

The Economic Outlook

The end of political consensus must be considered against an economic backdrop in which the prevailing consensus on a developmental strategy has also vanished. The seventies saw the weakening of Operation Bootstrap and an increasing dependence on federal funds. The decade also witnessed the severe effects of the world recession on a fragile though dynamic economy. In the meantime, population pressure continued unabated and grew from 2.7 million in 1970 to over 3.1 million in 1980. A search started for new strategies to cope with growing unemployment, inflation, and a deterioration in the quality of life, punctuated by an increase in crime and violence, drug abuses, environmental pollution and a decay in public service.

Industrial promotion faced increasing competition from new areas in the world that were offering low wages as economic inducements, while more and more industries in Puerto Rico were paying the federal minimum and even higher wage levels. But manufacturing persisted as the essential backbone of the economy. While between 1947 and 1973 the per capita gross National Product accelerated significantly, there was a decline of more than 2 percent after 1973, in response to the oil crisis and the subsequent recession. As unemployment intensified during this period, a sizable percentage of the population

came to rely on increased Federal transfer payments to bolster family expenditures. A few statistics tell the story. Net federal disbursements rose almost fourfold, from \$608 million in fiscal year 1970 to \$2,381.00 million in fiscal year 1977. ( )

The very large increases in Federal disbursements were primarily due to the inclusion of Puerto Rico in the Food Stamp program and several other major Federal assistance programs. These disbursements were useful in meeting social needs and, as an interagency report observed in 1979, they spurred consumption and demand. They maintained Puerto Rican purchasing power in the U.S. market. But they were not geared to a national, well-thought out plan for economic development, and reflected Federal rather than Commonwealth priorities. ( ) There was little comprehensive long-range planning behind this aid.

Perhaps the two most effective programs in the long run were those directed towards the younger elements in the population: the CETA (Comprehensive Employment and Training Act) and the Basic Opportunity Educational Grants. For in Puerto Rico there is a crying need to develop human resources, to increase occupational proficiency and labor productivity. The sudden entrance into the industrial age has hardly prepared the island for the intense technological demands. When

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 ( ) Economic Study of Puerto Rico (United States Department of Commerce, 1979), I, 13.

( ) Ibid., I, pages 14-15.

Muñoz put forth his concept of a Puerto Rican Purpose, he emphasized education as a key objective, but not simply education to meet market demands, but also to shape the mores of a society, with a higher degree of self-fulfillment. At present, the two ideals seem distant: the ideal of a self-sustaining economic growth based on internal capital formation and greater and more effective productivity (the real economic take-off) coupled with the ideal of a society, in harmony with itself and with nature.

Furthermore, the situation is aggravated if income distribution is considered. From 1959 to 1969, there was a trend towards more equitable income distribution, but even so, in 1969, the poorer half of the economy received only 15 percent of gross domestic income while the upper 20 percent obtained 55 percent. In the meantime, personal per capita consumption increased considerably under the pressure of "consumerism" at the expense of savings. In short, a social and economic imbalance was accentuated fueled also by inflationary pressures. ( )

A debate emerged vis-a-vis the socio-economic crisis. A succession of studies have emphasized the need for new strategies or proposed conflicting economic remedies. Typical of these studies was the Tobin Report, of 1975, submitted to Governor Hernández Colón and basically concerned with the grave

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( ) For some additional observations, see Ibid., I, 5 and Eliezer Curet Cuevas, El Desarrollo Económico de Puerto Rico: 1940 a 1972 (Hato Rey, 1979), 360-372.

financial backlash of the world recession. It contrasted the rapid transformation of Puerto Rico into an export industrial economy, with the decline of productivity and insufficient internal savings. It recommended some strong and unpalatable remedies with a freeze on wages and a reduction of the burgeoning public debt by curtailing expenditures and increasing taxation. This last measure, adopted by the Hernández Colón Administration, to avoid a grave financial crisis was, however, a contributing factor to his political defeat in 1976. ( )

The voters refused to follow the path to austerity.

Tacking a different line, a Commonwealth interagency report emphasized the opening up of new areas by encouraging food production, the promotion of industries for the local market and the creation of a complementary occupational system for young people. This inner-oriented strategy hardly had a chance as it was swept aside by the PNP victory in 1976. ( )

With the new government came a new economic philosophy, emphasizing greater - no lesser - dependence on federal funds and a higher degree of integration of the local economy into the U.S. economy. Changes were made in the industrial incentives program to prepare industry for what the government

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( ) Informe al Gobernador del Comité para el Estudio de Finanzas de Puerto Rico (Informe Tobin), (Universidad de Puerto Rico, 1976).

( ) El Desarrollo Económico de Puerto Rico: Una Estrategia para la próxima Década (Universidad de Puerto Rico, 1976).

felt was an irreversible tide towards statehood. A proposal for a joint US-Puerto Rican committee to design a common strategy, made to President Carter by Governor Romero Barceló, led, however, to a unilateral U.S. Federal inter-agency task force which produced still another report, known as the Kreps Report of 1979, while the Office of the Comptroller General worked on an additional report on Puerto Rico's political future, "A divisive issue - it held - with many dimensions!" ( ) There is few questions that these "many dimensions" have been studied ad nauseam, but with the Reagan Administration a new interagency task force has been set up mainly composed of people who are dutifully learning their ABC on Puerto Rico, they hopefully plan to do what no other task force has been able to achieve since the Gloucester sailed boldly into Guánica bay: solve the Puerto Rican riddle. But the more options accumulate, the more evident it is that in the economic, as in the political arena, there is a clear lack of consensus. With the changing of the political palace guard every four years in the United States as well as in Puerto Rico, the reports, laboriously done, usually come out when there is little time for the Federal or Commonwealth Administration to implement them a true case of love's labours lost. They fitfully form a niche of dashed expectations, giving Puerto Rico the reputation of being probably the most sutdied, scrutinized and dissected area this side of the Greenwich

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( ) Puerto Rico's Political Future: A Divisive Issue with Many Dimensions (General Accounting Office, March 2, 1981).