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Unemployment in Puerto Rico

PUERTO RICO is an island commonwealth of the United States some 970 miles south-southeast of Key West and 1400 miles from New York City. It is a small tropical island, poor in natural resources, dramatically beautiful, and densely populated. It is a self-governing part of the U.S. with a Hispanic culture. Puerto Ricans are U.S. citizens; some 3.5 million are living on the island and another 1.5 million in the continental U.S.

Puerto Rico has the dubious distinction of always suffering from staggering unemployment which, at times, may amount to three times the national average. This is all the more puzzling as the federal government levies no taxes on Puerto Rico

except those imposed by mutual consent for Social Security, workman's compensation, and other labor benefits. It collects no income tax from residents on income earned from local sources. But it makes transfer payments to individuals and governments totaling more than \$3 billion annually, or \$850 per man, woman and child, which amount to some 25 percent of all island incomes. Moreover, the federal government spends huge amounts and employs many thousands of civilians at federal facilities such as the U.S. Naval Station at Roosevelt Roads, the Navy's Sabana SECA Communications Center, and the U.S. Army Salinas Training Area and Fort Allen. One out of four Puerto Ricans is working for federal or local governments, and one is chronically unemployed.¹

After 85 years of U.S. Govern-

ment rule over the island² economic conditions are deplorably poor. Surely, they are more favorable than those of many other countries in Central and South America. But when compared with income and wealth in the continental U.S., Puerto Rico is an overcrowded poor-house where, in spite of generous alms and transfer payments, many people subsist on minimal incomes.

Alleged Exploitation

Many observers throughout the world offer explanations that are taken from the armory of world communism and socialism. The U.S. as colonial conqueror and ruler of the island is indicted for "gross exploitation" of the working people of Puerto Rico. U.S. corporations and capitalists are said to use the island as their personal plantation and private domain yielding great riches to the exploiters while impoverishing the natives. No matter how popular it may be in UN quarters, such an explanation warrants no serious answer. It is sadly deficient in economic reasoning and utterly oblivious to the facts.

Most Americans summarily reject the notion of colonial subjugation and exploitation. But they may want to assign responsibility and blame to some presumed fault or deficiency on the part of Puerto Ricans themselves. After all, their society is predominantly Spanish in language,

attitude and activity. Only some 25 percent of the people understand and speak the English language with more or less fluency. Although the Puerto Rican government expends about one-third of its annual revenue for education, the level of education continues to be rather low when compared with U.S. standards. Similarly, the level of industrial skills and on-the-job training compares unfavorably with those on the mainland.

Such an explanation of the Puerto Rican dilemma is, to say the least, frivolous and Philistine. It tends to preserve the status quo although it exhorts Americans to ever greater efforts toward almsgiving and transfer payments. It tends to perpetuate the misery while denying all hope for early improvement. And, above all, it confuses cause and effect and shifts the responsibility from the politicians in Washington to the victims in Puerto Rico.

Actually, Puerto Rico is probably the world's most vivid example of the absurdity of labor legislation. It demonstrates so cogently and convincingly that minimum wage laws and other labor legislation that raise the costs of labor do not improve economic conditions, but instead make them immeasurably worse. It teaches so clearly and graphically that government cannot raise wage rates and improve living conditions by political fiat and police force. But govern-

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