

Puerto Rico at a Crossroads II



BY RAFAEL HERNÁNDEZ COLÓN

In my previous column, I presented the first part of a speech I made before a group from a Latino and Jewish organization that recently visited Puerto Rico. In the speech I gave a historical account as to where Puerto Rico is at the present moment, how this has come about and where we go from here. This is the second part of that historical account, as to how and why we have come to a crossroads:

The people of Puerto Rico accepted by referenda the congressional proposal and ordained our Constitution. Approved by Congress on July 25, 1952, our Constitution and the compact went into effect.

The Constitution established a Republican form of government. The governorship, the Legislature, and the judiciary branches from then on exercised their power according to the sovereignty of the people of Puerto Rico, not by delegation from Congress as it was before. The Bill of Rights followed not only the U.S. American counterpart, but also the Universal Declaration of the Rights of Man, adopted by the United Nations in 1948. Thus, our Bill of Rights was more inclusive. Witness: the protection of the right to privacy, the prohibition of discrimination on account of sex and social origin or condition, the prohibition of the death penalty and the right to bail for every person accused of a crime—all were established here as of 1952.

Upon the Constitution and the compact becoming operative, the U.N. proceeded to eliminate Puerto Rico from the list of colonial territories, adopting Resolution 748 of 1953 of the General Assembly, which provided that:

“...in the framework of their Constitution and of the compact agreed upon with the United States of America, the people of the Commonwealth of Puerto Rico have been invested with attributes of political sovereignty which clearly identify the status of self-government attained by the Puerto Rican people as that of an autonomous political entity.”

The U.S. Supreme Court characterized the relationship of Puerto Rico to the U.S. as one without parallel in U.S. history. In *Examining Board v. Flores de Otero*, 26 U.S. 572 (1976), it stated

that “Congress relinquished its control over the organization of the local affairs of the Island and granted Puerto Rico a measure of autonomy comparable to that possessed by the States.”

During the next two decades after the Constitution went into effect, the gross national product of our economy grew at an annual average of 6% in real terms. This was achieved through Operation Bootstrap, an industrialization program with federal and local tax exemptions as its principal incentives. This economic growth was translated into ample programs of social justice providing jobs, housing, education and medical services to our people. Puerto Rico was hailed as the show-

which entails federal taxation. Although Puerto Rico is not a state of the Union, the statehood governments seek uniformity between the local framework for economic development and that of the States. Commonwealthers rely on fiscal autonomy and the lack of federal taxation to promote economic development.

In 1995, Congress repealed Section 936 of the U.S. Internal Code, which provided for the repatriation, free of federal taxes, of the profits of U.S. companies in Puerto Rico. The government of Puerto Rico at that time was under the New Progressive Party, which agreed to the repeal of Section 936 based on the fact that Section 936

was not constitutionally feasible if Puerto Rico became a state of the Union due to the uniformity clause of the U.S. Constitution. No adequate substitute for Section 936 was provided by Congress.

The repeal of Section 936 was phased in over a 10-year period. Many companies left, and thousands of jobs were lost. Some, mainly pharmaceuticals, remain. However, new investment in plants and equipment in Puerto Rico declined dramatically. Beginning in 2006, the year after the phase-out ended, our economy went into recession, and it has remained there until today. At no point in recent history has the economic and



case of democracy by the U.S. Under the Point Four Program established by President Harry S. Truman, people came from Latin America, and even as far as from India, to learn about economic and social development from us.

The Popular Democratic Party, under which commonwealth was created, lost its first election in 1968 after having ruled Puerto Rico for 28 consecutive years. These 28 years provided for a continuity of developmental policies under the commonwealth framework. The New Progressive Party, which favors statehood, won its first election in 1968. Since then, it has won five elections and the Popular Democratic Party has never won an election. In the last one, it polled 2% of the vote.

The alternation between the pro-statehood party and the commonwealth party during the past 40 years has brought conflicting policies as to economic development stemming from the radically different fiscal framework posed by statehood,

social picture been as bleak as it is today; so bleak that the New York Times editorialized that Puerto Rico is an “Island in Distress.” In 2009, the island’s gross domestic product had a negative growth rate of 4%. During the past five years, the commonwealth has been struggling to emerge from a structural deficit in its budget. Moody’s has assigned a negative outlook to the commonwealth’s general obligation bonds. Our plight was not caused, but was worsened, by the U.S. recession, which began in 2008. The U.S. economy has resumed growth this year, albeit sluggish.

This column will be continued. ■

*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.*