

Toward a more just and healthy society through a sustainable economy



BY RAFAEL HERNÁNDEZ COLÓN

Current debate in Puerto Rico centers on how to resume economic growth and how to provide greater security given the alarming level of violence that surrounds us.

Policy proposals to face these challenges focus on one or the other, yet if we look deeper, we will find that their causes stem from the same matrix, which should be acted upon at a macro level with a unitary policy, while at the micro level, other policies such as technological improvement in police work or financing of entrepreneurs, work in parallel.

After much reflection on these matters, I decided to put forth my thoughts in a talk before the Chamber of Commerce Conference on Revitalizing Innovation. Now, I would like to share these thoughts with my readers in CARIBBEAN BUSINESS. Let us first take a look at the harsh realities using 2010 statistics, which are the most recently available.

Puerto Rico had a homicide rate of 27.3% (per 100,000), while in Louisiana, the state with the highest homicide rate, the rate was 11.2%.

The percentage of households headed by single women in Puerto Rico was 24.7%, while in the state with the highest percentage, Mississippi, it was 17.9%.

The percentage of population below the poverty level as measured by the federal standard in Puerto Rico was 45%, while for the U.S. overall it was 15.3%.

In Puerto Rico, 30.5% of the population age 25 and older had no secondary education; in the U.S., that portion of the population is only 14.4%.

For the calendar year 2011 in Puerto Rico, unemployment was 15.7%, while in the U.S. it was 8.9%. Among youth ages 16 to 19, unemployment was 34.4% in Puerto Rico and 24.4% in the U.S.

For the same year, the rate of participation in the labor force was 40.5% in Puerto Rico and 64.1% in the U.S.

A dangerous gap has opened between rich and poor in Puerto Rico. For calendar year 2010, the Gini coefficient, which measures income inequality, reported 0.53, similar to the level of Honduras. The U.S., which is no model of equal distribution of income, registered 0.46. Higher inequality means higher crime rates and lower quality of life.

Federal legislation and programs have an enormous influence on the social and economic structure of Puerto Rico. When our distressful socio-economic condition is addressed, the impact of federal legislation and programs isn't generally taken into account other than to propose parity

with the states without analysis as to the positive, or harmful, effects of the different laws or programs. Given the marked differences in the socio-economic structure in Puerto Rico and that of the several states this overarching structure must be examined to provide solutions to our current maladies.

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The different levels of economic development in the U.S. and Puerto Rico led Congress in 1900 to exempt Puerto Rico from the imposition of federal taxes to enable the development of our economy, and the U.S. Supreme Court to establish the doctrine of unincorporation, which exempted us from the uniformity requirements of the U.S. Constitution. The current relationship is based on this premise because the difference in levels of development still exists.

But beyond our fiscal autonomy, there is no federal policy designed to address the social and economic development of the island. The laws and the social and economic programs that apply to Puerto Rico are the same that apply to the states. They don't necessarily respond to problems and needs we have in Puerto Rico.

To overcome Puerto Rico's current condition, we must develop a more just and healthy society through a sustainable economy that allows us to incorporate the local workforce. This line of action must be followed at the federal and local levels.

The lack of jobs in sufficient numbers to provide opportunities for progress and social mobility to a large proportion of the population is our main problem. We have the lowest rate of labor force participation in the world. This corrodes our society. The safety net of social programs, primarily federal, allows us to survive. But the effects of the lack of useful occupations and the unemployment of hundreds of thousands of our compatriots generate the kind of society described in the painful statistics I cited above.

To overcome this situation, in addition to Puerto Rican initiatives, a comprehensive federal policy needs to be designed to get us out of dependence and develop a sustainable economy.

Puerto Ricans will go to the polls Nov. 6 to choose our government. Our fellow citizens in the U.S. will also elect on that date a government

whose policies will have an impact on Puerto Rico. Our government has called upon us to express in this election if we want to keep the actual relations with the U.S. or if we want to adopt a different political status that, as a matter of public support, can only be statehood. Our economy and our society will evolve very differently depending on the alternative chosen by our voters in November.

The course taken by voters in Puerto Rico Nov. 6 will determine whether our economy can rebound to respectable levels of growth in the coming years, or whether it will languish with an anemic growth for many years. The next four years are critical because our ability to sustain the government and pensions based on borrowing is coming to an end, and the only way to provide the fiscal resources we need is through economic growth that has to start now.

It is worth clarifying that whether one party or the other wins, the course Puerto Rico takes will be in permanent union with the U.S. Common citizenship, common defense, a common market and common currency will remain. However, the policies the two major parties will implement differ according to the ideologies that separate them: autonomy and statehood. These ideologies determine the political horizon toward which the country will go, and the degree of flexibility and creativity in devising local solutions or seeking federal solutions to the problems of Puerto Rico.

The constitutional flexibility of unincorporation provides for the adjustment of legislation and federal programs to our situation.

Statehood, on the other hand, implies uniformity of regulation with the states of the Union. Statehooders pretend to assimilate commonwealth into statehood before we become a state. This has led to legislation in Congress harmful to our economic development, such as the federal minimum wage and the repeal of Section 936 of the Internal Revenue Code because it wouldn't be constitutionally viable if we were a state of the Union.

It should be clear to all of us that 2012 will be a crossroads election. We will either choose to continue our quest for a better life under commonwealth, or to seek a path toward statehood.

In my next column, I will analyze the alternative scenarios that could prevail in Puerto Rico after the Nov. 6 election. ■

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