

II. NEED FOR RESTRUCTURING THE ECONOMY OF PUERTO RICO

The essential effect of Puerto Rico's industrialization efforts over the past fifteen years has been to restructure Puerto Rico's economy—from an agricultural economy to a diversified economy. In fiscal 1950, 36.3% of Puerto Rico's jobs were in agriculture; 17.8% of Puerto Rico's jobs were in manufacturing. By 1965, manufacturing employment *for the first time* surpassed employment in agriculture. By 1965, employment in plants sponsored by the Economic Development Administration of Puerto Rico had reached 71,000—and it was up to 84,000 in fiscal 1966. These increases in manufacturing employment opportunities had, by 1966, served to offset the losses in employment opportunities in agriculture.

While pursuing industrial development, the Commonwealth Government is by no means abandoning agriculture. As stated by Professor Gottfried Harberler of Harvard University:

"It is true there may not yet exist an underdeveloped country that is highly industrialized. It is an extremely important fact that there exists no highly developed country that has not also a highly developed agriculture . . .

"The fact that in developed countries not only industry, but also agriculture, is more highly developed than in under-developed countries lends further weight to the warning that development policies should not concentrate exclusively on industry." *

The Commonwealth Government is, therefore, pursuing vigorously the development and improvement of the island's agriculture. This is necessary to provide sufficient food production at home to reduce rapidly rising and costly import demand. This effort is necessary to boost exports of processed and unprocessed farm products, and thereby further contributing to absorption of surplus labor. This effort is, in sum, needed to raise employment and living standards in Puerto Rico's more impoverished areas.

But Puerto Rico's agriculture cannot be the mainstay of the island's economic growth, for several fundamental reasons:

Cultivable land is scarce.

Soil has been depleted.

Necessary capital investment funds simply do not flow into agriculture in sufficient amounts.

Prior to World War II, Puerto Rico's economic development was, in fact, directed primarily at exploitation of natural resources, with sugar, of course, as "King." In the late 1930's, most people—including technicians and policy makers—still believed that agriculture was the key to Puerto Rico's development. Even during the formative years of "Operation Bootstrap"—from 1950 to 1965—Commonwealth Government appropriations for agricultural development exceeded those for industrial development by about \$13 million.

As a result of Puerto Rico's efforts in agriculture—and while much work remains to be done—the fact is that the island's agricultural resources have to a large degree been exhausted as far as major employment opportunities are concerned. For example, Puerto Rico has more of its land in farms, more of its farmland in cropland, more agricultural net income generated per acre either in farmland and cropland, and more employment per acre of farmland than does the United States. Yet while mechanization of Puerto Rico's agriculture has caused rising productivity within limited farming areas, it has also caused a decline in employment in agriculture—from 214,000 in 1950 to 124,000 in 1960, and down to 110,000 in 1966. It is expected that the decline in agricultural employment in Puerto Rico will continue, and that the total number of workers employed will not exceed 100,000 by 1975. Income per farm worker should then be substantially higher, but for an island-wide labor force that will then be in the neighborhood of one million people, agriculture can provide only a small and relatively inflexible part of the total employment opportunities required.

Other natural resources of the island are even more limited than farmland. Much of the interior is wooded, but it is mostly second-growth timber, having been cut over for fuel. So far, no substantial forestry operation has proven economically feasible. Similarly, the waters around Puerto Rico have not proved suitable for large-scale commercial fishing. There is a relative abundance of clays, sands and stones, but they can serve as a base for relatively few export products. And their use will probably expand at about the same pace as the

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