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sometimes acts on his own initiative. The Ombudsman is, in effect, the citizens representative in Sweden (and Denmark) whose authority extends to discretionary decisions of administrators which the regular courts are generally reluctant to touch.

The Ombudsman was originally created as a Riksdag control over the courts and the administration but not over the ministers who do not function as department heads in Sweden.⁵ Neither is there jurisdiction over government corporations. The Ombudsman may investigate and hold accountable other bureaucrats in the ministerial departments as well as in the Administrative Boards. Its original creation had nothing to do with protecting the individual citizen against a welfare state. The Swedish welfare state did not exist in 1809 nor could it be envisioned. The development of the welfare state and the growth of its bureaucracy has meant, however, a sharp increase in the workload of the office. Since 1955 the number of personal complaints made to the Ombudsman have tripled from 500 to about 1500. About a tenth of these citizen complaints turn out to be well-founded. The Ombudsman itself initiates between 200 and 300 cases yearly on the basis of press reports or one of its regular inspection tours of the bureaucracy.⁶

The personification of the office of the Ombudsman is Alfred Bexelius, a distinguished jurist now serving his third term as head of the office. Chosen by the Riksdag as "the Ombudsman" for a four-year term, he has been assisted by a deputy and a small staff of lawyers. Since 1968 the office has expanded so that there are now three Ombudsmen, one of whom insures fairness of military administration and procedure. The Ombudsman's control function over the administration includes the powers of fact-gathering, prosecution, criticism, and recommendation. Bexelius perceives these powers as positive in character and designed for reform and not harassment of the administration. He argues that the Ombudsman "should work for a better protection of rights and try to prevent wrongs by directing attention to the true substance of the law and to improvements in practice and in the statutes for the benefit of the general public." He has the responsibility of discovering inconsistencies in the application and interpretation of the law and of publicizing his findings through his annual report to the Riksdag. In this way he serves as a guide to the application of law by the administration.⁷

Formally, the Ombudsman's control function and powers apply to the judiciary as well as the bureaucracy. In practice at least twice as much time is spent supervising the administration. The lack of a clear Code of Administrative Procedure and a traditional vagueness in the administrative rules as such make the Ombudsman's task of administrative supervision more important.⁸ In addition, the clarity of the Judicial Code of Procedure and the close scrutiny of the judicial system by the bar association have considerably lightened the Ombudsman's burdens in the judicial area.⁹

⁵The Danish and Norwegian Ombudsmen may examine the activities of Cabinet Ministers. On the other hand, the Danish Ombudsman may not investigate the regular courts.

⁶Rowat, *Ibid.*, p. 329; see also Joseph Board, Jr., *The Government and Politics of Sweden*, (Boston: Houghton Mifflin Company, 1970), p. 182.

⁷Bexelius, *loc. cit.*, p. 20; Bexelius et al., *op. cit.*, pp. 14-15.

⁸Bexelius et al., *Ibid.*, p. 24.

Although the Ombudsman serves as a grievance organ for the average citizen discontented because of alleged bureaucratic abuses, the office is not intended to be a super administrative organ to whom the dissatisfied individual may appeal. His task is one of inquiry and not appeal. He may gather virtually all facts and public records (except a relatively limited number of classified secret documents) in his inquiry. His power to prosecute a civil servant, however, before a court of law is rarely used more than in 5 to 10 cases a year.¹⁰ He also may impose fines up to 500 Swedish crowns (ca. \$125.00) but rarely does so.¹¹ His action then generally consists of official and public criticism ranging from a reprimand to a simple statement of a critical opinion. Such action is designed to correct for the future whatever bureaucratic fault caused a current complaint. If he finds a citizen has been seriously injured or wronged, he may recommend a means of redress, but he does not does not function himself as a means to secure it.

The Ombudsman is a non-political appointee elected usually unanimously by a special multi-party Riksdag committee and thus cannot be used as a weapon in political struggles. Otherwise the office may investigate all areas of modern society including police, public prosecutors, customs officials, rent control regulators, education, prisons, hospitals, local government, churches, taxes, and construction. There may be no interference, however, in a case while it is being decided nor the power to overturn a decision once it has been delivered by a court or an agency. Moreover, the Ombudsman has jurisdiction only over public officials and cannot intervene against private persons or institutions. The Ombudsman does provide some indirect control over private abuse by his power to investigate and criticize the public authorities who do not remedy such abuse; such indirect control, however, is used sparingly. The Ombudsman cannot force action by an official who disagrees with his criticism. Such disagreement can only be resolved by other higher authorities. In effect his actions are legally no more than suggestions, but the prestige of the office above politics — even the Communists have felt free to complain to the Ombudsman about their alleged inclusion by police on a security risk-list¹² — has prevented bureaucratic resistance to his suggestions. Moreover, the principle of irremovability of civil servants is not applicable to all bureaucrats or on occasions when legal authorities find a civil servant guilty of some offense upon prosecution by the Ombudsman.

The office of the Ombudsman is easily accessible to the public, located in the heart of Stockholm, alongside the well-known King's Garden. The Ombudsman and his staff may be easily reached by telephone and appointments may be specially arranged. The personal complaint which accounts for between 80 percent and 90 percent of his work must be in writing, accom-

⁹Alfred Bexelius, *The Swedish Ombudsman: Special Parliamentary Commissioner for the Judiciary and the Civil Administration, 1810-1960*, (Stockholm: Royal Ministry for Foreign Affairs Press Dept., Feb. 15, 1961).

¹⁰Nils Herlitz, "Swedish Administrative Law: Some Characteristic Features," *Scandinavian Studies in Law*, vol. 3, 1959, pp. 87-124 at p. 124; Board, *op. cit.*, p. 183.

¹¹See Sarah V Thorelli, "Instruktion för riksdagens ombudsman," *Svensk Författningssamling för 1957*, (Stockholm: Statens Offentliga Utredningar, 1955), pp. 308-314, clause 22.

¹²Board, *op. cit.*, p. 184.

panied by all available evidence, and signed by the complainant. The complaints need not be, nor are they usually, drafted in legal fashion or with legal advice. Similarly, the Ombudsman himself has complete freedom of expression and may discuss legal questions, questions of advisability, and even broader general procedures. Any member of the public may submit a complaint, and this includes foreigners and persons not directly affected by the complaint. Prisoners may submit complaints through sealed envelopes, and public servants may complain freely without permission from above. No fee is charged for the submission of a complaint and there is no time limit on its presentation. The Ombudsman is obligated to consider all complaints submitted to him even though, as noted, only about 10 percent in practice require remedial action on his part.¹³ Often his investigation results in his defense of public officials who have been unjustly accused. The Ombudsman is, therefore, as much a bulwark of an efficient bureaucracy as he is an institutionalized gadfly.

The greatest problem faced by the office of the Ombudsman is its heavy workload. Even now with three Ombudsmen and an enlarged staff, the office lacks sufficient time to completely inspect the administration and is often slow — usually taking 1 to 6 months — in deciding its cases. Both the Swedish and the Danish Ombudsmen are also extremely cautious in intervening in discretionary decisions of administrators where the question is not the formal legality of the action but the substantive justice of the decision. Yet the subject of most complaints is not the actions of particular civil servants or such problems as bad manners but rather the substantive content or administrative decisions as well as bad procedure and delays within an agency. Perhaps the most effective action by the Ombudsman is in his control of bureaucratic restraint on the personal liberty of the mentally ill, alcoholics, juvenile delinquents, and the like through their confinement in institutions without judicial due process of law. He is least effective as a democratic control in making recommendations for legislation or for changes in general administrative procedures because these have been often ignored.¹⁴ While he has the respect of the administration, the Ombudsman may also incur some resentment, particularly of those criticized. Many administrators who have been falsely accused by the public may incur bad publicity. The Ombudsman, recognizing this, nevertheless does not feel that alleviating the situation by keeping complaints secret until justified would be in accord with the office's preventative function.¹⁵ On the other hand, many times a question is decided after it may be of value to the particular complainant.

The great strength of the Ombudsman in exercising a measure of democratic control over the bureaucracy is its linkage to other components of an elaborate network designed to serve this end. The Swedish law which states that in principle all public documents must be made available to any citizen upon request — the Freedom of the Press Act — is another significant com-

¹³*Ibid.*, p. 182.

¹⁴Lewis C. Mainzer, *Political Bureaucracy*, (Glenview, Ill.: Scott, Foreman and Company, 1973), p. 57.

¹⁵Alfred Bexelius, "Hur JO-åmbetet Arbetar," *Statsvetenskaplig Tidskrift*, 1961, pp. 201-220 at p. 219.

ponent of democratic control. All public officials including the Ombudsman itself are exposed to public scrutiny as well. In practice, the principle of "publicity of official documents" has been scrupulously adhered to from its inception in 1766, in the last decade of the so-called Era of Liberty, to its most recent formulation on April 5, 1949. Only those documents whose exposure would threaten national security may be exempted from this principle and only by specific legislation enacted jointly by the Cabinet and the Riksdag. The Secrecy Act of 1937 specified such exemptions. Logically, the right to publish documents does not in any way imply a right to demand documents which one does not possess. Yet the deeply-rooted democratic tendencies in Swedish life inevitably led from freedom of the press to publicity of official documents. All official documents are available to the public including those of administrative agencies and tribunals, police departments, rectors, land-surveyors, station-masters, courts, the Riksdag sessions and its committee hearings, local governments and councils, and lay elected boards. Although the "public" assumes Swedish citizens as written in the Freedom of the Press Act, foreign nationals have also in practice been given access to official documents.¹⁶ A citizen who wants to see a document is not obliged to give any reasons or to say for what purpose he wants it. Nor has he to show that he has a legal interest in seeing a document.

Publicity of official documents functions as a democratic control in providing, first, knowledge of what steps have been taken — and not taken — by state and local authorities. Second, insofar as public documents give information, the public may become knowledgeable about the complexity of facts, interests, arguments, and motives on the basis of which an authority has decided or is going to decide. The authorities, therefore, are under observation not only after a decision is taken but also at the preparatory stage. The publicity in fact has even served as a deterrent to corruption and monopolistic practices in the private sector. Even though Swedish law contains virtually no anti-monopoly restrictions and monopolistic practices are not curbed by any Swedish administrative agencies, state and local authorities may investigate any economic activities they consider detrimental to the public interest and publicize their findings.¹⁷ The potential negative publicity has been enough of a deterrent to the formation of corrupt or anti-public monopolies although not to monopolies *per se* which are deeply-rooted in Sweden's paternalistic tradition. The business and labor communities have themselves created organs to supervise their activities in order to avoid the bad publicity of government investigations.

The combination of Ombudsman and publicity of official documents is a powerful safeguard against arbitrary administrative and judicial practice. If a citizen's grievance is not satisfied by these two elements of democratic control, he may, since 1909, use the general remedy of administrative appeals. If, for example, he is denied access to an official document and the document in question does not involve the general courts, he may have his complaint

¹⁶Nils Herlitz, "Publicity of Official Documents in Sweden," *Public Law*, vol. 50, 1958, pp. 50-69 at p. 54n.

¹⁷Gunnar Myrdal, *Beyond The Welfare State*, (New York: Yale University Press, 1960), p. 90.

decided by administrative tribunals all the way up to the Supreme Administrative Court. The procedure is as simple as the complainant does not need the assistance of a lawyer. He merely submits his complaint in writing, and the expenses are small, if any. The Supreme Administrative Court acts in accordance with the general principle of Swedish law that administrative courts do not consider merely the legality of administrative acts. Rather, administrative courts have, in appeals brought before them, the power to judge the case as comprehensively as the authority which made the initial decision. The appeal, however, must be filed about three weeks after formal announcement of the administrative act.¹⁸ In a case involving denial of access to an official document, the Supreme Administrative Court will render its own interpretation of what constitutes permissible secrecy regarding a document under the 1937 Secrecy Act. The Court decision will also be rendered quickly as the Freedom of the Press Act requires that "a case or matter regarding production of official documents shall always be dealt with promptly."¹⁹ In practice, the Supreme Administrative Court has not had as much to do as was expected when it was created in 1909. Its jurisdiction has been excluded from some of the new welfare state legislation. It now handles about 4,000 cases a year.²⁰

The Swedish press makes maximum use of the Ombudsman and the principle of publicity of official documents in its scrutiny of the government and the bureaucracy. At least once daily, representatives of the Swedish press check the work of the Ombudsman with complete access to its deliberations.²¹ The leading newspapers in Sweden both in circulation and prestige are owned or controlled by the Liberal and Moderate Conservative Parties which have represented the opposition to the Social Democratic government for the last 41 years. The highly partisan nature and influence of the opposition press makes it a powerful check on the government and its welfare state bureaucracy. The Ombudsman also knows that any bureaucratic malfeasance that he reveals to the press will be eagerly publicized. The press has also been the origin of about 1 percent of the cases submitted to and investigated by the Ombudsman. This 1 percent figure, however, is deceptively small for the press regularly reports cases simultaneously as they come into the Ombudsman's office via a personal complaint or one of his inspection tours.

The Chancellor of Justice or JK (short for Justitiekansler) was created in 1713 as the government's own means to supervise the activities of civil servants. Originally the king's organ as opposed to the Ombudsman which was designed to be the Riksdag's organ, JK today overlaps the work of the Ombudsman to a great extent. JK handles about 25 to 30 percent of the number of cases handled by the Ombudsman.²² Although conflicts between the two offices are theoretically possible, they rarely occur. Several times a week the Ombudsman and the JK lunch together and discuss their cases so as to avoid possible conflicts and repetition of work. In general, JK handles

¹⁸Nils Herlitz, "Swedish Administrative Law: Some Characteristic Features," *op. cit.*, p. 98.

¹⁹Nils Herlitz, "Publicity of Official Documents in Sweden," *op. cit.*, p. 69.

²⁰Nils Herlitz, "Swedish Administrative Law: Some Characteristic Features," *op. cit.*, p. 100.

²¹Board, *op. cit.*, p. 185.

²²Jenkins, *op. cit.*, pp. 101-02.

major complaints involving national security, and collusion between government and business against the public interests, in addition to complaints of the average citizen.²³

The regular legal machinery is itself a means to insure democratic control of the bureaucracy. In a criminal case, trials are conducted before a judge plus seven to nine lay assessors — that is, ordinary citizens who have no connection with the legal profession and who serve about 20 times a year for 6 years. Agreement by seven of the assessors can overturn a judge's decision.

Finally, while ordinary courts generally have no power over administrative decisions, civil servants are subject to an extensive penal responsibility and may be sued before an ordinary court, often with the help of the Ombudsman. A Cabinet minister may also provide a recourse for the individual even though he has no control over the administration; occasionally he may be able to secure reconsideration of a matter by the civil servant in question. In exceptional circumstances where the meaning of the law is subject to question the Supreme Court of Judicature will take up administrative appeals. Riksdag questions and interpellations, however, are insignificant in securing administrative redress due largely to the proportional representation system and the consequent impersonality of the members of the Riksdag.

The elaborate network of components created to insure a limited citizen control over the bureaucracy in Sweden does not in and of itself necessarily reflect the wishes of the majority or provide their *participation* in decision-making. In the last decade there has been a rising chorus of criticism directed at the welfare state bureaucracy from sources as disparate as the New Left, farmers, professionals, and corporations. The criticism relates to the degree of individual freedom and involvement that actually exists in Sweden's organized society. The Ombudsman admits that he gets occasional complaints that the welfare bureaucracy ignores the individual, and that social workers are snobbish and unfriendly. Yet these complaints are usually vague and difficult for him to pin down; they may in fact relate to more complex issues of psychological and social freedom rather than bureaucratic arbitrariness.

In his book *The New Totalitarians*, Roland Huntford is sharply critical of the growth of the welfare state and its bureaucracy in its impact on the Swedish people.²⁴ He perceives the Swedish people as basically docile and conservative in their relationship to government bureaucracy. Despite the institutional organs available to Swedes to check their bureaucracy, they remain, according to Huntford, fearful of the bureaucracy — a remote, powerful and, by tradition, somewhat mandarin establishment — and suspicious of their newspapers and television, and clearly inhibited by social pressures. Huntford argues that the conformity in Swedish society is so great that it has helped maintain the Social Democrats in power since 1932. Social Democratic control of the government bureaucracy facilitates the implementation of welfare state programs, Huntford concludes, while the party's control of the judiciary, the universities, the mass media, and the unions assure the conformity that leads to meek obedience to the powerful bureaucracy.

²³Board, *op. cit.*, p. 186.

²⁴Roland Huntford, *The New Totalitarians*, (New York: Stein and Day, 1971).

Even if Huntford's description of Sweden's welfare state bureaucracy as "new totalitarians" is an exaggeration, the 1973 Riksdag election results seemed to indicate that many Swedes shared at least some of Huntford's criticisms. The largest gains in the election were made by the Center Party (formerly the Farmers Party) whose new leader Thörbjörn Falldin is a sheep farmer. Falldin's manner and background seemed to evoke images of a simple, pastoral, non-bureaucratic life. To many Swedes he gave the impression of being a pillar of common sense rather than a politician or bureaucrat. Prime Minister Palme, himself, acknowledged that "there is a deep-seated dissatisfaction about industrial life. It creates problems — movements of populations, new towns, a shift from the countryside and so forth. And the Center Party stands for a mood, a nostalgia for the day when people didn't have to move to the cities and work in factories. In a sense, Falldin somewhat represents a Sweden of the past."²⁵ It is also important to note that the Center Party has strongly supported environmental preservation and in the most consistent champion of decentralized decision-making and popular participation in policy-making.

The results of the 1973 Riksdag election also bore out the pre-election analysis of Moderate Conservative Party leader Gosta Bohman which, to a certain extent, echoed Huntford's critique: "We are arguing that it is time for others to take over, but we are up against a basically conservative people who are essentially afraid of change."²⁶ The tie vote between the Social Democrat-Communist bloc on the one hand and so-called bourgeois bloc of Center, Liberal and Moderate Conservative Parties on the other — the weakest showing for the Social Democrats in 42 years — still left the Social Democrats 19 percent larger than the Center Party.

On a Swedish radio program a few days before the election on which Prime Minister Palme appeared to answer telephone questions, an unprecedented 7500 people tried to call. Most seemed angry about a variety of matters including unemployment (up from 1 percent to 3 percent), inflation (\$3.50 a pound for an ordinary beefsteak, 60¢ for two apples etc.) and high taxes (42 percent of Gross National Product; for every dollar a Swede earns above a level of of about \$8,000.00 a year, for example, he pays about 62¢ in taxes). Yet the recurring theme in many of the complaints was that of an individual feeling a sense of anomie in confrontation with an impersonal welfare state bureaucracy. For example, medical care is free or very cheap in Sweden, but the complaint is that the doctor is likely to be different at each call or visit.²⁷ Between 1969 and 1970 the number of persons admitted to mental hospitals grew from 73,000 to 83,000.²⁸ There have also been a series of wildcat strikes in recent years, student protests, *ad hoc* community group demonstrations plus increases in criminality and drug addiction.

Such well-publicized indications of social malaise have been made periodically in the West, especially in the United States, often as a means of discrediting the welfare state *in principle*. At times the critics of social conformity

²⁵*The New York Times*, Sept. 14, 1973, p. 9.

²⁶*Ibid.*

²⁷*The New York Times*, Sept. 19, 1973, p. 2.

²⁸*The New York Times*, Nov. 12, 1972, p. 28.

in Sweden and its consequences confuse it, unwittingly or perhaps even intentionally, with the welfare state. In fact, the Palme administration in response to its own New Left critics in the Social Democratic Party has sought to maximize individuality and a sense of citizen participation in welfare state decision-making. The educational system, for example, has been democratized with the creation of a three track comprehensive secondary school — academic, technical, vocational — each of which can lead to the university. Students may now participate in decisions on curricula. Under pressure from labor organizations, the trade union confederation which is the base of Social Democratic power, factories have been democratized with workers given greater control over their own work procedures and schedules.²⁹ In many Swedish plants workers have replaced “dehumanizing” assembly lines with work teams with each worker doing varied jobs and even switching jobs periodically with other workers to avoid boredom.

Unlike their foreign counterparts, Swedish critics of the welfare state are not opposed to it in principle but rather to its implementation under the Social Democrats and their bureaucracy. It has been decades since any political party in Sweden has proposed dismantling the welfare state. Each party simply states it can do a better job of operating it. In fact social welfare expenditures include only about 1 percent for recipients of relief or welfare as it is known in the United States.³⁰

The question of popular participation in and consent to public policies and decisions may to a large extent go beyond the ability of any political party or coalition to respond adequately. In many respects the almost simultaneous democratization and late industrialization of Sweden have been accomplished with very little social upheaval because they were paternalistic policies inspired by the royal paternalism of the past. It is the centuries-old pattern of paternalism which generally persists today in Sweden almost automatically despite criticism of it and governmental efforts to alter it. For example, when Sweden plans construction of a housing development in a local community, consultation as a rule takes place only between the builder and local, county and national officials. Compromises such as might be required are made within this specialized elite of similar background and all with a high degree of technical expertise. It has been rare, though less so in recent years, for a local citizens group to overturn the consensus decision of the experts which, to outsiders, appears as the product of unanimous official agreement.³¹

In spite of the prevailing elitist pattern in Sweden superimposed upon institutional safeguards for democracy, there are a few signs that the pattern is not inevitable in the future. The Byalag movement by which citizen action groups engage in organized protest on an *ad hoc* basis has developed in the last three years. Composed mostly of young, highly-educated political activists including some New Left elements, the Byalag wishes to participate actively in decisions involving housing, industrialization, the environment,

²⁹*The New York Times*, Dec. 28, 1971, p. 6; *The New York Times*, July 31, 1972, p. 37.

³⁰Ruth Link, *Society's Profit or Loss?*, *Sweden Now*, Oct. 1971, p. 41.

³¹See, for example, Hans-Georg Lindgren, *Social Planning in Sweden*, (Stockholm: The Swedish Institute, 1970); Thomas J. Anton, “Politics and Planning In A Swedish Suburb,” *Journal of the American Institute of Planners*, vol. 35, n. 4, July 1969.

working conditions, and university curriculum reform.³² The Byalag movement seems at least partially rooted in the New Left protest demonstrations against the United States war effort in Vietnam. These demonstrations may have stimulated Prime Minister Palme's criticisms of America's Vietnam war policies. Similarly, the Byalag movement may have stimulated the democratization of the school and factory systems that is now taking place.

The growing signs of dissatisfaction with the administration of the welfare state may also bear some relation to the very nature of the personnel comprising the bureaucracy. Swedish bureaucrats are predominantly middle-aged, middle or upper-class males, raised in cities and holders of at least the Swedish B.A. university degree. The fact that the Swedish labor force, based on Sweden's early commitment to sexual equality, in principle has a very high percentage of women which is not reflected in the official bureaucracy. Those women in the civil service are almost invariably employed at lower echelon levels. There is also a relatively small proportion of bureaucrats from working class origins, about 20 percent. Even this figure represents a considerable increase from the mere 9 percent of bureaucrats of working class origins employed in 1947 with the Social Democrats and the welfare state bureaucracy already in power for 15 years.³³ Yet the base of the Social Democratic vote has always been and remains the working class for whom the welfare state and its implementation are ostensibly designed. Even with Social Democratic encouragement of working class entry into bureaucratic and governmental positions especially in the 1960's, the evidence indicates that success has been achieved primarily at lower echelon levels.

The Swedish civil service has traditionally stressed the merit system, legal expertise, professionalism and independence from political pressures in its employment policies. In this respect the Swedish bureaucracy has traditions that can be traced back to its origins under Gustav Vasa in the 16th century. Yet the welfare state to function most effectively would seem to require a large measure of socio-political commitment and humanistic philosophy on the part of its bureaucrats at least in addition to (if not in place of) traditional elitist and paternalistic criteria for civil service employment. The continuing class difference between the bureaucrats who administer the welfare state and the clientele that has the most to gain from its administration is a lingering source of discontent in Sweden. Even with the democratization of the educational system, socio-cultural patterns are likely to reflect upper and middle class domination of the universities and, consequently, the bureaucracy for a considerable time to come. The prevailing pattern of class difference coupled with the recent growth in welfare state programs and their bureaucracies may explain, at least in part, the recent spate of criticism in Sweden of its traditional governmental paternalism. The average Swede with no legal expertise or university education may sense a growing gulf between himself and his

³²See Christopher Wheeler, "The Decline of Deference in Sweden: the tension between participation and effectiveness in organized group life," paper delivered to the Society for the Advancement of Scandinavian Studies, New York, May 5-6, 1972.

³³See Thomas J. Anton, Claes Linde, Anders Mellbourn, "Bureaucrats in Politics: A Profile of the Swedish Administrative Elite," paper delivered to the Society for the Advancement of Scandinavian Studies, New York, May 5-6, 1972, p. 13.

government, ironically at the very moment that government expands its social planning on his behalf. What is lacking in traditional bureaucratic staffing is an effort to insure representation of average Swedes affected by the bureaucracy in its ranks. Even if such representation does not by itself guarantee a new bureaucratic ethic of socio-political commitment and humanism free of elitist paternalism, it does make it more likely that welfare state policies and their implementation will reflect the demands and wishes of the majority affected by them and be decided by democratic participation. What is more certain is that such an ethic, even if professed and believed in by bureaucrats of upper and middle class-orientation,³⁴ is least likely to be put into practice free of their elitist paternalism. It is just as certain that the traditional network of institutional components — the Ombudsman, publicity of official documents, freedom of the press, administrative appeals, the Supreme Administrative Court, the regular courts, the Chancellor of Justice, and occasional ministerial intervention or review by the Supreme Court of the Judicature — has not quelled public criticism of welfare state bureaucracy even though it has assured democratic control of arbitrary administration.

The Swedish experience with the welfare state bureaucracy and the efforts to insure democratic control of and public participation in its decision-making has relevance for the United States because both have highly-developed, complex welfare systems with similar roots. Both nations have sought to maximize administrative efficiency in accordance with the belief that administration is the means to the good life for all in which democracy, individualism, and material prosperity, among other things, were insured. The political implementation of the New Deal through the election to political power of the Democratic Party in the 1932 depression in the United States parallels the origins of Sweden's Social Democracy and welfare state. Both nations have also shared the phenomenon whereby the expansion of the national bureaucracy to administer the myriad of welfare state programs designed to achieve the good life for the masses has itself become the major source of alienation of those masses from their elected government. The Frederick Taylor notion of scientific management and administrative efficiency along with the Weberian model of bureaucratic hierarchy and division of labor, incorporated together in both the American and Swedish welfare state systems, have had the unintended result of dehumanizing the masses in their relationship to the bureaucracy. Traditionally, bureaucratic reform in both countries has been along the lines of rationalization — for example, consolidation of agencies and the creation of national-regional planning councils — rather than humanization. The complaints of many people in the United States and Sweden are similar in that they are treated as objects rather than shapers of the system, as the means for attaining the system's ends rather than as the *raison d'être* of the system.

Structurally, the Swedish bureaucracy is somewhat different than its American counterpart in the sharp functional division between those bureaucrats who serve the 11 ministerial departments and the much larger number in the 70 Administrative Boards. These boards functionally provide a greater

³⁴These are the conclusions reached by Anton, Linde and Mellbourn in *Ibid.*

measure of bureaucratic decentralization and independence than any American bureaucratic units (with the possible exception of the independent regulatory commissions). Unlike the United States however, Sweden has two important components to check potential bureaucratic high-handedness, the Ombudsman and the principle of publicity of official documents. To a limited extent the United States has experimented with and adopted the Ombudsman approach to democratic control at the local level and for special situation.³⁵ New Zealand, Great Britain and the other Scandinavian countries have fully incorporated the institution of the Ombudsman. The principle of publicity of official documents, on the other hand, has not been imported by other countries. In the United States the requirements of national security and the Cold War have precluded serious consideration of this principle.

There may be serious drawbacks to full national incorporation of the Ombudsman approach in the United States. The large size of the United States would necessitate a heavily-staffed American Ombudsman with local geographical units throughout the country. Or, it might require functional specialization to operate at all. In either case, the Ombudsman might simply become another bureaucracy itself, introducing new problems rather than solutions to administrative coordination and citizen participation. There is also doubt whether the politicized bureaucracy in the United States — where the line between politics and administration is often vague and indefinite — would respond to an Ombudsman, especially where the political bureaucrat had an independent political constituency. A complicating feature in the United States is the legislative-executive separation of powers, the question of which branch would appoint the Ombudsman and hold him responsible, and the consequent danger that one branch would try to use him to discredit the other. The Ombudsman might also undercut the constituency function of Congressman to whom people now turn when seeking help in dealing with government bureaucracy. Finally, the alienation of the poor and the colored minorities from the political and economic systems might make them ignore an Ombudsman even while needing him the most. On the other hand, if he became a trusted spokesman for the poor, then he might be viewed with suspicion and hostility by the dominant white community and relegated to oblivion. Moreover, as noted earlier, even in Sweden, the Ombudsman is not very effective in securing changes in policy or general administrative practice.

In contrast to Sweden and as a result of some of the very problems that have prevented full adoption of the Ombudsman approach, the United States, especially in the past decade, seems to have accepted, at least in principle, the notion of active participation in Welfare State administrative planning by those most affected by the plans. In Welfare State programs, the attack on bureaucracy and the demand for active participation have come from the poor and the Blacks. In Sweden, in contrast, the Byalag movement which

³⁵In New York City, for example, the Ombudsman has been proposed to supervise the utility companies and complaints about them. New York State's Governor Rockefeller has proposed an Ombudsman for inmates in state prisons and for youthful offenders. The Watergate scandal and the discovery of malfeasance by many federal officials may also suggest to some the need for a federal Ombudsman. See *The New York Times*, Sept. 13, 1973, p. 54; March 25, 1973, p. 47; July 31, 1973, p. 39; July 9, 1973, p. 33.

highlights the relatively smaller Swedish demand for active participation is composed virtually exclusively of the more privileged segments of the society. American political literature is now replete with references to community action groups and programs, local citizens boards, community control, neighborhood government, citizen advisory committees and even advocacy administration where professional bureaucrats use their official positions and skills to challenge high-handed and discriminatory bureaucratic procedures and speak for the poor and alienated. Through most of the decade of the 1960's, although less so now, the literature was a reflection of reality. The concept of participation by the poor in administration was an outgrowth of the political convulsions faced by the United States in the last two decades, characterized by the civil rights, student and anti-Vietnam movements.

Gunnar Myrdal has proposed the creation of a "Welfare Culture" or a degree of public-spiritedness great enough to insure constant public participation in Welfare State decision-making.³⁶ In a sense Myrdal's concept hardly differs at all from Rousseau's analysis of the General Will, Aristotle's definition of politics or John Stuart Mill's defense of socialism. In each case the State and the individual are not perceived as inevitably antithetical. To Myrdal, the expertise and planning of the Welfare State can be combined with democracy. The State can pass general legislation, he argues, with detailed regulations to be settled by the people themselves in their local communities and through bargaining between their organizations. The welfare State would grow, but State intervention in public affairs would decrease. The State would try to limit its role to that of a referee in local community disputes. At all times the people would have to be vigilant to combat State and bureaucratic paternalism even (or, *especially*, because it is more dangerous) if it is intended for the public interest. One measure of such vigilance would be the degree of member participation in their interest groups for, observes Myrdal, apathetic members are also apathetic citizens of the State. Member apathy, moreover, causes an increase in State power to safeguard the citizens which means an ever-growing national bureaucracy. Local government apathy or inefficiency also leads in this direction. In his most recent book, John Kenneth Galbraith posits a "new socialism" that fills in the details for what Myrdal outlined 13 years ago.³⁷

Myrdal admits, however, that the conditions for a "Welfare Culture" may be more difficult to attain in the United States than in Sweden. The United States, he points out, must overcome more rigid governmental regulations, an overgrown bureaucracy and not very high standards of efficiency and economy of effort. Great heterogeneity plus separatist cultural feelings in the United States may require proportionately greater centralized bureaucratic controls in the name of welfare State progress. The speed with which the United States moves toward cultural homogeneity will determine the timetable for the emergence of a "Welfare Culture." Meanwhile, what Myrdal terms "reactionaries" will profess they stand for freedom, attack the Welfare State as inimical to the

³⁶Myrdal, *op. cit.*, p. 92.

³⁷John Kenneth Galbraith, *Economics and the Public Purpose*, (Boston: Houghton-Mifflin, 1973).

American mythology of rugged individualism, and seek to mobilize popular support to dismantle it.³⁸

Even in his optimistic analysis, then, Myrdal casts many doubts on the relevance of the Swedish Welfare State experience for the United States. The basically pragmatic nature of Swedish society and the still-prevailing patterns of paternalism and pluralism, moreover, are likely to preclude for the indefinite future serious consideration — either in administrative theory or practice — of the questions of enhanced popular control and active participation by the masses. The elaborate network of institutional components and procedures created to insure a limited citizen control over the Welfare State bureaucracy is also likely to remain predominant over Myrdal's vision of a "Welfare Culture." The United States Welfare State bureaucracy, unlike Sweden, will likely face increasing, even violent, demands by community groups for participation in and even control of local administrative services. It is probable that even full community control of Welfare State bureaucratic services will not reduce militant poor confrontation with the State as services are periodically reduced by policy-makers who, unlike their counterparts in Sweden, are not necessarily committed to the Welfare State in principle. It is more likely, in any event, that the Welfare State bureaucracy in the United States will give greater weight to poor, Black, and consumer groups in its decision-making processes than adopt to a much larger extent than it already has such Swedish approaches as the Ombudsman and publicity of officials documents.

³⁸Myrdal, *op. cit.*, pp. 101-02.

THE ECONOMIC DEVELOPMENT OF PUERTO RICO 1950-1974

Diane L. Chesnutis*

Over the past twenty-four years, the Commonwealth of Puerto Rico has experienced a very high, continuous rate of economic growth. The development effort has been so successful that many people might question the classification of Puerto Rico as a less developed country. In comparison to many of the other less developed countries, Puerto Rico's economy seems indeed to be highly developed. However, despite its impressive growth, the economy is still plagued with many problems common to less developed countries, in particular, a high level of unemployment, low per capita income, and a decaying, neglected agricultural sector.

This paper will study the economic development of Puerto Rico from 1950 to the present. Some reference will be made to events during the late 1940's as they have a direct bearing on the later development efforts.

Impressive improvements have been made in the economic characteristics of Puerto Rico. Real GNP in terms of 1954 dollars has grown at an average of 6.5% per year since 1950.¹ Real per capita income has increased from \$399 in 1950 to \$1146 in 1972, an average growth of 5.48% per year. Gross fixed domestic investment has maintained a growth rate of 11.6% throughout the 1960-1970 period.

Puerto Rico continues to be troubled with a balance of payments problem as imports exceed exports by approximately 50%. Recently some improvement has taken place. Over the past five years exports have been growing at a 13.6% rate per year while imports have only grown at a 10.97% annual rate. The balance of payments problem for Puerto Rico is not as significant as it is for other less developed countries due to its special status with the United States. The island uses the American dollar as its own currency and need not particularly fear devaluation. Ninety per cent of all Puerto Rican exports go to and 80% of its imports come from the United States.² Trade with the United States has a regional rather than international character. The deficit is financed chiefly through unilateral transfers and enormous foreign investment in the island's economy.

Puerto Rico's inflation problems are closely tied to the American economy. When the United States experiences a period of inflation, so too does Puerto Rico, only more severely. Because of the poorly utilized agricultural sector, food prices are rising faster than the prices of all items. Between 1963 and 1972 prices of all items rose 3.2% annually while they increased 4.2%

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¹Puerto Rico Planning Board, *Socioeconomic Statistics of Puerto Rico, Fiscal Years 1940, 1948, 1950, 1959 to 1972*. 1973. Note: All statistical information contained in this paper are from the above mentioned source unless otherwise cited.

²Robert D. Crassweller, *The Caribbean Community: Changing Societies & US Policy*, (New York: Praeger Publishers, 1972), p. 230.

ECONOMIC AND SOCIAL CHARACTERISTICS OF PUERTO RICO

	1950	1960	1965	1967	1968	1969	1970	1971	1972
GNP (1954 \$) \$ million	879	1,475	2,070	2,325	2,462	2,628	2,806	2,992	3,148
Real GNP Growth Rate	7.3	8.1	7.6	4.1	5.9	6.7	6.8	6.6	5.2
Per Capita (1954 \$)	399	634	806	884	928	978	1,033	1,090	1,146
Real Per Capita Growth	7.0	7.5	5.8	3.0	5.0	5.4	5.6	5.5	5.1
Gross Fixed Domestic Investment (\$ million)	111	355	720	919	975	1,099	1,403	1,624	1,808
Inflation Rate*	6.8	2.9	2.4	4.4	5.0	3.7	4.7	5.6	7.6
Unemployment Rate	13	13	11	13	12	11	11	12	12
Fomento Plants estab. (cumulative)	82	688	1,118	1,445	1,479	1,629	1,729	1,829	
Foreign Plants as % of total*	84	82	75	69					
Exports (\$ million)	235	622	974	1,321	1,449	1,606	1,729	1,797	1,974
Imports (\$ million)	345	915	1,659	1,969	2,263	2,556	2,879	3,108	3,505
Tourist Expenditures (\$1,000's)	6,816	58,100		167,794	201,680	233,994	235,422	234,715	258,942
Population (1,000's)	2,218	2,360	2,583	2,634	2,665	2,706	2,716	2,741	2,825
Life Expectancy	61	69	70	70	71	70	72		
Birth Rate per 1,000	38.5	33.5	32.1	27.9	26.5	26.0	25.8	27.0	25.9
Death Rate per 1,000	9.9	6.7	6.9	6.4	6.6	6.5	6.7	6.6	6.5
Infant Mortality per 1,000 (under age 1)	68.3	42.0	41.3	31.5	28.1	28.5	27.6	26.5	
Enrollment in public day schools	431,000	567,000		652,000	659,000	669,000	672,000	677,900	697,410
Enrollment in universities	12,600	24,500		45,100	47,600	52,000	56,000	64,481	69,457

SOURCE: SOCIOECONOMIC STATISTICS OF PUERTO RICO, Commonwealth of Puerto Rico, Planning Board, 1973

*SOURCE: RITA MALDONADO, *THE ROLE OF THE FINANCIAL SECTOR IN THE ECONOMIC DEVELOPMENT OF PUERTO RICO*, 1970

on food.³ The inflation rate declined in the early sixties but has been increasing steadily since 1967, averaging about 5% a year. The inflation is particularly acute for the Puerto Ricans as they are forced to pay Mainland prices with sub-Mainland wages.⁴

Similarly, the Puerto Rican economy tends to mirror the American economy's recessions. Puerto Rico immediately feels the effect of a slow-down in the American economy. Investment rapidly slows as does revenue from the American tourist.

One of Puerto Rico's most significant problems is its inability to reduce its high unemployment rate. Over the past twenty-four years, the unemployment rate has fluctuated around 12% in spite of all the new jobs introduced by the government's economic development branch. New jobs barely keep pace with increased population and decreased employment in agriculture.

The wage differential in manufacturing between the United States and Puerto Rico has narrowed considerably. In 1950 the average American wage was three times greater than the prevailing rate in Puerto Rico. But, by 1972 the American rate was only 1.9 times greater.⁵ Many critics have expressed concern that a narrower wage differential might discourage foreign industry from locating on the island. Their fears have not been borne out since Puerto Rico offers many other incentives to attract foreign industry. The productivity of Puerto Rican workers is also improving rapidly. Between 1965-1970 Puerto Rican productivity increased 4.3% compared with only 2.1% in the United States.⁶

During the decade of the 1960's the following growth rates illustrate the growth sectors in the Puerto Rican economy.

Agriculture	 - 3.3%
Industrial Activity	 + 10.0%
Manufacturing	 + 9.5%
Construction	 + 10.4%
Wholesale and Retail Trade	 + 8.8%
Transportation	 + 7.7% ⁷

The composition of the Puerto Rican economy has shifted considerably since 1950. During the early 1950's Puerto Rico was predominantly an agricultural economy. By 1955, the industrial sector surpassed agriculture as the largest generator of income in the economy. The serious decline in agriculture is striking.

³Statistical Office of the United Nations, *Statistical Yearbook — 1973*, (New York: Statistical Office of the United Nations, 1974), p. 546.

⁴Gordon K. Lewis, *Puerto Rico: Freedom and Power in the Caribbean*, (New York: MR Press, 1963), p. 220.

⁵Statistical Office of the United Nations, p. 500. (1963) and p. 533. (1973).

⁶Commonwealth of Puerto Rico, "Basic Industrial Facts on Puerto Rico," (New York: Continental Operations Branch, April 20, 1974).

⁷*Statistical Office of the United Nations*, 1973.

Percentage Distribution of Net Income by Economic Sector⁸

	1950	1960	1970
Agriculture	24	13	6
Manufacturing	15	21	24
Construction	4	6	9
Commerce	17	18	18
Government	11	13	14
Services	7	10	13
Other	22	19	16

Within the manufacturing sector itself, there have been sizeable changes in the distribution of the products produced, once again indicating the decline in agriculture.

Percentage Distribution of Manufacturing Net Income by Product⁹

	1950	1960	1970
Food and related products	47	23	19
Tobacco products	3	3	5
Textiles, apparel, etc.	20	23	22
Chemicals and allied products	7	3	8
Stone, clay, and glass products	6	7	6
Metal products and machinery	3	19	18
Paper and printed products	6	6	3
Leather goods	0.5	2	6
Other manufacturing	8	14	13

The decision in the late 1940's to stress industry at the expense of agriculture has caused a serious deterioration in the agricultural sector. The three principal agricultural products are sugar, coffee, and tobacco, all of which have suffered a continuous decline. Sugar production is presently only 26.5% of what it was in 1948. Coffee production reached a peak in 1962 but has declined ever since. The coffee industry is currently producing at its 1950 level. Tobacco production today is four times less than it was in 1950. Outdated technology, low wages, and a serious labor shortages account for the deterioration of Puerto Rican agriculture.

Growth areas in agriculture include milk (+6.8%/year), beef and veal (+6.6%), pork (+6.6%), beer (+9.0%), and rum (+18%).¹⁰ Of prime importance is the rum industry. Puerto Rico is exempt from American taxes, so all rum taxes are remitted back to Puerto Rico. Rum remittances of \$160 million provided the necessary revenue to finance the initial development effort in the late 1940's. Rum still provides the major source of revenue for the Puerto Rican government. Total rum taxes paid in fiscal year 1968 amounted to \$19,327,430.¹¹ Rum, popular in the United States, has provided a large, positive contribution to the balance of Trade.

⁸Robert A. Crampsey, *Puerto Rico*, (Harrisburg, Pennsylvania: David & Charles Stackpole Books, 1973), p. 92.

⁹*Ibid.*, p. 95

¹⁰Statistical Office of the United Nations, 1963 & 1973.

¹¹*The Commercial and Financial Chronicle*, October 3, 1968, p. 11.

One of the most vital industries of Puerto Rico is the tourist industry which has sustained a 7.12% annual growth rate over the last five years. In 1950 only \$6,816,000 were earned, but by 1972 tourist receipts amounted to a tremendous \$258,942,000. The industry has suffered a decline in only two years, 1961 and 1971, both of which were recession years in the United States, Puerto Rico's number one tourist.

By examining the composition of government expenditures, one is struck by the high proportion spent on social welfare programs. Puerto Rico is in the enviable position of requiring absolutely no defense expenditures. The United States has guaranteed the island's protection, both militarily and diplomatically.

The 1973 Commonwealth budget allocated \$1,430,000,000 as follows:¹²

General Government and other functions	32.6%
Public safety and correction	10.1%
Economic Development	8.9%
Health and Welfare	19.4%
Education	29.0%

Ignoring the agricultural sector, Puerto Rico has clearly made enormous economic gains. The island has also made important advances in the social and political spheres.

One of the most critical problems a less developed country must overcome is excessive population growth. Puerto Rico has significantly reduced its population growth rate over the past two decades. In 1950 the rate of population growth was 2.86% which fell to 2.68% by 1960. The population rate has continued to decline and is presently 1.94%. On the surface, the population problem appears to be solved. Unfortunately, Puerto Rico has an added handicap, very limited living space. Presently, there are over 800 people per square mile,¹³ which is more than the land can comfortably support. Puerto Rico cannot afford even a slow population growth rate; it needs to achieve zero population growth.

Puerto Rico was extremely fortunate that over a million of her people migrated to the United States, thus reducing the pressure on welfare programs and on the unemployment rate. Puerto Rico has experienced a declining death rate as well as a rapidly decreasing infant mortality rate due to improved health care. Life expectancy has increased from 61 years in 1950 to 72 years in 1970. Puerto Rico proudly boasts that her leading causes of death are now old age ailments such as heart attacks rather than infectious diseases.

Strides have been made in the area of education as well. The literacy rate has improved from 75.3% in 1950 to 89.3% in 1970. Because so much of the government's budget has been appropriated for education, Puerto Rico can provide the individual with much more than a primary education. Over the last five years, university enrollment has increased at an annual 10.95%

¹²Commonwealth of Puerto Rico, Department of the Treasury, *Economy and Finances — Puerto Rico — 1973*, PR ISSN 0079-7871, p. 26.
¹³Kal Wagenheim, *Puerto Rico: A Profile*, (New York: Praeger Publishers, 1970), p. 35.

rate. Education and business administration are the most popular college majors. Despite the high percentage invested in education, only \$278 is spent per student as compared with \$696 spent in the United States.¹⁴

To properly understand Puerto Rico's success, it is important to understand its Commonwealth status with the United States. Puerto Rico received Commonwealth status in 1952 and is free at any time to apply for statehood should a popular referendum support the move. It is unlikely that Puerto Rico will wish to change its status in the near future because Commonwealth status has important, unique advantages. Exemption from all United States federal taxes is a decided advantage in attracting industry to Puerto Rico. The United States also provides defense and handles foreign diplomacy. Puerto Ricans, though American citizens, are allowed their own constitution and autonomy over domestic affairs. They also receive considerable grants from the United States and are more often considered an economic region of the United States than a separate nation.

Commonwealth status has negative aspects as well. Puerto Rico has no voting representatives in Congress yet was subject to the military draft. Puerto Rico, like Hawaii, is required by federal law to use costly American ships to transport her products to market which hurts her competitive position. Although some Puerto Ricans strongly favor full independence while others favor statehood, most seem content with the present Commonwealth status. By far the most important political characteristic is the government's stability which has been an important attraction to foreign industry and investment.

Historically, Puerto Rico has been hampered by a lack of natural resources. Although the island has a good climate for agriculture, only about one-third of the topsoil is considered of good or medium quality.¹⁵ The land has been abused over the centuries by poor agricultural practices and by the destruction without replacement of its trees. During the 1950's, deposits of clay, sand, gravel, and limestone were exploited in the new cement industry. Other known resources were salt, silicate, marble, and blue limestone. By far, Puerto Rico's most valuable resources have been its good climate and beautiful beaches, though these were not exploited until the decade of the fifties. As the island has been explored more extensively, important mineral deposits have been discovered which should have a major impact on Puerto Rico's future. The most important discovery has been a \$3 billion copper deposit. Negotiations are still in progress trying to work out an agreement to exploit the resource without fouling the environment. Deposits of nickel, zinc, and cobalt have also been found but not yet tapped.

The tremendous success of Puerto Rican development can be attributed to a variety of reasons. Perhaps most important is the special Commonwealth status the island has with the United States. American investors need not fear nationalization in Puerto Rico any more than they do in California. They operate under a judicial system almost identical to that in the United States. Foreign investors, by locating in Puerto Rico, are able to penetrate the huge Caribbean market tax-free. The United States not only provides a sizeable

¹⁴*Ibid.*, p. 202.

¹⁵*Ibid.*, p. 31.

market for Puerto Rican goods but also a refuge for unemployed, unskilled Puerto Ricans. The Puerto Rican government is also able to raise revenue through tax-free bond sales in the United States. Because the United States pays for Puerto Rico's defense, weather bureau, postal system and diplomatic and commercial relations with foreign nations, Puerto Rico can afford to concentrate more intensely on education, welfare, health, housing, and development.¹⁶

Association with the United States cannot fully explain Puerto Rico's phenomenal economic success, for it had had a special position for many years yet remained stagnant economically. The Puerto Rican people themselves deserve a large share of the credit for their country's economic success. During the 1940's, they agreed upon the necessity of development and elected and supported a government dedicated to this purpose. The Munoz-Marin government provided imaginative and creative leadership as well as political stability, both vital for economic development. The leadership approached problems practically rather than clinging to any particular economic dogma. Hence, they were able to reap the benefits of various economic systems without incurring certain drawbacks characteristic of each. They were not hindered by the inefficiency and political decision-making of a totally socialist system. Nor were social costs and benefits ignored as under pure capitalism.

An example is the pineapple cannery built by the government. Because there was no cannery, farmers were unwilling to produce pineapples. Because farmers were not producing pineapples, there was no incentive for private capital to construct a cannery. Yet, pineapples were an ideal crop for Puerto Rico. The government encouraged pineapple production and built and operated the cannery while private firms distributed the product.¹⁷ The government is by no means dedicated to socialism; they actively encourage private enterprise as well. Their main concern is development, not dogma.

The large migration of Puerto Ricans to the Mainland during the 1950's was instrumental in improving the island's economy. Over 446,800 people emigrated from 1950-1960 which reduced the population growth by an estimated 67%.¹⁸ Approximately 85% of the migrants were in the most fertile 15 to 44 years age group that also accounts for the largest share of the labor force. Friedlander estimates that without migration, unemployment would have reached as high as 25 to 33%.¹⁹ Fortunately for Puerto Rico, most of the migrants were unskilled so their departure meant an upgrading of the labor force. The Commonwealth government was relieved of the burden of providing welfare and education for the migrants and was able to allocate more money for government investment in the economy.

During the 1960's, the migration flow reversed itself. Many Puerto Ricans became homesick and tired of their low social status on the Mainland. Large, prolonged return migration could have disastrous consequences for

¹⁶Lewis, p. 183.

¹⁷Earl Parker Hanson, *Puerto Rico, Ally for Progress*, (Princeton: D. Van Nostrand Company, Inc., 1962), p. 92.

¹⁸Stanley Friedlander, *Labor Migration and Economic Growth*, (Cambridge, Massachusetts: Massachusetts Institute of Technology, 1965), p. 54.

¹⁹*Ibid.*, p. 162.

Puerto Rico's development effort. To date, Puerto Rico has been able to absorb the return migrants because the migrants have developed skills while in the United States. Unfortunately, those without new skills refuse to work in the agricultural sector which desperately needs workers.

Puerto Rico, though predominantly Roman Catholic, has widely accepted birth control practices. The people do not seem to take the Church's position seriously, preferring economic progress instead. It is interesting that many Puerto Ricans choose sterilization rather than less radical birth control methods which indicates their firm commitment to modern living. The change in attitudes is apparent when one notes that as late as 1939 distributing birth control information was considered a felony.²⁰ The government did not openly promote island-wide birth control until 1970,²¹ fearing the political consequences of strong opposition from the Church. However, private organizations were allowed to provide birth control information. They operated successfully in public health clinics and hospitals. Because of the government's open support of birth control, further decreases in the birth rate are expected.

Puerto Rico's development effort has also benefited from the severance of relations between the United States and Cuba. Since American tourists are no longer able to visit Cuba, Puerto Rico has become an ideal substitute as well as a stepping stone to the rest of the Caribbean and Latin America. Puerto Rico is also attempting to replace Cuba as the leading cigar making country in the Caribbean. Puerto Rico's strategic value to the United States has increased due to Cuba's communist revolution. American bases on Puerto Rico provide a source of revenue and improve Puerto Rico's balance of payments to the United States.

As mentioned earlier, the government has played an active role in the economic development program. The modern development of Puerto Rico began during the 1940's under the governorship of Rexford Tugwell, an FDR appointee and strong supporter of the New Deal approach to problems. He was later replaced by the popularly elected Munoz-Marin, the father of Puerto Rican economic development.

A land reform program was initiated in 1941 designed to enforce the 500 Acre Law which prohibited land holdings larger than 500 acres. Marginal sugarland was given to small scale farmers. This program, though socially desirable, quickly failed as production fell. The scale of production was too small. Rapid population growth destroyed any gains that were achieved. More successful was Title IV of the land reform law which created the proportional profit farm. The idea behind the proportional profit farms was to combine public ownership, efficient management, good land, and an equitable distribution of profits between workers and managers to create highly productive farms.²² The government bought the land from the sugar companies and then leased it to experienced farmers. Managers received a salary plus a fixed percentage of the farm's net profits. The hired workers were to receive the remainder of the profits. A worker's share was computed on the basis of the

²⁰Wagenheim, p. 170.

²¹*The New York Times*, February 22, 1970, p. 55.

²²Thomas D. Curtis, "Employment and Land Reform in a Labor-Surplus Economy: A Case Study of Puerto Rico," *Land Economics*, November 1967, p. 454.

number of hours he worked. Incentive was introduced into the sugar industry in hopes of increasing production. The proportional farms ceased being profitable in the early 1950's. The general fall in the sugar industry's earnings and the lack of capital equipment employed account for the failure. The government was responsible in part for sabotaging its own program by trying to re-coup its initial investment too quickly through very high rents.²³

The sugar corporations were not hurt by land reform. They received full compensation and their land was taken from them gradually. The sugar corporations shifted into the operation of sugar mills while the proportional profit farms provided a reliable supply of raw cane.²⁴

By 1946, the Puerto Rican leaders decided that the island's future lay in industry, not agriculture. This decision was motivated by awareness of the extremely small amount of arable land available in comparison with the massive population. The land reform program, though never officially abandoned, was discontinued.

During the late 1940's Puerto Rican leaders undertook a socialist experiment. The funds from rum remittances were used to build six government owned and operated industries. These included factories to produce cement, glass, bottles, paper cartons, shoes, and clay products.²⁵ A local fruit processing plant was also built. Most of these industries operated at a loss and were beset with labor problems. Strong disapproval from the United States Congress and investors further convinced the Puerto Rican leaders to sell their industries to private industrialists. The socialist experiment had one tremendous success — Hotel Caribe built in 1947. The hotel demonstrated the profitability of a tourist industry, and other enterprisers rapidly entered the field. The hotel aided the new development effort of attracting foreign businessmen to Puerto Rico.

Although Puerto Rico's first development efforts were less than successful, the leaders remained dedicated to the principle of economic development. Knowing that a socialist solution was unacceptable to their powerful neighbors, the Puerto Rican leaders wisely adopted a program to encourage private investment. They hoped also to attract industries to the island to provide jobs and higher incomes. The popular name for the new approach to development was Operation Bootstrap.

Operation Bootstrap actively courted foreign investment and did not fear imperialism. Fomento, Puerto Rico's Economic Development Association, coordinated the program. A large public relations campaign was undertaken to create a favorable image of Puerto Rico as the ideal place to live and work. Colorful, full-page ads were purchased in popular American magazines and newspapers. Rum and tourism were promoted in the process. After five years of promotion, the revenues of a stagnating rum industry jumped from \$3.4 million to \$15.6 million.²⁶

²³*Ibid.*, p. 455.

²⁴Thomas D. Curtis, *Land Reform, Democracy and Economic Interest in Puerto Rico*, (Tucson: University of Arizona, 1966), p. 52.

²⁵Wagenheim, p. 104.

²⁶Henry Wells, *The Modernization of Puerto Rico: A Political Study of Changing Values and Institutions*, (Cambridge, Massachusetts: Harvard University Press, 1969), p. 151.

Despite its beautiful climate, more substantial incentives are needed to convince businessmen to locate in an unfamiliar environment. By far the most attractive incentive is exemption from all Puerto Rican taxes including income, personal and real property taxes, excise and municipal taxes, and license fees.²⁷ The tax holiday lasts for ten, twelve, or seventeen years depending upon the location of the industry. The more underdeveloped the location, the longer the tax holiday. Under the tax exemption program, a company can extend its tax privileges by constructing a separate industrial unit or by substantially expanding its present facilities to provide more jobs.

Fomento furnishes further assistance to potential investors. Low interest loans are extended to firms that normally do not qualify under the standard banking requirements. As of 1971 the Government Development Bank has lent \$200 million for private investments and \$7,721,000 for public expenditures.²⁸ Fomento also provides free technical advice on plant location and recruits and trains a suitable labor force. The Accelerated Industrial Training Program gives intensive, custom-made training courses for a particular factory.²⁹ The cost burden is shared between the manufacturer and Puerto Rico. The program has been highly successful in training productive workers. Fomento also arranges the construction or leasing of industrial buildings on liberal terms for new businessmen. All of these services are extended to local businessmen as well. A substantial increase in the percentage of domestic firms promoted by Fomento has occurred, though as of 1967, 69% of all firms promoted were foreign owned.³⁰

The tax holiday and exemption from federal income taxes enhance Puerto Rico as a potential location for businesses. In 1950, 96 firms were promoted by Fomento of which 84% were foreign owned.³¹ By 1970, Fomento had promoted 1,829 firms. Most of the early factories were labor intensive, capitalizing on low Puerto Rican wages. The most common industries were textiles, wearing apparel, footwear, electronic equipment, and other plastic and metal articles assembled in Puerto Rico for sale in the United States.³² Women were employed extensively in the new factories which significantly helped improve their social position in machismo-dominated Puerto Rico.

Since the early 1960's, industry has shifted from labor intensive to capital intensive. Over a billion dollars have been invested in the oil refining industry.³³ Petrochemicals and synthetic fibers industries have developed as well. Unfortunately, the shift to capital intensive industries has decreased the supply of new jobs for a country that definitely needs jobs.

Many feared that when the tax holiday expired, industries would leave

²⁷A. Curtis Wilgus, ed., *The Caribbean: Current US Relations*, (Gainesville: University of Florida Press, 1966), p. 20.

²⁸Commonwealth of Puerto Rico, *Puerto Rico USA*, (Washington, D.C., September 1971), p. 28.

²⁹Lloyd G. Reynolds and Peter Gregory, *Wages Productivity, and Industrialization in Puerto Rico*, (Homewood, Illinois: Richard Irwin, 1965), p. 144.

³⁰Rita M. Maldonado, *The Role of the Financial Sector in the Economic Development of Puerto Rico*, (Federal Deposit Insurance Corporation, 1970), p. 27.

³¹*Ibid.*

³²Wells, p. 152.

³³*Economist*, October 24, 1970, p. 89.

the island en masse. A 1966 study has allayed these fears. Of the 265 companies whose exemption expired, 218 companies remained.³⁴

The Puerto Rican development effort has been hampered by the collapse of its agricultural sector. A considerable amount of revenue has been lost as the production of sugar, coffee, and tobacco fell. A healthy agricultural sector could provide many jobs that are so desperately needed in Puerto Rico. The farms could also absorb some of the excessive population of the cities.

Between 1950 and 1965 over 257,000 jobs were created by Fomento, but 165,000 jobs were lost in the traditional sector of agriculture.³⁵ Agriculture was not strongly supported by the government and generally collapsed. Unfortunately, agriculture is deemed demeaning and people have continued to move to the cities. However, agriculture improvements have been made, though not in the traditional export crops.

In 1953 the United States Department of Agriculture sponsored a study of Puerto Rican non-export agriculture.³⁶ Agriculture was found to be inefficient, unreliable, and under-financed. The products were of low-quality, as grading had not yet been introduced. Marketing techniques were also poor. High income people refused to purchase Puerto Rican products, preferring instead high-status American goods. Historically, Puerto Rican agriculture has produced to satisfy an export market, not the local market. The farmers themselves were divorced from the marketing aspects of agriculture. Insufficient warehouse facilities and processing plants were responsible for quite a bit of spoilage and waste. Koenig blamed the government for most of the agriculture's problems. He claimed that the tax system discouraged agriculture by taxing the materials and equipment necessary for efficient farming. He estimated that the selling price of farm products was 5 to 15% higher due to excessive, misplaced taxes.³⁷

Puerto Rico's non-export agricultural sector made significant strides in the 1950's. Food marketing techniques were improved as goods were graded and properly packaged and transported to market. One of the most significant developments was the introduction of the supermarkets in 1955. Food prices fell while the products themselves were gradually improved. Over 30,000 small grocery store owners and workers lost their jobs, but the net effect has been an increase in employment. By 1963, 63% of Puerto Rican food passed through commercial channels as compared with 44% in 1949.³⁸

In 1956 a free food program was established to give food to all needy families which cost approximately \$25 million in 1965.³⁹ However, the program has aided the developing local food industry. No longer do retailers have to extend credit to the poor. There is also not as much loss due to robbery. Because of the program, the market for extremely low quality food

³⁴Wagenheim, p. 102.

³⁵*Ibid.*, p. 99.

³⁶Nathan Koenig, *A Comprehensive Agricultural Program for Puerto Rico*, (Washington, D.C.: Department of Agriculture, 1953).

³⁷*Ibid.*, p. 268.

³⁸John R. Wish and Kelly M. Harrison, *Marketing — One Answer to Poverty: Food Marketing and Economic Development in Puerto Rico, 1950-1965*, (Eugene, Oregon: University of Oregon, 1969), p. 96.

³⁹*Ibid.*, p. 77.

has disappeared, forcing farmers to improve the quality of their goods. Local food production has been one of the healthiest sectors of agriculture. Many hope that continuing improvements in local food products will decrease Puerto Rico's dependence on American food and will significantly improve the island's balance of payments.

Conditions in Puerto Rico's export crop production have not improved; in fact, they have worsened over the past twenty years. Sugar, coffee, and tobacco have all suffered tremendous declines due to incredibly inefficient methods of production. One hundred and fifty pounds per acre is Puerto Rico's average annual yield of coffee. Countries employing modern techniques average a ton per acre.⁴⁰ Due to the climate, geography, and soil conditions, the Puerto Rican sugar industry has the highest per unit cost among Caribbean sugar producers. Puerto Rico has been unable to compete on the world market and has had to rely upon the quota provided by the United States. Unfortunately, whenever the sugar industry shows signs of becoming competitive with American sugar interests, repressive measures are undertaken in Congress. Such measures include decreasing Puerto Rico's sugar quota and enforcing the Jones-Costigan Law which restricts the amount of sugar refined in Puerto Rico.⁴¹ Colonialism has not died. Lately, Puerto Rico has been unable to fulfill its quota. Hopefully, the recent surge in demand for sugar will stimulate the lagging sugar sector. Tobacco, though high quality, has also been hurt by inefficient production methods.

Why are Puerto Rico's export crops so inefficient? Part of the blame must be placed on the mountainous geography which hinders the introduction of mechanization. Small holdings in tobacco and coffee also hamper productivity. Perhaps most important has been the attitudes of the workers. They have vigorously resisted the introduction of mechanization. Many others have refused to work in agriculture altogether, allowing the crops to rot in the fields. They prefer unemployment in the modern cities to low status employment in the "backward" agricultural sector.

Another cause for stagnation in export crops has been an international surplus and stiff competition. The government has tried to restrict tobacco production to bring supply in line with demand. Thomas Curtis concludes that the fundamental solution in the agricultural sector lies in increasing world demand, not increasing Puerto Rican supply.⁴²

The Puerto Rican government finally realized in the 1960's that it could no longer afford to neglect agriculture. More money was pumped into agriculture. In 1962, \$1 million was allotted to plant new sugar cane fields. Unemployment compensation was extended from 16 to 52 weeks to re-train displaced sugar workers.⁴³ In 1963 Marin announced a \$30 million plan for credit to mechanize the sugar industry to halt the further decline in production.⁴⁴ In 1970 another \$100 million program was announced to rehabilitate

⁴⁰Crampsey, p. 87.

⁴¹*Ibid.*, p. 83.

⁴²Curtis, *Land Economics*, p. 452.

⁴³Sir Harold Mitchell, *Caribbean Patterns*, (New York: John Wiley & Sons, 1972), p. 112.

⁴⁴*Ibid.*, p. 113.

sugar.⁴⁵ Despite all of this money, production has continued to fall. What are really needed are trained agronomists and people eager to earn a living in agriculture.

A recent publication by the Commonwealth of Puerto Rico⁴⁶ confirms the leadership's renewed emphasis upon agriculture, at least on paper. Included in their new program are incentive payments to sugar and coffee producers who adopt new machinery and increase production. They urge diversification into the more successful areas of agriculture such as vegetables, beef, and dairy production. Price support will be guaranteed for tobacco and coffee. The government also encourages the organization of a marketing system to keep supply and demand equal. It remains to be seen how effective their new policies will be. It seems that they are still neglecting the major source of the problem — lack of trained agronomists and willing workers.

The liberal Commonwealth government of Puerto Rico has played a vital role in the island's development process. Without their dedicated and creative responses to challenging problems, it is doubtful that Puerto Rico would have attained its high level of development. The government made the right decision in emphasizing industry during the fifties. The land area per person was under an acre and could not have supported the growing population. Industrialization offered the only realistic solution. The leaders wisely repressed their fears of imperialist domination and actively sought foreign investment to provide immediate improvement in the lives of their people. The Puerto Ricans alone could not have generated enough investment to start industries and to provide needed jobs. Though Marxists condemn the government's policy, foreign investment and location has certainly benefited all concerned. Puerto Ricans themselves, as they accumulate funds, are increasingly becoming owners and managers of businesses.

The adoption of the Industrial Incentives Act, which established tax exemptions for new industry, was excellent policy. Puerto Rico suffered from a dearth of natural resources. Industries had no real reason to locate in Puerto Rico without the tax holiday. The length of the tax holiday being directly tied to the economic development conditions of the location site helped in distributing industry more evenly. By inducing industries into more backward parts of the island, the government insured increased spending on roads and communication.

The government must also be praised for its position on the minimum wage. Puerto Rico won exemption from the Fair Labor Standards Act which established the American minimum wage. The American minimum wage level would have been devastating to Puerto Rican employment. However, the government refused to allow its citizens to be exploited by foreign industries. The Puerto Rican leaders stressed the fact that they hoped to raise their minimum wage level as high and as quickly as possible. Low wages were not to be used as an incentive to attract foreign industry. Wages have indeed risen over the years. Rather than setting one blanket rate for all industries, the government permits each industry including agriculture, to establish its own

⁴⁵*Ibid.*, p. 117.

⁴⁶Commonwealth of Puerto Rico, *Puerto Rico USA*.

rate consistent with high employment and reasonable profits. To date, this policy has been quite successful.

The government can fairly be criticized for its half-hearted stand on birth control. Puerto Rico's economic success is closely linked to zero population growth, yet the government did not announce its support until 1970. Then after its late announcement, the government only allocated a paltry sum of \$200,000 for this vital program. The success that has been achieved in reducing population growth rate belongs to a dedicated group of private individuals who manned the clinics and distributed information.

The Puerto Rican leadership has been consistently unable to cope with the problems of the agricultural sector. They are willing to allocate money but fail to perceive the root problems. Studies should be undertaken to determine if sufficient future demand exists to warrant present efforts to save their three traditional export crops. Certainly the recent demand for sugar should offer ample inducement for increased sugar production. If the studies find that tobacco and coffee cannot hope to become competitive, then land should be shifted into more productive uses. New crop suggestions are pineapples, vegetables, and beef and dairy cattle.

Should Puerto Rico, remain loyal to its traditional export crops, then mechanization is mandatory. Liberal loans and extended re-training programs would ease the hardship. A public relations campaign stressing the joys of agriculture should be launched to attract young, healthy, dedicated farmers to the fields. Presently, the farms are worked by the very old and the very young who were unable to leave the fields for the city. College students should be encouraged to become agronomists rather than school teachers. Perhaps the government should subsidize agricultural wages to make farm work more attractive. Consolidating the average holdings in the coffee and tobacco sectors should also be a major policy objective of the government.

Puerto Rico should now try to lessen its dependence on foreign capital. Many people can afford to save more than they do, and they should be encouraged to do so. Likewise, Puerto Rico could significantly improve its balance of trade position by relying more fully upon its own agricultural sector. Impressive improvements have occurred in local food production and every effort should be made to encourage further improvements. Puerto Rico must be very careful that it does not pollute its environment. Tourism depends upon the beauty of the island. Unfortunately, with industrialization comes pollution. The government has wisely shown restraint in its recent negotiations over the exploitation of its newly discovered mineral wealth. The copper will not be removed until the companies can provide adequate safeguards to the environment.

One of the most disappointing aspects of the Puerto Rican development effort has been the persistently high unemployment rate. New jobs barely keep pace with population growth and loss of jobs in decaying sectors. Since the sixties, the trend has been towards capital intensive industries, yet labor intensive industries are needed to absorb the excess labor force. Since the wage rate has risen, Puerto Rico is no longer an attractive location for labor intensive industries. There is no easy answer to this dilemma. Possibly further