



BALTASAR CORRADA DEL RIO  
Mayor  
Capital City of San Juan

STATEMENT OF HON. BALTASAR CORRADA DEL RIO  
MAYOR OF THE CAPITAL CITY OF SAN JUAN, PUERTO RICO  
BEFORE THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS  
MAY 20, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I WOULD LIKE TO START BY THANKING THE CHAIRMAN FOR THE OPPORTUNITY TO PARTICIPATE IN THIS HEARING ON PUERTO RICO'S ECONOMY. THESE HEARINGS TOGETHER WITH THOSE HELD ON APRIL 10TH ON A GAO REPORT ABOUT FEDERAL POLICIES TOWARD THE U.S. TERRITORIES, EVIDENCE THE COMMITTEE'S INTEREST IN THE PROBLEMS AND CONCERNS OF THE 3.3 MILLION AMERICAN CITIZENS OF PUERTO RICO.

I STATED THEN THAT WHEN REVIEWING THE HISTORY OF FEDERAL-TERRITORIAL RELATIONSHIPS THE FEDERAL ESTABLISHMENT, SINCE THE EARLY PART OF THE CENTURY, HAD PLACED PUERTO RICO IN A SO-CALLED "HOLDING PATTERN" WHICH IMPLIED THAT IT WOULD HAVE TO UNDERGO AN INDEFINITE PERIOD OF DEVELOPMENT BEFORE FINAL

POLITICAL STATUS WAS REALIZED. THIS "HOLDING PATTERN" KEEPS THE POLITICAL STATUS OF PUERTO RICO UNRESOLVED AND AFFECTS THE FORMULATION OF AN ECONOMIC MODEL OF DEVELOPMENT FOR PUERTO RICO.

THAT MAY NOT BE THE INTENT OF CONGRESS, BUT IT IS THE UNFORTUNATE RESULT. IT IS THE INTRINSIC UNCERTAINTY OF THE "HOLDING PATTERN". WHILE POLITICAL STATUS LINGERS WITHOUT A FINAL RESOLUTION, OUR ECONOMIC STRATEGIES AND SOLUTIONS ARE PROVISIONAL, IMPROVISED, AND WITHOUT DEFINITE GOALS.

THE "CINDERELLA" STORY OF PUERTO RICO'S ECONOMIC DEVELOPMENT WAS A GOOD STORY IN THE LATE FORTIES, FIFTIES, AND SIXTIES. THE TRANSFORMATION OF THE ISLAND FROM THE POORHOUSE OF THE CARIBBEAN INTO THE MOST ADVANCED SOCIO-ECONOMIC DEVELOPMENT AREA IN LATIN AMERICA AND THE CARIBBEAN HAS BEEN WIDELY USED AS AN EXAMPLE. BUT, THIS SUCCESS STORY IS RELATIVE. IT MAY HAVE BEEN ACCEPTABLE BY THIRD WORLD STANDARDS, BUT IT IS DEFINITELY NOT, WHEN MEASURED AGAINST THE STANDARDS OF ANY OF THE FIFTY STATES WHICH IS THE STANDARD

THE 3.3 MILLION AMERICAN CITIZENS IN PUERTO RICO DESERVE AND ARE STRIVING FOR.

FOR MANY YEARS THE PROPONENTS OF THE NOW OBSOLETE COMMONWEALTH ARRANGEMENT PRAISED PUERTO RICO'S INITIAL ECONOMIC SUCCESS. YOU HAVE BEEN TOLD AGAIN AND AGAIN THAT PUERTO RICO'S PRESENT STATUS IS A MODEL OF ECONOMIC DEVELOPMENT AND AN AMERICAN ECONOMIC SHOWCASE FOR THE LATIN AMERICAN AND THE CARIBBEAN REPUBLICS. WELL, IN A WAY IT IS BUT ONLY TO A LIMITED EXTENT. OUR MODEL SHOWS THAT THE PUBLIC-PRIVATE ENTERPRISE PARTNERSHIP WORKS AND DEMOCRACY WORKS EVEN UNDER THE CONSTRAINTS AND LIMITATIONS OF OUR CURRENT POLITICAL STATUS.

THE FACT IS, GENTLEMEN, THAT THE RELATIVE ECONOMIC GROWTH PUERTO RICO HAS EXPERIENCED DURING THE LAST THIRTY YEARS HAS BEEN ACHIEVED BY THE EFFORT OF OUR OWN PEOPLE AND THE HELP OF FEDERAL POLICIES IN SPITE OF THE POLITICAL LIMITATIONS AND ECONOMIC UNCERTAINTIES OF COMMONWEALTH STATUS.

OUR LATEST STATISTICAL ABSTRACT FOR YEAR 1985 REFLECTS GRAVE STRUCTURAL FLAWS IN PUERTO RICO'S ECONOMIC SYSTEM UNDER

COMMONWEALTH STATUS. THESE STATISTICAL FACTS CAUSE MAJOR CONCERN IN PUERTO RICO AND IN THE MAINLAND REGARDING THE WELLBEING OF OUR CITIZENS.

DURING THE LAST TWELVE YEARS OUR PEOPLE HAVE SUFFERED AN UNEMPLOYMENT RATE WHICH HAS FLUCTUATED BETWEEN 17% AND 24%. OUR 1985 UNEMPLOYMENT FIGURES SHOW AN ALARMING 21.8% UNEMPLOYMENT RATE, WHILE DURING THE SAME YEAR OUR FELLOW CITIZENS IN THE 50 STATES ENJOYED AN ECONOMIC RECOVERY WHICH LOWERED A HIGH 9% UNEMPLOYMENT RATE TO AROUND A 7.2%. UNEMPLOYMENT RATES IN PUERTO RICO ARE AT LEAST THREE TIMES AS HIGH AS THE NATIONAL AVERAGE FOR 1985, HARDLY ANYTHING TO BRAG ABOUT.

AS A MATTER OF RECORD, ACCORDING TO THE GOVERNMENT OF PUERTO RICO'S OWN ACCOUNT, BETWEEN FY'72 AND FY'85 THE ECONOMY HAS CREATED ONLY A MINIMAL 20,000 JOBS, FROM SEVEN HUNDRED AND THIRTY EIGHT THOUSAND EMPLOYED (738,000) IN 1972 TO SEVEN HUNDRED AND FIFTY EIGHT THOUSAND (758,000) IN 1985. THE PUBLIC SECTOR HAS CREATED 49,000 JOBS IN PUERTO RICO DURING THAT

PERIOD (1972 - 1985) AND THE PRIVATE SECTOR HAS ALARMINGLY LOST TWENTY NINE THOUSAND JOBS. WOULD YOU BELIEVE THAT THE MANUFACTURING SECTOR IN PUERTO RICO TODAY HAS 4,000 LESS JOBS THAN THIRTEEN YEARS AGO IN SPITE OF THE SO-CALLED GREAT BENEFITS OF SECTION 936 OF THE IRC? THE TOTAL NUMBER OF UNEMPLOYED HAS DOUBLED TO APPROXIMATELY 200,000 DURING THAT PERIOD. UNDER COMMONWEALTH STATUS, ACCORDING TO THE LAST DECENNIAL CENSUS OF THE U.S. BUREAU OF THE CENSUS, PUERTO RICANS IN THE ISLAND HAVE A MEDIAN FAMILY INCOME OF \$5,923 WHICH IS A SMALL FRACTION OF THE U.S. AVERAGE OF \$19,917 AND DRAMATICALLY LESS THAN THE STATE RANKING 50TH IN MEDIAN FAMILY INCOME, MISSISSIPPI WHICH HAS AN INCOME OF \$14,591. IN PUERTO RICO 62.4% OF THE POPULATION IS UNDER THE FEDERAL POVERTY LEVEL. THE UNEMPLOYMENT RATE IN OUR ISLAND FOR THE YEAR 1985 WAS 21.8%. ALL OF THIS IS HARDLY AN ACCOMPLISHMENT FOR THE FEDERAL-TERRITORIAL RELATIONSHIP NAMED "COMMONWEALTH". THE CLOCK HAS STRUCK MIDNIGHT FOR PUERTO RICO'S "CINDERELLA" ECONOMY. WE MUST LOOK FOR AN IMPROVED MODEL TO INCREASE OUR

## ECONOMIC SELF-SUFFICIENCY.

PUERTO RICO'S GROSS PRODUCT FOR FISCAL YEAR 1984-1985, REFLECTS AN IMPORT-EXPORT TRADE DEFICIT OF FIVE BILLION DOLLARS. FOR EVERY DOLLAR WE EXPORT WE IMPORT \$1.42 IN OUTSIDE PRODUCTS. OUR PERSONAL CONSUMPTION INDEX REFLECTS AN ECONOMY OF SUBSISTENCE IN WHICH OUR CITIZENS ARE FORCED TO SPEND MOST OF THEIR SALARY IN FOOD, TRANSPORTATION, HOUSING AND HOUSEHOLD OPERATIONS, MEDICAL EXPENSES, EDUCATION, CLOTHING, AND BASIC SERVICES WITH VERY LITTLE TO SPARE FOR CULTURAL, RECREATIONAL, TRAVEL AND OTHER ACTIVITIES AND MUCH LESS FOR SAVINGS OR INVESTMENTS. STATISTICS SHOW A PUBLIC DEBT IN EXCESS OF \$9.2 BILLION. THIS IS BY FAR THE LARGEST PER CAPITA PUBLIC DEBT IN THE UNITED STATES AND ONE OF THE LARGEST IN LATIN AMERICA.

THE PRODUCTIVE CAPACITY OF THE PRIVATE SECTOR IS DIMINISHING AT A DISTURBING RATE. THE MEASURE OF REAL GROSS DOMESTIC INVESTMENT REPRESENTS FOR 1985, 53% OF WHAT IT WAS IN 1972, AN ANNUAL AVERAGE DECREASE OF MORE THAN 4%. INVESTMENT IN CONSTRUCTION LAST YEAR REPRESENTED 43% OF WHAT IT WAS IN 1972.

OVER THE LAST TWO DECADES THE REAL PER CAPITA GROSS PRODUCT HAS GROWN AT AN AVERAGE ANNUAL RATE OF 9/10 OF ONE PER CENT. ON THE OTHER HAND, REAL CONSUMPTION EXPENDITURES BY THE GOVERNMENT OF PUERTO RICO GREW AT AN AVERAGE ANNUAL RATE OF 5.62%.

I COULD GO ON AND ON CITING OFFICIAL ECONOMIC STATISTICS WHICH WILL SHOCK YOU. I WILL NOT ATTEMPT TO BURDEN YOUR TIME AND PATIENCE. WHAT ALL OF THESE STATISTICS REFLECT IS THAT FIRST, OUR ECONOMY HAS A COMPLETELY DIMINISHED PRODUCTIVE CAPACITY, OUR ECONOMIC GROWTH IS BEING ARTIFICIALLY SUSTAINED BY PUERTO RICO'S GOVERNMENT EXPENDITURE FINANCED BY DEBT. THE PRIVATE SECTOR HAS A CONTINUOUSLY DIMINISHING ROLE IN THE ECONOMIC ACTIVITY. THE PROBLEM IS AGGRAVATED BY THE CURRENT POLICIES OF GOVERNOR HERNANDEZ COLON'S ADMINISTRATION BUT FUNDAMENTALLY THIS IS NOT MERELY A PROBLEM OF A BAD ADMINISTRATION BUT RATHER A BAD AND OBSOLETE ECONOMIC MODEL BASED ON AN OUTMODED AND INFERIOR POLITICAL STATUS CALLED "ESTADO LIBRE ASOCIADO" OR "COMMONWEALTH". WE MAY NEED A

CHANGE OF GOVERNMENT IN PUERTO RICO, BUT MORE CRITICALLY WE NEED TO MOVE AHEAD AND BRING PUERTO RICO'S ECONOMY CLOSER TO THE U.S. MAINLAND ECONOMY.

THE COMMONWEALTH'S ECONOMIC COLLAPSE IS AN UNQUESTIONED REALITY. THIS POLITICAL STATUS NO LONGER FULFILLS THE NEEDS OF THE UNITED STATES CITIZENS OF PUERTO RICO NOR THE NATIONAL INTEREST. *in the economic area.*

IN LIGHT OF THE ECONOMIC BANKRUPTCY OF THE COMMONWEALTH POLITICAL FORMULA, THIS CONGRESS AS THE OVERSEER OF THE WELLBEING AND DESTINY OF ALL THE CITIZENS LIVING IN THE U.S. TERRITORIES, MUST NOW BEGIN TO CONSIDER ALTERNATE FORMULAS WHICH WILL ADDRESS THE OVERWHELMING ECONOMIC SITUATION OF THE PEOPLE OF PUERTO RICO AND WILL BETTER SERVE THEIR NEEDS, DREAMS AND ASPIRATIONS AS CITIZENS OF THIS GREAT AND PROSPEROUS NATION. THE PEOPLE OF PUERTO RICO DESERVE TO BE TREATED AS EQUALS WITHIN THE NATION.

A GAO REPORT IN 1981 QUANTIFIED THE INEQUITY OF THE COMMONWEALTH FORMULA FOR PUERTO RICO. AT THAT TIME, IT WAS



ESTIMATED THAT THE ISLAND RECEIVED \$721 MILLION LESS FEDERAL ASSISTANCE THAN IT WOULD IF IT HAD BEEN A STATE OF THE UNION. AT PRESENT, THAT FIGURE SHOULD SURPASS THE BILLION DOLLAR MARK.

IN FY 1985 PUERTO RICO RECEIVED \$5.8 BILLION IN FEDERAL FUNDS. SIX STATES WITH POPULATION SIMILAR TO PUERTO RICO'S RECEIVED AN AVERAGE OF \$10.3 BILLION. IF WE DEDUCT THE APPROXIMATELY \$1 BILLION IN FEDERAL FUNDS THAT PUERTO RICO DOES NOT GET BECAUSE OF LACK OF OR LIMITED PARTICIPATION IN FEDERAL PROGRAMS THERE ARE STILL ABOUT \$4 BILLION OF FEDERAL ASSISTANCE UNACCOUNTED FOR. THIS IS WHAT I CALL THE "STATEHOOD FACTOR". THE ABILITY OF A CONGRESSIONAL DELEGATION TO BRING FEDERAL DOLLARS TO HELP THE ECONOMY OF THEIR STATES. IN VIRGINIA THIS COMES IN THE FORM OF DEFENSE DOLLARS AND FEDERAL EMPLOYMENT. IN OTHER STATES IT MAY BE MILITARY INSTALLATIONS, SHIPBUILDING FACILITIES, CORPS OF ENGINEERS PROJECTS, DEFENSE CONTRACTS AND MANY OTHERS.

IT IS PRECISELY THIS INFERIOR TREATMENT IN NATIONAL ECONOMIC POLICIES WHICH CAUSES OUR ECONOMIC AS WELL AS OUR

## POLITICAL PROBLEMS.

WE ARE LIMITED IN PARTICIPATION IN SOME OTHER MAJOR FEDERAL AID PROGRAMS LIKE MEDICAID AND AID TO FAMILIES WITH DEPENDENT CHILDREN. WE DO NOT RECEIVE BENEFITS UNDER THE SUPPLEMENTAL SECURITY INCOME PROGRAM. EVEN UNDER MEDICARE, WHERE OUR PEOPLE PAY THE SAME DEDUCTIBLES AND CONTRIBUTE IN THE SAME WAY RESIDENTS OF EVERY STATE DO BY PAYING FICA TAXES, WE ARE SCHEDULED FOR A DIFFERENT TREATMENT FOR MEDICARE REINBURSEMENTS UNDER MEDICARE'S PROSPECTIVE PAYMENT SYSTEM. THE ISLAND PRESENTLY RECEIVES \$820 MILLION IN A FIXED-SUM "BLOCK GRANT" FOR NUTRITIONAL ASSISTANCE. THE BLOCK GRANT IS SUBSTANTIALLY LOWER THAN WHAT AMERICAN CITIZENS IN PUERTO RICO WOULD HAVE BEEN ENTITLED TO IF THEY HAD REMAINED UNDER THE NATIONAL FOOD STAMP PROGRAM.

HOWEVER, WE POINT OUT THESE GRAVE INEQUITIES NOT TO ADVANCE THE PROPOSITION THAT WE WANT A LARGER SHARE OF THE FEDERAL PIE BUT ONLY A FAIR AND EQUAL SHARE OF THAT PIE. WE DO NOT WANT MORE NOR CAN WE ACCEPT LESS IF WE ARE TO BE TREATED AS

FIRST CLASS AMERICAN CITIZENS. FURTHERMORE, I FOR ONE, ADVOCATE FOR THE STRENGTHENING OF PUERTO RICO'S ECONOMY AND NOT FEDERAL LARGESSE AS THE KEYSTONE OF OUR ECONOMIC DEVELOPMENT. WE HAVE HEARD THE LEADERSHIP OF THE COMMONWEALTH ADMINISTRATION IN PUERTO RICO CALL FOR A "MEGA BLOCK GRANT" AS A SUBSTITUTE FOR OUR PARTICIPATION IN CATEGORICAL FEDERAL PROGRAMS. THE SO CALLED "MEGA BLOCK GRANT" WOULD SERIOUSLY AFFECT AND DISRUPT PUERTO RICO'S ECONOMY AS WELL AS U.S. NATIONAL OBJECTIVES. THE COMMONWEALTH LEADERSHIP ARGUES THAT A BLOCK GRANT WILL PROVIDE THEM WITH MAXIMUM FLEXIBILITY IN THE USE OF FEDERAL FUNDS. NONSENSE. SOME DEGREE OF FLEXIBILITY IS CERTAINLY WELCOMED, BUT FEDERAL PROGRAMS ARE AIMED AT FULFILLING NATIONAL OBJECTIVES BE IT NUTRITION, EDUCATION, HEALTH, OR MANY OTHERS. A "MEGA BLOCK GRANT" WILL NOT ASSURE THE U.S. GOVERNMENT THAT ITS OBJECTIVE AND PRIORITIES FOR AMERICAN CITIZENS THROUGHOUT THE NATION, INCLUDING PUERTO RICO, WILL BE MET. THE FLEXIBILITY COULD BE USED IN AREAS WHICH MAY BE POLITICALLY IMPORTANT FOR THE GOVERNOR, BUT COMPLETELY IRRELEVANT TO THE NEEDS OF THE POPULATION.

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idea

THE "MEGA BLOCK GRANT" APPROACH POSES AN ADDITIONAL PROBLEM IN THAT IT WOULD REMAIN AT CONSTANT DOLLAR LEVELS FOR SUBSTANTIAL PERIODS OF TIME WITHOUT GROWTH TO ACCOUNT FOR INFLATION OR OTHER CHANGES IN ECONOMIC CONDITIONS, AS WE HAVE SEEN IN "MEDICAID" AND THE NUTRITION ASSISTANCE BLOCK GRANT ALREADY. I DO NOT MIND BLOCK GRANTS IF THEY ARE BASED ON FORMULAS EQUALLY APPLIED TO THE FIFTY STATES AND PUERTO RICO, BUT NOT WHEN THEY ARE BASED, AS MOSTLY THEY ARE, ON RATHER ARBITRARY "SET ASIDES".

ANOTHER PROBLEM WITH THE "MEGA BLOCK GRANT" IS THAT IT WOULD MEAN THE END OF THE FEDERAL ADMINISTRATIVE ESTABLISHMENT IN PUERTO RICO. IF A LUMP SUM OF MONEY IS GIVEN TO THE COMMONWEALTH GOVERNMENT THERE WILL BE NO NEED FOR THE THOUSANDS OF FEDERAL EMPLOYEES WHO NOW WORK IN THE AREA OFFICES OF FEDERAL AGENCIES IN PUERTO RICO MONITORING FEDERAL PROGRAMS. THESE EMPLOYEES WILL BE TERMINATED SINCE THERE WILL BE NO JUSTIFICATION FOR THEIR ADMINISTRATIVE EXISTENCE.

THERE ARE OTHER MORE REALISTIC AND EFFECTIVE ALTERNATES.

THIS COMMITTEE HAS A MORAL OBLIGATION TO ASSURE THAT THOSE ALTERNATIVES WHICH ASSURE THE EQUITABLE TREATMENT OF ALL AMERICAN CITIZENS ARE SERIOUSLY CONSIDERED AND ACTED UPON BY CONGRESS. THIS CONGRESS HAS AN OBLIGATION TO ACTIVELY PARTICIPATE IN THE RESOLUTION OF THE HOLDING PATTERN THAT HAS BROUGHT ABOUT THE BANKRUPTCY OF THE ECONOMIC STRUCTURE OF PUERTO RICO.

PUERTO RICO NEEDS A NEW ECONOMIC MODEL; A VIABLE ONE. ONE THAT CAN GET THE PRIVATE SECTOR BACK INTO THE MAINSTREAM OF OUR ECONOMY. WE NEED A MODEL THAT REACTIVATES FIXED DOMESTIC INVESTMENT, SO THAT THE ISLAND CAN ACHIEVE A PRODUCTIVE CAPACITY THAT WILL GENERATE PERMANENT JOBS, A MODEL BASED ON THE POLITICAL, SOCIAL AND ECONOMIC EQUALITY OF ALL U.S. CITIZENS. A MODEL THAT CAN GUARANTEE EQUAL OPPORTUNITY UNDER OUR CONSTITUTION AND EQUAL REPRESENTATION WITHIN OUR POLITICAL SYSTEM.

IT IS MY FIRM BELIEF THAT AN ECONOMIC DEVELOPMENT MODEL FOR PUERTO RICO CAN ONLY MAKE SENSE WITHIN THE U.S.

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CONSTITUTIONAL FRAMEWORK IF IT IS STRUCTURED IN A WAY WHICH IS  
COMPATIBLE WITH STATEHOOD. IF NOT, THEN IT BECOMES ANOTHER  
TEMPORARY OR IMPROVISED STRATEGY DESTINED TO FAILURE.

THE HERNANDEZ COLON ADMINISTRATION AND THOSE WHO SUPPORT  
THE STATUS QUO SEE PUERTO RICO'S ECONOMIC DEVELOPMENT AS IF IT  
WERE A FOREIGN COUNTRY'S ECONOMY. THEY WOULD LIKE TO RECEIVE  
FEDERAL ASSISTANCE IN A FORM SIMILAR TO A BLOCK GRANT, WITH NO  
STRINGS ATTACHED AND MAXIMUM FLEXIBILITY IN ITS USE. THEY  
WOULD ALSO LIKE TO IMPOSE PROTECTIONIST MEASURES TO CURB  
IMPORTS WHICH COMPETE WITH PUERTO RICAN PRODUCTS INCLUDING  
THOSE IMPORTED FROM THE U.S. MAINLAND WHILE AT THE SAME TIME  
THEY GLADLY ACCEPT DOMESTIC TREATMENT FOR PRODUCTS EXPORTED  
FROM THE ISLAND TO THE MAINLAND. THEY ALSO SEEK THE ABILITY TO  
CONDUCT FOREIGN RELATIONS, MAKE COMMERCIAL TREATIES AND  
AGREEMENTS TO INCREASE THE TRADE OF PRODUCTS WHICH WILL  
SUBSTITUTE MADE IN U.S.A. PRODUCTS FOR IMPORTS FROM OTHER  
FOREIGN COUNTRIES IN PUERTO RICO. THAT IS, INDEED, A  
CHAUVINISTIC DOUBLE STANDARD ~~OF SORTS~~.

FOR THOSE OF US WHO WANT PUERTO RICO'S ECONOMY TO FLOURISH, NOT ON AN IMPROVISED BASIS UNTIL THE NEXT CRISIS HAPPENS OR UNTIL ANOTHER SPECIAL PRIVILEGE GRANTED NO LONGER WORKS, BUT ON SOLID GROUNDS REFLECTING A REAL LONG TERM STRATEGY, IT IS IMPERATIVE THAT OUR ECONOMY BE TREATED, AS IT SHOULD BE, WITH A SOLID AND ACTIVE PRIVATE SECTOR, THAT REACTS TO MARKET EFFICIENCY WITHIN THE CONTEXT OF THE REST OF THE U.S. ECONOMY. THIS ECONOMIC MODEL BASED ON EQUALITY, POLITICAL PARTICIPATION AND PRIVATE SECTOR ACTIVITY AS THE PRIMARY FORCE CAN ONLY BE DEVELOPED BY OUR FULL INTEGRATION TO THE U.S. ECONOMY AND POLITICAL MAINSTREAM AND BY A CONGRESSIONAL ECONOMIC POLICY CONSISTENT WITH THOSE GOALS.

IN THE TWO HUNDRED YEARS OF OUR REPUBLIC, NO STATE HAS EVER GONE INTO ECONOMIC CHAOS OR BANKRUPTCY AS A RESULT OF ITS ADMISSION INTO THE UNION. ON THE CONTRARY, IT IS AN UNDISPUTED FACT THAT ALL TERRITORIES UPON ADMISSION ENTERED A PERIOD OF INCREASING ECONOMIC PROSPERITY, DEVELOPMENT AND ADVANCEMENT. THIS HAS BEEN PARTICULARLY TRUE IN THE CASE OF OUR TWO NON

CONTIGUOUS STATES OF HAWAII AND ALASKA. FURTHERMORE, OUR FELLOW CITIZENS LIVING IN THE FIFTY STATES HAVE REACHED ONE OF THE HIGHEST STANDARDS OF LIVING IN THE WORLD.

HAVING SAID THAT, LET ME NOW ADDRESS THE DIRECTION OF PUERTO RICO'S ECONOMIC MODEL I PROPOSE.

THE STRENGTH OF OUR NATION LIES IN THE CAPACITY WITH WHICH THE GOVERNMENT, ON BEHALF OF ALL UTILIZES THE RESOURCES OF EVERY STATE TO SATISFY THE NEEDS OF ALL IN ACCORDANCE WITH ITS CAPACITY TO CONTRIBUTE.

ALL 37 TERRITORIES WHICH HAVE PREVIOUSLY BEEN ADMITTED INTO THE UNION AS STATES HAVE SUCCEEDED AND PROSPERED, AND THEY HAVE STRENGTHENED THE UNION. THE ADMISSION OF PUERTO RICO INTO THE UNION WILL HAVE THE SAME ECONOMIC POLITICAL RESULTS.

RECOGNIZING THE DISTRESSED FINANCIAL POSTURE OF MOST TERRITORIES AT THE TIME OF ADMISSION, CONGRESS HAS ENACTED A WIDE VARIETY OF MEASURES WHICH INCLUDED LAND GRANTS, THE TRANSFER OF VITAL NATURAL RESOURCES, RECOGNITION OF EXTENSIVE BOUNDARY LINES, EXTENDED MARITIME JURISDICTION, DIRECT AND



INDIRECT MONETARY AID, GRANTS, PARTIAL EXEMPTION FROM CERTAIN FEDERAL TAXES, TRANSFER OF GENERAL PROPERTY AND, FINALLY, SPECIAL PROVISIONAL STATUTORY TREATMENT.

THE EXPERIENCE OF ALASKA SHOWS THAT PUERTO RICO NEED NOT NECESSARILY PASS THROUGH A TRANSITIONAL ECONOMIC RECOVERY PERIOD BEFORE IT IS ADMITTED INTO THE UNION BECAUSE THE SPECIAL ASSISTANCE MEASURES CAN BE IMPLEMENTED BEFORE, DURING, AND AFTER ITS ADMISSION INTO THE UNION.

THE MERE FACT THAT THE ISLAND CANNOT SUSTAIN MASSIVE AND IRRATIONAL INDUSTRIALIZATION OF A HIGH SOCIAL COST, DOES NOT PRECLUDE ITS POSSIBILITIES OF DEVELOPING A SOLID FINANCIAL BASE ALONG OTHER MODELS OF ECONOMIC DEVELOPMENT. OPERATION BOOTSTRAP, THE ECONOMIC BACKBONE OF THE COMMONWEALTH, "SUCCEEDED" (BY LATIN AMERICAN STANDARDS) IN TRANSFORMING AN EXCLUSIVE AGRARIAN SOCIETY INTO A HIGHLY INDUSTRIALIZED ONE. THIS "FOMENTARIAN" ECONOMIC MODEL LED TO AN ALMOST TOTAL NEGLECT OF THE INDISPENSABLE DEVELOPMENT OF THE AGRICULTURAL AND OTHER AVAILABLE RESOURCES, THUS CAUSING AN UNHEALTHY

DEPENDENCE NOT ONLY ON MAINLAND GOODS AND SERVICES, BUT ALSO ON FOREIGN PRODUCTS WHICH HAVE INVADED THE DOMESTIC MARKET. THE PUERTO RICAN ECONOMY HAS SUFFERED THE NEGATIVE EFFECTS OF THIS INATTENTION TO ITS AMPLE HUMAN RESOURCES THAT COULD VERY WELL HAVE BEEN TRAINED TO UTILIZE MODERN AGRICULTURAL METHOD TO HELP UPGRADE THAT FUNDAMENTAL ASPECT OF THE ECONOMY. STATEHOOD COULD BE GEARED TOWARD THE TRANSFORMATION OF THE ISLAND'S ECONOMY INTO ONE OF LESS DEPENDENCE AND MORE SELF-RELIANCE, BOLSTERED BY THE INDUSTRIOUSNESS, PRODUCTIVITY AND CREATIVITY OF THE PUERTO RICAN MANPOWER RESOURCES.

THE MAJOR LEADING SECTOR OF PUERTO RICO'S ECONOMY OF THE FUTURE WOULD BE THE SERVICE INDUSTRIES, MANUFACTURING, IMPORT-EXPORT TRADES, SMALL BUSINESS, AGRICULTURE, AND TOURISM. BOTH THE AGRICULTURAL SECTOR AND THE TOURISM AREA WILL MAKE SUBSTANTIAL GAINS IN THEIR RELATIVE IMPORTANCE IN OUR FUTURE ECONOMY.

THE AGRICULTURAL SECTOR WILL MAKE SUBSTANTIAL STRIDES IN ITS DIVERSIFICATION AWAY FROM THE TRADITIONAL CROPS.

MUCH LIKE HAWAII, ADMISSION INTO THE UNION FOR PUERTO RICO COULD PERMIT A SIGNIFICANT EXPANSION OF THE TOURIST INDUSTRY. INVESTORS WILL FEEL MORE SECURE IN INVESTING LARGE AMOUNTS OF MONEY ONCE THE ISLAND BECOMES A FULL MEMBER OF THE AMERICAN FEDERATION, INCLUDING INVESTMENTS IN THE TOURISM INDUSTRY. PUERTO RICO WILL BE MORE FULLY INTEGRATED INTO THE AIR TRANSPORTATION SYSTEM OF THE UNITED STATES AND LOWER SPECIAL RATES WILL APPLY THERE AS THEY DO IN HAWAII.

GIVEN THE PAST AND PRESENT ECONOMIC REALITIES OF THE ISLAND, AS A STATE OF THE UNION THE MANUFACTURING SECTOR WILL PROVIDE A MAJOR SOURCE OF EMPLOYMENT. ITS RELATIVE IMPORTANCE, THOUGH, WOULD BE MUCH LESS THAN IT IS TODAY WITH A MUCH MORE DIVERSIFIED ECONOMY.

OF THE REMAINING SECTORS IN THE ECONOMY, TWO IN PARTICULAR, WILL EXPAND THEIR RELATIVE IMPORTANCE UNDER STATEHOOD. BOTH THE CONSTRUCTION INDUSTRY AND THE SERVICE INDUSTRIES SECTOR WILL GREATLY BENEFIT. CONSTRUCTION, IN PARTICULAR, WILL BENEFIT FROM THE EXPANSION WITHIN THE TOURISM

INDUSTRY, THE MANUFACTURING SECTOR, AND INDIRECTLY, THROUGH THE GROWTH OF THE ECONOMY AND INCREASED FEDERAL EXPENDITURES FOR PUBLIC WORKS. ADMISSION INTO THE FEDERATION WILL, BY ITSELF, INDUCE GREATER INVESTMENT IN FIXED STRUCTURES. THE RISK WITH WHICH INVESTORS VIEW PUERTO RICO WILL BE GREATLY LESSENERED, AND ONCE PUERTO RICO'S POLITICAL DESTINY HAS BEEN SETTLED THROUGH STATEHOOD, INVESTORS WILL MAKE LARGE INVESTMENTS BECAUSE THEY WILL APPEAR TO BE MORE SECURE THAN IS THE CASE TODAY.

THE ISLAND'S SERVICE SECTOR COULD LOOK OUTWARD TO THE REST OF THE CARIBBEAN AND CENTRAL AMERICA FOR THE EXPORT OF ITS EXPERTISE. PUERTO RICO WILL HAVE A COMPARATIVE ADVANTAGE IN THE PROVISION OF HIGHER EDUCATIONAL SERVICES. WE HAVE A WELL DEVELOPED UNIVERSITY SYSTEM THAT WILL IMPROVE WITH TIME AS ADDITIONAL FUNDS ARE COMMITTED TO IT, THAT CAN OFFER SPANISH-SPEAKING FOREIGN STUDENTS AN AMERICAN UNIVERSITY DEGREE WITHOUT THE DIFFICULTIES OF STUDYING IN A FOREIGN LANGUAGE. OTHER SERVICES THAT LEND THEMSELVES TO EXPORT ARE ENGINEERING AND ARCHITECTURAL SERVICES, ACCOUNTING, MANAGEMENT CONSULTING,

ADVERTISING, PUBLIC RELATIONS AND FINANCIAL SERVICES, TO NAME BUT A FEW.

THE COMMERCE SECTOR WILL ALSO BENEFIT AS PUERTO RICAN BUSINESSMEN TAKE ADVANTAGE OF THEIR GEOGRAPHIC POSITION BETWEEN THE CARIBBEAN COUNTRIES, CENTRAL AND SOUTH AMERICA AND THE UNITED STATES MAINLAND. PUERTO RICO IS IDEALLY LOCATED, WITH THE REQUIRED PHYSICAL INFRASTRUCTURE AND COMMUNICATIONS, TO SERVE AS A KEY REDISTRIBUTION POINT FOR UNITED STATES GOODS GOING SOUTH, AND FOR CARIBBEAN AND SOUTH AMERICAN GOODS GOING NORTH.

HOWEVER, IN MY OPINION THE MOST IMPORTANT AND LASTING SOCIAL EFFECT OF PUERTO RICO'S ADMISSION INTO THE UNION WOULD BE THE INCOME REDISTRIBUTION POTENTIAL AND THE CLOSING OF THE GAP BETWEEN "THE HAVES" AND "THE HAVE-NOTS". THE INCREASE IN FEDERAL TRANSFER RECEIPTS WOULD FLOW ALMOST ENTIRELY TO LOWER-INCOME INDIVIDUALS WHEREAS UPPER-INCOME PERSONS WOULD GLADLY PAY FEDERAL TAXES IN EXCHANGE FOR GREATER SECURITY AND A MORE STABLE INVESTMENT CLIMATE.

THE ISLAND'S FUTURE WELFARE, PROGRESS, SOCIAL COHESIVENESS, AND STABILITY WILL PRIMARILY REST UPON THE WILL AND CAPACITY OF ITS CITIZENS IN HARNESSING THE GENIUS OF THEIR PRODUCTIVE POTENTIAL IN THE AREAS OF ECONOMICS, MANPOWER RESOURCES, GOVERNMENT, HUMAN RELATIONS AND CONSTITUTIONAL LAW IN A CLIMATE OF POLITICAL DIGNITY AND EQUALITY AS CAN ONLY BE BROUGHT ABOUT BY STATEHOOD.

THE PAST HISTORICAL EXPERIENCE HAS CLEARLY REFLECTED THE FOLLOWING STARK AND UNAVOIDABLE REALITY: THE CITIZENS OF PUERTO RICO AND THE CONGRESS CANNOT BEGIN EFFECTIVELY TO SOLVE THE PRESSING SOCIO-ECONOMIC PROBLEMS PREVALENT IN THE COMMONWEALTH (BOTH ON A SHORT-TERM AND LONG-RANGE BASIS) UNTIL THE ISLAND'S POLITICAL STATUS PROBLEM HAS BEEN PERMANENTLY SOLVED. UNTIL THAT HAPPENS, CONGRESSIONAL ECONOMIC POLICY SHOULD BE BASED ON THE OBJECTIVE OF TREATING PUERTO RICO AS IF WE WERE A STATE. THIS IS THE CHALLENGE BEFORE US. YOU ARE A PART OF THE PROBLEM, YOU MUST BE A PART OF THE SOLUTION.

THANK YOU.