

A Reply to The Economist

An overview of the other side of Puerto Rico's story

Abstract

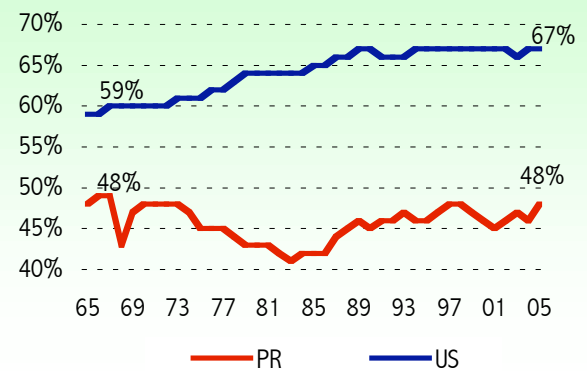
Rarely had the prestigious British publication, The Economist, taken time to look into Puerto Rico's economy. This time, it focused on several aspects of which Puerto Ricans are certainly not very proud. Lower levels of employment than in the states and high levels of public aid and welfare enrollment are undeniable. However, once the poorhouse of the Caribbean, Puerto Rico became the shining star of this area. Fifty years ago, the island underwent a quiet revolution and has become a world-class center for pharmaceutical production. Yet, this side of the story was not told. Find out other facts The Economist failed to fairly expose regarding Puerto Rico.

Telling the whole story

The Economist portrayed Puerto Rico as a welfare island. It is no secret that Puerto Rico has a good share of folks who can't find or perhaps won't look for a job. Our labor participation rate has remained below 50% during the past 40 years but this does not mean that those who participate in the labor market are not hard working professionals and skilled workers who are proud of what they do.

As US citizens, needy Puerto Ricans are entitled to receive welfare payments and some people are discouraged from working. A person can

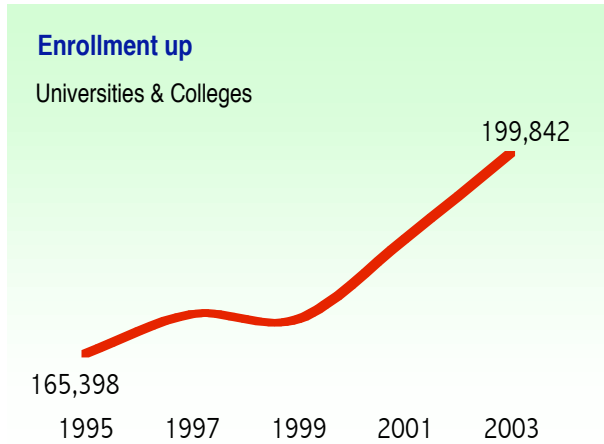
Comparative labor force participation rates
US and Puerto Rico



receive an average \$1,315 a month from welfare, which is more than the average \$1,236 a month he or she could earn working 30 hours a week.

The Economist mentioned that the average length of schooling in Puerto Rico rose from 3.7 years in 1950 to 11 years in 2000. Yet, The Economist indicated that many Puerto Ricans have acquired few useful habits and skills over these past three decades.

It also failed to mention the more than 23,000 college degrees conferred every year to those Puerto Rican youngsters who strive to make a better living. There is no mention of the over 9,000 science and engineering degrees awarded each year and many other degrees on subjects like business, information technology, law, medicine, and accounting, among others.

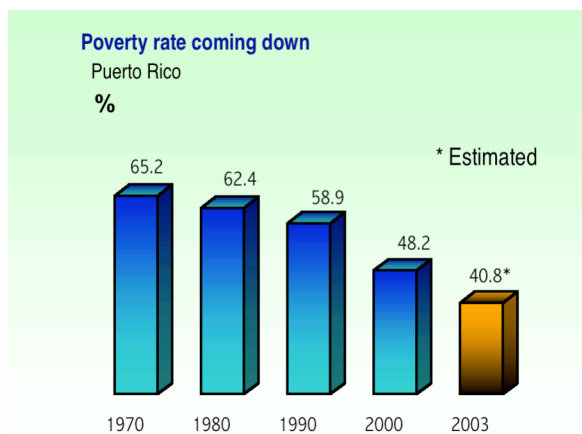


In 1995, there were 165,398 students enrolled in 19 universities with 35 campuses plus 26 technical colleges around the island. By 2003, this number jumped to 199,842 students.

The Economist forgot to mention that many of these graduates are young people who are not “in trouble” and who consider education their key to future success. The anonymous reporter also failed to mention that many of our engineering graduates are recruited from abroad.

Poverty is also down...

Despite the fuzzy picture presented by The Economist, there have been significant accomplishments. In 1970, the poverty rate in Puerto Rico was 65% of the population. This rate dropped to 48% by 2000. Moreover, recent



poverty estimates published by the Department of Labor in 2003 indicate a poverty rate as low as 40%. Are we satisfied? The answer is No and the island strives to lower this rate.

Not a fair comparison

Puerto Rico’s economy has experienced constant transformation since the 1950s. This process has not yet ended. In all fairness, Puerto Rico aims to narrow the income gap with other states in the US mainland, including Mississippi, but the starting point is not the same. Puerto Ricans have governed themselves for a little over 50 years. All other states got self-government much earlier.

It is important to remember that between 1898 and 1944 Puerto Rico was run by the US military. Most of the economic development and growth that led to the current situation took place right after Puerto Rican leaders became governors, an event that occurred only 62 years ago.

Overlooking the whole picture

The article focuses only on low-income families and individuals in Puerto Rico. But, how about focusing on Puerto Ricans who go to school and go to work every morning. The Economist implies that Puerto Rican men are lazy and who are either “getting into trouble” or hanging out in beaches, shopping malls, and Borders’ bookstores.

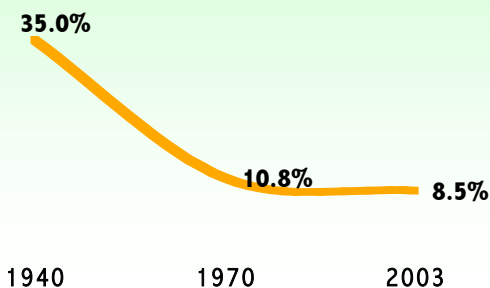
Puerto Rico’s downtowns are described as crowded with shabby offices and shops full of low-income and idle hands. Concluding that most of the island is that way is false. Commercial activities in downtowns have almost disappeared with the advent of sophisticated shopping malls outside the town centers. The Economist failed to mention that Puerto Rican tastes and needs have changed and so has the urban landscape. Throughout the island you will find single and multiple housing

units ranging from \$90,000 to more than \$1 million.

Border’s visitors are mostly educated. Describing those who sit there to read as idle and lazy is plain nonsense and even not professional.

Illiteracy rates coming down

% of population 10 years old and above



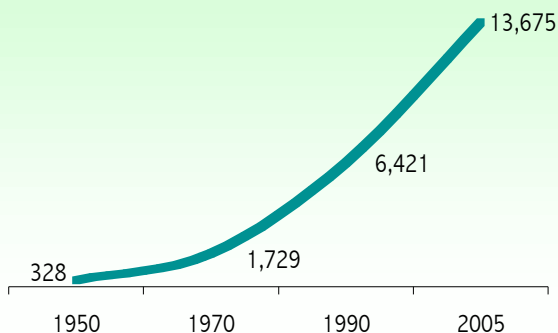
The Economist overlooked the fact that illiteracy rates in the island have dropped from 35% in the 1940’s to 8.5% in 2003.

GNP is also on the rise

The Economist also “forgot” to mention the rising GNP per capita enjoyed by the island in the last 50 years. In 1950, per capita GNP was \$325 a year. By 2005, it reached \$13,675 per person, a tremendous improvement for a small island with barely natural resources.

GNP per capita getting stronger

\$

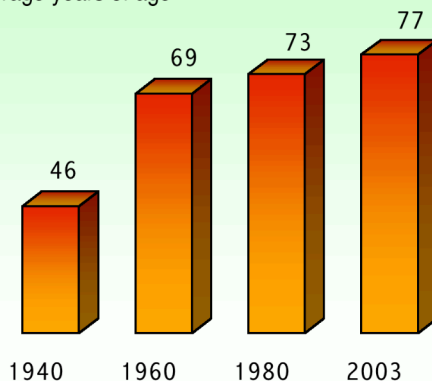


Similar positive accomplishments have also taken place in other areas. For instance, life expectancy for residents in Puerto Rico during the 1940s was only 46 years of age. Many diseases and lack of access to good healthcare were all too common.

Then, a turnaround took place. In 63 years, life expectancy jumped to an average 77 years of age. Once again, The Economist failed to mention this as evidence of improvements in our quality of life.

Life expectancy keeps rising

Average years of age



Strong pharma cluster

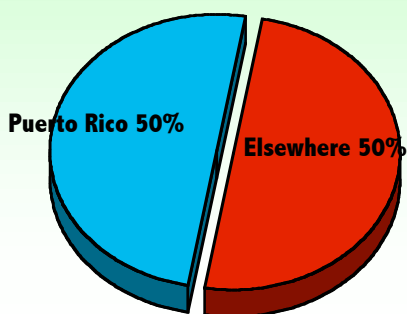
Perhaps, US tax section 931 and later amended to section 936 by the US Congress in 1976 did not deliver as many jobs as originally expected. The Economist describes this section of the US tax code as being too advanced for Puerto Rico’s stage of development at the time. Because of this tax advantage, many US pharmaceutical companies built factories that used lots of capital and employed few workers.

However, economic incentives to US multinationals triggered a good level of economic activity, enough to make Puerto Rico one of the most important pharmaceutical clusters in the world. Try to imagine Puerto Rico without the 30,000 direct jobs that the pharmaceutical industry generates alone. Add up the 96,000 additional jobs generated by

related businesses that provide ample goods and services in areas such as manufacturing components, food services, engineering consulting, medical, legal and banking services, insurance, transportation, communications, tourism and others.

Manufacturing of Pacemakers & Defibrillators

Total Sold in the United States

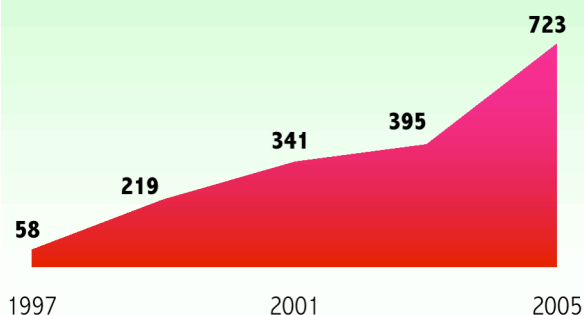


It is not well known that half of the defibrillators and heart pacemakers sold in the United States are manufactured in Puerto Rico.

Moreover, Puerto Rico exported over \$2 billion in scientific and medical devices in 2003, placing it 8th in the world in total exports. Sixteen (16) out of the top twenty (20) selling pharmaceutical drugs in the US are manufactured in Puerto Rico. Since 1997, pharmaceutical companies have invested \$1.7 billion in Puerto Rico.

Pharma construction at an all time high

\$ million



Such investments indicate that worldwide investors acknowledge the talent and productivity of Puerto Ricans dealing with highly complex manufacturing processes.

The manufacturing boom in the 1950s marked a turning point in the economic history of Puerto Rico. This was followed by a blossoming banking and financial sector of which Puerto Ricans are proud. Locally owned banks account for more than 70% of total assets of commercial banks, and this share has grown over time.

The challenge ahead

Yes, one could probably say that Puerto Rico has a good portion of idle hands. But, why did The Economist forget to mention and failed to give kudos to the professional and skilled early-risers from all walks of life that go to work every day and comprise close to 50% of all working-age adults?

The fact that public aid has risen to new levels is a fact. The Economist says that many things have gone wrong with the island. It adds that the US government assumed too big a role in the Puerto Rican economy and that some Puerto Rican households would barely survive without federal assistance. But, this is not unique to the Puerto Rican society. Similar problems have taken place for decades in several states, mostly with minorities like blacks and Hispanics.

There is still much to do in the island by both the government and the private sector. That is undeniable. However, the workers and professionals in this island deserve a balanced and professional picture from The Economist. Telling all sides of the story is of utmost importance for those who advocate professionalism in journalism. We acknowledge our defects but it is just as important to provide readers with the untold story of Puerto Rico's successes. Will The Economist accept the challenge?