

Surfing the candidates' responses to improve the economy Part II

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My last column was a commentary on the responses of Gov. Aníbal Acevedo Vilá and his challenger, Resident Commissioner Luis Fortuño to the Private Sector's platform recommendations appearing in an article about these responses published by CARIBBEAN BUSINESS. Since then a new article has appeared with more pronouncements. Since this will be my last column before the election I will have to be selective as to the responses I will be commenting upon.

The candidates were asked: How will you tackle the problem of recurring government budget deficits, and how will you manage the government's historically high level of indebtedness? Neither of the candidate's responses satisfies me. The governor must be given credit as to the tough decisions he has made which help to reduce the deficit, such as the Aqueduct and Sewer Authority's financing based on the revenues it generates, and providing for repayment for the so called "extra constitutional" debt. But his reliance on the regeneration of economic growth to lower the structural deficit is not adequate. First of all such resumption may take one or two years to occur given the current international scenario. And, most importantly, the government must be streamlined not only by attrition but also by identifying all the programs that are not working in order to make it more efficient.

Fortuño also mentions attrition, and claims that 30,000 employees have been added to the payroll by Acevedo Vilá while the governor claims that his administration has been the first not to add any employees to the payroll. We have no means by which to conclude which one of them is right on this score.

Besides attrition, Fortuño identifies Public Private Partnerships, or PPP's and the concept of zero-based budgeting as mechanisms to recruit private investment and reduce the deficit. Acevedo has made serious efforts to establish PPP's without much success. This does not bode well for Fortuño.

Zero-based budgeting, if done well, can be quite effective in reducing the budget. But it must be a serious exercise backed with the political will to make tough decisions by experienced administrators. They will face a tough bi-partisan (NPP-PDP) bureaucracy which will justify every program and every penny they spend. If Fortuño wins the election, we will be able to test the application of zero-based budgeting as a means to bringing down the deficit by comparing Acevedo's 2008-2009 budget with Fortuño's 2009-2010.

The candidates also addressed the initiatives they would take to revitalize the manufacturing sector, including more research and development (R&D) activity in Puerto Rico. The governor has it all over Fortuño on this matter. He has moved on biotechnology. He has established clear cut policies for the

promotion of R&D. Adequate funding, however, has not been provided. Although the Oso Blanco (former State Penitentiary) land parcel has been transferred to the Science and Technology Trust Fund, this parcel will not be as useful to the Fund as it otherwise would be because of the intention to preserve it as a relic of prison architecture. The fact that Oso Blanco was registered as a National Historic Site does not constitute an enforceable legal mandate for its preservation. The land is too valuable, and the resources needed are too great so as to justify the preservation of this structure with minimal architectural or historic value.

The legislation signed by the governor providing tax exemption for scientists and researchers holding federal research grants is also an important initiative towards converting the industrial economy into a knowledge economy. Although there are steps to be taken regarding governmental structure, articulation with private enterprise, and adequate funding, the governor is clearly in the right path as to the knowledge economy.

Fortuño is out of it on this one. His response is that basically what is needed to usher in the knowledge economy is a friendly business climate. This response shows a lack of commitment towards developing our economy on the knowledge basis. This response I believe does not come from ignorance. It comes from the economics of statehood which rely on parity in federal programs and ear marks rather than on job creation through private investment as does the Commonwealth view.

All of which brings us to the last responses that I will comment on in this column: the candidates' plans "to resolve Puerto Rico's generations-old status issue."

"I will make sure", says Fortuño, "the next administration in the White House treats Puerto Rico administratively as if it were a state." This is part of Fortuño's response to the status question. This means that he will not pursue policies necessary to strengthen our economy through investment in Puerto Rico of U. S. companies. His position is a policy straitjacket. He will not pursue a substitute for Section 936 unless such a substitute was available if we were a state. That is, he will not pursue special solutions to the problems of Puerto Rico.

If we had the resources of any one of the states of the Union, this policy might make sense. At least under such conditions it would be fair to all the states. But this is not the case. We are way behind Mississippi, the poorest state. Different situations must be treated differently in order to arrive at the proper solutions.

Regarding his pursuit of statehood, I derive the following from his response: He will initially pursue a plebiscite authorized by Congress which will demean the dignity of Commonwealth in order to exclude it from the ballot leaving only a choice between statehood and independence as permanent solutions. If he cannot get that bill through Congress, he will hold a plebiscite under local law; one in which those of us who favor Commonwealth will not be able to vote because Commonwealth, as we understand the compact between the people of Puerto Rico and the Congress, will be excluded from the ballot.

This is not the way to promote a stable political climate which is so necessary in order to have the proper investment climate. But in the statehood strategy, growth does not come from private investments but from political decisions that will provide additional federal sustenance for the Island.

The governor does not go into the process for self-determination, other than to say that it should be all-inclusive and should start in Puerto Rico. The thrust of his response goes to his vision of Commonwealth as he deems it should be. He states general principles of political science to describe this vision: sovereignty, specific consent, etc. The devil, however, lies in the details. But he does not belabor the matter.

I would have expected him to stake out a position on the Constitutional Convention. This to me is the most effective mechanism by which to obtain a result from Congress as to status.

With these comments I end my surfing exercise of Gov. Acevedo Vilá's and Resident Commissioner Fortuño's responses and pronouncements regarding the questions at issue in this election. My next column will be after the election where I will analyze the outcome and the future there is to be.