



Congressman Pedro R. Pierluisi
Congressional Hispanic Leadership Institute Congressional Briefing Series
“The Economic Situation in Puerto Rico”
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Good afternoon, and welcome. I want to thank the Congressional Hispanic Leadership Institute for organizing this event on the economic situation in the U.S. territory of Puerto Rico.

I also want to thank CHLI’s chairman—and my friend and former colleague—Lincoln Díaz-Balart from the great state of Florida. Due in large part to the economic problems in Puerto Rico, the Sunshine State is now home to about 915,000 Puerto Ricans—a 90 percent increase since the 2000 Census.

Finally, I want to thank our moderator and each of our distinguished panelists for taking time from their busy schedules to be here—and I want to extend an especially warm welcome to my predecessor as Resident Commissioner and the former Governor of Puerto Rico, Luis Fortuño.

Now, I am going to offer some very brief remarks that I hope will help frame the panel discussion.

Over the last year-and-a-half, the national press has been filled with stories about the severe economic and fiscal problems in Puerto Rico. And, indeed, the territory is mired in the worst crisis in its history. In my view and the view of many economists, a series of policy decisions by the local government designed to help the situation have instead made it worse. In particular, the local government has failed to sufficiently control spending, while imposing a range of new taxes intended to raise revenue that have proven mostly counterproductive—because they are exerting a stranglehold on our already-weak economy.

As a result, in February of this year, the three credit rating agencies downgraded the government's bonds to non-investment grade. Puerto Rico's unemployment rate stands at more than 14 percent, compared to a U.S. national average of just over 6.0 percent. There are now fewer individuals employed in the territory than at any point since January 1993—over 21 years ago. The median household income in Puerto Rico is around \$19,000 a year, while it is \$51,000 in the states and, indeed, about \$40,000 for Puerto Ricans living in the states. We are witnessing an extraordinary exodus of island residents to the states, with about 1,000 of my constituents departing each week. Puerto Ricans are U.S. citizens, so they don't need a passport to relocate. They just need to be able to afford the price of a one-way plane ticket.

But, if I leave with you one message, I hope it is this one. Although the island's problems have certainly become much worse in recent months, it is critical for policymakers and the American public to understand that these problems are *not* of recent vintage. To the contrary, for at least four decades, Puerto Rico's economic performance—and, by extension, quality of life on the island—has been far worse than any state according to every indicator. In other words, Puerto

Rico's difficulties have endured in more or less the same form, regardless of who holds power in Washington and San Juan and irrespective of the public policies they formulate. To be sure, fiscal mismanagement at the local level and insufficient attention at the federal level have both been factors contributing to Puerto Rico's challenges, but the record clearly establishes that they are not the main factor.

What, then, is the principal source of Puerto Rico's longstanding woes? In an editorial last year, the *Washington Post* correctly identified the culprit, noting that the territory's economic problems are "structural—traceable, ultimately, to its muddled political status." Curiously, the *Post* then asserted that "there will be time enough to debate" the status issue later and that Puerto Rico, for the time being, should focus exclusively on fixing its finances.

As I observed in a letter to the *Post's* editor, this is like a doctor recommending medicine to alleviate a patient's symptoms but doing nothing to treat the underlying disease. As long as Puerto Rico remains a territory—deprived of equal treatment under critical federal spending and tax credit programs, forced to borrow heavily to make up the difference, and lacking the ability to vote for the president and members of Congress who make our national laws—the island will be in a position merely to manage, rather than to surmount, its economic problems. This is the only reasonable conclusion to draw from decades of empirical evidence.

A majority of my constituents understand this, which is why they voted to reject territory status in a referendum held in 2012. The Obama administration and Members of Congress from both parties recognize this as well, which is why the *Consolidated Appropriations Act of 2014*,

enacted into law in January, includes \$2.5 million for Puerto Rico to hold the first federally-sponsored status vote in its history, with the declared purpose of the law being to “resolve” the territory’s status issue. Separately, I have introduced standalone legislation that calls for the federally-authorized vote to be structured as a straightforward up-or-down vote on whether Puerto Rico should be admitted as state and that requires federal action if a majority of voters favor admission. This bill is supported by 131 of my colleagues in the House, and an identical bill has been introduced in the Senate.

All that remains is for the Governor and Legislative Assembly of Puerto Rico to schedule this vote, but they have declined to take any meaningful action to date. Meanwhile, the territory’s economy continues its downward spiral. I support statehood for many reasons, but one of the main reasons is that I believe it is the status option that is most likely to strengthen our economy and create jobs, improve the business and investment climate, enable our government to overcome its severe fiscal problems, and reverse the current migration trend. I also believe that a strong and stable Puerto Rico is in the *national* interest of the United States as a whole, as was confirmed by a recent GAO report on the fiscal impact of Puerto Rico statehood on the federal government.

I will leave you with this thought. If the panelists offer specific proposals to help Puerto Rico improve its economic and fiscal situation, as I expect they will, I urge you to listen carefully to those proposals and to judge them on their merits. At the same time, however, I hope you will step back and examine the broader picture that I have tried to paint. The fact is this: there is no solution to Puerto Rico’s economic problems that does not entail a solution to the territory’s

status problem, and those who claim you can neatly separate the economy and status are engaged in an empty exercise.

Thank you again for coming, and I hope the discussion will be interesting and instructive.