

and peasants to capitalist relations between absentee owners, plantation managers, and rural proletarians (Quintero Rivera 1980a, 113–20).

American sugar, tobacco, and fruit companies came to dominate agricultural production. By 1925, sugar exports accounted for 56.2 percent of the value of exports, up from 20.7 percent in 1896, while coffee only amounted to 7 percent. Fruit exports amounted to 5.2 percent of total exports, tobacco to 10.4 percent, and cigars to 7.5 percent. Put another way, the sectors dominated by American corporations produced 79.2 percent of total exports by 1925 (calculated from Dietz 1986, 117–20).

In the pioneer study of the island's political economy, *Porto Rico: A Broken Pledge* (1931), Bailey Diffie and Justine Diffie meticulously describe the economic penetration of American corporations. In the 1930s, four American sugar corporations owned or rented 68 percent of the 251,000 acres of land dedicated to sugarcane cultivation, owned 11 of 42 sugar mills, and produced over 50 percent of the sugar on the island. Puerto Rico became the third major supplier of cane sugar for the US market behind Cuba and Hawaii. Alongside these four sugar giants, American companies came to dominate cigar production and tobacco exports and controlled 64 percent of the land dedicated to fruit production for exports. Two American and two Canadian banks were established alongside, and in competition with, the two existing local banks, just founded in the 1890s. Another four American shipping companies came to control all freight movements between the island and the ports of the United States. American companies also controlled railway transportation and utilities (Diffie and Diffie 1931, 52–65, 100–117; Quintero Rivera 1980a, 114).

By the 1930s, however, the sugar economy of Puerto Rico had turned the island into the “poorhouse of the Caribbean.” The wages of sugarcane workers in Puerto Rico were lower than in Cuba, Hawaii, Honduras, and the Bahamas (Diffie and Diffie 1931, 86). The mass of landless peasants and rural proletarians remained poor and illiterate, while the hacendados were displaced from political power and came to occupy a new position in the middle classes in business and liberal professions. The Puerto Rican sugar growers, mostly pro-American, emerged as a new “dominant” socio-political elite (Quintero Rivera 1988, 133).

The first three decades of American colonialism were dominated by a “triangular conflict” between three local political forces: (1) the hacendados, facing the displacement of coffee production and the haciendas as the most dynamic sector of the economy and polity; (2) the sugar growers and exporters, linked since the 19th century to the sugar interests of