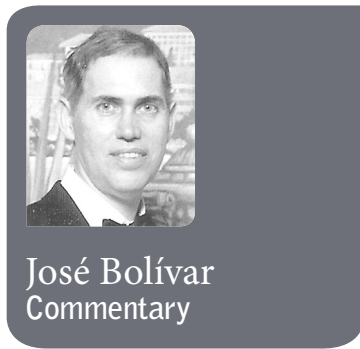


Economic policies of yesterday and today: Can we do better?

A recent report by the United Nations Economic Commission for Latin America, historically known as CEPAL, provided this insightful comment on the island's economic structure: "It could be said that Puerto Rico is a great exporter, but Puerto Ricans are not." Dr. César Ayala, professor at UCLA and a specialist in Puerto Rican economic issues published a study titled "Local Capital Formation and Development Banking in Puerto Rico, 1942-2007" which acknowledges the lack of exporting entrepreneurs. According to Dr. Ayala, this issue should be at the center of the discussion about the island's economic future. Have the economic policies of Puerto Rico promoted this kind of development?

Since 1938, when the U.S. Government authorized the Puerto Rican Government to sell bonds from public corporations without affecting the debt structure of the local government, bonds worth over \$100 billion have been sold in the U.S. Market. The first bonds sold in this market were those of the Puerto Rico Water Works Authority (Autoridad de las Fuentes Fluviales), a public corporation. These bonds, sold in 1943, were marketed by the newly created Development Bank (Banco de Fomento.) Historically, approximately 60 to 70 per cent of the money generated by these transactions was used for investments while the remainder was used to pay outstanding debts. Nowadays, this ratio, at best, is reversed.

A brief analysis of the bond emissions, from 1943 to the present, shows that most of the capital generated by these transactions was used to finance state government projects, followed by the Transportation Department, the Public Buildings Authority, and the Electric Power Authority. How was some of this money spent? As an example, the initial estimates for the Urban Train were \$1.3 billion, the Special Communi-



José Bolívar
Commentary

ty was \$1.0 billion, the original estimate for the Route 66 was \$400 million and the Super Aqueduct was \$300 million. Surprisingly, two of the most important institutions which help promote economic development — the Development Company (Compania de Fomento) and the University of Puerto Rico — accounted for only 1.5 to 2.0 per cent of the total bond sales during these years. Therefore, even though the physical infrastructure was being upgraded, knowledge required to innovate, provide for the research and development of new products and services, as well as the creation of new business, lagged far behind. According to the recently published Brookings Institute Report, the Education Department is also partly responsible, as it does not provide its students with the adequate tools needed to succeed in this knowledge based economy.

Dr. Ayala's study finds that "of the largest 21 local enterprises listed by Caribbean Business, five were established before 1947, that is, before the period that marks the beginning of Operation Bootstrap and the industrialization of the island. Another six were established in the period 1948-1964, which was the period of "light industry" in the history of Puerto Rico's industrialization. Six enterprises were established in 1965-1975, the period of the boom in heavy industry, partic-

ularly petrochemical refining and related industries. Only three were established in 1976-1996, the period during which Section 936 of the Internal Revenue Code became the foundation of Puerto Rico's industrial economy. This is remarkable in that after 1984, the Island's banking industry enjoyed a massive influx of deposits in the form of 936 profits retained in the island on account of toll gate taxes. As it turns out, this period saw the establishment of very few manufacturing firms in the island. After 1996, the year in which the phase-out of the Section 936 tax breaks began, no manufacturing firms among the largest 21 were established".

Given that our current state reflects economic policies of the past 60 years, we can not nor should we expect miracle solutions. However, regardless of politics, an economic policy mechanism should be established which should reflect solutions far more comprehensive than just finding new tax dollars. Education has to be upgraded, so that our high schools and universities are among the best in the world. Professionals have to believe they can develop a business which can export Puerto Rican products and services, and government has to assist in providing debt and equity financing to ventures dimmed too risky by the private banking sector. Only then can our economy — and our quality of life — see a dramatic improvement.

José L. Bolívar holds a doctorate in history and is completing a book on the economic impact of the Second World War on Puerto Rico, which is scheduled to be published this year by the University of Florida. He may be reached at jbolivarpr@prtc.net.

A bargain in the making

College and high school spring breaks will soon be here and students across the country are being warned about the situation in Mexico.

Invite them all to Puerto Rico!

This would be a perfect time for the Tourism Company, the airlines (to San Juan and Aguadilla) and all the island hotels to create great bargain travel packages with a very large publicity campaign on the mainland (not just on the east coast.)

The students could be offered 'special events and activities', lots of sun, great beaches and good food. And no passports required.

You want stimulus? Go for it!

*D. M. Smith
Boquerón*

The cleanliness of baseball

The plight of Alex Rodríguez would be much more believable if it had occurred in any field of human endeavor other than baseball. Except in organized crime, or perhaps in boxing, there are few areas where there are more scandals and cheating than in baseball.

There is a list of cheating and underhanded dealing in baseball that is much too long to measure, and this is only in the major leagues. If we added together minor leagues, amateur leagues and sandlot leagues, the list would be longer than the Democratic Party's list of unkept promises. Indeed, it is hard to even imagine baseball without skullduggery. Going back to time immemorial, cheating involves statistics, doctored bats, oversized mitts, excessive use of pine tar, player qualifications, team rosters, diamond specifications, pitcher mound height, retaining wall

measurements, illegal equipment modifications, spitballs, scuffed balls, tampering with game results, crooked officials, etc., etc. And this is just a scratch at the obvious.

This does not include the notorious scandals such as the infamous Black Sox imbroglio and others over the years. Abuse takes place at all levels; from the use of illegal bats at tee-ball games to cheating among major league owners and managers in regard to player assignments and underhanded manipulations in financial arrangements and backhanded player incentives. In fact, salary cap cheating had become an art form. There are teams that have either succeeded or tried to openly buy a league pennant, flaunting every imaginable rule to achieve the purpose.

And then there are the scapegoats who have been sacrificed for the sake of apparent fairness and cleanliness. This is beyond absurd and hypocritical. The Pete Roses of the world; Barry Bonds; Mike McGuire, et al. None of the real culprits (other than substance abuse users) have ever been caught and/or even punished. The guys with the money and with the gall to buy success on the ball field or in front offices usually get away scot free.

But, according to the press and baseball officialdom, this is all being remedied and cured — as if there were a giant dry cleaning operation — by catching Alex Rodríguez with his pants down. Yet the other 103 members of the dirty list have not even been disclosed. Is the inquisition and lynching of A-Rod enough to clean up baseball? Not really! The filth in baseball is so ingrained that sometimes we are all guilty of looking the other way. We are so inured to cheating on the diamond that there is hardly a Little League tournament or even so much as a game without some sort of underhanded dealing at some level. It includes parents who abuse their own children and coaches who think they have the next Mickey Mantle or Roberto

Clemente in their team and are thus unfair to other members of the team who are less talented. There is cheating in terms of birth certificates (remember the New York Little League team that had a player using a counterfeit birth certificate from the Dominican Republic), ages, qualifications, place of birth, neighborhood residence, etc.

If something is not done from top to bottom and end to end, any punishment meted on Alex Rodríguez is unfair. He would have been selected and forced to bear a burden that he does not only deserve. To paraphrase from Aldous Huxley, to believe in the honesty of baseball is like believing in the divinity of oysters although they make you sick.

*Sebastián Pérez
Rio Piedras*

What of the rule of law?

Some people are advocating there should not be any layoffs.

Does this include the ones hired illegally between July 1 and December 31, 2008? Are they condoning breaking the law? Are we as a people ready to condone illegal activity?

*Iván F. Arzola
Guaynabo*

Learning by example

Stop badmouthing the cops. That they're bullies and inept and ignorant and contemptuous of anything approaching civil rights is simply because that's the way our leaders want it. Yes, it's the politicians running the show. And you went ahead and voted them right back into office.

*Carrutha Harris
Puerta de Tierra*

