



Louis Lausell, president of the independent Puerto Rican electrical workers union, UTIER, addresses striking workers on a picket line in Santurce.

Trouble in the Puerto Rican colony

Study evaluates costs of statehood

by James Dietz

A congressional study has provided new ammunition in the battle over Puerto Rico's future. At stake is whether the island will continue its present Commonwealth status with the U.S. or move towards either full statehood or independence.

An increasing number of influential islanders have come out in favor of statehood, including the Governor of Puerto Rico, Carlos Romero Barcelo, a member of the pro-statehood New Progressive party. They argue that Puerto Rico's commonwealth or associated status has not been able to provide solutions to the island's pressing unemployment and poverty.

Although open supporters of independence for Puerto Rico have not done well in elections on the island, independence feelings are deep rooted among many islanders—evidenced by an examination of literature, newspapers and discussions. Fear that independence would result in economic disaster, however, has generally been sufficient to convince people ravaged by poverty to identify with other political solutions that seem to promise more immediate economic relief.

The study, "Treating Puerto Rico as a State Under Federal Tax and Expenditure Programs: A Preliminary Economic Analysis" was written by Donald W. Kiefer, of the Congressional Research Service for Sen. J. Bennett Johnston Jr. (D-La.), a member of the Ad Hoc Advisory Group on Puerto Rico. The report considers the impact on federal taxes and spending of statehood for Puerto Rico. It is by no means exhaustive; it does not consider, for example, the critically important question of the impact of statehood on private firms brought to the island under special programs to encourage industrial development that reduce or eliminate tax obligations.

Despite such deficiencies, which make the report less than a full examination of the impact of statehood, the report has already become an important document in the discussion of Puerto Rico's future.

Gov. Romero says that the report proves that statehood will do just what he has always said it would do: benefit the poor most. And the report does tend to support that conclusion.

Statehood would make low income Puerto Ricans eligible for a higher level of transfer payments—welfare—than they now receive. Although Puerto Ricans are already eligible for the food stamp program—an estimated two-thirds of all families are dependent on stamps, which added \$800 million to the Puerto Rican economy—statehood would make residents eligible for all federal assistance programs.

State revenues would also increase in a "new Puerto Rican state" because of the increased transfer payments from the federal government. In 1977 the federal government financed an amount equivalent to more than one-quarter of Puerto Rico's total output, and about half the Commonwealth government's budget. The greater part of this went to social consumption, financing programs that were necessary to keep the lid on a potentially explosive social system. As a state the Puerto Rican government would be eligible for even more money from the federal government.

Middle and upper income persons, under statehood, however, would pay more taxes than they currently do. In ad-

dition, Puerto Rico's historically important rum tax revenues—all excise taxes collected on Puerto Rican rum are now returned to the Commonwealth treasury—would be lost.

Taking into account both the increased revenues to the government and the increased taxes by Puerto Ricans, the Kiefer report suggests that there would have been a net loss in total revenues to the island if Puerto Rico had been treated as a state in 1975.

The distribution of those revenues, however, would have been different, with the poor getting significantly higher welfare payments. The island's government bureaucracy would also have more funds to disburse and administer.

Those in favor of continuing the present Commonwealth status, perhaps with some modifications—Sen. Johnston is in this group—haven't found much in this report to support their position. Commonwealth supporters are in the uncomfortable position of favoring a status quo that favors middle and upper income earners over the mass of poor Puerto Ricans—about 60 percent of the island's population has an income below the poverty line.

Commonwealth advocates, therefore, have attacked the inadequacies of the report, labeling it a pro-statehood document that neglects important factors like the effect of statehood and full fiscal integration with the U.S. on whether firms decide to locate or stay in Puerto Rico.

There is some evidence that statehood could spell economic disaster to the organization of Puerto Rico's economy.

Firms are no longer locating in Puerto Rico because of the cheap labor that for so long waved as a lure to investors. The wage gap between the island and the mainland has been closing rapidly in recent years. For cheap labor, firms now turn to the Dominican Republic, Hong Kong, Taiwan or some other "free labor" nation.

Puerto Rico's attraction is now primarily financial: firms can operate virtually tax free for periods of ten to 30 years with the possibility of extensions. Because of the rising cost of labor firms locating on the island use increasingly little labor and much capital—pharmaceuticals, petrochemicals, and so forth. They are there primarily for the tax savings.

Statehood would change all this. Federal taxes on firms in Puerto Rico would rise from zero to approximately \$491 million with statehood. Given increased costs for transportation and other expenses that result from island operations, many present firms are likely to close up shop and move to a more convenient and cheaper mainland location, or else look for some Third World nation whose leaders would like to institute industrialization Puerto Rican style.

It is difficult to make the argument that a significant number of these firms would choose to remain in Puerto Rico. During past periods of low business activity American firms have demonstrated the rapidity with which operations can be liquidated. More than likely, being interested in the highest possible profits, the firms would leave.

If that were to occur, the impact would be devastating. Puerto Rico today is in the position of a poor southern state—in fact, the poorest. Per capita income in 1977 was \$1,989, about half that of Mississippi, the poorest state in the union. If a significant number of firms left the is-

Freddie Toledo/Claridad

land when their tax savings were suspended, conditions would deteriorate even further. And with such a change, federal costs would rise dramatically as the level of welfare payments necessary to support increased levels of unemploy-

ment—which already runs an official 20 percent and an unofficial 40 percent—rose. ■

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Puerto Ricans returning to island

By Ronnie Lovler
Pacific News Service

SAN JUAN, PUERTO RICO—In 1960 Augustin Gonzalez, a Puerto Rican social worker, opened up a social services agency in New York City to help Puerto Ricans adjust to life in the U.S. In January 1978 Gonzalez opened a local branch of that same agency, the Puerto Rican Family Institute, to help Puerto Ricans returning from the U.S. readjust to life in Puerto Rico.

The establishment of the institute here is a sign of the times. Whereas in the 1950s and 1960s it was New York, Hartford, Boston and Chicago for the Puerto Rican migrant, his counterpart these days is boarding the plane for island destinations—San Juan, Ponce and Mayaguez.

Between 1960 and 1970 more than 600,000 Puerto Ricans migrated to the U.S., mostly in search of the jobs that were non-existent on the island. Although there are still few jobs in Puerto Rico today—unemployment is close to 40 percent—the exodus is changing directions.

Since 1972 almost 200,000 more Puerto Ricans have returned to the island than have left it, totally reversing the pattern established during the last 20 years.

Why are they returning? The reasons are complex, but in the end it all boils down to two separate motives: family and food stamps.

For most Puerto Ricans, whether they have lived one, five, ten or 30 years in the U.S., their hearts have always remained in Puerto Rico.

"I feel as if I'm in my own house here," says Mike Miranda, who lived in New York for more than 20 years. "I like the U.S., but it never felt like home."

It's the same feeling echoed by Mike's wife, Conchita Ortiz, and his inlaws, all of whom lived in the U.S. for more than two decades. "I took my family there in the '40s, because I wanted to give them a better life," says Ernesto Ortiz. "But we always planned on coming back because Puerto Rico is our homeland."

And come back they did. Except for one brother and one daughter, all of the Ortiz clan, with close to 30 members, are back in Puerto Rico.

But not before they made certain they had a good nest-egg built up. Josefina

Ortiz and her husband, Rafael Robles, had enough money saved to open a small store. Miranda had compensation from the Army for a service-related ailment. Ortiz himself had the Social Security benefits and the pension plan due him after 20 years with the Merchant Marine.

The Ortiz family's situation is typical of that of the first wave of returnees—those who came back to Puerto Rico before federal government aid became such a pervasive part of island life. Although they might have dreamed of returning for years, few took up permanent residence in Puerto Rico again unless they had adequate savings, pensions, or some other form of guaranteed income coming their way.

Leroy Lopez, a local economist believes the extension of the federal food stamp program to the island in 1974 accelerated the return of many Puerto Ricans. "They can now receive many of the same benefits here—once available to them only in the U.S.," Lopez says. Nearly 70 percent of the 3.2 million island population is now receiving food stamps.

The return of this latter group of migrants with fewer economic resources is in large part responsible for Gonzalez' decision to open a branch of the Family Institute here.

"We are finding that many of our clients are returning to Puerto Rico, and they are facing the same obstacles in adjusting as they once did in the U.S.," he says.

Gonzalez points out that the new migrants are not always welcomed with open arms by their brethren on the island, since the different ways of living they have been exposed to in the U.S. have also affected their lifestyle and points of view.

"They are finding discrimination, especially the young, who have grown up speaking English and whose Spanish is not quite that good," Gonzalez explains.

Despite the problems, Gonzalez says the returnees are determined to stick things out. "No matter what they have to confront, they feel they have a right to return home. New York was never home for them." ■

Ronnie Lovler is a Puerto Rico-based journalist, and former staff reporter for the San Juan Star.



Police harass striking electrical workers on the picket line in Rio Piedras, Puerto Rico. The union thinks the government is out to break its political power.

the workers to walk off their jobs.

Lausell has already been accused by Antonio Quinones Calderon, press aide to Governor Carlos Romero Barcelo, of illegally transporting arms and ammunition. The contraband was allegedly found in Lausell's car after the union leader was involved in an auto accident that left him with a broken leg and cuts and bruises over most of his body.

Lausell has denied the accusation. Back on the picket line three days after his accident, he said that Quinones Calderon's remarks were an attempt to frame him "since he knows the punishment for such an offense is 25 years in prison."

Police officials who filed the original accident report made no mention of finding arms or ammunition in Lausell's car at the time. They have given a note to that effect to the union's lawyers.

This is the first time in memory that specific accusations of criminal violations against a Puerto Rico resident have been made by the governor's office instead of the police, who normally handle such affairs. No charges have been filed against Lausell.

Meanwhile, the government has sought an injunction against the strikers. The UTIER leadership has indicated that it will refuse to obey such an order should it be issued.

Gov. Romero Barcelo has also had the Puerto Rico National Guard on stand-by since the strike began. Although Romero has denied that he has immediate plans to mobilize the Guard, he said that such a move "obviously cannot be discarded." Romero's predecessor, Rafael Hernandez Colon called out the guard during a 1973 strike by UTIER.

Persons close to the governor have commented that the only reason he has refrained from calling the Guard is fear of the negative effects such a move would have on tourism during peak season.

Members of Romero's administration have also hinted that the strike may cause

the governor to back down on a campaign promise to permit the unionization of all public employees. Vice Speaker of the Puerto Rican House, Jose Granados Navadeo, a member of Romero's New Progressive party, said that the strike could cause some lawmakers "who favored unionization of public employees" to reconsider their positions.

Despite support from other labor unions, including the transportation, telephone and waterworks unions, as well as the Teamsters and teachers, UTIER is vulnerable. Government efforts to stir public opinion against the strikers have been relatively successful, especially because of numerous blackouts and power outages, which left many towns temporarily without electric power during the Christmas season, traditionally a time of festivities that last until mid-January.

Both sides have accused the other of sabotage, with the union hinting that WRA executives themselves were the "intellectual authors" behind vandalism of the power systems in a try for public sympathy.

UTIER's fragile position in the public eye was not helped when the body of UTIER member Samuel Rodriguez Estrella was found under a metal transmission power post that somebody had been able to topple.

At issue in the UTIER strike are union demands for a monthly wage increase of \$226 a month. The last offer made by the WRA management was \$30 monthly.

WRA claims it cannot meet the UTIER demand because it lost \$48 million in fiscal 1977. But a study of the WRA books for the union by two London School of Economics graduates showed a WRA profit of \$102 million during that year.

Although UTIER members are the highest paid government employees in Puerto Rico, with average salaries of \$7,000 a year, their wages are still only slightly more than half that of their counterparts in the U.S. ■

Union at stake in electrical strike

by Ronnie Lovler

SAN JUAN, PUERTO RICO—A strike by 6,200 members of the Electrical and Irrigation Workers union (UTIER) here is becoming a confrontation with the government that could determine the future of this island's labor movement for years to come.

The electrical workers walked off their jobs at the year's end after a months-long deadlock over wages with the management of the government-owned Water Resources Authority (WRA), the sole source of electric power in Puerto Rico.

UTIER, an independent union, has long been regarded as one of the strongest and most militant labor unions on the island. It is headed by Puerto Rican Socialist party (PSP) central committee member Luis Lausell.

Because of Lausell's political affiliation, which was known to UTIER members when they overwhelmingly elected him union president last year, and UTIER's reputation for militancy, observers think the government is more interested in trying to break the union than in resolving the particular conflicts that caused