Independence. Puerto Ricans installed their own parliament, cabinet and municipal government by 1898, but elections were never held. American forces landed in Puerto Rico in July 1898 and the armistice finalized the U.S.’ victory in August. By December of that year, article two of the Treaty of Paris Spain ceded the island to America.\textsuperscript{75}

Opportunity materialized and the U.S. capitalized on it to execute its plan of expansion and initiate their world dominance. The informal American empire now formally included Puerto Rico as a legitimate colony and held constitutional control over Cuba’s sovereignty.

\textbf{iii. IMPLICATIONS OF DEVELOPING AMERICAN HEGEMONY}

With Cuban and Puerto Rican sovereignty in the palm of its hands, the U.S. now possessed the maritime enclaves it needed to secure its presence in the region. Cuba offered well-protected harbors in Santiago and Guantanamo, which served to control the Windward Passage. Puerto Rico resides astride the Mona and Anegada passages– two gaps in the northern barrier of the Caribbean. At the time, Puerto Rico was important to obtain because Spain relied on it to

\textsuperscript{73}Picó, 211.
\textsuperscript{74}Picó, 224.
\textsuperscript{75}Picó, 211-239.
secure its presence in the region (especially after losing Cuba), which could interrupt U.S. plans.\textsuperscript{76} Although the U.S. primarily viewed these islands as strategically important for achieving it’s regional logistical goals, the islands themselves could now also be freely utilized to benefit U.S. economic interests. While Spain had used strategies of tariffs and duties on free trade to extract wealth from the colonies in the latter years of its possession, the U.S. developed more invasive plans to profit from the islands.

For Cuba, foreign capital flooded the economy in the era of the early republic. The island transitioned from one colonial “master” to a new one: U.S. economic interests. The economy did develop further and generated considerable profit, but only for foreigners and the Cuban elite who served them. Elite status for Cubans no longer depended on being landowners, since foreign corporations had bought up most of their land. Elites accessed prospects of social mobility by obtaining government positions.\textsuperscript{77} These positions allowed them to again access property and benefit from public expenditure through corruption.

Before the installation of the Platt Amendment, U.S. troops occupied and administered Cuba. During this time, they restored peace and the economy; and expanded infrastructure, such as implementing an education system, improving roads and streets, expanding the telephone system and improving sanitation and sewer systems. There was improvement, but discontent prevailed because Cubans realized that this improvement came with the cost of U.S. hegemony.\textsuperscript{78} Even the process of construction benefitted U.S. economic interests as American contractors and businessmen that executed it profited handsomely. A string of U.S.-approved presidents were elected in Cuba, starting in 1902 with Tomás Estrada Palma. Under these precarious figures, American economic interests were given leave to expand at an incredible rate. Foreigners controlled railroads, shipping companies, banks, iron and copper mines, utilities and sugar, above

\textsuperscript{76} Cabán, 31.
\textsuperscript{77} Pérez.
\textsuperscript{78} Knight, 231.
all-making it a difficult environment for Cubans to compete. In the early years of the 1900s, foreigners owned 75% of the arable land.79

The expansion of foreign interests provided for a significant economic boom that allowed the foreigners and the Cuban bourgeoisie to benefit, and further marginalized the poor. The entire era of American hegemony in Cuba, 1902-1959 brought a reign of false democracy; it was rife with corruption, marginalization, neglect of the masses, and ineptitude. The Cuban government operated in accordance with American interests in order to garnish maximum private benefit for individuals of the bourgeoisie. The island transformed into an American vacationland. As Cuba became a tourist hot spot for American elite, especially during the years of inhibition, the levels of corruption rose.80 The lavish lifestyles of the corrupt Cuban elite and gluttonous foreign tourists and businessmen starkly contrasted with the reality of the masses. For majority, life was miserable. Unemployment and underemployment were rampant; public services were lacking and uneven, malnutrition and illiteracy everywhere. In 1933 a rebel coup overthrew the dictatorship of Geraldo Machado, but the opposition fragmented by class, politics and geography, so the patterns of corruption and stratification continued. The most infamous dictators of the era were Geraldo Machado, overthrown in 1933, and Fugilencio Batista, who would be overthrown in 1959 by Castro and the Cuban revolution. 81

Although, the U.S. captured Puerto Rico with the intent of transforming it into a key naval base, the federal government managed to find ways to economically exploit the island as well.82 The economy was primarily agrarian, yet more diversified with emphasis on sugar, coffee, tobacco and the cattle industry. Before a hurricane in 1899, coffee represented 70% of Puerto Rico’s exports earnings. The elite consisted of mainly merchants and hacendados (landowners of

79 Knight, 237.
80 Barry H. Barlow, Revolution In The Americas (Fernwood Pub., 1993), 77-78.
81 Knight, 238-239
82 Cabán, 36.
plantation-like production center), although it was a small elite. Small farmers and landless laborers represented the majority of the population. \(^{83}\) At the time Puerto Rico also boasted a more diverse set of trading partners, but relied on imports for food supply. Overall, American infiltration into the Puerto Rican economy pushed in the direction of monoculture, effectively making it less diverse, more dependent and increasingly vulnerable due to concentration on one crop and reliance on one market.

After the war had ended, the U.S. put the administration of the island at the behest of the War Department. The War Department took it upon themselves to develop infrastructure on the island and implemented measures to improve sanitary conditions, build roads and provide education. Although these seem like good-hearted measures, they intended to foster better business conditions for U.S. capital: better roads for transporting products, education to develop a competent workforce and better health conditions to keep the workers (and more importantly, the Americans) healthy. The U.S. planned to create an open business climate for the expansion of capitalism. To do so, required destroying former social relations of production and the Americanization of society.\(^{84}\) In order to extract the maximum benefit from the newly acquired territory, a certain degree of development was required.\(^{85}\) This development included, the improvement of roads, irrigation systems, communications networks and railroads. Similarly to the case of Cuba, private companies, who were able to benefit from it, executed all of this.\(^{86}\) This process of Americanization and the imposition of capitalist expansion required dislodging Puerto Rican producers in order to take full control of the production process. Now, not only had inhabitants lost any type of political sovereignty they gained, but they also lost control over the micro level of production. American rule put the Puerto Ricans in an even worse position, in terms of control of production, than they were in previously. At this point in it’s colonial

\(^{83}\) Cabán, 68.
\(^{84}\) Cabán, 67-80.
\(^{85}\) Cabán, 139.
\(^{86}\) Cabán, 149-52.
trajectory, Puerto Rico benefitted from some positive improvements, but majorly, the U.S. literally reconstructed Puerto Rican society in order to mold it into a model capitalist business environment for investment. Not only did it very importantly serve as a regional military operations base, but the U.S. also formed in into the American version of the exploitation colony, what I will here forward designate as a liberalized “tax haven” colony.

By passing the Foraker Act in 1900, the U.S. government made Puerto Rico an exceptional case compared to previous American territorial gains and facilitated the creation of its very own tax haven colony. According to Pico, the Foraker Act established a civil insular government, with an elected House of Delegates chosen every two years and to pass legislation, an accompanying executive council with eleven members nominated by the President of the U.S. The Governor of Puerto Rico, and his own cabinet, would be expressly nominated by the President and approved by the U.S. Senate. This law also established free trade between the island and the mainland, limited Puerto Rican trade to the limits of the metropolitan economy, inextricably linking the insular economy to the metropolitan. Implicitly, this act denied intent for Puerto Rico to gain statehood and rested the official jurisdiction over the island in the hands of Congress and the President. The federal government also instituted an island-wide system of American-style education to spread the American ideologies throughout the island. Americans administered the island; Puerto Ricans were shut out of political structures and only retained symbolic representation in federal government.

From the time of the installation of the colonial government and the passing of the Foraker Act, immense change took place in Puerto Rico. Initially, American economic interests favored expanding the sugar industry. The demand for sugar in America was enormous and the domestic beet sugar supply did not satisfy it. During this time America looked to its new possessions to fulfill those needs. The U.S. offered a 10-year tax break for private companies to

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87 Picó, 241-242.
88 Cabán, 117.
invest in Puerto Rico. The resulting expansion of investment by participating absentee corporations resulted in the industrialization, modernization and expansion of the sugar industry. Puerto Rico became the “loyal ward” of the mainland.\textsuperscript{89} Puerto Ricans initially hoped that the Americans, being such a strong economic power, would be able to aid and open up trade for the Puerto Rico economy, which suffered under the stricture of Spanish regulation. Unfortunately, the manner of capitalist expansion and return to sugar monoculture brought renewed and exacerbated social division and vulnerability to market fluctuations. Harsh Spanish tariffs and trade duties were replaced by dispossession. By the time the Great Depression hit in 1929, Puerto Rico had established itself as a typical Caribbean sugar economy of old, with the help of the alluring tax codes that encouraged U.S. investment. The ensuing crisis initiated the death of the agrarian based economy in Puerto Rico. All of the economic indicators for the island reflected significantly worse conditions than those in the mainland during the Depression.\textsuperscript{90}

The Great Depression of the 1930s, forced Washington and Puerto Rican politicians to rethink the mode of development on the island, as the crisis revealed the incredible vulnerability of a monoculture economy dependent on one trading partner. Luis Muñoz Marin, one of the most prominent Puerto Rican political leaders of the time, designed a new “developmentalist” strategy for the island, inspired by structuralist-like ideas. His developmentalist agenda of the time stressed industry and manufacturing as the panacea for Puerto Rico’s problems. Subsequently, the focus of production transitioned from sugar production to focusing on the expansion of industry, with hope that it would help end the vicious cycle of poverty that Puerto Rico developed, but would it?\textsuperscript{91} Throughout this process the government promoted private industry in place of state run facilities. This industrial development did not provide real development, but made the island more dependent than ever because American investments and entrepreneurs took over roles that

\begin{footnotesize}
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  \item \textsuperscript{89} Cahán, 152.
  \item \textsuperscript{90} Picó, 254-255.
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would have been filled by local capital and financing, instead of working to complement and encourage the expansion of local factors of production. This expansion of industry relied on American capital, just as the sugar industry had, so nothing had truly changed. Accordingly, this development plan did not focus on producing for domestic consumption, but for consumption in the mainland, corroborating with the cycles of dependency Timms addresses in his theory on Caribbean development. Right up until World War II, Puerto Rico was a relatively underdeveloped nation. Would this new emphasis really create more employment opportunities on the island and help it lessen its dependence?

During the process of “Americanization” after the Spanish-American war, Puerto Rico experienced enormous economic expansion and capitalist transformation, but it did not alter the fundamental patterns of dependency engrained in Puerto Rico’s economic system. As a maritime enclave and a newly established “tax haven,” The federal and insular government reconfigured Puerto Rican society for optimum expansion of foreign capital. This continued the patterns of absentee ownership and increased social polarization. Initially, the development program consisted of an immense emphasis on the expansion and modernization of the sugar industry, driven by absentee American corporations who were attracted to the island by significant tax breaks. After the Great Depression revealed the vulnerability of an agrarian economy that depends on only one market, the emphasis switched to light industry as a vehicle for development, but without changing the patterns of corporate intervention on the island. Throughout the initial “Americanization” of the Puerto Rican economy was reconfigured to best suit the expansion of American capitalist and by doing so, Puerto Ricans were alienated from having any meaningful role in the control of production processes.

93 Dietz, 15.
iv. COLD WAR ERA

Out of all of the upheaval in Latin America and the Caribbean in the twentieth century, how did Cuba execute one of the only truly successful social revolutions that later facilitated its transformation into a Marxist Leninist revolution in the midst of the Cold War? Knight suggests that the success of the revolution can be explained by the makeup of the population.\(^94\) By 1959 Cubans had developed a certain, strong sense of national identity that was distinctly Cuban. Under Spanish rule, a large, socially diverse white population developed after the implementation of the fleet system and the expansion of Havana. Before its late transition into a traditional Caribbean sugar economy, the population majorly represented a settler society. Slaves were introduced into Cuba at incredible rates, which allowed for the expansion of a slave-holding elite.\(^95\) The elite were loyal to the Spanish when it was convenient for them, but as they developed a very distinct, rebellious national identity it fueled the formation of distinct political beliefs that led Cubans to belief that they should have control of their own destiny. Knight argues that the development of a national political ethos can be explained by the formation of large, white Creole elite and the development of a Cuban national identity distinct from the Spanish.\(^96\) I believe that the economic expansion, permitted by its privileged colonial trajectory, made Cubans realize what they were missing by not having power over economic activities, which subsequently motivated the elite to unite in Cuban solidarity and fight for control. The confidence of these elite in their own distinct political interests and identity led them to become extremely politically active in order to defend their own interests and belief in their right to rule their own nation, a political confidence that so many other colonial societies lacked. The development of this population can be explained by Cuba’s specific colonial trajectory and its special role within the

\(^{94}\) Knight, 227.
\(^{95}\) Knight, 232.
\(^{96}\) Knight, 227-230.
fleet system, which allowed it to become the most important port city in the Caribbean with a vibrant urban center that allowed for the creation of a diverse white social class.

When analyzing the causes of the revolution, Barlow surmises “What emerges from the study of the revolution is the following reality: while the tremendous U.S. penetration of Cuban life suffocated social change for sixty years, in the end that very domination produced Latin America’s most radical revolution.”97 I very much agree with Barlow, that in essence, the Cuban revolution was a reaction to and rejection of the effects that Cuba’s intense colonial rule had produced, in attempt to appropriate the Cuban state for the Cuban people. By 1956, almost everyone in Cuban society opposed the current dictator Fulgencio Batista.98 On July 26, 1953 Fidel Castro lead a rebellious attack on the Moncada army barracks and initiated the revolution. The rebellion failed and Castro was imprisoned and then exiled. He wrote a defense of his revolutionary aggression, appropriately titled, History Will Absolve Me, in which he argues the Cuban people had the constitutional responsibility to overthrow the dictatorship,

Cuba is suffering a cruel and base despotism. You are well aware that resistance to despots is legitimate. This is a universally recognized principle and our Constitution of 1940 expressly makes it a sacred right…We are Cubans and to be Cuban implies a duty. Not to fulfill that duty is a crime, a treason…The island would sink into the sea before we would consent to be the slaves of anybody…But I do not fear prison, just as I do not fear the fury of the miserable tyrant who snuffed the life out of seventy brothers of mine. Sentence me. I don’t mind. History will absolve me.99

The obvious fervor in this speech manifested the inherent pride in Cubanidad and the speaker, Fidel Castro, became the passionate leader of the people that would finally take back the Cuban state for the Cuban people. He returned from exile in 1956, with Che Guevara, as the public disgust of Batista heightened. He and Guevara led a loose coalition of fighters based in the mountains that shared the goal of reconciling the fracture between nation and state. Initially the movement was ideologically ambiguous but grew increasingly pragmatic and idealistic as it

97 Barlow, 77.
98 Knight, 240.
strengthened into populist nationalism. In 1958 eight other weaker opposition movements united with Castro’s ranks in the mountains. That year, the Batista regime’s impunity worsened to an unbearable level and in the fall of that year Castro’s fighters marched down into the fields. On January 1, 1959 they struck and overthrew the Batista regime.

Once the revolutionary government took power, Knight identifies five phases that it went through in the administration of revolutionary Cuba. Throughout this process, the revolutionary

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100 Knight 241-242.
101 Barlow, 80.
government achieved the complete restructuring of Cuban society and generally held strong to principles of social justice, dignity and a strong sense of national purpose whilst defending revolution. In the first phase of the revolution, between 1959 and 1963 there was a period of expropriation of capitalist enterprises and an introduction of the socialist model. The years 1963-1965 heralded a period of distinct flux. Between 1966 and 1970 was period of radicalization domestically and overseas. The fourth period, 1970-1979 was defined by international political activism. Lastly, after 1980 was a period of retreat and consolidation of state.\(^{104}\) The revolutionary state was able to survive and hold strong to its revolutionary discourse during the Cold War with the economic support of the Soviets. Cuba gained this support with its most important asset, a developed sugar industry that expanded throughout its lengthy colonial trajectory, which permitted its inscription into the Soviet division of labor.

A critical moment of the Cuban Revolution was the transition from a populist nationalism movement into a full-fledged Marxist Leninist revolution. In the first year of the revolutionary state, the government abolished the obvious excesses of the Batista regime—the bureaucratic structure, the army, Castro improved working wages and civil services and implemented some land reforms.\(^{105}\) In 1960 the government expropriated U.S. property to the state. This is when ideological tensions started to shift. The U.S. government reacted by sponsoring the Bay of Pigs invasion and enacting an embargo of Cuban products. The Cuban government answered the American aggression by proclaiming the revolution a socialist revolution. Clearly, the populist nationalism ideology did not suffice, and the government turned to a more radical ideology. A month later, Castro announced that it was officially Marxist Leninist. The majority of Cubans supported the ideological transition. The enormous imperial sugar plantation economy neglected a large amount of workers that were desperate for improved conditions and ready to support radical ideologies. Besides agricultural workers, other Cubans were disillusioned by the

\(^{104}\) Knight, 242.
\(^{105}\) Barlow, 81.
corruption of American infiltration and ready to support the new ideologies because they were anti-American and created something distinctly Cuban. Barlow suggests that this is what made the Cuban revolution so successful: its attempt to forcefully break with the past traditions and institutions of imperialism.\textsuperscript{106}

Yet, there remained a weakness that the revolutionary state did not break with, dependence on the sugar industry. Under the new regime, the sugar industry was nationalized for the benefit of the Cuba government, but that did not change the risks and vulnerability of a primarily monoculture and cash crop-based economy. “Cuba’s imperial ties with the international capitalist system had created one of the more prosperous Latin American economies for the upper and middle classes and for a small segment of the working class.”\textsuperscript{107} The U.S. embargo made it a priority to obtain western foreign exchange in order to import subsistence products: the trading pattern Cuba relied on, as it became a Caribbean sugar colony. The typical Soviet-style, heavy industry-based model of socialism would not work in such a dependent, tropical economy. The pressure to obtain western currencies forced Cuba to align itself with the Soviet Union to facilitate collaboration and create a new Cuban model of socialism. This new model’s foundation centered on sugar production.\textsuperscript{108} By 1963, the state expropriated 70% of agricultural land and combined it into large state-owned farms. In this arrangement, Cuba did not fully break with the past as it continued the dependent production processes of old, only within a Marxist-Leninist context.\textsuperscript{109} Throughout the seventies, Cuba experimented with different work forms, such as agricultural cooperatives for cash-crop production and dabbled in industrialization. Throughout the Cold War, Cuba continued to link its economy to the Soviet Union and the socialist trade block, the Council for Mutual Economic Assistance (COMECON). Overwhelmingly, Cuba remained a cash-crop export economy, focusing mainly on sugar, therefore, continuing the

\textsuperscript{106} Barlow, 82-86.
\textsuperscript{107} Barlow, 85.
\textsuperscript{108} Barlow, 86-87.
\textsuperscript{109} Barlow, 88-89.
patterns of dependency and exposing itself to extreme vulnerability that comes with monoculture and dependent trade.\textsuperscript{110}

During the Cold War, Puerto Rico, an island that had been similarly aligned with the patterns of colonialism in Cuba, suddenly found itself in a remarkably different situation than its neighbor, without full sovereignty, within the American sphere of influence and rapidly transforming into a capitalist haven. Under the American sphere of influence, Puerto Rico floundered. The agrarian economy withered, as Puerto Rico did not sell sugar outside of the U.S. market and faced significant quotas, taxes and duties. Subsequently, unemployment grew.\textsuperscript{111} The developmentalist strategy of industrialization, headed by the Puerto Rico Reconstruction Administration established in the 1930s and ‘40s, focused on light manufacturing and intended to be a response to the Depression and extreme poverty and unemployment. The program relied almost entirely on American capital investment.\textsuperscript{112} Initially, it created a few more jobs, but did not make a significant improvement and exacerbated dependence. The island also experienced a massive emigration to New York in 1940 as a response to the unimproved unemployment conditions.\textsuperscript{113} World War II brought renewed interest in industrializing Puerto Rico, but this time with heavy industry. Overall, because Puerto Rico is an important military enclave, it remained under U.S. power. Due to its lack of full sovereignty, during the Cold War period it attempted various development schemes, which only resulted in the expansion of its openness to foreign capital, while the actual living conditions waned.

The next attempt at industrialization was the post WWII strategy “Operation Bootstrap,” or in Spanish, \textit{Fomento}—a plan to expand industrialization, urbanization and modernization with

\textsuperscript{110} Barlow, 89-94.  
\textsuperscript{111} Picó, 255-265.  
\textsuperscript{112} Morrissey, 23-41.  
\textsuperscript{113} Dietz 3-4.
heavy manufacturing. The unemployment levels for unskilled labor positions only increased under the previous “light manufacturing” plan, so in the 1960s industry trended towards heavy manufacturing and chemical industries. The plan proposed to take advantage of the huge amounts of cheap labor on the island. Initially it generated a few years of increased employment and living conditions in the 1960s, but, soon enough, the plan only exacerbated unemployment and poverty on the island. Fresneda blames much of the failure on the transgressions of two pillars of the project: the Development Company and the Development Bank. The state ran the Development Bank and intended to take on loans that were considered too risky for ordinary banks and the Development Company was supposed to carry out the projects. The plan failed and the private sector ended up financing the majority of the projects, while the Development Bank mostly focused on infrastructure. He charges that fault to the divisive opinions between the administrators of the bank, the inability of the bank to actually take on risky loans as it was intended too by instead focusing on issuing bonds and providing government services. If the two pillars had functioned as they were intended to, it may have aided in the expansion of industry and the creation of jobs, but they failed. The industrialization of the island fell short of creating anywhere close to an adequate number of jobs. The fact is: emigration to the mainland continued consistently, as demonstrated by Graph 4.1. By 1999, 48.2% of Puerto Ricans were poor.

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114 Morrissey, 98-99.
Accompanying the failing plans for modernization and industrialization on the island was the introduction of federal aid into Puerto Rico, which acted as a crutch to bolster consumption levels and alleviate poverty. It began in 1933 after the Great Depression, with the Puerto Rican Relief Administration, which implemented short-term food, job and ad programs. Once Puerto Rico achieved its commonwealth status, it received some benefits from the Social Security Act such as Title II (social insurance provision), Title IV (aid to dependent children), in 1965 Medicaid and Medicare, and in 1974 the food stamp program. For all of these programs, Puerto Ricans had different and stricter standards of eligibility that limited the number of citizens that received benefits. Standards could not be the same; such a high proportion of the population was poor and would qualify. The intention of the extension of these social benefits to the island was to improve consumption and income levels. This is what makes Puerto Rico so distinct from other developing economies—it’s unique political connection to the U.S. that permits a failing economy to survive with a support of social assistance and the option of migration.

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118 Morrissey, 99.
119 Morrissey, 105.
To further confuse the situation, another important occurrence during this period was the “clarification” of Puerto Rico’s political status as an *Estado Libre Asociado*, which gave it a degree of autonomy while permanently linking it to the U.S. as a colonial possession. Luis Muñoz Marin was the leader of the Puerto Rican Democratic Party and in 1948 was elected as the islands first homegrown, Puerto Rican governor. In the post WWII era, Muñoz Marin fought to clarify the status of the island vis-à-vis the colonizer. He recognized that the U.S. government was not going to set Puerto Rico free anytime soon, as it was still highly valued as a militarily strategic possession. He also knew that the island could not survive without U.S. capital. Therefore he committed his party to fighting for political autonomy within the U.S. In 1952, Puerto Rico gained the desired political autonomy and became a commonwealth territory of the U.S. or an *Estado Libre Asociado* (free associated state). The achievement of the commonwealth status permitted the extension of Social Security benefits to the island. As a commonwealth, Puerto Rico became a relatively independent state that benefits from a special relationship with the U.S. Bosworth and Collins argue that although the Commonwealth status does give the island economic benefits such as complete access to the American economy, it also limits the economic policy measures Puerto Rico can enact since it is required to maintain a dollarized economy (and cannot use monetary policy), and it must adhere to U.S. trade law and minimum wage requirements. Effectively, Puerto Rico became permanently dependent on the American market.

iv. CONCLUSION

Puerto Rico’s unique colonial path has caused it to remain in a continual colonial state, while Cuba emerged as a major player in the Cold War. Under U.S. control, the federal government enacted policies to completely restructure Puerto Rican society in order to create

120 Morrissey, 97-99.  
inviting conditions for the expansion of capitalism. Initially, the plan focused on the modernization and expansion of the sugar industry, but it became clear that monoculture only made the economy more vulnerable. Next, came successive waves of industrialization as the focus of the Puerto Rican development ethos. The implementation of the Puerto Rican industrial development programs had a few major implications: mass emigration, increased dependence, exacerbated unemployment and poverty. Although the agricultural sector made Puerto Rican incredibly vulnerable as monoculture encouraged dependence and volatility, industrialization as a development strategy only continued the same problems. The whole project relied on North American Capital and did not permit Puerto Rico to profit. The answer to these problems was not to restructure the system or rethink the commonwealth political status, but to extend federal aid to poor Puerto Ricans to bolster consumption levels. Subsequently, the development programs failed. For Puerto Rico, the Cold War period represented the failure of development programs and the resulting institutionalization of poverty. Puerto Rico’s continuous importance as a colonial possession has been derived from its value as a military enclave and the U.S. will not allow it to pass out of its system anytime soon. Implicitly, it is not an economic priority, so it has been developed in ways that are beneficial to capitalist interest without considering the local conditions on the island. Due to its political status that does not allow it to have political representation with voting power, it cannot change the fundamental structure of the still-colonial relationship. It has been allowed to sink into such a desperate state because of its precarious status that denies Puerto Ricans participation in the federal government, where its ultimate sovereignty lies. Alternatively, Cuba was able to gain sovereignty upon the success of the revolution of 1959, and the expansive sugar sector it developed with extensive foreign investment while under the American sphere of influence as a sugar exploitation economy, allowed it to secure trade relations with the Soviet bloc during the Cold War. This granted the small island-nation sufficient international support to solidify the restructuring of its society, allowing it to become a small nation with a global influence far larger than a nation of its physical size.
IV. CHAPTER FOUR: IMPLICATIONS OF DISTINCT COLONIAL
TRAJECTORIES UNDER SOVEREIGNTY IN THE POST-COLD WAR ERA

i. INTRODUCTION

During the Cold War, two superpowers, the U.S. and the Soviet Union, clashed and divided the world by ideology. Although Cuba intended to remain unaligned, it became economically linked to the Soviet bloc. Puerto Rico remained firmly entrenched on the opposite side, whether it willed to be or not, remaining a crucial military asset to the U.S. The end of the war triggered a new epoch with an increasingly solidified world order, with the U.S. and its capitalist allies at the top. For Cuba, it was a challenging era but one in which the opportunity emerged to finally break with the economic patterns of old. Although Puerto Rico lay on the winning side, conditions were not much better and prospects for improvement were limited.

ii. THE POST-COLD WAR ERA: NEW WORLD ORDER

With the end of the war, the new sole super power, the U.S., no longer needed to focus on containing the threat of communism, but instead altered its international foreign relations strategy to the expansion of capitalism and the spread of democracy. In reality, this strategy pursued very similar ends as during the Cold War, only through different means. During the Cold War, the U.S. often intervened militarily in order to prevent the spread of communism. After the Cold War, U.S. still wanted to prevent any other Latin American nations from following path of Cuba. Militarily, American military presence is still abundant within Latin America, justified through the ‘War on Drugs’ as its foe and the promotion of democracy as its goal.

Economically, the U.S. also aimed to ensure a strong presence of capitalism in the region through the promotion of neoliberal economic programs, which created strong economic ties between the U.S. and Latin America in an attempt to solidify American hegemony. After the global crisis of the 1970s, America renewed its interest in expanding its market to Latin America and offered to help these “underdeveloped” nations recover with the aid of structural adjustment packages, which granted debt relief conditional upon the implementation of austerity measures based on laissez-faire and market ideologies. Some of these measures included: reduction of state spending, privatization of public assets, liberalization of trade, openness to foreign investment, et cetera. The idea was to use neoliberal programs to bring development to these nations with the power of market forces, an example of the neoliberal development strategies offered by Walton presented in the first chapter. What these programs really did, was open up Latin American markets to American and foreign exploitation, while locally, elites grew richer and the poor grew poorer. Simultaneously, this trend occurred on the global level, as the richer core nations grew even wealthier through the exploitation of developing economies that neoliberalism permitted and peripheral developing nations grew poorer.

The implications of the new world order, dominated by capitalist interests, has had unique implications for the developing nations of Cuba and Puerto Rico, due to their distinct colonial trajectories. Cuba and Puerto Rico remained under colonial influences much longer than the rest of the Latin American nations, and remained so as the U.S. first began their strategy for economic expansion after the Spanish-American War. Although the U.S. obtained the islands for use as military enclaves, the free reign Washington held over them, more so in Puerto Rico, allowed it to experiment with the implementation of liberal capitalist strategies. By further opening the Cuban economy to foreign capital, patterns of social distortion deepened and a lack of national control pushed the enormously politically active population to radical measures and

the acceptance of Marxism. During the Cold War, the US pressured the Cubans to sway from their socialist platform, which only motivated them to embrace it more furiously. Due to the long-lasting history of its colonial trajectory, Cuba is one of the only developing nations that refused to acquiesce to capitalist hegemony, even in crisis. Puerto Rico was literally restructured to conform to liberal and laissez faire ideals, from the initiation of American rule, an experiment with early international capitalism. This presented an opportunity for Puerto Rico to finally be “part” of a developed nation and revitalize its economy, but what the experiment came to prove is that the U.S. used Puerto Rico as a subservient pawn to create a “tax haven” that would benefit the U.S. while further stratifying Puerto Rican society.

iii. CUBA

Upon independence from the Spanish in 1898, the U.S. absorbed Cuba into its sphere of influence via the Platt Amendment and facilitated profuse introduction of foreign capital into the Cuban economy, molding it into a liberal capitalist sugar enclave with the help of corrupt Cuban officials. Although, during the prerevolutionary period this created wealth for foreign absentee owners and corrupt local officials and elite, while the mass of the Cuban population grew increasingly impoverished, it did facilitate the modernization and expansion of agriculture (especially the sugar industry). Neoliberal globalization that has defined the modern, post-Cold War period, forced many developing nations to open their borders to free trade and the entrance of foreign capital. Colonial processes forced Cuba to liberalize prior to the Cold War (after Spanish era of trade monopolization and extreme tariffs that made the economy volatile). Via the implicit power of the Platt Amendment, the U.S. coerced Cuba into liberalizing much earlier in the 1900s, while other developing nations in Latin America and the Caribbean were forced to more than fifty years later. The resulting modernized, primarily sugar-based economy facilitated the invitation of Soviet Support and the economic security it bought. Essentially, the colonial
trajectory of Cuba favored its prospects for independence over Puerto Rico. The real challenge for Cuba came with the end of the Cold War, when crisis forced it to break with the economic patterns of old.

As a newly, fully independent nation with full sovereignty, Cuba had a hard time breaking traditional production patterns of its colonial past and embraced the exploitive sugar economy it developed under colonialism. Albeit, continuing the patterns of monoculture made the island vulnerable, the cushion of sugar production invited Soviet support and allowed the revolutionary government to wield sufficient power to spurn their former (informal) colonizer, the U.S. This failure impeded development and equality in terms of food, exactly what the revolution aimed not to do. With the imposition of the U.S.’ trade embargo and a drop in imports, Cuba scrambled for a way to secure resources. Fortunately, its new ideological character allowed it to forge new trade relations through socialist division of labor, COMECON. With Soviet support, Cuba became the most well-developed Caribbean island; even ranking above the U.S. in the 1989 Physical Quality of Life Index by the Overseas Development Council (11th versus 15th). In this trade arrangement the socialist Soviet nations provided a new market for Cuban sugar to be sold in, reinforcing its status as a monoculture export producer, though now the state owned all elements of production instead of foreign corporations. For three decades, 1959-1989, a whopping 85% of Cuba’s trade was conducted with the Soviet Bloc. It seems that although the revolution intended to break with the past, Cubans seemed to forget that part of the transformation of society should have included restructuring it’s traditional trade dependency, which left Cuban hunger not quite satisfied.

The opportunity to break the traditional economic patterns arose with the fall of the Soviet Union in and the ensuing Cuban crisis in 1991, known as the Special Period. Kapcia describes Cuba in the Cold War period before the fall of the Soviet Union, “Cuba a small,

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124 Warwick, 1-3
125 Warwick, 1.
essentially dependent sugar producing economy buffeted by a cold-war environment that, given a sugar-replete world market, limited its freedom of action but then, after 1991, suffered from the new, essentially hostile unipolarity, the costs of unwanted sugar and the pressure of globalization.”

The late 1980’s proved that the Soviet Union was not sustainable when Mikhail Gorbachev’s capitalistic reforms created serious division among the member nations. Cuba was disgusted with the Soviets straying from the communist ethos and responded with reaffirmation of their own belief in the Marxist-Leninist system. The nations of the Soviet bloc cut ties with the Soviet Union and the summer of 1991 brought the official overthrow of Gorbachev that cemented the full destruction of the Union.

Before the collapse, 57% of the Cuban diet was imported, including dependence on trade for more than 80% of all fats and proteins. To aggravate the situation, the U.S. concurrently further tightened its embargo with the ‘Cuba Democracy Act’ in 1992, which banned ships trading with Cuba from entering into U.S. ports. In 1996, the U.S. added the additional strictures of the ‘Helms-Burton Act,” which discouraged foreign investment. Until the 1990s sugar exports made up 75% of total exports. After the revolution the void left by the vast quantity of sugar imported by the U.S. was filled by the demand of the Soviet Union. Together, the socialist bloc imported four to five million tons annually between 1975 and 1990. Essentially, after the revolution, the new trade arrangements Cuba forged continued the same agricultural model founded on a monoculture export-economy that created severe distortions, dependency and vulnerability for its economy. The dissolution of the Soviet Bloc revealed the insecurities that formerly cushioned the economy and agricultural sectors.

127 Pérez, 291.
128 Warwick, 1
129 Warwick, 3.
130 Nova González, 59.
131 Nova González, 60.
Given that Cuba depended on the Soviet Union for trade and food security, the repercussions of the fall of the Soviet Union were grave—thus began the “Special Period in Peacetime.” Trade relations were immediately suspended and Cuba lost the ability to import the goods it needed and the market that it sold the majority of its goods to (remember that at the time, Cuba conducted 85% of its trade with the Soviet Union). Cuba faced a crisis that possessed the power to destroy all of the progress the revolution had built. Trade activity with the former Soviet Union dropped by 90%. Cuba was not able to import consumer goods and foodstuffs, and additionally, it now no longer had access to raw materials, parts and machinery vital to Cuban industry. The agricultural sector now was receiving about 20% of the fertilizer and pesticides it had depended on, since their introduction in the Green Revolution.132 Now not only was Cuba not able to import its foodstuffs, it no longer had the capacity to produce the same amount of agricultural cash crops. This crisis was defined by scarcity and shortage in almost every aspect of Cuban life, and affected food and agriculture deeply.

After two years of crisis, “the daily intake of the average Cuban citizen had descended to 1863 kilocalories, including 46 grams of protein and 26 grams of fat, all figures well below FAO recommended minimums for a healthy diet.”133 The Special Period in Peace (el periodo especial) consisted of a plan developed for use in time of war, which introduced a program of food rationing and austerity policies to stave off the crisis.134 Initially, Castro’s agricultural response strategy comprised of creating Basic Units of Cooperative Production (UBPCs) (in 1993 large state farms divided in UBPCs and worked land as collective proprietors), reopening of farmers markets, and granting individuals tracts of fertile land. According to Pérez-Stable, the response had the “twin goal of survival and reconstruction.” The emphasis on the response to the agricultural sector relates to the fact that it impacts so many other facets of Cuban society such as

132 Pérez, 293.
133 Koont, 11.
134 Ibid.
its role in generating export income, food production, employment and generation of gross national production. \footnote{Nova González, 59.} About 20.2\% of GDP depends directly or indirectly on agricultural activity and when it is not performing up to par other sectors of the economy are obligated to make up for it, resulting in more imports and higher costs. \footnote{Nova González, 61.} By the mid 1990s, the market had an increasing role, which created modest social differentiation. The years 2001 to 2006 showed marked improvement as the economy grew rapidly, with an averaged of 7.5\% GDP growth annually. The energy sector has expanded markedly, with positive results for the petroleum and natural gas sectors; with oil production increasing ten fold since 1990.

Graph 4.1 – Agricultural Production in Millions of Tons, 2000-2009 \footnote{Pérez Villanueva, 25.}

Cuba has recovered from the crisis conditions of the Special Period, but the country still struggles. Agriculture was reorganized and revamped in 2002, but since 2004 the sector has consistently stagnated and declined. \footnote{Claes Brundenius, “Revolutionary Cuba at 50 Growth with Equity Revisited,” Latin American Perspectives 36, no. 2 (March 1, 2009): 31–48, doi:10.1177/00945822X09331968, 42-43.} In 2008, Raul Castro attempted to implement measures to revitalize socialism. A focus on new export products aided in recovery, but export values still
remain 31% less than those of 1989.139 Raul Castro also enacted further changes with the intention of reactivating agriculture, such as changes in pricing, decentralization, simplification of the ministerial structure, land grants to individuals, but they have not had the intended results. The changes have not solved such structural problems that currently alienate producers from decision-making, neglect potentially beneficial market functions, and bureaucratic functions that impede production.140 Figure 4.2, below, surmises Nova González’s perspective on the current situation of Cuban agriculture and possibilities for improvement.

140 Nova González, 75.
“The demise of the Soviet Union in 1991 had disastrous effects on Cuban exports, and for a long time it was next to impossible to import inputs and equipment for both agriculture and manufacturing industries in Cuba and the transport system collapsed. The tightening of the US embargo has of course made the situation even worse, and natural calamities have added to the problems, but the disastrous state of Cuba agriculture cannot be blamed on these factors alone. There are other obstacles, inefficiencies, and systemic inertia that the government will have to tackle in order to give a boost to agricultural production,” 41

Cuba has also altered its structural patterns of trade. Cuba’s principal trading partners are now Venezuela, China and the U.S., although the food sector still constitutes the majority of imports. Tourism has proved to be the strongest sector. Real salaries still do not meet 1989 levels.

141 Nova Gonzalez, 93.
The issue of the dual currency is very real for a majority of the population, as many products cannot be accessed with the peso and the peso can only be earned in certain job sectors, such as tourism. The Cuban style of socialism’s economic strategy to meet social needs has long been to provide universal access to service, versus providing funds to access them. This strategy has worked for medicine and education, but it is not applicable to sectors such as food that cannot be universally provided under import and agricultural constraints.

Although globalization has tended to be a more negative experience for many developing nations, Monreal González suggests that it might be an opportunity for development for Cuba. His argument frames globalization as a mechanism for introduction of knowledge intensive and value-creating production through the application of advancing technologies. “The essential difference between developed and developing nations today is the degree of participation and relative position each economy has in the global production chains that make up the world economy, the control over these chains, and their prospects of being able to move up to higher levels.” He does admit that achieving this would require and incredible economic trajectory and the main challenge Cuba has to face is that of altering an economy whose internal production is for export. The current system will not serve as a proper basis for the kind of development that could transform Cuba into a developed nation, to do so three principal problems need to be fixed: 1. Internal food production to reduce imports 2. Internal market growth based on rising personal incomes to foster demand on which to base industrial upgrading and the creation of a capital goods sector 3. Innovation is needed to direct a growing share of labor force towards acquiring and exercising greater technological and organizational skills. Overall, Cuba’s original value derived from its role as a maritime enclave. Due to its strategic position it attracted more investment into agricultural production under Spanish and American intervention, creating a

142 Pérez Villanueva, 29-33.  
143 Monreal González, 227.  
144 Monreal González, 229.  
booming monocultural, Caribbean exploitation colony with an expansive cash crop export economy that motivated Cubans to fights for national control, two times, provided the means for it to survive as a young, radical nation in the Cold War after its revolution. Cuba’s reliance on its colonial-style economy turned out to be its chief weakness after the end of the Cold War. But, Cuba does retain full control over its economy and has been able to recover from the crisis and remain an internationally renowned power. After gaining sovereignty, Cuba was in a better condition within the global economy because it retained complete control over its economy, which permitted it to completely restructure society in an attempt to fix the social ills caused by colonialism, and although it has somewhat struggled, it can enjoy much better prospects for improvement due to its full sovereignty.

iv. PUERTO RICO

Through its historical trajectory, Puerto Rico has remained in a perpetual colonial status, still useful to the U.S. as a maritime enclave, and has been forced to put itself in the vulnerable position of dependence on the US in order to survive. The economy is in a terrible state, rife with debt, unemployment and poverty—with little way out. During Spanish reign, Puerto Rico was most often neglected until the last century of Spanish rule; it was always valued more for its strategic location. The Puerto Rican population was majorly peasant jíbaros that relied on contraband trade. It experienced economic revitalization as an export economy with slave labor, but on a much more limited level, and still boasted a relatively diverse agriculture export economy by the end of the Spanish reign. Being the less important of the two islands, Spain willingly ceded the island to the U.S. in order to end the Spanish-American War. Like Cuba, due to the early introduction to the American informal empire, the U.S. opened Puerto Rico’s borders to foreign capital (primarily its own), another example of early American economic liberalization. The
difference is that due to Puerto Rico’s status as an unincorporated territory of the U.S., its
economy became a part of the metropolitan economy and the U.S. had full authority to
completely restructure Puerto Rican society and production patterns to achieve maximum
capitalist expansion. Subsequently, the U.S. only permitted Puerto Rico to trade with the U.S. and
under designated conditions. Upon receiving a version of sovereignty with the granting of
commonwealth status, Puerto Ricans lawmakers had nowhere else to turn but to rely on the
readily available foreign capital to solve the insular problems that colonial development strategies
had invoked. The theme of Puerto Rico’s development, or the failure of it, has been the cycles of
dependency that leave the nation’s economy and people vulnerable to the next crisis. Within the
political status quo, what seem to be new and innovative development strategies only result in the
same exacerbation of local conditions for the Puerto Rican people. What is the answer to exiting
the cycle? Is it statehood? Is it independence? It does not seem like Puerto Rican policymakers
will be able to create real positive change for their people with the same kind of development
schemes that Puerto Rico’s “special” relationship with the U.S. has allowed.

Puerto Rico’s economic troubles are often equated to the ambiguity that exists over its
political status and the question of its colonial status. Officially it is a possession of the U.S., as
Pantojas-Garcia describes, “belonging to, but not being a part of the U.S.” as well as being “
‘foreign in a domestic sense.’” The obvious ambiguity within those phrases points to the U.S.
government’s attempts to mask the obvious existence of a colonial relationship. Pantojas-Garcia
argues that this ambiguity is what permits the federal government to allow the island of Puerto
Rico to be consistently less developed and poorer than any state of the nation. In the year 2000,
U.S. per capita income was $36,174, 2.3 times larger than that of Puerto Rico ($16,065). That
same year, the per capita income of Puerto Rico was less than half of Mississippi, the poorest

147 Dietz, 5.
state in the Union that year. The U.S. per capita GDP has consistently been at least double that of Puerto Rico. To continue on this note, GDP has been consistently 50% larger that GNP, reflecting the extreme outflow of income repatriated to the mainland economy.\textsuperscript{148} Graph 4.3 below illustrates this trend, and how the gap is only getting larger.

Although the development strategies have allowed for a more modernized life for Puerto Ricans, it is a superficial façade to mask the intense poverty on the island. After more than fifty years after receiving autonomy, the pattern of subjugation has not improved. “Even after conferring U.S. citizenship on Puerto Ricans and defining federal regulations through Commonwealth—an apparently ‘extra territorial formula’—the status of Puerto Rico remains at the mercy of the U.S. congress, where sovereignty over Puerto Rico still resides.”\textsuperscript{150} The political status of Puerto Rico, which designates it as separate from and unequal to any other state in the Union has allowed the cycle of dependency and increasing poverty to continue unchecked, since the ultimate authority over the island lies in congress, forcing it to follow trade, monetary and labor policies of the U.S. that might not necessarily be the optimum policies for Puerto Rico itself. The situation at hand, of

\textbf{Graph 4.3: Puerto Rican GDP Versus GNP 1969-2009}\textsuperscript{149}

\textsuperscript{148} Ibid.
\textsuperscript{149} New York Federal Reserve, 6.
\textsuperscript{150} Pantojas-Garcia (2005), 168-72.
the repatriation of profits plus dependency on access to American market\textsuperscript{151} and on federal transfer payments, has resulted from Puerto Rico’s continuing colonial trajectory. These trends have been too deeply engendered to fix with the current political and economic powers of the nation.

Puerto Rican economic development in the post-Cold War era played a large role in the deepening of the cycles of dependency. Overall, the same type of development plan that existed pre-Cold War continued afterwards, only with a renewed focus on even more capital intensive and technical industries. Two central facets that facilitated the development strategy of this era were the Section 936 tax code and federal aid. Pentojas-García argues, “It could be said that food stamps and Section 936 ended up being two side of the same coin, \textit{with individual and corporate welfare becoming the means to stabilize the Puerto Rican economy}.”\textsuperscript{152} Between the years 1954 and 1975, Congress altered the Puerto Rican tax code, and exempted possession corporations from paying federal income taxes given that profits were not repatriated into the U.S. The intent was to reinvest the earned dollars on the island, but it was found that they were often entering other foreign markets such as the European Petrodollar market. Besides the issue of exiting profits, the policy \textit{was} extremely effective in attracting capital to the island–turning it into tax haven for investors.\textsuperscript{153} In order to keep the money within the metropolitan economy, the code was altered to the Section 936 code in 1976, allowing for capital repatriation with small tollgate taxes to allow the insular government to collect some funds. The objective was the same, to encourage investment and reinvestment on the island.

Since its implementation in 1976, this plan attracted a legitimate amount of capital, but less and less seems to be going to local factors. Effectively, Puerto Rico has become a “tax haven with a

\textsuperscript{151} Bosworth and Collins, 30.
\textsuperscript{152} Emilio Pantojas García, “Federal Funds and the Puerto Rican Economy: Myths and Realities,” \textit{CENTRO Journal} 19, no. 2 (Fall 2007): 211.
\textsuperscript{153} Pentojas-García (2007), 216-218.
weak economy sustained by government jobs that does not produce enough jobs." Under Operation Bootstrap or Fomento, the unemployment rate initially fell, but quickly started to climb again. With the hike in unemployment, a growing social disparity in income emerged. Dietz argues that the Puerto Rican model of development of this time experienced diminishing returns and had most likely led to zero marginal gains by the mid 1970s. The main issue with Operation Bootstrap is that it relied on external investment, which was realized with U.S. owned firms operating under federal and insular tax exemptions, whose production was directed at the U.S. market and neglected the potential of the internal insular market. Federal transfer payments (welfare, but mostly earned transfer benefits) served to mitigate these negative effects, such as extreme unemployment and poverty. Pantojas-Gracia argues that social security transfer payments that are not earned (such as food stamps) do not actually play that large of a role in the economy, besides subsidizing families below the poverty line. The Puerto Rican economy typically experienced very low labor participation levels, with an extremely high level of discouraged workers due to the incredible unemployment, as depicted in the graph below from the Bureau of Labor Statistics, and an expanding informal economy to compensate.

Graph 4.4: Unemployment Rate in Puerto Rico, January 2003 to January 2013

155 Dietz, 12-14.
156 Dietz, 15.
The most recent development plan triggered the consolidation of Puerto Rico’s production processes into a strategic cluster of pharmaceutical and chemical production. Strategic cluster development has recently become a trend among developing nations trying to find a competitive edge within the global market and establish a stable industrial foundation. This tendency allowed the island to carve out a niche, but has subsequently resulted in the creation of another production concentration trend, only this time a capital-intensive manufacturing trend instead of monoculture, which has not been able to generate much employment due to the current state of the economy. Another issue with the Puerto Rican development strategy is that it did not allow for any technology transfer or expansion of local technological knowledge. This resulted in a lack of a mechanism for the local population to absorb and utilize technological know-how of local scientists, engineers, workers, and entrepreneurs. On the whole, the development scheme of Puerto Rico overlooked how it would actually affect the island and its inhabitants in the long run, creating a now transparently top-down, one-sided campaign for the promotion of U.S. capital. Even though the Puerto Rican government acknowledged this trend, the changes made after the 1970s were only superficial and did not attempt to really alter the inherently unequal structure that depended on foreign investment and capital.

I now refer back to Monreal Gonzalez’s distinction between developed and developing nations, stated as, “…the degree of participation and relative position each economy has in the global production chains that make up the world economy, the control over these chains, and their prospects of being able to move up to higher levels.” Puerto Rico definitely has weaknesses in some of these areas that impede its development due to its colonial trajectory. Mainly, these issues are related to the fact that its colonial trajectory has never actually ended. Although it has

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160 Dietz, 17.
161 Dietz, 20.
162 Monreal Gonzalez, 229.
the benefit of being a part of one of the most powerful economies in the world, due to its political status it is only allowed to participate in the global economy by conforming to U.S. trade policies, which are made to benefit the U.S., it lacks control over the “chains of global production,” given that its autonomy is limited and must answer to congress. The result of its colonial trajectory, in which it was valued but not valued enough is the current situation in which it does not have many prospects of moving up to higher levels of development and an improved economic situation for the Puerto Rican people. The failed development strategy has benefitted American capital, while creating unemployment and poverty for the many on the island. The development strategy continues with three support systems, federal tax exemption, federal transfer payments and unrestricted migration to the mainland.\textsuperscript{163} The economy is being kept alive with federal support, but it seems a futile effort to pump life into something, and is not actually improving the situation. The superficial support it receives makes it easy to maintain the status quo. This severely limits Puerto Rico’s ability to improve its economic situation in the long run, which would require changing it structures of dependency. Puerto Rico remains militarily strategic and will be kept in U.S. possession. Although military facilities have been scaled back in Puerto Rico, it continues to play a strategically important role in U.S. military interests. With Panama no longer under U.S. influence, Puerto Rico’s value as a maritime enclave, that provides a central coordination and communications center of the regional military infrastructure, is even greater,\textsuperscript{164} which makes it unlikely to be relinquished by the federal government. Puerto Rico’s colonial trajectory has passed it from one empire to another, as a strategically important maritime enclave, as Jürgen Osterhammel describes, which allows its owner to maintain an established presence in the Caribbean. Given that Puerto Rico will always be valuable in this respect, since its location is unlikely to change, its colonial status pervades.

\textsuperscript{163} Dietz, 156.
v. CONCLUSION

Puerto Rico’s strategic location has made it permanently valuable as a maritime enclave. Due to its smaller size and less-strategic position in regards to Cuba, Puerto Rico did not experience the same level of economic and societal development, it never developed a unified social coalition and therefore never developed a national liberation movement or the impetus to revolt under Spanish reign and instead was easily transferred to the next master.

It is unlikely that Puerto Rico’s economic situation will improve significantly unless the insular government makes drastic changes in its development plan. The linkage between its subservient status and easy access to American capital and federal support is too strong. Cuba, alternatively, gained real autonomy and escaped the cycle of colonialism. This freedom to fully control economic decisions has allowed it to entertain prospects of becoming a developed nation. Although initially upon gaining full sovereignty, to facilitate survival within the conditions of the Cold War, Cuba relied on the production patterns developed through colonialism. Under colonialism, Cuba’s sugar monoculture expansion was much more intense due to higher introduction of foreign capital and modernization it experienced under both Spanish and American colonial intervention, resulting in a much stronger economy upon independence. After the fall of the Soviet Union, the nation was finally forced to take the bitter pill and experience the negative consequences of dependency vulnerability that monoculture trade dependency entails. Cuba experienced the lessons of trade dependency and monoculture, and although it continues to struggle to recover, at least has the full sovereignty to choose its economic model, choose its own trade regulations and how it approaches globalization and foreign investment—all of which Puerto Rico’s political status denies the island.
VI. CONCLUSION

After analyzing the colonial trajectories of Cuba and Puerto Rico, using the colonial typologies presented by Jürgen Osterhammel, I conclude that upon reaching sovereignty, Cuba was in a better position to compete in a globalized world than Puerto Rico. This is because Cuba’s colonial trajectory allowed it to develop enough to free itself from the bonds of colonialism, while Puerto Rico remains bound to the United States and retains limited sovereignty. Cuba’s geographical location and size played a huge role in its colonial trajectory, making it a highly valued maritime enclave. Given that Cuba was a more important maritime enclave, it received more investment, experienced a much more expansive growth of agricultural industry, and therefore developed a stronger economy under colonialism. Its primacy as both a maritime enclave and economic power resulted in the growth of a much larger, fiercer white Creole elite that led Cuba to independence. Puerto Rico’s role as a maritime enclave afforded it continued importance throughout its colonial trajectory, but it consistently remained secondary to Cuba. Therefore, it was not strategic enough to attract the type of investment needed to permit a similar type of expansion, even as it transitioned into a Caribbean agricultural exploitation colony. Since the island did not experience the kind of economic boom that Cuba did, as the primary maritime enclave and Spanish-Caribbean agricultural exploitation colony, it did not experience a commensurate population boom or similar demographic patterns. Puerto Rico therefore lacked a united, nationalistic, Creole land-owning elite.

Cuba and Puerto Rico’s colonial trajectories resulted in distinctive demographic structures and varying degrees of economic development before sovereignty. The Cuban people’s national pride, a product of it being the more important maritime enclave, and its more modernized and expansive agricultural export economy allowed for the initiation of a revolution
and the economic support to see it through. Retaining control over the economy is vital for a nation to develop its economy. By gaining full sovereignty in the revolution, Cuba was able to cast aside its former masters and restructure its economy to achieve its ideal of economic development with equity. Cuba accomplished the desired Marxist reconfiguration, but failed to address the issues of food dependency. Under Spanish rule, Puerto Rico lacked a united, social coalition or a strong, developed economy to motivate it to fight for control. After 1898, the U.S. linked the Puerto Rican economy to its own, manipulated the island to create the perfect environment for the expansion of capitalism and lured American corporations to the island with tax incentives to develop the economy. Implicitly, Puerto Rico became a tax haven and American corporations dominated almost the entirety of Puerto Rican economic development. Upon gaining “sovereignty,” the Puerto Rican leaders saw no other way to develop, but to continue relying on American capital and deepening patterns of dependency.

Puerto Rico’s colonial trajectory put its capacity for economic development in a worse position upon gaining relative autonomy because it remained attached to, but not a real part of, the American economy. Its political status limits the Puerto Rican government’s ability to fundamentally alter the structural nature of its dependency. Its prospects for ever becoming a developed nation remain extremely low while its current relationship with the United States remains, permitting American corporations to rule the island, while sucking the life from the local economy. In Cuba, some dependent tendencies still exist in the economy, but upon gaining sovereignty it was able to fundamentally restructure its economy and society and improve its prospects for development. Cuba is finally its own master.
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