The Collapse of Puerto Rico's Commonwealth Model: Drivers, Trajectory, and Implications for U.S. Policy

Sebastian A. Silva Hernandez

Adapted from the author's published investigative reporting for El Calce (2026), based on original on the record interviews with former Senate President Kenneth McClintock, former Speaker of the House Jose Aponte, former Governor Anibal Acevedo Vila, and constitutional law scholar Rafael Cox Alomar, together with fiscal, demographic, and electoral data compiled by the author. Original article: https://www.elcalce.com/contexto/2026/07/24/el-velorio-de-los-superpoderes-del-ela/

Key Judgments

- **Puerto Rico's commonwealth arrangement, the Estado Libre Asociado (ELA), has exhausted its economic and political viability.** The model's mid century success rested on externally supplied advantages, chiefly federal tax preferences and transfers, rather than on a self sustaining local economy. When Washington withdrew those advantages, the model collapsed, and no local political consensus has replaced it.
- **The 2024 electoral cycle marked a structural realignment, not a routine swing.** Statehood won a certified plebiscite with 58.6 percent, and the Popular Democratic Party, the architect and guardian of the ELA, fell to third place for the first time since 1948. The status quo has lost its electoral base even as Congress shows no intention of acting on status.
- **Absent federal action, the most likely trajectory over the next five years is continued managed decline:** sustained outmigration of working age professionals, accelerated population aging, recurring infrastructure failures, and deepening fiscal dependence on federal transfers, with the burden of adjustment displaced onto U.S. mainland states, principally Florida.
- **Institutional capacity, not statutory authority, is the binding constraint on governance.** Puerto Rico's recent record shows a legislature that produces laws faster than the state can implement or supervise them. This gap, visible in parole supervision failures and in the lapse of the gender violence emergency, is a leading indicator of state weakness that outlasts any single administration.

Background: A Borrowed Miracle

Between 1950 and 1970, Puerto Rico was showcased as a development model for the hemisphere. Operation Bootstrap moved the island from subsistence agriculture to export manufacturing; per capita gross national product grew at roughly 10.1 percent annually during the 1960s, outpacing South Korea and Taiwan in the same window, and life expectancy rose from 46 years in 1940 to 72 by 1970. During the Cold War, Washington actively promoted the island as the capitalist counterexample to Cuba.

The foundation of that growth, however, was external. The decisive instrument was federal tax preference, culminating in Section 936 of the Internal Revenue Code, which allowed U.S. corporations, primarily pharmaceutical manufacturers, to repatriate island profits free of federal tax. By 1987, the Treasury was forgoing an estimated 1.51 dollars in tax revenue for every dollar those firms paid in local wages, a ratio that made Puerto Rico function less as an industrial economy than as a tax shelter with factories attached. In an interview for my reporting, former Senate President Kenneth McClintock, a committed statehood advocate, conceded the core point: the benefits Puerto Ricans attribute to the ELA flowed from territorial status itself, market access, federal funds, and citizenship, not from the commonwealth arrangement created in 1952.

The comparative record underscores the fragility of the model. South Korea, which trailed Puerto Rico in the 1970s, invested in domestically owned industry and by 2010 exceeded the island's per capita GNP by roughly 62 percent. When Congress repealed Section 936 in 1996, with a phase out ending in 2006, Puerto Rico lost over 40 percent of its manufacturing employment, and sector wages fell 16.7 percent. Successive local governments then sustained spending through debt issuance, including the practice of borrowing to retire older debt, until public debt exceeded 72 billion dollars alongside roughly 55 billion

dollars in unfunded pension liabilities. Congress responded in 2016 with the PROMESA statute and an unelected Financial Oversight and Management Board whose authority supersedes that of the elected governor, an arrangement that settled, in practice, the question of where sovereignty over Puerto Rico actually resides.

The Legal Architecture Forecloses Local Solutions

Puerto Rico's subordination is not merely fiscal; it is constitutional doctrine. The Insular Cases, beginning with Downes v. Bidwell (1901), established that Puerto Rico belongs to but is not part of the United States. Torres v. Puerto Rico (1979) characterized the extension of constitutional protections to the island as a matter of congressional grace rather than obligation, and United States v. Vaello Madero (2022) confirmed that Congress may lawfully exclude island residents from Supplemental Security Income even though roughly 41 percent of the population lives below the federal poverty line.

Two findings from my interviews are analytically significant here. First, the critique of the commonwealth's legal foundations is now bipartisan within Puerto Rico: McClintock stated flatly that the ELA does not exist except as a nickname for a territorial, colonial status, and former House Speaker Jose Aponte noted that federal documents have never recognized a free associated state, only a commonwealth without sovereignty. Second, constitutional scholar Rafael Cox Alomar cautioned against the assumption that overturning the Insular Cases would resolve the problem: even without them, Congress retains authority to treat territories differently from states under rational basis review. The implication for U.S. policymakers is that no judicial remedy exists; only Congress can alter the island's status, and the oversight board is best understood as the newest institutional expression of a tutelary relationship dating to 1898.

The dependency this architecture produces is a design feature rather than a cultural trait. Puerto Rico receives nutrition assistance as a capped block grant, frozen in structure since 1982, rather than the open ended SNAP program available in the states. Center for a New Economy analysis shows that a single mother working full time at minimum wage fails to qualify for most assistance, a structure that penalizes formal employment and pushes labor into an informal economy estimated at between 6 and 23 percent of output. Approximately 40 percent of residents rely on nutrition assistance, and federal transfers account for roughly 40 percent of personal income, about double the mainland proportion. McClintock added a consequential detail: excluding island residents from benefits such as SSI does not foster self sufficiency; it incentivizes relocation to Florida, where full benefits apply. Federal parsimony toward the territory thus functions, in practice, as a driver of migration to the states.

2024: The Political Realignment

The November 2024 certified plebiscite recorded 58.61 percent for statehood, 29.57 percent for sovereign free association, and 11.82 percent for independence. More consequential than the plebiscite itself was the collapse of the Popular Democratic Party to third place for the first time since 1948. The party that built the ELA can no longer win elections defending it, which removes the last institutional constituency for the status quo.

Public nostalgia for the commonwealth era should not be misread as support for territorial status. What survey conversation and my field reporting consistently surface is nostalgia for state capacity: for the period when public agencies functioned and government appeared to have a development plan rather than a scarcity management plan. The 2024 campaign demonstrated how this anxiety is monetized politically: the winning party campaigned substantially on the claim that only it could guarantee uninterrupted federal fund flows. That the same funds subsequently came under unprecedented pressure from Washington illustrates the fragility of a political economy organized around transfer dependence.

Case Study in State Capacity: Legislating Without Implementing

A recurring pattern in my reporting, across policy domains as distinct as criminal justice and gender violence, is a legislature that expands statutory ambition while the executive lacks the capacity to implement it. Act 85 of 2022 shortened parole eligibility timelines and eliminated consecutive sentence requirements for eligibility purposes; Act 50 of 2026 obligated annual reconsideration of previously denied parole cases. Neither statute was matched by investment in supervision: the Corrections Department fields roughly 288 parole officers island wide for 577 released offenders, and in a case I documented, a twice convicted murderer under supervision went untracked for nearly a month before allegedly killing a third woman. Similarly, a state of emergency for gender violence declared in 2021 was allowed to lapse at the end of 2024, while every domestic violence shelter on the island is operated by nonprofits, none by the government, on budgets that are 75 to 90 percent federally dependent.

The analytic point is not the individual scandals but the pattern: statutory output substitutes for governance. For any assessment of Puerto Rico, and by extension for assessments of comparable polities in the region, the gap between enacted law and implementation capacity is a more reliable indicator of trajectory than the content of the laws themselves.

Demographic Trajectory: The Emptying Island

Migration is the mechanism through which all of the above converts into strategic consequence. The median age of out migrants is 30; nearly 47 percent of departing adults hold university degrees; and the island has lost more than a third of its physicians. Migration expert Jorge Duany, whom I interviewed, notes that the migrant profile has shifted: departures are increasingly driven not by wage differentials alone but by exhaustion with infrastructure failure, chronic power outages and, in 2026, a metropolitan water crisis caused by deferred maintenance on the island's principal aqueduct. Puerto Rico now competes with Cuba and Uruguay as one of the most aged societies in the hemisphere, with roughly a quarter of the population over 60. Median household income of approximately 24,000 to 25,000 dollars remains less than half that of Mississippi, the poorest state, while 58 percent of children live in poverty.

The self reinforcing dynamic is the central analytic concern: each departing professional shrinks the tax base and degrades services, which accelerates further departure. Duany's research adds a countervailing observation relevant to diaspora analysis: cultural attachment persists across generations, to the point that the island's principal newspaper now translates content into English for second and third generation stateside Puerto Ricans. The diaspora, concentrated in electorally significant Florida, is therefore likely to remain a political actor in island affairs and a constituency for congressional attention.

Outlook and Implications

Most likely scenario (high confidence): continued managed decline. The oversight board completes debt restructuring while austerity constrains public investment; infrastructure failures recur; outmigration and aging continue; and status remains unresolved because congressional incentives to act are weak. The costs of this scenario accrue substantially to mainland states through migration, making Puerto Rico policy, in practice, domestic policy for Florida and other receiving states.

Alternative scenario (low probability, high impact): a forcing event, such as a catastrophic hurricane strike on degraded infrastructure, a disorderly failure of the privatized power utility, or a fiscal cliff in federal health funding, compresses the timeline and forces congressional engagement with status or with a substantial reconstruction package. Indicators to watch include the stability of federal transfer programs, the pace of physician and engineer emigration, LUMA Energy's outage frequency, and whether the 2028 island electoral cycle consolidates or reverses the 2024 realignment.

For U.S. policy, three implications follow. First, the status question can no longer be deferred on the premise that islanders are divided; the 2024 results and the bipartisan elite consensus documented in my interviews indicate the old equilibrium is gone. Second, program design matters as much as program size: capped, discretionary transfer structures are actively producing the migration and informality that

policymakers cite as evidence of dysfunction. Third, institutional capacity building, particularly in implementation and supervision functions, would yield greater stability returns than additional legislation, a lesson with application well beyond Puerto Rico in the Caribbean basin.

A note on sources: This sample synthesizes and reframes, in analytic form, research the author conducted and published as long form investigative journalism in El Calce (elcalce.com) during 2026, including “El velorio de los superpoderes del ELA” and “El Estatus: La relación tóxica de Puerto Rico.” All interviews cited were conducted on the record by the author. Quantitative figures reflect the author's compilation from the Financial Oversight and Management Board, the Center for a New Economy, the Puerto Rico Institute of Statistics, certified 2024 plebiscite results, and academic migration research.