

## Surfing the candidates responses to improve the economy Part I

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A week ago, CARIBBEAN BUSINESS ran a front-page story on the responses of Gov. Aníbal Acevedo Vilá, Popular Democratic Party (PDP) gubernatorial candidate, and Resident Commissioner Luis Fortuño, New Progressive Party (NPP) gubernatorial candidate, to the private sector's platform recommendations. I read them with great interest and, in this article and the next, I will give my impressions of their responses.

On their overall vision for the future of Puerto Rico's economy, both candidates view the private sector as the primary source for job creation. The governor stresses concrete factors, consistent with sustainable development, that are necessary to move the economy forward. The resident commissioner points out that Puerto Rico needs a business-friendly climate and hope. He is correct, but these factors alone aren't enough without developmental policies to sustain them.

The governor does well in pointing out that our human resources are our principal resource for our economy's future. However, neither he nor Fortuño has a vision of the necessary substantive, structural and budgetary changes to upgrade Puerto Rico's secondary and superior education to respond to a knowledge-based economy. Neither side has gone beyond buzzwords or minor adjustments on this score. If there is no vision, there can't be a commitment to what needs to be done. Transforming our economy into one that is knowledge-based requires relentless determination.

Both candidates point to the private sector as the prime mover of the economy. On this score, Fortuño speaks of "a private sector that leads in job creation as opposed to the government." This sounds good but, when we examine the other commitments in Fortuño's platform, we find serious contradictions with this assertion, contradictions that take us into the realm of the unreal and of policy schizophrenia.

In the real world, you can't pursue job creation in the private sector—as is done in the government—and statehood for Puerto Rico at the same time. There is no way Puerto Rico's economy can assume the burdens of federal taxation while the private sector, at the same time, develops into the prime job source. A statehood economy on this island would at best be a welfare economy bolstered by such earmarked projects as our representatives could procure. In other words, jobs would come from the federal budget not from private enterprise. Even if statehood is looked upon as a goal (way into the future), the bills in Congress or the plebiscite still will signal a possible change in the rules for investors. Major investment decisions that create private-sector jobs aren't made under these conditions.

Although not mentioned in the candidates' responses, statehood is Fortuño's Achilles' heel vis-à-vis his overall vision for Puerto Rico's economy. On the other hand, Commonwealth is Acevedo's major strength.

What specific measures they will adopt to improve Puerto Rico's business climate, to make it attractive again for foreign investment, was the candidates' next question. In his response, the governor points to permits, land-use planning and the new incentives law. Fortuño, who basically relies on tax cuts, says he will cut by half the number of permits needed for any project, will rely on public-private partnerships, call upon the 100 Puerto Ricans with the largest capital investments offisland to invest 10% of their investments in Puerto Rico, and will adopt sunset provisions for government programs and regulations.

Fortuño has an edge in the area of promoting the business climate. More than his proposals, his edge is himself. He is perceived as pro-business and this is important in developing a pro-business climate. Both Fortuño and the governor point to the permitting process as a key area to improve the business climate, and indeed it is.

This area has been a focus of the past-five administrations without much success. I remember back in the '70s when we thought we could resolve the problem through a law on the issuance of permits based on professional certifications—engineers, architects—and the one-stop shops we tried in the '80s to no avail. The problem, if anything, has worsened.

My advice to both the governor and Fortuño on the issue of permits is that this isn't a matter that can be delegated. The extent of deregulation necessary to expedite the process involves sensitive policy decisions that require the governor's deep involvement and determination; otherwise, it won't get done. This must be a high priority for the governor.

In addition, the officials in charge of the agencies involved in the permitting process must be highly competent, fully imbued with the policy on deregulation and have a sense of urgency to get the work done. They must be managers and professionals who are capable of taking control of the agencies' chaotic lower levels and bringing them in line with the policies set by the administration.

Other measures the governor mentioned to improve the business climate are the land-use plan and the new economic incentives law. I agree with the latter but not with the former. My concern with the land-use plan is that it is a reversion to centralized planning. I was under the impression, with the approval of the Autonomous Municipalities Law, that we finally realized land-use planning is essentially a local matter to be handled by the municipalities, with Planning Board participation, to address regional concerns. To have more efficient planning, one that also includes citizen participation, we must provide whatever assistance is necessary for the municipalities to engage in this effort. The ones that have done so, such as Caguas, Carolina, Guaynabo, Bayamón and Ponce, have come out ahead in economic development.

Fortuño's proposed tax cuts proposed to improve the business climate can have a positive effect. His problem will be how to balance the business tax cuts with cuts for the middle class while attending to the structural deficit by merely not filling government vacancies, a tall order, to say the least.

I don't believe that his call to the 100 Puerto Ricans with more capital invested off the island will yield much fruit. Sunsetting of government programs and regulations, however, is a good idea. A thorough revision of existing laws, programs and regulations with this in mind can do much good.

In my next column, I will surf through the remaining responses with my comments about their viability.

