

2012: A crossroads election



BY RAFAEL HERNÁNDEZ COLÓN

After 28 consecutive years of Popular Democratic Party (PDP) government in Puerto Rico, which provided us a stable policy framework under which the island achieved spectacular and continued yearly rates of growth, the election of 1968 ushered in 44 years of alternative governments. The New Progressive Party (NPP) won the governorship and the House in 1968; the PDP retained the Senate. The PDP won the governorship, the Senate and the House in 1972. The NPP won all three in 1976. The PDP won the Senate and the House, and the NPP the governorship in 1980. The PDP took all three in 1985 and 1988, and the NPP won back all three in 1992 and 1996; the PDP recovered all three in 2000, but only retained the governorship in 2004, losing the Senate and the House to the NPP, which retained them in 2008 and also won back the governorship.

Measured by any indicators—economic, health, education, etc.—the rate of development achieved during the 28 years of continued PDP governments, was far and above that achieved during the 44 years of alternative governments. In 1968, Puerto Rico was a much better place to live and had a more just society than in 1940. We can hardly say the same for the change occurring between 1968 and 2012.

Many factors, internal and external, are responsible for this. One of them, and an important one, are the policy changes in economic development, fiscal matters, education, application of federal laws, etc., that occur when in political status-conscious Puerto Rico, the government is turned over by one party to the other. The political horizon of the NPP—statehood—determines shifts in economic and fiscal policies that, with detriment to the economy, have altered significantly the rules of the game regarding investments established by PDP governments. Witness: the federal minimum wage and the surrender of Section 936.

The harm done to the economy by these policies hasn't prevented the NPP from winning elections. The fundamentalist hard core of statehooders, who believe that statehood can bring no wrong, assume the posture of denial against economic realities. This hard core is large enough that when swing voters dissatisfied with PDP governments or unsure about PDP candidates are added, the NPP wins elections.

That, which has happened in the past, is a prelude to what will happen in the future if the NPP wins the 2012 election and statehood wins the

plebiscite that will be held along with the election. But this time the impact of the steps taken toward Puerto Rico becoming a state will be much more severe. This time the impact of pro-statehood policies will be augmented by the steps the NPP government must take to obtain statehood for Puerto Rico from Congress.

That is why this is a crossroads election.

Though the NPP has won numerous elections since 1968, it has



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never had a mandate from Congress to pursue statehood. If it wins in 2012 and also wins the plebiscite for the first time, it would have such a mandate. So we can expect a statehood bill to be presented in Congress.

Congress won't grant statehood based on the NPP winning this plebiscite, which provides for a prefabricated majority for statehood on the second ballot if commonwealth is rejected on the first. But a dialogue between the Puerto Rico government and congressional committees will begin regarding the conditions necessary for Puerto Rico to become a state.

The fiscal question is one of them. Puerto Rico is still two years away from paying off its structural deficit. The effort to bring this deficit down has brought great pain during the past three years. Thirty thousand government employees have been fired. A billion dollars has been slashed from the budget. All sources of revenue have been commanded by our central government. Even the unthinkable—taxing companies that are tax-exempt—has been undertaken, albeit as a temporary measure. Public debt is at 98% of gross national product, or GNP.

To pursue statehood seriously, our government will have to come up with a plan to meet the burden of federal taxation while at the same time taking care of essential services and infrastructure investment in our budget. The problem of how to come up with such a plan boggles the imagination. Puerto Rico taxpayers already carry a burden as heavy as taxpayers in most of the states of the Union. How can we assume an additional tax load to support the federal government?

In the past, the NPP hasn't had to deal with these questions seriously because the extent of its pursuit of statehood with Congress has been seeking plebiscites for self-determination. Now it is seeking statehood as a government with a plebiscite mandate that it will claim is legitimate. This is another ballgame.

The engagement of the NPP government with Congress on this issue will create a climate of uncertainty for investors as to the rules of the game in Puerto Rico. Such an investment climate won't help, to say the least, the economic recovery of Puerto Rico. Most economists now predict anemic growth at best in the next few years. The specter of federal taxation would seriously undermine even this best-case scenario.

The stable predictable horizon regarding the rules of the game fundamental to investment and economic growth is found in commonwealth; thus, the crossroads voters will face in the next election. ■

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