

The wandering albatross

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Puerto Rico's political leadership flocked to Washington this week to participate in the status hearings convened by the House Resource's Subcommittee on Insular Affairs. The bills on status urged on the members of Congress by the Popular Democratic Party (PDP) and the New Progressive Party (NPP) leadership were discussed at the hearings. There is almost no possibility the leaders of both parties will find common ground upon, which the committee can move forward a bill to seriously address the status question. There seems to be no light at the end of the status tunnel.

This should not surprise us. There will be no status change until there is a respectable and sustainable majority of the Puerto Rican people pressing their will on Congress for a particular status solution. In the short term, this does not appear probable. For the time being, the parties are divided on the constitutional convention, which is the democratic mechanism that can elicit a respectable and sustainable majority. As for the plebiscite, there is no possibility of eliciting such a majority because:

1. The parties are also divided on this;
2. There's a structural division within Puerto Rico's electorate between commonwealth with a plurality, statehood with a respectable minority, and independence with a small minority; and
3. Plebiscite results can be erased by the next general election.

Under these conditions, Congress will not be able to come to a meeting of the minds with Puerto Rico, which is the key to status change. This reality should be borne in mind by Puerto Rico's leadership in charting a course to steer Puerto Rico out of its present economic problems.

Some months ago, the *New York Times* ran an editorial titled "Puerto Rico an Island in Distress." It stated, "After decades of economic progress, Puerto Rico is struggling, and the mainland has both missed this horrific economic slide and contributed to it through neglect.

"Poverty on the island is rampant. The per capita income is just about half that of the poorest state in the United States. Nearly one-third of the population was unemployed in 2000. A good quarter of all employment is in government jobs. If the goal is more than survival, the bloated public payroll will need to be significantly pared back.

"Much of the blame can be put on Washington, which has been tone deaf to the island's needs and has miscalculated where help was needed. Even a good idea, like the Section 936 program of tax incentives, was mismanaged. Before it was phased out last year, it had succeeded in bringing many pharmaceutical

concerns to the island, but produced relatively few jobs and at so high a cost that a \$40,000 position cost the government \$70,000...

“The key to the island’s future will be charting a direction that includes capitalizing on the island’s open economy to create jobs for homegrown talent.”

These problems pointed out by the *New York Times*, with which we are all familiar, are not going to solve themselves while we wait for a status solution. We must attend to them now with creative solutions and with an agile and effective government focused on solving these problems. As long as the status solution is gridlocked, we must address our problems from the present platform of the Commonwealth. Enhanced commonwealth, statehood and independence are merely names on a wish list. The reality is the tools we have to face up to our problems in the short term—at least eight to 10 years—are the tools of the Commonwealth government and those of the federal government that we can bring to bear.

The present administration has pointed to research and development in the life sciences as the direction we should follow to insert ourselves in the knowledge economy, capitalizing on our pharmaceutical and medical instruments industries. In order for research and development to be meaningful in terms of economic development for the island, it must be taken to a very high level. This requires a policy framework sustained for a prolonged period of time by the local government with the cooperation of the federal government.

Once upon a time, a policy framework such as Operation Bootstrap could be maintained on the island with the help of Congress through the successive victories at the polls—28 years—of the PDP. Today, it demands a bipartisan consensus. In order to reach such a consensus, the NPP leadership must rise above the position it has taken regarding solutions to our economic problems that are particular to Commonwealth. The stronger the economy of Puerto Rico is the better our opportunities to fare under any status change.

Historically, the first requirement that new states have had to meet before being admitted to the union has been whether they can bear the fiscal burdens of statehood. If with the state of our economy we can barely meet the fiscal burdens of the Commonwealth, can we seriously sustain that we can add to these the federal income, inheritance, excise and gasoline taxes?

The statehood leadership must revise its positions on federal policies that can support the economic development of Puerto Rico, which are possible now but will not be feasible when and if we become a state. Enlightened self-interest should open their eyes to the fact that reaching higher levels of income and productivity for our people will facilitate rather than hinder statehood. And the same goes for any status change.

The present position of the statehood leadership provides little room for maneuverability or creativity in policy making. Let us take the case of Resident Commissioner Luis Fortuño in Congress. His support for

any bill considered by Congress depends on whether it would be possible to pass such a bill for Puerto Rico if it were a state. This is a self-defeating policy straightjacket. States are at a higher level of economic development than Puerto Rico. As the *New York Times* points out, our per capita income is less than half of the poorest state of the union.

The fiscal policies that apply to the 50 states of the most powerful economy in the world will not work for us to close the gap between Puerto Rico and the poorest state. Fortuño's policy straightjacket does not allow him the necessary flexibility with which to propose the policies that are necessary for job creation for Puerto Rico. In terms of the statehood ideal, the straightjacket has created a vicious circle. They oppose federal fiscal flexibility because they want statehood, but without such flexibility Puerto Rico cannot attain a level of economic development that will allow us to bear the burdens of statehood.

There are things that we can do and should be doing now in Puerto Rico to get our economy moving again, such as reducing our bloated central government. But to close the gap between us and the poorest state of the union, we need federal policies that will assist us in job creation. The position of the NPP leadership on this issue is an albatross hanging on the neck of the Puerto Rican economy.