

## **Finland: An economic model for Puerto Rico**

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Fifteen years ago, when its principal export market, the Soviet Union, collapsed, Finland faced a full-scale depression. The Finns faced up to the crisis, took control of their future, and placed their bets on scientific research and the adaptation of its results to commercial purposes [research & development (R&D)] to secure that future. Today, the World Economic Forum in Davos, Switzerland, ranks their economy as the most competitive in the world. If Puerto Rico could raise itself above the petty, status-driven, partisan political issues that dominate our society, we could look at this model as a useful framework to reinvent this country to face the challenges of the 21st century.

Finland, though geographically much larger than Puerto Rico, is a small country, as Puerto Rico is. It has a population of 5.2 million people and we have four million. It is ethnically homogenous and so are we. It is an independent country since 1917. We are a Commonwealth since 1952. However, as a Commonwealth, we have the powers to implement the economic policies that have been so successful in Finland. These policies have been given lip service in Puerto Rico for a long time, but no meaningful action has been taken. More recently, the models of Florida and North Carolina have been advanced in a debate opened up by civil society in an effort to build a consensus that will support the policies and will bring government around to some meaningful engagement.

What needs to be done with our economy is no mystery. Our strategic planning has recognized it since the Rosselló administration gave up Section 936 in Congress. We are great planners. Not that our plans are great, but that we are constantly addressing our problems by making plans rather than by taking action in a decisive, creative, forceful, and sustained fashion. The effort to build consensus is necessary and important because it will lay the groundwork for the important decisions that must be made if we are to follow the Florida model, the North Carolina model, or the Finland model. Whatever model we follow to reinvent the driving forces in our economy will require politically painful decisions as to the government's budget and restructuring governmental agencies. It also will require the coordinated cooperation of business and academia. So, a consensus on what must be done, and the understanding of why it must be done, is essential.

To reinvent our economy, we must make a serious commitment to R&D. At the inauguration of Amgen's new center for biotechnology, Gov. Aníbal Acevedo Vilá announced the administration is focusing on R&D as the priority in manufacturing. Our goal, he said, was to position Puerto Rico as a world center for biotechnology. This, undoubtedly, is the direction we must take, but to make our plans a reality, painful decisions must follow in dissecting our budget to put the necessary amounts in this area, in reshaping the agencies that deal with this in the executive branch, and in shaping up the universities.

The Finns put 3.5% of their domestic product into R&D last year, the U.S. 2.6%, and the European Union less than 2%. Puerto Rico doesn't reach 1%. We need to allocate the necessary funds to make a serious commitment. Finland increased government spending in R&D during the decade of the '90s, while all other spending was either cut or frozen.

Three Finnish institutions channel this money: Tekes, the autonomous national technology agency, supports basic and applied research. This year, it will give out \$540 million, 40% to universities and 60% to businesses. The agency works closely with private firms helping them decide on their projects, and persuading the universities to collaborate with business. The agency has established a reputation in the selection of successful projects to fund, but it takes risks, as such an agency must, to be successful. One-third of the projects fail. This isn't a political issue because it is understood that risk-taking is of the essence in R&D.

The Finnish National Fund for Research & Development is the second institution implementing R&D policies. It serves as a venture capitalist, investing money earned by its own \$750 million endowment in start-ups and new ventures of established companies. This endowment came from a wise investment made by the fund in Nokia, the Finland-based cellphone enterprise.

The Finnish Academy of Science & Letters is the third institution engaged in funding R&D. Strong leadership was required to turn this institution around to serve the new policies to meet the crisis Finland faced in the nineties. The academy channeled funds to established scientists and labs without regard for excellence. The new leadership began to give money to the best scientists and the most promising projects, cutting off those whose work wasn't getting anywhere. Those cut off enlisted the media and the government in their defense but unsuccessfully because the new leadership in the academy was strong, the consensus in public opinion had been built before, and a new spirit and enthusiasm was breathed into the venerable institution.

The three public institutions only fund one-third of R&D expenditures. The rest comes from business, reflecting the consensus in Finland that only by staying ahead intellectually and technologically can the country sustain its competitive position.

The other part of the strategy to surmount the crisis and bring Finland to its present position was an overhaul of its educational system. Again, this required forceful leadership, this time from the director general of the Finnish National Board of Education.

Today, Finland is one of the world's most successful countries, but it is well aware that you can't rest on your laurels, that change is inevitable, and reinvention must come time and again as the years go by. This is a lesson we must learn in Puerto Rico. Luis Muñoz Marín and the Popular Democratic Party reinvented the island's economy a half-century ago. They were able to do this because they developed a broad political consensus that sustained their policies for three decades. Now, again, we must develop the necessary consensus to reinvent Puerto Rico for the 21st century. Strong and visionary leadership, able to

make painful decisions and still retain the support of the people, is necessary to bring about the change we need. The governor's words at Amgen are indicative that the administration knows the route we must follow. Forceful and decisive action must follow from both the administration and the Legislature.

