

Studies in American Imperialism

PORTO RICO:

A Broken Pledge

By BAILEY W. and
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New York: The Vanguard Press

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MANUFACTURED IN THE UNITED STATES
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TO
MRS. W. O. DIFFIE
and
MRS. LESLIE J. WHITFIELD

INTRODUCTION

By HARRY ELMER BARNES

THE NATURE OF CONTEMPORARY IMPERIALISM

WHAT is usually known as modern economic imperialism is one of the most characteristic and important historical developments of contemporary times. It is not only a leading phase of modern commerce and investment, but has also profoundly affected many non-economic aspects of our life. In the field of politics it has involved: (1) the development of a foreign policy conditioned by overseas ambitions and colonial dominion, and (2) the reaction of this type of foreign policy upon the domestic political institutions of those states which have participated to any extensive degree in imperialistic ventures. As L. T. Hobhouse long ago made clear, no country can expect to devote a part of its energy and resources to the acquisition and domination of lands and peoples overseas and still hope to keep its domestic politics free from the responsibilities and handicaps imposed by overseas dominion. In the field of social institutions far-reaching modifications have been produced both at home and abroad through the impact of widely different cultures. Likewise, culture and intellectual life have been deeply influenced by that interaction of divergent cultures upon each other which has been produced through the contacts promoted by modern imperialism.

Therefore, it may be contended with full assurance of accuracy and moderation that one who fails to acquaint himself with the nature and achievements of contemporary imperialism will have ignored one of the most significant phases of our present civilization. Inattention to contemporary imperialistic activity not only marks one out as deplorably ignorant of vital current issues but also renders one incapable of coping intelligently with many of the more pressing and baffling problems of contemporary politics and international relations. It represents a type of ignorance which is not only humiliating but actually dangerous. Almost worse than blank ignorance, however, is that Pollyanna attitude of benign trust and cosmic complacency which is born of acquaintance with the issues of modern imperialism solely through the medium of our conventional journals or party spokesmen. These give assurance of the unmitigated benevolence of investors, and also emphasize the deaf ear which foreign offices and state departments turn to all appeals to put the force of an imperialistic nation behind the summons of interested investors and merchants.

Much heat and dogmatism has been developed in the efforts to define and assess contemporary imperialism. Some regard it chiefly as a benevolent and unselfish civilizing process; to others it seems the most brutal and heartless manifestation of modern capitalism and the spirit of acquisitiveness. To the writer it appears that it is best to abandon, for the time being, any of the old single-track dogmas concerning imperialism and make a careful study of the actual facts, in order to find out just what contemporary imperialism really amounts to. In so doing, we may learn that some of our older dogmas are

completely discredited, while other assumptions may be verified and extended. We have conventionally assumed that the imperialistic process is essentially the following:

1. Merchants and bankers recognize the opportunities for pecuniary gain in certain relatively backward political and economic areas.

2. Their penetration is followed by appeals to the foreign offices of their respective states.

3. These requests ultimately lead to military intervention and the political administration of such areas.

Such a sequence, while not unknown, is by no means inevitable. In many cases there is no political or military intervention at all because the bankers and merchants feel that they can carry on their activities to better effect without the embarrassment of political friction. Hence, what is most needed is a careful and realistic study of imperialism in action. This does not imply that we shall emerge as eulogists of imperialism. We may end by formulating a more vigorous indictment of imperialism than that conventionally offered by socialistically inclined writers or we may discover that in some respects the imperialistic process is mitigated by the achievements. What we need are the facts before we can construct either a convincing condemnation or a telling defense of imperialism. After all, the most useful definition of a thing is a description of what it does.

Further, it is certainly a mistake to conceive of modern imperialism solely in economic terms. There is no doubt that modern industrial states are impelled to build up an export trade and to seek sources of raw materials, but this does not necessarily force them to annex territory. Our largest customers are Canada and European and South

American states, over which no one proposes that we should exercise or attempt to exercise political control. Like population growth, economic expansion has led to imperialism in considerable part because of nationalism and the nationalistic pride in colonies. The French Kongo and Indo-China have been white elephants on the hands of the French, and the same is true of the Italian possessions in Africa. The German colonial empire was certainly more a product of nationalism than of economic expansion. American and British imperialism have been caused more exclusively by economic motives.

Moreover, we need to relinquish the somewhat simple-minded hypothesis of the conscious, overt, and undeviating diabolism of contemporary imperialism. There is no doubt that, as society is organized today, we have certain definite economic needs which can be met only by obtaining markets overseas and by securing raw materials from foreign areas. We have accumulated a large surplus of capital for investment which will inevitably seek an outlet beyond our national boundaries. We have to consider frankly such economic realities. We are likely to be faced for a long time with the problem of the contact of higher and lower cultures, of so-called superior and inferior economic systems. As long as the prevailing types of political organizations and economic systems continue we shall have to confront this issue of economic penetration and political dominion. If we desire to modify or eliminate this situation we shall have to operate, in part at least, indirectly in the way of changing the nature of the economic, political, and social organization of humanity.

In studying the progress of contemporary imperialism it is necessary to place the emphasis somewhat differently

from that employed in any treatment of the expansion of Europe from 1500 to 1800. In the earlier period the more notable results were to be observed in the effect of the expansion movement upon Europe itself. There was relatively slight penetration of the overseas areas by Europeans. The most far-reaching influences were to be discovered in the reaction of overseas products, practices, and ideas upon Europe. This reaction, in the large, brought about the decline of the medieval order and the establishment of modern nationalism and capitalism, together with many important cultural changes. After 1870 there was a far more extensive movement of Europe overseas. Europeans carried the new technology and other aspects of western civilization abroad and transformed the living conditions of the majority of those dwelling in overseas areas. Therefore, in the same way that world politics from 1500 to 1800 were of consequence chiefly in regard to European transformations, so after 1870 world politics found their most notable expression in the movement of European populations and civilization to overseas areas. This should not be taken, of course, as any denial of the importance of European expansion abroad after 1500 or of the reaction of the imperialistic process upon Europe after 1870. It is merely a matter of the relative significance of expansion and reaction in these two periods.

THE HISTORICAL BACKGROUND

One of the most striking phases of the modern dynamic age has been the rise of the new national imperialism since 1870. By this is meant the development of European or American control over the territory or the resources of

the less highly developed or the less powerful peoples outside of Europe and the United States, accomplished usually with the sanction or the armed intervention of the states of which the traders were citizens. As a movement, this has varied greatly, extending all the way from simply a dominating control over the commerce of a given area to ultimate political absorption.

Perhaps the most conspicuous phase of modern imperialism has been the great swiftness of this European expansion and occupation. More territory has been actually procured for white occupation of one sort or another within fifty years than was appropriated in the three centuries of the old colonial movement. In 1800 about four-fifths of the land area of the world had not been opened to civilized man through exploration, and as late as 1870 more than half of the habitable surface of the earth had not been touched by Europeans. By the beginning of the twentieth century the whole planet outside of the extreme polar regions had been traversed by the white man and its resources and potentialities for exploitation had been catalogued. Africa had been explored and partitioned. Oceania and Australasia had been occupied, and a commercial hegemony of Europe and the United States had been established in Asia and Latin America.

The forces or causes lying back of this expansive movement are conventionally classified as economic, political, social, religious, and psychological. The economic causes of expansion grew directly out of the Industrial Revolution. While this movement had affected England and France at a somewhat earlier period, the era of greatest industrial development in Germany and the United States came in the years following 1870. This new industry,

carried on by mechanical processes under the factory system, gave rise to an unprecedented increase in productivity and to an enormous accumulation of capital available for investment. The economic basis for the development of modern imperialism is well revealed by the increased wealth and income of the United States since 1850:

TOTAL WEALTH OF UNITED STATES

1850	\$ 7,000,000,000
1870	30,000,000,000
1900	88,000,000,000
1922	322,000,000,000
1925	355,000,000,000
1929	367,800,000,000

The total income of the United States increased from \$31,400,000,000 in 1910 to \$72,000,000,000 in 1920 and \$89,000,000,000 in 1928. At the same time, the vast improvement in the technique of land and water transportation made possible the growth of world trade on a scale which exceeded anything before known. By 1928 the total volume of transactions between the citizens of the United States and the rest of the world amounted to more than \$11,000,000,000. The distribution of these transactions is indicated by the following tables:

I. TRANSACTIONS LEADING TO PAYMENTS TO AMERICANS

Goods exported	\$1,129,000,000
Freight payments received	143,000,000
Foreign Tourists in U. S.	168,000,000
Int. on Am. investments abroad	817,000,000
War debt rec. U. S. Treasury	160,000,000
Motion picture royalties	70,000,000
Insurance transactions	80,000,000

II. TRANSACTIONS LEADING TO PAYMENTS BY AMERICANS

Goods imported	\$4,091,000,000
Freight payments	227,000,000

Americans traveling abroad	782,000,000
Interest on foreign-owned investments in U. S.	252,000,000
Remittances sent back by immigrants to U. S.	217,000,000
Missionary and charitable contributions	52,000,000
Insurance transactions	70,000,000

As modern industrialism has developed, the impulse to imperialism, which resides in the search for markets for finished products, has been powerfully augmented by the desire to secure control of the supplies of indispensable raw materials. Rubber and petroleum have become particularly important in this regard in recent years, with the great development of the internal combustion engine and the growing popularity of automobiles. It may safely be said that no other factor is so potent in contemporary diplomacy as the ambition to secure and safeguard an adequate supply of petroleum and rubber. The desire to exploit Russian oil reserves was the main factor in the British recognition of Russia. With the eclipse of the British interests and the growing ascendancy of the Standard Oil Company in the Russian fields, we find the spokesman of the Rockefeller interests discovering much to commend in the Bolshevik experiment. The British restriction of the supplies of raw rubber proved sufficient to provoke decidedly anti-British protests from Mr. Herbert Hoover, certainly a man not previously known for anti-British proclivities. The oil reserves of Colombia were sufficiently rich and essential to American needs to induce even adamant Rooseveltians like Henry Cabot Lodge to repudiate by implication Roosevelt's Panama policy and to enter into an arrangement to indemnify Colombia.

The diplomatic tension over the rubber supply has been somewhat lessened through the fall in the price of rubber, and private oil companies are working out agreements

which reduce the competition between them. These great international oil cartels will constitute a real danger, however, unless they are subjected to adequate international control through public agencies.

Because of cheap transportation, the rapidity with which shipments could be made and the decreased proportion of losses in ocean shipments, commerce grew by leaps and bounds. All of these developments inevitably led to a scramble for foreign markets and to large-scale investment of capital in overseas areas. These markets and areas for investment were sought, when possible, in colonies carved out of backward and unoccupied tracts and, when these were not available, in seats of older civilizations which had not yet passed into the modern industrial age.

Political causes coöperated with the economic in producing the new movement of expansion. The growth of modern nationalism stimulated and intensified the desire to secure and control colonial areas. Italy and Germany had just achieved national unification in 1870 and had developed an intense patriotic fervor which derived satisfaction from foreign expansion. France turned to foreign areas to secure compensation for the loss of Alsace-Lorraine. Russia, not satisfied with a vast area still awaiting exploitation and development, turned southward to seize more territory in Asia. England had long staked her future on maintaining her supremacy as a commercial and colonizing nation. Even the United States, before the close of the nineteenth century, had occupied all the available free land within its boundaries and turned to the Spanish-American area for a new region of investment and exploitation. This process naturally produced

as a sort of psychic compensation the notion of the "civilizing mission" or the "white man's burden," and gave rise to sharp national jealousies over the relative extent of external possessions.

There was, likewise, a strong sociological motive which combined with the political impulses to favor expansion. For some set of causes not yet well understood, but which center about modern industrialism and the growth of medical science, the population of Europe increased from about 175,000,000 to over 450,000,000 between 1750 and 1915. This led in many countries to a real pressure of population on the means of subsistence and emigration was stimulated, if not necessitated. It was natural that the mother country should desire to retain political control over its emigrants and this could be achieved only when they migrated to colonies. In this way the socio-biological factor of population growth was linked up with the political drive from patriotism.

Again, the religious motives for developing overseas areas had not declined, but had increased instead. To the Catholic missionaries, who had never ceased activity since the beginning of expansion, were added an ever-increasing number of Protestants. The appeal of the missionaries was further strengthened when it became possible for them to carry with them not only "the word which maketh wise unto salvation," but also modern industrial arts and the blessings of sanitary and medical science.

Finally, psychological impulses have served to extend the interests of Europe overseas. The love of adventure has operated as ever, and the compelling power of scientific curiosity has not abated. Again, the social prestige

usually attaching to colonial service has acted as an incentive to the movement. Further, the various psychological aspects of modern aggressive nationalism have been utilized in the propaganda of skilful and unscrupulous imperialists to effect a popular espousal of their program.

The newer movement of expansion has been national rather than one of persons of privileged companies, and its chief field of operation has been the eastern hemisphere, rather than the western, which was the case with much of the activity in the earlier period of exploration and colonization. Africa, Oceania, and Australasia have been forcibly colonized, while economic exploitation has been vigorously cultivated in Asia. This statement does not, however, ignore the extensive commercial exploitation of Latin America by European nations and the United States. The significance of this more recent period of expansion has been vividly described by Professor Shotwell:

Conquistadors, clad in khaki or glittering in helmeted display, have proclaimed to most of the savages of the globe that they belong henceforth to European nations. On the wharves of London there are goods from German workshops for the merchant adventurers of today to carry off to Bantus or Negritos. Piles of coal from Cardiff lie inside the coral reefs of Australasian islands, for the ships which come to break the silence of farther Hebrides that Wordsworth dreamed of. But for the historian there is more significance than romance in such events. The men whom Joseph Conrad and Kipling describe are responsible for the transformation of Africa and Asia. And that transformation in its turn is mainly responsible for those policies of imperial expansion, of commercial and colonial rivalries which underlie the causes of the present [European] war.

The following table will provide an excellent summary statement of the territorial expansion of the western states up to the time of the World War.

COLONIAL EMPIRES OF THE WORLD IN 1914

Country	Number of Colonies	Area (sq. mi.)		Population	
		Mother Country	Colonies	Mother Country	Colonies
United Kingdom.....	55	120,953	12,044,000	46,052,700	391,582,528
France	29	207,076	4,110,409	39,602,000	62,350,000
German Empire	10	208,830	1,231,000	64,926,000	13,075,000
Belgium	1	11,373	910,000	7,571,000	15,000,000
Portugal	8	35,500	804,440	5,960,000	10,021,000
Netherlands	8	12,761	762,863	6,102,000	37,410,000
Italy	4	110,623	591,250	35,239,000	1,396,000
United States	6	3,026,000	125,610	98,781,000	10,021,000

The chief transformation wrought by the World War was the seizure of the German colonial empire and its division among the Entente victors, primarily the British Empire, Japan, and France.

The effects of the new imperialism upon the political and diplomatic events and tendencies of the last half-century in Europe have been most profound. Scarcely a dominating alliance or an armed conflict has existed which has not been more or less directly affected by overseas policies and ambitions, while these policies have very frequently determined even the characteristics and trends of domestic politics, as well as the destinies and careers of statesmen.

While it cannot be doubted that much of the older policy of thoroughgoing exploitation has been carried over into the new imperialistic movement since 1870, it is certain that a somewhat higher moral level has prevailed in the activities of the colonizers. There has been at least some rhetorical, though often hypocritical, recognition

of a moral obligation in the "white man's burden" and of the duty of elevating the cultural standards of the natives. This moral progress has not been uniform, however, as there is little or nothing in the history of the Puritan relations with the Indians to match the wholesale assassinations, cutting off of hands, and other "peace time" atrocities committed by Leopold's agents in the Belgian Kongo.

THE UNITED STATES IN MODERN IMPERIALISM

It is obvious that the particular manifestation of contemporary imperialism most interesting and relevant to Americans is the expansion of American capital and colonial power beyond the ancient boundaries of the United States. It has often been stated by patriotic orators that the United States is the one state which resolutely stood aloof from the imperialistic orgy of the last half-century. Yet the truth would seem to be that we were conceived in imperialism and dedicated to the principle of expansion. Founded as a phase of the first great period of imperialism and colonialism, we have always been an imperialistic country from the standpoint of development of control over new areas and the subjugation of lower peoples. The growth of our country has been, in one sense, the record of imperialistic efforts and successes. The history of the United States from 1607 to 1890 is the record of a continually expanding frontier, during which process we brought the original Indian population under our control and conquered most of a great continent. This stage ended about 1890, at the very time when we had just passed through the most important stages of the

Industrial Revolution, had for the first time acquired a considerable volume of excess capital and had developed a greater necessity for markets overseas. In other words, we needed to expand beyond our boundaries at the exact moment when we had the resources to do so and were under the temporary control of a political party that was to a peculiar degree under the domination of American industry and finance. As Professor J. Fred Rippy has correctly and courageously stated the facts:¹

It is in vain that we plead our innocence of imperialism. Our whole history gives the lie to such a plea, unless one wishes to quibble over the meaning of the term "imperialism." The fact is that our boundaries are vastly more extensive than they were in 1783 and that most of our territory has been acquired at the expense of Spanish America. . . . A policy which has brought under our virtual domination some nine to twelve republics in a generation may differ from European imperialism in form but it is very near that imperialism in substance.

In the following summary paragraph Professor Parker Thomas Moon gives a graphic statement of the actual extent of the "American Empire," which will doubtless astonish those readers who have not given special attention correctly and courageously stated the facts.*

But if Canada is part of the British Empire, and if Egypt and Iraq are under British control, then by the same standards Cuba, Haiti, the Dominican Republic, Panama, and Nicaragua are to be reckoned as falling in some degree under the control of the United States, for they are subject to military intervention, which Canada is not; their foreign affairs are to some extent submitted to American guidance, or at least to an American veto;

¹ J. Fred Rippy, *Latin America in World Politics*, p. 265.

their economic life is in considerable measure under American supervision; and they are protected against non-American encroachment quite as genuinely as any French or British protectorate. Liberia may perhaps be added to the list without serious dispute. Some readers would wish to add other Central American Republics, or Mexico, or Colombia and Venezuela; but these are excluded for the reason that American intervention in their affairs is less formal, less continuous, less analogous to the "protectorates" of European imperialism. Taking then, this fairly conservative list of quasi-dependencies—Cuba, Haiti, Santo Domingo, Panama, Nicaragua, and Liberia—and adding it to the list of territories and possessions, we obtain a grand total that will put the United States colonial empire in sixth place for area, and for population, and in second place for commercial value. For a non-aggressive nation, the United States has done remarkably well, as compared with rivals candidly intent on imperial expansion. Only Great Britain has done better.

It was natural that we should first turn to Latin America, justifying our action in official rhetoric on the ground of advancing the cause of human justice, but not failing in the process to increase the facilities for investment and to acquire under favorable conditions the valuable natural resources of the lands occupied. Our intervention in Cuba was not in any sense a novel or cataclysmic affair. We had aided the movement for Cuban independence from Spain and considered intervention at various times for more than half a century before 1898. At the close of the century things shaped up in such a way that we took the final step. From Cuba we extended our economic penetration and political pressure into other parts of Latin America: Mexico, Haiti, Santo Domingo,

Nicaragua, Honduras, Salvador, Panama, and the Virgin Islands. During the same period we turned to the Pacific and entered the Hawaiian Islands and the Phillipines. The United States also joined with alacrity in the commercial penetration of China. With the outbreak of the World War came our remarkable investments in Allied bonds and the subsequent European loans which have made us a very powerful factor in European finance. With the discovery of rich petroleum resources in Asia Minor and Mesopotamia we have recently interested ourselves in the Near East.

There is no discernible limit to the nature or extent of our future investments in overseas areas. The most striking aspects of our recent financial penetration beyond national boundaries are those connected with the expansion of our interests in Canada and Latin America, and our increasing importance in European international finance. We have now become the chief outside investor in Canada; our trade and interests in South America have increased a thousandfold in a little more than a decade; and Europe looks to our aid and direction in settling her outstanding financial problems, as the formulation of the Dawes and Young Plans bear eloquent witness. The following table, taken from Margaret A. Marsh's *The Bankers in Bolivia*, gives a good statistical picture of the results of our expansion policy and of the extent of the "American Empire":

THE COLONIAL EMPIRE OF THE UNITED STATES, 1924

	Area (square miles)	Population	Commerce (dollars)
OUTLYING TERRITORIES:			
Alaska	590,884	60,000	\$ 88,905,000

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Hawaii	6,449	307,000	188,541,000
DEPENDENCIES:			
Philippine Island	115,026	11,076,000	243,356,000
Porto Rico	3,435	1,547,000	172,478,000
Virgin Islands	132	26,000	2,559,000
Samoa	58	8,000	294,000
Guam	210	13,000	967,000
Wake and Midway Is.	29
LEASED TERRITORY:			
Panama Canal Zone, Gaun- tanámo, Fonseca Bay, Corn Island	527	27,000
Total Possessions	716,750	12,864,000	\$697,100,000
NOMINALLY INDEPENDENT DEPENDENCIES:			
Cuba	44,164	3,369,000	\$724,595,000
Haiti	11,072	2,045,000	28,872,000
Dominican Republic	19,325	897,000	51,843,000
Panama	33,667	443,000	16,250,000
Nicaragua	49,200	638,000	21,797,000
Liberia	36,834	1,500,000	2,528,000
Total nominally independent dependencies	194,262	8,892,000	\$845,885,000
Grand Total	911,012	21,756,000	\$1,542,985,000

The dynamics of our imperialistic ventures are well revealed by the following statistics of the remarkable growth of our commercial investments overseas:

AMERICAN COMMERCIAL INVESTMENTS BY AREA

	1900	1920	1931
Mexico	\$185,000,000	\$ 800,000,000	\$1,325,000,000
Canada	150,000,000	1,450,000,000	4,436,011,000
Cuba	50,000,000	525,000,000	1,530,000,000
Other Latin-American Countries	55,000,000	650,000,000	5,722,000,000
Europe	10,000,000	470,000,000	5,607,332,000
Asia and Oceania	7,500,000	1,485,831,000

In Latin America the United States has been primarily

concerned with Mexico and the Caribbean area, partially due to the Panama Canal and in part as a result of our large investments in these areas. The Panama Canal is of vital significance to the commerce and national protection of the United States. We have about \$1,325,000,000 invested in Mexico. Our greatest investments in the Caribbean area are in Cuba, some \$1,500,000,000. This shows that outside Cuba and Mexico our policy is dictated primarily by the larger strategy of security and protection.

This protective aim has led the United States to assert general supervision over the Caribbean area. We have heavily fortified the Panama Canal. We have taken steps to prevent the nine Caribbean republics from falling into the hands of foreign powers. We have assumed the obligation of encouraging order to protect Americans and foreigners and to forestall any excuse for intervention other than American. We have followed such policy as to insure that any economic dependency of a Caribbean state shall be economic dependency on the United States. We have secured naval bases in the Canal Zone, Cuba and the Virgin Islands, and have purchased the right to a naval base in Nicaragua. We have encouraged Santo Domingo, Nicaragua, Haiti and Salvador to pay off debts to foreign countries through American loans, and have then established customs receiverships in these countries to insure payment of these loans. To protect foreigners, maintain order and give our investors security we have established military governments in Cuba, Haiti, Santo Domingo and Nicaragua.

We have temporarily intervened in Honduras twice, in Nicaragua twice and in Guatemala once.

It is usually assumed that our State Department has invariably moved under pressure from investment bankers, but the opposite has sometimes been the case. The Secretary of State has at times believed it desirable for the United States to assert its supervision in some area and has wished to have the support of American finance in such a policy. Then the State Department has brought pressure on the bankers to buy the bonds of the particular Latin American country involved. Such was the case in the loans to Nicaragua and Honduras in 1911-1913 and to Cuba in 1922.

The following table, published in *Current History* for April, 1929, indicates both the nature of American private investments in Latin-American countries at the present time and the changes in these investments between 1912 and 1928:

	1912	1928
Argentina	\$40,000,000	\$488,000,000
Bolivia	10,000,000	90,000,000
Brazil	50,000,000	400,000,000
Central America and Panama.....	40,000,000	225,000,000
Chile	15,000,000	500,000,000
Colombia	2,000,000	212,000,000
Cuba	220,000,000	1,325,000,000
Ecuador	10,000,000	25,000,000
The Guianas	5,000,000	7,500,000
Haiti and Dominican Republic....	7,500,000	55,000,000
Mexico	800,000,000	1,195,000,000
Paraguay	↑	17,500,000
Peru	35,000,000	170,000,000
Uruguay	5,000,000	80,000,000
Venezuela	3,000,000	125,000,000
Total	\$1,242,500,000	\$4,915,000,000

"STUDIES IN AMERICAN INVESTMENT ABROAD"

The American Fund for Public Service is engaged in the process of employing a considerable sum of money for the purpose of advancing in diverse ways the cause of human enlightenment and social justice. It was conceived, and probably justly, that one way in which this goal could be attained would be the appropriation of an adequate fund to allow the prosecution of studies into American expansion and investment. The American Fund rendered substantial aid in the process of compiling and publishing the notable books by Dr. Nearing and Mr. Freeman on *Dollar Diplomacy* and by Mr. Dunn on *American Foreign Investments*. It was further decided to carry out three initial investigations of typical examples of American imperialism in Latin America under the general direction of the present writer. Cuba, Santo Domingo and Bolivia were selected for this purpose. Cuba provides the example of a theoretically independent state which has become in fact an economic protectorate and also occupies a peculiar political status owing to the Platt Amendment and the consequent ability of the United States to protect economic investments by periodic political interventions. Santo Domingo is a representative case of forceful intervention primarily to protect American investors through restoring order and stability. Bolivia presents an instance where the penetration has thus far been purely economic, and in which the engagements of the government of the state occupied have been made primarily to the private foreign bankers who have floated the requested loans.

For the execution of these three initial studies in American Investments Abroad three highly competent investigators were engaged. Dr. Melvin M. Knight, a trained historian and economist, a professional student of contemporary economic history, and a specialist in the subject of imperialism, was selected to study Santo Domingo. Dr. Leland H. Jenks, likewise trained equally in history and economics, and a specialist who has demonstrated his competence in this field by producing the foremost work on the migration of British capital overseas, was entrusted with the task of dealing with the Cuban situation. Margaret Alexander Marsh, long well known for her interest in international affairs, for a considerable period Executive Secretary of the American Association for International Conciliation, and a specialist for the Federal Council of Churches on American investments in Mexico, was chosen to investigate the situation in Bolivia.

The high quality of these original monographs and the interest they provoked both in this country and Latin America (where they have since appeared in Spanish translation) has encouraged the American Fund to sponsor another and more extensive group of studies. Books are in active preparation dealing with our financial and political relations with Colombia, Nicaragua, the Fruit Republics, Haiti and Porto Rico. We have been fortunate in finding scholars of the same high repute and impartiality as the original trio to undertake the second series of monographs.

Dr. Bailey W. Diffie, who has executed this study of contemporary conditions in Porto Rico, has been well trained for the investigation of Latin American prob-

lems. An American by birth and in collegiate training, he took his doctorate from the University of Madrid in modern history and international relations. He has thus been placed in a position to handle these issues from a broad and balanced point of view.

This monograph on Porto Rican conditions is given more than usual timeliness and interest through the recent visit of President Hoover to the Island. The President expressed himself as "well satisfied" with conditions. A careful perusal of Dr. Diffie's substantial and unprejudiced book will furnish an excellent basis for judging Mr. Hoover's knowledge of conditions in Porto Rico and his criteria of "satisfactory" conditions in our colonial domains.

Political conditions are more tolerable than other aspects of Porto Rican life today, though even here Utopia has hardly been reached. Doubtless, Mr. Hoover had in mind chiefly political life in Porto Rico. Yet political freedom, even if complete, is of no avail if economic conditions produce general misery, poverty and hopelessness.

Dr. Diffie presents a reliable and penetrating analysis of the economic life of Porto Rico today. He thus goes to the heart of the problem, though he does not ignore political life and institutions. He shows that the three decades of American occupation have not notably bettered the economic life or general living conditions of the mass of the Porto Ricans. Absentee ownership has impeded economic prosperity and social progress for the majority. The absentee owners have also been able to evade equitable taxation, thus failing to contribute their just quota to the public finances of the country. Alarm-

ingly rapid population growth has still further depressed living conditions. This further demonstrates the impossibility of separating economic and social conditions.

It seems to the editor that the fair-minded reader is likely to come from a perusal of Dr. Diffie's work with the impression that Porto Rico presents a pressing demand for immediate economic and sociological statemanship of a high order. There appears to be little ground for Mr. Hoover's satisfaction with the general state of affairs. Moreover, further delay in recognizing the real condition of the Island and in tackling the problems in resolute and realistic fashion will only pile up greater burdens and responsibilities which this country cannot continue indefinitely to deny or to dodge.

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PORTO RICO: A BROKEN PLEDGE

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CHAPTER I

INTRODUCING PORTO RICO

"The people of the United States in the cause of liberty, justice and humanity . . . come bearing the banner of freedom, inspired by a noble purpose . . . (to) bring you the fostering arm of a nation of free people, whose greatest power is in justice and humanity to all those living within its fold . . . not to make war upon the people of a country that for centuries has been oppressed but, on the contrary, to bring you protection, not only to yourselves, but to your property, to promote your prosperity, and to bestow upon you the immunities and blessings of the liberal institutions of our government . . . to give to all within the control of its military and naval forces the advantages and blessings of enlightened civilization."—MAJOR-GENERAL NELSON A. MILES TO THE PEOPLE OF PORTO RICO (1898)

"The Congress of a country which never has enacted laws to oppress or abridge the rights of residents within its domain, and whose laws permit the largest liberty consistent with the preservation of order and the protection of property, may safely be trusted not to depart from its well-settled practice in dealing with the inhabitants of this island."—THE AMERICAN PEACE COMMISSIONERS (1898)

"The United States has made no promise to the people of Porto Rico that has not been more than fulfilled, nor has any representative or spokesman for the United States made such a promise."—CALVIN COOLIDGE (1928)

GOVERNOR ROOSEVELT SPEAKS

THE Stars and Stripes had flown over Porto Rico for thirty-two years when young Governor Theodore Roosevelt wrote:

"Riding through the hills, I have stopped at farm after farm where lean, underfed women and sickly men repeated again and again the same story—little food and no opportunity to get more.

"From these hills the people have streamed into the coastal towns, increasing the already severe unemployment situation there. Housing facilities, of course, are woefully inadequate. Six or seven people sometimes live in one small room. In some of the poorer quarters I have seen as many as ten housed in a makeshift board room not more than 12 feet square. Of course, disease has spread, for living conditions of this sort always beget disease. Besides, the lack of funds and the increased work have rendered it impossible for our Health Department to cope satisfactorily with our increasing problems.

"In the last six weeks I have travelled all over the Island, I have been through school after school, I have seen hundreds of thousands of children and I write now not what I have heard or read, but what I have seen with my own eyes. I have seen mothers carrying babies who were little skeletons. I have watched in a class-room thin, pallid, little boys and girls trying to spur their brains to action when their little bodies were underfed. I have seen them trying to study on only one scanty meal a day, a meal of a few beans and rice. I have looked into the kitchens of houses where a handful of beans and a few plantains were the fare of the entire family." "

Even the casual visitor finds it difficult to escape the continual piteous spectacle of poverty throughout the Island. The inland districts, from the outskirts of the cane-ridden valleys to the tops of the mountains, seethe with human misery, and it is impossible to pass into or out of any city or town without traversing the fringe of unsightly, malodorous, filthy habitations which surround the more prosperous areas. Every spot of arid or swampy land unfit for decent living has been seized by the gaunt, penniless population which stoically accepts its fate and lodges where it can. Generations of filth and poverty have robbed it of expectation of betterment, so that it pushes even into area occupied during a part of the day by the tide, and builds makeshift huts on stilts to the very borders of the sea. During high tide one may see hundreds of houses on the outskirts of coastal cities, which give the appearance of floating on top of the water, as their floors are propped just high enough above the ascending water to avoid the entrance of the tide at its average height, but low enough to be inundated at such times as it may rise higher than its average level. Twice daily the inhabitants of these miserable huts are shut in or out of their dwellings unless they are willing to wade through water up to their waists, and year in and year out they are hemmed in by the moldy, mosquito-infested dampness which never dries.

"We were and are a prey to disease of many kinds," Governor Roosevelt writes. "In the fiscal year ending June 30, 1929, 4,442 of our people died from tuberculosis. Our death rate from this disease was higher than that of any other place in the western hemisphere, and 4 1/2 times the death rate in the continental United States. Our

death rate from malaria was $2\frac{1}{2}$ times the rate in the continental United States. Phrasing it differently, some 35,000 people in our Island are now suffering from tuberculosis, some 200,000 from malaria and some 600,000 from hookworm. Besides hookworm there are a number of other intestinal parasites that cause great damage. . . .

"This condition is all the more deplorable because the climate here is exceptionally healthy. We have a moderate temperature varying very little during the year. We have an abundance of sunshine. The trade winds blow through the majority of the year. We should be nearly free from such plagues as tuberculosis."²

How such conditions persist during thirty-two years under American rule and in the face of the promise of Major-General Miles to the people of Porto Rico at the time of American occupation that "the people of the United States in the cause of liberty, justice and humanity . . . come bearing the banner of freedom, inspired by a noble purpose . . ." to "bring you the fostering arm of a nation of free people, whose greatest power is in justice and humanity to all those living within its fold . . . not to make war upon the people of a country that for centuries has been oppressed, but, on the contrary, to bring you protection, not only to yourselves, but to your property, to promote your prosperity, and to bestow upon you the immunities and blessings of the liberal institutions of our government . . . to give to all within the control of its military and naval forces the advantages and blessings of enlightened civilization"?³ To answer that question, it is necessary to review briefly the Island's racial, political and social history.

RACIAL HISTORY OF PORTO RICO

When, in 1493, Columbus first set foot on the Island which later came to be known as Porto Rico, two Indian tribes were fighting for supremacy.¹ The Borinquens, immigrants from northern South America, had been in possession of the Island sufficiently long to have become a peaceful, sedentary and partially civilized people. They were apparently a branch of the Arawaks, inhabitants of Venezuela, and neighboring territories. The second tribe, also immigrants from South America, were a branch of the Caribs, and being of a warlike disposition were rapidly encroaching upon the older inhabitants.

The Spaniard soon incurred the enmity of both tribes, and defending himself from the Carib enslaved the Borinquen, with the result that from 1511, a date which marks the first resistance of the Borinquen, to the end of the century, almost constant warfare existed. The result was the migration of both Indian races to other islands, or to the mountains of the interior of the Island. The once large Indian population which has been estimated at 60,000, had almost disappeared by 1600, but as late as 1797 there still existed more than 2,000 unmixed Indians together with an extensive mixture of Spaniards and Indians. As early Spanish explorers came without wives it was only natural that they should have taken wives from among the conquered people.

Still another racial element was soon introduced when the laws against the enslavement of Indians brought about the introduction of Negroes, and a further mixture of Indian and Negro was added to the cross between Indian and Spaniard. An interbreeding between Span-

iard and Negro resulted later when Negro women were introduced into the Island. As a result of this commingling of blood there lives in Porto Rico today a large section of the population which is not Spanish, Indian nor Negro, but so complete a fusion of all three that it is impossible to say in just what proportion these various bloods are represented.

Despite this racial *mêlange*, however, there are two classes in whose composition there is scarcely any foreign blood. The *jibaros*, or peasants, are of pure Spanish extraction, and inhabit the interior of the Island. The pure blooded Spaniards of the higher class have remained the leaders socially and politically, and largely retain the characteristics of their ancestors. It is with these characteristics that the American has had to deal in governing the Island. The always preponderant element of Spanish blood in the upper classes was strengthened steadily throughout every century of Spanish occupation by newcomers, as Porto Rico was a military garrison and there was a constant addition to the original Spanish settlers of the best blood of Spain. Furthermore, during the time of Philip II, who was king of both Portugal and Spain, Porto Rico was garrisoned by a regiment of Portuguese, many of whom remained and whose descendants may be known today from the numerous Portuguese names among the population.

During and after the wars of independence in South America, Porto Rico saw the immigration of the group which was to determine so largely the composition of her upper classes. Spaniards from the mainland whose loyalty to Spain had made their lives unsafe, fled to the Island where they assumed positions of prominence in the social

and political life. After 1815, when the "Cédula de Gracias" increased commercial possibilities in the Island, other Spaniards came direct from Spain and settled. This constant renewal of upper class Spanish blood explains why Porto Rico was never a fertile soil for the seeds of revolution, and why she remained faithful even when Cuba was in revolt.

ECONOMIC LIFE

In addition to its many other troubles, Porto Rico has had a rather sad economic history.⁶ It lacked the one essential necessary to hold its settlers—gold. Despite every effort to discover profitable supplies the yield of this metal remained insignificant as compared with that from Mexico and Peru. The one source of wealth of the Island was confined then as now to its agricultural produce.

Sugar cultivation was introduced into Porto Rico in 1514. Its production grew rapidly, and by 1533 more than 10,000 pounds were exported to Seville, and by 1586, 11 mills with an annual production of about 165,000 pounds were in operation. The nineteenth century saw the greatest expansion of the sugar industry, which then had 267 mills of steam power, 211 "*trapiches*" of oxen, and five water mills. In 1850 the total sugar production was worth 4,000,000 Spanish pesos.

Parallel with sugar, other crops were produced with success. Tobacco cultivation was introduced but the law made its exportation contraband. This provision did not retard its growth, however, for in the nineteenth century it was one of the largest crops. In 1647, 10,000 hides were shipped to Seville, and the number smuggled

out of the country considerably increased this number. Ginger was a principal crop and the contraband trade carried on with the Dutch furnished a steady source of revenue through the seventeenth century.

The extensive list of products of the Island during the eighteenth century shows its fabulous agricultural possibilities. Sugar cane, tobacco and coffee were the money crops, while bananas, hay, rice, maize, kidney beans, sweet potatoes, pumpkins, cotton and ginger were also produced for export.

The policy followed by Spain in conformity with the mercantilist ideas of the time was the chief obstacle to the growth of commerce and industry before the nineteenth century. If, in accordance with the contemporary theory, a colony existed solely for the advantage of the mother country, that country could expect to reap the full harvest only by the enjoyment of monopolistic trade relations. Under this policy, Porto Rico could trade with a foreign power only by illegal means and smuggling was carried on continually. It will later be seen that this monopolistic system has varied but little under Porto Rico's present form of government.

The organization in 1755 of a company to trade with Porto Rico and the establishment of a maritime mail line in 1765 gave an outlet for the colony's products. The monopoly exercised by Madrid had been removed in 1715, and that of Cadiz, in 1778, but San Juan still remained as the only port of the country. From the time of Charles III, the commercial restrictions that had been laid on the Island were gradually removed and in 1778 the Porto Ricans first received the right to own land. To this privilege was attached the duty of paying a fee to

cover the expense of clothing the military establishment maintained in the Island.

Inasmuch as the colony was not self-sustaining, gold from Mexico was brought to cover deficits in the local budget. This subsidy ceased when, in 1810, Mexico revolted from Spain and won her independence. A new period of prosperity for Porto Rico was, however, at hand, and 1815 proved a great year for the Island, the "Cédula de Gracias" bringing about reforms which stimulated business. The most important reforms made possible by this new ruling were permission to trade with the non-Spanish islands of the West Indies; the creation of a depository for Spanish goods, making the Island a jobbing and distributing center; absolute independence in the slave trade; the right to buy and register foreign boats as Spanish; and sanctioning of the settlement of Catholic foreigners. The direct result of this last provision was the immigration of French families from Louisiana in 1816, an element which added a very important commercially minded class. These reforms and the new fusion of blood from other Spanish colonies then in revolt, made the nineteenth century one of marked importance in Porto Rican history, and the most startling progress was shown after 1850.

The production of sugar, which up to this time had been but an uncertain source of revenue, reflects the advancement then in full swing. In 1850, the sugar crop was 112,000,000 pounds. It was 116,000,000 pounds in 1860, a small though rather constant increase having been maintained for the preceding ten years. The 1870 production reached 191,000,000 pounds, the highest up to that time, while 1871 records 206,000,000 pounds of

sugar produced. This figure was not maintained, but in 1879, the highest production before American occupation, the sugar crop reached 154,000,000 kilos, or about 340,000,000 pounds. The prosperity of the Island began to decline, however, about 1890 and by 1897 the sugar crop had fallen to but 125,000,000 pounds.

The coffee crop of the same period shows fluctuations proportionate to those of sugar. In 1850, 11,000,000 pounds of coffee were grown; by 1860 the crop had increased to 15,000,000 pounds, and by 1870 to 17,000,000. As in the case of sugar, 1879 produced the largest coffee crop up to that time, reaching about 30,000,000 kilos or 66,000,000 pounds. With more or less steady decline it had dropped in 1897 to only 50,000,000 pounds.

Tobacco over this period does not hold to so constant a figure as sugar and coffee. The crop of 1850 reached almost 3,000,000 pounds, doubled itself in 1851, and finally decreased with some variations to 2,500,000 pounds in 1860. The next two years saw crops of 8,000,000 and 9,000,000 pounds respectively, the highest figure prior to 1880, when tobacco reached its peak of more than 12,000,000 pounds. The decline of the crop was sudden and during the six years preceding American occupation, it remained at a figure near 4,000,000 pounds, until in 1897 the crop was something over 6,000,000 pounds.

THE POLITICAL PAST

To view Porto Rico's past as the past of a responsible people would be an injustice. The history of Porto Rico is the history of a subject people—a colony, tied for four hundred years to the apron strings of Spain,

and, in its dependent maturity, abruptly shifted to the foster aprong strings of the United States.^o Self-government was never a part of its upbringing. Its prosperity or its poverty, its government good or bad, must be laid at the door of an indifferent parent—never at that of an unhampered Porto Rico.

As Spain majestically pursued her way through the centuries, Porto Rico dangled along as best she could, accepting what crumbs of culture and progress came her way, more or less reconciled to her lot as one of the least favored of all Spain's children. The return that Porto Rico could make to Spain was small—gold she had none, and the gold-giving colony was the darling of Spain's eyes. The smallest and least prepossessing of all Spain's possessions in the New World, Porto Rico could mean little in the life of her immense Empire.

It has been said that "Glory, Gold and God" were the three motives which prompted Castile to its rapid conquest of what at that time was the world's most extensive empire. The cupidity of the entire human race, and not of the Spanish race alone, brought colonization most promptly to those places where gold was most abundant and where deeds of heroism in the defense of the "Faith" were most productive of honor and great fame.

Within eighty years after the discovery of America, Spain had pushed her way through most of the territory from California to Patagonia. England and France had done little during this time. Among other reasons one is outstanding: no gold had been found along the North Atlantic coast. The close-fisted Henry VII found no reason to be liberal with Cabot, who brought back promises in place of profits, so while Spain was conquer-

ing the New World, England conservatively stuck to the old trade routes, which brought in a less brilliant, but more certain yield.

What Labrador was to England, Porto Rico was to Spain. It lacked the necessary elements of quick returns; according to the colonial creed, it committed the unforgivable sin: it did not pay. A colony which required subsidies for its defense failed in the sole reason for its existence: to fatten the mother country. Both England and Spain viewed their colonies in the light of sources for raw materials and precious metals—as a market for their manufactured products. As Porto Rico, a scant thousandth part of Spain's empire, offered few of these advantages, the notice which she received from Spain was proportionately slight.

Poor Porto Rico, on the other hand, suffered all the varying fortunes of Mother Spain. When Spain was at war, Porto Rico was subject to attack. This was her one excuse for being; although of small advantage to Spain herself, Porto Rico's advantages to England or Holland as a base for attacks on Spain's great treasure fleets, were incalculable. Periodically ships came out from Spain to the gold-supplying colonies of Latin America, returning laden with untold riches—and in deadly fear of English and Dutch pirates.

After its discovery, Porto Rico was neglected until in 1505 it was granted to Viñcente Yanez Pinzon, one of the companions of Columbus on his first voyage. Pinzon either lacked the means to fulfill his obligations, or lost interest in the Island, for he forfeited his rights. Ferdinand was merciless in his demands for gold and would not tolerate a lazy explorer. During the three

years following this incident, the Island received no further attention.

Its next possessor is better known to history for his search for the Fountain of Eternal Youth than for his activities in Porto Rico, but his contribution in Florida to the settlement of the New World was insignificant as compared with his part in the settlement of Porto Rico. Ponce de León landed in the Island in August, 1508 with fifty companions and was well received by the Indians. He settled near what is now San Juan, and the site was given the name of Villa de Caparra by Obando, governor of Española. The king, however, decreed that the settlement should be called "Cibdad de Puertorrico" and by some chance this name of "Puerto Rico" changed places with the name San Juan Bautista, which Columbus had applied to the entire Island, so that today San Juan is the city and Porto Rico the Island. In 1509, Ponce received the title of "Governor" and the next year he was named Captain of Sea and Land. His tenure of office was soon interrupted by the appointment of Diego Columbus, who named Juan Ceron as his lieutenant in Porto Rico.

Several years of difficulties followed wherein Ponce de León's varying fortunes plunged him in and out of the governorship. A little later the Island was divided into two sections, San Germán and Porto Rico. From this time on it was ruled by a succession of Spanish governors, the majority more interested in their own private interests than in those of the Island. These conditions were hardly helpful to Porto Ricans in learning self-government.

With Ceron began the system of "Encomiendas" and "Repartimientos," which has received so much unfavor-

able criticism from historians of the colonial period. This system, somewhat akin to our present day ward-boss politics, gave to certain favorites who had supposedly rendered special service to the government, the possession of designated lands and of a certain number of the Indians. The Catholic Kings had introduced this plan in the new world in the hope of giving just treatment and religious teaching to the natives. Greedy for gain, however, the men thus favored often placed unbearable burdens on the Indians, and numbers of them died from hard labor and bad conditions. It was not difficult to overwork men who had lived for generations on the abundant growth of the Island without need of exerting themselves. The revolt in 1511 terminated in the enslavement of large numbers of Indians and from this time on the colonization progressed slowly but surely.

If the gold and silver of Mexico and Peru had not been uncovered, Porto Rico would probably have been of more importance to the Empire, but this condition made the colonization of Porto Rico from 1521 to a period near the end of the century exceedingly slow, new settlers preferring the lands of greater remuneration. Furthermore, Spain was seldom at peace during the century following the discovery of Porto Rico. When Charles V came to the Spanish Throne he found himself the possessor of a vast ultramarine empire in addition to an already extensive empire in Europe. The great wealth which Spain brought from her colonies was spent in maintaining an almost constant warfare with Francis I and a little later with the Protestants, while enormous sums were necessary for the construction of a great navy and the maintenance of a great military establishment, first to

conquer the New World, then to protect the merchantmen which brought home her wealth to Spain. A very important part of this military establishment was in the West Indies, and Porto Rico, being the nearest of all Spain's American possessions to the motherland, served as an indispensable link in the system.

In 1553, erection of the Fort of Santa Catalina was begun and in 1584, when Philip II had inherited his father's vast dominions, the construction of San Felipe el Morro was undertaken. These two forts played an active part in the Island's defense when England, unsuccessful in her quest for gold, countenanced the privateering of Hawkins and Drake, who were a constant menace to Spain's treasure galleons. In 1595, San Juan repulsed an attack of these famous English buccaneers, by a bloody fight in which Hawkins was killed. Three years later, the Count of Cumberland captured and held the city for a period of a few months, practically the only time before 1898 that Porto Rico was under foreign domination. The Dutch captured, sacked and burned San Juan in 1625, but were immediately driven away by the heroic fighting of Juan de Amésquita, who has taken his place in history as one of the early heroes of Porto Rico. Porto Rico suffered many other attacks during the next two centuries because of the almost constant warfare which the House of Austria and later the Spanish Bourbons carried on with their neighbors. During the wars which followed the French Revolution, the Island suffered an attack by the English forces who were driven back with a loss of 300 men. From 1808 to 1826, while Spain was endeavoring to suppress revolution from Mexico to Argentina, Porto Rico remained loyal

and many Spanish loyalists as previously explained, took refuge in the Island, strengthening the fidelity of a people who had never attempted revolution.

A movement for autonomy arose about the middle of the nineteenth century. Revolutionists from the southern continent in a desire to liberate the remaining Spanish colonies carried their intervention to Cuba and Porto Rico, but the composition of the Porto Rican population condemned their efforts to failure. The ruling class was Spanish, entirely loyal and not in the least likely to revolt, while the mass was *jibaro* (peasant) and entirely too ignorant to comprehend any such movement. In 1869, the right to elect a body of deputies was created, and served to appease for the time being all but the most violent nationalists. Some, however, could not be satisfied by such a minor concession, and the autonomists kept up an active campaign, although no revolutionary movement reached a stage equal to that in Cuba. The movement for autonomy bore fruit in 1897, when Spain, hard pressed in Cuba, and under control of the Liberal Party, heeded the petition of Luis Muñoz Rivera and granted the Autonomy Charter.

As a result of the war between Spain and the United States, this form of government was in actual force for only a few months.

CHAPTER II

PORTO RICO IN 1898

"The Governor-General had the right of vetoing the statutes voted by the Chambers which required his approbation to acquire executive character. The opportunity of exercising this right of veto never arrived, because the first legislature was dissolved immediately on being called, owing to the war."—MUÑOZ RIVERA (1898) *

"As to the peons, however, they have nothing. They have no medicines, nor doctors, nor proper food; they don't live in houses, they don't live in villages, but live like savages. They have no education, nothing is done for them, and it appears incredible, and it is a mystery to me how they live on 50 centavos a day or less with the large families they have."—JOSÉ RAMON RIVERA (1898) †

OUR PROMISE RECALLED

IN 1928 when Colonel Lindbergh visited Porto Rico the Legislature of Porto Rico intrusted to him a "Message from the People of Porto Rico to the People of the United States" which in part besought: "Grant us the freedom that you enjoy, for which you struggled, which you worship, which we deserve, and you have promised us."¹

* Leader of the Autonomy Movement during the Spanish rule and of the Unionist Party after American occupation until his death in 1916.

† Porto Rican physician at the time of American occupation, 1898.

Concurrent with this message, a cablegram was addressed by the President of the Porto Rican Senate and the Speaker of the House to President Coolidge, on the occasion of the Sixth Pan-American Conference at Habana. This cablegram, in the same vein as the message sent by Colonel Lindbergh, stated:

"Porto Rico feels humiliated because of the inferior condition she is subjected to in spite of the hopes the treaty of Paris woke in us; in spite of the unfulfilled promises made to our people, and in spite of the repeated legitimate demands in favor of a régime that may enable our Island to exercise her own sovereignty over her own internal affairs and to freely solve the grave economical situation she is undergoing.

"Ours is the only Spanish-American country whose voice has not been heard at Habana during the Pan-American Conference, for it was not represented there, and we are now cabling to Habana asking our sister nations of America, now meeting there, to join us in making this petition to your excellency." ²

To these two messages, President Coolidge replied via the Governor of Porto Rico, that "the cablegram and resolution seem to be based largely on a complete misunderstanding of concrete facts. . . . The United States has made no promise to the people of Porto Rico that has not been more than fulfilled, nor has any representative or spokesman for the United States made such a promise"! ³ In view of such a statement enquiry may well be made as to what General Miles promised the people of Porto Rico when he said: "We have come to bring you protection, not only to yourselves, but to your property, to promote your prosperity, and to bestow upon you the im-

munities and blessings of the liberal institutions of our government." What then were the conditions which called for a declaration which promised to protect the person and property and promote the prosperity of the people of Porto Rico? What were the institutions which were to be supplanted in order to bestow "the immunities and blessings of the liberal institutions of our Government"? What were the economic, educational and political conditions of the Island when the United States began its occupation?

AGRICULTURAL CONDITIONS

The total area of Porto Rico is 3,435 square miles, or some 2,198,400 acres, which is about two-thirds the size of Connecticut. In 1899, 1,754,774 acres were in farms, and 477,987 in cultivation.⁴ The census shows that the main crops cultivated were coffee, 41 per cent of the total, sugar cane, 15 per cent, and food crops, 32 per cent. One per cent was in tobacco and about 10 per cent was not accounted for.⁵ Sugar and coffee were foods to the extent that they were consumed on the Island. In spite of this, half the total imports were food stuffs. There were 39,021 farms. Commenting on farm ownership, the census says:

"While in Cuba the proportion of farm owners to the whole number of farms is but 28 per cent, in Porto Rico it is 93 per cent. On the other hand, the proportion of the cultivated area owned by occupants is but 43.5 per cent in Cuba, while in Porto Rico it is 91 per cent. In other words, a large proportion of the cultivated area of Cuba is in the hands of comparatively few landlords, some of whom reside outside of the Island, while in Porto

Rico large numbers of the rural population own their homes and are permanent residents." ⁶

The following table is compiled from information from the Census of 1899 and shows the maximum amount of land in farms of less than 100 acres.

Acres	Farms	Maximum Extent
0-4	22,327	89,308
5-9	7,417	66,753
10-19	4,503	85,557
20-49	2,929	143,521
50-99	994	98,456
Total	38,170	483,595

These 38,170 farms contained 483,595 acres, but the remaining farms, only 851 in number, had 1,271,179 acres. They made up only 2.18 per cent of the total number of farms, but they represented more than 72 per cent of the total land devoted to agriculture. A high percentage of farmers were owners, but the bulk of the land belonged to a chosen few.

This large scale farming was having its effect on the food producing crops. Only a little more than 153,000 acres were given to produce consumed mainly at home; and the coffee and sugar crops received more attention from farmers. How really inadequate the food supply was may be seen by looking at the amount of food imported, which in 1897 was valued at more than 8,000,000 pesos, and was 50 per cent of the imports for that year.⁷

TAX BURDENS AND BENEFITS

The tax burden borne by the Porto Rican was by no means small. The combined expenses of the Insular Government, the Provincial Deputation and the Munic-

ipal Governments was more than 7,500,000 pesos, a sum equal to about $1/5$ of the total trade and $1/14$ of the entire wealth of the country. The expenses of the Insular Government alone were nearly 4,000,000 pesos.⁸ About 500,000 pesos of this went for the budget of the Ministerio de Ultramar (the Colonial Ministry) and almost 1,500,000 pesos went for the support of the Army and Navy of Spain. In other words, about half the Insular budget was being used for the support of the home government, and benefited Porto Rico only indirectly.

For public health and sanitation, the Provincial Deputation spent 38,748 pesos, while for all kinds of hospital expense and sanitation for both army and navy the Insular Government spent 87,983 pesos, making a total of 126,731 pesos. The Provincial Deputation spent an additional sum of 50,116 pesos for "Beneficencia," or public charity. This totalled 176,847 pesos. It is difficult to determine just how much of the municipal budget went for health and sanitation. San Juan spent 28,972 pesos in 1897-98, out of an estimated expense of 598,484 pesos, for public charity.⁹ This is a little less than 5 per cent. Ponce spent 33,758 pesos, out of a budget of 287,759 pesos, or a little less than 12 per cent. San Germán spent 2,800 pesos of a budget of 51,960 pesos,¹⁰ or just over 5 per cent. Guayama had a total budget of 59,500 pesos and an expenditure of 6,950 pesos was made for public charity,¹¹ amounting to more than 11 per cent.

These figures would seem to show that sanitation and health may have used up to 10 per cent of the entire municipal budget, but probably not more. Ten per cent of the municipal budget of 2,799,848 is 279,984 pesos, which when added to the 176,847 pesos spent by the

Army, Navy and Provincial Deputation, gives a total for all expenditures for sanitation and health of 456,795 pesos out of the total combined budget, or about 6 per cent.

THE TARIFF SYSTEM

The sources from which these taxes were collected were such as to make them fall mainly on the classes least able to pay them. On 17,858,063 pesos of imported goods, 2,841,962 pesos tariff was assessed. This represents an increase of 15.9 per cent in the cost of the goods. On food products worth 8,984,808 pesos, the duty collected was 1,750,856 pesos, or about 19.5 per cent. The tariff on many food products was extremely high. Flour paid about 4 pesos on every 200 pounds, and there was an additional 2.50 pesos consumption tax making the total tax on flour around 3 pesos a hundredweight. Wheat paid 3.15 pesos on 200 pounds, while rice paid 1.95 in the husk and 2.70 pesos cleaned. An additional consumption tax of one peso made the rice tax amount to 3.70 pesos. Fresh beef paid 5 pesos for 220 pounds in addition to a head tax for slaughtering. Fortunately the country then produced meat in sufficient quantities to supply its needs and export a portion. Sugar paid a tax of 2 centavos per pound.

In addition to customs duties, many other tariffs bore heavily on local manufacturing. The tariff on 100 boxes of soap of 100 pounds each was 15 pesos, but the tariff on the supplies necessary to make this soap was 32.82 pesos. The oppressive tariffs of which Cuba complained so bitterly were, on some commodities, even higher in Porto Rico. A four seated carriage paid 350 pesos in Porto

Rico, and 100 pesos less in Cuba. Railway carriages paid only 4.80 pesos per hundredweight in Cuba, but 8 pesos in Porto Rico. Carts and handcarts paid but 3.80 pesos in Cuba, while in Porto Rico they paid 6 pesos.¹² These examples show how heavy was the tariff levied on the Porto Rican people and how much Porto Rico was compelled to pay out in taxes.

EDUCATION

The educational system was wholly inadequate for the country's needs. The total number of buildings used for school purposes was not more than 560,¹³ and the total number of students has nowhere been quoted at more than 28,000.¹⁴ Only one person in every 35 was in school and of children of school-age probably not more than one in 12 received any instruction. Of the 560 buildings used for school purposes (given in the Census of 1899 as only 473) only one had been erected for use as a school.¹⁵

The amount of money spent on education was pitifully small. Almost everything so spent came from the municipal budgets and although the Insular Government was using more than half of the tax money collected, it spent almost nothing for education. The report of the Civil Secretary in 1897 mentions all of the major expenses of the government without including anything for schools, and says: "The support of Public Instruction figured in the Insular budget in a secondary place, the greater part of the expense falling on the municipalities."¹⁶ The Carroll Report shows that the "Presupuesto General de Gastos e Ingresos" for 1897-98 included only 300 pesos for educational purposes. The Provincial Deputation spent 120,195 pesos; the total amount spent by

the three branches of the government amounted to 331,367 pesos.¹⁷ Less than four and one half per cent of the budget was spent on education! How ineffectual the system was is illustrated by the fact that more than 80 per cent of the entire population was illiterate.

The scarcity in quantity of education was in no way compensated by the quality which, according to the testimony of Porto Ricans themselves, was far from satisfactory. Dr. Carbonell, Secretary of Interior (Fomento) under whose direction the educational system came, gave as his opinion that "the previous system of instruction in this island could not have been worse."¹⁸ He also said that the system was antiquated, the teachers poorly paid or sometimes not paid at all, the municipalities lax in keeping the schools open and frequently suspending them when short of funds. There were "very few buildings" and, though required by law to furnish books and supplies, the municipalities seldom did so. The curriculum consisted of "reading, writing, arithmetic, very much religious teaching and history." The highest instruction possible was the "bachelor's degree, which is the degree that entitles a person to enter the universities." He further stated that there was no university.

ROADS AND RAILROADS

The transportation system was as faulty as the schools. The Civil Secretary says: "With respect to the construction of roads and public highways, almost all were in a state of embryo or study, except the central road from the Capital to Ponce."¹⁹ There were some 275 kilometers of hard surface road, most of it between these two towns.²⁰ The quality of this road was very excellent, but

it was not one twentieth part of what Porto Rico needed. The need of more roads was recognized, and Señor José Amadeo testified that "except for the central road, which was built splendidly with strategic views, as were also those of Guayama and Adjuntos, the roads of the country are for the most part mule tracks and cart paths, impassable in rainy weather." He also stated that "a journey from Maunabo to Mayaguez (about one hundred miles) in the months of June to October costs more than a trip to New York" and "after four centuries of existence we are almost cut off from intercommunication. Of our internal roads, it is best to say nothing; no one dares journey by them: even in traveling on foot one's ribs are not safe. There are towns where no mail is delivered for five or six days when the rivers rise, and neither the public works department nor private enterprise has thought of spanning the rivers even by foot-bridges." ²¹

Dr. Santiago Veve of Fajardo testified that the cost of sending a cart from San Juan to Fajardo was \$20 to \$25. "The reason for this," he said, "is the condition of the roads, which wear the oxen out. They are really not roads. You go over them and get stuck in mud up to the middle of the wheels. In order to come here to attend the Congress yesterday I had to pass over a river on a raft." ²² The inevitable conclusion from this testimony is that, in spite of the excellent military highways, the Island needed more roads badly and the growth of commerce and agriculture was stifled because of bad means of communication.

The railroad situation in 1898 was no better than that of the highways. There were only 194 kilometers of

railroads in operation, according to the testimony of Mr. C. Dominguez of Guayama, and this 194 kilometers was cut up into four unconnected parts. Theoretically there was a road completely encircling the Island, but much of it had not gone beyond a survey, according to Mr. Tuilo Larringa, an engineer who had constructed a large part of the railroad lines then in existence.

HEALTH AND SANITATION

The health conditions were certainly not such as to have given the Island a reputation as a health resort. Dr. José C. Barbosa, graduate of the University of Michigan Medical School in the class of 1880, says the most prevalent diseases were malaria and tuberculosis. Concerning the death rate among children he said: "The poor here have too many children to sustain; they have not the means to provide their children proper nourishment. Milk costs here a great deal, because of the consumption tax, and is usually stale. Then the crowded way in which the poor live and the damp places where they have to live are conducive to diseases among the children and adults as well. The principal diseases among the children are bowel diseases, which reduce them to a condition of weakness from which they are unable to build up their strength again, owing to lack of proper nourishment and suitable conditions. There is also a great deal of tetanus among the children owing to the careless way in which the cord is cut at birth—seldom by a physician in the case of poor children; usually an old neighbor is called in and she will cut the cord with a pair of scissors. This carelessness, together with the climate, which is favorable to the de-

velopment of tetanus, produces the disease in many cases." ²³

Mr. Gonzales Cordova (physician) testified as follows: "I will take advantage of this opportunity to say a few words in behalf of my country with regard to questions concerning my profession. I consider Porto Rico the most anæmic country in the world. We are almost without charitable institutions; so much so, that among a people of 1,000,000 inhabitants we have only one hospital worthy of the name. That is at Ponce. We are continually seeing people in the country die for want of medical assistance." ²⁴

Concerning sanitary conditions in the Island, Dr. Azel Ames, Major and Brigade Surgeon, United States Volunteers, says: "The sanitary or rather unsanitary conditions of Porto Rico have been too well known, especially by army and other visitors of the island in the last few months, to need any extended comment. That every disease of a zymotic character—that is, diseases originating in filth—was widely prevalent—in fact, omnipresent—goes almost without saying. Perhaps no more general filth conditions among a people living so nearly an outdoor life, and yet so densely packed in a small area, was ever known, and these conditions, both an ever-increasing menace to themselves and recently to the lives and health of new possessors and their representatives, have assumed the utmost importance." ²⁵

The death rate for the years between 1898 and 1901 was exceptionally high due to the condition produced by the war and by the hurricane of 1899. During 1888-1898, the death rate ranged from 24.6 per thousand to 35.7 per thousand. The years 1897 and 1898 show the

highest rates, 34.4 and 35.7 respectively.²⁶ The census takers estimated that these figures did not approach the real figures, due to poor recording of deaths, and that the number of deaths certainly was very much higher.

The death rate first cited was due largely to laboring and living conditions, which were so bad as to defy description. Many families had but one meal a day and that consisted of rice, beans and bananas. Wages were only 25 to 50 centavos a day, with sometimes one, sometimes two meals given by the employer, but families of five and ten had to live on the stipend which was paid in cash or even in script. Little children wore no clothes, and adults wore few, while only 200,000 of the more than 900,000 inhabitants ever wore shoes, and not more than 100,000 had shoes the year around.

Houses were entirely inadequate. The rural dwellings were made of poles and miscellaneous boards, and had a thatched roof. The interior had no furniture except boxes, cans and logs, and when dining the family sat on the floor. Few had beds; the majority slept in hammocks or on the floor. Drinking water came from insanitary sources, more than 85,000, or 53 per cent of the houses using river water, and some 55,000, or 34 per cent, drawing the water supply from cisterns. Only 11 per cent of the people used water from such sources as springs and aqueducts which could be considered sanitary.²⁷ Such large numbers were unemployed that the number of workers without occupation reached in 1899, 17 per cent of the male population ten years old and older.

A NEW FORM OF GOVERNMENT

The position of Porto Rico was certainly not enviable;

bad government, high tariffs and taxes, a poor and inadequate school system, low wages, insanitary living conditions, bad roads, and unequal distribution of wealth had made the Island anything but the plentiful land which its soil and climate entitled it to be. Porto Rico's hope now lay in the autonomous government recently granted her.

It is customary for North Americans to pooh-pooh this form of government because of its short duration but under its provisions Porto Rico had many privileges for which the people had waited 400 years and for which they still wait. The head of the government was a Governor-General appointed by the King of Spain. The legislative powers were vested in a council of Administration and the Chamber of Representatives. The first was composed of 15 members, eight to be elected by the people and seven to be named by the Governor-General. The lower house was elected as a body by the people, and only Spanish subjects born in Porto Rico or those who had resided on the Island continuously for four years were eligible. The powers of the legislature extended to all local legislation not reserved to the Cortes. Two rights of special significance were the right of naming delegates to cooperate in the making of all commercial treaties affecting the Island,²⁸ and the provision that "the Insular Parliament shall have power to frame the tariff and fix the duties to be paid on merchandise as well for its importation into the territory of the Island as for the exportation thereof."²⁹

The powers of the Governor-General included the supreme authority in the Island, the right to appoint seven of the Council of Administration and the secretaries of his

cabinet. His veto powers were restricted to the right to forward any measure to the Council of Ministers of the Kingdom, who must return or approve the bill within two months. If the Ministers failed to act within two months the Governor-General had authority to sanction and proclaim the bill.

Among the chief provisions of the organic law one of the most important provided that "*when the present constitution shall be approved by the Cortes of the Kingdom, for the Islands of Cuba and Porto Rico, it shall not be amended except by virtue of a special law and upon the petition of the Insular Parliament.*"³⁰

The chief disadvantage which Porto Rico suffered under the Autonomy Charter was the lack of complete sovereignty. The Governor-General was expressly made "the supreme authority of the Colony."³¹ The commercial rights which she gained, however, were of such importance as to offset any such disadvantages, for with the power to collaborate in the making of treaties and to fix her own duties, Porto Rico acquired valuable rights which showed every promise of alleviating the oppressive tariff system which had been strangling her. But Porto Rico was not to enjoy for long the rewards of her 400-year struggle.

The Legislature met on July 17, 1898, and on July 25, in the midst of a celebration in honor of Santiago, patron saint of Spain, came the news that the American fleet was off Guánica preparing to land.³² "The Legislature adjourned, never to meet again under the Spanish flag, and the work of 400 years was blown away in the breeze that raised our flag over the island."³³

CHAPTER III

GOVERNMENT UNDER THE AMERICAN FLAG

"The American flag found Porto Rico penniless and content. It now flies over a prosperous factory worked by slaves who have lost their lands and may soon lose their guitars and their songs."—LUIS MUÑOZ MARIN *

"At the time of the American occupation, a very liberal régime of government had already been granted by the Crown of Spain. There are many able lawyers and statesmen who opine that the organic law in force in Porto Rico and approved by Congress in 1917, 19 years after the American occupation, can not be favorably compared with the autonomy granted us by the Crown of Spain in 1897."—CORDOVA DÁVILA †

THE MILITARY GOVERNMENT

GENERAL NELSON A. MILES, upon landing in Porto Rico, issued the proclamation which has already been quoted. The military occupation of the Island was accomplished within a few weeks and without serious resistance from the Spanish troops. When on August 12 the truce ending the war put a stop to all fighting, General Miles established a military Government, which was continued until 1900.¹

Under the treaty which the United States signed with

* Son of Muñoz Rivera and authority on Porto Rican affairs.

† Resident Commissioner from Porto Rico to the United States Congress.

Spain, provision was made that "the people of Porto Rico shall be deemed to be citizens of Porto Rico unless they make declaration before a court of their allegiance to Spain."² The fact that very few of the people made such a declaration demonstrates the spirit in which they received the American occupation. Additional evidence of the good faith of the Porto Ricans and their hope of benefits to come from the American rule lies in the fact that by February, 1901, the United States could recruit and turn the Island over to a Porto Rican regiment without fear of revolution.

The military government under General John R. Brooke and later under General Guy V. Henry instituted changes which the Porto Ricans appreciated at the time, and which they still appreciate. A postal system was established, the government lottery abolished, freedom of speech and press instituted, the use of stamped paper and certificates abolished, and a national police force established. Sanitary measures were taken, which if they had been carried to a conclusion, would have cut the mortality and disease rate much below its 1930 level. The right of jury trial and Habeas Corpus was established. Free public schools were opened.

However, United States currency was exchanged for Porto Rican at 60 cents American money for one peso Porto Rican money. This change placed incalculable hardships on the people of all classes and especially the very poor who found their wages cut to suit the change in currency, and their food priced at the same number of dollars as it had been pesos. A laborer who had received 50 centavos Porto Rican coin now received 30 American cents, but whereas rice had only cost him only 4 centavos

(2 2/5 American cents), it now cost him 4 American cents.

The war, the change in money, and the temporary loss of commerce all served to visit great suffering on the already greatly oppressed population. This lamentable condition was made worse on August 8, 1899, by one of the most terrible hurricanes of the many which the Island had gone through. Thousands of people were left homeless and starving, and to meet a disaster of such enormous proportions, Congress appropriated \$200,000. This sum was expected to feed 950,000 stricken people until a new crop of bananas and other native foods could be grown. Twenty cents to feed a human being for six months! The attitude of the American people toward Porto Rican interests was clearly defined.

THE FORAKER ACT

In January, 1900, a resolution was introduced into Congress, looking to military rule for a period of five years, this being deemed necessary because of the general unpreparedness of the people for self-administration. The resolution was not adopted and on April 12, 1900, the Foraker Act, providing a form of civil government was passed.³ Under this Act a government on the American model, which aimed at balancing the power between American and Porto Rican officials, was set up. The executive authority was vested in a Governor appointed by the President, and supported by two legislative houses: the Executive Council and the House of Delegates. The Executive Council was to be appointed by the President and five of its members were to be natives, while the House

of Delegates had 35 members and was elected by the people.

On May 1, 1900, the new régime was inaugurated, and Mr. Charles H. Allen was appointed governor. Furthermore, six Americans were named to serve as heads of departments and at the same time as members of the Executive Council, which had a total of eleven members. It may be seen from this that Americans were in clear control of the government, having the Upper House of the Legislature and the Governor. This Act was a distinct blow to the pride of the Porto Rican people, excluding them, as it did, from citizenship in the country under whose flag they were destined to live. It has been criticised harshly by its opponents and favorably by those who consider that it worked well. Ex-Governor Regis H. Post says that he considers it the best form of government which could have been devised for Porto Rico at that time. He continues, however, that "coming so shortly after the realization of their hopes for autonomy granted by Spain, and excluding the Porto Rican from our citizenship, it bore seeds of disappointment and wounded self-respect, which were to grow a crop of dissatisfaction and complaint."¹

The period immediately preceeding and following the inauguration of this Act was one of political uncertainty. The party which had been the Autonomy Party under the Spanish régime was divided as to what course it should follow, and later split on this issue, while the small group of American sympathizers expected to wield a major portion of political influence. The parties which were formed out of the old Autonomy Party were the Republican, which became known as the Pro-American Party,

and the Federal, which was known as the Anti-American Party. Neither of these parties advocated independence at this time, the Republicans favoring statehood and the Federalists, organization as a territory.

When the new form of government was inaugurated it was necessary to divide the Island into seven legislative districts for the purpose of electing representatives to the Lower House, and for this purpose a committee of five was named. The committee was composed of two Republicans, two Federalists, and one neutral, who was so Anti-Federal as to be Republican, and the districts favored the Republicans. The minority vigorously opposed this arrangement and when the Executive Council approved the plan the Federalists withdrew and two Republicans were appointed. In the following election, the Federals declined to present candidates and all the Legislators were Republicans, leaving the Federals without a voice in the Government.

The first Legislature met on December 3, 1900, and remained in session until January 31, 1901, by which time they had approved 36 laws providing civil government and a system of taxation. One of the most important features of the Foraker Act was that it established free trade between Porto Rico and the United States. The effect of this will be discussed in the chapter on Tariff.

Governor Allen served until September 14, 1901, when he was succeeded by Governor William H. Hunt, who had been serving as Secretary. In his message to the Legislature, Governor Hunt outlined the enormous problem facing the people: there must be schools; agriculture must be encouraged; roads constructed; asylums for the crippled, blind and insane, erected. The Commissioner

of Education, Dr. Samuel McCune Lindsay, pointed out that there were only 41,000 children out of 350,000 of school-age then in school; and that \$3,000,000 a year was required to take care of educational needs, while the entire income of the Island was not that much. Clearly the people of Porto Rico were confronting a problem that was too much for them alone. They had manifested a great desire for education by doubling in three years the amount given to schools, but they needed help in the battle to combat the neglect they had suffered for centuries. Uncle Sam, they confidently believed, was going to regenerate them. In this expectation they worked hard to be worthy of a rich uncle who had advertised his great liberality when he entered the Island. The magnanimity of this uncle will be seen in the following pages.

From the first organization of the government, the chief political preoccupation of the people has been a definition of the future status of Porto Rico. The positions of the two leading parties have been pointed out. In 1902, the House of Delegates unanimously adopted a resolution asking for organization as a territory looking forward to statehood, and when the Executive Council defeated this measure, the Porto Ricans were bitterly disappointed and critical.

The Foraker Act had made the people a body politic known as the "People of Porto Rico" and when territorial status was denied there was an immediate demand for collective citizenship. President Roosevelt recommended this to Congress in 1905, 1906, 1907 and 1908, but the people of Porto Rico had to wait until the eve of our entrance into the World War in 1917 to become citizens.

The Federalist Party was the one most outspoken in

its demands. Governor Hunt had been succeeded in 1904 by Governor Beekman Winthrop, who was faced with the immediate problem of securing fair elections. In the previous elections the Republicans had won, although it seemed they were actually a minority of the voters. Governor Winthrop issued a proclamation to the effect that he would prosecute vigorously any fraud in the election. The result was a complete victory for the Unionist Party, a reorganization of the old Federalist group.

When the Unionist Party had been the minority party, holding no offices, it had been extremely critical of the American governors, and had at times even tried to cause their removal. Following the election of 1904, the Republicans became the "outs" and used much the same tactics against the governors. The Unionists were still determined to continue the fight for autonomy and had included in their platform a declaration for independence. Declaring for independence did not mean that they contemplated revolution, for as Ex-Governor Post points out "the Porto Rican was a fighter by constitutional methods. He had been trained for centuries as a politician, he was astute, courageous, and quick to see and grasp any opportunity that the law or the political situation might offer. He knew exactly what he wanted and how to influence the public opinion of his people, and he was entrenched in the elected House of Delegates."⁵

From the beginning there had been more or less constant friction between the House of Delegates and the Executive Council. In 1909, the House of Delegates refused to make appropriations until the Executive Council approved a law changing the manner of selecting judges. This matter was carried to Congress with the

result that that body passed a law providing that whenever an appropriation was not made the budget of the preceding year should hold over. The House of Delegates had lost in the first serious fight for greater power. The dissatisfaction of the people with the Foraker Act was brought to the attention of Congress, and from 1910 to 1917, agitation for a new Organic Act was carried on.

THE JONES BILL

The desire for a new form of government was realized on March 2, 1917,⁶ just on the eve of American entrance into the World War, when it savored strongly of a bid for Porto Rican loyalty during the coming conflict. The Jones Bill extended greatly the powers of the Porto Ricans. Collective citizenship was granted in opposition to the wishes of the majority party, the Unionists, who had taken the stand that it was not consistent with their demand for independence. The Executive Council was supplemented by an elected Senate and appointments to cabinet positions were, with two exceptions, no longer made by the President of the United States, but by the Governor of Porto Rico, subject to confirmation by the Porto Rican Senate. The Governor retaining the right of veto.

The economic and social condition of the Island had long been pointed out as deplorable and the great growth of the Socialist Party from the time of Governor Colton's administration (1909-1913) was due principally to the low wages and wretched conditions of practically the entire laboring class. Señor Santiago Iglesias had pointed this out to Congress during the Colton administration and had asked for a Department of Agriculture and labor

to be created by Congress and presided over by an American. To show that this condition was realized not only by leaders of the labor movement, but by the responsible authorities, the following is quoted from the report of General McIntyre, Chief of the Bureau of Insular Affairs, for the year 1924:

"The labor situation in Porto Rico is not a happy one. The island is almost exclusively agricultural. The population is so great that it could only live under reasonable conditions if half of the people were engaged in industrial occupations. It is quite as important that there should be produced in Porto Rico the clothing, the shoes, the material of which houses are built, etc. as it is that food should be produced there. Yet all these things are imported into Porto Rico in the manufactured state.

"Labor being plentiful, industries would be attracted to the island were it not for the existence of continuous labor agitation. The labor agitation, on the other hand, would cease were it not continually fed by justifying grievances. We thus have in full effect a vicious circle. The effect of the labor agitation, as well as the cause, is well shown in the annual report of the Governor for the current year.

"Notwithstanding this increase, the profit of sugar growers in Porto Rico was, measured by any rule, excessive, and a reasonable increase of wages should not have been the product of a strike but of a little enlightened selfishness on the part of the cane growers."

Perhaps no political aspect of the Island's life is more important than the growth of the Socialist Party since 1914. In that year, it cast only 4,000 votes; in 1920, 60,000 votes were cast, and at the last election in 1928, which

the report of the Governor describes as "the most hotly contested and close election ever held in the history of the Island," the Socialist Party won 8 of the 19 senatorial posts and 18 of the 39 places in the Lower House. This party, unlike the others, offers no political solution for the status of the Island, if we except its advocacy of an elective governor. It bases its campaigns on "justice for the worker" and seeks to get more aid from the Federal Government. One of the propositions which it has frequently made is that of borrowing \$100,000,000 to be paid back in small amounts over a long period.

Since September, 1928, the principal struggle of the Island has been to recover from the effects of what was probably the nearest to a complete disaster that any nation has ever suffered. On the 13th of September of that year, a hurricane, which reached a speed of more than 150 miles an hour, did damage estimated at almost \$100,000,000. The loss of life was negligible considering the enormity of the disaster, but thousands of people were left homeless and starving. While this hurricane tended to make bad conditions very much worse, it did not create new problems, but served only to render visible those perennial ones which the people of Porto Rico have been facing for more than four centuries.

This discussion of the types of government has done little to show what effect a generation of American occupation has had on conditions in the Island. Have we fulfilled all of the promises made by General Miles in 1898? Perhaps there is no way to answer this question in full, but the following chapters attempt to examine some of the principal problems, economic and social, with a view to weighing, in a measure, the results of American occu-

pation. Whatever the conditions of the Island are today, there is one indisputable fact: the responsibility must be shared by Continentals and Porto Ricans alike. The United States obviously cannot be blamed for conditions which prevailed before our ownership of the Island, but for the period since 1898 we have a very definite responsibility. On the other hand, the people of the Island cannot place the entire burden at the door of the United States government. They have, through the medium of their elective officers, the means of helping themselves and where they have neglected to do so they must accept the blame. Existing conditions, as the succeeding pages will demonstrate, are far from flattering either to the government of the United States or that of Porto Rico. Thousands are undernourished or actually starving, while the products of the Island bring more than \$100,000,000 a year. Who is to blame for this faulty distribution of the resources? Disease is present everywhere, and there is neither adequate sanitation nor medical care for the victims. Must Porto Rico or the United States accept the challenge to effect a remedy?

Wages are so low that the majority of the people are compelled to live like paupers. Just how much of this is due to American neglect? Thousands of children cannot attend school because there are no schools for them. Should the Porto Rican government be held solely culpable for this lack? The answers to these questions must be sought in a study of the salient features of Porto Rico's life since her transfer to American rule. For some of the difficulties of the Island, the natives will be found to be at least partially to blame, while a great deal of the poverty, ill health and general bad conditions may be traced

directly to what the United States has done or not done with respect to the chief problems. It must also be borne in mind that, regardless of the natives and their efforts pro and con, the ultimate responsibility lies with the American people and government. Porto Rico is in everything subject to any action the President and Congress may take. Her statute laws may be reversed by the President or Congress and her Organic Act can be changed by the American legislative authority alone. The life of Porto Rico, economic and political, is ordered by a will outside Porto Rico and this will must in the end accept the responsibility.

In the succeeding pages the chief industries and business assets of Porto Rico, sugar, tobacco, fruit growing, utilities, etc. are discussed with a view to deciding what share Americans as individuals, as distinguished from the Government of the United States, have had in promoting progress and poverty. The political institutions are not illiberal, but have they really served Porto Rico? Americans, both here and in Porto Rico, are prone to consider American rule as solely political, but this is far from true. The real American Rule is the economic penetration which has taken place. This, more than the new form of government, has changed the life of the people. It is with this aspect of our rule in Porto Rico that we have chiefly to deal.

CHAPTER IV

THE SUGAR INDUSTRY

"Four large Centrals practically own the south, west, and east of the island, and they are so strongly constituted, have such a strength together, that I believe their strength is greater than that of the Government of Porto Rico."—ANTONIO BARCELO*

" . . . the development of large absentee-owned estates, the rapid curtailment in the planting of coffee—the natural crop of the independent farmer—and the concentration of cigar manufacture into the hands of the American trust have combined to make Porto Rico a land of beggars and millionaires, of flattering statistics and distressing realities. More and more it becomes a factory worked by peons, fought over by lawyers, bossed by absent industrialists, and clerked by politicians. It is now Uncle Sam's second largest sweat-shop."

—LUIS MUÑOZ MARIN †

GROWTH OF THE INDUSTRY

THE growth of the sugar industry in Porto Rico has been phenomenal. In 1899, the crop absorbed only about 15 per cent of the cultivated area of the Island, whereas today it claims 44 per cent.¹ The total sugar crop in 1897 amounted to some 72,000 tons, while the 1930 crop reached 856,109 tons.² The yield per acre rose from

* President of the Unionist Party of Porto Rico and for many years President of the Porto Rican Senate.

† See note at beginning of Chapter III.

less than one ton of sugar for the 72,146 acres in cane to more than 3 1/2 tons of sugar for the lands assessed as cane land in 1930.³

The methods of manufacturing have not been slower in developing than the science of cultivating. The 1897 crop was manufactured by almost 500 small mills; in 1930, 42 Centrals ground the entire crop. A greater sucrose content is obtained today, both because of better varieties and of better machinery. The growth of the sugar industry has been due to the aid given the sugar growers by the government in experimentation and development of new kinds of cane, and to the efforts of the growers themselves in this direction. Further impetus to sugar production has come from the irrigation projects built by the government and by the sugar companies.

Accompanying this great growth of the sugar industry has come a striking concentration. The average production per mill in 1897 would not have reached more than 125 tons, while in 1930 it was more than 20,000 tons. Even more startling is the concentration of the sugar industry in the hands of a small group of companies, the most important of which are absentee owned.

THE ABSENTEE SUGAR COMPANIES

The South Porto Rico Sugar Company ⁴ was incorporated under the laws of New Jersey, November 16, 1900, to manufacture raw and refined sugar, molasses and other products of sugar cane, and similar commodities; to engage in agriculture and plant, cultivate and grow sugar cane and other products, and to purchase and acquire obligations and shares of the stock of other corporations.

The South Porto Rico Sugar Company owns all the

stock of the South Porto Rico Sugar Company of Porto Rico, operating the Guánica Central sugar factory, having an annual capacity of 700,000 bags and owning 432 acres of land, a railroad and other equipment.

Since 1917, the agricultural business formerly conducted by the company has been owned by Russell and Company, S. en C., a limited partnership whose profits are distributed to the common share holders of the South Porto Rico Sugar Company. Russell and Company owns and controls about 50,000 acres in the southern and western parts of the Island. The production of Guánica Central in 1930 was more than 118,000 short tons of sugar.

The Fajardo Sugar Company of Porto Rico⁵ was incorporated in Porto Rico in February, 1919, as successor to the Fajardo Sugar Company, incorporated in New York in 1905 to manufacture sugar and molasses. The company has under cultivation about 27,000 acres of sugar land situated in the northeastern part of Porto Rico, at Fajardo, 15,000 acres are owned outright and 12,000 acres are controlled under lease or contract for long terms. The Fajardo mill has a daily grinding capacity of about 4,000 tons of cane and an annual production capacity exceeding 55,000 tons of raw sugar. On October 6, 1925, the company purchased the 22,500 outstanding capital shares of the Loiza Sugar Company for \$90 a share. This purchase included Central Canóvanas and cane lands adjacent to those of the Fajardo Sugar Company, producing more than 24,000 tons of sugar a year and making a combined capacity of more than 80,000 tons for the two mills. The company also controls the Fajardo Sugar Growers Association, owning real estate, etc., and the

Fajardo Development Company, which owns 80 miles of railroads, a telephone system, and other property.

The Loiza Sugar Company,⁶ which is owned by the Fajardo Sugar Company, produced more than 28,000 tons of sugar in 1928, and almost 28,000 tons in 1930. This company owns 10,613 acres⁷ in the eastern part of Porto Rico.

The total holdings of the Fajardo Sugar Company, the Fajardo Sugar Growers Association and the Loiza Sugar Company are about 25,741 acres,⁸ owned, and about 12,000 acres held on long-time contracts.⁹

The Central Aguirre Associates¹⁰ was organized in Massachusetts in 1928 as a holding company for the Central Aguirre Sugar Company. Before the end of that year it had acquired approximately 99 per cent of the outstanding shares of the Central Aguirre Sugar Company on the basis of four shares of Central Aguirre Associates for one share of Central Aguirre Sugar Company.

The Central Aguirre Sugar Company¹¹ was incorporated in Porto Rico in 1918 as a reincorporation of the Central Aguirre Sugar Companies which was a voluntary trust organized in 1905 under the laws of Massachusetts. In 1920, this company acquired 72 per cent of the stock of Central Machete Company. It also owns the entire 16,200 outstanding shares of the Santa Isabel Sugar Company. Its properties are located on the south side of the island and near the port of Jobos. Central Aguirre Sugar Company grinds the cane produced by Luce and Company, S. en C. The entire capital stock of the Ponce and Guayama Railroad Company which owns and operates 45 miles of railroad on the southeastern coast of Porto Rico, connecting the plantations with the sugar Centrals,

is owned by the Central Aguirre Sugar Company. The Porto Rican Government has constructed an irrigation system which protects the crops of this company from drought. The production of the Central Aguirre mill was more than 78,000 tons in 1930.

Luce and Company, S. en C.,¹² is a limited partnership with a paid capital of \$1,203,000, whose partners are directors in the Central Aguirre Sugar Company. It owns 21,788 acres of land assessed at \$4,065,675.¹³

The Central Machete Company,¹⁴ is controlled by Luce and Company. The controlling interest (\$580,000 of the \$800,000 capital stock outstanding) was purchased in 1920 by this company. Central Machete owns a sugar mill but no land except that on which the mill is situated. The 1930 production was 25,465 tons of sugar.

The Santa Isabel Sugar Company¹⁵ is also controlled by Central Aguirre, which purchased 62 per cent of the outstanding 16,200 shares in 1924, and subsequently acquired the entire stock. This company owns the Central Cortada at Santa Isabel, which produced 20,265 tons of sugar in 1930.

The total lands held by the Central Aguirre Sugar Company, Luce and Company, S. en C., Central Machete Company, and the Santa Isabel Sugar Company are some 22,269 acres owned, and 17,000 acres leased.¹⁶

The United Porto Rican Sugar Company¹⁷ was incorporated in Maryland in 1926 to manufacture and deal in sugar cane, and to own companies doing a similar business. The properties controlled by this company comprise a complete producing and operating unit with mills which have a total capacity of 1,000,000 bags of sugar a year. In addition, the company owns railroads and

warehouse and harbor facilities. The land holdings of this company include more than 28,843 acres owned¹⁸ and 15,187 acres leased.¹⁹ The company owns 100 per cent of the United Porto Rican Sugar Company (of Porto Rico), which is the owner of Centrals Santa Juana, Defensa, Cayey, Juncos, and Pasto Viejo.

All of these sugar companies are held principally by continental Americans living in the United States. Certain others are owned partly by Porto Ricans, who live in Porto Rico, and partly by absentees, Porto Rican or foreign, who live abroad.

Central Victoria, Incorporated²⁰ is a Spanish and Porto Rican company, operating a mill at Carolina, Porto Rico. This company was incorporated in 1921, and in 1930 had about 3,649 acres owned,²¹ and about 6,000 acres in cane lands controlled and leased.²² The 1928 production was in excess of 11,000 tons and the 1930 production in excess of 14,000 tons of raw sugar.

The compañía Azucarera del Toa,²³ which operates Constancia Central, is a Spanish company, both resident and absentee owned. It owns about 5,739 acres of land, and produced more than 16,000 tons of sugar in 1928 and 22,502 tons in 1930.

The Central Vannina, Incorporated,²⁴ is also a Spanish central, owned by residents and absentees. It owns 2,672 acres and produced in 1928 more than 10,000 tons of sugar, and in 1930 more than 14,000 tons.

Central Coloso, Incorporated,²⁵ is a Spanish company, owned by residents and absentees. Its properties consist of about 8,000 acres owned and additional acres controlled by colono contracts. The production in 1928 was 23,363 tons of sugar, and in 1930 more than 29,000 tons.

VALUES AND ASSESSMENTS OF SUGAR COMPANIES

A recent study of Porto Rico placed the value of absentee sugar properties at \$40,000,000.²⁶ As has been noted, the American sugar companies are the South Porto Rico Sugar Company, the United Porto Rican Sugar Company, the Central Aguirre Sugar Company and the Fajardo Sugar Company. The total assets of these companies in 1928 amounted to some \$86,791,288.²⁷

The total common and preferred stock in 1928 amounted to \$47,159,595.²⁸ The United Porto Rican Sugar Company owns from 87 to 100 per cent of the stock of its five centrals, which means that it controls not less than \$7,200,000 of the complete stock which was \$8,081,985, in 1928.²⁹ The South Porto Rico Sugar Company has large holdings in Santo Domingo in addition to its Porto Rico property. The total capacity of its mills in both Porto Rico and Santo Domingo is in excess of 1,550,000 bags of sugar of which 700,000 bags are attributed to the Guánica Central in Porto Rico. This is 45 per cent of the total capacity and it would seem that no less than 45 per cent of the assets of this company must be located in Porto Rico. On this basis about \$11,200,000 of the \$24,906,810³⁰ complete capital stock can be ascribed to Porto Rico and of the \$42,096,136 total assets approximately \$18,943,261 also apparently pertains to Porto Rico. The combined assets of these companies would be about \$63,638,410 distributed as follows:

South Porto Rico	\$18,943,261
United Porto Rican	16,635,713
Aguirre	14,438,157
Fajardo	13,621,279

These four sugar companies have, then, assets amounting to almost \$24,000,000 above the \$40,000,000 estimate quoted above. This is about 10 per cent of the estimated total wealth of the island,³¹ and nearly 20 per cent of the assessed value.³² Do the capital stock and assets of these companies represent the true value of their holdings? An examination of what properties they hold will throw light on this subject.

The sugar lands are conceded to be the best in the Island. They lie in the fertile valleys, leaving the less desirable mountainous country to other crops. The entire cultivated area of the island in 1929 was something over 568,000 acres, of which 251,000 acres were in sugar cane.³³ The continental American companies owned and controlled by lease or contract the following acreage:

Company	Owned ³⁴	Leased or Controlled
United Porto Rican	28,843	15,187 ³⁵
Fajardo	25,741	12,000 ³⁶
Aguirre	22,269	17,000 ³⁷
South Porto Rico	17,635	32,000 ³⁸
Total	94,488	76,187

The total acreage owned, leased and controlled by these four companies was 170,675.

The acreage of foreign companies was as follows: ³⁹

Company	Owned	Leased or Controlled
Central Coloso	8,000	Exact amount unknown (extensive)
Central Constancia ..	5,739	Exact amount unknown
Central Victoria	3,649	6,000 ⁴⁰
Central Vannina	2,672	Exact amount unknown
Total	20,060	6,000 Minimum

This acreage combined with American holdings gives

a total of 114,548 acres owned and a minimum of 82,187 acres leased, making a total of not less than 196,735 acres owned and controlled by absentee companies.

The significance of the value and extent of the holdings of the absentee companies may be more readily seen when the amount of sugar they produced on these lands in 1928 is considered. They milled 436,260 tons of sugar, or more than 58 percent of the entire sugar crop. Fifty per cent of the entire crop of 748,677 tons was produced by the American sugar companies alone. In 1930 the American companies again produced 50 per cent and the production of all absentee companies was 59 per cent of the total.

It has already been shown that the holdings of the American sugar companies are one-fifth of the assessed wealth of the Island. When it is considered further that sugar represents about 67 per cent of the agricultural wealth⁴¹ and that the absentee companies produced 59 per cent of the sugar, it is at once evident that they control in sugar alone 40 per cent of the agricultural wealth.

An inquiry into the amount at which lands owned and controlled by these companies are assessed reveals the fact that cane lands are assessed at from \$50 to \$293 an acre, with an average assessment in 1929 of \$180 an acre.⁴² How does this assessed value compare with the actual value of these lands? It is customary to value cane lands at \$10 for each ton of cane produced per acre. The Central Aguirre averaged more than 55 tons of cane to the acre on 13,000 acres of land in 1928.⁴³ On this basis the lands of the Central Aguirre were worth an average of \$550 an acre, or about \$7,000,000. Lands in the region of the Central Aguirre have an average assessment

of not more than \$272 an acre.⁴⁴ The assessed value does not reach even half the value of the Aguirre lands, and the discrepancy is still greater when a comparison is made between the maximum assessment of cane lands and their value. The highest assessment is in the municipality of Manatí where it is worth \$293.52. Manatí is on the north coast, west of San Juan, but the highest yield comes from plantations on the southern coast, and here there is no municipality with a higher average assessment than \$272.⁴⁵ While these lands are assessed as if they yielded only 27 tons of cane to the acre, the report of the Commissioner of Agriculture and Labor for 1927-28 says: "The plantations on the southern coast obtained enormous quantities of cane and sugar per acre. Reports were received from various plantations which obtained 90 to 100 tons of cane to the acre, and one piece of land yielded 103.5 tons of cane per acre."⁴⁶

It is readily evident that lands assessed at \$272 per acre yielded a crop which made their values from \$900 to \$1,035 per acre. Applying the same standard to all the same lands in Porto Rico in 1928 when the average yield was 24.5 tons per acre,⁴⁷ the value would have been more than \$62,000,000, and in 1930 when the yield had increased to an average of thirty tons to the acre, their values would have been more than \$75,000,000; whereas the assessed value was some \$45,000,000.

Central Aguirre Assessments

A still further comparison between the actual values of the three largest sugar companies and their assessments is enlightening. It has been shown that the 13,000 acres of land of the Central Aguirre Sugar Company is worth

about \$7,000,000. The entire holdings of this company exceed 22,000 acres, and while all this is not sugar land and is not worth so much as sugar land, it is fair to place a valuation equal to the average assessed value of all lands in 1929. This would be \$60 an acre on 9,000 acres of non-sugar land, or more than half a million dollars to make the land alone worth \$7,500,000. This does not include the value of the central and other physical assets of the company, which brought the total to more than \$14,000,000, in 1928. Some of these assets, such as growing crops, are tax exempt, but granting all exemptions, the assessments are far below actual value. Using market value of the stock as a measurement Mr. Rafael de J. Cordero, of the Department of Economics of the University of Porto Rico, says:

"I have examined in detail the valuations for assessment of three sugar corporations, Central Aguirre, South Porto Rico, and Fajardo, for every year from 1919 to 1928, and I have not found traces of any attempt to take market value of the capital stock as a basis for assessment. Had this been done in the case of Central Aguirre, for say 1928, the valuation for that year would have been brought up to \$19,512,374, instead of \$3,421,540, which was the actual assessment made. This represents a difference of \$16,090,834, granting deductions for all tax-exempt intangibles covered by court decision.

"Even if deductions from the capital valuations of the Central Aguirre were granted for the assessed value of the property of its two unincorporated subsidiaries, Luce and Company, and Charles L. Creore, amounting to \$4,374,705 for 1928, the difference in total value and valuations for assessment would have been \$11,725,129." ⁴⁸

Market value of stock, however, is a very uncertain basis for taxation, due to rapid fluctuations, and has not been used. Capital value and physical value have been the usual procedure in Porto Rico. The procedure before 1926 was to compare physical value with capital value, and use the one which gave the higher valuation. This practice was not always followed, as Mr. Cordero shows, when he says:

"Of the ten years for which assessments have been examined, valuations were fixed on the basis of physical assets in five and on the basis of capital value in five. No consistent policy was followed in making assessments. The assessments for the years 1920 and 1922 made on the basis of physical assets would have been much higher had capital value been used instead."⁴⁹

In 1920, the actual assessment based on physical assets was slightly more than \$3,000,000, while the possible assessment, had it been based on capital value with the stock placed at par, was in excess of \$6,250,000. The difference in actual and possible assessment was more than \$3,250,000.

"In the year 1921," Mr. Cordero continues, "when the assessment was based on capital value there is a marked increase as compared with the previous year's assessment in spite of the fact that the Board of Review reduced the assessor's valuation by \$775,223." This increase amounted to some 40 per cent, while the increase for the year 1923, as compared with the year 1922, is much more significant, amounting to almost 100 per cent.⁵⁰

This company has not paid its taxes on its full value, then, on any basis used to test valuation: (1) market value of stock, (2) capital value and (3) physical assets.

It may be objected that perhaps its earnings did not justify placing a high valuation on its property. The following table shows actual assessments since 1922, as compared with what the value of the company's properties would be if its earnings were capitalized at 10 per cent:

Year	Assessment ⁵¹	Net Income ⁵²	Net
			Income Capital- ized at 10 per cent
1922	\$2,991,050	\$751,837	\$7,518,370
1923	5,878,710	2,398,284	23,982,840
1924	3,986,110	1,048,104	10,481,040
1925	3,000,000	1,458,964	14,589,640
1926	3,600,000	1,062,731	10,627,310
1927	3,832,250	2,492,177	24,921,770
1928	3,421,540	2,755,775	27,557,750

From this table it may be seen that assessments have been from \$4,000,000 to \$24,000,000 below actual value of the company's net income from 1922 to 1928. On the other hand, it is said that the sugar business is risky and uncertain. The changes are so great that the investor is entitled to a high rate of profit. Suppose that this is admitted, and the previous rate doubled. The net earnings are then to be capitalized at 20 per cent. Surely 20 per cent is high enough! What is the result? In 1922, the company was under-assessed by almost \$1,000,000; in 1923, by \$7,000,000; in 1924, by more than \$1,000,000; in 1925, by \$4,000,000; in 1926, by nearly \$2,000,000; in 1927, by \$8,000,000; and in 1928 by \$10,000,000! Even with the net income capitalized at 50 per cent the assessment would not have been equal to the value in 1927 and 1928. In those years the net income was 65 per cent and 80 per cent, respectively, of the assessment!

Fajardo Sugar Company Assessments

The Fajardo Sugar Company has been scarcely less favored.⁵³ Concerning the assessment of this company, the following statement is of interest: ⁵⁴ "In 1919, the assessment was based on realty and personal tangibles subject to taxation. In 1920, a new item is introduced and assessed as 'OTHER PERSONALITY—SECTION 317 OF THE LAW' presumably to cover intangibles and fixed at \$207,-681. This raises assessment above physical valuation by that amount, making it \$2,563,377. If capital value had been used the valuation would have been \$5,546,816. How the figure for the valuation of intangibles was arrived at and why full capital value was not used as the basis for assessment could not be determined.

"In 1921, the assessor used capital value as the basis for his assessment, which he fixed at \$9,575,170, as compared with \$2,563,377 for the preceding year. The Board revised the valuation down to \$3,129,910 which was \$989,-780 above the physical valuation.

"In 1922 no attempt is made to tax intangibles and assessment shrinks to \$2,263,860 which represents a reduction of \$866,050. The reason may have been that the company had a deficit. From 1923 to 1927, capital value is consistently used as the basis for assessment, increasing valuation for these years by over 300 per cent as compared with valuation for 1922. Valuations for the years 1922 to 1927 are given below:

1922	\$2,263,860
1923	6,871,800
1924	7,051,420
1925	7,207,710
1926	6,798,850
1927	7,123,430

The assessment for 1928 is shown in the following table in comparison with those of 1926 and 1927. The great change in valuation is due to a Supreme Court Decision,⁵⁵ which held that Federal Government Bonds, stocks of other corporations, mortgages, notes receivable and other credits are exempt.⁵⁶

	Assessed Value
1928	\$2,484,890
1927	7,123,430
1926	6,798,850

If the capital value has been used in 1928, the assessment would have been more than \$4,500,000 instead of the \$2,500,000 shown above.⁵⁷

As a final comparison of assessments and values, the following table shows assessments, net income and net income capitalized at 10 per cent, as was shown in the case of Central Aguirre:

Year	Assessment ⁵⁸	Net Income ⁵⁹	Net Income Capitalized at 10%
1922	\$2,263,860	\$272,488	\$2,724,880
1923	6,871,800	1,120,149	11,201,490
1924	7,051,420	1,344,511	13,445,110
1925	7,207,710	1,303,398	13,033,980
1926	6,798,850	582,111	5,821,110
1927	7,123,430	901,863	9,018,630
1928	2,484,890	501,782	5,017,820

With a five year average earning of \$926,733 from 1924 to 1928, which would have given an average assessment of \$9,267,330, if assessments had been equal to net income capitalized at ten per cent, this company was assessed at an average of only slightly more than \$5,500,000.

South Porto Rico Sugar Company Assessments

The third of the large sugar companies to be considered

is the South Porto Rico Sugar Company. The assessments, made on physical assets, have been rather consistent since 1919, ranging from \$3,500,000 to \$5,000,000.⁶⁹

This corporation has appealed its assessment consistently to the Board, and since 1924 has initiated law suits against assessments. The main contentions of the corporation are:

(1) Assessment of factory on the basis of daily capacity of the mill in tons of cane times 550 is unfair. The value of the mill is \$1,018,100 by the company's own calculations, and according to the above formula it would be \$2,767,800.

(2) Factory supplies and merchandise for the factory should be included in the assessment of the factory and should not be assessed separately.

(3) Sugar and molasses on hand should not be taxed, as they come under tax-exempt "products of the soil in possession of the producer," according to Article 291 of the Political Code of Porto Rico.

(4) Valuation should be fixed at \$1,542,045 instead of \$4,014,830 as recommended by the assessor.

The value of this company's property in Porto Rico is somewhat difficult to determine due to the fact that it has extensive holdings in Santo Domingo. Its total assets as of September 30, 1928, were \$42,096,136, and the preferred and common stock was set at \$24,906,810. According to its own statement, the real and personal value of the company's properties in Porto Rico in 1928 was \$10,455,920, and the par value of the stock was \$4,000,000. Its net earnings were \$1,638,202. Judging from the total capacity of the mill in Porto Rico and Santo Domingo, this valuation is not adequate, since as has been

stated above, the total capacity of the three mills operated is 1,550,000 bags of sugar of which the Guánica Central in Porto Rico can produce in excess of 700,000 bags, or 45 per cent of the total. With this as a basis the valuation should be about \$18,943,261. Even using the company's own figures for net income in 1928, and capitalizing them at ten per cent, as was done in the cases of Central Aguirre and the Fajardo Sugar Company, the resulting evaluation is \$16,382,020, to compare with the evaluation of a little more than \$4,000,000 which the company considered too high.

Assessment of Local Sugar Lands

The under-assessment has not been confined to these sugar companies alone.⁶¹ The Central Lafayette, owned by Sucesores de C. y J. Fantauzzi, who are French and spend most of their time in France, has 8,664 acres of land. The assessed value of this land is \$926,270, whereas if it were worth no more than the average "assessed" value of the cane lands it would be valued at something like \$1,500,000. The total assessment for the mill and properties is less than \$2,000,000 and the owners have consistently refused to sell for three times that amount.

There are numerous other examples of such under-assessment. Hacienda Teresa, belonging to Mr. Manuel González, probably the wealthiest Porto Rican, has 734 acres and is worth at least \$600,000, while the assessment is only \$140,000. Hacienda Carlota, belonging to Mr. Jenaro Cautiño Insua, has 816 acres worth more than \$500,000 but is assessed at \$165,000. Hacienda Barrancas, comprising 287 acres, was sold in 1918 for \$125,000. It was leased in 1929 to Luce and Company, a subsidiary

of Central Aguirre, for \$12,000 annually, the taxes to be paid by the lessee. The assessed value is only \$65,000. Estancia Felicia, belonging to Mr. Jenaro Cautiño Insua, was sold in 1927 for \$150,000 and is assessed at \$78,000.

Many more such cases could be cited but one more will suffice to illustrate the general under-assessment. Hacienda Melania, with 790 acres, is leased to Luce and Company for \$26,000 a year, and the taxes. This farm, worth not less than \$500,000, is assessed at \$122,000!

PROFITS IN SUGAR

From the point of view of the stockholder, the sugar business in Porto Rico is a veritable Drake's treasure. There have been, naturally, difficult times, but one of the numerous good years was quite enough to wipe out even the memory of the losses.

South Porto Rico Dividends

The South Porto Rico Sugar Company,⁶² operating Central Guánica, was organized in 1900, and has paid on its \$5,000,000 worth of preferred stock at \$100 per share a regular dividend of 8 per cent since its organization. Common stock paid dividends amounting to 6 per cent in 1910, 4 per cent in 1911, 6 per cent in 1912, 6 per cent in 1913, 4 per cent in 1914 and 10 per cent in 1915.

This regular dividend with the extras brought dividends to \$40 in cash and 18 per cent in stock in 1916; some \$32.50 cash in 1917; \$20 in 1918 and 1919 respectively; and \$15 cash plus 100 per cent stock in 1920. Dividends have been somewhat more modest since 1920. In 1921 only \$4.50 was paid and in 1922 the company suffered a loss. The earnings for 1923 were sufficient to

cover this loss, amounting to some \$35.34 per share of preferred stock and \$12.20 per share of common. During 1924, the dividends were \$4.50 a share and for 1925 and 1926 they were \$6 per annum. In 1927, dividends of \$4.50 a share on the old \$100 par value stock were paid and after the exchange of the old for new stock at the rate of one share of the old for four of the new, there was an initial dividend of 50 cents. The total dividends in 1927 amounted to some \$6.50 cash and 10 per cent in stock. In 1928 and 1929, dividends on the new stock were \$2.50, or something like 10 per cent.

From the above it may be seen that this company has paid over a period of 30 years a steady dividend of eight per cent on preferred stock, and dividends on common stock from 4 to 115 per cent!

Fajardo Sugar Company Dividends

The Fajardo Sugar Company of Porto Rico has not been far behind the South Porto Rico in its race for ample profits.⁹³ Beginning in 1908 the company paid dividends of 10 per cent; in 1909, 8 1/2 per cent; in 1910, 10 per cent; in 1911, 5 1/4 per cent; in 1912, 7 per cent, and in 1913, 1 1/4 per cent.

During the bad years of 1914 and 1915, this company paid no dividends. In 1916, however, the stockholders had ample reason to forgive the management, the Underwood Tariff and all other drawbacks to the cause of high profits. Beginning with February 1, a regular quarterly dividend of 2 1/2 per cent was paid up to and including May 2, 1921. In addition to this, 5 per cent extra was paid on August 1 and September 1 to bring the year's profit to 20 per cent. In 1920, an extra cash dividend of

30 per cent, and a stock dividend of 70 per cent brought the profits to 110 per cent for the year.

From August 1, 1921, to February 1, 1923, inclusive, dividends paid came to only 1 1/4 per cent. Extra dividends, however, brought the profits to \$16.50 in 1923; \$16.25 in 1924; \$11.50 in 1925, and \$10 from 1926 to 1928, inclusive. 1929 dividends were 2 1/2 per cent and in 1930 dividends were passed.

Central Aguirre Dividends

The Central Aguirre Associates, owner of the Central Aguirre Sugar Company has been the most profitable, probably, of all the sugar companies.⁶⁴ From 1909 to 1920, with the exception of 1913-14, the company paid from 5 to 60 per cent profit. In December 1919, the old \$100 par value stock was changed to \$20 stock, by an exchange of five shares of new for one of old. The profits in 1920 were \$14 on the new \$20 per share stock! In 1921, the dividends descended to \$7.50 a share, a mere 37 1/2 per cent, as compared with the 70 per cent received in 1920. From 1923 to October 1928, inclusive, a regular dividend of \$1.50 a quarter was paid. This is equivalent to 30 per cent per annum, and the extra dividends paid in cash and stock brought this to 55 per cent in 1923; 50 per cent in 1925; 35 per cent in 1927; and 40 per cent in 1928. In 1928 the old stock was exchanged at the rate of four shares of Central Aguirre Associates for one of Central Aguirre Sugar Company. Dividends in 1929 on the new stock were \$1.75, or about 35 per cent. In 1930 the company earned \$2.42 per share. An original stockholder of the Aguirre told the authors that the

average yearly return had been 69 per cent on the original investment.⁶⁵

THE COLONO CONTRACT

The Centrals supplement the cane they grow themselves with cane from farmers, known as colonos, who live within reach of the mill.⁶⁶ The colono may have any amount of land from one acre to several thousands, and either sells his cane outright to the Central for a definite amount of sugar for each hundred pounds of cane, or receives a proportion of the sucrose content. The first system encourages the cultivation of varieties which yield heavy weight rather than rich sucrose content. For this reason the second type of contract is now preferred by the Central.

The contract with the colono is usually drawn up on a basis of 6 1/2 or 7 pounds of sugar for each 100 pounds of cane. The Central sells the sugar for the colono at New York prices, minus transportation, commission, and subtracts from the sum paid to the colono for his sugar the expenses incurred in marketing.

As the colono is usually unable to finance himself throughout the long period of a year or more until the cane is ready for cutting, he is forced to borrow money for this purpose from the Central. The interest paid, as well as the basis of his contract, is determined by the extent of competition between Centrals in his district. Only a few districts remain where competition works to the benefit of the colono, most colonos being compelled today to sell at what the Central desires to pay, and borrow at the rate set by the Central or the bank.

In districts where competition is keen, as was formerly

the case between Central Santa Juana (belonging to the United Porto Rican Sugar Company) and Central Defensa (then belonging to another company, but since bought by the United Porto Rican), the colono was able to borrow money at 6 per cent, and received much more than seven pounds of sugar, the usual top contract. When, however, the United Porto Rican bought out the Central Defensa conditions changed. The colono today pays the maximum rate of 12 per cent allowed by the law, and advance discounts make his interest even more.

As an example of how this contract functions from the point of view of the colono, the liquidation sheet of Candido Ramírez, a colono of the United Porto Rican sugar Company, grinding at the Central Santa Juana, showed for 1930 the following figures:

He carried to the mill 14 different deliveries of cane, on a contract calling for seven pounds of sugar for each 100 pounds of cane delivered. On ticket No. 269, truck 3027, he delivered 20,680 pounds of cane, which showed a content of 11.49 pounds of sugar. In this case the colono got seven pounds and the mill 4.49. However, when on ticket 253, truck No. 1062, the test showed only 9.72, in place of the seven pounds the colono received only 5.72, the Central having first deducted its 4 pounds.

It can be easily seen, therefore, that regardless of how high the rendition may be, the colono gets no more than his 7 per cent, while the mill often gets much more than the colono. The total rendition of sugar is as a rule between 11 and 13 per cent, but in some cases it runs higher than 13,⁶⁷ as in the case of the Central Mercedita, which gave in May 1930, 13.335 per cent.

The owner of the land has incurred all the expense of

cultivation, paid interest at an exorbitant rate on borrowed money, paid taxes on the land, and taken the risk of too much or too little rain, or even hurricane, which, as in 1928, may seriously damage his crop. He then must deliver his crop to the Central for grinding and testing, and trust that he will get the full amount due him. The Central has its own chemist, who makes the test and sets the figure of sucrose content and purity of the cane juice. The colono has long complained of this system as unjust, ironically referring to it as the "funnel system" in which his is the little end.

That his complaints are justified was fully established in a test made by Fernando A. Villamil, Assistant Chemist of the Insular Experimental Station, on May 5, 6 and 7, 1930.⁴⁸ In 21 cases at Central Defensa and in 9 cases at Central Santa Juana, the test made showed a sucrose content ranging from 15.94 to 22.26, whereas the highest sucrose content showed by any mill in the report for May, was 16.81, the average content shown being between 14 and 16. Two mills showed the very low mark of 12.25 and 12.30.

In the same series the Brix test showed a range of 19.2 to 24, while the mill reports ranged from 14.72 to 19.89. The usual figure given in the mill reports was just over 18, while the chemist usually reported 20 to 22. These differences are extremely important when we come to examine the method of computing the probable rendition of sugar, as we shall do later.

Regarding the deficiency of the method of taking a sample of cane juice to test, the chemist says: "The system of taking a sample used in Central Defensa is completely deficient: first, because the cane of different colonos and

of the mill itself is mixed on putting it into the hammock, thus causing the analysis of the cane of each colono to be inaccurate; second, because the chemist takes a sample from a load of sixteen tons the same as from a load of two tons. This is done by placing a flag in the middle of each pile of cane, and catching a quart of cane juice in a can as soon as the flag comes through. The sample should be taken continually, or if not continually, at least intermittently, while the cane is being ground. The Central Santa Juana takes the sample in this manner, which, though not perfect, is superior to the system used in the Central Defensa." ⁶⁹

Is there any remedy for this situation? One was proposed in the last session of the Porto Rican Legislature, when Representatives Fernández García, Vélez Gotay and García Ducós presented a "Law to regulate cane-grinding contracts and for other purposes." The remedy proposed was that all analyses should be made by the Horne or some other method of similar scientific value and that the probable rendition of sugar should be on the basis of the following formula:

$$R = (S \ 0.3 \times B) \ F$$

R. is the probable rendition of sugar of 96 degrees.

S. is the sucrose content of juice.

B. is Brix in the juice.

F. is a factor to be calculated from the average of the juices and sugar produced during the three previous years at the factory.

The question as to whether this would really aid the colono may be tested by substituting the sucrose reported by the Centrals and comparing it with the test made by

the government chemist. To do this it will be necessary to use a supposed factor, but we shall use the same factor in each case, thus giving a fair comparison. The highest factory report was: Brix 19.89 and sucrose 16.81. This would make the formula read:

$$R = (16.81 \times 0.3 \times 19.89) .10$$

This gives a probable rendition of 10.03, when an imaginary factor of 0.10 is used.

Using the highest results given by the government chemist, the formula would read as follows:

$$R = (22.26 \times 0.3 \times 24.) .10$$

This yields a probable rendition of 16.02, when the same imaginary factor of 0.10 is used.

The benefits which would accrue to the cane grower if this law became effective are not difficult to see. The Legislature, however, failed to *make an appropriation* to carry the law into effect, so the colono will continue to have his cane tested by the Central in the old way, and receive whatever the Central sees fit to give him.

The colono's rights to full participation in the crop he has grown are further curbed in the division of the molasses which remains after the full amount of sugar is extracted. Every ton of cane renders about five gallons of molasses, which has a selling price of about four and in 1928 rendered the Centrals about \$830,891.

Another by-product, the bagasse, which is used for the manufacture of fabric products in Hawaii and other sugar-producing area, is burned by the Porto Rico mills. This means that the colono furnishes free fuel to the Central, which effects a saving of thousands of dollars

yearly in this manner—a further increase of profits for the Central at the colono's expense.

500-ACRE CLAUSE

The Foraker Act, the first organic act of Porto Rico after the Island passed into the hands of the United States, made the following provision:

"No corporation shall be authorized to conduct the business of buying and selling real estate or be permitted to hold or own real estate except such as may be reasonably necessary to enable it to carry out the purposes for which it was created, and every corporation hereafter authorized to engage in agriculture shall by its charter be restricted to the ownership and control of not to exceed 500 acres of land. This provision shall be held to prevent any member of a corporation engaged in agriculture from being in any wise interested in any other corporation engaged in agriculture."⁷⁰

Why It Cannot Be Enforced

In the new organic act of 1917, known as the Jones Bill, this provision was repeated.⁷¹ Why then do corporations own many times the 500 acres named in the organic acts of Porto Rico? Congress evidently manifested its intention of keeping the property of the Island out of the hands of the few, but this provision has certainly never been enforced.

The tendency of the Porto Rican is to lay the blame on the American Congress, which in reply can point out that no Porto Rican Legislature has ever enacted a law making punishable a breach of this provision. But such legislation is unlikely with the sugar companies in control

of the Legislature. So long as there is no penalty it is to be expected that the sugar companies will continue to own large tracts of land, in violation of the law.

The arguments for such large holdings on the part of corporations are forcefully set forth in *Porto Rico and Its Problem*⁷² on the basis that the production of sugar is a business that can be carried on only by large companies with ample capital to buy the enormous machinery for the successful manufacture of sugar in competition with such countries as Cuba, Java and Hawaii. Concerning this Act, Dr. Victor Clark says:

"Its application to Porto Rico has never been fruitful of results, nor can it be made effective under any construction of the constitution of which we have judicial precedent. Virtually all the big sugar corporations, whether controlled by Islanders, Mainlanders, or Europeans, hold extensive areas, the title of which is vested in private individuals or partnerships, acting as their trustees. As long as the right of an individual to own land is recognized as *sacred* [the italics are the authors'] this circumvention of the law will be an easy matter."⁷³

Dr. Clark further says: "Under the circumstances the desirability of retaining this futile Act on the statute books may be questioned."⁷⁴

The concluding argument presented for the repeal of this provision is that by so doing the government could place these corporations under the jurisdiction of corporation law.

The belief that sugar is the best crop for Porto Rico and that large holdings are necessary is at the bottom of the fact that this law has never been enforced by the Porto Rican Legislature. For this reason a part of the

blame must be laid first at the door of the Porto Ricans themselves, who have watched the giant grow without making any effort to curb him. The underlying reason why no effort has been made by the Legislature to enforce the 500-Acre Provision is easily discovered: The leaders of the body have always been too closely and too profitably tied up with the sugar industry to be free to do so.

The power of the sugar corporations in Porto Rican politics is clearly illustrated in the following instances: ⁷⁵

A recent Governor of Porto Rico was desirous of appointing to the position of Treasurer of Porto Rico a man who was opposed by the Unionist, the majority, party of Porto Rico. The reply of the Governor to the Party's objections was that he must appoint this particular man *because he had the support of the sugar corporations.*

Another incident illustrating the dictatorship of the corporations occurred in the appointment of an Attorney General of Porto Rico. The Governor favored a certain candidate against the nominee of the Unionists, still the majority party. The president of this party, Señor Barceló, was in Washington and spoke to the Chief of the Bureau of Insular Affairs concerning the appointment. He was informed that it was now too late to discuss the appointment as the name of the opposing candidate had already been sent to the President of the United States.

Mr. Enrique Bird, then acting as interpreter for Señor Barceló, went from Washington to New York, where he visited the office of one of a group of prominent lawyers and financiers who control an important sugar company.

Upon the lawyer's inquiry, Mr. Bird told him who had been appointed. The lawyer declared that the appointment was not satisfactory to his company, and immediately called the Bureau of Insular Affairs by long distance telephone. Within five minutes he had obtained the appointment of his candidate, a thing which the majority party of Porto Rico had been unable to do.

Further relations between the Porto Rican Legislature and the sugar industry are not difficult to point out. The Honorable Antonio R. Barceló, since 1917 leader of the Unionist Party, the majority party in the Island, and until 1930 President of the Senate, is the brother-in-law of Jorge Bird Arias, Vice-President and General Manager of the Fajardo Sugar Company. The Honorable José Tous Soto, for many years Speaker of the House, is also attorney for the South Porto Rico Sugar Company. Under such leadership, it is not probable that the 500-Acre Provision will ever be enforced by the Porto Rican Legislature.

The position of the Congress of the United States in this matter may well raise a question in the mind of an unbiased observer. Why did Congress insert a clause in the Foraker Act forbidding ownership of more than 500 acres of land in Porto Rico, and later insert the same clause in the Jones Bill of 1917, if it was not to be enforced? The thirty years which have passed since this provision was made seem to indicate that Congress had no intention of enforcing it. The people of Porto Rico are justified in saying that the hands of their own Legislators are tied so that they cannot fulfill its purpose, and in asking as they do ask:

"If Congress considers us incompetent of governing

ourselves, why does it not enforce the provisions of the Organic Act which it gave us?"

The same reasons which explain why the insular Legislature has never acted explain the indifference of the Congress of the United States. Reverence for the *sacredness* of property precludes any action which would effectually end the violation of the 500-Acre Provision.

Extent of Violation of 500-Acre Clause

How extensive are the infractions of the 500-Acre clause? The table on pages 76 and 77 ⁷⁶ shows the extent of absentee ownership in 1917 when the number of holdings in excess of 500 acres was some 477, and the agricultural land so held was 537,193 acres, valued at more than \$36,500,000. Lands leased by the same absentees were more than 229,000 acres with a property value of more than \$21,000,000. The total land so held reached approximately 766,000 acres with a total value of \$57,000,000. The land, buildings and machinery of the absentee companies were worth in excess of \$84,000,000. Since this survey was made the increase has gone on steadily, until today the total absentee property so held is not less than twice what it was in 1917, as will be shown in summarizing the total absentee holdings of the Island.

SUGAR AND FOOD CROPS

The statement is often made that sugar cane has driven out the food crops, causing the present enormous shortage of native foods and the necessity of importing large quantities of such foods as rice, beans, corn, potatoes, etc., which might well be raised with profit by local growers.

Opposed to this is the statement of a competent investigator that the "cane growing extended, in fact, chiefly at the expense of grazing, which then (1897) occupied a large part of the coastal region."⁷⁷ The same authority asserts that from 1897 to 1907 the cane area increased from 61,558 acres to 177,196 acres, while pasture lands decreased from 1,143,364 acres to 856,764 acres.⁷⁸

A number of difficulties make impossible an accurate comparison of agricultural conditions in 1897 and 1930. First, a discrepancy in the area of the Island as estimated in 1897 and today. According to the Spanish Census of 1897, the American Census of 1899, and various other statistics covering the area in square miles, figures varying from 3,435 to 3,670 are given, while area in acres varies from slightly over 2,000,000 to 2,349,000.⁷⁹ Obviously such inequality of records can lead to very erroneous conclusions.

Second, the classification of land in 1897 and 1930 is entirely different. According to the census of 1897, the land was classified as cane, tobacco, coffee, minor crops, other crops, pasture and woods, and swamps. In 1929, the Treasury Department divided the land into the same food divisions, but altered the other classifications to read: pasture, timber and brush, marshlands and other lands. These slight alterations make it impossible to say what lands are classified today exactly as they were in 1897 or 1899.

Although these factors make any absolute comparison impossible, it is still possible to determine to a certain extent the source of the increase in cane lands. The area of the entire island in 1897 was 2,090,181 acres,⁸⁰ and

REPORT ON REAL PROPERTY DEVOTED TO AGRICULTURE
CORPORATIONS, PARTNERSHIPS OR INDIVIDUALS,
"RECAPITULATIONS"

Nationality	No. of partner- ships	Property			
		Owned		Leased	
		Number of acres	Value	Number of acres	Value
Individuals and Partnerships					
U. S. of America	271	290,112	\$17,472,990	67,687	\$5,817,011
Spain	109	89,429	4,356,128	35,520	2,002,906
France	21	26,044	1,352,735	5,248	716,610
Other nationalities	5	3,343	71,810	1,139	62,350
Americans in partnership with Spaniards..	21	26,467	2,115,255	10,896	669,310
Americans in partnership with citizens of various nationalities..	5	9,965	1,004,887	2,600	323,630
Total	432	445,360	\$26,373,805	123,090	\$9,591,817
Corporations					
U. S. of America, incorporated in the U. S.	13	33,653	3,477,618	46,123	5,471,508
In Porto Rico.....	31	58,038	6,703,402	59,549	6,150,297
Foreign (incorporated)	1	142	28,390	441	35,600
Total	45	91,833	\$10,209,410	106,113	\$11,657,405
Grand total	477	537,193	\$36,583,215	229,203	\$21,249,222

AND DIRECTLY OR INDIRECTLY HELD IN PORTO RICO BY
IN HOLDING EXCEEDING FIVE HUNDRED ACRES
BY NATIONALITY"

description and value

Buildings, machinery,

Total

and other structures

Number of acres	Value	Owned	Leased	Total	Grand total value
357,799	\$23,290,001	\$3,190,298	\$129,744	\$3,620,042	\$26,910,043
124,949	6,359,034	919,107	52,714	971,821	7,330,855
31,292	2,069,345	742,575	11,245	753,820	2,823,165
4,482	134,160	4,450	1,710	6,160	140,320
37,363	2,784,565	113,225	18,690	131,915	2,916,480
12,565	1,328,517	865,641	6,470	872,111	2,200,628
568,450	\$35,965,622	\$5,835,296	\$520,573	\$6,355,869	\$42,321,491
79,776	8,949,126	7,428,010	437,732	7,865,742	\$16,814,868
117,587	12,853,699	11,635,742	87,228	11,722,970	24,576,669
583	63,990	762,732	810	763,542	827,532
197,946	\$21,866,815	\$19,826,484	\$525,770	\$20,352,254	\$42,219,069
766,396	\$57,832,437	\$25,661,780	\$1,046,343	\$26,708,123	\$84,540,560

in 1899 was given in the census as 2,060,990.⁸¹ The Governor's report of 1929 shows a total of 2,085,902 acres.⁸² The Census of 1899 is considered the most thorough survey existing, and as far as it contains the statistics necessary it will be used in preference to the Coll y Toste report of 1897.

Cane lands in Porto Rico have increased from 72,146 acres in 1899 to 251,018 acres in 1929. This is a net increase of 178,872 acres, which came either from pasture, woodlands or from land previously cultivated in other crops. Almost certainly it came from all these sources, but to determine just how much came from each source it is necessary to examine the past and present condition of each of these classes of land.

From 477,987 acres in cultivation in 1899, cultivated land in Porto Rico has increased to 568,573 in 1929, a net gain of 90,586 acres of cultivated area. There are, then, only 90,586 acres now in cultivation which were not already cultivated in 1899, as against an increase in land given over to cane growing of 178,872. As all other crops except tobacco decreased, it seems certain that this land went to cane growing.

Coffee lands decreased from 197,031 acres in 1899 to 169,491 acres in 1929, a net decrease of 27,540 acres. Formerly coffee and cane were not grown in the same districts, but cane has ascended the hills and mountain sides, and is now grown where it was considered impossible to cultivate it previously. Tobacco increased from 5,963 acres to 29,403 acres, an increase of 23,440 acres to be added to the net increase of cane. Minor crops decreased from 153,050 to 118,661 acres.

Does this tell us anything about the source of the

202,312 acres net increase in sugar and tobacco? Let us consider the net losses and add to them the increase in cultivation:

Coffee land decrease	27,540 acres
Minor Crops decrease	34,389
Net increase in cultivation	90,586
10% of land in 1899 in cultivation in crops not specified	48,794
	<hr/>
	201,309

According to this calculation, the net increase of land in cultivation plus the amount of decrease in coffee and minor crops, and the land in cultivation in 1899 in crops not stated, yields a sum that is only 1,003 acres off an absolute balance. The source of increase has been calculated without special reference to pasture, woodlands, swamps, etc. Comparing the totals of the remaining lands in 1899 and 1929, it will be found that there were 1,579,903 acres in pasture, timber, etc., in 1899, while in 1929 the total acreage of pasture, timber and brush, marshlands and other lands (aside from lands in cultivation) equalled 1,517,329 acres, a decrease in all the classes listed of 62,574. While this does not account for the entire 90,586 acres net increase, it is quite probable that the difference in estimates since 1899 makes up the deficiency. It does not, however, indicate that the cane and tobacco increase has not been due as much to pasture decrease as to decrease in other crops. There is still the possibility that change in classification could account for the foregoing conclusion. The ideal plan, of course, would be to know definitely to what use every acre of land was devoted in 1897 and compare it with the use made of every acre in 1929. As this is impossible, the best sub-

stitute, a comparison of the crops in the various municipalities, must be made.

The Census of 1899 shows a total of 153,050 acres in minor crops while the report of the Civil Secretary, Cayetano Coll y Toste, in 1897 shows only 110,684.⁸³ The discrepancy may be accounted for by the incompleteness of the 1897 figures. Coll y Toste gives, however, a detailed account of the crops of each municipality, and as the Census of 1899 omits this, the 1897 figures will be used. The acreage ascribed to minor crops in this report is certainly the minimum.

Using Coll y Toste's report, an examination of the chief cane growing districts today as compared with 1897, the year before the American occupation, will be made. Today these are Arecibo, Vieques, Ponce, Juana Diaz, Humacao, Yabucoa, Guayama, Cabo Rojo, Santa Isabel, and San Germán. Of these only Arecibo, Humacao and Cabo Rojo show an increase of food stuffs while all others show an increase of cane from about two to five times. This seems to offer strong support to the contention that cane has been the direct cause of the decrease in food crops.

Considering that Coll y Toste's total is 30 per cent lower than that of the Census of 1899, and making due allowance for this in comparing the districts given above, it is found that only one of the ten districts has maintained its food production, and this one by only a small margin. Taking into account that such crops as pineapples, oranges, grapefruit and coconuts are mainly export crops, the actual food producing crops are found to be even lower than the above figures would indicate, and not one of the districts given has as much food acreage as it had in 1897.⁸⁴

DOES SUGAR PAY PORTO RICO?

In concluding his study of the sugar industry in Porto Rico, one economic expert decided that "so far as cane planting goes, the existing agricultural economy of the Island is rational and serves the needs of its people as well as any other of which we have present knowledge."⁸³

Intentionally, or unintentionally, the writer left the subject open to debate by the use of the concluding words "of which we have present knowledge." The cane industry might do that and still fail to serve the needs of the people.

There may be many factors which might be considered in coming to a conclusion as to the relative profits and losses in the sugar business to the Porto Rican people as a whole, but a justifiable conclusion may be reached by considering whether or not under the existing economic system it pays the investor, whether it is profitable to the grower, whether it can be produced at a low enough price to compete in world markets, whether it pays decent wages and gives steady employment, whether it permits an economic and scientific crop distribution and finally whether it is paying its proportion of the taxes.

Sugar Pays the Investor

To the first of these questions, does it pay the investor, the answer has been given under the subhead "Profits in Sugar," wherein it was shown that the three largest sugar corporations have paid dividends ranging from 4 to 115 per cent over a period of twenty years. Such an enormous profit can be justified only on the basis of great risk taken and ample return paid to the country furnishing

this fabulous treasure. Great risk there was never—the stars and stripes have always furnished ample protection to American property and have assured the Porto Rican investor that no revolution would menace his holdings, no laws would be made unduly oppressive and no excessive taxes collected. Surely then, in the face of such favorable conditions and such unreasonable profits, the sugar corporations could have given back an ample return in liberal contracts to colonos, generous wages for workmen, and full payment of their due share of the tax burden. But this has not been the case.

The Colono Loses

The condition of the colono has been shown. He assumes all the risk of the season, cost of production, pays 12 per cent interest on money borrowed to produce his crop—and finally receives less for his cane than it cost him to produce it. While the colono never gets more than 65 per cent of the sucrose content of his cane, and in most cases today he appears to get less than half,⁸⁶ the major portion of the cost of production falls on his shoulders.

The average cost of producing a ton of cane in 1928 was \$68.42, and of this only \$7.22 was manufacturing cost.⁸⁷ Many mills do not even pay \$7.22 for manufacture. Boca Chica, for instance, though rated as an exception due to the skill of the engineer, is able to manufacture for the sum of 43 cents a sack, or \$3.44 a ton. The colono pays 89 per cent or more of the cost of production, and receives at most 65 per cent of the returns. Obviously the landowner cannot long survive under such a system.

Nor is he surviving. The more than 100,000 acres of choice cane land now held by the absentee-owned sugar

companies show the extent to which the land has passed and is passing out of the hands of native owners. The sale of property to corporations, most of them absentee corporations, is steady. During the fiscal year ending June 30, 1930, more than 1,470 acres of land were acquired by such corporations as Central Coloso, Fajardo Sugar Company, United Porto Rican Sugar Company, Central Cambalache, and other companies.⁸⁹ The number of mortgages registered shows an even more startling condition of both rural and urban property. Prior to January, 1929, no statistics exist showing the amount of mortgages, but statistics compiled since that time are an ominous indication of the inevitable destination of lands now belonging to Porto Rican owners.

Over a period of eighteen months, mortgages on urban property amounted to \$11,351,533,⁹⁰ and on rural property, to \$23,262,419, making a total of \$34,613,952 in new mortgages registered within a year and a half. In the same period, the cancellation of mortgages amounted to only \$15,153,415, leaving a total of \$19,460,537 new mortgages, net, on Porto Rican property. This is five per cent of the total assessed value of the property of the Island. New mortgages on rural property represented 18 per cent of the entire rural wealth of Porto Rico. Mr. José L. Pesquera, president of the Asociación de Agricultores de Puerto Rico, estimates the mortgages to be \$120,000,000—just short of the entire rural assessment!

No, sugar cane has not brought prosperity to the colono. He has lost, or is losing, his land under the system.

As to whether sugar cane can be produced at a price sufficiently low to enable it to compete in world markets, the answer is that it *is* competing and the manufacturers

show a profit. This does not, however, answer the question in full. Soil conditions, fertilization, harvesting, manufacture, financing, irrigation, wages, and taxation must be considered.

The soil of Porto Rico which is suitable for the production of cane is limited. The limit of profitable production has been reached, and today cane can be seen growing on hill tops and even on mountain sides where the yield is necessarily extremely low. To stimulate soil which has been cultivated continuously for more than four centuries requires heavy fertilization, adding greatly to the cost of production in comparison with that of Santo Domingo and Cuba where large tracts of virgin soil still remain.⁹⁰

It has been shown that the principal cost of the production of sugar falls on the grower, and that he is not receiving his share of the returns. Harvesting and growing costs have advanced 55 and 64 per cent respectively since 1914,⁹¹ while the total cost of production has risen only 40 per cent. Financing the grower at a 12 per cent interest rate adds heavily to production cost. This, as a rule, is done by the manufacturer, who thereby gets an unduly high profit on his money in this transaction alone.

Manufacturing costs are more than in Hawaii and less than in Cuba. Irrigation in Porto Rico in the dry sections of the Island costs from \$11 to \$15 an acre.⁹²

Sugar Taxes

As to taxation, it has already been shown that the sugar companies do not pay taxes in proportion to the value of the properties they hold. One additional item of taxation which has not been discussed, but which has a direct

bearing on the topic, is the Sugar Tax passed in 1923. This tax levies 4 cents a hundredweight on sugar. As sugar is mainly an export crop, this is theoretically a tax on the exporter, usually an absentee. The tax, then, was originally intended to be a small check on the unreasonably large profits of the sugar manufacturers. In an effort to find out who was paying this tax, the Asociación de Agricultores de Puerto Rico addressed letters to their members in sufficient number to check every Central grinding cane. They found that the Centrals, with very few exceptions, began to insert in the colono contracts a clause requiring the colono to pay this tax.⁹³ The mill, therefore, merely shifted this tax to the colono, and, as usual, evaded taxation. As this tax in 1928 amounted to \$2.52 per acre,⁹⁴ it places no insignificant burden on the already overburdened colono.

Wages in the Sugar Industry

One item remains to be examined in determining the factors in cost production: wages. From 1914 to 1928 the majority of workers in cane Centrals and cane fields received daily wages ranging from less than 50 cents to \$2 per day. In 1920 and 1921, the years of big prices and profits exceeding 100 per cent, 27.3 per cent and 40 per cent of the total workers, respectively, received more than \$2 a day, and 72.7 per cent and 60 per cent, respectively, received less than that amount. The day of high wages passed quickly, however, and from the latter part of 1921 to the present there has been a fairly steady wage scale during the grinding season, of 75 cents to \$1.50 per day, about 40 per cent receiving less than one dollar and 62 to 86 percent receiving less than \$1.50.⁹⁵ On the

plantations the wages were lower and in 1928, 86.5 per cent of the workers on one plantation received less than one dollar.⁹⁶ In the off season, wages were even lower, with about half of the mill workers receiving below a dollar and more than 80 per cent less than \$1.50. On the plantation more than 90 per cent received less than one dollar.

The wages of a laborer during a year's time average \$169.00, as he works only about three days a week in dull times, and even with his house counted he earns only \$207 a year.⁹⁷ Furthermore, not even during the very busy season, from November to May, is there work enough for all. To determine the relative position of Porto Rico, these wages must be compared with other cane-producing countries.

In 1917 the wage of sugar cane workers in Porto Rico was 63 cents, as compared with 97 cents in Hawaii and \$1.26 in Cuba.⁹⁸ In 1928, as has been seen, wages were less than one dollar for the majority, while in Honduras they ran from \$1.25 to \$1.50 a day, and in the Bahamas they were from \$1.46 to \$1.95 a day.⁹⁹ The wage in Porto Rico, then, is roughly a little more than *one half* that of other tropical countries producing the same products.

Counting the Total Cost

The total cost of sugar production and the cost of marketing are the final considerations in analyzing Porto Rico's competitive possibilities in the world market. In 1928, sugar costs in Porto Rico ranged from \$64.06 to \$92.54 per ton. Figures for Cuba and Hawaii are not available for the same year, but over a period from 1913-

14 to 1922-23, the cost in Porto Rico was steadily one third higher to almost double the cost of sugar production in Cuba. In Hawaii the cost was not quite so low as in Cuba.¹⁰⁰

Porto Rico, then, is at a disadvantage in sugar production due to higher costs, which are due in turn to the necessity of fertilization, irrigation and high interest on money.

The final disadvantage which Porto Rico suffers in putting her sugar on the market is a higher shipping cost, paying 15 cents a hundred to ship sugar to New York, as compared with 10 and 11 cents from Cuba.

How then does Porto Rico compete? The answer has been partially given in the discussion of the *colono* contract. The *colono* pays with his losses the gains of the sugar Central. Evasion of taxation, payment of starvation wages, exorbitant rates of interest on money to finance the *colono*—these make sugar "good business" in Porto Rico. The Central, usually in the hands of the wealthy foreign corporation alone is prospering under the present system.

The story is not, however, complete without a reminder as to the effect of sugar growing on food production. It has already been seen that the invasion of sugar cane in the ten principal cane growing districts has driven out the food crops and that the effect on the entire nation has been to decrease food crops from one acre for every six people to one acre for every fifteen. The total effect on Porto Rican consumption has been that in 1928 the importation of food amounted to approximately \$30,000,000, making more than 32 per cent of the Island's imports food. In a country where every type of tropical and sub-

tropical foods grow, sugar has driven out such crops until today Porto Rico must import the very food products it once produced in abundance: rice, beans, potatoes, and corn.

Sugar Economy Has Been Bad Economy

Nothing has been more disappointing or deceptive to Porto Rico than the sugar business. The superficial glance at the pyramiding production in tons and dollars has made it seem a veritable cascade of riches. The millions made from sugar have given the false impression of a prosperous Porto Rico, when the truth is that the majority of the people of the Island are actually being forced further into debt day by day. This is now known. The industry does not belong to natives, but to outsiders. The profits are not enjoyed by those who make them possible, but by those who never see Porto Rico. The wages, which in bulk are so large, are now known to be miserably inadequate for the sustenance of life. Sugar has supplanted food crops by usurping the fertile valley lands. Sugar interests have taken charge of the legislature and of the Bureau of Insular Affairs, and rendered the people impotent to help themselves. However glittering the sugar industry may appear to outsiders, the Porto Ricans know that it has not paid. "Sugar economy" has proved to be "bad economy" for Porto Rico.

CHAPTER V

THE TOBACCO AND FRUIT INDUSTRIES

"Millions upon millions of dollars have been invested in the island since 1900. The men who have invested this money in many cases looked for returns much higher than those usually obtainable at home. Is that not what a colony is for? Mercantilism's answer has always been in the affirmative. Their chief interest has been in dividends, not in the people of Porto Rico. Hence there has arisen a conflict of interest, particularly over tax legislation, between the continentals who direct the big business of the island and the Porto Ricans who make its laws."—HENRY KITTREDGE NORTON *

GROWTH OF THE TOBACCO INDUSTRY

THE development of the tobacco industry in Porto Rico has been proportionally as great as that of the sugar industry. In 1899, the total land in tobacco was about 6,000 acres, while in 1929 it had reached some 30,000 acres,¹ about five times as much.

A great deal of this increase in acreage has been due to the aid and encouragement which the government has given by distribution of seed, experimentation in the destruction and prevention of parasites and instruction in better methods of caring for the tobacco, such as fertilization and care of the soil, irrigation, etc. The part which the tobacco companies have played in this growth

* An American journalist and writer on Latin American affairs.

of the industry cannot be ignored. They have offered to the Porto Rican farmer a readier market for this product than he formerly found, and have built up a large export trade where none, or little, existed before. The export of tobacco in 1899 was very small, that of cigars reaching not much more than 100,000 for the entire year. Just how much the cigar export has grown since that time may be seen from the following table which represents the amounts exported in selected years:

1900	100,000 ²
1910	151,724,438 ⁸
1915	174,275,407
1920	223,316,450
1925	196,560,000
1929	158,780,620

The principal part of the cigar output was consumed at home in 1899, but the export crop is now far in excess of domestic consumption. One factor which encouraged home consumption of cigars in 1899 was the high tariff which practically forbade imports, even from Cuba. Free trade with the United States has, however, changed this situation and now great quantities of foreign tobacco, especially cigarettes, are consumed. The number of home grown and home consumed cigars probably reached 100,000,000 in 1899, but by 1907 this had fallen to some 74,000,000. From 1911 to 1921 there was a recovery which brought the consumption of Porto Rican cigars in the Island back to the former high level or 100,000,000 a year on an average, but only once since the latter date has the 100,000,000 mark been reached. During the three years, 1927 to 1929, the average has been about 64,000,000 cigars a year.

The total production of cigars grew steadily from the

number used for domestic consumption, about 100,000,-000, to its high peak in 1920 when the total production for home sale and exportation was some 321,000,000. Since that time the demand for Porto Rican cigars has not been so great, and this, together with an increased export of tobacco to be manufactured into cigars after it reached the United States has served to curb production.

Much of the decrease in home consumption of cigars can be ascribed to the great increase in the use of cigarettes. Porto Rico was a cigar smoking country in 1899, but since that time it has been converted to the use of the cigarette. While the domestic demand for Porto Rican cigars was diminishing almost consistently throughout a period of 30 years, the cigarette habit was growing. By 1907, Porto Rico was using 347,722,000 cigarettes of domestic manufacture. In 1920, the figure reached 576,-424,970, the highest in the history of the Island. The decrease since that time has been more or less constant and since 1926 has dropped below 300,000,000 a year. The export crop has never been very great. The high water mark was reached in 1919 when something over 20,000,-000 cigarettes were shipped abroad.

Along with the growth in the cigar and cigarette trade has come a corresponding increase in the amount of scrap and leaf tobacco exported. Before 1911 the exports rarely exceeded 4,000,000 pounds. From 1911 to 1918 there was an increase from this amount to 9,000,000 pounds and in 1918 the crop jumped to 17,000,000 pounds. Since that time it has usually been in excess of 20,000,000 pounds and during the years 1927 to 1929 the average was about 29,000,000.⁴ Concerning the

market possibilities of tobacco the Report of the Governor of Porto Rico for 1928 said:

"The tobacco crop of the year under review was less than normal, but the prices received were much better than the preceding year. The crop of 1927-28 was only 22,000,000 pounds and the amount exported amounted to \$20,777,937. The crop of 1926-27 was 50,000,000, but the amount received was only \$24,860,072. The average price of the 1926-27 crop was 22 cents per pound, and much of the crop remained unsold. The average price received for the 1927-28 crop was 27 cents, and much was sold at prices ranging from 30 to 35 cents. The normal annual requirements of the market for our tobacco at the present time appears to be about 30,000,000 pounds. A larger production cannot be sold except at reduced and unprofitable prices." ⁵

ABSENTEE TOBACCO COMPANIES

The essential difference in the development of tobacco and sugar is the failure of the tobacco industry to try to gain control of the land as did the sugar companies. The major tobacco companies have, nevertheless, exerted a monopolizing influence on the industry of the Island. Of these companies the most important is the Porto Rican-American Tobacco Company,⁶ established in Porto Rico in 1899 as a subsidiary of the American Tobacco Company, but independent since 1912. Due to war conditions, in 1898, a cigarette factory in San Juan and a cigar factory in Ponce were established by Mr. Luis Toro, president of the Porto Rico-American Tobacco Company. In 1899 these factories were bought out by

the American company, and the Porto Rican-American Tobacco Company was organized.

The Porto Rican-American Tobacco Company of Porto Rico, as it exists today, was incorporated March 1, 1919, in Porto Rico and acquired ownership of all properties in Porto Rico formerly owned by the Porto Rican-American Tobacco Company of New Jersey. The company owns in Porto Rico eight plants for the manufacture of cigars and cigarettes, located at La Marina, San Juan, Bayamón, San Lorenzo, Manatí, Cayey, Cidra and Ponce, together with a box factory and a warehouse at Miramar. These plants have a combined capacity of over 150,000,000 cigars and 400,000,000 cigarettes annually.

The Porto Rican-American Tobacco Company of New Jersey was incorporated in 1899 in New Jersey, and owns all the stock of the Porto Rican-American Tobacco Company of Porto Rico, and half of the capital stock of the Porto Rican Leaf Tobacco Company. In 1927, the company acquired control of the Congress Cigar Company, and with its subsidiaries owned until recently 1,195 acres of farming lands in the Cayey district of Porto Rico for the cultivation of tobacco wrapper and 327 acres in the Cidra district, for the same purpose. It further holds five-year leases covering 70,441 acres in the Cayey districts.

The outstanding class A common stock of this company is valued at \$10,187,550, while class B common, which has no par value, was set at \$4,061,000 for the 82,440 outstanding shares. The assets of the company in 1929 were \$24,404,142, and the dividends for 1927

amounted to \$534,847, in 1928 to \$178,282 and in 1929 to \$713,125, and in 1930 to \$713,156.

The Porto Rican-American Tobacco Company further controls Waitt and Bond, Incorporated, a company owning a factory in Newark, New Jersey, and using Porto Rican tobacco. The assets of the latter in 1929 were \$3,338,218, and its net income for the years 1927 to 1930, inclusive, was \$696,673, \$788,227, \$542,064 and \$472,710, respectively.

The Congress Cigar Company, Incorporated, which is controlled by the Porto Rican-American Tobacco Company, was incorporated in Delaware in 1926, as successor to the Congress Cigar Company of Pennsylvania. This Company owns a warehouse in Porto Rico and uses Porto Rican tobacco for its factories. Since 1926, its dividends have been as follows: ⁷

1926	\$787,500
1927	1,575,000
1928	1,750,000
1929	2,012,500

Since 1924 this company has earned from \$3.36 to \$8.53 per share on 350,000 no par shares. In 1929, this dropped to \$8.23 per share, and in 1930, to \$4.73. The margin of profit rose from 10.24 per cent to 20.10 per cent in 1929.

The New York-Tampa Cigar Company was incorporated May 13, 1921, in Delaware and acquired the business and assets of M. Alvarez and Company and the Industrial Company of Porto Rico, subsidiaries of the Porto Rican-American Tobacco Company, which have been dissolved since that time. Their plant is located at Tampa, Florida. The Porto Rican-American Tobacco Company

owns the entire \$500,000 preferred stock and the 15,000 shares of no par common stock.

About 80 to 85 per cent of the tobacco business of Porto Rico is done by these large companies, the remainder being done by jobbers who make contracts for small lots of cigars, establish temporary factories, where the cigars are made by hand, or let out small contracts to individual workers. These jobbers close out as soon as they have obtained the number of cigars needed to fill their contracts, thus representing the worst type of absentee ownership. While the large tobacco companies are established in Porto Rico, and must pay property and corporation taxes, the temporary contractor carries on his business in a rented house, remains only a few weeks, and pays neither general property tax nor income returns. Small benefit to the people can result from this type of business.

TOBACCO EMPLOYMENT AND WAGES

The condition of the worker in the tobacco fields and in the factories varies little from that of other field and factory workers. Women workers in the tobacco fields draw smaller wages than men, about 72 per cent of them receiving less than 50 cents a day, whereas fewer than 5 per cent of the men get less than this amount. Ninety-eight and eighty-five hundredths per cent of all women workers draw less than 60 cents a day and the remaining 1.15 per cent get only 60 to 69 cents. The wages of men workers show a better average, although the majority receive only 60 to 79 cents a day.⁶

The wage of the tobacco factory worker was considerably better, but by no means adequate. Of those employed by the day, only some 10 per cent made less than one

dollar a day, while 31 per cent made up to \$1.24 and 35 per cent made from \$1.50 to \$1.99. The workers who were paid by the week received from five to 20 dollars weekly, about 75 per cent falling in this class. Women workers were not so well paid as the men, 47 per cent of them receiving less than one dollar a day and 92 per cent less than \$1.25. Those who worked on a weekly basis almost all fell in the class earning less than \$7.50, only about 6 per cent earning more. The yearly income of the tobacco worker has been calculated to be the same as that of the coffee worker, \$183. This includes his money wages, his house when that is furnished, and ground for growing food crops, which is sometimes allowed him.⁹ A great deal of the work done in the factories is piece work, and this is rapidly being mechanized. Within the last ten years the factories have been supplied with machines for making cigars, and now about 75 per cent of the cigars are machine-made. Naturally, this has lessened the demand for factory workers and added to the already large number of permanently unemployed in the cities. The introduction of machines has also, as in the United States, tended to transfer the making of cigars from male to female workers.

THE TOBACCO FARMER

The position of the tobacco farmer is analagous to that of the sugar planter, in that he must depend upon the companies or some intermediary to finance his crop. Due to the fact that tobacco matures in a much shorter period of time than sugar cane, this is not such a burden on him as it is on his sugar-growing neighbor. It adds, nevertheless, to the cost of production.

The price of tobacco is usually about 30 to 32 cents a pound, and theoretically the tobacco farmer receives this amount for his crop. The way the system works is very different. The independent grower, who is sufficiently wealthy to finance himself, buy his own fertilizers, cure his own tobacco and deal directly with the manufacturer, does receive the market price of tobacco for his crop, but this class numbers but 20 per cent of the entire group of tobacco growers.¹⁰ The remaining 80 per cent of tobacco farmers are too small to deal directly with the factory and these depend upon a middleman to finance them, buy their fertilizers, seed their ground, pay their help, furnish them curing facilities and market their crop.

The latter type of grower begins by paying a rate of interest which may be as high as 12 per cent, to the middleman, who in turn gets the money from the factory, and contracts with the factory to supply a certain amount of tobacco for factory use. The middleman must make a profit on his transaction, so that the farmer is certain not to receive the market price under this system. The farmer must also cure his tobacco in the warehouse of the middleman and he is, of course, charged for this. His fertilizer is bought at wholesale prices and sold to him at retail. Finally, when his crop is mature, he must accept whatever grading his tobacco is given.

Under this system, only about 20 of the 30 cents market price actually reaches the farmer's pocket. A recent study showed that the tobacco farmer with less than six acres of tobacco lost money; farmers with more than six acres, but less than 63, showed a profit, but in no case did this profit exceed \$707. Farms with more than 63 acres

were therefore necessary in order for the farmer to make even the small profit of \$1,239 for the year.¹¹

THE FRUIT INDUSTRY

Fruit growing, unlike sugar and tobacco, is rather new in Porto Rico. When the Americans occupied the Island in 1898, the fruit acreage, if coconuts are excepted, was so insignificant that it was not recorded in the Census. This coconut acreage was only 5,447, or less than one per cent of the land in cultivation,¹² and the total value of coconut exports in 1901 was only \$8,334.¹³ This was a considerable decrease from the normal crop, due to the cyclone of 1899 which practically destroyed the coconut producing palms but the growing of this fruit had recovered sufficiently by 1910 to permit an export of \$218,870. The number of coconuts exported increased steadily from that time and since 1921 it has averaged more than \$600,000 yearly, reaching in 1928 \$713,992. The acreage had naturally increased at the same time and in 1929, 12,052 acres were given over to this crop.

Far more important is the growth in importance of pineapples, grapefruit, and oranges. The pineapple crop of 1901 was so small that it was included in the export list as "other fruits," the total of which was a little less than \$17,000, but it has increased until in 1928 exports of fresh pineapple were \$1,654,108, and canned pineapple exports were \$1,159,175. The acreage in pineapples, so small that it was not recorded in the Census of 1899, was 2,772 in 1929.

The increase in grapefruit and orange cultivation is still more significant. There was no grapefruit industry in 1899, but by 1929, 8,720 acres were planted in grapefruit

trees.¹⁴ The export value rose steadily from zero to an average value of over \$2,000,000 a year since 1924, and reached in 1928, \$2,704,310. There was some orange growing before the American invasion, but that this was very small is seen from the value of the exports in 1901, which were only \$84,475. This had increased in 1928 to \$1,256,039. The orange acreage, like that of pineapple and grapefruit, too small to be mentioned in the Census of 1899, amounted to 4,930 acres in 1929.

THE FRUIT CORPORATIONS

According to figures furnished by the Treasurer of Porto Rico there are 10,183 acres of land in fruit, owned by corporations. This does not represent the total amount of land dedicated to the growing of fruit, however, as a considerable portion is owned by individuals. There are in all 46 fruit corporations of which 28 are owned by Americans and 18 by Porto Ricans. On the other hand, not all of the American corporations are absentee owned, as many Americans owning fruit orchards, have lived in Porto Rico for twenty or thirty years and expect to remain there. Whatever capital they accumulate is reinvested in Porto Rican business and for this reason they cannot be considered absentee owners. There are, nevertheless, others who are either wholly or partially absentees. Fifteen of these are rated as wholly absentee, and nine as partially absentee, making a total of 24 companies owned entirely or partly by people who do not reside in the Island.

The 15 wholly absentee companies own 3,839 acres of land, and the partly-absentee companies, 2,660, making a total of 6,499 acres in fruit in the hands of absentee in-

terests. This is 64 per cent of all lands owned by fruit corporations, and the assessed value of the 10,183 acres is \$1,093,580. The absentee companies are assessed at \$678,130, or approximately 62 per cent of the total. The total paid-in capital of all the fruit corporations is \$2,098,993, the absentee companies having \$1,391,539, or about 66 per cent, of the total. It can be seen, then, that absentee and partly absentee corporations control about two-thirds of the fruit lands owned by companies.

The following table shows the nationality, number of acres owned, paid-in capital, classification as residents or absentees, and assessed value of all absentee corporations: ¹⁵

Name	Nationality	Acres Owned	Paid-in Capital	Residents	Assessed
				or Absentees	Value of Lands
Barceloneta Fruit Co.....	American	232	\$6,000	Absentee	\$28,240
Bayview Fruit Co.	American	440	150,000	Absentee	36,880
Colombo Tropical Fruit Co.	American	329	45,000	Both	17,680
Coto Plantations, Inc.....	P. Rican	391	51,000	Absentee	54,410
Grand View Fruit Co.....	American	372	75,000	Both	23,180
Del Rio Plantations	American	674	75,000	Absentee	52,840
Hatillo Fruit Co.	American	436	59,500	Both	41,420
La Isabella Grove Co.....	P. Rican	500	60,000	Absentee	70,000
Oneida Fruit Co.	American	129	19,100	Both	13,070
Palo Alto Orchard	American	320	60,000	Both	40,610
Palo Blanco Fruit Co.	American	498	160,700	Absentee	36,930
Palo Seco Fruit Co.	American	470	188,272	Absentee	51,960
Plaza Fruit Co. of Ill.	P. Rican	78	1,000	Absentee	11,800
Pomelo Fruit Co.	American	51	29,000	Absentee	12,800
P. R. Grove & Garden Co.	American	125	40,000	Absentee	13,750
Royal Fruit Co. of Utica	American	90	22,700	Absentee	9,500
San Juan Fruit Co.	American	152	25,000	Both	17,130
Spanish-American Fruit Co.	P. Rican	385	46,050	Both	40,440
Sunny Land Fruit Co.....	American	60	40,500	Absentee	12,510
Toa Alto Citrus Fruit Co.	American	156	60,500	Absentee	20,000
Tropical Fruit Growers Asso.	American	254	161,290	Absentee	36,500

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Tyce Fruit Co.	P. Rican	165	26,167	Both	15,980
Urica Plantations, Inc.	American	110	43,700	Both	10,000
Herkimer P. R. Land & Fruit Company	American	82	7,500	Absentee	10,500
			<hr/>		<hr/>
		6,499	\$1,452,979		\$678,130

FRUIT LAND VALUES AND ASSESSMENT

It has already been said that the total assessment of the 10,183 acres owned by fruit corporations is \$1,093,580, which gives an average assessment of about \$107 per acre. According to the Governor's Report for 1929, the average assessment of pineapple lands was \$169.40, and of orange lands \$237.06. Grapefruit lands were not listed separately, but were included in lands classified as minor fruits, which class had an average assessment of \$44.25 per acre. It would appear from this that corporation lands are not assessed as high as the average assessment for all fruit lands. It has been shown that sugar lands are greatly under-assessed. Let us see whether the same thing is true of fruit assessments.

Using the highest average assessment for fruit lands, \$237.06 an acre, should be fair in making a comparison of assessment evaluations and actual value. To find the true value an examination of what fruit lands yield should serve as a good index. As a rule, an acre of land has 70 to 90 trees, the average yield in an ordinary year being five boxes of fruit to the tree, or about 350 boxes per acre per year. Some lands give a higher yield than this, and in good years eight and ten boxes to a tree is not uncommon, while trees yielding 20 to 25 boxes a year, though extremely rare, have been known. As will be shown the cost of marketing a crate of grapefruit varies from \$2.28 to \$3.47, and the usual clear profit above all



growing, harvesting, financing and marketing expense is \$.80 to \$1.00 a box. Suppose that an average acre of land, yielding 350 boxes, brings the lower profit of \$.80 a box. This is \$280 an acre profit each year, and at this rate a ten-acre farm would yield \$2,800 a year. Naturally, on a small farm like this the owner would be his own manager. Allowing him a salary of \$2,000 a year would leave an absolute net profit of \$800, which if capitalized at ten per cent would give a value of \$8,000 for the entire farm, or \$800 for each acre. The highest average assessment of fruit lands of any municipality is \$304.45, so clearly the fruit lands are assessed at much less than half their value.

Still another test will serve to indicate this under-assessment. The authors talked with a member of fruit growers, practically all of whom, when asked what standard they employed for valuing their lands replied that lands prepared for planting were worth from \$200 to \$350 an acre, and that the usual value placed on a tree between its sixth and fifteenth year was \$10. This shows clearly that an acre of land in bearing citrus fruit trees is worth from \$950 to \$1,100 an acre, or even more. Despite this prevailing under-assessment, fruit growers would follow the statement as to the worth of their lands with the information that the Government was seeking to put an assessment of \$400 an acre and that they considered such a high assessment little short of confiscation!

The total assessment of fruit lands is shown in the following table. The grapefruit assessment is an estimate, as the Treasurer's report does not list grapefruit lands separately. However there are 7,720 acres, which if assessed at \$300 would not exceed the figure given.

Pineapples	\$469,570
Oranges	1,168,715
Grapefruit	2,700,000
<hr/>	
Total	\$4,338,285

The total value of fruit lands is far in excess of this assessment, for taking \$300 an acre, the estimated cost of bringing a citrus fruit grove into bearing,¹⁶ as an average, the entire investment for approximately 16,422 acres of fruit lands would be slightly less than \$5,000,000. A great deal of this land is in fruit-bearing trees, certainly not less than half. Accepting the estimates of the fruit growers themselves as to their value would place the average at \$1,000 an acre, which means that bearing trees and land are worth in excess of \$8,000,000. The remaining half could not be valued at less than the average price at which the fruit growers themselves value their land before it reaches the productive stage. This would amount to \$300 an acre for something more than 8,000 acres, or about \$2,400,000. On this basis the total value of fruit lands would then be in excess of \$10,000,000. It has been shown that the companies which are entirely absentee owned have 3,839 acres, or 23 per cent of the fruit lands (the total of which is 16,422 acres, as contrasted with the 10,183 acres owned by corporations), and that companies which are partially absentee owned have 2,660 acres, or 17 per cent. Assuming that the partly-absentee owned companies are 50 per cent controlled by absentees, it would be seen that another 8 per cent of the fruit lands must be added to the above 23 per cent, making a total of 31 per cent of the fruit lands in the hands of absentees.

COST OF PRODUCTION

The fruit industry from the viewpoint of labor is probably the best of the three major crops produced. Throughout the year an average of one laborer per acre is employed,¹⁷ and comparatively speaking there is no dull season such as we find in tobacco and cane growing. While there is increased activity during the harvest period, the fact that Porto Rican citrus fruit has three blooms in each year makes this season three times as frequent as the sugar and tobacco harvests and between harvesting seasons the fruit farm furnishes almost steady work in spraying, pruning, fertilizing and keeping the ground free of weeds.

Wages on the fruit farms likewise tend to average more than those in other types of agriculture. Professor José C. Rosario, of the University of Porto Rico, shows that the annual wage of the fruit-worker is about \$217, as compared with \$183 a year for the coffee and tobacco laborer and \$207 for the sugar laborer.¹⁸ This small difference, though it may seem insignificant, is really of considerable importance in a region where wages are generally excessively low. One distinct advantage that the fruit-worker has is a small plot on which to grow garden produce. Very rarely, if ever, does the worker on the sugar plantation have such a plot of ground furnished him, the tendency being to herd the workers' cottages together on the poorest sections of land, with practically no space between them.

The Porto Rican fruit industry is dependent for competitive purposes upon the tariff. Captain Edward B. Lesesne, of the Porto Rico Fruit Exchange, shows that the cost of placing a crate of pineapples on the dock in

San Juan is \$1.87, and that the invoice value delivered is over \$2.00, as compared with \$1.45 delivered from Cuban markets.¹⁹ The old tariff on pineapple was \$.225 for a crate of 1.96 cubic feet, or three-fourths of one cent each in bulk. The new tariff was raised to \$.50 for a crate of 2.45 cubic feet, and to 1 1/6 cents each in bulk. It can readily be seen that without protection Porto Rican pineapples could not compete with those from Cuba.

The cost of producing and marketing a crate of grapefruit is from \$2.28 to \$3.47, whereas the cost in British Honduras of producing and marketing a crate of this fruit is, if sold in London, \$3.12, and if offered for sale in New York about \$2.18. When this is compared with the minimum cost of producing and marketing Porto Rican grapefruit, it can be seen that the fruit of British Honduras has an advantage of 10 cents a crate over the minimum cost and \$1.29 over the maximum and that this disadvantage can only be equalized through the tariff of 1 1/2 cents a pound. Oranges are protected by a tariff of one cent a pound.

The future of the fruit industry seems bright. Fruit can be grown in the mountains, where other crops are not profitable, and therefore can extend, despite the monopoly of sugar and tobacco in the low lands. As no excessively high capital is needed to begin business, this will enable native Porto Ricans to develop their industry and use their own capital in Porto Rico. Furthermore, no other crop furnishes such steady work or pays equal wages. As the market in the United States and in Europe is good, it seems that fruit growing should be one of the

means of eventually taking Porto Rico out of her dilemma of starvation wages and seasonal labor.

But it must not be taken for granted that fruit is going to be the salvation of Porto Rico. Competition is keen; shipping costs are higher, due to the American monopoly of this business, than those of competitors; foreign capital is tending to encroach on native ownership and if this continues will put fruit in the same category with tobacco and sugar, an absentee-owned industry paying small return to the natives; the under-assessment, so common now, will not be remedied by the Government without a fight; and, finally, wages will continue to be inadequate unless the owners are compelled to maintain a higher level than at present. Fruit is a possibility, but only a possibility.

CHAPTER VI

PUBLIC UTILITIES, RAILROADS AND OTHER INVESTMENTS

"Since the American occupation there have been heavy, and practically continuous, investments of American capital in Porto Rico."—VICTOR S. CLARK *

PUBLIC UTILITY SERVICE

THE principal public service utility in Porto Rico are owned and operated by absentee companies. Few of the local companies have any financial strength or serve a very large population; the only real competitor that the absentee companies have is the Insular Government, which has entered strongly into the telephone, telegraph and power business.

The Porto Rico Telephone Company ¹ is controlled by the International Telephone and Telegraph Corporation. This company was incorporated in Delaware in 1914, and took over the business of the Porto Rico General Telephone Company and the South Porto Rico Telephone, the former of which served the cities and towns in the northeastern and western parts of the Island, and the latter the cities and towns of the southern part. The principal cities served are: San Juan and its environs, with

* Author of *Porto Rico and Its Problems*, a recent investigation of the Island by the Brookings Institute.

a population of about 89,000; Ponce and its surroundings, with a population of about 75,000; Mayaguez, with a population of about 43,000; Arecibo, with about 11,000; Aguadilla, with about 9,000; and other small municipalities.

The franchise of this company signed by the President of the United States extends to 1964, and the Government of Porto Rico is empowered to purchase the business of the company after the expiration of a twenty-year period, or on the expiration of ten-year periods thereafter. The assets of the company were, in 1929, \$4,011,232. From 1921 to 1927 inclusive, dividends were paid at the rate of 8 per cent; in 1928, 6 per cent; in 1929, none were paid on account of the hurricane; and in 1930, the entire preferred stock of some \$250,000 was authorized to be retired as of October 1, at \$107 per share.

The Government operates a system of telephones which connect San Juan, Ponce and Humacao, three of the principal cities of the Island.² It also operates a telegraph system connecting all of the most important towns. There is no private telegraph line in operation, but the telephone lines run by the Insular Government compete with those of the Porto Rico Telephone Company mentioned above.

The Ponce Electric Company,³ a constituent company of the Engineers Public Service Company, was incorporated in 1919, under the laws of Porto Rico, with a charter of perpetual duration, and acquired the properties of the Ponce Railway and Light Company, a New Jersey Corporation. This company does the entire light and power business of Ponce and the Playa (the Port), and interchanges electric power with the Irrigation Service of

Porto Rico. The estimated population served with light and power in 1929 was 51,000. The lighting franchise expires in 1963. The outstanding capital stock is \$765,-000 of common stock and \$384,100 of preferred stock, with a par value of \$100, while the assets in 1929 were \$1,441,471. Since 1924, the yearly net income has been as follows:

1924	\$73,049
1925	86,633
1926	61,553
1927	60,427
1928	83,193
1929	95,184
1930	115,580

The Porto Rico Gas and Coke Company ⁴ is controlled by the Southern Cities Utilities Company, under the direction of the United Utilities and Service Corporation. It was incorporated under the laws of Delaware in 1922, as a reorganization of the Porto Rico Gas Company. The company manufactures and supplies gas to San Juan, Porto Rico, and has a capital stock of \$250,000 common, with a \$25 par value, and \$494,500 preferred, with a value of \$100 at par. Its assets in 1929 reached \$1,724,-954, and its net income in 1928 was in excess of \$18,000 but in 1929, due to hurricane conditions, this fell to slightly over \$14,000.

The Porto Rico Power Company, ⁵ formerly the Porto Rico Railway Company, Limited, controlled by the International Power Company, Limited, was incorporated in 1906 in Canada, and controls and operates through the Porto Rico Railway Light and Power Company, a subsidiary, the electric lighting and power distribution systems in San Juan, and the principal municipalities in

the eastern section of the Island. The total population within the towns served is about 300,000. The subsidiary also operated the only tramway system in San Juan and its suburbs, together with a steam railway connecting its tramway terminals at Rio Piedras with Caguas, 18 miles away. The total number of its light and power customers is approximately 32,200.

The Porto Rico Light and Power Company owns hydro-electric plants with a combined capacity of 9,000 horsepower, together with a steam plant of 4,000 horsepower. A franchise has been granted the company to develop the water powers of the Rio Blanco, situated within the zone of its operations. The initial development, now under construction, will consist of a plant of 7,000 horse power installed capacity, and will effect a saving in operating expenses by supplying the power at present furnished by the oil-burning plant in San Juan.

In 1911, a complete reorganization of the subsidiary companies was effected, so that instead of the three companies hitherto existing, one new company, the Porto Rico Railway, Light and Power Company, was incorporated under the laws of Porto Rico taking over the assets of the old companies. The Insular Government desired that the operating company, as a public service corporation, should confine itself strictly to public service and the Porto Rico Construction Company was incorporated to carry on the work of construction for the operating company, with power to do business as contractors and engineers. The entire capital stock of the construction company is held by the Porto Rico Power Company.

The common stock is set at \$3,000,000 and the pre-

ferred at \$1,000,000. The assets in 1929 were in excess of \$8,900,000, and from 1925 to 1929 the five year average income on both common and preferred stock was \$192,195. The total assets of the four companies in 1929 was as follows:

Ponce	\$1,441,471
Porto Rico Railways (Porto Rico Power Company)	8,938,966
Porto Rico Gas	1,724,954
Porto Rico Telephone	4,011,232
Total	<hr/> \$16,116,623

THE GOVERNMENT IN BUSINESS

Additional power is furnished the Island by Government plants.⁶ At the beginning, the Government of Porto Rico did not wish to go into the public utility business and welcomed foreign capital, but for the last fifteen years there has been a reversal of this policy and at the present time about half the light and power business is done by the Government plants. The entrance of the Government into the power business came with the development of the irrigation systems, plants constructed for this purpose being made to serve a double use, so that the Insular Government now sells its power to municipalities which have their own franchise. No attempt has ever been made to encroach on the territory of the private companies, but the effect on private rates has been felt, nevertheless. Before the Government began selling power to municipalities, the current rate was 15 cents a kilowatt hour, as compared with an average rate of 6.18 cents per kilowatt hour for domestic use in the United States.⁷ The Government had for a field of operation, of

course, only those small towns which the private companies did not care to serve, but the effects of this enterprise have been seen in a rate of 12 cents instead of 15 cents in many of the towns near the line between the publicly- and privately-supplied power. The usual rate of retail power in towns supplied by municipalities is 8 cents to 12 cents a kilowatt hour.

The success of the government in this enterprise is highly gratifying and flattering to Porto Rico. Entrance into the public utility field was faced with the opposition of the Government in Washington in line with the traditional policy of the national Government in opposing public ownership of utilities.

The present power developed is only about 20,000 horsepower, but the potential horsepower is more than 75,000, and if the Government had a market for its power this could be produced by water which now runs to the sea. Taking over the private companies would effect a double saving to the people of Porto Rico, as the profits now made by private companies and exported would be retained in the Island, and the excessively high rate of 15 cents a kilowatt hour would be lowered at least to 12 cents and in many cases even less. This increased development of power would be available for the stimulation of greatly needed industries. The railroad could be electrified and many other plants which today are importing oil and coal could be run with natural resources, paying a profit to the natives of Porto Rico.

RAILROADS ⁸

The Ponce and Guayama Railroad Company was organized in New Jersey in 1903, with a capital of \$500,000.

It took over all property and assumed the liabilities of the American Railroad Company of Porto Rico, operated by Central Aguirre. This latter company was organized in 1902 and took over the private road owned by the Central Aguirre Syndicate, and leased the franchise for a road from Ponce to Guayama, previously granted by the Spanish Government to the Compañía de los Ferrocarriles de Puerto Rico (not to be confused with the American Railroad Company of Porto Rico, operating the Porto Rican Railroad). This transfer was approved by executive order and included the concession for the franchise rights and exemptions granted to the Porto Rican Railroad Company for the construction and maintenance of a railway from Ponce to Guayama.

Later a franchise was granted to the French Sugar Company to build a road from Ponce to Coamo, and as this would have paralleled the Ponce and Guayama for six miles east of Ponce, this company was released from building that distance. The Ponce and Guayama road stops six miles from Ponce and the Central Fortuna, successor to the rights of the French Sugar Company, owns $5\frac{1}{2}$ miles from that point to within one-half mile of the city. This last one-half mile is owned by the American Railroad Company of Porto Rico. The mileage of this road was, in 1923, 30.4 with 18 miles in branches, and its assets were \$1,271,956.

The American Railroad Company of Porto Rico had its beginning when in 1880 the Spanish Minister of Colonies was authorized to arrange for the construction of a system of railroads in Porto Rico. The Government guaranteed a return of 8 per cent to be paid from the

revenues of the Island on an estimated cost of \$18,000 a kilometer. The offer was not accepted in 1880, but at a second sale in 1888, Ibo Bosch was given the concession, and organized the Porto Rican Railroad Company. At the end of six years, only 100 miles were in operation. In 1896, the Spanish Government offered an extension of four years to complete the line, but this was not accepted. Up to July 1, 1897, the guaranty payments were made by the Spanish, but since that time no payments have been made by the Porto Rican Government nor by the Government of the United States.

The question of vested rights was presented to the Executive Council of Porto Rico, which refused the claims made, but tried to have the road continue in operation, and in 1901 a new franchise was granted and the old charter was annulled. The new charter granted tax exemption for 25 years, and a lease of land in San Juan at a nominal rent.

To 1901, the company had constructed 125.9 miles of road. In 1902, a charter was granted to the American Railroad Company of Porto Rico, incorporated in New York for \$1,000,000, to operate the Porto Rico Railroad Company. It was to receive five per cent of the net earnings after payment of interest on first mortgage bonds (about \$96,000) and 3 per cent of sums spent in new work. On June 1, 1902, it took over the Porto Rican Railroad Company, including all belongings of every kind, with a lease to run to 1957. The railroad is still operated by this company, and in 1925 had 222.4 miles of road and 30.4 miles of station yards and sidings. It seeks concessions to extend its line around the eastern end of the Island on grounds that this was part of the original

concession given to the Porto Rican Railroad Company. In 1922, its assets were \$2,634,196.

There are a number of other roads operated and owned mainly as cane roads by the Centrals interested, and except in rare cases they are not public carriers. The most important are given briefly:

The Central Victoria Railway is owned by the Central Victoria, Incorporated, a Spanish and Porto Rican Company. It owns 18.6 miles of track.

The Central Constancia Railroad is owned by the Compañía Azucarera del Toa, a company at Toa Baja. It has about 31 miles of track.

The Central Vannina Railway is owned by Spaniards who are both residents and absentees. The track is valued at \$221,000 and the engines at \$75,000. This company is in the hands of receivers.

The Central Coloso Railway is a Spanish Company with 8.6 miles of track. It is owned by the Central Coloso, Incorporated, at Aguada.

The United Porto Rican Sugar Company owns four roads which serve its Centrals. The Central Santa Juana Railway has 24.2 miles of track; Central Pasto Viejo Railway owns 24.8 miles of track; Central Juncos Railway owns 37.2 miles of track, and Central Defensa Railway Company has 6.1 miles of track.

The Fajardo Sugar Company owns 150 miles of track of which 100 are portable. The Fajardo Development Company was formed to transport cane for the Central and was compelled to take a franchise by the Public Service Commission of Porto Rico under the condition that the road form part of the transportation system of the Island, and operate passenger trains from end to end

of the line. The road was completed in 1908, and its assets in 1923 were \$1,279,676.

The Central Canovanas Railway is owned by Loiza Sugar Company, and has 85 miles of track.

The South Porto Rico Sugar Company owns 8.5 miles of track and is used for cane transportation only.

The Central Aguirre Railway, owned by the Central Aguirre Company, has 31 miles of track.

The Central Cortada Railway, controlled by the Central Aguirre, has 13 miles of track.

The Railway of Central Machete Company was constructed as a cane road and is operated by Central Machete Company, controlled by Luce and Company. It owns ten miles of track.

BANKING

The banking business in Porto Rico is conducted by eighteen banks of which three must be considered absentee. These banks are the National City Bank of New York, the Bank of Nova Scotia and the Royal Bank of Canada. The National City Bank of New York purchased on April 15, 1930, the outstanding shares of the American Colonial Bank of Porto Rico, which had been considered a local institution, although about 85 per cent or more of its stock was held by Fred M. Schall of William Schall and Company, of New York.⁹ This bank was incorporated in West Virginia April 4, 1899, to conduct a general banking business, and operated six branches.¹⁰ It organized and owned the American Colonial Trust Company with a capital of \$100,000 and total assets of \$111,012 as of October 3, 1928.

Dividends paid by this company from 1910 to 1929

ranged from 8 per cent to 26 per cent, and averaged better than 14 per cent.

The remaining absentee banks, operating as branches of banks on the North American mainland, do not make declaration of capital paid in, surplus, etc., but as of June 30, 1929, the resources of these banks was as follows:

National City Bank of New York	\$12,540,914
Royal Bank of Canada	8,587,993
Bank of Nova Scotia	6,707,098
Total	\$27,836,005

This, taken with the resources of the American Colonial Bank, \$16,497,162 as of June 30, 1929, gives a total of \$44,333,167. Compared with this figure is that of the resources of all banks in Porto Rico as of June 30, 1929, \$88,185,102. Absentee banks, as may be seen, owned some 50 per cent of this total.¹¹

Local banks are not free from partly-absentee ownership, nor are the foreign banks held exclusively by absentees. Investigation showed that something like 95 per cent of the capital of absentee banks was held abroad, and that more than 25 per cent of the capital of local banks was similarly held. The full extent of absentee-ownership in the banking business exceeded 60 per cent of the whole.¹²

The usual rate of interest charged by all banks, local and absentee, is from 8 to 10 per cent. The higher rate falls on the small borrower who needs, or can get, only \$2,000 or less. As has been pointed out in the discussion of the sugar industry, many farmers are regularly paying 12 per cent and more, due to the fact that they borrow

from the sugar companies at the maximum legal rate and from individuals who demand even higher rates than those allowed by the law. The general effect of the loan policy of the banks is to make money cost 8 to 12 per cent in Porto Rico, where that same money would earn certainly not more than 6 per cent in the United States. It is sometimes argued that the risk is greater due to the fact that the tropical latin-American countries are in an unsettled condition, and that the interest rates are no more than they are in Santo Domingo and Haiti.¹³ If Porto Rico were subject to the same probabilities of political revolutions and consequent loss of property value and commerce as Santo Domingo and Haiti, this argument would be valid. But no serious revolution has ever occurred and while Porto Rico remains a colony of the United States the possibility of any revolution, of sufficient force to endanger property, is exceedingly remote. The soundness of banking institutions is illustrated in the case of the American Colonial Bank, which has averaged dividends of something more than 14 per cent over a period of 20 years from 1910 to 1929, inclusive. During this period dividends of not less than 6 per cent have been paid every year, and during three years the dividends were 26 per cent.

The prosperous condition of the banks is further shown by the earnings of eight local banks, which in 1928 averaged 14.7 per cent on capital stock and 11.6 on capital stock and surplus, while an absentee bank reported net earnings of 26.3 per cent on capital and 15.8 per cent on capital and surplus.¹⁴

The Farm Loan Bank and the Intermediate Credit Bank have been responsible for securing the extension of con-

siderable credit to Porto Ricans at much lower rates than those current among commercial banks. However their available loan capacity is inadequate, and Porto Rico needs an increased loan capacity on the part of these institutions before the burden of high interest on money, by means of which a great part of the farming and local industry is carried on, can be escaped.

PORTO RICO AND THE COASTWISE SHIPPING LAW

Since 1900 Porto Rico has been subject to all the advantages and disadvantages of the Coastwise Shipping Act. The first Organic Act of the Island provided that "the coasting trade between Porto Rico and the United States shall be regulated in accordance with the provisions of law applicable to such trade between any two great coasting districts of the United States."¹⁵ As the law relating to such trade restricts commerce to ships flying the American flag, the effect has been to cut Porto Rico off from a free choice in shipping her exports and imports, as the tariff is so high as to preclude any considerable trade with any nation other than the United States. The principal companies serving the Island are the New York and Porto Rico Steamship Company, the Atlantic and Caribbean Steamship Company, the Bull-Insular Line, Incorporated, and the Lykes Line of Steamships.¹⁶

The New York and Porto Rico Steamship Company¹⁷ was incorporated in Maine, April 8, 1907, and acquired the property of the United States and Porto Rico Steamship Company (of New York) which operates lines between New York and San Juan, Ponce and other ports of Porto Rico, together with lines between Porto Rico and

New Orleans, and owns wharf properties in Porto Rico. The Maine Company also owns all of the stock (\$2,000) of the United States and Porto Rico Navigation Company, and a fleet of thirteen ships with a total tonnage of 51,365.

The Atlantic and Caribbean Steamship Company, which is generally referred to as the "Red D. Line," operates a fleet between New York and Venezuela, with stops at Porto Rico.

The Bull-Insular Line, Incorporated,¹⁸ operates ships from Baltimore to Porto Rican ports, and also maintains a service between Porto Rico, Santo Domingo and the Virgin Islands. Its capital was estimated at \$2,500,000 in 1918, and the assets were placed at \$6,672,524 in 1920.

The Lykes Line serves the southern ports of Galveston, Houston and New Orleans. Most of the rice and lumber brought into Porto Rico is carried by ships of this company.

The principal lines connecting Porto Rico with other ports of the world are the Compañía Transatlantica, the Compagnie Transatlantique, the Horn Line and the Royal Netherlands Steamship Company. These companies carry less than 10 per cent of all the trade, since 90 per cent of this is with the United States.

COMPARATIVE SHIPPING COSTS

The fact that Porto Rico is forced to trade with the United States in American ships only is not in itself an evil. Only when rates applying between Porto Rico and the United States are higher than those Porto Rico could obtain if she had free bargaining power would such a decision be justified. To test out the effect the shipping

laws have on Porto Rican shipping, the table of comparison on pages 124 and 125 has been prepared.¹⁹

The table shows comparative rates for shipping from New York to Porto Rico and from New York to other parts of the West Indies and South America. It also shows the cost of shipping certain articles, such as rice and dried vegetables, which Porto Rico imports in great quantities, as compared with the cost of shipping these articles from other countries such as Japan and European ports. Still a third comparison is made between shipping costs from Porto Rico to New York and American ports and from Porto Rico to European ports; also the cost of shipping from Porto Rico to New York, for certain articles such as coffee, sugar, tobacco and fruit, is compared with the cost of shipping these same articles from the chief competitor nations to American ports.

If there is any discrimination against Porto Rico from New York to ports of the West Indies, it is not shown in the published shipping lists. The rate on canned goods from New York to Porto Rico is 46 1/2 cents a hundredweight with landing charge. As the distance to Porto Rico from New York is 1,399 miles this gives a rate of 33 cents a thousand miles for each hundred pounds. The rate to Havana is 50 cents a hundredweight, which makes the cost per 1,000 miles 41 cents, and to ship to Haiti costs about 44 cents a thousand miles per hundredweight. The advantage here is clearly on the side of Porto Rico. The same thing applies for shipping cotton goods to Haiti, where the rate is 26 cents a thousand miles for each cubic foot as compared with a little more than 12 cents to Porto Rico. In the case of dried vegetables, Colombia must pay 25 cents a thou-

sand miles for each hundredweight, as compared with 23 cents paid by Porto Rico. The same rate applies to shipping flour to Colombia, and Trinidad is forced to pay 29 cents a thousand miles as compared with Porto Rico's 23 cent rate.

In strong contrast with these rates, however, are those applying to South American ports. To ship canned goods from New York to Chile, a distance of more than 4,000 miles, the cost is only 20 cents a thousand miles for each hundredweight. For the same product, Rio de Janeiro pays only 15 cents per 1,000 miles for each hundredweight; whereas, as has been seen, Porto Rico must pay 33 cents. To import cement, the cost to Porto Rican shippers is 25 cents a hundredweight, while Panama, 600 miles further from New York pays only 30 cents, and Colombia, still further from New York, pays but 21 1/2 cents. How great this difference is may be more readily seen in the difference in costs per 1,000 miles. Where Porto Rico must pay more than 17 cents, Colombia's rate is only 10 cents. To ship canned milk also costs Porto Rico a great deal more than it does her neighbors to the south: Chile pays but 23 cents, Panama but 20, and Ecuador but 15 cents a thousand miles for each hundredweight, as compared with the rate of 33 cents charged to Porto Rico. It costs Colombia only 17 cents and Haiti only 22 cents a thousand miles for importing rice, while Porto Rico must pay a rate of 27 cents for the same product. Chile and Panama pay but 16 and 18 cents respectively a thousand miles for shipping flour, and the same product costs 23 cents when sent to Porto Rico.

We also find that the rate on certain products is a great

deal more from American ports to Porto Rico than from European ports to Porto Rico. Dried vegetables from Europe pay 17 cents a thousand miles for each hundredweight, and, as has been said, the same products pay 23 cents when brought from New York. Just how great the discrimination is and how much Porto Rico loses in some cases by being cut off from foreign markets is vividly shown in the cost of importing rice. Porto Rico must pay 37 1/2 cents a hundredweight from New York, whereas the cost from Japan to San Francisco, a distance three and a half times as great, is but 20 cents. In this case, Porto Rico is paying almost *seven* times the shipping rate that San Francisco has to pay.

It is also clear that in some cases Porto Rico is paying more than she should to market her products. To ship coffee to New York costs 28 cents a thousand miles for each hundredweight. To ship the same product to Europe costs but 21. The Island must pay 10 cents per thousand miles for each hundredweight of sugar sent to New York, but to Europe it costs only 9. The same thing applies in the case of tobacco, where the New York rate is 32 cents a thousand miles for each hundredweight, and the European rate is only 23.

A final comparison will show that Porto Rico also suffers by having to pay a higher rate for shipping her chief exports than is paid by the principal competitor countries. To market coffee in New York, Colombia pays 25 cents a thousand miles per hundredweight; from Para, the cost is only 20 cents, and Rio de Janeiro can ship coffee to New York for 14 cents, whereas Porto Rico must pay exactly double the rate from Rio. For fresh fruit, Cuba and Porto Rico pay the same rate, 48 cents a thousand

<i>Product</i>	<i>Shipping Ports</i>	<i>Destination</i>	<i>Distance (Miles)</i>	<i>Cost</i>	<i>Unit per</i>	<i>Rate per 1000 Miles</i>
COFFEE	Porto Rico	New York	1,399	\$.40	Cwt.	\$.285
	"	Europe	3,500	.75	"	.215
	Colombia	New York	2,000	.50	"	.25
	Para	"	3,000	.60	"	.20
FRUIT, canned	Rio de Janeiro	"	4,748	.60	"	.14
	Porto Rico	New York	1,399	.30	"	.21
FRUIT, fresh	Philippines	"	10,000	.45	"	.04 5/10
	Porto Rico	New York	1,399	.68	Box	.48
SUGAR	"	Europe	3,500	1.10	"	.31
	Cuba	New York	1,200	.58	"	.48
	Honduras	London	4,500	.91	"	.20
	"	Canada	2,000	.50	"	.25
TOBACCO Scrap in bales	Porto Rico	New York	1,399	.15	Cwt.	.10 7/10
	"	Europe	3,500	.32	"	.09
	Santo Domingo	New York	1,350	.14	"	.10 4/10
	Philippines	"	10,000	.27	"	.02 7/10
CANNED GOODS	Porto Rico	New York	1,399	.45	"	.32
	"	Europe	3,500	.80	"	.23
	New York	Porto Rico	1,399	.18	Cu. Ft.	.12 8/10
	"	Rio de Janeiro	4,748	.39	Cu. ft.	.08 4/10
CANNED GOODS	"	Trinidad	1,900	.40	Cu. Ft.	.20
	"	Porto Rico	1,399	.465	Cwt.	.33
	"	Chile	4,300	.89	Cwt.	.20 7/10

CEMENT	"	"	Rio de Janeiro	4,748	.70	Cwt.	.15
	"	"	Porto Rico	1,399	.25	Cwt.	.17 8/10
	"	"	Panama	1,974	.30	"	.15 2/10
	"	"	Colombia	2,000	.215	"	.10 7/10
	"	"	Haiti	1,350	.20	"	.15
COTTON GOODS	"	"	Trinidad	1,900	.20	"	.10 5/10
	New York	"	Porto Rico	1,399	.18	Cu. ft.	.12 8/10
	"	"	Haiti	1,350	.35	"	.26
	"	"	Chile	4,300	.60	"	.14
	"	"	Rio de Janeiro	4,748	.50	"	.10 6/10
DRIED VEGETABLES	New York	"	Porto Rico	1,399	.325	Cwt.	.23 2/10
	"	"	Colombia	2,000	.50	"	.25
	"	"	Peru	3,200	.75	"	.23 4/10
	"	"	Rio de Janeiro	4,748	.90	"	.19
	Europe	"	Porto Rico	3,500	.60	"	.17
MILK, Canned	New York	"	Porto Rico	1,399	.465	"	.33
	"	"	Chile	4,300	1.00	"	.23 3/10
	"	"	Panama	1,974	.41	"	.20 5/10
	"	"	Ecuador	2,674	.50	"	.15
	"	"	Porto Rico	1,399	.375	"	.27
RICE	"	"	Colombia	2,000	.35	"	.17 5/10
	"	"	Haiti	1,350	.50	"	.22
	Japan	"	San Francisco	4,791	.20	"	.04 2/10
	New York	"	Porto Rico	1,399	.325	"	.23 2/10
	"	"	Colombia	2,000	.50	"	.25
FLOUR	"	"	Chile	4,300	.70	"	.16 2/10
	"	"	Panama	1,974	.35	"	.18
	"	"	Trinidad	1,900	.55	"	.29

miles for each box; but Haiti can ship to New York for 42 cents, and Jamaica, for 43; while Honduras can ship to Canada for 25 cents and to London for 20. In the marketing of its tobacco, Havana is in a better position than Porto Rico since it pays but 93 cents a bale for leaf tobacco, and Porto Rico must pay \$1.25 a bale. The most impressive difference is in the rates which Porto Rico pays to ship canned fruit as compared with the Philippine Islands. From the Philippines to New York, a distance of more than 10,000 miles, the cost for each hundredweight of fruit is only a little more than 4 cents per 1,000 miles. Porto Rico pays 21 cents a thousand miles for each hundredweight of the same product. The difference in the cost of shipping sugar is about as great. It costs Porto Rico 10 cents a thousand miles for each hundredweight, while the Philippines pay but a little more than 2 cents. Since the Philippine Islands are not subject to the Coastwise Shipping Act this appears to be an eloquent argument for liberating Porto Rico from its provisions.

To summarize these observations it would appear that Porto Rico is in neither a better nor a worse position than her neighbors, Haiti and Cuba, in regard to products shipped from New York, but that many products coming from Europe or Japan pay a much lower rate than those coming from New York to Porto Rico or from the foreign countries mentioned to the United States. As far as Porto Rico's exports are concerned, she seems to be at a decided disadvantage since Colombia and Brazil can market their coffee, Santo Domingo and the Philippine Islands, their sugar, and Honduras, Haiti and Jamaica, their fresh fruits, at a lower cost, while in the field of tobacco, Cuba pays less than Porto Rico.

Finally, the disadvantage which Porto Rico suffers by inclusion within the Coastwise Shipping Act of the United States cannot all be expressed in figures. It is the undisclosed shipping rates which hurt most. In any free shipping market, the merchants or industrialists concerned have the privilege of getting competitive bids for their products, but Porto Rico is denied this right. If, for instance, ships not flying the American flag could traffic between Porto Rico and the United States, her sugar, tobacco and coffee rates would be made in an open market, whereas, as things now stand, they are not. The present system serves to give each of the four principal American companies shipping to Porto Rico a monopoly over one product.²⁰ The Bull-Insular Line ships most of the sugar, the New York Porto Rico Line handles passengers and fruit, the Lykes Line brings rice and other products from southern ports of the United States, and the "Red D" Line ships most of the tobacco and coffee. If foreign ships were free to offer competitive rates, the shipping cost would inevitably come down.

Nor is this the only way in which Porto Rico would be benefitted by allowing free competition. The shipping facilities to foreign ports are decidedly limited at present. If such ships were allowed to pick up cargo in Porto Rico for the United States they would be enabled to accept smaller cargoes for Porto Rico and thus increase the traffic of Porto Rico with Europe. Porto Rican fruit, sugar, tobacco and coffee would thus have a better outlet, and in turn Porto Rico could buy in the cheaper European markets. It is difficult to see how Porto Rico derives even a single advantage from the present arrangement.

BUYING FROM THE ABSENTEE

The foregoing summaries do not adequately express, probably nothing could adequately express, the extent to which Porto Rico is dominated by absentee owners. As has been shown, practically every paying export is controlled by absentees. To a still greater extent the Island must depend upon absentees to supply her with all of the necessities and luxuries of life. If one rides in an automobile, it is one which has been brought, in almost every case, from the United States. If one rides on the train, one knows that the ties, rails, locomotive and cars are all sold to Porto Rico by absentees. Porto Rico has no coal nor petroleum deposits of her own; therefore, such products are supplied by the Standard Oil Company of New Jersey, the Texas Company, the Royal Dutch Shell Company, the Asiatic Petroleum Company, or the West India Oil Company. Naturally automobile tires are supplied by Goodyear, Goodrich, General or Firestone.

If you are a fortunate Porto Rican, so wealthy as to be able to own a bed, it is almost certainly supplied by the Simmons Company. When you eat, it is with the realization that your rice, beans, meats, bread, or almost any other food has paid a profit to absentee owners and growers before it is brought to Porto Rico. If you are a business man, you keep your cash in a register made by the National Cash Register Company, and make your calculations on a Burrough's Calculating Machine. Almost every kind of machinery for the industrialist, for the sugar-grower, the tobacco farmer and the fruit farmer must be brought from the United States.

The clothing maker and the housewife pay an annual tribute to the Singer Sewing Machine Company. Every local trip pays a small sum to bus companies, such as the Porto Rico Blue Line, and the White Star Line, which are at least partially absentee-owned. The owner of a house must pay to the Bliss Plywood Corporation, or some other American lumber company, a substantial sum for building material. The clothing and garment business, amounting to \$12,000,000 or \$15,000,000 a year, is controlled to a certain extent by foreign companies, such as D. E. Sicher and Company, makers of garments, the Spool Cotton Company, E. Heller and Brother, and other foreign concerns. If you fall ill, you must take medicine supplied by the Ebry Chemical Works, E. R. Squibb and Sons, Parke & Davis, or perhaps the Lederle Antitoxin Laboratories. To fertilize your land you must patronize an absentee. To photograph your baby or your sweetheart you must buy an American-made camera and films. To send a message abroad, you must utilize an absentee-owned cable line. Your radio must be purchased from the Radio Corporation of America. Your picture shows are brought from Hollywood. Even if you want to mortgage your home, you will find it difficult unless you wish to patronize an absentee firm. In fact, there is scarcely a product, whether it is a luxury or a necessity, whether used by poor or rich, which does not in some form or another pass through the filter of absentee-ownership, leaving the profit in the hands of companies outside the Island.

THE INCOME TAX AND THE ABSENTEE

The tax system in Porto Rico is one of the best indi-

cations of the hold of the high income group on the Island. A comparison of the sources of revenue of the United States and of Porto Rico shows that in the years from 1920 to 1927, inclusive, the Federal Government derived from 42 to 59 per cent of its revenues from income and profit taxes,²¹ while Porto Rico, in 1927-28, collected but 13.7 per cent from income and inheritance taxes combined. On the other hand, the consumption, excise and other taxes falling on gross and not net income accounted for the remaining 86.3 per cent of the Island's tax collection.²² In the United States such taxes were only 41 to 58 per cent from 1920 to 1927, inclusive.²³ Tax collections of 1928-29 were some \$11,000,000. The excise taxes accounted for about \$6,000,000²⁴ of this total, or slightly more than 54 per cent, whereas, in the United States, excise taxes since 1920 have not been more than 28 per cent and have fallen as low as 15 per cent. These figures make it perfectly apparent that the tax burden is heaviest on those least able to pay. Let us look further at the rates on various types of incomes.

Income taxes have been copied closely after those of the United States and have been assessed since 1913-14. The normal tax on incomes is from 2 to 6 per cent and the surtax is levied on incomes above \$10,000 at the rate of 1 per cent for the first \$4,000, and up to 25 per cent. Corporations pay 12 1/2 per cent fixed rate and receive no exemptions unless the net income is under \$10,000. Partnerships pay the same rate as corporations.²⁵ As compared with the United States it has been shown that whereas 3.5 per cent of the people of the United States make income tax returns, only 0.3 per cent make such returns in Porto Rico; and that in the United States the

income tax 2.5 per cent of the national income, while in Porto Rico it is but 1.36 per cent. The total effect of the taxation policy is to give the absentee in the high income group a much more favorable rate than the resident Porto Rican receives, and in addition furnish opportunities for evasion not possible to the resident.²⁶

The individual rate for non-residents is 6 per cent, with no exemption. This tax takes the place of the normal and surtax imposed on the resident; as most of the non-residents paying this tax derive a considerable revenue and many of them enormous revenues from the Island, the effect is to place a very low tax on a high-income class.

The corporation rate of 12 1/2 per cent on incomes of \$10,000 and over is still more adverse to the interest of Porto Rico. As the income tax on non-resident individuals is low, the corporation tax offers more opportunity for graduating the tax according to ability to pay. The corporations having the high incomes are mainly sugar, tobacco, fruit, power and railroad corporations, which are absentee owned. The 12 1/2 per cent rate is, therefore, falling equally on the large sugar companies with incomes running into the millions and on the Porto Rican capitalist with an income of only \$10,000. When the chances for evasion are considered the discrepancy is still greater. These taxes are not collected at the source, and the result is that many corporations and individuals deriving their income from Porto Rico do not pay taxes when the income is sent out of Porto Rico to a corporation or elsewhere. That Porto Rico does not derive her full share of such high incomes is attested by the fact that collection is difficult or impossible in some cases; some \$2,333,712 was pending in 1928.²⁷ Furthermore, the

resistance to taxes is manifested in low returns and the necessity of inspection and revision. In 1927-28 the income reported by corporations, individuals and partnerships was some \$16,229,000, but was found to be \$25,-832,000 by the Income Tax Bureau. The part reported was only 58 per cent of the tax and 63 per cent of the income.²⁸

Porto Rico is apparently powerless to remedy such abuses at present. As has been shown the corporations control the Legislature and any hope of reform there seems remote. The situation is the same in the United States Congress where "American Interests" are considered to be those of the corporations. The present administration has shown no inclination to raise the rates. Porto Rico can hope for little in this respect until there is a change which will place the rights of her people above those of the absentee.

TOTAL ABSENTEE-OWNED PROPERTY

What is the total of outside holdings in Porto Rico? There are two ways to answer this question: first, the value in dollars of the investments of absentees; second, the percentage of absentee holdings in relation to the total of each of the most important industries and of the total wealth of the Island. In either case the figures can be only an approximation, but they are close enough to give us a view of the great significance of these holdings in the Island's economic life.

A recent study placed the total of foreign and mainland holdings at \$176,000,000, and the net over Porto Rican holdings outside the Island at \$145,000,000.²⁹ The same estimate shows the total wealth of the Island to be

\$650,000,000. With these figures, the total foreign holdings are 27 per cent of the entire wealth, and the net foreign holdings are 22 per cent.

But there is still another way of judging the extent of absentee ownership, and that is the percentage of such holdings in each of the principal industries. Sugar is the leading industry. Just what is the total value of all of the sugar plantations and Centrals it is possible to state only approximately, but it would seem from all figures that it is more than half of the total wealth. In 1928, the exportation of sugar was more than \$54,000,000, or 52 per cent of the total export. We have already seen that the absentee companies control 60 per cent of the sugar industry, so that their exports in this industry alone represent 31 per cent of the Island's total foreign trade.

In the case of tobacco, the percentage is still higher. About 85 per cent of the total tobacco business is done by absentee companies. Tobacco exports of all kinds in 1928 were in excess of \$20,000,000 or some 19 per cent of the whole. Since absentees control 85 per cent of this, they have in the tobacco trade a sum equal to 16 per cent of the total. In the same way we find that they have a little more than 31 per cent of the fruit exports, since absentees control about one-third of the total of more than \$7,000,000. Within the three chief sources of agricultural wealth, as we can easily see, the absentee holdings amount to 50 per cent of the total export trade. There are besides these, numerous industries where absentee capital has entered. The needlework and clothing industry exported more than \$12,000,000 worth of goods in 1928. Though relatively not so great as the other industries, there is a considerable amount of outside capital

invested in this business. A great many Spaniards are still interested in the coffee plantations. Small industries, like button manufacturing and distilling of alcohol, are controlled largely, or entirely, by non-residents.

But all of the wealth is not represented by the goods exported, though this item is far more important in judging wealth than it would be in the United States and is by far the most important factor to consider in Porto Rico. Banks, public utilities, railroads, steamship lines are other forms of wealth which must be considered. And in every one of these absentee capital is paramount in importance.

In the discussion of Banks it was shown that 60 per cent of the business is controlled by the National City Bank of New York, two Canadian firms and other absentees. The case of public utilities is approximately the same, where the Government serves about half the Island and private companies, owned outside, control the balance. Railroads are still more completely in the hands of non-residents. The Ponce and Guayama and the American Railroad of Porto Rico, the two most important public carriers, are both absentee concerns. In addition, the majority of the roads serving sugar centrals are in the hands of the companies owning these plants, which means that they are about 60 per cent absentee owned.

The steamship lines are all in the hands of Continental Americans or foreigners. Porto Rico has no mercantile marine of its own. All ships in the Porto Rican-American service belong to firms whose principal stockholders reside in the United States, and the trade of the Island with foreign ports is all carried in boats belonging to the Horn

Line, French Line or some other non-Porto Rican company.

There are still other important items to consider in trying to arrive at the total of outside interests. Mortgages on land in Porto Rico held by individuals, and land held by the same, are placed at \$25,000,000. Branches of outside firms located in the Island are estimated at \$5,000,000. Loans from the Federal Land Bank and the Intermediate Credit Bank are given at \$12,500,000. Loans obtained from foreign banks and individuals are about \$15,000,000.

Finally, the bond issues floated by the Insular and Municipal Governments were approximately \$46,000,000 on June 30, 1929, and since that time additional Municipal and Insular bonds amounting to more than \$4,000,000 have been floated.³⁰ The total bonded indebtedness in 1930 was approximately \$50,000,000. These bonds are held in the United States and American investors realize an annual income of more than \$2,500,000 a year therefrom.

Can we summarize these facts so as to make the picture of absentee control of Porto Rico more graphic? Sugar is 60 per cent absentee-controlled; fruit is 31 per cent, or more; tobacco is 85 per cent; banks are 60 per cent; railroads, 60 per cent, or more; public utilities, 50 per cent; and steamship lines, approximately 100 per cent. There is no important source of wealth that is not partially in the hands of outsiders, and in some instances, such as steamships, outsiders control the entire business. Any estimate of Porto Rico's dependence on abentees which places the total at less than 60 per cent of the Island's wealth is certainly too low. Not all of the industries be-

long to absentees, but those which do not are so indebted to continental banks as to be virtually in their possession. Not all of the good land is in the hands of outsiders, but a large portion of it is, and much of the remainder is heavily mortgaged. And finally, there is that type of dependence on absentees which Porto Rico suffers, because of her long dependence on a monopolizing mother country, the necessity of importing vast quantities of food, clothing, machinery, chemicals and drugs. The control of the absentee is all but complete and with the aid of the Coastwise Shipping Act and the American Tariff bids fair to absorb all of the profitable enterprise.

CHAPTER VII

THE TARIFF

"American dollars paid to the peons are so many tokens, redeemable in the American market exclusively at tariff-inflated prices. The same tariff that protects the prices of sugar and tobacco, controlled by the few, skyrockets the prices of commodities that must be consumed by all."—LUIS MUÑOZ MARÍN *

THE SPANISH TRADE MONOPOLY

FOR four hundred years Porto Rico lived under all of the disadvantages which Spain's exaggerated mercantilism imposed. There was no pretence about encouraging the native industries of the Colony, since the legitimacy of using colonies as a source of raw material and as markets for the finished product was not questioned. It was frankly intended that all, absolutely all, of the benefits to be derived from the ownership of colonies was to accrue to the mother country. Such laws, regulations and means as were necessary to effect this mercantilist Utopia were adopted and enforced to the limit. It was supposed that a Colony would produce what the mother country needed and need what the mother country produced. It was commonly considered that all obedient and patriotic colonies would do this without demur, and the disobedient

* See note at beginning of Chapter III.

child was quickly brought to account for whatever infractions—discernable infractions—it committed. To attain this favored position for her merchants and shippers, England had passed the maligned Navigation Acts, which outraged the American interests affected. Naturally these acts have little to do with Porto Rico, but the familiarity of Americans with them is convenient as an illustration, since Spain was applying similar acts, or acts with similar intention, to her colonies long before any English colony was established. Porto Rico, like all of the colonies to the south of her, was forced to confine her trade, or at least her legal trade, to Spanish ships and to Spanish firms. Monopolies were granted for a large share of the possible products, and since Spain used sugar, sugar gained an early foothold, as did coffee.

But Holland and England used sugar and coffee also, and the temptation to trade with these nations was a temptation which Porto Ricans did not resist. At one time a thriving trade in ginger sprang up with the Dutch and at all times the monopoly rights were infringed. To restrict and regulate trade as closely as possible there were adopted such expedients as granting trade rights to Madrid and Cádiz only, making San Juan the sole port of entry in Porto Rico, and confining shipping to ships under Spanish registration. It was natural that the Islanders should resent such limited commercial privileges and attempt to escape them.

The process was very slow, and it was not until the 19th century that Porto Rico gained the right of trading with the non-Spanish islands of the West Indies. Gradually during the course of the century, Spain, following the new way of reaping the full benefit of ownership of

colonies, dropped the older methods of closed ports, prohibition of foreign commerce and other such expedients in favor of the tariff. The old method had never given the monopoly desired, as there was always a considerable amount of trade with the piratical and semi-piratical vessels of other nations. The tariff method was likewise to fail of giving all of the trade to Spain, for in spite of the preferential rates which levied much higher charges on goods coming from foreign countries, the trade of Porto Rico with the United States and other countries increased steadily during the 19th century. In 1897, Spain controlled but little more than 40 per cent of the Island's imports, while the United States had increased her trade to the point where she furnished some 21 per cent of all the products which Porto Rico found it necessary to bring in from the outside.¹

UNDER UNITED STATES TARIFF LAWS

During the following year came the transfer of the Islands to the United States. Such a transfer was certain to bring with it a new orientation in the history of Porto Rico, since the center of her universe had been shifted. In so far as tariff was concerned, Porto Rico became an integral part of the United States. All her products were to enter the United States duty free. A new world of markets was thus offered to the sugar, coffee and tobacco of the Island. At the same time all products entering Porto Rico from a foreign country were to pay the same tariff duties as those coming into the United States, and thus a great many products which Porto Rico did not produce in sufficient quantities for her own use, notably foods of various kinds, continued to pay high duties ac-

according to whether American producers were receiving protection.

EFFECT ON LAND TENURE AND CROPS

Naturally, it is not possible to know what the effect would have been on Porto Rico if another course of action than the one actually adopted had been tried, but that the change of sovereignty has wrought very apparent changes is not debateable. By no means the least of these changes can be traced in a considerable degree to the door of the tariff policy in force.

The most striking change is that in the agricultural economy and land tenure. The chief product before American occupation was coffee. Some 41 per cent of the cultivated area was devoted to this plant and it was the chief export. Sugar occupied only about 15 per cent of the land in cultivation, and tobacco only a little more than one per cent. The extent of the change since 1898 has been regulated largely by the tariff protection received by each of these crops. Coffee, which enters the United States duty free, has received no protection. The former markets of Porto Rico for this food have been largely cut off since it must pay an import duty on entering Spain and the consequent slackening of trade between Spain and Porto Rico has curtailed the demand. There was never any market in the United States for Porto Rican coffee, which is of a very superior quality and sells for a price about double that of Colombian coffee, and much more than double that of Brazilian. The American coffee taste has been educated to the cheaper brands and by reason of this fact, Porto Rico lost one coffee market without gaining another when the tariff policy changed.

On the contrary, sugar, which was of secondary importance in 1898, has since grown to be by far the most important product of the Island, and today claims about 44 per cent of the total cultivated area. The explanation seems to lie in the tariff. With full protection against all foreign sugar and with 80 per cent protection against sugar from Cuba, the sugar growers have been able to expand in a phenomenal manner.

Tobacco also has expanded tremendously and today covers more than five times its former area, while fruit, a crop not grown for export before the American period, is now the third agricultural export.

These changes in crops would not necessarily be of any importance within themselves if it were not that they have brought along in their wake others of primary importance. Changing from one crop to another, if the new crop brought in as much or more revenue, might be no more disastrous than losing a one dollar bill and finding a two, provided the two were not counterfeit. But this is what has happened to Porto Rico. The new bill looked bigger and glittered more, but time has shown that it was a counterfeit note.

In 1898, there were almost 200,000 acres of coffee lands, which were largely in the hands of small farm owners. Coffee is primarily a little man's crop. It can be financed on a small scale, and it will grow on steep mountain sides. The tending and marketing is not an expensive process, since no elaborate machinery is required. The final virtue of the coffee farm is that it furnishes work to a great number of workers, a kind of work which is not difficult. Taking everything into consideration, coffee was a crop which did not make many wealthy, but

gave the opportunity of home ownership to large numbers of the rather poor.

Sugar, on the other hand, has proved to be a crop demanding an ever-increasing concentration of lands devoted to its culture. Its planting, financing, manufacturing and marketing are expensive processes which require large capital. Gigantic machinery, costing millions, is an absolute necessity for the successful production and refining of this crop. From a little more than 70,000 acres, sugar cane has expanded to more than 250,000, and where there were thousands of owners and several hundred mills, there are today only 41 sugar mills which manufacture the entire production and four American companies control half of the sugar business of the Island. It is no longer possible for the Porto Rican of average financial condition to engage in the chief wealth-producing industry of the Island in any capacity other than that of day laborer. Sugar is today producing many times more in income than coffee ever produced, and very probably many times more than coffee would ever have produced, but the extent to which the natives are sharing in this wealth is diminishing just as surely as the wealth is increasing.

To a somewhat lesser extent the same is true of tobacco and fruit. The growing of tobacco is still in the hands of Porto Ricans, but the industry of manufacturing and marketing, and therefore the profit, is monopolized by Americans from the Continent. Fruit farming is much less concentrated than sugar, but the relatively high expense attached to bringing an orchard to bearing and of marketing the product serves to prevent any extensive entrance of natives into this type of farming.

The shift of emphasis to sugar, tobacco and fruit has had one other effect even more disastrous than the decline of coffee planting. It has been shown that sugar and tobacco today occupy lands which formerly were devoted to food products. The tariff, then, can be held directly responsible for the decrease in food crops since it has made possible the growth of the sugar industry.

BENEFITS OF THE TARIFF

But by no means all of the results of the system of tariffs had been harmful to Porto Rico. The very fact that the sugar industry grew from 70,000 to 250,000 acres, that exports expanded to where they amounted to more than \$54,000,000 in 1928, and tonnage increased more than 12 times in a period of 32 years is eloquent proof of the effectiveness of this legislation. Sugar is now valued at two and one half times its nearest competitor, tobacco, and tobacco is, in turn, more than two and one half times the next agricultural export, fruits. These are the products receiving the most protection, and there can be small doubt that this protection is an essential element in their growth.

Let us examine the result of this protection in the case of sugar. The tariff on sugar has ranged from a low of 1.256 cents per pound, under the Act of 1914, to 2.50 cents per pound under the latest Tariff Act. Porto Rico's advantage over Cuba has never been less than 1.0048 cents a pound and at the present time it is two cents. This means nothing less than that Porto Rico is receiving just two cents a pound more for sugar than Cuba. When sugar is quoted at 1.25 cents a pound in New York, Cuba is receiving only 1.25, whereas the

Porto Rican producer is paid the full price plus two cents. This great advantage is only one of several reasons, but an indispensable reason, why companies operating there have been able to pay dividends which have averaged, in one case, 69 per cent a year on the original investments over a period of 20 years. If Porto Rico Central owners were forced to sell their products in the United States without benefit of tariff they would find that the cost of producing and delivering a ton of sugar in New York would be about \$100. The present price is about \$65 to \$70! Where would they be without this protection? Just how much this protection means may be shown in a more concrete way.

In 1928, sugar crop export was close to 605,000 tons of sugar, or in excess of 1,211,000,000 pounds. This sugar received an average of 1.76 cents per pound over Cuban sugar, the value of this in money being more than \$21,300,000. Under the new tariff, the margin in favor of Porto Rico is two cents per pound, and the same amount of exports in 1930 will receive \$24,000,000 by reason of the tariff.² It is no mystery why a high sugar tariff has been given strong support by the owners of the Island's sugar Centrals.

The second source of income to Porto Rico is the tobacco crop. In 1928, the Island exported tobacco to the value of more than \$20,000,000. The type produced is mainly a superior kind of filler used for cigars and the tariff on unstemmed tobacco of this type is 35 cents a pound, and on stemmed tobacco, 50 cents. It would seem that Porto Rico would have received protection equal to some \$14,000,000 on her export of leaf and scrap filler tobacco, but that this is the case seems very doubtful.

The export value is given in the Governor's Report for 1928 as more than \$17,000,000 for the approximately 30,000,000 pounds of leaf and scrap tobacco exported.³ This indicates a price of about 57 cents a pound. The Porto Rican farmer did not receive this price, nor even half of it for his tobacco, however. The same Report says that ⁴ the average price received was 27 cents a pound, and at such a price the amount received would have been about \$8,000,000 in place of the \$17,000,000 indicated. It is obvious from these figures that it is not Porto Ricans who are receiving the full benefits of the protection afforded by the tariff. The minimum tariff on the above types of tobacco is 35 cents a pound and the selling price of the tobacco was eight cents less than the protection provided. If the protection was operative in this case, which seems very doubtful, it could certainly not be calculated at more than the value of the crop to the grower, or about \$8,000,000.

The agricultural export third in importance is the combined grapefruit, orange and pineapple crop. In 1928, there were exported 891,940 boxes of grapefruit alone, worth \$2,704,310. As the average weight of a box of grapefruit is about 80 pounds, this gives a total of more than 71,000,000 pounds, and a tariff protection of about \$714,000.⁵ Oranges were exported in 1928 to the extent of 546,463 boxes worth \$1,286,039. The tariff was the same as on grapefruit, or one cent a pound, making the total protection about \$437,000. Pineapples worth \$1,654,108 were exported, the protection on 549,280 crates reaching \$121,000.⁶ The new tariff levies 50 cents a crate on this fruit and a similar amount of pine-

apples entering the United States in 1930 would receive protection of about \$275,000.

The total amount of canned fruits exported were worth \$1,159,175. The tariff of 1922 levied 35 per cent on canned fruits, and on this schedule the grapefruit, pineapple and other fruits would be protected to the extent of about \$406,000. The new tariff raised this schedule to 40 per cent and a similar amount of fruit will now receive some \$464,000 protection. The coconut crop was \$23,088,000 in 1928. Each coconut has a tariff of one-half of one cent, or for the total \$115,000. Fruit juices received no protection under the old tariff, but under the new schedule receive 70 cents per gallon. The Porto Rican export to the United States was small in 1928, reaching only 12,000 gallons. Under the new tariff this quantity of fruit juice will receive about \$8,400 advantage over the foreign product.

The molasses exported in 1928 was worth \$830,891, and the total amount was 19,390,302 gallons. The old tariff on blackstrap was one-sixth of one cent a gallon and the new tariff is equivalent to 0.183 cents a gallon. At the rate in force in 1928, Porto Rican molasses had an advantage of some \$32,000 over a similar amount coming in and paying the tariff, and under the new schedule the advantage is about \$35,000.

Under the new schedules long-staple cotton bears a duty of seven cents a pound, while the old tariff admitted this product free. Porto Rico has a growing cotton farming district and may expect to benefit from this protection. The 1928 export to the United States was 526,824 pounds, and future crops of a similar amount will have an advantage of about \$37,000 over the foreign product.

Far more important than the tariff on long-staple cotton is the general protection which all classes of cotton fabrics receive. These duties amount in some cases to 75 per cent ad valorem. Since the American occupation there has grown up a rather extensive industry in making cotton wearing apparel and in needlework, until by 1928 this had come to be the third in export value of the country's products, being surpassed only by sugar and tobacco. This business is not carried on by the utilization of native products, but depends on imports from the United States for its materials. The cloth for the manufacture of garments or garments with designs to be embroidered on them are shipped into Porto Rico to take advantage of the cheap labor supply there. Thousands of women and girls are employed in this industry and the main reason for bringing so much of this kind of work into Porto Rico is to take advantage of their labor. Obviously, it would be much less profitable to the industrialist if a tariff were charged on the goods when they re-enter the United States. In the year 1928-29, more than \$3,000,000 in wages were paid to the workers in the embroidery and needlework shops. Though very small, and entirely inadequate as compared with what is necessary for a living wage, the sums received by these workers is just so much that would not fall to the Island if the needlework industry were removed. The ranks of the unemployed would be augmented with the loss of this industry, and for this reason it must be considered that the tariff is benefiting Porto Rico to the extent of the wages paid.

Though the above enumerated articles form the bulk of the Island's exports, there are a number of other articles which find a market in the United States. Straw hats,

which receive a protection of as much as \$4.00 a dozen, plus 60 per cent ad valorem have long been manufactured. In 1928, more than 33,000 dozens were shipped to the United States, and immediately on the passing of the last Tariff Act several of the hat manufacturing establishments signed contracts with American firms for larger amounts than they had ever manufactured before.

Denatured alcohol valued at \$332,608 in 1928, buttons worth \$131,770, hides and skins amounting to \$170,000 and an innumerable inventory of articles of lesser value come into the United States without paying the tariff which they would pay if Porto Rico were not within the tariff wall. It is difficult to determine exactly what percentage of the products receive protection, but if we count the main items alone, not less than \$94,000,000 of the export total of some \$96,000,000 in 1928 received protection. Certainly the tariff has been and will continue to be of great importance to Porto Rican products.

The amount of total benefit to the Island is not susceptible to close calculation, because it is not known to what extent certain items really profit by the tariff. Concerning sugar there seems to be little doubt, since the price of this article is quoted in New York at the current rate plus the tariff, and in selling its crop Porto Rico receives the quoted price plus the amount of the tariff. Tobacco is much more elusive since the Porto Rican crop sells for less than the duty. If the full amount of the duty were counted as the amount of protection, the result would be to make protection appear as several million dollars more than the amount received by the growers. Such a procedure is obviously out of the question. Due to the fact that the Island producer could not sell his crop

in the United States if he were out of the tariff barrier, it must be assumed that his protection amounts to at least as much as he receives for his crop.

Fruits are in the favored class, but less dependent on protection than tobacco and sugar. It is reasonably certain that Porto Rico is receiving the full benefit of the tariff on her grapefruit, oranges, and pineapples. There are practically no other crops of any great importance, except coffee, to be sold in the American market. Coffee does not receive any protection under the tariff.

One of the most important of Porto Rican industries, as has been pointed out, is the embroidery and needlework trade. If we assume that this industry could not exist as it does, if Porto Rico were outside the American tariff system, then it would appear that the full amount of this trade must appear as protected. This procedure, however, does not give even an approximation of the real benefits. The cotton goods employed in this traffic are shipped from the United States and come back as soon as they are made up, so that the protection received can be no more than Porto Rico actually realizes from the complete transaction. This is represented by wages, taxes on the buildings used, local transportation of the goods, and so on.

If we calculate in dollars the protection on different items as they have been listed above and add to this a fixed sum of about \$1,000,000 to cover the numerous small items, we find the probable protection received would have been about \$35,000,000, in 1928.

But there is a still further important fact to be considered before we can arrive at the full extent of the protection afforded. Not all of the goods exported from

Porto Rico belong to Porto Ricans. We have seen that about 60 per cent of the sugar belongs to absentees and that about 31 per cent of the fruit and 85 per cent of the tobacco are similarly held. In addition much of the needlework and embroidery are in the hands of absentees. Quite obviously then the full benefit of the tariff to Porto Rico does not accrue to the people themselves. Only to the extent that these industries are held by natives, or employ natives, does the Island profit.

To find out to what extent the natives are benefited by the tariffs, we shall have to calculate the percentage of the apparent benefits that really accrue to Porto Rico. As given above, the benefits to sugar were more than \$21,000,000, to tobacco more than \$17,000,000, and to other industries the benefits varied in amount. The total of such benefits would have amounted to less than \$45,000,000 even if we assume that Porto Rico realizes the maximum return in every case, which is apparently not true. The Porto Ricans own less than 40 per cent of the sugar industry; therefore the \$21,000,000 given shrinks immediately to about \$8,400,000. In the case of tobacco, which is only 15 per cent Porto Rican owned, the actual benefits fall to a little more than \$2,500,000, while the benefits of fruit are only two-thirds the apparent benefit, with other products in proportion. The apparent benefit to the Island is \$45,000,000 but the actual is only about one-third of this sum, and the profit to Porto Rico by reason of the tariff something like \$15,000,000.⁷

WHAT THE TARIFF COSTS PORTO RICO

If, as is undoubtedly true, the tariff is largely responsible for a great many benefits to the major industries and

for exports amounting to more than \$100,000,000 in 1928, what is its effect on the \$92,000,000 in imports for the same year? By an examination of the principal items imported we shall be able to decide this.

The amount and percentage of goods brought from the United States is in itself significant as about \$80,000,000, or 85 per cent of the total imports were furnished by continental merchants. The monopoly, then, is 85 per cent effective. Due to the barrier placed by the tariff, the Porto Rican people are forced to trade in the markets of the United States, the markets with the highest prices in the world. Only a small percentage of their imports can come from markets other than those of the United States and the ever-increasing tariff is constantly cutting this percentage down. The number of items directly effected is too great to examine in detail, but from the following an idea may be drawn of the extent to which the tariff is adding to the living cost of the Islanders.

The main food of the people is rice. In 1928, there were imported from all countries more than 187,000,000 pounds of this food, and all but a little more than 3,000,000 pounds of this came from the United States. In other words, the tariff on rice was almost 100 per cent effective. At that time the tariff was two cents a pound, but it is now two and one half cents. The duty paid on rice from foreign sources was more than \$67,000 and the price of this product was raised not less than two cents a pound by the tariff. A prominent importer of Porto Rico^{*} told the authors that if there were no tariff on rice it could be imported for from two to three dollars less a hundred pounds. The people of Porto Rico paid some \$3,732,000 more for rice in 1928 than it would have cost

them if they had been free to purchase in the cheapest markets. Under the new tariff of 2 1/2 cents a pound this will be about \$4,678,000 for an equal amount of rice.

Second only to rice among food imports is salted and dried fish and other fish products. In 1928 some 35,000,000 pounds were imported from the United States and other countries. The tariff was at that time 1 1/4 cents on dried and salted fish, and on some other classes of fish it was 2 1/2 cents. In addition to dried fish there were 3,000,000 pounds of canned fish, etc. The increased cost added to all classes of fish because of the tariff was about \$460,000, while under the new tariff schedule, which doubled its former rate, Porto Rico will pay around \$833,000 annually on this one item alone.

The case is similar with all of the principal foods imported: wheat flour costs about \$580,000 under the old tariff and under the new this will be raised to \$750,000;⁹ lard and lard compounds were about \$650,000 higher in 1928 than they would have been without the tariff;¹⁰ dairy products had about \$410,000 added to their normal price;¹¹ beans had some \$480,000 added;¹² meats of all kinds cost some \$600,000 to \$700,000 more than they would have cost in the cheapest markets;¹³ potatoes cost \$165,000 more;¹⁴ peas, \$80,000;¹⁵ corn meal, \$45,000;¹⁶ onions, \$75,000;¹⁷ cocoa and chocolate, \$10,000;¹⁸ garlic, \$38,000;¹⁹ canned and preserved fruits, \$125,000;²⁰ and numerous other food items such as olive oil,²¹ \$160,000; apples,²² nuts,²³ edible oils,²⁴ confectionery, beverages and fruit juices, \$188,000.²⁵

Forage and foods for animals were also imported in considerable quantities. Oats cost some \$35,000 more

by reason of the tariff, and corn, about \$26,000. Hay, foddors, and so on, cost \$100,000.²⁶

The additional amount which the tariff adds to the cost of foods is only a part of the total cost to the Island. Quite as important is the duty on textiles, machinery and many other products.

In 1928 Porto Rico imported more than \$12,000,000 in cotton products. Since a large amount of this was re-exported after being manufactured into clothing it is not possible to determine the exact amount of wearing apparel brought into Porto Rico from the outside. More than \$5,000,000 of this was, nevertheless, finished goods and remained to be used by the Islanders, while much of the unfinished goods was manufactured into garments there for the local trade. Certainly not less than the \$5,000,000 worth of goods mentioned remained to be worn by Porto Ricans. The tariff on cotton goods is from 10 to 25 per cent, so that a conservative estimate of the cost of this class of imports would be \$1,000,000. Woolens, bearing a tariff of eight cents a pound on some classes and as much as 50 cents a pound plus 60 per cent, cost not less than \$100,000. The silk imports pay a minimum of 20 per cent and a maximum of 70 per cent. Porto Rico paid in this case not less than \$100,000 because of the tariff. Silk furnished an illustration of how Porto Rico sometimes pays her tariffs into the Treasury of the United States instead of into her own Treasury. The silk which Porto Rico buys from the United States has been imported by American merchants from Japan and other countries, so that the duty on this product is paid at an American port. When the product finally reaches the Porto Rican consumer, the price has been raised by

reason of the fact that a tariff has been paid, yet this increased price does not accrue to the advantage of Porto Rico in any way, since the Treasury of Porto Rico does not receive the duties paid. In the case mentioned, the American public is the beneficiary, through receiving the duties paid into the Treasury of the United States, of what is, in effect, a tariff on a Porto Rican import. This is only one of the many instances where the burden of the tariff falls on Porto Rico though the duties received go to the United States government.

A mere listing of the numerous items on which a duty is paid is sufficient to show how much the cost of living is increased thereby: flax, hemp, jute and rayon all pay duty; wood, furniture and wrapping paper pay a tariff of about \$160,000, while other classes of paper pay not less than \$75,000; ²⁷ glass, china and porcelain, earthenware, stoneware and crockery; iron and steel ware, such as galvanized sheets, structural steel, railway track material, cast iron pipes and fittings, nails, cutlery, and tools, altogether valued at more than \$5,000,000, pay tariffs up to 50 per cent ad valorem. Machinery of the type used in sugar mills, automobiles, engines, etc., worth more than \$7,000,000 was imported, duties on it running as high as 40 per cent. Chemicals and allied products worth more than \$5,000,000 have duties reaching 60 per cent. There is scarcely a product used in Porto Rico which is not protected.

TARIFF AND THE STANDARD OF LIVING

How much does the tariff cost Porto Rico, and what is its effect on the Porto Rican standard of living? It is impossible to answer the first part of this question with

definite figures. So many and varied are the duties paid that it is impracticable to try to set a money value for the cost, but if we assume that goods bought from the United States cost as much more in proportion as the goods from foreign markets paid tariffs, the total cost would be about \$17,500,000.²⁸ This would not adequately express the difference, however, as inadequate shipping facilities force Porto Rico to buy many products in the United States which she could ordinarily buy in other and cheaper markets if she were free to develop her foreign commerce.

If we examine the details of food costs in relation to the tariff, we can perhaps more nearly answer this part of the question as well as the second part. The first fourteen food products in value, all of which have been discussed above, reached something more than \$24,000,000 in 1928. The increased cost of these products because of tariff was in excess of \$7,500,000, or about 30 per cent. As the total food imports were close to \$30,000,000, the increased cost of food must have been almost \$9,000,000, in that year.

Under the new tariff the cost is much greater, the same products paying a tariff of \$10,000,000 instead of \$7,500,000 or about 40 per cent in place of 30. The entire addition to the cost of food will be, therefore, about \$12,000,000, in place of \$9,000,000. Now let us look at what this 40 per cent does to the standard of living. The average worker earns from 60 to 80 cents a day on an average, and \$135 to \$169 a year. If we take his 80 cents a day and take from it the 40 per cent extra cost which the tariff puts on it, we find that his daily wage is not 80 cents but 48, and his yearly wage, not \$169 but \$102.

The age of feudal tenure passed long ago, but the Porto Rican laborer still must pay 40 per cent of his earnings for the privilege which his masters—not the laborer himself—enjoy of selling in the American market. This tribute does not end, moreover, with his food alone, though as we have seen there is little enough left after he buys food. His shoes and clothes are likewise made more expensive by the tariff. There was a time when he could buy foreign shoes without paying duty but the new tariff act has placed a rate of 20 per cent on boots and shoes and 10 per cent on the leather of which they are made. The seriousness of this to the peasant and laborer cannot be understood without a short explanation of what the shoe means to him.

From the point of view of health, clothes may not be an absolute necessity, but such is not the case with shoes. Lurking in the soil is the dreaded hook-worm disease and through cut places in the laborer's feet it enters his body, until 50,000 to 100,000 of these small parasites are sapping his strength. This disease is no longer a problem for the physician; the germ can be eliminated in a few days, but this is merely the beginning of the problem. If the laborer is to remain cured he must have shoes to protect his feet from the germs which are everywhere in the soil, and the little that he can spare from his earnings must go to supply him and his family with shoes. The struggle, which was already hopeless for hundreds of thousands, is just 20 per cent more impossible, if it is conceivable to add to impossibility. The new tariff makes it very probable that the 600,000 people now suffering from this disease will be increased when this duty raises

the price of shoes—as it undoubtedly will. A tariff is always to enable the manufacturers to set a higher price.

The textile tariffs, too, increase the burden of masses of Porto Ricans who are wretchedly poor. It is not possible for this to add much to the burden of the very poor, of course, since they have next to nothing to spend on their clothing, but a dollar or two a year means as many per cent of the total earnings. However serious the increased costs resulting from purchases made in a protected market may be to Americans in the United States proper, they are as zero to infinity as compared with what they mean to the Porto Ricans. For the majority of them tariff protection is decidedly one-sided. The man who has no farm, manufactures nothing and sells no produce to the United States is not by any stretch of the imagination receiving any great aid from the tariff. Quite true, he works for a protected industry, but such labor is not paying him on an average of more than 80 cents a day and with this sum he cannot buy any more of the necessities of life than could be found by foraging before modern industry destroyed the tropical fruits which grew wild on the mountains and in the valleys. Some can wear shoes, but the majority of the peasants cannot. Many go to school, but more than half the children are still unprovided for. A great many have the privilege of work, but more than 35 per cent are unemployed. To all these people the tariff is not a benefit, but, on the contrary, an added burden.

PORTO RICO CANNOT CHANGE THE TARIFF LAWS

All these things are but the surface evidence of the Island's tariff troubles. The real tragedy of the situation

lies, not so much in the actual harm which the tariff does, but in the present helplessness of the people to aid themselves. The tariff is made by a legislative body which has no primary interest in the welfare of the Island. Many of the Congressmen who vote laws affecting the life of Porto Rico, know nothing of the Island, its history, its people, its economic problems. Some of them scarcely know where it is. It so happens that certain products grown in the United States, sugar, tobacco, citrus fruits, are also grown in Porto Rico, and these are given protection. But it is also true that certain others, rice, beans, meat and dairy products are not now produced in sufficient quantities to supply the demand. These, too, must pay high duties on entering the Island from a foreign country, although it is to the interest of the people of Porto Rico to buy such things in the cheapest markets. But what can Porto Rico do about this under the present system? Nothing! She cannot change the tariff; this must be done by the Congress of the United States. She cannot encourage production of more food products, for the land is taken up by large sugar and coffee estates. Four hundred years were spent under Spanish rule before a reform brought Porto Rico the right of a voice in its tariff legislation. American occupation snatched this right away before it could be used to advantage. Thirty-two more years have now passed since Americans took possession of the Island, offering a new economic era, and the situation remains the same. Porto Rico will sometimes benefit by the tariff and sometimes lose, but this will always be incidental. Who believes that a tariff will be framed for the best interest of Porto Rico regardless of how it affects the United States? Will those who sell

\$80,000,000 worth of merchandise there each year willingly forego this just to let Porto Rico seek produce in the cheapest markets?

The Spanish monopoly, maintained by forbidding out-right trade with foreigners, has few defenders today, but their names are legion who profess to see no wrong in the type of monopoly which the United States now maintains in Porto Rico. Though some of the facts given in the following quotation have changed since the statement was made, the principal theme enunciated is still true today. Speaking to American Congressmen in 1919, Señor Barceló, leader of the Unionist Party of Porto Rico, said:

"You framed your tariff in accordance with your ideas, from your point of view and in harmony with your ideas irrespective of ours. For example, wool, the clothing of your poor, is on the free list, but the same does not occur with cotton, the clothing of Porto Rico's poor. I wish to impress upon you the extraordinary enormity resulting from the fact that we are obliged to live under the protecting margin of your tariff by virtue of which your products monopolize our markets and prices increase to twice or three times the amount for which we could obtain products elsewhere, or for which we could buy them from your own selves if the tariff protecting your industrial products did not hold here." ²⁰

But Porto Ricans can at present do nothing about this except protest and struggle for a change in statutes. They are citizens of the United States and, theoretically, their voice should carry weight, but in fact it does not. The one representative they have in Congress cannot speak without permission and cannot vote at all. They have

nothing to offer in exchange, as has the average Congressman, and for this reason the fact of their citizenship, like their geographical location, is easy for Congressmen to forget. The following incident, told by Dr. Thomas E. Benner, former Chancellor of the University of Porto Rico, is indicative of the "American" attitude toward the Island. Dr. Benner says:

"On the occasion of the visit to Washington of a legislative commission from the Island, a few years ago, an important member of Congress stated to one of the delegation: 'It is well to be frank. I should not favor any further extension of self-government to Porto Rico until you show in your legislation more friendliness to American interests in the Island.'

" 'What do you mean by American interests in the Island?' he was asked.

" 'American investments there, of course.'

" 'But do you not consider the welfare of 1,500,000 Porto Ricans, upon whom you have conferred American citizenship, to be "American interests" also?'

" 'In fairness to the American Congressman it should be said that the question struck home. It had not occurred to him before that there were other aspects of the sugar industry than those of chief concern to the stockholders from his own constituency.'"³⁰

But nothing came of it—nothing practical to help the Porto Rican.

How can Porto Rico expect justice as long as Congress considers her agitation against the existing condition as un-American? Porto Rican troubles have not been lis-

tened to with a sympathetic ear and her complaints against the tariff, in particular, have aroused resentment. Americans, especially those living in Porto Rico and those receiving large benefits from industries of the Island, have often accused the people of lack of appreciation. The Congressman cited above is by no means an isolated case, and many honestly believe that only a perverse, grumbling disposition is the sole ailment troubling Porto Rico. The large benefits derived by the main industries from the tariff, and these benefits are real, has blinded them to the fact that the majority of the people are receiving very left-handed benefits at the best, and that hundreds of thousands are affected only adversely by the present régime.

CHAPTER VIII

OVERPOPULATION AND LABOR

"Still farther to the east, in the smaller island of Porto Rico, is the outstanding example of American imperialism. We took the island from Spain by force of arms and kept it without a question as to the desires of its people. We have installed a social and political *régime* after our own conception of what is right and proper. What, then, has American imperialism meant for the Porto Rican?"—HENRY KITTREDGE NORTON *

"But when . . . there appeared the old, familiar face of the sweatshop, scarred and wrinkled, it seemed young and hopeful to Porto Rico, and now it goes by the name of industrial progress. In the United States the sweatshop is recognized as a menace to workers and consumers; in Porto Rico it is thought of as the bearer of a kind of industrial salvation and is welcomed by the government, business organizations and the unemployed."—G. L. JONES †

POPULATION AND PER CAPITA WEALTH

It is usual to make the statement that one of the fundamental problems of Porto Rico is an excessive population. There is certainly an abundance of proof for such a view. The last census shows 1,543,043 people living in this small Island of 3,435 square miles,¹ or about 450 people to the

* See note on Chapter V.

† From "Sweatshop on the Spanish Main," *Survey*, Vol. 51, p. 209.

square mile. Since the cultivatable area of the Island is scarcely one-fourth of the total, it is apparent that every square mile of land in cultivation must support some 1,800 people. The actual amount of land devoted to the types of foods destined for consumption in the Island is even smaller, being approximately one twentieth of the entire area. For every square mile of such food crops there are about 9,000 people who must be fed, clothed, housed, insured, doctored and educated. The overpopulation problem of Porto Rico, when viewed in this light, is certainly a difficult one, and to solve it requires the best efforts of all who are responsible for the welfare of the people.

GROWTH OF POPULATION

If the population is compared in some of its aspects with those states which have a rural population about equal in proportion to Porto Rico, the plight of the Island may more readily be seen. Nevada, North and South Carolina, New Mexico, Alabama and Mississippi are representative states of this type. The first of these has a population slightly more than 80 per cent rural, but averages less than one person to the square mile. The per capita wealth of Nevada is \$6,318,² nearly thirty times Porto Rico's \$230. South Carolina, the most thickly populated of these states, has some 80 per cent rural population, and averages 55 persons to the square mile. Its per capita wealth is \$1,593, or more than six times the \$230 per capital wealth of Porto Rico. Mississippi, the poorest of the predominantly rural states, has \$1,242 per capital, or more than five times as much as Porto Rico. Porto Rico's

problem is, then, not merely one of overpopulation, but one of extreme poverty as well.

This problem of overpopulation and poverty is not new. It was not carried into the Island with the United States Army, but was of long standing before 1898. The population of Porto Rico increased from some 144,000 in 1798 to about 953,000 in 1899; some 560 per cent for the century. In the latter part of this pre-American period, the rate had slowed down noticeably, and from 1877 to the census of 1899, the increase was from 731,000 to about 953,000. This decrease in rate seems to indicate that the saturation point had almost been attained by 1898. Since 1899, the rate of increase has been accelerated, however, and the population of more than 1,540,000 equals an increase of some 62 per cent for slightly more than 30 years. From 1920 to 1930 the increase was 18.8 per cent.³

Since it is often said by those who are inclined to blame the Porto Ricans for being the main cause of their own misery that if they would retard the natural increase in population the condition of the masses would improve, it is not amiss to compare the Porto Rican increase with that of other territories of the United States, and with the United States itself. The United States gained 16.1 per cent from 1920 to 1930; New York gained about 21 per cent and New Jersey about 28 per cent in population over the previous ten-year period; California gained more than 65 per cent in the same period. Among the outlying possessions we find that Samoa had above 24 per cent more than in 1920, while Guam and Hawaii gained 39.4 per cent and 43.9 per cent respectively. The 18.8 per cent gain registered in Porto Rico for the same ten-year

period does not appear to be excessive in view of these comparisons, and this increase cannot be used as a valid reason for the bad conditions existing in the Island. That the population is excessive has already been shown, and there is no doubt that a decrease would serve to alleviate the widespread suffering; but the density of the population must be accepted as one of the difficulties to be met in working for better social conditions, and not merely as a lame excuse for the inactivity so far characteristic of the United States Government.

UNEMPLOYMENT

With the increase in population has come an accentuation of the unemployment problem until it has reached a point where it is not merely a temporary condition, but one which the country faces year after year and all the year around. Still it does not follow that a decrease in the number of people would relieve this situation. There are too many people in Germany by some 4,000,000; England has some 2,000,000 surplus; and in the United States where the population per square mile is but slightly over 50, there is a surplus of more than 6,000,000. The excessive population of Porto Rico is doubtless a contributing cause of unemployment, but it cannot be regarded as the sole cause, nor even as a main one. The report of the committee appointed to investigate unemployment found that, in 1929, during the months of January, February and March, the busiest season of the year, when the cane crop is being ground, there were 33,000 men without work out of a total male population of 485,000 ten years old and over.⁴ These figures are in themselves a condemnation of conditions. As the com-

pulsory school laws require children from eight to 14 to be in school, obviously they should not be included as a part of the total. According to these figures about seven per cent of the male workers have no employment during the busy season. As this busy season lasts about five or six months of the year, and during the remaining half of the year there is little work to be found, the figures for that season are interesting. Mr. Carmelo Honoré, in a report made to the Commissioner of Agriculture and Labor in December, 1929, showed that there were some 460,000 persons available for work in industry and that of these there were about 170,000 who had no employment. How does this labor situation compare with the years before American occupation? There are no reliable figures for the years before 1899, but the following table shows the number of available workers, the number employed and unemployed, and the per cent employed and unemployed in 1899, 1910, 1920 and 1926.⁵

<i>Year</i>	<i>Male population 10 yrs. & over</i>	<i>Number occupied</i>	<i>Number unemployed</i>	<i>Per cent occupied</i>	<i>Per cent unemployed</i>
1899	322,567	267,764	54,803	83.0	17.0
1910	386,516	317,256	69,260	82.1	17.9
1920	447,777	322,466	125,311	72.0	28.0
1926	485,337	338,876	146,461	69.8	30.2

WAGES AND IMPORTED FOODS IN 1898 AND TODAY

Obviously the situation has been growing steadily worse since American occupation. From 17 per cent in 1899, the number of unemployed has grown consistently until in 1920 it reached 28 per cent and in 1930 more than 30 per cent, while by converting the 170,000 unemployed above mentioned into terms of percentage,

it may be seen that by December, 1929 the unemployed were more than 36 per cent of the male population. In his annual Report for 1930, Governor Roosevelt of Porto Rico described the unemployment situation as follows:

"More than 60 per cent of our people are out of employment either all or a part of each year. . . . Hundreds come to the government offices weekly, with but a single request—work. They do not ask for a dole, merely the opportunity to earn a livelihood."⁸

It may be asked what has been the effect of this surplus labor supply on wages for the laborer. A survey of the workers' wages of 1928-30 as compared with those of 1897-99 in the light of how much food they will purchase will help answer this question, such an examination to include food costs, per capita food imports, and so on.

Taking some of the individual items of food imports, it will be found that rice importation increased from 78,000,000 pounds for 950,000 people in 1897 to 187,000,000 pounds for 1,500,000 people in 1928. This is 82 pounds per capita in 1897 as against 125 pounds per capita in 1928. Is the Porto Rican, then, importing more of his food or is he eating more? If in the same period the domestic crops had increased or kept in step with the increase in population, it might be assumed that a better economic condition permitting a heavier food consumption is prevailing, but it has already been seen that the food crops are less than half, having fallen off from one acre per six persons to one acre for 15 persons. As far as rice is concerned, at least, Porto Rico is having to import more food. Does this hold good for other crops?

The consumption of cod and other dried fish in 1897 was 24,737,399 pounds or about 25 pounds for each of

the inhabitants of the Island. In 1928, there were 22 pounds per capita. Since the domestic catch of fish was negligible in both the periods considered, it seems that fish consumption has remained about the same.

The importation of flour showed an increase that was phenomenal. In 1897, about 30,852,030 pounds of flour were imported. This was a little more than 32 pounds per person. The 1928 import was 114,034,492 pounds (377,727 barrels) or a little more than 76 pounds per capita. The per capita flour imports have increased almost two and one half times, and that there is more wheat flour being consumed today is obvious, since neither in 1897 nor in 1930 was there any considerable amount of wheat grown. It is equally obvious that imported flour is now used where formerly native bread stuffs, such as cornmeal, accounted for the bulk of the food of this type.

In 1897, some 735,560 pounds of cheese were imported, or less than one pound per person. In 1928 the import was 3,762,249, or a little more than 2 1/2 pounds per capita, an increase of more than two and one half times.

The importation of meat and lard was 11 pounds per capita in 1897, and had increased to more than 48,000,000 pounds, or about 32 pounds per capita. This is an increase of about three times.

One more food product may be examined in an endeavor to determine whether there is any basis for the claim that big business has absorbed the land and forced the working man to import his food. Dry vegetables and garden produce amounted to a little more than 15,000,000 pounds or about 12 pounds per head in 1897.

In 1928, the combined importation of these products was 82,000,000 pounds or about 54 pounds per head, an increase of three and one half times.⁷ We have seen that the proportion of land devoted to food products has decreased. It, therefore, seems reasonable to conclude that the increased importation of dry vegetables and garden produce is due to the decrease in native food crops, forcing a larger importation of rice, beans, peas, meat and other foods.

WAGES TODAY

Perhaps, though, the laborer can buy more of these imported foods in 1930 than it was possible for him to buy of the native food of 1897, with a smaller outlay. Perhaps also his wages in 1930 are better as compared with the general cost of food. Wages received in Porto Rico in 1897 were 20 to 30 cents a day according to the report of General Davis.⁸ The second Annual Report of the Governor gives the wages as 20 to 50 cents a day in Spanish coin, and 35 cents in American gold. Skilled laborers got as much as \$1.50.⁹ As these two reports agree, it seems justifiable to take a wage range of from, say, as low as 20 centavos in extreme cases to 1.50 pesos in others. The farm laborer could not have averaged more than 50 centavos (at this time the value of the peso was 60 cents gold).

In order to arrive at a true picture of wages in the various industries, we shall have to consider a period of several years and a variety of types of labor. Sugar is the industry employing the largest number of laborers. The Report of the Commissioner of Agriculture and Labor for 1925 states that there was "a reduction of from

15 to 25 per cent in salaries."¹⁰ The range for the year was from 40 cents a day to \$2 in extreme cases. The usual maximum wage in the southern and eastern sections, the high wage area, of the Island was around \$1.50, although rare cases of a higher wage were reported. The minimum wage for exactly the same types of work was reported to be 60 to 70 cents a day. The workers of the northern and western parts were paid considerably less and maximum and minimum wages for the same types of work ranged from \$1.25 down to 40 cents a day.¹¹

In 1926, the wages were reported as the same, except for a slight rise in the northern section where the maximum was \$1.30 a day for nine hours work.¹² In 1927, the same wages prevailed with some slight changes,¹³ while in 1928, although the large crop gave employment to about 10 per cent more workers, the wages received were the same.¹⁴ The situation in 1929 was distinctly worse, for although wages varied little, the short crop which resulted from damage done by the hurricane, resulted in a 20 per cent decrease in the number of laborers. The predominating wages for the five-year period, 1925-1929, were from \$1.25 to 60 cents a day.

In the tobacco plantations the position of the laborers was less stable. Concerning the wages in this industry the Commissioner says: "The reduction in wages, in spite of the better prices secured for the product, was due, according to employers' statements, to a scarce production. However, the officials of the bureau believe that the precarious situation the laborers in the tobacco industry have to meet is the result of an excessive labor supply brought about by overpopulation."¹⁵ The maximum wages reported for both men and women were \$1.00,

while the children received not more than 60 cents a day. Minimum wages were 40 cents for men and 25 cents for women and children.¹⁶ The position of those working in the tobacco stripping establishments was worse than in the previous year. The reason for this may be readily seen from the following statement: "The one dollar minimum wage for women, lowered to 25, 30 and 50 cents once the Minimum Wage Act was declared unconstitutional, caused a little increase in the number of stripping establishments through the northern towns of the Island. In the rest of the country conditions and wages remained the same, although it is true that skillful workers doing piece-work in the tobacco stripping shop often make as high as eight dollars a week, they are nevertheless clamoring for legislation that may afford them a fixed wage high enough to meet the present high cost of living. There are over nine thousand of these laborers."¹⁷

What the condition of the tobacco plantation worker was in the following year may be judged from the statement that "in spite of the fact that the price of tobacco has been the highest during the last four years, the laborers received the same low wages as last year. This is the report from 160 plantations investigated."¹⁸ The tobacco strippers were no more favored. "More than 14,000 women workers were investigated in 153 shops dedicated to the stripping of tobacco. The highest daily wage reported for an operative was \$1 for 9 hours work. . . . A great number of workers in this work, it has been proved, contract tuberculosis and other contagious diseases."¹⁹

The wages in the cigar factories were reported at \$4

a week for women and \$10 for men, while the cost of living for a single woman or girl was not less than \$6 to \$12.²⁰

The year 1927 produced a bumper crop, a great demand for labor, but no better wages on the plantations,²¹ or in the stripping and manufacturing plants.²² The crop for 1928 was smaller and two-thirds of the tobacco plantation workers were idle. There was also a tendency to lower wages.²³ The salaries in the cigar factories, as well as the number of laborers, was smaller. From 1918 to 1928 the salary decrease was 60 per cent. The wages in the tobacco industry are lower than in the same industry in Cuba. "Cuban leaf tobacco is brought to Porto Rico to be stemmed, partly because of tariff advantages, but largely because of low Island wages. The cost of stemming one pound of leaf tobacco is reported to be much higher in Cuba than in Porto Rico. . . ." ²⁴

There are some indications that the wages in fruit orchards were slightly better on the whole, but not markedly so. "Laborers in this industry are mostly women and minors. . . . As a rule, wages paid to men and women engaged in unskilled work fluctuated from 50 cents to one dollar (\$1) per day of eight or nine hours; children [were] permitted to work under wages of from 20 to 26 cents per day of seven hours in cultivation, with a small increase if employed in packing jobs." ²⁵ In 1926 the conditions were at most no better. The nominal wage received by women was one dollar a day, but may have been only 60 cents, and in order to earn a dollar a day they had to work long hours into the night. The use of women for night work and for periods of 10 or more hours was protested by the workers and the Bureau of Labor, but without effect. Since 1927 there has been

some betterment in the salaries on the fruit farms and in the canning factories. The wage scale is reported as running from 60 cents to \$1.50, the majority receiving in excess of one dollar. In the principal agricultural industries since 1925, there has been but slight variation in the wages received. Sugar and fruit pay laborers slightly more than coffee and tobacco. The wage of 1928 is fairly indicative of the five year period and we can use statistics for that year as a criterion.

BUYING POWER OF WAGES

In 1928, wages ran from 60 cents for common laborers to \$4 for skilled labor. In cage, \$1.25 and in fruit, \$1.50 were maximum wages paid field laborers. The predominating wage in the four principal industries seems to have been from 70 cents to \$1.24 for sugar, 50 cents to 79 cents for tobacco, 50 cents to 69 for coffee and 60 cents to 99 cents for fruit. These figures seem to indicate that the majority of laborers received from 60 to 80 cents a day.²⁶ Let us compare the buying power of the laborer's 50 centavos in 1897 with his 80 cents in 1928.

It must be borne in mind that the following conclusions are arrived at by taking the average price per pound in the currency of the time, of a given product imported in wholesale lots in 1897, and comparing the price per pound with the daily wage. The figures for 1928 are arrived at by a similar procedure, and do not indicate how much the laborer could actually buy in 1897 and 1928, but how his wage compared with wholesale prices.

In 1897, the price per pound of imported rice was slightly over 3 centavos.²⁷ For his 50 centavos, the

laborer could have bought at the wholesale import price about 16 pounds of rice. Of course, the retail price was higher, and he was not, therefore, able to purchase so much, but relatively there was no difference in the amount retailing added in 1897 and 1928. In 1928, the price per pound was about 4 cents American money.²⁸ With his 80 cents, the laborer, in 1928, could have bought 20 pounds of rice, or 1/4 more than in 1897. It is evident that his wage has increased in rice buying capacity.

In 1897 the price of codfish was about 6 centavos per pound.²⁹ At this rate, the laborer could buy about 8 pounds at the wholesale price. In 1928, the price was about 7 cents.³⁰ The 80 cents of the laborer today will buy about 11 pounds of codfish, and even if he makes no more than 60 cents a day he can purchase as much codfish per day as his father could in 1898.

Consideration of the cost of wheat flour gives a still more striking picture of the value of the laborer's daily earnings. Flour cost a little more than 3 centavos in 1897.³¹ In 1928, flour cost about 3.4 cents a pound.³² As compared with the 16 pounds which the laborer could buy in 1897, the laborer of 1928 can buy about 23 pounds.

This cannot, however, be accepted as an index of his wages without further consideration. It has already been seen that the native foods of the Island decreased to half during the 32 years of American occupation and that in the case of the chief foods now consumed rice has been more than half. Since the bananas, plantains, mangoes, etc., which formed the bulk of the food consumed in 1897 were obtainable at small cost, or in most cases at no cost, the food of the *jibaro* was very cheap. With his small wage in 1897, he could have bought only 16

pounds of rice, as compared with 20 pounds today, but in 1897 he had to purchase only 82 pounds a year of imported rice, whereas he now must buy 125 pounds from abroad. The average family of five today must have 625 pounds of foreign rice a year, as against only 410 in 1897. The 410 pounds bought in 1897 cost about 12 1/2 pesos, as against \$25 for the 625 pounds today. Translated into a day's work, we find that the *jibaro* today must devote about 33 days to earning his rice as against 25 days in 1897.

The amount of codfish imported in 1897 reached about 130 pounds to the family, for which the laborer would have paid about 8 pesos. On this basis something like 15 days a year would have been necessary to supply each family with a sufficient quantity of this food. In 1928, there were only 110 pounds consumed per family and the cost at the wholesale price would have been about \$8.00. To buy the codfish needed in 1928, the average man with a family of five would have worked about 10 days.

The importation of wheat flour reached some 160 pounds for each family in 1897, as compared with 380 pounds in 1928. The cost rose from about 5 pesos to some \$16.50. Transferring this into terms of the number of days necessary to purchase this flour, it is found that an increase of ten to more than 20 days has taken place.

The cost of the import of dry vegetables and garden produce combined in 1897 was about 1.70 pesos per family. About three and one half days work were needed to pay this part of the grocery bill. By 1928 the imports had increased to 54 pounds per capita as compared with

16 pounds in 1897, and the price had gone from slightly more than two cents to about four cents. Each family in 1897 consumed some 80 pounds of imported vegetables and garden produce, whereas in 1928 the import for each family was around 270 pounds. The cost rose from 1.70 pesos a family to about \$10.80 a family; and the number of days' work necessary to earn this part of the food rose from three and one half days to more than 13.

Meat imports grew from 55 pounds for each family to 160 pounds. The increased cost was from eight pesos to more than \$22. The head of each family of five worked 16 days for meat in 1897 but in 1928 he had to work 28 days to buy imported meat.

As compared to 1897 when the laborer spent only 70 days of his year in paying for the imported foods such as rice, codfish, wheat flour, dry vegetables and garden produce and meat and lard, the wage earner of 1928 had to work 104 days to buy these things from abroad. These products account for more than 65 per cent of the food of the rural laborer and his food bill requires about 94 per cent of his total income. The tribute he is paying to the American farmer for the privilege of growing the precious sugar cane is assuredly not small.

The figure cited above for the proportion of income spent for food is doubly interesting in the light of recent comparison made for Oriental and European countries and the United States. Dr. Julius Klein states that Asia spends 90 per cent for food and but 10 per cent for the ordinary comforts of life; Europe uses some 80 per cent for food and 20 per cent for extras which make life liveable; the United States spends 30 per cent for food and 70 per cent for luxuries;³³ while the *Porto Rican*

peasant devotes 94 per cent of his income to food and has only 6 per cent left for the other essentials of life! We are accustomed to hear a great deal about the miserable condition of the coolie, but it is seldom that we learn that American citizens are living in worse conditions to-day than Orientals!

The above calculations have been made with wholesale costs as judged from total imports. Perhaps it would be more pertinent to use present day retail prices since they represent the actual cost to the consumer. It is ordinarily thought that Porto Rico, like other countries of the West Indies, can buy food for a very small cost and that this fact minimizes the evil of low wages. In order to find how far this belief holds true the following comparisons of food costs in Porto Rico and in New York City were made. Since the cost of food consumes more than 90 per cent of the total earnings, no comparisons of other costs were necessary. New York prices are taken from the lists published by the Atlantic and Pacific Tea Company, Oppenheimer, Daniel Reeves, Butler Brothers and other retail stores, in May, 1930. The Porto Rico prices were secured in San Juan, Fajardo, Ponce and several small interior towns, in June, 1930. The range in cost may be judged from the following table:

<i>Commodity</i>	<i>New York Price</i>	<i>Porto Rico Price</i>	<i>Per Cent Difference</i>
Asparagus (White Rose, large)	\$.35	\$.40	21
Campbell's Soup (three cans)	.25	.30	20
Coffee	.39	.50	28
Corn (No. 2 Can)	.10	.15	50
Crisco (3 lb. can)	.69	.85	23

Diced carrots (No. 2 can)	.15	.25	66
Flour (Pillsbury or Gold Medal)			
7 lb. sack	.35	.50	42
Grapefruit (No. 2 can Porto Rico)	.21	.18	-14
Heinz beans (med. can)	.15	.18	20
Lima beans (No. 2 can)	.25	.25	—
Lux (3 packages)	.25	.25	—
Milk (Eagle)	.19	.20	05
" (Van Camps, 3 cans)	.25	.30	20
Palmolive soap (6 cakes)	.35	.50	42
Pears (Del Monte)	.25	.35	40
" (White Rose)	.25	.40	60
Plums (canned)	.20	.30	50
Prunes (Sunsweet)	.15	.18	20
Raisins	.10	.10	—
String beans (No. 2 can)	.25	.30	20
Sugar (pound)	.05	.06	20
Tea (Tetley, ¼ lb.)	.25	.30	20
Welch Grape Juice (pt.)	.29	.35	20

The above 23 items are almost all standard canned goods or commodities sold in ready-made packages. Only the more prosperous of the Porto Ricans can buy such articles, and of the entire list of 21 standard commodities only one, a native Porto Rican product, sells for less than the price in New York. Three articles, raisins, lima beans in cans and Lux soap are the same price, while the remaining 17 articles sell at prices which run as much as 66 per cent higher. The increase in the average cost of the 23 items is 25 per cent.

The day laborer cannot afford such high priced foods. In order to examine the prices of articles which he buys, it is necessary to study the figures at which rice, beans, cheap coffee, sugar, flour, milk, codfish, cornmeal, etc., which make up the bulk of his diet, sell for.

<i>Commodity</i>	<i>New York Price</i>	<i>Porto Rico Price</i>	<i>Per Cent Difference</i>
Butter beans	\$.14 & .15	\$.14 & .15	—
Butter (Brookfield)	.45	.60	33

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Canned milk (Van Camps, 3 cans)	.25	.30	20
Cheese (Kraft 1 lb.)	.50	.60	20
Crackers (1 lb. tin)	.45	.45	—
Coffee (Brazil)	.19 to .29	.25	31 & -14
Codfish	.18 & .20	.18 & .20	—
Cornmeal	.05	.04	-20
Flour (7 lbs. Pillsbury)	.35	.50	42
Garbanzos	.12 & .14	.12 & .14	—
Lard (3 lbs.)	.51	.55	08
Lentils	.12 & .14	.12 & .14	—
Milk (fresh—quart)	.19	.19	—
Navy beans	.10 to .12	.12	20 & 0
Potatoes (100 lbs.)	3.00	4.00	33
Red beans	.10 & .15	.14	40 & -7
Rice	.05 & .06	.05 & .06	—

The above list of 17 articles comprises more than 67 per cent of the food used by rural families. For seven of these foods the price is the same as in New York. For one, corn meal, the Porto Rican price is lower. In two other cases, coffee and red beans, the prices are sometimes higher and sometimes lower. Navy beans are sometimes the same price and sometimes higher while in six cases the price is always higher and it may even reach 42 per cent more. If the low price range is accepted, the average price of these 17 articles in Porto Rico is about 24 per cent higher than in New York. On the basis of the higher price range, the Porto Rico price is more than 20 per cent above New York. This is very far from the low cost which is generally supposed to go hand in hand with low wages. No great imagination is necessary to conceive the enormous difference between the standard of eating, not to say the standard of living, of the American citizen of Porto Rico and of the United States.

THE SWEATSHOP SYSTEM

The characteristics of the sweatshop system are too

well known and too similar in all parts of the world to need any definition here. Within the last few years this system has made its appearance in Porto Rico, and probably as many as 50,000 women and children are now working under sweatshop conditions. It is sometimes difficult to see the disadvantage of supplying work, however small and ill-paid, to people who would probably not be employed otherwise. In a country where 60 per cent of the people are unemployed it is obviously desirable to furnish labor in any possible manner, and it is this surplus labor supply that has brought the sweating system into the Island.

It has not been many years since the needlework and embroidery of Porto Rico sold on the New York market as work of extra fine quality. The native women had received from Spain a heritage of fine needlework, and during the centuries had kept alive a home industry which was of material aid in supporting the family, and was, in addition, distinctly artistic. American merchants were not long in discovering this talent after our occupation of the Island and New York shops imported practically all of the output and called for more. More could not be produced without added effort and it was at this juncture that accomodating continentals appeared.

The system as it now works is this: a continental agent takes to the Island all of the necessary materials for turning out the completed product, sets himself up in a rented storehouse and announces that he is ready to put out the goods he has brought. He seldom deals with the workers directly, for being alone or at best having only one or two partners, he cannot supervise the entire process. The cloth and other materials are put out to a number of sub-

agents who, in turn, make contracts with the women for doing the work. Most of the work so done is carried to the homes of the workers where it is made up. The effect of this innovation on the quality of Porto Rican needlework has been disastrous. The once fine quality has now deteriorated until the same women who once did work for exclusive Fifth Avenue shops today turn out a great mass of articles for basement stores. Why this great change? Have the women of Porto Rico turned materialistic in contact with Americans? The answer is to be found in a closer examination of the whole system.

During 1926 more than 40,000 women were employed by almost 500 agencies and "the conditions of the women and children employed in this industry are deplorable, as compared with those of the workers in other industrial occupations. More than 75 per cent of the home workers receive a wage which fluctuates between 15 and 25 cents a day. . . . As there is absolutely no legislation regulating home work, there are hundreds of girls of less than twelve years of age, who devote themselves to such work, and with the product of their work help to sustain their parents." ³⁴ Far from improving as time goes on, the report of 1927 was that "in this industry the wages are constantly becoming lower. The work done in the shops is paid by the eight-hour day and also by the piece or contract. The home work is done by contract only, the basis of which is the dozen pieces. In the shops . . . it is not easy to find a woman or girl employee who earns more than a dollar a day. The weekly pay lists which were inspected show wages of 50 cents to a dollar a day for shop workers, and an income of from \$1 to \$2.70 weekly for those who work in their homes. Not less than

25 home workers were questioned in every ward of the manufacturing districts of Mayagüez, Aguadilla, Añasco, Lajas, Maricao, Cabo Rojo, San Germán, Sabana Grande, Lares, San Sebastián, Moca, Rincón, San Juan, Coamo and Ponce. The majority admitted that in order to earn two dollars weekly not less than sixty hours work every six days was necessary. . . . There are cases where girls of less than twelve form part of the working group.

"The situation of the workers in this important industry is more distressing every day that passes. . . . We are in danger, therefore, of having to face a new social problem, created by thousands of women and children suffering from malnutrition, debility or sickness brought on by this condition of things."³⁵

If there is any tendency toward the betterment of this situation it is not apparent. In 1928 the wages were still given at \$1 to \$4 a week, only *one per cent* receiving more than this amount.³⁶ Nor is there any tendency for the number of sweatshop workers to decrease. The statement of the Bureau of Labor that "there are few houses in our countryside occupied by working families that are not converted into shops tributary to some exporter" is indicative of the trend. Why the work of women and children is not better regulated has more than one explanation but the regular and systematic violation is admitted by the responsible authorities who report that "the laws protecting the labor of women and children continue to be made fun of in these places of work in spite of the efforts and frequent inspections made by the Bureau to obtain their performance."³⁷ Again in 1929 the official reports said: "The prevailing weekly

wages were \$.50, \$1, \$1.50 and \$2, although wages of \$3, \$3.50 and \$4 were also recorded." ³⁸

THE WORKER'S CONDITION

Why does such a situation continue to exist? Has there been no legislation to check such conditions or to assure better wages? Yes, there was a law, a law which set the minimum wage at one dollar a day. Its strict enforcement would have raised the wages of thousands of women out of the dollar a week class and put them in the more prosperous group of workers who earn *six dollars* a week. But such a law was not possible under the much lauded policy of "rugged individualism" worshipped by the American Government today. "Business must have a free rein," and in Porto Rico it certainly gets it. A daily wage of one dollar would have curtailed the profits of the sugar, tobacco, fruit and needlework industries, and such a policy is simply not "good business." The law was declared unconstitutional!

Overpopulation could doubtless be blamed for the low wage level, but not for the high prices. The drop in food producing crops, due to the usurpation of the land by sugar and tobacco, and the high tariff, are the principal reasons for the excessive cost of food. The first of these is largely due to the efforts of Americans, and naturally the second is entirely due to the inclusion of Porto Rico in the American tariff walls.

There are, no doubt, laborers in the world whose condition is worse than that of the Porto Rican, but the more than one million American citizens living in the Island have none of life's comforts and few of its necessities. Talk of the blessings of American occupation

sounds hollow enough to the peasant born in a leaky pole and straw hut, such as his ancestors used four hundred years ago; growing up without shoes, clothing or sufficient nourishment; contracting the hook-worm disease in the land where its cause and cure were discovered, and where its discoverer, Dr. Bailey K. Ashford, has labored in vain for a generation because he had not sufficient funds and because the people are too miserably poor to buy the absolutely indispensable shoes which prevent the spread of the disease; forced to work through life for 12 to 15 hours a day in order to earn 60 or 70 cents; with no bed, chair, mirror, table or lavatory in his home; forced to see his children follow his example, with scant or no education; and if he falls ill or dies, dependent on charity for treatment or burial.

In some respects, the rural laborer is in better condition than his town-dwelling brother, who must live in a ramshackle hut on Government lands along the sea shore. Here his hut must too often be built in the swamps which surround the entire Island. There is no road, no street; the tide washes under the house twice daily. In many cases his house stands in mosquito-infested water during twenty-four hours a day, and is always surrounded by the filthy rubbish heaps which everywhere clutter the suburbs. There is nothing to carry away the filth, and stagnant ditches serve as back alleys, and in some cases, streets. It is indeed an inglorious spectacle for the visitor to this Island where American imperialism may be seen at its best.

CHAPTER IX

THE DESIRE FOR INDEPENDENCE

"Perhaps the sharpest difference between Porto Rican development and that of the rest of Latin America lies in the fact that there has never been a serious movement for independence. Such political expression of a feeling for independence as we have had came—some say strangely, and some say naturally—under the American régime."—LUIS MUÑOZ MARÍN *

"There can be but one explanation—petty politics—or in other words, the insistent cry for independence is merely political propaganda, for it is conceivable that the intelligent leaders of the Unionist Party realize that Porto Rico, without the aid of the United States, from the economic standpoint would die overnight. Among the Latin-Americans the cry 'Independencia' has always exerted a magic influence, and in the case of Porto Rico it appears to be the wand which the politicians wave over the masses to produce political offices."—H. P. KRIPPENE †

"I saw always increasingly the strong anti-American feeling which, though not universal, is the most potent influence in the island."—MARY WELD COATES ‡

The belief that there has never been a real movement for independence in Porto Rico is supported by many; in

* See note on Chapter III.

† From "Porto Rico's Playful Politics," *Current History*, Vol. XV, pp. 610-615.

‡ From "What's the Matter in Porto Rico? Growth of Anti-American Sentiment," *Current History*, Vol. XVI, pp. 108-14.

particular the statement that there does not exist any formidable movement with this end in view was expressed recently by an authority well qualified to judge. This same belief was expressed on the occasion of the President's visit, in March, 1931, when the reports coming from Porto Rico were to the effect that the independence movement had collapsed completely. Perhaps what those holding this opinion mean is that no movement for independence ever came near success. Certainly there has been no revolution comparable to the American revolution or the Wars for Independence in Latin America, but during the Spanish régime, it was not exactly a political pastime to advocate such a movement. It could not be made a part of a political platform and become a political rallying cry to carry office seekers into power, for the time was not yet ripe for such a liberal point of view. Neither is it conceivable that the United States Government would permit a real revolutionary movement to remain unnoticed, though it tolerates practically unlimited discussion. Porto Rico would, moreover, have been peculiar if it had not had its insurrections, and it has had them.

GROWTH OF THE INDEPENDENCE MOVEMENT

The desire for independence, or more liberal self-government, has been active in Porto Rico since the early part of the nineteenth century.¹ According to Brau the municipal government of San Germán at this time instructed the Deputy to the Cortes of Spain that Porto Rico recognized the sovereignty of Ferdinand VII, but only on condition that "in case the said sovereignty does

not prevail, the Island will regain her natural right to govern herself according to her own views."

In 1810, the independence spirit of the government of Caracas was brought to the notice of thinking people throughout the Island. The independence of Venezuela came in 1811, and that of Santo Domingo in 1821, both strongly stirring Porto Rican tendencies in the same direction. Out of this feeling grew the conspiracies of 1823 and 1824 for the independence of Porto Rico and Saint Thomas.

The failure of a military effort to seize the government in San Juan in 1835 resulted in the exile of Captain Loizaga, and according to court records, 1,500 civilians were implicated in the affair, several prominent leaders suffered exile, and light penalties were visited on others involved. This conspiracy marks the first definite move toward separation from Spain. This attempt was followed in 1838 by a project of military rebellion in San Juan, resulting in the exile of several leaders and the death of others.

In 1864, an army captain was sent to Spain on suspicion of being the leader of a proposed insurrection, and in 1867 the leader of a battalion of artillery was shot as guilty of another project of military insurrection, and others involved were exiled. In 1868 came the insurrection of Lares, the strongest armed protest up to that time. This uprising was the result of the revolutionary activities of Dr. Betances, who said of its participants: "No one knows the hardship, the anxiety and the dangers which they underwent, the mourning endured nor the recognition deserved." Manuel Rojas, another leader, returned to his native land, Venezuela, where he died.

Out of 479 prisoners of the insurrection, 79 died of yellow fever in the jails of Aguadilla and Arecibo, and the leaders caught were condemned to capital punishment. A provisional government was constituted by Francisco Ramírez, a Dominican, and several other prominent men, and a republic was declared which the present day "Independentistas" still recognize.

In 1873 came the uprising known as the "Estrellada." This constituted an assault by the volunteer corps and the Civil Guard on the home of the Estrella family in Camuy. It is believed by some historians that this attack was due to political intrigue, but it is nevertheless true that after the insurrection of Lares, Betances continued to spread revolutionary propaganda from Saint Thomas. Many who were imprisoned died, while almost all who were eventually liberated were mortally ill. According to the report of the military police of Arecibo, 10 Civil Guards and 11 civilian volunteers dispersed three hundred rebels, with three deaths, two wounded and sixteen taken prisoner. It is the opinion of Coll y Toste, that the Camuy movement is of more importance than the Lares insurrection.

In 1874, arms were imported by Betances through Guánica, and in 1875 another insurrection would have occurred, except for betrayal on the part of one of the conspirators. The activity of certain secret societies, fourteen years later, became so strong that inquisitorial measures were taken by the Civil Guard under the government of General Palacios, and a number of prominent men of the Autonomist Party were tortured. From these extreme measures, this period became known as the reign of terror. All who were captured maintained that they

were innocent of participation in these societies, but according to one writer Pedro Maria Descartés, a prisoner in "El Morro" fortress in 1887 later confessed to him that he was president of the secret society "La Torre del Viejo." Records exist of the outrages which occurred in 1887 and on the wall of a vault in the Morro Castle, where captives were held, there is a bronze tablet giving the names of the most prominent prisoners. These men gained their liberty and lives through the prompt removal of General Palacios.

The Yauco Uprising in 1897 was the work of a number of prominent men from adjoining towns. The prisons were filled with conspirators and several were expatriated, but all connected with the uprising were freed eight months later by the establishment of the Autonomy.

The invasion of American troops in 1898 was welcomed by the independence party, confident that Americans came to bring independence to the Island. Félix Matos Bernier offered his services, with a number of men, to General Miles, and Pedro Maria Descartés, with a group of followers, aided the forces of Colonel Hullings. Betances, however, warned that if the long-sought independence were not secured at once, Porto Rico would remain forever an American colony.

OPPOSING THE AMERICAN RÉGIME

With the American occupation, the Liga de Patriotas Puertorriqueños, founded by Eugenio Mariá de Hostos, raised the white flag, and requested a plebiscite, manifesting a desire for the independence of the Island. However, through lack of strong political leaders and the op-

position of the United States, the ideal was set aside, re-manifesting itself later in Porto Rico in the Unionist and Nationalist parties. Realizing that the league had failed of its purpose, de Hostos abandoned the Island, joining his adherents in Santo Domingo, where he died.

The first anti-American party organized was the Federal. Later it was dissolved to form a stronger party, the Unionist, under Luis Muñoz Rivera, the desire for independence being expressed in the fifth plank of its platform. Luis Muñoz Rivera defended independence in various political campaigns and after his death in 1916 the Unionist Party, presided over by Antonio Barceló, continued to express its desire for independence until February, 1922, when the following Declaration of Principles was substituted:

"The foundation of a free country, master of her own destiny for the present and future, having always been the supreme ideal of this party, as of all worthy peoples throughout history, and as it is highly desirable for the best interests of the liberty of our country that there exist between Porto Rico and the United States of America a noble association of permanent and indestructible character, the advantages and fittingness of which can be seen from that already derived by both countries during their twenty-three years of association; and as such an association would carry its good effects outside the territorial limits of Porto Rico and the United States, serving, as it would, to sustain many hopes and banish many fears, it is resolved by the Unionist Party, here assembled, that there be created in Porto Rico a state, a nation or a community, which shall be free, associated with the United States of America, this being the consummation

of the aspirations of Porto Ricans, which will solve in an honorable, satisfactory and definite manner, a problem whose solution has been long pending as to what are to be the relations of these two nations." ²

NATIONALISM AND SOCIAL UNREST

The Nationalist Party was formed in 1922 by men from the Unionist Party, disciples of Muñoz Rivera, who advocated complete independence and opposed the above declaration. Associations known as Nationalist Associations joined in the formation of this new party, together with the Juventud Nacionalista composed of students in larger centers. These parties indicate that after a full generation of Americanization the ideal of independence is stronger than it has ever been in Porto Rico. When Spain ruled the Island no party ever advocated more than a full and complete autonomy, but now there are two parties in the Island which have independence as vital planks in their platforms.

What is the cause of this strong independence movement after thirty-two years of "the benefits of American democracy"? Does it come from the "ingratitude" of a people who do not appreciate the good which the United States has brought, or is it confined to a small circle of idealists who might be found in any nation? Finally, have the independence advocates a just cause or are their reasons based on unfounded complaints against the United States? Let us examine the program of the Nationalist Party to see what their complaints are. This party declared in 1922 and reaffirmed in 1930 the following program: ³

That the People of Porto Rico should reassume the com-

plete direction of the system of public instruction for the reason that the present plan is contrary to the natural ideals of Porto Rico and represents an endeavor to create a system of American patriotism ethnically and historically inconsistent with Porto Rican traditions.

That Spanish should be the official language of Porto Rico and that the use of any other in the schools "is an attack on Porto Rican personality and a belittling of our civilization."

The greatest protest of the People of Porto Rico is against the economic system which has grown up since American occupation. "We condemn," say the Nationalists, "the régime of exploitation to which Porto Rico is subjected, by great absentee interests, individual and corporate, which have converted Porto Rico into an immense factory and its inhabitants into miserable peasants. . . . We maintain that wealth well distributed is the best guarantee of the happiness, prosperity, liberty and independence of the people, and for this reason we condemn the administration of public finance in Porto Rico by the responsible parties in control of the government during the last 28 years, which has caused the disappearance of more than 5,000 small land owners, and the concentration of wealth in the hands of a few, the majority of whom are foreigners. . . . We denounce the latifundia and we believe, considering the smallness of Porto Rico, that the ownership of land by individuals or social or corporate interests in excess of 500 acres is an evil which requires immediate remedy and that for this reason . . . the members of the Nationalist Party will concentrate their efforts to make the ownership of land in excess of 500 acres as provided in the Organic Law punishable. . . .

"We denounce absentee ownership as one of the greatest evils which prey on the national wealth of Porto Rico. . . . We condemn the lack of consideration to which the sugar farmers are subjected by the sugar centrals, which by reason of the power which they exercise in the zones where their factories are established, impose unbearable conditions on the small farmers. . . .

"We condemn the concession of franchises which give to the large interests the exclusive management and domination of railroads, water power and wharfage without bringing greater benefits to the treasury of the nation. . . .

"We are decided partisans of the nationalization of all public service enterprises.

"We declare that banking institutions should be conducted in the interest of the public good and never to dominate the commerce of the country for the benefit of a few. We favor the development of a merchant marine able to compete with decided advantages for the economy of the country with the existing lines of steamships and passenger ships which unite us to the United States and to the Antilles."

The Nationalist Party further declares for the development of native factories to supply manufactured articles now brought from the United States; the establishment of a system of taxation which will exempt the poor from contribution and place the burden on those with high incomes; the establishment of a scientific Civil Service System; the building of decent homes for workmen; the eight-hour day and the 44-hour week; state insurance for the protection of accident, old age,

and illness; compulsory arbitration in labor conflicts; and a maternity protection act.

It can be seen from the above program that the nationalism of Porto Rico is founded principally upon dissatisfaction with the injustices done to the laborer and native farmer under the present economic system.

It is not the Nationalist Party alone that is protesting against the latifundia and absentee ownership nor is it that party alone which is advocating independence. From 1904 to 1922 the Unionist Party which was consistently the majority party had an independence plank in its platform. In 1922 that platform was temporarily withdrawn but it has since been reincorporated as one of the desires of the party. At a convention of the Party at Ponce, Porto Rico, as late as May 22, 1931, a declaration for absolute independence was adopted. The Republican, the only party which has ever consistently advocated statehood for Porto Rico, has been since 1904 such a small minority that it could never elect more than a very few of its candidates to the Porto Rican Legislature. At the convention of the Nationalist Party held in San Juan on April 11, 1930, Sr. D. Antonio Barceló, leader of the Unionist Party, who had been invited to address the convention, said: "I feel among you as if I were in my own house, because I am in the midst of those who sustain the ideal of independence of the fatherland above everything. I am one of you, I feel that I am one of you. I do not know where destiny will carry me, but wherever I go my voice and my soul will always support a nation free, sovereign and independent. . . . I prefer the liberty of my country before everything else. I prefer it although we die of hunger." ⁴

In the same convention, Dr. Victor Gutiérrez Ortiz, representing the *Allianza Portorriqueña*, the party which won the last election, said: "I have said that if I were to decide for the future of my country, that if I were called upon to point out the road for my country to follow and to determine its final status, I would vote for its independence because it is inborn in every conscientious man to desire above everything else the liberty of his homeland." ⁵

This meeting closed with the following solemn oath, taken by all of the members of the convention: "We solemnly swear that we will defend the ideal of independence and that we will sacrifice our goods, and if necessary our lives, for the independence of our country." ⁶

The campaign for independence was put into full swing by this convention. A few weeks later a group of young men belonging to the Unionist Party made an appeal to the country to defend the ideal of nationalism, and among their pleas they said: "We take advantage of this situation to appeal to the workers. Their cooperation is absolutely necessary in any work of national reconstruction and their problems require dispassionate study and a just solution. The absurd system of economic exploitation which the invader has imposed on our country by means of the tariff, the Coastwise Shipping Laws, the *latifundia* and absentee ownership, weighs directly on the working masses and condemns them to the indigence which exhausts their bodies and the servility which degrades their consciences." ⁷

The Unionist and Nationalist Parties have not stood alone in their protests against the present economic sys-

tem in Porto Rico. The great similarity of the language of the Socialist Party to that of the other parties, shows that the origins of Nationalist and Socialist are very closely allied; both spring from the common knowledge that one of the basic ills of the imperialist economic system is to be found in the startling extent of absentee ownership. Senator Santiago Iglesias, leader of the Socialist Party which has grown from nothing in 1914 to where it holds just short of a majority in each House of the Insular Legislature, in 1930, sums up the reason for the growth of his party as follows:

"The wrongs inflicted on Porto Rico cannot be removed by doles. These people do not want to be classed as 'beggars' or dependents by those who cruelly exploit them and who throw them a crumb. Untold wealth is taken from the Island by absentee landlords, who have illegally seized the people's land and driven workers into the cities and towns, where tobacco and sugar barons pay them a pauper wage for uncertain employment.

"Since the United States occupied Porto Rico, following the Spanish-American War, the Island's exports and imports total \$2,700,000,000. Two-thirds of this business and profits obtained by bankers, commerce and industries reach the United States, to be distributed and reinvested. This economic absorption together with illegal land seizures, a wage rate of 40 to 60 cents a day and the refusal of powerful individuals and corporations to pay taxes, has brought every conceivable ill to this prostrate people." ⁸

ABSENTEE OWNERSHIP AND NATIONALISM

If there is dissatisfaction in Porto Rico today suffi-

cient to justify the inclusion of an independence plank in the platform of the party which has gained every election from 1904 to 1928, it is because of the operations of absentee capital. If we seek an explanation of the great growth of the Socialist Party, it lies in the program they offer in opposition to absentee-ownership. When we go still further and ask "Why a strong Nationalist Party after a generation of Americanization?" the reason is two-fold: the conviction of a large number of Porto Ricans that the Unionist Party will not be aggressive enough in the campaign for independence, and the belief that the program of socialization preached by the Socialist Party will never be possible as long as Porto Rico is subject to the United States, since "socialism without sovereignty is nothing more than a travesty of true socialism." "

Nationalism in Porto Rico today is mainly due to the realization that General Miles' promise that the Americans had come "to bring you protection, not only to yourselves but to your property, to promote prosperity, and to bestow upon you the immunities and blessings of the liberal institutions of our Government" has never been respected by the Government of the United States nor by the Insular Government set up by the United States Congress. The bars of the American flag have become to Porto Rico the symbol of an economic prison from which there is no escape by any constitutional means. Her people are locked behind a system which has neither protected Porto Rican property, nor prosperity, but which is perpetuated by a constitution giving more protection to property than to life—a constitution which cannot be effectually attacked.

Porto Rico is small; its population is small. Compared with the United States it is weak, it is unarmed. How great is its anguish, may be judged from the words of the leader of the Nationalist Party when he said: "If they do not hear us, if they pay no attention to us, if they continue to maltreat us, then we must recur to arms, and I wish to remind you that a people which loves and knows how to defend its independence cannot be enslaved!"¹⁰

CHAPTER X

PORTO RICO TODAY

"Only a scrupulously unselfish policy—inaugurated soon—on the part of the United States is likely to induce the Porto Rican people, as distinguished from their politicians, to remain loyal at heart to the United States."—LUIS MUÑOZ MARÍN

"We found the people of Porto Rico poor and distressed without hope for the future, ignorant, poverty-stricken, and diseased, not knowing what constituted a free and democratic government, and without the experience of having participated in any government. We have progressed in the relief of poverty and distress, in the eradication of disease, and have attempted, with some success, to inculcate in the inhabitants the basic ideas of a free democratic government. . . . We have now progressed to the point where discouragement is replaced by hope, and while only 30 years ago one was indeed an optimist to see anything promising in Porto Rico, to-day one is indeed a pessimist who can see any reasonable human ambition beyond the horizon of its people."—CALVIN COOLIDGE (1928)

AFTER thirty-two years of American occupation, what is a fair judgment of conditions in Porto Rico? This question, like all others, can be answered in more than one way, but anyone who wishes to face the truth of the situation must recognize that the progress made in certain lines has been astounding. No country ever started nearer the bottom than Porto Rico did and few, if any,

have ever set about climbing in any more determined manner. No praise is too flattering to the men who have contributed to the growth of the Island, and yet they have struggled against odds that were too great. The problems that still face them are the ones that faced them a generation ago. Let us review the progress that has been made and see what is yet to be done.

ECONOMIC PROGRESS

Among the most prominent changes that have occurred are those in the realm of economics. We have seen that fruit growing sprang from nothing in 1898 to occupy the third place in value of the agricultural exports in recent years. It promises to make even greater progress in the future. This crop is more nearly dominated by local men than any other important agricultural industry, but still the percentage of absentee ownership is large, and will probably increase. It should not be inferred, however, that native Porto Ricans are not active in this field. Some of the larger fruit estates are owned and managed by Porto Ricans.

Tobacco has likewise experienced a phenomenal growth. About one per cent of the cultivated area was in tobacco in 1898 and today the percentage is more than five. In value the increase has been even greater, cigars gaining more than ten times in value and other classes of tobacco as much as 20 times. Today it is the second industry in importance, being surpassed only by sugar.

The sugar industry has grown from a secondary industry to occupy a preeminent place in the country's economic life. It furnishes more than half of the exports and at least half, if not more, of the wealth is due

to this one business alone. Occupying but 15 per cent of the cultivated area at the time of American occupation, it today claims more than 44 per cent of all the land in cultivation. The entire crop was slightly more than 72,000 tons in 1898 and in 1930 amounted to more than 860,000 tons. The science of cultivation improved along with the acreage as is shown in the fact that during this period the acreage increased less than four times while the tonnage reached an amount some 12 times greater than its total in 1898.

Other industries have likewise shown amazing progress. The needlework industry, famous for its quality but not for its quantity in 1898, reversed this and by 1929 showed an export trade of approximately \$15,000,000. The total export trade, made up in the main of the four industries just named, grew from less than \$5,000,000 gold in the last year before American occupation to more than \$100,000,000 in 1928. The apparent trade balance has been in favor of Porto Rican products almost continuously in the last 32 years, becoming adverse only when some unusual upset like the hurricane of 1928 struck the Island.



THE FICTITIOUS FAVORABLE TRADE BALANCE

But this favorable trade balance has long been proclaimed the "joker in the deck" by the Islanders. Nor have Porto Ricans been mistaken in their judgment of this seeming advantage. In 1928 the apparent excess in favor of the Island was more than \$14,000,000. This includes the excess of exports over imports, gifts and contributions to the Island, Federal expenditures and advertising. That this was a false balance may be seen, never-

theless, in casting up the items resulting in a net outgo from Porto Rico. Freight payments to steamship companies and marine insurance, commissions collected by outside houses, remittances to Porto Ricans abroad, tourist expenses, other types of insurance, motion picture royalties, lottery tickets bought in the lotteries of Spain, Santo Domingo and other nations, interest, dividends, rents and miscellaneous items amounted to more than \$25,000,000, leaving a net deficiency for all trade and service operations of something over \$10,000,000. What customarily seems to be a permanent net income for the Island is really a net outgo.¹

How is this net deficiency met? In the same year Porto Rican holdings abroad in outside government obligations, corporation securities, real estate, mortgages, deposits in foreign banks and commercial credits all decreased by several million dollars and these, taken with the increases in loans from abroad, outside holdings of securities issued by the Insular and Municipal governments, increased mortgages held by absentees, and additional real estate passing into the hands of outsiders were used to balance the deficit.² In other words each year shows a net deficit of several million dollars which has been met so far by handing over Porto Rico, bit by bit, to the absentee.

One prominent Porto Rican writer has likened this favorable trade balance to a burglarized house, where the exports exceed the imports,³ and the feeling of Porto Ricans is well expressed in the words of the same author who speaks of the income of the leading American sugar companies and says: "Profit has been known to surpass 100 per cent per annum, and a very large share of it leaves the Island never to return. That is the secret glory of

the colonialists. And even this ghastly spectacle of wealth drained from a starving population into the richest country on earth is sanctimoniously entitled in the official reports 'A Favorable Trade Balance.' ” 4

WEALTH AND REVENUES

It is only natural that the total wealth should have grown in keeping with progress in the chief industries. In 1898 the entire wealth was at no time estimated at more than \$100,000,000, whereas a recent reliable report placed the total at \$650,000,000.

Of interest also, and complimentary to the people of Porto Rico, is the amount of revenue the government receives from the total wealth. Previous to 1898 this revenue was something less than 8,000,000 pesos (about \$5,000,000 gold) a year for Insular, Provincial and Municipal Governments. The Insular revenue was less than 4,000,000 pesos (around \$2,500,000 gold) yearly. We have already observed that almost one-half of the Insular revenue was used for the expenses of the Colonial Ministry and the Departments of War and Navy and that such very necessary items as education and health were insignificant. Nothing could be more complete than the reversal in the use of public money in the last generation. In 1898 about 6 per cent was used for sanitation and health, whereas in 1928 some 11.34 per cent was so used. In the field of education the disparity is even greater. About 4 1/2 per cent of the revenues were spent for education in the last year of Spanish rule and in 1928 education claimed 38.81 per cent of the operating expense of the Insular Government. Nothing could more eloquently express the interest of the Porto Ricans in progress than

this expenditure for public education. Nor are these expenditures such a burden on the people today as they formerly were. The revenues collected in 1898 represented about one-twelfth of the insular wealth, but in 1928 the total revenue of both Insular and Municipal Governments was only one-seventeenth.

SOCIAL AND EDUCATIONAL PROGRESS

Let us turn now to what social improvements have been made with this vast new wealth and revenue. Not the least of these improvements has come in the realm of road building. It has already been pointed out that Porto Rico possessed 275 kilometres of unexcelled hard-surface roads. This proved to be wholly insufficient, however, and most of the roads were full of mud holes "where oxen have fallen in and perished."⁵ There are few countries which can match the road building achievements of the Porto Ricans in the last generation. Unaided they have built more than 1,500 kilometres of hard-surface roads in regions which would defy a mountain goat. This class of roads has increased more than five times and is now something like 1,800 kilometres (about 1,200 miles). In addition, there are hundreds of miles of graded roads quite passable for automobiles even in rainy weather. Public health, too, has engaged the interest of Porto Rican statesmen. Attention has just been called to the expenditures, equal to more than 11 per cent of the budget, for this purpose. As a result, the death rate was lowered from an average of 30 per thousand for the period from 1888 to 1898 to about 23 per thousand for the ten year period ending with 1930.

But it is in the field of education that we find the most

decided progress and the greatest efforts. It has just been shown that the expenditures increased to where they claim more than 38 per cent of the Insular budget. That such efforts have not been in vain may be seen from a few facts concerning the remarkable progress made in this field. Illiteracy has decreased from around 80 per cent to something less than 50. The number of schools increased from 560⁶ to 2,238. The total registration of pupils was less than 30,000 in 1898 and by 1929 had increased to 230,000. Some seven times as many teachers are giving instruction today as in 1898.⁷ At the top of the system is a well-organized university with Colleges of Liberal Arts, Education, Law, Pharmacy, Business Administration, Agriculture, and Engineering. There is also a School of Tropical Medicine sponsored by Columbia University. The budget of the University alone is more than three times the amount spent on all education a generation ago. Indeed, the educational progress of Porto Rico under American rule has been such as to make Americans proud of their share in it.

THE SHARE OF THE UNITED STATES IN PORTO RICO'S PROGRESS

But what *is* the American share in Porto Rican progress? There are some who point to every forward step as the work of the United States. Let us look at the contributions we have made to the building of roads, schools and better health conditions.

Hundreds of American teachers have gone to Porto Rico to teach English, but they were paid with Porto Rican dollars. None of this came out of the public purse of the United States. Their salaries, along with the other

expense attached to English instruction, have been a crushing burden on the slender resources of the Island. Why spend millions of dollars to teach English to people who were 80 per cent illiterate, in preference to teaching them their own language? Why teach them English when the majority live and die within twenty miles of the ocean and never see it? Why teach them English when they are ragged, hungry, unskilled and might better have learned a trade or been taught something of scientific agriculture? The last thing that the Porto Rican masses needed was English. The last financial burden the Insular budget should have had imposed on it was the millions that have been spent teaching this language which is so utterly useless to the majority. And to the teaching of English the American Government has never contributed one penny. Only to the College of Agriculture have we given financial assistance. The progress made in Insular education is something of which to be proud, but Americans can have small share in this pride. Almost our sole contribution has been the unnecessary and almost useless financial outlay imposed on the people of Porto Rico to learn a foreign language before they knew how to earn a decent living. But in spite of the burden placed on the Insular and Municipal Governments for education there are almost 300,000 children for whom there are no school facilities.*

The cold facts of the case are that the United States Government has never interested itself in the educational problem. Once Congress had given Porto Rico a form of government, a less liberal form of government than it had in 1898, it followed its customary course of forgetting. The struggle to educate the people would have been

difficult enough with help and without obstacles; it has been impossible without help and with obstacles.

In the field of public health we have been equally as liberal. Outside of a meager amount of work carried on by the Army, there has never been any serious effort to stamp out the atrocious health conditions described in the first chapter of this book. Conditions today can be depicted in just about the same language as in 1898. Diphtheria has been increasing constantly since 1915, while in the United States it has decreased 95 per cent since 1900. Typhoid tells a similar story. The last 30 years have seen the death rate from this cause fall from 34 to 4.9 per thousand in the United States, whereas it has grown steadily in Porto Rico and in 1928 reached the "highest rate of mortality recorded," 24.76 per thousand.⁹

The death rate from tuberculosis is likewise growing from year to year. Between 1915 and 1928 it went from 175 per thousand to more than 237, and in the latter year caused 12 per cent of all deaths.¹⁰ Since 1900 the same disease has dropped from a mortality rate of 194 per thousand to 79 per thousand in the United States. The dreaded hook-worm disease has still the preferred place among the causes of sickness, and though thousands are cured each year the poor cannot afford the necessary shoes to protect them from re-infection.

When we come to our participation in road building we find a record wholly devoid of anything to which the continental American can point with his accustomed pride. If no one had done more to improve roads than the Government of the United States, the roads "where oxen have fallen in and perished" would still exist as they were, except for the possible deepening of the holes. Up

to the hurricane of 1928, the United States Government had "never contributed one cent for road building in Porto Rico."¹¹ All of the more than 1,200 miles of hard-surface roads have been built by Porto Rican initiative and with Porto Rican money. Congress recently took its first step to help in this work when it appropriated \$1,000,000 for repairing roads damaged by the hurricane and to asphalt roads previously macadamized. There are sections of the country which are still poorly developed for lack of roads, but none of the Federal aid given to the States for road building applies to Porto Rico. In this problem, as in others, the Island is fighting her battles alone.

PENETRATION OF FOREIGN CAPITAL.

But where the American Government has been neglectful, American capital has not. In every branch of Porto Rican business, American corporations have steadily absorbed the interest once belonging to Spaniards or natives. The sugar industry, tobacco manufacturing, fruit growing, banks, railroads, public utilities, steamship lines and many lesser businesses are partially or completely dominated by outside capital.

In the discussion of the sugar industry we have seen how thoroughly this penetration has taken place. The growing of sugar has come to be the most important industry of the Island, and is responsible for more than half the total wealth. Approximately 60 per cent of the crop is ground by American and other absentee companies. Sugar cane growing has absorbed about all of the fertile valley land, and the absentee companies dominate the four chief sugar cane sections. More than 100,000 acres

of the most fertile soil are the property of men who seldom or never see the Island and who have no interest in it except to make it pay dividends.

The assets of four of the principal companies, all American companies owned by men who for the most part dwell outside Porto Rico, were more than \$63,000,000 in 1928. These properties have paid dividends over long periods sufficient to replace their original investment many times over. From 10 to 30 per cent per annum is the rule and dividends exceeding 100 per cent a year have been known.

EVASION OF TAXATION

An examination of the taxes paid on their holdings show them to be at most half and sometimes not even one-fourth of the true value. If the value of all the sugar land in Porto Rico were set in the usual way, by counting each acre of land as worth \$10 for each ton of sugar cane produced, the total would have been something like \$75,000,000 in 1930. The assessment is some \$45,000,000. If we capitalize the net income of some of the chief sugar companies at 10 per cent we find that they are not paying taxes on even half their full value. In 1928, the Aguirre Sugar Company was assessed at less than \$4,500,000 and its net income capitalized at 10 per cent was more than \$27,000,000! This is only an example of the general under-assessment of vested interests. High profits and low assessments have not inspired these companies to be liberal with Porto Rico or the Porto Ricans. The colono, the farmer who grows cane, is receiving his substance from the little end of the funnel. He gets less than 65 per cent of the sugar from his cane, but has to pay ap-

proximately 80 to 89 per cent of the cost of production. The cost of financing his crop, the low return he receives, the disadvantage in which he finds himself compared with the owners of the sugar manufacturing Centrals is tending to drive him out of his farm and make of him a day laborer. The result is that his land is passing into the hands of a few large corporations in opposition to the Organic Law of Porto Rico which forbids corporate ownership of land in excess of 500 acres. The Congress of the United States which passed this provision and placed it in the Organic Law of Porto Rico has never bothered to make it effective. The men who own the sugar companies control both the Bureau of Insular Affairs and the Legislature of Porto Rico, as was shown in the chapter on the sugar industry.

THE PROFIT TO THE ABSENTEE

The effect of this land concentration has been disastrous to agricultural economy. While sugar acreage was increasing almost four times, crops devoted to food were declining to about two-thirds their former acreage. The result is that Porto Rico has only one acre of food crops today for every 15 people, whereas only 30 years ago she had an acre for every six people. The growth of the sugar industry has no doubt given the country a money crop of great value, but it is money in which the Islanders share in only a limited way. The colono does not receive his portion of the sugar, the Government does not collect its just share of the profits, and finally the Porto Rican laborer is not paid a decent living wage. After 30 years of sugar economy, during which time millions have been

made from Porto Rican soil, Porto Rico is facing the fact that sugar has not paid.

Though to a lesser degree, because the volume of business is smaller, the same thing is true of other industries. Tobacco may have paid the grower a little better return, but it is the absentee capitalist who has made the real profit. The laborer in the tobacco field and the tobacco factory receives a miserable wage which is just at the subsistence level. The machine has driven the men out and most of the work is done by women and girls who have thus had to become the support of men who have no work to do.

The case of fruit is somewhat different. This crop is owned more largely by residents who live on the land and market their own product. Sugar and tobacco have paid the manufacturer; fruit has paid the owner; but none of them has paid the laborer! He receives a little better wage on the fruit farm but seldom does this exceed \$200 a year—not even one-tenth the average annual income of his fellow citizen of the Continental United States!

Nor is this monopolization confined to the agricultural products. It is carried into every branch of business. Practically every mile of public carrier railroad in the Island belongs to two companies—the Ponce and Guayama and the American Railroad Company, which are largely absentee owned. Much more than half and probably more than two-thirds of all the private roads carrying cane are the property of the absentee sugar companies. The public utility service is likewise the property of those who for the main part live outside Porto Rico. Every trolley ride taken by a Porto Rican pays a tribute to a foreign owner, and about half the towns depen-

on absentee companies for their lights and power, and more than half the telephone calls go over wires owned by outsiders. Everything marketed comes from abroad. If there are places in the world more dependent on absentees, they surely buy 100 per cent of what they have from others. Anything short of this will not equal Porto Rico.

What is the effect of this utter dependence on the absentee has already been told. In the first place, everything is brought in a highly protected market. Porto Rico has two choices: she can buy from the United States and pay no duty or she can buy in foreign markets and pay the same duty placed on these goods when they enter the United States. In some cases both these things are done since inadequate shipping lines compel Porto Rican merchants to buy from American jobbers merchandise previously bought from abroad. But the result is the same to the Island consumer: he is buying in the dearest market in the world, or he pays such a high tariff that the resulting price is many times what it would otherwise be. The price of rice, his chief food, is more than doubled. Beans, potatoes, bread—in fact everything he eats—cost him twice what they would in the cheapest market. And this same tariff, while apparently protecting him, is rendering him every day more subservient to the absentee interests.

LABOR AND LIVING CONDITIONS

The native is forced to work for a wage far below his needs. The unemployment situation, like that of many other countries, is a temporary problem that has become permanent. Starting in 1899 with only 17 per cent un-

employed, Porto Rico has made such startling progress in this line that she had 36 per cent unemployed in 1929. What is more natural than that the American business firms controlling industry should have taken advantage of this condition to keep wages down? It is just good business! But this good business for the owner has driven the wage down to where the day laborer is compelled to work 33 days to supply himself with rice today, as against 25 in 1898. He spends more than 20 days for flour now, whereas only 10 were formerly necessary, and for his dry vegetables the number of days work rose from three and a half to more than 13. Altogether he must today spend 104 days working to buy imported foods that once cost him only 70 days work!

We have also seen that the Porto Rican must spend a much larger portion of his income for food than the worker in the United States. He even uses more of his income for food than the Oriental laborer does, about 94 per cent being so spent, as compared with only 90 per cent in the Far East. And what seems more incredible, he pays in actual money more for the same foods than the New York City laborer! By actual test 17 articles comprising 65 per cent of the food used by the Porto Rican *jibaro* cost from eight to 14 per cent more than the same articles in New York City. What can be the standard of living of a laborer who earns 80 cents a day and must pay more for food than the man who earns from \$4.00 to \$10.00? There is no need to answer this question again. His living conditions, his food, his diseases and his death rate, twice that of the United States, are sufficiently eloquent testimony.

WHY THE UNITED STATES HAS FAILED IN PORTO RICO

What is the real reason for such conditions a generation after the United States annexed Porto Rico "to give . . . the advantages and blessings of enlightened civilization"? Have we designedly and maliciously consigned this small portion of our empire to an economic prison? To what extent are the conditions the fault of the United States, and to what extent are they inherited evils of imperialism not yet eradicated, but soon to succumb to our benevolent Government? Naturally those who attempt to answer these questions will arrive at different answers. The average Continental American will immediately say that Porto Rico's troubles are vestiges of the evil and incompetent Spanish régime. The patriotic Porto Rican nationalist believes just as firmly that the breeze which unfurled the stars and stripes was an evil breath which has since that time cursed the Island. Neither of these opinions can be entirely correct. Not everything in Porto Rico in 1898 was bad nor was it all good; not everything today is wholly good, nor yet all bad. But for some reason the distress of Porto Rico augments instead of diminishing. Is it possible to say why?

Porto Rico's troubles, like all similar ones, had their beginnings centuries ago. The motives for settlement and colonization lay in that exaggerated mercantilism which pervaded the economic thought of the time. As has been said time and again, colonies were for profit. Spain, like her contemporaries, never considered the best interests of her colonies where these were not the best interests of Spain. There is no wish to throw any more stones at the unjustly maligned Spanish Colonial Policy;

but the inevitable conclusion is that Porto Rico was a sadly neglected little Island during most of its existence. The same statement can be made of Martinique, belonging to France, or of Jamaica, belonging to England. This neglect kept Porto Rico in bad condition, and it was in such condition when it fell into the willing lap of Uncle Sam. Why it is still in about the same condition is a question that should be of interest to every American and a true answer might do something to rectify our present policy of "muddling along" with our possessions.

Primarily, there is the fact that there is much room for difference about what Americans of thirty years and more ago meant by "enlightened civilization." There was a sublime faith in "American institutions" which was never adequately clarified. Going into Porto Rico with such a promise did not carry much that was definite in the way of economic and social responsibility. The promise was meant to express a determination to grant political rights to which the Porto Ricans had been strangers until a short time before. These political rights were to solve all the troubles of the Island just as, it was taken for granted, they had solved those of Continental United States. Political rights were the one and only remedy which American civilization had to offer for all problems. And from this conception of our mission came a multiplication of troubles for us and for Porto Rico. We have never met the problem face to face and decided which road leads to a solution. The injunction of President McKinley to the first governor to "prepare them for statehood as rapidly as possible" was in the mind of the United States the only solution needed. Once they had statehood they would automatically become a 49th section of paradise!

Failing to concieve the problem in its true magnitude, there was never any extensive effort to find out just what was needed. There was no diagnosis. We had a remedy which we intended to apply, and apply it we did without finding out in advance whether it were applicable, and without going back to the patient to see how it had succeeded. It is significant that thirty years elapsed after American possession before a real effort was made to prescribe remedies that applied to specific ills, and that effort was made by a private research institution, not by the Government itself. Officially, the United States has been doctoring its patient for thirty-two years without counting the pulse or taking the temperature. The first reason we can assign, then, for American failure to remedy bad conditions is the failure to diagnose the trouble and to meet the issue squarely once the trouble was known.

The second is a peculiar mixture of "laissez-faire" and mercantilism of the twentieth century type. We are great worshippers of "give business a free rein" and of "rugged individualism." We seem to believe honestly that all a man needs is a chance, to become a president or a Henry Ford, regardless of the fact that we have only one president at a time and only one Henry Ford. While hundreds of millions live long lives without aspiring to the presidency, or live on the border line of want, we continue to believe in this doctrine. It was this "give Porto Rico a chance" spirit which went into half of the mixture spoken of above. The other half was our present day type of mercantilism. Not full regulation, but partial. We formed a government which was supposedly a wise compound of Island and American officials. The tariff laws were made to apply to Porto Rico, but many other ques-

tions, including the application of the constitution were left undecided. A provision was put into the Organic Law saying that no corporation was to hold more than 500 acres of land, but Congress never made any move to enforce it. Today it stands as a barrier to legal ownership of more than this amount and at the same time serves to allow corporations to mask their real holdings and dodge taxation. This is just one case of Congressional dealings with Porto Rico, alternately paternal and forgetful. It was decided that Porto Rico should enjoy the "advantage" of the Coastwise Shipping Laws, but it has never been decided what body shall see to their proper enforcement as regards Porto Rico. Today the shipping lines serving Porto Rico are not subject to laws of Porto Rico nor are they under the jurisdiction of any Federal body.

Again there is the problem, often discussed and easy to over-emphasize, of incompatibility of race and difference of values. Let us look at the subject broached above of what was promised to Porto Rico when "enlightened civilization" was offered. Obviously, judging from the last 32 years this was wholly political in nature. Yet the bitterest complaint against us today is not on political grounds; nor are the main problems political. It is the economic and social condition which draws the shafts of critics, and these are the ones most in need of solving. When President Coolidge said that we had never made a promise that had not been more than fulfilled, he spoke of political promises. The difference is even more strange because the Porto Rican is normally more politically inclined than the American and more political than economic. The two nations began by misunderstanding the

first message from the United States. This is true in dozens of cases: in the case of the schools, only two sets of figures are necessary to prove to the American that education is an enormous success in Porto Rico—the number of pupils in 1898 and in 1931. But these prove nothing to the Porto Rican mind. If all the new teachers and new buildings have turned out no men like De Hostos and Muñoz Rivera, then what of it? The Porto Rican is no number worshipper. His sense of values is not the same. It has been pointed out that what is progress to one is stagnation to the other—terms used are not interchangeable. The American points to the great growth of trade and the increase in wealth, but the Porto Rican says that all this means nothing to the illiterate, hookworm-infested *jibaro*. The third failure, and this is equally a Porto Rican and an American failure, is that of finding a common ground of agreement.

Probably this is all caused by the inability of our system of Government to adjust itself rapidly to an unlooked for situation. Too bulky to be moved suddenly, it found itself wholly at a loss when several colonial problems, not contemplated by the Constitutional Fathers, were presented. The only previous experience pointed to all territory as potential states, and this is the category into which Porto Rico definitely did not fit. But the American Government did not recognize this. The mold was made and Porto Rico was poured in. No account was taken of the fact that Porto Rico was a pretty well set entity already, and that it would not be remolded over night to fit snugly into even such a melting pot as the United States. And yet, until Porto Rico did become assimilated, it was to be a sort of legitimate ground for "American

interests." It was definitely not American but "foreign" until the time for statehood arrived. That such was the case is well illustrated in the words of the Congressman cited in the discussion of tariff who considered American interests to be "American investments." The American system has no room for territory that is not a state; there is always a very distinct line between any such territory and the United States proper, and Porto Rico is on the other side of the line. Her best interest can no more be considered by the United States than by Spain. As long as there are Continental Americans owning millions of dollars in property in Porto Rico, "Porto Rico" and "American investments" will have an indistinguishable sound to the ears of American rulers. This is simply a statement of a human fact which has, does and probably will continue to make Porto Rico an unassimilated part of the American system. Until human nature undergoes a radical change, it will be impossible for the United States to consider the problems of Porto Rico unselfishly. The fourth reason for American failure is our inability to consider the problems of Porto Rico as the Island sees them and to do, in the large way which we could, what Porto Rico would do for herself.

And have we not found the fundamental difficulty with any type of foreign rule? Is this not the problem of all imperialism, whether benevolent or not? Are we to look back over the colonial history of France, England, Spain and United States and pronounce their failures due to deliberate mistreatment of their subjects, or are we to recognize them as due to the common human failure of selfishness? England lost the United States and finally came to the knowledge that she could not hold even her

English-speaking offspring if she did not give them the full right to make their own mistakes. Spain never learned this—her colonies were all lost eventually. Is any type of government sufficiently flexible and unselfish to be "colonial"? The problem of the United States in Porto Rico, in the opinion of the authors, resolves itself into one question: can we govern the Island for its own best interests? As long as the United States Government has the ultimate word in policies, the Island will be governed for the good of those interests considered "American." Porto Rico is at once the perfect example of what economic imperialism does for a country and of the attitude of the imperialist towards that country. Ragged, hungry, diseased and dispossessed Porto Rico has just been examined by the President of the United States and has been given his official approval. Its land owned by absentee capital; its political rights resting in the hands of the United States Government; its people in the depths of deprivation, it has been told to help itself. That is the "remedy" which the President prescribes—imperialism's answer to problems of its own creation! No solution further than a policy followed for the last thirty-three years—a policy which has not solved Porto Rico's problems. Porto Rico can hope for no relief under the existing system. This is well proved in the fact that the President of the United States visited Porto Rico and "saw that it was good."

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6 (Page 13). Mixer, *op. cit.*, Chapters II, III and IV; Enamorado, *op. cit.*, pp. 25-37; Abbad, *op. cit.*; Ober, *op. cit.*, Chapters IX, X, XI, XV; Alejandro Tapia y Rivera, *Biblioteca Histórica de Puerto Rico*; Eves, *op. cit.*, Chapter XXII; Fiske, *op. cit.*, Chapter XVI; Verrill, *op. cit.*, Chapter I; Brau, *op. cit.*; H. C. Towner, "Government House, Porto Rico," *Pan American Magazine*, Vol. XXI, pp. 39-41.

CHAPTER II

1 (Page 19). *Congressional Record*, 70th Congress, 1st. Session, Vol. LXIX, No. 97, p. 6584.

2 (Page 20). *Ibid.*, p. 6583.

3 (Page 20). *Ibid.*, p. 6571.

4 (Page 21). *Census of Porto Rico*, 1899, p. 352.

Farm Areas Cuerdas (Acres)

Number of Farms	39,021
Total area	1,757,774
Cultivated	477,987 *
Large timber	141,803
Small "	161,313

* This total does not correspond with the total given in footnote 6.

5 (Page 21). The following figures are compiled from *Census*, 1899, p. 356:

Coffee	197,031	41.2	percent of total
Sugar Cane	72,146	15.1	" " "
Bananas	69,380	14.5	" " "
Sweet potatoes	37,109	7.8	" " "
Indian Corn	18,093	3.8	" " "
Malangas	12,256	2.6	" " "
Rice	8,667	1.8	" " "
Tobacco	5,963	1.2	" " "
Coconuts	5,447	1.1	" " "
Yams	2,098	0.4	" " "

6 (Page 22). *Ibid.*, p. 18.

The following figures are from *Census*, 1899, p. 354 and 355.

Size of Farms

Total farms	39,021
0-4 cuerdas (acres)	22,327
5-9 " "	7,417
10-19 " "	4,503
20-49 " "	2,929
50-99 " "	994
100 and over "	851

Size of Farms—Cultivated area

0-4 cuerdas (acres)	50,374
5-9 " "	48,875
10-19 " "	58,760
20-49 " "	83,783
50-99 " "	64,942
100 and over "	171,392

478,026

7 (Page). Henry K. Carroll, *Report on the Island of Porto Rico* (G.P.O., 1899), p. 152.

8 (Page 23). *Ibid.*, p. 254.

- 9 (Page 23). *Ibid.*, p. 20.
 10 (Page 23). *Ibid.*, p. 542.
 11 (Page 23). *Ibid.*, p. 555.
 12 (Page 25). *Ibid.*, pp. 352, 398, 366, 388.

The imports and duties paid in 1897 are given in Carroll, *op. cit.*, p. 152, as follows:

	Value pesos	Duty pesos
I. Stones, earth, minerals, etc.	691,824	69,772
II. Metals and manufactures	675,747	124,431
III. Chemicals, etc.	651,947	66,696
IV. Cotton and Manufactures	2,540,293	180,724
V. Vegetable fibers and Manufactures	512,094	66,389
VI. Wool and Manufactures	128,464	12,661
VII. Silk and Manufactures	50,581	5,871
VIII. Wood	368,211	22,449
IX. Paper	818,952	78,176
X. Animals and animal products	1,196,377	28,046
XI. Machinery, etc.	401,156	31,739
XII. Food Stuffs	8,984,808	1,750,856
XIII. Miscellaneous	189,557	27,185
Special imports	648,044	12,960
Total	17,858,963	2,841,962

13 (Page 25). Cayetano Coll y Toste, *Reseña del estado social, económica industrial de la Isla de Puerto Rico al tomar posesion de ella los Estados Unidos*, p. 370. This author also states that there were only 497 schools (p. 6); *The Census of Porto Rico, 1899*, gives the number of schools as 466 (p. 281).

14 (Page 25). Coll y Toste gives the number of pupils as 22,265 (p. 6); *Census of Porto Rico, 1899*, shows 27,118 (p. 281).

15 (Page 25). Knowlton Mixer, *Porto Rico; History and Conditions. Social, Economic and Political*, p. 287.

16 (Page 25). Coll y Toste, *op. cit.*, p. 7.

17 (Page 25). Carroll, *op. cit.*, p. 646.

18 (Page 25). *Ibid.*, p. 616.

19 (Page 26). Coll y Toste, *op. cit.*, p. 7.

20 (Page 26). Mixer, *op. cit.*, p. 287.

21 (Page 27). Carroll, *op. cit.*, p. 159.

22 (Page 27). *Ibid.*, p. 162.

23 (Page 29). *Ibid.*, p. 206.

24 (Page 29). *Ibid.*, p. 206.

25 (Page 29). *Ibid.*, p. 209.

26 (Page 30). *Census of Porto Rico, 1899*, p. 113.

27 (Page 30). *Ibid.*, p. 375.

28 (Page 31). Just how this would have worked out in actual practice is subject to some doubt. A Dispatch, Woodford to Sherman, February 4, 1898, says concerning the commercial treaty then in negotiation between the United States, Spain and Cuba: "I find that the general political and mercantile opinion in Madrid is that under the 37th article of the Royal Decree of the 25th of November last, granting autonomy to Cuba, the making of the treaty is to be the act of Spain and that the Insular and Autonomic Government of Cuba can only suggest the proposed treaty, so far as Cuba is concerned, while the actual making of the treaty is to be under the control of Spain." The same conditions would have been applicable to Porto Rico since the form of government granted was identical.

29 (Page 31). Article 39 of the Autonomy Charter of Porto Rico. Printed in full in the *Register of Porto Rico*, 1926, p. 192.

30 (Page 32). Autonomy Charter, Title IX, Additional Articles, Article 2.

31 (Page 32). *Ibid.*, Article 21; cf. *New Constitution Establishing Self-Government in . . . Cuba and Porto Rico* (published at office of "Cuba," New York, 1898); Rowe, *op. cit.*, Chapter II.

32 (Page 32). Fiske, *op. cit.*, Chapter XXVII; Richard Harding Davis, *The Cuban and Porto Rican Campaigns*, Chapter VIII; Rowe, *op. cit.*, Chapter I.

33 (Page 32). Regis H. Post, "What's Wrong in Porto Rico," *World's Work*, Vol. XLIII, pp. 261-267.

CHAPTER III

1 (Page 33). For accounts of the Military Government see: Mixer, *op. cit.*, pp. 64-68; Brig. Gen. Davis, *op. cit.*; Rowe, *op. cit.*, Chapter VI.

2 (Page 34). The Treaty is published in full in the *Register of Porto Rico*, 1926, pp. 200-207.

3 (Page 35). Mixer, *op. cit.*, pp. 68-88; Enamorado, *op. cit.*, pp. 63-69; Rowe, *op. cit.*, Chapters VII-XV, inclusive; for the text of the Act see the *Register of Porto Rico*, 1926, pp. 208-224.

4 (Page 36). Post, *op. cit.*, pp. 261-267.

5 (Page 39). *Ibid.*

6 (Page 40). Enamorado, *op. cit.*, pp. 69-70 and 137-146; Mixer, *op. cit.*, pp. 88-105; full text in the *Register of Porto Rico*, 1926, pp. 225-253; Arnold G. Dana, *Porto Rico's Case*; A. Barceló, *In Defense of Porto Rico*; A. Barceló, "American Rule in Porto Rico, 1899-1924," *Current History*, Vol. XXI, pp. 511-517; J. Bagué, "Porto Rico: An Interesting Experiment," *Bulletin of the Pan-American Union*, Vol. LVIII, pp. 662-645; H. Hull, "Porto Rico: Our Caribbean State," *Bankers Magazine*, Vol. CXVII, pp. 677-688, cf. Vol. CXVIII, pp. 247-250 and Vol. CXVII, pp. 840-842; C. D. Appleton, "A Study in Colonial Courtesies," *Review of Reviews*, Vol. LXXII, pp. 301-307; G. L. Harding, "Porto Rico's Shining Example," *Current History*, Vol. XXI, pp. 864-65; C. Coll y Cuchi,

"American Rule in Porto Rico," *Living Age*, Vol. CCCXIV, pp. 262-266; S. Baxter, "Porto Rico under the Stars and Stripes," *Review of Reviews*, Vol. LXVII, pp. 497-506; J. Enamorado Cuesta, "Porto Rico after 24 Years of American Rule," *Current History*, Vol. XVIII, pp. 141-145; H. P. Krippene, "Porto Rico's Playful Politics," *Current History*, Vol. XV, pp. 610-615; "Porto Rico as a Part of the United States," *Current History*, Vol. XXVIII, pp. 263-276; M. M. Coates, "What's the Matter in Porto Rico," *Current History*, Vol. XVI, pp. 108-114; See a reply to this article by C. W. St. John, in *Current History*, Vol. XVI, pp. 650-651; L. Cuban, "Porto Rican View of American Control," *Current History*, Vol. XXXI, pp. 1158-1163; A. Warner, "Pot and Kettle in Porto Rico," *The Nation*, Vol. CXVI, pp. 117-118; M. Reed, "Politics and Porto Rico," *The Nation*, Vol. CXIV, pp. 131-132; W. Chamberlain, "Porto Rico Asks for Self-Government and a Chance to Help," *The Outlook*, Vol. CXLII, pp. 646-648; "I Accuse; in Porto Rico," *The Nation*, Vol. CXV, pp. 236-237; H. K. Norton, "American Imperialism in Porto Rico," *World's Work*, Vol. LI, pp. 217-218; E. K. Van Deusen, "Plight of the Porto Rican Schools after the Hurricane," *Current History*, Vol. XXIX, pp. 434-440; Van Deusen, "Porto Rican Hurricane," *Review of Reviews*, Vol. LXXVIII, pp. 480-486; José S. Alegria, *Pancho Ibero (Problemas Políticos y Económicos de Puerto Rico)*; the following articles by Luis Muñoz-Marín are among the best from the viewpoint of Porto Rico: "Ninety-Eight Percent American in Porto Rico," *New Republic*, Vol. XXIX, pp. 151-153; "Porto Rico: The American Colony," *The Nation*, Vol. CXX, pp. 379-382; "Sad Case of Porto Rico," *American Mercury*, Vol. XVI, pp. 136-141; "What Next in Porto Rico," *The Nation*, Vol. CXXIX, pp. 608-609.

CHAPTER IV

- 1 (Page 45). *Census of Porto Rico, 1899*, p. 152; *Report of the Governor of Porto Rico, 1929*, p. 234.
- 2 (Page 45). *Report of Brigadier-General George W. Davis (1900); Porto Rico Progress*, XXXVIII, No. 29 (July 17, 1930).
- 3 (Page 46). *Census of Porto Rico, 1899*, p. 356; *Governor's Report, 1929*, shows 251,018 acres.
- 4 (Page 46). *Moody's Industrials, 1929*, p. 248; *Manual of Sugar Companies, 1930*, Farr and Company, p. 57.
- 5 (Page 47). *Ibid.*, 1929; *Ibid.*, p. 28.
- 6 (Page 48). *Manual of Sugar Companies, 1930*, Farr and Company, p. 28.
- 7 (Page 48). Information furnished by Treasurer of Porto Rico.
- 8 (Page 48). *Ibid.*
- 9 (Page 48). *Manual of Sugar Companies, 1930*, Farr and Company, p. 28.
- 10 (Page 48). *Ibid.*, p. 9; *Moody's Industrials, 1929*, p. 6.
- 11 (Page 48). *Ibid.*; *Ibid.*
- 12 (Page 49). *Ibid.*; *Ibid.*

- 13 (Page 49). Information furnished by Treasurer of Porto Rico.
 14 (Page 49). *Manual of Sugar Companies*, 1930, Farr and Company, p. 69.
 15 (Page 49). *Ibid.*
 16 (Page 49). Information furnished by Treasurer of Porto Rico.
 17 (Page 49). *Manual of Sugar Companies*, 1930, Farr and Company, p. 65; *Moody's Industrials*, 1929, p. 408.
 18 (Page 50). Information furnished by Treasurer of Porto Rico.
 19 (Page 50). *Manual of Sugar Companies*, 1930, Farr and Company, p. 65.
 20 (Page 50). *Ibid.*, p. 76. This company is rated as partly absentee by the Treasurer of Porto Rico.
 21 (Page 50). Information furnished by Treasurer of Porto Rico.
 22 (Page 50). *Manual of Sugar Companies*, 1930, Farr and Company, p. 76.
 23 (Page 50). Information furnished by Treasurer of Porto Rico.
 24 (Page 50). *Ibid.*
 25 (Page 50). *Ibid.*; *Manual of Sugar Companies*, 1930, Farr and Company, p. 75.
 26 (Page 51). Victor S. Clark and Associates, *Porto Rico and Its Problems*, (Washington, D. C., 1930), p. 418.
 27 (Page 51). *Manual of Sugar Companies*, 1929, Farr and Company, pp. 9, 26, 51 and 60.
- | | |
|--------------------------|-----------------|
| South Porto Rico | \$42,096,136.70 |
| United Porto Rican | 16,635,713.85 |
| Aguirre | 14,438,157.89 |
| Fajardo | 13,621,279.36 |
| Total | \$86,791,287.80 |
- 28 (Page 51). *Ibid.*
 29 (Page 51). *Ibid.*, p. 60.
 30 (Page 51). *Ibid.*, p. 51.
 31 (Page 52). Clark, *op. cit.*, p. 418, shows the total to be \$650,000,-000.
 32 (Page 52). *Governor's Report*, 1929, shows total assessment \$344,-865,104.
 33 (Page 52). *Ibid.*, p. 235.
 34 (Page 52). Information furnished by Treasurer of Porto Rico.
 35 (Page 52). *Manual of Sugar Companies*, 1930, Farr and Company, p. 67.
 36 (Page 52). *Ibid.*, p. 28.
 37 (Page 52). *Ibid.*, 1930, Farr and Company, p. 9.
 38 (Page 52). Clark, *op. cit.*, p. 643.
 39 (Page 52). Information furnished by Treasurer of Porto Rico.

40 (Page 52). *Manual of Sugar Companies*, 1929, Farr and Company, p. 67.

41 (Page 53). *Governor's Report*, 1928. The total agricultural exports of Porto Rico in 1928 were about \$80,000,000 and of this \$54,000,000 was sugar. The total worth of sugar in 1928 was about \$67,000,000.

42 (Page 53). *Governor's Report*, 1929, p. 237.

43 (Page 53). Clark, *op. cit.*, p. 631, shows that 8.5 tons of cane were needed to make a ton of sugar and the *Informe del Comisionado de Agricultura y Trabajo* for 1928, p. 7, shows that Aguirre produced 6.57 tons of sugar to the acre.

44 (Page 54). *Governor's Report*, 1929, p. 236.

45 (Page 54). *Ibid.*

46 (Page 54). *Ibid.*, p. 7. Translated from the Spanish version.

47 (Page 54). Clark, *op. cit.*, p. 630.

48 (Page 55). This and most of the succeeding information on assessment of sugar companies was obtained from Mr. Rafael de J. Cordero.

Central Aguirre—1928

Market value of stock	\$24,120,000
Tax-exempt intangibles	4,719,932
Government bonds	\$118,533
Domestic corporations stocks and bonds	1,677,886
Mortgages owned*	216,469
Money loaned*	60,517
Notes receivable*	2,646,537
<hr/>	
Taxable market value of capital stock	19,400,068
Plus surplus and sinking fund	112,306
Total taxable capital value	19,512,374
Actual valuation for assessment	3,421,540
<hr/>	
Difference between actual assessment and possible value.....	\$16,090,834

* It is doubtful whether these items should be deducted.

49 (Page 56). *Ibid.*

	Actual Assessment Based on Physical Assets	Possible Assessment Based on Capital*	Difference
1920.....	\$3,051,230	\$6,306,224	\$3,254,994
1922.....	2,991,050	5,855,589	2,862,539

* Capital stock taken at par.

50 (Page 56). *Ibid.*

		Basis for	Revised
Year	Final Assessment	Final Assessment	Down by Board?
1919	\$1,971,520	Physical assets	Yes
1920	3,051,230*	" "	No

1921	4,271,797	Capital value	Yes
1922	2,991,050*	Physical assets	No
1923	5,878,710	Capital value	No
1924	3,986,110	Capital value	No
1925	3,000,000†	" "	Yes
1926	3,600,000†	" "	Yes
1927	3,832,250	Physical assets	No
1928	3,421,540†	" "	No

* Capital value would have been more advantageous for Treasury as a basis of assessment.

† Valuations brought down by Board of Review to par value of stock. Corporation reported surplus for 1924 was \$873,547.

51 (Page 57). *Ibid.*

52 (Page 57). *Manual of Sugar Companies*, 1929, Farr and Company, p. 9.

53 (Page 58). From report prepared by Mr. Cordero.

The following table shows the actual assessments from 1920 to 1925, as compared with physical value and capital value: (55).

Year	Capital Value	Physical Value	Final Valuation for Assessment
1920	\$5,546,816	\$2,355,696	\$2,563,377*
1921	9,575,170	2,140,130	3,129,910*
1922	3,942,165	2,263,860	2,263,860†
1923	6,871,800	2,845,640	6,871,800
1924	7,051,420	2,397,930	7,051,420
1925	7,207,710	2,804,340	7,207,710

* Indicates valuation brought down without apparent reason.

† Indicates exception in which lower valuation was used.

54 (Page 58). *Ibid.*

55 (Page 59). Number 3789, D. P. R., 917, given on July 29, 1926, and revised July 6, 1927, see *Decisions de Puerto Rico*, 1927, p. 114.

56 (Page 59). Report of Mr. Cordero.

57 (Page 59). *Ibid.*

What the assessment of this company would have been in 1928 if based on capital may be seen from the following figures: (59).

Balance of stock as given by company	\$6,477,800
Surplus and sinking funds	346,640
Total	\$6,824,440
Less tax-exempt intangibles	2,268,070
Government Bonds	\$98,000
Bonds and shares of domestic corporations	2,170,070
Valuation for 1928 on basis of capital	\$4,556,370

242 REFERENCE NOTES BY CHAPTERS

Actual valuation for 1928 2,484,890

Loss in valuation for assessment \$2,071,480

58 (Page 59). *Ibid.*

59 (Page 59). *Manual of Sugar Companies*, 1929, Farr and Company, p. 51.

60 (Page 60). Report of Mr. Cordero.

Year	Assessment	Year	Assessment
1919	\$5,009,816*	1924	\$3,907,735*
1920	4,856,600	1925	4,418,350
1921	4,716,440*	1926	4,813,860
1922	4,082,890*	1927	5,002,550*
1923	3,599,130*	1928	4,014,830†

* Valuation slightly revised downward by Board of Review.

† Was before Board of Review.

61 (Page 61). From a monograph presented to Governor Roosevelt by Mr. Pedro Anglade of Guayama, Porto Rico, who has personal knowledge of the instances cited by reason of having acted as attorney and notary in the cases.

62 (Page 62). *Manual of Sugar Companies*, 1929, Farr and Company, p. 26.

63 (Page 63). *Ibid.*

64 (Page 64). *Ibid.*, p. 9.

65 (Page 65). Mr. Walter McK. Jones of Villalba, Porto Rico.

66 (Page 65). This information concerning "colonos" was obtained from Mr. González Quiñones, Secretary of the Asociación de Agricultores de Puerto Rico, San Juan, Porto Rico.

67 (Page 66). Taken from information furnished by the Sugar Growers' Association, Gonzalez Padin Building, San Juan, Porto Rico.

68 (Page 67). *El Agricultor Puertorriqueño*, Vol. IX, No. 10, p. 10.

69 (Page 68). *Ibid.*

70 (Page 70). Section 32; given in full in *Register of Porto Rico*, 1926, p. 219.

71 (Page 70). Section 39; *Ibid.*, page 247.

72 (Page 71). p. 628.

73 (Page 71). *Ibid.*

74 (Page 71). *Ibid.*

75 (Page 72). Mr. Enrique Bird, a member of the Legislature of Porto Rico, is authority for the information and was present and acting as interpreter in the cases cited.

76 (Page 74). *Legislature of Porto Rico, First Report of the Legislative Committee to Investigate . . . Unemployment in Porto Rico*, p. 44.

77 (Page 75). Clark, *op. cit.*, p. 611.

78 (Page 75). *Ibid.*, p. 612.

79 (Page 75). *Ibid.*, pp. 1-6; *Governor's Report*, 1929, p. 235, gives 2,085,902 acres.

80 (Page 75). Cayetano Coll y Toste, *Reseña del estado social, económica e industrial de la Isla de Puerto Rico al tomar posesion de ella los Estados Unidos*.

81 (Page 78). *Census of 1899*, pp. 352, 356. The succeeding figures for 1899 are from the same source.

82 (Page 78). *Governor's Report*, 1929, p. 235. The succeeding figures for 1929 are from the same source.

83 (Page 80). Coll y Toste, *op. cit.*

84 (Page 80). The following table shows the food crops of 1897 as compared with those of 1929. The 1897 figures are based on Coll y Toste, with the addition of the 40 per cent difference as given in the *Census of 1899*.

Municipality	1899	1929	Difference
Arecibo	3,200	3,017	183
Vieques	500	18	482
Ponce	5,355	3,035	2,320
Juana Diaz	5,200	1,656	3,544
Humacao	960	2,515	1,555 (gain)
Yabucoa	1,470	929	541
Guayama	1,180	804	376
Cabo Rojo	3,400	3,135	265
Santa Isabel	230	40	190
San Germán	3,950	2,742	1,208
	25,445	17,891	7,554

85 (Page 81). Clark, *op. cit.*, p. 647.

86 (Page 82). See the discussion of "The Colono Contract," p. —?

87 (Page 82). Clark, *op. cit.*, p. 632.

88 (Page 83). Information furnished by office of the Attorney General of Porto Rico.

89 (Page 83). *Ibid.*

90 (Page 84). *The Sugar Cane Industry*, Dept. of Commerce, Miscellaneous Series, No. 53, *passim*.

91 (Page 84). Clark, *op. cit.*, p. 632.

92 (Page 84). Information furnished by Commissioner of Interior of Porto Rico.

93 (Page 85). Information obtained from *Asociación de Agricultores Puertorriqueños*.

94 (Page 85). Clark, *op. cit.*, p. 235.

95 (Page 85). *Ibid.*, p. 635.

96 (Page 86). *Ibid.*

97 (Page 86). *Ibid.*, p. 560.

98 (Page 86). *The Sugar Cane Industry*, pp. 63-68.

- 99 (Page 86). *Monthly Labor Review*, Vol. XXVIII, pp. 1370-71.
 100 (Page 87). *Report of the United States Tariff Commission on Sugar*, 1926, p. 16.

CHAPTER V

- 1 (Page 89). The exact acreage of tobacco in 1899 according to the Census was 5,693 acres. The *Governor's Report*, 1929, reports 29,403 acres.
 2 (Page 90). The figures for 1900 were given by Mr. Arthur Noble of the Porto Rican-American Tobacco Company.
 3 (Page 90). All figures since 1910 are found in the *Governor's Report*, 1929, p. 30.
 4 (Page 91). *Ibid.*, p. 31.
 5 (Page 92). *Ibid.*, p. 28.
 6 (Page 92). The history of the Porto Rican-American Tobacco Company was given to the authors by Mr. Arthur Noble. The statistics of assets, etc., may be found in investment manuals such as *Moody's Industrials*, 1930.
 7 (Page 94). *Moody's Industrials*, 1930, p. 1449.
 8 (Page 95). Victor S. Clark and Associates, *Porto Rico and its Problems*, p. 22.
 9 (Page 96). *Ibid.*, pp. 48-49, 560.
 10 (Page 97). This information was obtained from the *Asociación de Agricultores de Puerto Rico*.
 11 (Page 98). Clark, *op. cit.*, p. 603.
 12 (Page 98). *Census of Porto Rico*, 1899, p. 356.
 13 (Page 98). *Report of the Governor*, 1928, p. 15. The figures of recent years are all taken from the *Governor's Report*.
 14 (Page 99). *Hearings, Committee of Ways and Means, House of Representatives*, 70th Congress, 2nd session, Schedule 7, p. 4567.
 15 (Page 100). This information was supplied by the Treasurer of Porto Rico.
 16 (Page 103). *Hearings, op. cit.*, p. 4567.
 17 (Page 104). Statement of Captain Lesesne of the Porto Rico Fruit Exchange.
 18 (Page 104). Clark, *op. cit.*, p. 460.
 19 (Page 105). *Hearings, op. cit.*, p. 4593.

CHAPTER VI

- 1 (Page 107). *Moody's Public Utilities*, 1930, p. 1619; *Moody's Manual Service*, August 9, 1930, p. 1459.

Dividends paid since 1924 are shown by the following table:

Year	Preferred	Common
1924.....	\$20,476	\$96,000
1925.....	20,136	96,000
1926.....	20,144	96,000

1927.....	20,144	96,000
1928.....	20,144	72,000
1929.....	20,144	*

* None on account of hurricane.

2 (Page 108). Information supplied by Mr. Guillermo Esteves, Commissioner of Interior of Porto Rico.

3 (Page 108). *Moody's Public Utilities*, 1930, p. 599; *Moody's Public Utilities*, February 14, 1931.

4 (Page 109). *Ibid.*, p. 1667.

5 (Page 109). *Ibid.*, p. 2307.

6 (Page 111). From information given to the authors by Mr. Esteves.

7 (Page 111). Floyd C. Carlisle, "Public Versus Private Ownership of Electric Power," *Current History*, Vol. XXXII, No. 5, p. 824.

8 (Page 112). W. Rodney Long, *Railways of Central America and the West Indies* (Department of Commerce, Bureau of Foreign and Domestic Commerce, Trade Promotion Series, No. 5), pp. 336-359; See also Robert-W. Dunn, *American Foreign Investments* (New York, 1926), p. 137. Information given in Dunn does not distinguish between Porto Rican-American interests and continental American interest. In the present case this distinction is made by considering all railroads absentee where they belong to sugar companies which are absentee. The classification of the sugar companies was obtained from the Treasurer of Porto Rico.

9 (Page 116). *The New York Times*, April 16, 1930, p. 42.

10 (Page 116). *Moody's Banks and Finance*, 1929, p. 889.

Dividends paid by this company from 1910 to 1929 were as follows:

1910.....	8 per cent
1911.....	10 per cent
1912.....	10 per cent
1913.....	11 per cent
1914.....	12 per cent
1915.....	14 per cent
1916.....	19 per cent
1917.....	26 per cent
1918.....	26 per cent
1919.....	26 per cent
1920.....	18 per cent
1921.....	6 per cent
1922.....	6 per cent
1923.....	10 per cent
1924.....	14 per cent
1925.....	8 per cent regular and 8 extra
1926.....	8 per cent regular and 8 extra
1927.....	8 per cent regular and 8 extra
March 1, 1928	2 per cent regular and 2 extra
	Payable quarterly.

- 11 (Page 117). *Governor's Report*, 1929, p. 225.
 12 (Page 117). Clark, *op. cit.*, p. 377.
 13 (Page 118). *Ibid.*, p. 383.
 14 (Page 118). *Ibid.*, pp. 389-90.
 15 (Page 119). First Organic Act of Porto Rico, Section 9, printed in full in *The Register of Porto Rico*, 1926, p. 208.
 16 (Page 119). Mixer, *op. cit.*, p. 291, gives a list of the American Steamship lines serving Porto Rico.
 17 (Page 119). *Moody's Industrials*, 1930, p. 2545.
 18 (Page 120). The statistics of the Bull-Insular Line were drawn from information on file in the Marvin Scudder Library, Columbia University.
 19 (Page 121). The table included was compiled by comparing the rates of the following steamship companies: Munsen Steamship Line, operating ships to West Indian and South American ports; Di Giorgio Fruit Corporation, shipping to West Indian and Central American ports; Antilles Steamship Company, shipping to West Indies, but not to Porto Rico, as it does not operate American flag steamers; Bull-Insular Line, shipping to Porto Rico; New York and Cuba Mail Steamship Company (Ward Line), to West Indies; Panama Line, to Panama; Booth American Shipping Corporation, to South America; United Fruit Company, Central American and West Indian ports; Cia. de Navegação Lloyd Brasileiro, shipping to Brasil; Nippon Yusen Kaisha, Philippines and Japan; New York and Porto Rico Steamship Company, to Porto Rico and Santa Domingo; Compañía Transatlántica, to Spain; the Horn Line, to Europe; and the Compagnie Transatlantique to France.
 20 (Page 127). Clark, *op. cit.*, pp. 411-412, 443-453.
 21 (Page 130). F. A. Ogg and P. O. Ray, *Introduction to American Government* (New York, 1928), p. 482.
 22 (Page 130). Clark, *op. cit.*, p. 162.
 23 (Page 130). Ogg and Ray, *op. cit.*
 24 (Page 130). *Governor's Report*, 1929, p. 205.
 25 (Page 130). Clark, *op. cit.*, p. 201.
 26 (Page 131). *Ibid.*, p. 209.
 27 (Page 131). *Governor's Report*, 1929, p. 211.
 28 (Page 132). Clark, *op. cit.*, p. 212.
 29 (Page 132). Clark, *Ibid.*, p. 417, gives the following table:
 gives the following table:

Foreign and Mainland Holdings in Porto Rico
 (figures in thousands)

Insular and municipal government securities	\$43,894
Stocks and bonds of corporations operating mainly or entirely in the Island	70,000
Foreign-owned enterprises operating in Porto Rico (chiefly smaller branches of mainland or foreign enterprises)	5,000
Individual ownership of foreigners and mainlanders in real	

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estate and mortgages of Porto Rico	25,000
Mortgages and loans of Federal Land Bank and Intermediate Credit Bank	12,700
Deposits of foreigners and mainlanders with Porto Rican banks	2,000
Loans and advances of foreign and mainland commercial banks to Porto Rican corporations and individuals	15,000
External holdings of Porto Rican short-term securities	500
Commercial debts due to foreigners and mainlanders	1,000
Government debts of the Insular government to the Federal government	1,200

\$176,294

30 (Page 135). *Governor's Report*, 1929, shows Insular indebtedness of \$25,285,000, and the same source, p. 118, gives the Municipal debt as \$20,853,000.

CHAPTER VII

1 (Page 139). Henry K. Carroll, *Report on the Island of Porto Rico* (G.P.O. 1900), p. 391.

2 (Page 144). The figures used here are cost calculated by using statistics given in the Report of the Governor of Porto Rico for the amount exported and tariff rates as they appear in the Tariff Act of 1922 and 1930.

3 (Page 145). Page 13.

4 (Page 145). Page 28.

5 (Page 145). Grapefruit tariff under Act of 1922 was one cent and under the new act this is 1½ cents a pound.

6 (Page 145) Tariff 22½ cents a crate under Act of 1922.

7 (Page 150) Clark, *op. cit.*, p. 414.

8 (Page 151). M. Lamadrid and Company of San Juan, Porto Rico.

9 (Page 152). Wheat flour was 87 cents a cwt. under old act and \$1.04 under the new. There were 377,727 barrels imported into Porto Rico in 1928.

10 (Page 152). Under the Act of 1922, pure lard and imitations both paid 4 cents a lb. The new act levies 3 cents on pure lard and 5 cents on imitations. In 1928, Porto Rico imported 16,540,844 pounds worth \$2,335,332.

11 (Page 152). Importations in 1928 were:

Condensed milk	4,705,843 lbs. worth	\$582,309	tariff rate	1¢ & 1½¢
"	52,479 "	5,831	"	"
Butter	530,598 "	252,697	"	12¢ lb.
"	135,598 "	114,964	"	"
Cheese	1,687,267 "	322,561	"	7½¢ lb.
"	2,047,982 "	324,762	"	"

The new tariff levies 18/10¢ on unsweetened milk and 2¼¢ on

sweetened milk; butter pays 14¢ a pound; cheese 7¢, but not less than 3½% ad valorem.

12 (Page 152). Bean importations 1928 were:

From U. S. 399,311 bushels, or about 23,958,660 pounds.
Foreign 5,622,623 pounds.

The old tariff was 1¼¢ a pound and the new is 3¢ a pound.

13 (Page 152). Meat imports in 1928 were:

Hams and shoulders	7,604,815 lbs.	value \$1,189,406	tariff 2¢
Canned meat	800,588 "	"	113,499 " 20%
Prepared meat	1,889,544 "	"	231,715 " 20%
Fresh and pickled pork	12,621,355 "	"	1,400,467 " ¾¢ & 2¢ lb.
Fresh beef and veal	1,116,079 "	"	174,561 " 20% lb.
Sausage	2,265,615 "	"	508,678 " 20% lb.
Beef and meat canned	708,138 "	"	81,913 " 20% lb.
Other meats	6,134,964 "	"	650,441 " 20% lb.

The new tariff on hams and shoulders is 3¼¢ a pound; fresh beef and veal is 6¢ and not less than 20%; fresh pork 2½¢; pickled pork 3¼¢; sausage 6¢ but not less than 20% ad valorem; beef and other meats canned 6¢ but not less than 20% ad valorem; other meats 6¢ but not less than 20% ad valorem.

14 (Page 152). Potato imports in 1928 were:

542,712 bushels, or 32,562,720 pounds worth \$624,505 tariff 50¢ cwt.

From foreign sources 489,521 pounds worth 13,268 tariff 50¢ cwt.

The new rate is 75¢ cwt.

15 (Page 152). Importation of dried peas in 1928:

From U. S. 113,311 bushels, or 6,458,727 pounds worth \$145,123

Foreign sources 697,368 pounds.

The old tariff rate was 1¢ a pound and the new is 1¼¢ on dried peas. Other classes cost up to 3¢ a pound.

16 (Page 152). Corn meal imported was:

75,398 barrels, or 14,778,028 pounds worth \$351,281.

Old tariff 30¢ cwt. and new 50¢ cwt.

17 (Page 152). Importations in 1928:

From U. S. 113,311 bushels, or 6,458,727 lbs. worth \$145,123

Foreign 1,110,617 pounds worth \$25,581

Old rate 1¢ a pound before January 21, 1929 and 1½¢ thereafter; new rate 2½¢ a pound.

18 (Page 152). Imported in 1928 some 561,696 pounds worth \$167,190.

The old rate was 2¢ a pound; new rate 3¢ a pound on unsweetened and 4¢ a pound on sweetened in bars or blocks weighing 10 pounds or more; 40% in any other form.

19 (Page 152). 1,980,082 pounds worth \$122,966 in 1928. Old tariff 2¢ a pound; new tariff 1¼¢.

20 (Page 152). 1,728,241 pounds worth \$327,832 with tariff rate of 35% ad valorem under old act and 40% under the new.

21 (Page 152). 1,695,062 pounds worth \$312,899. Old tariff rate 7½¢ and new 9½¢ lb.

22 (Page 152). To value of \$44,119 in 1928. Old tariff 35% and new 40% ad valorem.

23 (Page 152). From U. S. 83,455 pounds worth \$34,507, and from foreign to value of \$12,378.

The tariff rate varies from 1¢ to 14¢ under the old tariff and from 1½¢ to 25¢ under the new.

24 (Page 152). Cotton seed oil and other vegetable oils 1,800,855 lbs. worth \$226,710 with tariffs to 3½¢ a pound.

25 (Page 152). 2,925,702 pounds worth \$473,107 with tariff of 40% ad valorem.

26 (Page 153). Oats, 221,193 bushels; old tariff 15¢ a bushel and new 16¢.

Corn, 35,746 bushels from U. S. and 143,930 from foreign; old tariff 15¢ and new 25¢ on foreign corn.

Fodders and feeds to value of \$805,410 with duties averaging about 10%.

27 (Page 154). Wrapping paper, 8,872,514 lbs. worth \$528,942 with 30% ad valorem.

Other paper, 175,197 lbs. worth \$741,933. Rates from 1¢ lb. to 50% ad valorem.

28 (Page 155). Total imports in 1928 from foreign sources: \$12,-199,241 paying \$2,392,250 duties.

Imports from the U. S. were \$79,743,088 paying no duties.

29 (Page 159). Quoted by Harold S. Sloan, "Tariff as a Cause of Poverty in Porto Rico," *Current History*, Vol. XXIX, pp. 993-998.

30 (Page 160). Thomas E. Benner, "American Difficulties in Porto Rico," *Foreign Affairs*, Vol. VIII, No. 4.

CHAPTER VIII

1 (Page 162). *15th Census of the United States*.

2 (Page 163). *The New York Times*, March 23, 1931, p. 1.

3 (Page 164). The population figures for Porto Rico previous to American occupation are taken from Coll y Toste, *Reseña Histórica*.

4 (Page 165). *Legislature of Porto Rico, First Report of the Legislature Committee . . . Unemployment in Porto Rico*, p. 26.

5 (Page 166). *Ibid.*, p. 218.

6 (Page 167). Theodore Roosevelt, "Children of Famine," in the *Herald Tribune*, December 8, 1929, quoted in *Review of Reviews*, Vol. LXXXI, pp. 72-73.

7 (Page 169). Carroll, *op. cit.* (G. P. O., 1899), p. 152. Shows im-

ports for 1897; *Governor's Report*, 1928, p. 4, gives imports for 1928.

18 (Page 171). *Ibid.*, 1926, p. 213.

8 (Page 169). *Report of Brig.-Gen. George W. Davis*, p. 36.

9 (Page 169). *Governor's Report*, 1901-02, p. 66.

10 (Page 170). Page 232.

11 (Page 170). Page 254.

12 (Page 170). Page 213.

13 (Page 170). Page 173.

14 (Page 170). Page 221.

15 (Page 170). *Report of the Commissioner of Agriculture and Labor*, 1925, p. 233.

16 (Page 171). *Ibid.*, p. 255.

17 (Page 171). *Ibid.*, p. 236.

18 (Page 171). *Ibid.*, 1926, p. 213.

19 (Page 171). *Ibid.*, 1926, p. 216.

20 (Page 172). *Ibid.*, p. 217.

21 (Page 172). *Ibid.*, 1927, p. 175.

22 (Page 172). *Ibid.*, p. 181.

23 (Page 172). *Ibid.*, p. 221.

24 (Page 172). Clark, *op. cit.*, p. 462.

25 (Page 172). *Report of Commissioner of Agriculture and Labor*, 1925, p. 234.

26 (Page 173). *Governor's Report*, 1928, p. 33; Clark, *op. cit.*, p. 22.

27 (Page 173). Carroll, *op. cit.*, p. 152. Gives imports of 35,451,874 kilos at price of 2,481,631 pesos.

28 (Page 174). *Governor's Report*, 1928, pp. 4-7. Gives imports of 3,371,400 pounds at cost of \$133,432 from foreign sources and 183,768,547 pounds at cost of \$7,311,029 from the United States.

29 (Page 174). Carroll, *op. cit.*, p. 152. Shows 11,244,245 kilos for 1,461,752 pesos.

30 (Page 174). *Governor's Report*, 1925, p. 4. Shows 13,091,763 pounds for \$969,216 from the United States and 20,238,104 pounds for \$1,409,153 from foreign sources.

31 (Page 174). Carroll, *op. cit.*, p. 152. Shows 13,852,030 kilos for 969,642 pesos.

32 (Page 174). *Governor's Report*, 1928, p. 4. Shows 377,727 barrels (74,045,492 pounds) for \$2,547,632.

33 (Page 176). *Ladies Home Journal*, Vol. XLVII No. 12.

34 (Page 181). *Report of Commissioner of Agriculture and Labor*, 1926, p. 216. (Translation).

35 (Page 182). *Ibid.*, 1927, p. 181 (translation).

36 (Page 182). *Ibid.*, 1928, p. 223 (translation).

37 (Page 1842). *Ibid.*, p. 228.

38 (Page 183). *Governor's Report*, 1927, p. 742.

CHAPTER IX

- 1 (Page 186). *The Blue Book of Porto Rico*, E. García Fernández (Ed.), gives an excellent account of the independence movement; Brau, *Historia de Puerto Rico*, *passim*; Miller, *Historia de Puerto Rico*, *passim*.
- 2 (Page 191). *The Blue Book of Porto Rico*.
- 3 (Page 191). *El Mundo* (San Juan, Porto Rico), May 10, 1930. The entire program of the Party is given in this issue of the paper.
- 4 (Page 194). *Ibid.*, May 12, 1930.
- 5 (Page 195). *Ibid.*
- 6 (Page 195). *Ibid.*, May 13, 1930.
- 7 (Page 195). *Ibid.*, May 28, 1930.
- 8 (Page 196). *The New York Times*, June 22, 1930.
- 9 (Page 197). *El Mundo*, August 11, 1930.
- 10 (Page 198). *Ibid.*

CHAPTER X

- 1 (Page 202). Clark, *op. cit.*, p. 414. Gives the following table:

Trade and Service Operations, Year Ending June 30, 1928
(Figures are given in thousands)

Operations Resulting in Net Income to Porto Rico:

Commodity trade including unrecorded exports and imports	\$11,070	
Gifts and contributions	506	
Federal expenditures in Porto Rico	2,712	
Advertising	400	\$14,688

Operations Resulting in Net Outgo from Porto Rico:

Freight payments and marine insurance on imports	\$ 5,980	
Commissions	4,190	
Remittances to families abroad in excess of emigrant remittances	302	
Tourist trade	110	
Other insurance transactions	1,980	
Motion picture royalties, cable and radio charges	407	
Lottery tickets	1,000	
Interest, dividends, and rents	11,019	
Miscellaneous	57	25,045

Net deficiency for all trade and service operations..... \$10,357

- 2 (Page 202). *Ibid.*, pp. 572-587.
- 3 (Page 202). Luis Muñoz-Marin, "The Sad Case of Porto Rico," in *The American Mercury*, Vol. XVI, pp. 136-141.

- 4 (Page 203). "Porto Rico: The American Colony," in *The Nation*, Vol. CXX, pp. 379-382.
- 5 (Page 204). Carroll, *op. cit.*, p. 171.
- 6 (Page 205). Coll y Toste, *op. cit.*, p. 370.
- 7 (Page 205). *Governor's Report*, 1929, p. 375.
- 8 (Page 206). *Ibid.*, 1930, p. 6.
- 9 (Page 207). *Ibid.*, 1928, p. 44.
- 10 (Page 207). *Ibid.*, 1928, p. 46.
- 11 (Page 208). Statement of Mr. Guillermo Esteves, Commissioner of Interior of Porto Rico.

