

To:  
Finance Senate Chairman  
Bipartisan Congressional Task Force on  
Economic Growth in Puerto Rico

Re:  
Request for input on Territory's  
Economic Outlook

From:  
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**Submission to Congressional Task Force**  
***A tool for analyzing Puerto Rico: "I know it when I see it."***

Supreme Court Justice Potter Stewart said in a now famous decision: "I know it when I see it." The purpose of my submission to the Congressional Task Force is to show why Justice Stewart's quote is the most appropriate one to describe the situation in Puerto Rico, and why it is incumbent on the Congressional Task Force to recognize the magnitude crisis and to respond with boldness.

Expert opinions and mounds of data rationalizing key initiatives designed to undo the fiscal and economic crisis will have flooded the Congressional Task Force. I try to will articulate the solution, the interim steps, the hazards, and the irrationality leading to the current mess.

The members of the Task Force have been elected to represent their constituents. Now they must adopt the residents of Puerto Rico as their constituents. Listen to Puerto Ricans and act on their behalf. The members of the Task Force bear the responsibility of transforming this un-American situation so that the US Citizens who reside in Puerto Rico can act and speak for themselves. The constituents who elected the Task Force members would vote for that transformation, that upholding of American representation.

We are in the 21<sup>st</sup> century but Puerto Rico remains mired in an economic, political, and human rights tangle. Real economic stagnation was cleverly obscured and has prevailed in Puerto Rico for decades. Statehood is the 21<sup>st</sup> century solution.

The 2012 vote indicated dissatisfaction with the current status situation and favored statehood, and thus an avenue for alleviating the political labyrinth was opened. Yet nothing more has been done. Congress needs to listen to this voice of self-determination and take action.

This lack of representation is a clear human rights issue. Residents of the island are second-class citizens, and they need only hop on any airline to Salt Lake City to become first class citizens.

Puerto Ricans in the foxholes must obey their commander in chief, but they cannot vote for him. Payroll taxes are deducted, and they confront taxation without representation.

At last, the territory of Puerto Rico has become a problem that will not go away. Politicians and lobbyists of all stripes still cry to put the status issue on hold until the “problem” is dealt with. My submission to the Congressional Task Force is that status is, and has been, the problem, and until Puerto Rico is granted a clear path to statehood the mess will continue and probably worsen.

The term “status neutral” was coined to avoid dealing with the local politics of Puerto Rico. Even the eminent Brookings Institution published a “status neutral” volume on Puerto Rico. “Don’t Ask; don’t tell” is no way to formulate economic policy.

The US Citizens of Puerto Rico need Statehood to have the same constitutional and is needed for human rights and political voice that all other US Citizens in the 50 states have. Statehood is the only option for sustainable economic growth in the 21<sup>st</sup> century. Statehood brings certainty, permanence, stability and accountability that are pre-requisites for sustainable economic development. Puerto Rico’s current colonial situation precludes their existence.

Sustainable economic growth must be home grown; it cannot be imported, cannot be built on temporary tax gimmicks and cannot rely on the whims of rating agencies.

Until the U.S. Congress welcomes Puerto Rico as the 51<sup>st</sup> state, the economic and social situation will not change. There are many successful Puerto Rican entrepreneurs, but they are in Orlando or Austin or Holyoke or Baltimore. Local entrepreneurs will not add to the risk of innovation, of starting a business, by investing in a whimsical and over-regulated market. Puerto Rican entrepreneurs have been educated to take their ideas and exploit them on the mainland. Statehood would generate more and longer-term investment.

The economic concept should be clear. The bulk of the fuel for sustainable economic growth must come from domestic investors. Puerto Rico must wake up to the realities of the 21<sup>st</sup> Century. Puerto Rico has many advantages, and the greatest one is the opportunity of statehood, and that window of opportunity must be captured forthwith.

The members of the Congressional Task Force should not yield to the temptation of temporary relief, because in this case the patient will return in no time flat. The Congressional Task Force must use its unusual power to widen the opening, and it must be cautious not to support initiatives that might obstruct the path to statehood.

There will be a transition period before Puerto Rico can exercise the full powers of statehood. First, the membership in the House must be increased before Puerto Rico can cast a vote. Second, Puerto Rico will need to be integrated fully into the domestic internal revenue code. Third, the “special” territorial clauses in legislation will need to be redrafted and then win congressional approval. In addition, a careful scrutiny of the rules and regulations will be necessary so that Puerto Rico can function like a state.

However, the Task Force can advocate that Congress pass legislation which will have an immediate impact. The short run goal of the Task Force: level the playing field. Puerto Rico deserves laws or provisions identical to those of the rest of the United States.

Puerto Rico needs immediate actions. I would recommend 1) qualifying Puerto Rico for the earned income tax credit, 2) providing ample funds for the island's dilapidated infrastructure, and 3) encouraging a focus on, and allocating funds for, tourism. Immediate investment in infrastructure is a must as much for humanitarian as for economic reasons. Americans should not live without water or power. Americans should have job opportunities, and infrastructure investment fits that bill.

Then a 21<sup>st</sup> century focus on tourism is a must. The beautiful island has great weather and countless non-stop flights. Why has tourism in Hawaii boomed while tourism in Puerto Rico remained dormant? Tourism would provide an excellent opportunity, and Puerto Rico cannot afford to neglect any opportunities. PROMESA's Revitalization Coordinator must be given the funds and expertise to propel Puerto Rico into a tourism winner.

Finally, the Task Force must ensure that the failed policies of the past are not reinstated. Section 936 of the tax code has fans who profited beyond peanuts and crackerjacks. 936 benefitted lobbyists and some Fortune 500 companies, at an immense cost to the U.S. taxpayer and little to generate either jobs or economic growth for Puerto Rico economy.

Justice Stewart's observation hits the bull's-eye where Puerto Rico is concerned. Even with 936 Puerto Rico did anything but catch up to the 50 states. In the same period without special benefits such as 936 Korea, and even Mainland China, became economic powerhouses. The Puerto Rican strategists, their rigid views, and 20-20 hindsight undercut the emergence of strong Puerto Rican foundations for growth, retarding the expansion of Puerto Rican based business and the development of a skilled labor force.

In conclusion this submission has a simple goal, and that is convincing the Congressional Task Force that statehood now is the only answer. The "status issue" cannot be put on the back burner. The mission of the Task Force is economic growth. The resolution and solution of the status issue would open the door to Puerto Rico's economic growth!