

Puerto Rico at a crossroads III



BY RAFAEL HERNÁNDEZ COLÓN

This is the third and last column on the crossroads at which Puerto Rico finds itself. It reproduces my words to the Latino and Jewish organization that visited Puerto Rico a few weeks ago. It comes out at a critical moment because the President's Task Force on Puerto Rico is

about to issue its report on policies regarding our economy and self-determination. Assuming that this report is a serious endeavor by the Obama White House, and not a repetition of the infamous Bush reports, these policies will define the crossroads at which we find ourselves. That is, they will establish the divergent paths to economic development and the options of self-determination. If the report is not serious, its effects will be devastating, because such a report will reflect insensitivity on the part of Washington as to Puerto Rico's predicament. The following were my words:

"Efforts have been made and plebiscites have been held during the past 40 years to determine whether we wish to continue enhancing our relationship as a commonwealth or whether we wish to become a state of the Union. Congress has not enacted the bills that have been presented. Although commonwealth enjoys a plurality of the electorate, statehood is a close second, and so we have come to a gridlock on the status issue.

The balance of these 40 years, during which we have lacked the continuity of developmental policies under the framework of commonwealth, has been negative for Puerto Rico. The breach in per-capita income levels and unemployment rates between Puerto Rico and Mississippi—the poorest state of the Union—has been widening. As of 2008, Puerto Rico had a median household income of \$17,741 compared to Mississippi's \$36,338. Likewise, Puerto Rico's labor-force participation rate averages around 43% while Mississippi's is 61.7%. In Ireland and Singapore it is over 60%. The amount of households under the poverty level is also alarming. More than 50% of households on the island live under the level of poverty.

Not only is Puerto Rico losing ground vis-à-vis the states in terms of growth and wealth, but also vis-à-vis its neighbors. As 2008 drew to a close, the economies of, for instance, the Dominican Republic (8.5% growth in GNP), Panama (11.2%), Colombia (7%), Costa Rica (6.8%), Barbados (4.2%) and Antigua-Barbuda (6.1%) were not only expanding, but doing so

swiftly and consistently. While most economies in the hemisphere grew, albeit to varying degrees, Puerto Rico's economy, which once had the strongest growth in the Caribbean, dwindled.

With 4 million inhabitants and a population density of 1,113 people per square mile, higher by far than any state, Puerto Rico has had to rely on federal transfers and welfare for its economic survival. In 2008, out of a total consolidated budget of \$26.6 billion, \$5.73 billion, or 21.5%, came from federal earmarks—mostly for healthcare, education and low-income housing.

The economic meltdown has unleashed grave



social ills, leading to an alarming crime rate and an acute deterioration of quality of life on the island. The massive exodus of highly educated young professionals to the mainland, particularly to South and Central Florida, stands as an unfortunate byproduct of such a meltdown. Estimates suggest that between 2000 and 2006, close to 200,000 Puerto Ricans fled to Florida. If things are not set right in Puerto Rico, the island's middle class will all but disappear.

A concerted federal and commonwealth approach is imperative to rectify this dire scenario. Action from Washington is of the essence because the federal government controls those economic variables that most decisively bear upon Puerto Rico's economic development—such as the minimum wage, or the costs imposed by occupational health and safety regulations, the cost of ocean and air transportation, and costs due to environmental laws and competition from international trade. Federal control over these variables imposes, on the production of goods and services in Puerto Rico, the costs of the most developed and powerful economy in the world.

If Puerto Rico is to have a healthy economy, one with ample and varied opportunities for the advancement of Puerto Ricans on the island,

federal policies directed at economic development—not transfer payments or welfare—must place us in a position where we can meet the burden that congressional legislation has placed upon the development of the island's economy. This predicament requires policies that will stimulate direct foreign and domestic investment, and trade, as a means of creating jobs.

The collapse of the island's economy, the competition that globalization has brought to bear, plus the higher costs of production stemming from a host of federal laws and regulations, demand a new framework for relaunching the commonwealth's economy—one that must rely on the assets the island already possesses, such as its pharmaceutical industry, its technological infrastructure and sophisticated workforce that have gained the respect of the world.

The road the federal government should follow to stimulate a new level of economic development on the island lies, for the most part, in the knowledge economy. Focusing on research & development in the life sciences, with a particular emphasis on devising new technologies for developing renewable-energy sources, are key aspects of this prospective strategy.

A task force organized by the White House has undertaken a study of the status and economic issues regarding Puerto Rico. It will issue its report by the end of this month. A great deal hangs on

the wisdom of this report for the people of Puerto Rico. We are at a crossroads. It can chart a course through which we can overcome our present maladies and renew our quest for the integral development of our island and our people, or it can sink us deeper into a structural gridlock on status and the economy.

At the end of the day, I would like to see the Commonwealth of Puerto Rico with broader autonomy in a more perfect union with the United States. This relationship will provide the best framework for the economic, social and cultural development of this island so that, by standing on our own two feet, each Puerto Rican has the opportunity to realize the full potential that God has given us—a relationship whereby our loyalty to the United States will be just as strong as our pride in being Puerto Ricans." ■

Rafael Hernández Colón is a three-term (12-year) former governor of Puerto Rico (1973-'76 and 1985-'92). He served as Justice secretary (1965-'67) and Senate president (1969-'72). He was president of the Popular Democratic Party for 19 years. Comments on this article are welcome at caribbeanbusinesspr.com. Go to [Sign in](#) link on the homepage. Emails also may be sent to column@caribbeanbusinesspr.com.