Book review: Factories and food stamps - the Puerto Rico model of development

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BOOK REVIEW

Factories and Food Stamps - the Puerto Rico Model of Development

Weisskopf here presents a valuable detailed study of the way Puerto Rico, starting in 1950 as a developing country, over the next thirty years emerged as "the prototypical (open and dependent) industrial colony, the archetypal case of the highest stage of development toward which many other Third World economies are moving" (p. 15).

Weisskopf introduces his analysis with a computer model, consisting of an accounting system incorporating data showing the 1960-1970 trends for production, income, distribution and consumption. Using the model to project these trends to 1980, he accurately predicted a growing Gross National Product, increasing unemployment, and extensive services for the high income group. Using the model to simulate alternative patterns of development, he shows that, in that type of open economy, a simple redistribution of income to lower income groups would lead to increased imports while reducing services (formally
primarily enjoyed by the higher income group) and employment. This, he suggests, should warn reformers that, in an open economy, deliverance of a basket replete with services to large sectors of the populace will likely lead to disappointing and contradictory consequences. Given the World Bank-IMF emphasis on open-economy industrialization, this point deserves reiteration.

Perhaps more interesting, however, is Weisskopf's detailed study of Puerto Rico's 'bootstrap' industrialization-by-invitation (ie tax free), particularly for its parallels with that urged by IMF-World Bank experts for other Third World countries. The resulting capital-intensive export-oriented industries provided relatively little employment. Furthermore, using imported parts and materials, they failed to create internal links which might stimulate development in other sectors. Instead, they aggravated the economy's external dependence.

In Puerto Rico, as in other Third World countries, expansion of export industries led to the neglect of agriculture, leading to a decline in output and employment on small farms, and increased dependence on imported foodstuffs, including raw materials for food processing plants. Since the new industry provided relatively little unemployment, however, half the population continued to struggle for survival in the rural areas. The 'surplus' migrated to swell the ranks of the poorest
strata of the U.S. mainland population.

In the mid-1970s, the U.S. government began to provide 'food aid' in the form of food stamps used to 'purchase' imported -- not locally-grown -- foodstuffs. This further underscored the 'hollowness' characteristic of the Puerto Rican economy. Foodstamp dollars provided a market for U.S. farm surpluses, profits for wealthy middlemen (many of them U.S. transnational corporate affiliates), and deepened the nation's dependence on the U.S. Meanwhile, the impoverished majority of the Puerto Rican population vegetated on the verge of hunger in a too-familiar Third World pattern. The main difference between Puerto Rico and other small developing nations is that, while Puerto Ricans get 'foodstamps', the latter must join the growing queue, hands out for food aid.

Weisskopf's proposed solution is less satisfactorily developed. He suggests the use of part of the food stamp income to rehabilitate small farm production of local food and other resources in the context of as closed an economy as possible. He does little to relate the proposal to his model, but then -- like most computer models -- it cannot explain the causes of the problems, but only indicates they exist. Nor does he discuss the limits of his proposal, which seems focused on providing basic needs at a minimal survival level. Unless they join together in a regional scheme that enables them to create
capital-goods industries taking advantage of economies of scale, Puerto Rico and its small Caribbean neighbors must remain dependent on imports.

Nevertheless, this book provides valuable evidence of the likely consequences of export-oriented indusrtization for open Third World economies, aptly encapsulated in the title, Factories and Foodstamps.

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