



MESSAGE OF THE GOVERNOR OF PUERTO  
RICO, HON. RAFAEL HERNANDEZ COLON  
TO THE NEW YORK CHAMBER OF  
COMMERCE-JUNE 1, 1973

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Thank you, Bill, and thank you all for your very warm welcome. I am very grateful for your invitation to join you today, and I appreciate the opportunity to renew old friendships and to get acquainted with those of you I haven't had a chance to meet.

In a very real sense, however, our getting together today is more than just a gathering of friends. Many, if not most of you, have very close business and personal ties with Puerto Rico. Thus, we all share something that transcends our individual relationships, important as these are. We all share a concern for the social and economic welfare of the Island, and so, as the representative of the new administration, I find it a very appropriate and a very pleasant duty to be here today to share with you some thoughts on government.

The administration which I have the honor to lead is now beginning its sixth month in office. In this short time, we have initiated several policies, which we consider to be the first step towards a coherent and rational program of government. We have begun to fulfill our commitments

to the people of Puerto Rico as expressed in the platform on which we campaigned for office. We are proud of our efforts to date and we mean to continue and intensify our dedication to bringing good and energetic government to Puerto Rico. I'll be describing some of these plans to you in a moment.

In a more basic way, however, we share with all Puerto Ricans pride in our democratic system which has provided us the means to change governments according to the will of the people within a framework of peace, stability, and continuity. How few people in this trouble-ridden world can affirm this fact today!

A new government, with new - and I hope good - ideas; striving for prudent change within continuity: In broad outline this means creating a sense of community among all sectors of the body politic; finding ways to end economic, social, and political polarization and the confrontations between classes or parties; dealing with labor unrest and the factors which contribute to it; seeking new solutions to old problems through both innovative and proven institutions. This is the philosophical foundation on which the new administration intends to build. Let's now take a look in some detail at what we're thinking and doing in government.

Let me say right off that while governments come and go, one factor remains a constant in the Puerto Rican equation, and that is the problem of unemployment.

Over the past quarter-century we have made enormous strides towards alleviating this terrible social and economic ill. But looking back with satisfaction to the past will not provide an acceptable answer to the question: "What are we going to do to guarantee the opportunity for a worthwhile and productive job to the still shameful number of our fellow citizens who are without work, and to the almost 50 thousand Puerto Ricans who join the labor force every year?".

This is indeed a grave social problem. And so our social policy - the broad program which promotes the welfare and well-being of our community must, in a very important sense, also be an economic policy. What this means is simply that to solve the social problems of Puerto Rico, we must have jobs. In order to get jobs, we must promote a thriving and prosperous business and industrial sector. This is basic economics. All the academic theories in the world cannot get around this solid fact. Thus it is that we recognize that our social and economic policies must promote and support each other.

I said before that my administration is one which stresses continuity.

One of the ways in which we are doing this is to breathe new life and new ideas into tried and proven policies which have served Puerto Rico well in the past.

As you well know, Puerto Rico has been for many years among the world leaders in terms of its annual rate of growth. This was very largely sustained by reliance on and cooperation with free enterprise, specifically in the areas of manufacturing, construction, and tourism. In recent years, however, a trend developed in which the major contributor to the maintenance of a high growth rate was the government, through direct spending.

But the government can only sustain growth for the short run. In the longer view, a healthy economy depends upon the development of its basic industries.

In the area of tourism, for example, we are determined to rethink our whole outlook in order to attract entirely new segments of the American vacationing public, as well as retain those who already come. One possible solution we are studying is the creation of an island-wide network of facilities for the middle-income visitor. We can no longer afford to rely exclusively on the luxury hotels to provide the needed shot-in-the-arm for this vital industry and the additional jobs which it must generate.

As important as tourism is to our economy, I would like to concentrate today on the relationship between our social policies and our views on business and industry. Business and industrial development is an absolute necessity for Puerto Rico if we are to make an appreciable dent in our unemployment statistics.



What are we doing to promote and nurture capital investment from the private sector into the economy of Puerto Rico?

Both short-term and long-term programs are being considered, planned, or are already under way.

1. In the short term, we are intensifying our promotional efforts both in the United States and elsewhere. On the mainland, our efforts are being redirected to the most productive areas. In addition to our European office, we have opened facilities in Japan. Several Japanese and European prospects have already been identified and the projects are under study. The President's balance of payments policy and dollar devaluation should be beneficial for Puerto Rico in attracting private capital from dollar-rich areas.

2. Organization and procedures in Fomento and other relevant government agencies are being streamlined in order to provide faster and better service to industrial prospects both prior and subsequent to establishment in Puerto Rico. For example, the processing time for routine tax exemption cases has been cut from nine to three months.

3. In the past few days I have signed into law several bills designed to improve our tax incentives program and make it even more attractive for investors.

4. Steps are being taken to insure that buildings for plant locations will be more readily available to new manufacturing enterprises. We are also considering providing even larger buildings as a service to those concerns with greater space needs.

Over the longer range we are engaged in active and energetic consideration of ways to provide business and industry with competitively priced raw materials.

In addition to searching for ways to provide cheap raw materials for our local enterprises, we are also devoting considerable energy to improving the economic and financial conditions under which local manufacturing, commerce and industry operate.

For instance:

1. We are using all our available resources to moderate shipping costs and price increases resulting from Federally controlled maritime shipping rates and minimum wages.
2. We are trying to provide the institutional means for making investment and reinvestment in Puerto Rico still more attractive and to build new financial institutions for mobilizing local funds for backing development projects.
3. We are designing and considering a program whose provisions include government guarantee of loans and leases to new enterprises, thereby drawing upon private financial resources to a much greater degree.
4. We are encouraging and promoting the expansion and upgrading of the science community with the object of speeding up the promotion of technology - based industry. More particularly, special efforts are planned for the establishment of applied science laboratories.

In order to benefit from our industrial policy, however, business must be able to offer a reasonable return on investment. With high transportation costs to and from the mainland, Puerto Rico must be able to offer compensating advantages. Local sources of raw materials is one which I have already mentioned.

Another is lower labor costs. I'd like to stop here for a moment, if I may, and discuss another area where our social and industrial policies promote and reinforce each other. This area is the orientation of my administration with regard to labor, and particularly minimum wages.

The whole picture of minimum wages in Puerto Rico is an extremely complicated one, due in part to our special economic circumstances and to the fact that Federal Minimum Wage Standards are applicable in a country which has only recently emerged from an almost totally stagnant agricultural economy.

Naturally, we desire that our working force receive the highest possible wages for their labor. However, the various administrations of Puerto Rico have always been extremely alert to the fact that we must retain our competitive labor position if we are to attract investment and develop industry. This view has generally been understood and shared by the labor sector and its leaders as well.

Up until now, the Federal Minimum Wage system has not caused undue hardship because it retained for Puerto Rico the flexibility of the Hardship Review Boards. These boards are entitled to fix lower minimum wages for



those industries covered by the federal law which would be adversely affected by having to pay the full Federal Minimum Wage.

Unfortunately, current legislation before the Congress would do away with the Review Committees and fix a standard minimum wage across the board, including Puerto Rico. We are battling this legislation with our full resources. The Resident Commissioner in Washington, the Secretary of Labor, the Administrator of Fomento, and other local officials are devoting their energies to a full-scale attempt to influence and convince the Congress that doing away with the Review Committees would work a real hardship on local Puerto Rican industry.

With regard to local minimum wage provisions, my administration has presented a bill to the Legislative Assembly of Puerto Rico calling for a \$2.50 minimum wage.

First, I want to say that apart from the basic reason of doing justice to Puerto Rican workers, one of the additional reasons we have submitted this bill is to demonstrate our good faith to Congress with the expectation that the flexible review system with its obvious benefits to local industry, will be maintained in the Federal law. Another reason is that with a margin for action in terms of wages, we would avoid having to get into the whole problem of increased fringe benefits, with the possible abuses that this area entails, often resulting in lower production.



Second, I want to point out that the term "minimum" wage, with regard to the Puerto Rican legislation, past and present, is really a misnomer. The \$2.50 figure which we have called for, as with the Minimum Wage figures of the past, is really a maximum minimum wage; that is, it is the highest wage that can be set for any industry.

For example, in 1966, the average real wage being paid at that time in some of the chemical products industries was \$1.10. Next year, 1967, the Minimum Wage law was amended and the maximum minimum wage was set at \$1.60. However, these industries did not reach that figure until 1970.

In the drug industries, the minimum wage as set by law in 1961 was \$1.25. In that year the average real wage was \$0.68. It was not until just before 1970 that the minimum wage was reached in that industry.

Thus, it should be clear - and this is the basic idea which should be kept in mind, - that the Puerto Rican minimum wage is a goal and not a starting point. The rate at which a given industry reaches this goal, is determined by its ability to absorb the increased costs. In other words, we recognize and have built into our minimum wage legislation over the years, the fundamental proposition that improvement of wages and working conditions for the labor force depends strictly on the real progress of our business and industry.

Now let's glance briefly at how the system operates in Puerto Rico.

The Minimum Wage Acts of Puerto Rico are administered by the Minimum Wage Board. The Board has jurisdiction over both local and interstate industries. By law, the Board revises wages, vacations and sickleave in a

given industry every two years. When the time comes for revision in your industry, the necessary economic studies are made and public hearings are called by a Minimum Wage Committee appointed by the Board from names submitted by management and labor, and including figures representing the public interest.

The Minimum Wage Committee conducts public hearings to determine classifications within the industry based on occupation, groups of occupants, zones, classes, categories, and so forth, and the minimum wage for each classification up to the maximum fixed by law. This maximum would now be \$2.50 should our legislation be passed. The minimum fixed for the industry by the Committee should be the highest that can reasonably be paid without curtailing employment. Basic considerations fed into this determination are the cost of living and the economic and competitive conditions of the industry in question.

After the determination of the Committee is concluded and published, ample time and means are allowed to all concerned to appeal the decision through various levels of reviews.

I think you can see now why our minimum wage policy reinforce and promotes our industrial policy. As an industry strengthens its profitability and competitiveness, wages advance towards the minimum goal set by law. Or put it in another way: minimum wages go up only in response to the increase in the cost of living and the economic progress of each industry.

This flexible industry-by-industry system of progress towards salary goals has been one of the prime ingredients of our economic progress. You can understand why we are concerned that a similar system be retained with regard to Federal legislation. Blanket, across-the-board hikes in minimum wages without taking into consideration the economic position of the various industries in Puerto Rico can only result in severe problems resulting in unemployment, shut-downs and a worsening of labor progress.

Before leaving the subject of minimum wages, I want to stress as strongly as possible, that my administration, like the past administrations of Puerto Rico, is totally committed to improving economic conditions for our workingmen and women. But we are equally committed to the idea that economic progress for both business and labor can only be achieved jointly, that one depends strictly on the other. This has been a cornerstone in Puerto Rico development and will continue to be so under my government.

A third example of how our social and business policies coexist fruitfully, and the last areas I will touch on today, is our inflation control program.

As you know, the cost of living in Puerto Rico has shot up astronomically in recent years. In the last four years alone it has risen on the mainland by about 19%. In Puerto Rico, during the same period, the cost of living has increased by approximately 30%.



The key fact in this for us who are charged with the responsibility of government, is that not all the difference between mainland and insular increases is due to such external factors as rises in shipping rates. A substantial element in our inflation is locally produced and thus locally controllable.

To meet this threat we have rationalized and institutionalized the inflation control program of Puerto Rico, with the specific intent to moderating the effects of inflation on the classes least able to absorb these price rises - the low income and laboring groups.

What we have done is to set up a variety of flexible controls, including freezes on basic food commodities, price ceilings to encourage competition, complete decontrol where possible, and others. This system is administered by the newly created Department of Consumer Affairs, whose head is charged with the responsibility of putting into practice the program of the Popular Democratic Party as it relates to consumer protection, as enunciated in the platform of May 1972. In a very real sense, then, it is the people of Puerto Rico who have written our inflation control program through their vote in the November elections.

The other arm of our program is the Import-Distribution Corporation, a bond-financed public body which will deal directly in the basic food staple business with the purpose of lowering prices in these areas by employing modern marketing techniques, such as hedging and futures buying. Essentially, it works as a food



bank, warehousing quantities of basic staples during periods of low prices in the international markets in order to release them in bulk when prices go up. As you can see, it is patterned after the federal Commodity Credit Corporation which has operated successfully with the same purposes for many years.

Like the Commodity Credit Corporation, the Import-Distribution Corporation will have as one of its prime goals the stimulating of local agricultural production.

We hope that the Corporation, through encouraging more effective competition in the importing and distribution of basic food stuffs and stimulating greater local production of fruits, vegetables and poultry, will help to bring down prices while strengthening local business.

In conclusion, gentlemen, the message which I hope to have conveyed to you is this: the new administration of Puerto Rico has as its basic goal the creation of a government infrastructure which will be able to deal on an organized, prudent and rational basis with the social, economic and political questions which may arise, and to do so on a long-range basis. Along these lines we have already created Executive Commissions to propose far-reaching legislation in a number of fields. The Energy Commission, for example, has been charged with the task of developing a long range solution to the problem of providing an adequate supply of electrical energy for industry and individual consumption; the Tax Reform Commission has been given the job of preparing draft legislation which would, among other things, insure that the tax burden be equitably distributed, and that those who have the obligation to pay taxes, do so.

On the subject of taxes, let me just add that the Commonwealth government has been actively working with members of Congress to insure that the Burke-Hartke legislation will be amended to exclude 931 Corporations in Puerto Rico. We have been assured that such an amendment will be added and approved.

Looking into the near future, we seek to build the proper institutions into our plans for the development of the Commonwealth status which will permit us to maximize the economic development of Puerto Rico and to provide new avenues for growth on a really solid and self-sustaining basis. We can no longer deal with such matters as maritime shipping rates, minimum wages and unemployment on an ad hoc, piecemeal basis.

I ask you then to join us in the great enterprise of providing adequate, dignified jobs for all Puerto Ricans who can work; to insure that all our fellow citizens in Puerto Rico have decent housing and medical care; that every Puerto Rican child receives an education which will enable him to function as a valued member of the new society.

At the same time, I invite you to take part in strengthening the democracy of which we are justifiably proud, and to take a hand with us in creating an even more dynamic free enterprise in Puerto Rico, through whose economic contributions all the rest can be achieved. For we have all learned that the democratic system

of government which we all hold sacred can only reach its full potential in a society which never rests in its drive towards freedom and prosperity for all.

Thank you very much.

