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[July 1975]

Jim: You have the first nine pages.
See you Tuesday.

Allbest,

Jan

12 15 75 US



SEARCH FOR A SOLUTION

Gov. Hernandez Colon is fighting back. No superman he, moving
~~sure-footedly~~ ^{Sanchez} sure-footedly. Ex-Gov. Roberto ~~Sanchez~~ Vilella and other sound
 people criticize him ^{as} "inexperienced...lacking precision...particularly
 weak in economics.. .doesn't reach the people...a very weak cabinet," etc.

Yet I have the distinct impression that ^a Rafael Hernandez Colon senses the
 right directions, that he is moving ⁱⁿ those directions and that he
 has guts. Not enough perhaps to risk the next election--but then what
 governor has ever had?--but more than Commonwealth Luis Munoz Marin
 or Statehood ^{both of whom} Luis Ferre ~~gave~~ gave in consistently to the unions.

(Munoz largely from principle and Ferre largely from politics
 and the affliction of a sweet and too-soft heart.) ~~;~~ Aided by
 the realistic atmosphere of a ~~recession~~ recession, Hernandez has
 begun ~~to~~ ^{to} hold the line; 1) Striking unions no longer get the kid
 glove treatment; instead of wage bribes ~~Hernandez twice called out~~
 the National Guard--in ~~the~~ ^{the} 1973 strike of the government electric
 power work^{ers} and the firemen, again in 1974 in the Aqueduct Authority
 strike. (In all Puerto Rico's history under the US flag, the Guard had

Earlier this month (June) Salvador Rodriguez Aponte, chief of the government-owned phone company, told me: "This is the seventh week of the strike here and I haven't been called to La Fortaleza and told to settle it. Previous administrations wouldn't hold out for even 1 week." been called out only twice before--after the 1928 hurricane and

during the Nationalist uprising of 1950.) 2) ~~_____~~ RHC again

did the unprecedented: he refused to go through with a pre-recession

agreement to ~~_____~~ raise the wages of police ^{and} teachers, ~~_____~~

~~_____~~ sent a bill to the Legislature revoking the ^{incremental} ~~_____~~

raises and pushed ~~_____~~ it through. 3) He is bailing out failure

less, letting it happen more. With overpriced, overstaffed luxury

hotels in trouble, the Governor has started to keep ~~_____~~ hands off

and letting them close doors, e.g. the 320-room Helio Isla which

(by union fiat). had more than 400 employees ~~_____~~

former The ~~_____~~ policy was to take over the totterers and bankrupts

and keep them running, e.g. the ~~_____~~ Racquet Club, the Condado Beach.

Forthrightly, he 4) ~~_____~~ rebalanced Puerto Rico's budget--a constitutional requirement--

by firing as many civil servants as necessary.

Going rightwing? Nooooo. Under Hernandez, the government has bought two

utilities that are basic to the island's economy--the phone company and

its shipping lines. Romero Barcelo calls it "Socialism". However ~~_____~~

~~_____~~ the phone service had ⁵ ~~_____~~ been a scandal and when

the ITT ~~_____~~ parent demanded a 58% tariff boost to improve service



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over 5 years--its umpteenth promise to upgrade--the Governor bought out the company, hiked rates half as much as ITT asked and switched over to run the new ~~acquisition~~ ^{acquisition} his chief aide, abrasive, efficient Salvador Rodriguez Aponte. Hit by a strike and concomitant sabotage attributed to the flabby union which is close to the Communist PSP, Rodriguez has nevertheless ~~improved~~ ^{red} service and confidently says he will improve service twice as much in the next five years as ITT would ~~have~~ have done with its 58% rate hike.

The Governor also bought the three shipping lines that lifeline the island to ~~mainland~~ mainland USA. The companies, handling 90% of the island's total shipping, had ~~hiked~~ ^{recently} rates 50% says ~~the~~ ^{The} Governor, ~~threatening~~ ^{threatening} to price Puerto Rico out of the market--no minor threat to an island whose economy depends on dealing with the US-- No. 1 ¹ ~~supplier~~ supplier of its raw material ~~and~~ ^{its} No. 1 market as well.

Another 12.8% hike was threatened for Jan. 11, 1975. The president of the Puerto Rico Manufacturers Association applauds the maritime purchase but Hernandez told me that "If we had had ~~the~~ the situation we have now, we would not have done it," that is, bought the phone and shipping facilities. The reason is that the bond market's appetite for Puerto Rican bonds--

2413
The
formerly ~~was~~ healthy and substantial, has dulled. ~~the~~ bonds

still rate A-1 ~~is~~ says the Banco Economía's Vice Presidentx Martinez

Echavarria, "but the capacity of the market to absorb Puerto Rican

bonds has been reached; the Puerto Rico phone company bonds are

pre-empting some of that capacity." Between 1970 and 1974, ^{Puerto Rico} Government

bond issues more ~~than~~ than tripled as the government turned to

public

~~spending~~ spending to offset the downturn in the private sector. "We now

account for 2.6% of all municipal bond issues v. 1.7% in 1972," says

Juan Albors, Secretary of State and the Governor's tutor in economics.

~~_____~~ "I believe Puerto

Ris ~~to~~ can place \$700 million in long term debt per year. Last year we

placed \$610 million; this year we have placed \$650 million." But there

is a general feeling in government and financial circles that the island

has been going to the well too often. What then?

Casting about, the Governor still tries ~~to~~ turn ^{ing} some of the well-

work knobs. He has floated the scheme, earlier cited, for government

subvention of 25% of the payroll for ~~_____~~ selected new factories during

their first two years. He is involved in the current dialogue on

Commonwealth status (of which more later). He is trying to hold the line

on soaring food prices. Food takes a larger bite, proportionately, out of the average Puerto Rican's ~~income~~ income than it does in the States, for ~~the~~ island per capita incomes are, of course, smaller.

Additionally ~~the~~ food items just plain ~~cost~~ cost more in Puerto Rico. As inflation added its impact, the Governor in 1973 set up a cabinet level Dept. of Consumer Affairs, set it to holding the price line on staples, and showed some remarkable results. A sampling of the period August 12-Sept. 9, 1974, by a consulting firm showed that prices of 31 controlled items (canned tuna, lard, pork

chops, oleo, etc.) averaged one percent lower in Puerto Rico than in six stateside cities, whereas prices of ^muncontrolled items (lettuce, tomatoes, Sara Lee pound cake, apples, sliced ~~luncheon~~ luncheon meat, sliced bacon) averaged 10% higher. Government marketing



centers are also guaranteeing minimum prices to farmers producing ~~food~~ foodstuffs. A giant government warehouse nicknamed El Almacen has, (in addition,)

~~been~~ ^{to} been set up, buy ~~products~~ products in bulk which it wholesales to small retailers and mom and pop stores ~~in~~ in order to make them competitive. Business men are sore as ~~hell~~ hell.

NEW STRATEGY

Far more important, ~~the~~ however, than new, occasionally ingenious variations on old Puerto Rican themes is the hard fact that

La Fortakeza is moving in a striking new direction. In a three hour talk in his library the Governor said: "We must make fuller demands on Puerto Rico's capacity. We have to develop a quality of civilization here that is indigenous." Secretary of State Juan Albors, no. 2 man in the government, recalled: "We realized that the development strategy of Puerto Rico has to be rethought. About a year ago the Governor moved hard on the matter." Hernandez sent for onetime Yale's James Tobin, [redacted] member of JFK's Council of Economic Advisors, to head a committee to look into Puerto Rico's finances, and sent other cries to Brookings, the NY Fed, etc., for help in studying [redacted] Puerto Rico's plight. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]



The complete^d papers are scheduled to come in during July and August, with an overall report on economic development strategy [redacted] due the end of October 1975. A look at some of the areas being studied

gives an idea of ~~how~~^{how} sharp and iconoclastic are the questions that Hernandez's government ~~is~~^{is} at long last, asking::

Comparative Puerto Rico and mainland labor costs, taking into account fringe benefits and payroll taxes as well as wage rates.

Why is there so little agriculture in Puerto Rico?

Puerto Rico's food import substitution potential.

Policies to stimulate development of the fishing ~~industry~~ industry.

Whether (and what) Puerto Rico might gain from membership in the World Bank, IMF, IADB and could such membership be reconciled with Commonwealth status similar ~~to~~ to the present arrangement.

The volume of disguised ~~unemployment~~ unemployment and under-employment.

Amount of unemployment among secondary wage earners, especially younger members of non-poor families. (For such persons, alienation may be a more severe cost than actual economic hardship.)

Can social insurance schemes be financed with smaller impact on labor costs?

Has growth of mainland-owned enterprise been in addition to or at the expense of ~~island-owned~~ island-owned enterprise?

What services and/or subsidies are available to local entrepreneurs



compared to mainland competitors?

Ways and means of accelerating Puerto Rican ownership and entrepreneurship in the context of continuing to attract needed foreign capital.

How does foreign ownership endanger Puerto Rico's control over its own political, social and economic destiny, and limit its future freedom of movement?

Are Fomento's industrial promotions too limited to North America? Should they be making greater effort to reach potential investors in Europe, Japan, Brazil, etc.?

Who bears the cost of unemployment as between families, the Puerto Rican budget, the Federal Treasury and employers?

A hard-headed assessment of the economic costs and benefits of
1) independence, 2) statehood, compared to present membership in the US currency union.

Quantitative response of migration to economic conditions on the mainland? In Puerto Rico?

Characteristics and motives of migrants. Are past patterns changing?

(A note of caution: The turning inward, the realization that Puerto Rico's peculiar problems--excessive population and scant resources--are not going to be solved by a sweeping adaptation of ~~the~~^{to} the US pattern, the Governor's statement "We must make fuller demands on Puerto Rico's capacity"--all ~~these~~^{these} presages ~~an~~^{an} upsurge of nationalism on the island. This is inevitable if ~~the~~ Puerto Rico is to plot its very own course, with US help. There is, further, danger that the growth in nationalism could slop over into independentism. The ~~salutary~~ salutary process of reorienting Puerto Rico toward a more indigenous course, almost implies--if not indeed, requires, a ~~concomitant~~ concomitant rise in nativist sentiment. This is one of the dangers, to be weighed against the danger of not changing course, if ~~the~~^{in fact that} option is ~~still~~ still open.)

The new directions so far agreed upon by the government include the following:

- # Lowering ~~the~~ minimum wages. "Continual ~~wage~~^{wage rises} have a harmful effect," the Governor says. "They are based on the idea that ^{in time} Puerto Rico could be a state, economically. ~~the~~ Puerto Rico is a special case, not in the US league."

Import substitution by reviving agriculture.

Speed ~~up~~ the shift ⁱⁿ the University of Puerto Rico ^(~~15~~ ⁵ campuses, 50,000 students) from the humanities to the study of technology.

Move for increased economic ties with the nations of the Caribbean, especially with Venezuela, currently ruled by the Accion Democratica party, an old ~~ally~~ ^{and warm} ally of Munoz and his ~~Partido~~ ^{Partido} Popular.

Seek US help in opening new markets. The Governor specifically asked US help in GATT.

Tackle the problem of overpopulation, previously nattered about and gingerly approached at most. "We have now for the first time ~~openly~~

openly set up a ~~government~~ government family planning program and very dynamic work is being done by the Health Dept. The program has a budget of \$4 million, greater than ever before in our history. I hope we can begin to

see some effects in two to three years," says ^{Gov.} Hernandez.

Change the method of allocating federal funds to Puerto Rico. "If we could have block grants we could make better use of less ~~money~~ Money," says the present ~~Gov.~~ Governor as well as the old ~~Gov.~~ Gov. Luis Munoz

Marin. "Suppose we got a bloc for a stated purpose, e.g. education or social service, Puerto Rico would be obligated to show that the funds were used for these purposes and how they were used. It would not mean

additional money."

"The point, ~~is~~" says Hernandez, "is that the previous, standard U.S. way is not working in Puerto Rico. The policy of the US toward ~~Puerto Rico~~ Puerto Rico should be to take such measures as to allow us to develop ourselves. This is in the interests of both parties. It would lessen the burden on ~~the~~ Congress."

THE OBSTACLES

The many obstacles to a new course include:

A trade union movement, wide but shallow, encompassing 20% of Puerto Rican labor, ^{initially} introduced and artificially protected by a liberal, paternalistic government and, in its continuing weakness, ^{latterly} moved in upon by Communists. It has a vested interest in high wage minimums and in fringe benefits far exceeding those in the U.S., which it protects by feeble strikes ^{with} interspersed bursts of ferocious sabotage.

Low productivity and a lack of excellence. The common phrase is "Ay

deja eso" meaning ~~leave it alone~~

~~don't~~ "don't bother...leave it as it is...it's good enough...why bother."

Carlo, Castaneda, editor of El Nuevo Dia, ~~is~~ probably the best

~~daily~~ in San Juan, says "Social Friday is an ingrained institution.

Last Friday, 7 of the ~~18~~ 18 men of the mechanical side were absent. What to do? You fire them and get another batch and they

do the ~~same~~ same." "Our service is substandard," says Eugene Hudders, manager of the El Conquistador hotel in Fajardo, near San Juan. "The union makes money not according to the amount of wages as much as it does in the number of members employed.



Efficient employees are antiunion in the ~~sense~~ sense that they cut down union strength. Right now, El Conquistador has 302 employees for ~~80~~ 80 guests." Says Salvador Rodriguez Aponte, chief of the government-owned phone company: "Everything was given in return for nothing. If we don't increase productivity this island will go to hell."

Nearly 4 out of every ten
A vast, inert reservoir of discouraged labor.

(38% to be exact),
Puerto Rican men and women, 16 to 64, are ocioso voluntario.

discouraged workers in the US phrase, ~~workers~~ workers who have given up looking ~~at~~ ~~the~~ ~~problem~~

growing welfare class, vested in food stamps and nurtured by an extended family system that is otherwise quite admirable. One sees the possibility of a ~~mass~~ ^{mass} of permanently ⁿunemployed, a lumpen proletariat, explosive, demagogue-prone, a threat to stability. "For people to be satisfied

they have to be doing something productive. We are very much concerned about the ~~growth~~ ^{growth} of a welfare class," says Vice-Governor Albors ^{a member} of

the PDP (Popular Democrati^c Party). "We must ~~motivate~~ motivate people to work, to give them some dignity, a job," says ~~the~~ ~~government~~ would-be Governor Carlos Romero Barcelo of the NPP (New Progressive Party). The concern ~~is~~ ^{is bipartisan and} ~~is~~ strikes deep.

The Revolution of Expectations. "We have been led to live on US standards in an economy that cannot have such standards" says London School of Economics graduate Carlos Garcia, a lawyer for the phone company. But how can you ^a tell people that they will have to settle for a lower standard of living? ~~the~~ ~~government~~ ~~is~~ ~~not~~ ~~going~~ ~~to~~ ~~do~~ ~~that~~ ~~because~~ ~~they~~ ~~are~~ ~~not~~ ~~used~~ ~~to~~ ~~it~~ ~~and~~ ~~they~~ ~~are~~ ~~not~~ ~~going~~ ~~to~~ ~~see~~ ~~that~~ ~~soon~~ ~~any~~ ~~more~~?"

The PSP (Partido Socialista Popular), an independentista Communist party with influence far beyond its numbers, variously estimated at 2,000 to 6,000, of whom 200 to 300 are activists. With a support base in nearby Havana to which leaders and apprentices commute regularly, with strength among the students and surprising strength in the legal profession and an amazing foothold in the trade unions, especially strategically-placed ones, this ~~is~~ ~~the~~ ~~most~~ ~~important~~ political party, which refuses to test itself in elections, ~~is~~ is a nettlesome problem.

Up to 10 years ago, the communist PSP headed by lawyer Juan Mari Bras was following a familiar pattern--concentrating on the youth and on the university students through the activist FUPI

(Federation of University Students For Independence)--but with no meaningful success ~~but~~ though it brought off some ^{rough} riots. ~~It~~ In ~~1967~~ it tried to get a foothold in government

labor which is extensive, ~~including~~ e.g. electric power, busses, but ~~it~~ did not get far. In '68-'69 the PSP began wooing the trade unions, ~~and~~ by 1971-72 ~~it~~ it began

getting results and this past year ~~it~~ the payoff has ^s begun. Of 17 strikes ^{so far in 1975,} ~~9~~ ~~showed~~ showed strong PSP influences.

~~_____~~
~~_____~~ The

first day of the San Juan Star strike, ~~he~~ says Salvador Rodriguez Aponte, ~~the~~ ^{phone} ~~_____~~ company chief, ^{who is} ~~_____~~ currently toughing out ^{his own} ~~_____~~ strike

with great gusto,--around 6 or 7 PM a PSP member showed up, introduced himself politely, said he was in charge of this sector and offered ~~_____~~ the party's

assistance. ~~It~~ It is substantial--~~including~~ picketing, strategy, public relations, ideology, demonstrations, riots, mass meetings, legal counsel, all the way, says Police Supt. Astol Calero, to ~~sabotage~~ sabotage and bombings.

No more than 3 or 4% of the trade unionists are PSP members or active sympathizers but they are strategically entrenched as union vice presidents, secretary-treasurers, legal counsel--the ~~operational~~ ^{operational} chiefs--

and their targets are also strategic--government phones, government electricity, government housing bank, ^{boilermakers,} ~~cement,~~ teachers, government aqueducts and sewers. Rank and filers are generally not with the

PSP, but even when they disagree they do what the union says. For one thing they are afraid of the strong arm. For another when PSP help comes, while not necessarily for it, they ~~accept it because~~

~~it helps. And the striking workers need the help; with profits down, industry resists demands and~~

the ill-organized Puerto Rican trade unions give no strike benefits.

The Puerto Rican worker's acceptance of the PSP is not philosophical

but pragmatic. He tends to be apathetic and here is where the Communists

come in. If the Puerto Rican trade union movement had grown ^{more} indigenously it might better be able to fight its own battles and kick

~~out the communists.~~ The island trade union movement is beginning to grow in that direction. The new crop of unions is independent of stateside affiliations.

~~is~~ PSP lawyers are hard-working and well-entrenched in Legal Aid, ~~and~~

(which is partially funded by the government) ~~_____~~ PSP

bombs, says Police Supt. Calero, are excellent. They have written an explosives manual "better than the manual used by the US army." Their favorite explosive is iremite, "more powerful than dynamite," of which they stole 5,000 lbs. from a factory at Mantee three years ago.

They use cheap watches ~~_____~~--Timex and 2 or 3 Hongkong makes-- but "no professionals make bombs as perfect" ~~_____~~ ^{claims} Calero. They use them well--no killings but lots of damage and public impact.



(The only bombs that have killed in Puerto Rico were set by rightwing Cubans at a PSP meeting.) The bombers are hard to get; ~~_____~~ ^{PSP} cells are small and when caught the typical bomber "knows everything about his constitutional rights" laments Calero, while courts are lenient and very ~~_____~~ civil liberties conscious.

Ties with Castro's Cuba are close and go back a long time, at least to 1959. That year I asked Fidel how come and why such strong affirmations for ~~_____~~ ^{Puerto Rico's} independentistas. Rather lamely he said, it was because they had helped him. ~~_____~~ ^{Masi} Bras is a regular visitor; his party has had an "embassy" in Havana for more than a year. Supt. ~~_____~~ Calero says he ~~_____~~ "no doubt Fidel is training PSP people as urban guerillas. The way they ~~_____~~

~~_____~~

operate is that of people who receive training." (But [redacted] then Calero

seems a little hyperbolic, doesn't ^{he.)} [redacted] Former (1964-68) Gov.

Roberto Sanchez Vilella says the last reports he ^{had} [redacted] of Cuban training

^{was} [redacted] in '65-'66, of small groups. Gov. Hernandez

had no evidence of current training which does not mean, of course, that

it is not happening. The voyages to Cuba go on constantly says

Calero; "every 3-4 months between 60 and 75 persons travel as tourists to

Havana. Almost all are PSP Independistas. They do not use pasports."

[redacted] ^{Other} [redacted] Calero. [redacted] evidence confirms [redacted]

A few months ago, Ricardo Alarcon, Castro ambassador to the UN, told a

Havana audience that ~~improvement~~ ⁱⁿ improvement ~~relations~~ relations with the

US would absolutely not interfere with Cuban support of the Communist

independentista, ^S [redacted]

In profile, the average PSP member is usually a young person with 2-3 years of university, smart, dedicated, very anti-American, believing the only way to achieve social justice is through communism.

Statehooder Romero Barcelo says they "have hidden problems. Many come from broken homes. They have a lot of hostility." [redacted]

Eugene Hudders, a former deputy police superintendent, ^{is} well-informed, [redacted]

█ thinks differently: "Surprisingly enough they are not loners and not single. Most are married and have families. They are quite aggressive and if this is not natural they develop it." █

Socio-economically, the PSP'er is usually low middle or ^{middle} middle class with the usual dollop of upper class radicals: a couple of Jaime Benitez's children, a member of the powerful Carrion family of the Banco Popular, Puerto Rico's leading bank, ^{etc.} Many are lawyers.

The Governor thinks the PSP is no longer gaining, Calero agrees and Labor Undersecretary Vilchēs says "the trend is turning" in the unions. There is a strong independentista unconscious among the Puerto Rican people. Many if not most of their present day leaders were independentistas at one time, Munoz included, and "Everybody sings La Borinquena (the national hymn) after 3 Cuba Libres at 9'clock in the morning" chuckled a lawyer, but that kind of independentismo is far from Mari Bras, his bombings and his communist party line. Mari Bras' tactics and philosophy have, in fact, split the independentist movement and the larger wing, though less talked of, is the PIP (Puerto Rican Independence Party) led by Ruben Berrios, an eloquent lawyer and █ Senator. The PIP espous^s democratic socialism.



^{meri}
 However, Bras chooses his targets well. The bombings in Puerto Rico
 and even more those in New York, particularly the bloody one at Fraunce's
 Tavern, a favorite eating places of Wall Street bankers,
 has had a bad effect on the bond market and has scared off investors,
 and contributed significantly ~~to the current decline in industrial~~
 promotions. And Bras presages more trouble come September. ~~He~~ He will
 appear first in ~~Havana~~ Havana for a three day world congress devoted entirely to agitating
 for Puerto Rican freedom. Following that he goes to New York ~~to~~
 to the Committee of 24 at the UN for yet another round of ~~deliberation~~
 baiting the Puerto Rican and US governments. ~~deliberation~~
~~Meri~~ Meri Bras and his PSP are not strong elements in the situation, but
~~deliberation~~
~~deliberation~~ as Puerto Rico thrashes about, ^{they} ~~deliberation~~
 add their mite and wait for the onset of ~~deliberation~~ calamity and/
 or despair that they feel will be their chance.

THE ADHOC GROUP

The Adhoc Advisory Group ^{on status} ~~deliberation~~ is the present
~~deliberation~~ forum for accomodating the realities of Puerto
 Rico and the U.S. Complicat_cd by Munoz's presence and the current
 Governor's legs than total involvement, it is an unwieldy, inaccurate

mechanism, but still it indicates some of the possible directions and should be examined. Besides, it's the only game in town right now.

~~On July~~ On July 10-12, 1975 the Adhoc Group ~~will~~ will open its third series ~~of~~ of public hearings at the EOE (previous hearings were held in February and April, ~~1974~~ 1974) on ~~changes~~ changes in the federal relations act proposed by the Puerto Rican members. A look at some of the proposals:

1. That Puerto Rico be empowered to lay tariffs on imports from foreign countries, either direct or ~~transshipped~~ transshipped via the US.

Basically, the Puerto Ricans are proposing this in order to help revive their agricultural sector, neglect of which has caused agricultural (including fishing and forestry) employment to plummet from 240,000 in 1940 to 54,000 last year and the proportion of food imported to rise to two thirds of the total, a sore drain on a poor people.

Tentatively, the Puerto Rican government has in mind ten commodities-- batatas, platanos, tomatoes, pumpkins, yams, gandules, pimientos, yautia, meat, bananas--that it would consider for tariff protection.

The idea has two merits: as a stimulant to 1) employment and 2) import

substitution. By 1979-80, the Puerto Rican government believes, ~~that~~
 a moderate tariff program would increase agricultural output by \$35
 million and provide 4,000 jobs, with the added advantage of a
 multiplier effect of 3, mainly because agriculture, more than industry,
 utilizes the natural advantages of Puerto Rico, namely the native soil
 and sun, while requiring fewer imports, mainly farm machinery and
 fertilizers.

Since a tariff ~~is~~ is basically a device
 to raise prices by effectively barring cheaper foreign goods, I

inquired whether the government had quantified the costs to the people of
 The increased prices would show up in commodities that are basic staples and would bear
 disproportionately heavily on the poor and unemployed who constitute the majority in Puerto Rico.
 Puerto Rico as well as the benefits. The Governor immediately phoned the

Agriculture Secretary. Upshot of many phone calls ~~on~~ on the island
 and to me in NYC from the Governor and the Undersecretary is that the
~~costs~~ costs to Puerto Rico of the ~~proposal~~ proposal have
 not been quantified, raising some serious questions as to its wisdom.

In the absence of compelling evidence ^m for the proposal, the Governor
 said there was no great point in going all out for the tariffs: "I don't
 really feel that for our creating 4,000 jobs that it is worth getting into
 a big fight with Congress."

2. The Puerto Rican members of the Adhoc Advisory Group propose that Puerto Rico be given control over immigration into the island.

Currently Puerto Rico has an [redacted] actual unemployment rate of ³40%. Why should anyone want to ~~immigrate~~^{imm}igrate to a land where so many people are jobless unless 1) they are willing to take lesser jobs regarded as demeaning by the Puerto Ricans, e.g. housework ~~or~~^{or} 2) offer talents in short supply in Puerto Rico. Both cases obtain. ~~The~~ Dominicans

are doing more and more of the housework, [redacted] working ~~for~~^{for} among others, Fomento

chief Ted Moscoso and phone chief Salvador Rodriguez Aponte, even as [redacted]

Puerto Rican the mass of unemployables ~~is~~ grows. Exile Cubans are doing well in ~~a~~^a variety of fields from car dealerships ~~in~~ (Horicua Motors)

to construction engineering (Manuel Ray) to restaurants (La Zaragozana).

This has led to ill feeling against them. "They don't understand Cubans ~~and~~ make contributions and improve our opportunities"

~~the~~ Moscoso says, shaking his head.

Historically, emerging nations and developing industrial ~~societies~~^{societies} the infant US included, ~~have~~^{ed} societies have initially need artificial protection, [redacted]

[redacted]

lacking all
and Puerto Rico, ~~resources~~ resources, must ~~find~~ find ~~ways~~ ways
of utilizing every advantage to help itself but some of ~~its~~ its resorts to
government intervention have ^{ultimately} been counter-productive. ~~resources~~

One is inclined to agree with ~~Salvador~~ outspoken Salvador Rodriguez
Aponte who says: "Both these provisions--immigration control and
tariff--are intended to insulate Puerto Rico from reality."

~~And the island is a land of acute~~
~~problems because it fears they~~
~~will be overruled~~

3. The Puerto Ricans' request, on the other hand, that their government
take control over minimum ^{standards} wages in Puerto Rico, while posing mountainous
political problems, appears to have substantial merit. Puerto Rico

is a special case, says the Governor, and indeed it is. The island had,
even in normal ^{years,} 4 to 6 times ~~the~~ proportion of unemployment and

poverty as in mainland ^{U.S.} The assumption that the two parties are equal--
~~they will be~~
as ~~in~~ in the matter of minimum wages by 1977--reflects some of the old

fantasy about Puerto Rico. ^{with} regard to the ^{degree} of unemployment the two
parties to the ~~San Juan~~ Commonwealth agreement are two nations,

^{one is}
not ~~the~~ The difference between them is not a difference ~~in~~ in degree but

~~is not~~

in kind. Low wages, like it or not, ~~is~~^{is} one of the classic ways of absorbing surplus labor and if at all possible lower minimum wages ought to be made available to Puerto Rico at its option, at least until its unemployment rate nears the US range.

4. The unemployment statistics also argue for the ~~high~~ locally-set standards of environmental protection requested by the Puerto Rican members of the ~~Adhoc~~^{Adhoc} Advisory Group. The ~~high~~^{high} US standards are the characteristics of a "have" nation, not of a "have not" Puerto Rico. To be sure there are different degrees of "have" among the 50 states, but these differences are, ~~not~~^{not} ~~significant~~^{significant}.

overall, in the range of differences in degree. ~~where a nation~~^{faces a}

~~choice between feeding~~^{however,} ~~birds and people,~~^{its} ~~the priorities are of~~^(feeding its) ~~another order.~~

Actually, the Puerto Rican government is highly conscious of the need for environmental ~~protection.~~^{protection.} It has been sitting on its copper reserves--the only exploitable metal it has--for eight years that I know ~~of,~~^{of,} because it fears, among other things, the ravaging of the copper area.

5. In the same spirit of Puerto Rican uniqueness, to the same degree that Puerto Rico argues that economic realities entitle it to set its own

wage and environmental protection standards, can it ask--as the Puerto Rican members of the Adhoc Advisory Group ~~do--to~~ share the prevailing US benefits in education, housing, social ~~welfare~~, hospital construction? It's nice if ~~they~~ they can get it, and maybe they are entitled to ~~try~~ try, but the logic eludes one. At the same time, the Puerto Rican Adhoc members ask for ~~precisely~~ precisely the US benefits, they ask for block grants, allowing them to dispose of the funds according to their own standards and needs. Ramon Garcia Santisgo, Secretary of Welfare Benefits, scoffs at HEW standards ~~requiring~~ requiring Puerto Ricans ^{getting HEW funds for the purpose,} to build hospital corridors just as wide as in the US. Garcia Santiago's point is that Puerto Rico would rather build narrower corridors and more ^{rooms.} ~~rooms~~ "See what Schweitzer was able to do with that hospital in Africa," he shouts. Let us spend the ~~money~~ money to our best advantage, he says. ~~Munoz~~ Governor Hernandez Colon say the same--one of the few instances he comes down hard ~~in~~ in these negotiations, and so does Munoz. The old ^{the} Governor cites the case of his divorced daughter Viviana who has four children and a \$10,000 a year income and finds it outrageous that she is eligible,

by US standards, for food stamps. (She doesn't take them of course,)

His point is that ~~standards~~ standards should be different

in Puerto Rico and he is right. But then how can the Puerto Rican

members of the Adhoc Group ^{led by Munoz} ask that "The laws of the US which provide loans

and other assistance for the benefit of the health, education,

opportunities for employment and social welfare of ~~citizens~~ ^{citizens} of the

US...be applicable to...Puerto ~~Rico~~ Rico"? In a very real sense

~~Munoz and his brethren~~ Munoz and his brethren want it both ways.

6. The plea for block grants, enabling Puerto Rico ~~to~~ to spend US

benefit money in terms of its own needs, rather than according to strict

US standards, ~~seems~~ seems reasonable. Providing the

use of the money can be ~~controlled~~ can be policed ~~to~~ ^{to}

screen out pork barreling, ~~and such~~ political

and such, maneuvering with the funds there is no logic in imposing

US standards for use on Puerto Rico. They are willing to forego a

lot of doodads so as to take care of as many people as possible.

Their priority is ~~less~~ less esthetics than naked need.

7. "There are," said Governor Hernandez Colon in our talk, "many

differences between the Governor's view and the views of the Puerto

Rican Advisory Group. If we got to the pragmatic level, I'd have to fix some priorities." The Governor ~~has been~~ is very aware of the dangers with Congress ^{over} the issue of status changes and will not go to battle ^{lightly}. The Munoz team, for example, wants Puerto Rico to be free to make arrangements with international organizations and foreign powers regarding industrial, commercial and financial relations. Hernandez Colon, however, is specific. His government has been studying the possibility of a treaty arrangement with Venezuela whereby Venezuela would supply crude to Puerto Rico's petrochemical plant, which is more advanced than Venezuela's, in order to produce petrochemical derivatives for the Puerto Rican, Venezuelan and US markets. At present the highly developed Puerto Rican petrochemical facilities are largely idle.

There is also the matter of Puerto Rico's newly-purchased merchant marine fleet, the Caribbean's most modern. With large excess capacity, it could move goods between the US and Caribbean countries, between Puerto Rico, Colombia, Costa Rica, Venezuela--all presently lacking cheap, adequate marine transport. However, barriers exist or are presumed to exist. Venezuela has grave

reservations about talking to Puerto Rico for fear of intruding on US domestic relations. Gov. Hernandez Colon says

simply: "The policy of the US toward Puerto Rico should be to take such measures as to allow Puerto Rico to develop itself."

This seems like a sensible request. If some way could be found to meet it, it should go far to satisfy Puerto Rico's needs without undertaking the much vaster, much chancier and much more doubtful course proposed by Munoz's Puerto Rico

Adhoc Advisory Group.

8. Proposal for a Joint Commission to sit in Washington and deal with US-Puerto Rican relations. Obviously, the relationship changes, as do all governmental relations, and requires a permanent institution to facilitate necessary adjustments. Can we imagine a United States without a Congress or arranging to set up a Congress every 25 years or so to deal with a variety of accumulated problems?

The relationship is sufficiently alive and faces sufficient problems to warrant a simplified procedure. There is the danger of course that the presence of such a body

might encourage ~~the~~ an unneeded ~~and~~ and unwanted tendency to go ~~over~~ over the same old ground, ~~possibly~~ possibly even some turmoil, but there is ~~in~~ perhaps ^{the} greater possibility that lack of such a ~~body~~ body would encourage precisely such tendencies.

CONCLUSION

~~Try,~~ for a moment, projecting Puerto Rico onto the U.S.

The US would have a density of 875 persons per square mile with a population of 3 billion. Some 80% of the US would be craggy limestone hills and mountains laced with a patchwork of subsistence farms, and ~~we~~ we would import all of our oil, coal, natural gas, industrial raw materials, minerals and two thirds of our food. Our people would average half the education, and family ~~incomes~~ incomes would be cut two thirds. There would be 140 million people on food stamps, 24 million unemployed in pre-recession times while another ~~31~~ 31 million would be "voluntarily jobless", that is discouraged men and women who had given up ~~looking~~ looking for work. Do that and you have an idea of Puerto Rico's situation in "normal," pre-recession times.

Clearly, ~~then,~~ ^{then,} Puerto Rico and the US are ~~two~~ two different nations, not one, in the vital respects ~~having~~ having to do with making a living and the social consequences that flow from it. If these two nations are to live together in permanent relationship ~~as~~ as they have decided, it may be ^Swise to consider means of adapting the US rules to Puerto Rico's very special problems.

From 1945 to 1972, from Govs. Munoz through ~~Ferren~~ ^{Ferren}, the thrust of modern Puerto Rican policy was to turn Puerto Rico, at least economically, into a US part or counterpart. The realization is just now dawning that this cannot be done, at least not anywhere near the extent dreamed of.

"They (Washington) should be aware of the fact that doing the job as it is right now is enormously difficult," the young Governor says. "If we face closed doors we'll find ourselves in a ~~hell~~ ^{hell} of a situation. I'm not saying we'll go independentista. But if they close doors, in a number of years we could be so bad off economically you don't know what will happen ~~in Puerto Rico~~ here in Puerto Rico."

This is a ^{veiled} ~~veiled~~ threat, all right; nevertheless it merits
serious consideration.

Sam Halper

Determined to be an
Administrative Marking

New York, N.Y.
July 3, 1975

Dear Jim: By SD NARA, Date 4/7/2015

The rest of the Puerto Rico report should be on your desk by now, making some 40 pages in all. Total elapsed time: 17 working days (including six days of interviewing in San Juan). That's a little more than three weeks; when we first talked of the report I had thought about five weeks. Total weight lost: 8 lbs. You were damned right when you said this was harder than TIME.

I think this is what you wanted--3 or 4 cover story lengths--to lay the groundwork, to give you an estimate of the situation and of possibilities to be explored further. You asked for a short piece to begin with, with a long piece to come later on. Right now, I see no need for a further piece; I see this as the basic document; it is more complete than I thought it could be made after one trip.

Delay in getting this out --and I want to apologize--was caused by my house. Upon leaving you on Friday, June 13, I went to the house in Weston, newly vacated by my tenant and as a result was able to work for the Council only six days in the next three weeks. Reason: I found I had to repair a hole in the ceiling of one bedroom, a hole in the wall of another, broken windows, gouged and stained walnut floors, and/or repaper five rooms and two hall ceilings, plus minister to a devastated lawn. I had a bizarre tenant. Really so, however, was the painter who was to doctor it all up but who turned up adding to the troubles. An excellent craftsman for me two years ago he was not so this time. While I was working in the city and the house was all his, he spray-painted three ceilings and one room though he was supposed to use roller and brush. He got paint all over the windows and, worst of all, sprayed both first and second coat in one day before the first dried, producing a condition known as alligatoring. Think of an alligator's back--that's my living room.

repaint

Why go on horrifying you? ~~But I had to go on during eight days~~
~~by spray-painting walls and to doctor himself in the kitchen~~
~~the kitchen and the bathroom showing a window in the~~
Finally, I had to delay my new tenant's move-in scheduled for July 1.

That, in long, is why this report is late.

I am pleased with it. It breaks ~~new~~ new ground and gives ~~us~~ us an approach that ~~is~~ is viable, ~~and~~ puts together the bits and pieces of the new thinking just starting up and that may be very hopeful. I think it would now be worthwhile to go down to Puerto Rico and talk again with the Governor--this time knowing more about where he's going and helping him, as we talk, to better perceive his direction. For I feel that looking on as a reporter, I better saw the overall shape of things he was doing from day to day. I now agree with you: we can begin to move toward the large solution you foresaw, although, at the time, I doubted it.



I am off tomorrow evening (July 4) to Weston for two final days. Will complete the FBI form Monday and Tuesday. In between the Puerto Rico report I snuck looks at it and filled in pieces and the more I recalled, the better I felt. I am planning to include stuff I wrote about Communist machinations in Cuba, that letter to Sen. Muskie proposing a speech for rearming against the Soviets, a rather good 1969 letter to Scotty Reston, references like Alex Rose, Dan Bell, Victor Lasky, Munoz Marin, Mike Kolatch of the New Leader, also mentions of files that might prove useful. And there is the golden quote in my high school yearbook, 1933, next to my name: "The hammer and sickle makes him see red."

I think it would be opportune for me to come to Washington Tuesday morning--giving you time to read the whole thing, I hope--to talk with you about the next Puerto Rico move, see Senator Cook, get squared away with Judy Johnston and get prepared for the Adhoc Advisory Group hearings that reconvene in the EOB Thursday through Saturday, July 10-12. Also to spend some time talking with Munoz and benignly hassling with him, as I can, would be wise in my judgement. He is not the key--Hernandez Colon is--but he could be useful and, contrarily, become dangerous; he has enormous sentimental appeal to his people, the more so because of late he has been heard from so little and because he is grizzled, old and the father image in Puerto Rico. If you agree to the trip to Puerto Rico I would talk with the Governor and his men, see Munoz some more on his home ground and move this matter a bit more toward solution. What do you think? My wife is off to California to see brothers and a quartet of nieces and nephews and I can put in all the time you consider necessary.

I will phone you Monday.

Should this letter reach you before Monday and should you want to reach me before then, I will be slaving away at the house till late Sunday night, phone (203) 227-6243. I look forward to seeing you.

As ever,

Jan

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Sam Halper

TIME

TIME & LIFE BUILDING
ROCKEFELLER CENTER
NEW YORK, N.Y. 10020



75 JUN 6 AM 9 21

Determined to be an
Administrative Marking

By GD NARA, Date 4/7/2015

Mr. James Cannon
Domestic Council
White House
Washington, D.C. 20500

~~PERSONAL & CONFIDENTIAL~~

7/7/75

Jim:

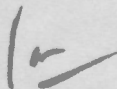
Here are copies of 1) my letter to you and 2) the last 31 pages of the Puerto Rico report, both ~~attached~~ as of this moment apparently stuck somewhere between the NY Post Office and the White House.

You already have the first nine pages of the Puerto Rico report.

One more thing: we ^{should} ~~think~~ think about my returning to Puerto Rico soon, perhaps next week, on the heels of the Adhoc Advisory Group session. Hernandez Agosto came up to Weston to see me Sunday before last and reiterated ~~over~~ over the phone Thursday night that the Governor feels very pleased that he is being understood and is receptive to us. I think the ~~time~~ time is good for further explorations.

Good luck on the move. See you Wednesday.

Yrs.



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SEARCH FOR A SOLUTION

Gov. Hernandez Colon is fighting back. No superman he, moving ~~sure-footedly~~ ^{Sanchez} sure-footedly. Ex-Gov. Roberto ~~Vilella~~ Vilella and other sound people criticize him ^{as} "inexperienced...lacking precision...particularly weak in economics... doesn't reach the people...a very weak cabinet," etc. Yet I have the distinct impression that Rafael Hernandez Colon senses the right directions, that he is moving in those directions and that he has guts. Not enough perhaps to risk the next election--but then what governor has ever had?--but more than Commonwealther Luis Munoz Marin or Statehooder Luis Ferre, ^{both of whom} gave in consistently to the unions.

(Munoz largely from principle and Ferre largely from politics and the affliction of a sweet and too-soft heart.) ~~He~~ Aided by the realistic atmosphere of a ~~recession~~ recession, Hernandez has begun ~~to~~ to hold the line: 1) Striking unions no longer get the kid glove treatment; instead of wage bribes ~~Hernandez~~ Hernandez twice called out

the National Guard--in ~~the~~ the 1973 strike of the government electric power workers and the firemen, again in 1974 in the Aqueduct Authority strike. (In all Puerto Rico's history under the US flag, the Guard had

11
Earlier this month (June) Salvador Rodriguez Aponte, chief of the government-owned phone company, told me: "This is the seventh week of the strike here and I haven't been called to La Fortaleza and told to settle it. Previous administrations wouldn't hold out for even 1 week." been called out only twice before--after the 1928 hurricane and

during the Nationalist uprising of 1950. 2) ~~_____~~ ^{In June of this year} RHC again

did the unprecedented: he refused to go through with a pre-recession agreement to ~~_____~~ raise the wages of police, ^{and} teachers, ~~_____~~

~~_____~~ sent a bill to the Legislature revoking the ^{incremental} ~~_____~~

raises and pushed ~~_____~~ it through. 3) He is bailing out failure

less, letting it happen more. With overpriced, overstaffed luxury

hotels in trouble, the Governor has started to keep ~~_____~~ hands off

and letting them close doors, e.g. the 320-room Helio Isla which

had more than 400 employees ^{(by union fiat).} ~~_____~~

^{former} The ~~_____~~ policy was to take over the totterers and bankrupts

and keep them running, e.g. the ~~_____~~ Racquet Club, the Condado Beach.

^{Forthrightly, he} 4) ~~_____~~ balanced Puerto Rico's budget--a constitutional requirement--

by firing as many civil servants as necessary.

Going rightwing? Nooooo. Under Hernandez, the government has bought two

utilities that are basic to the island's economy--the phone company and

its shipping lines. Romero Barcelo calls it "Socialism". However ~~_____~~

~~_____~~ the phone service had ^S ~~_____~~ been a scandal and when

the ITT ~~_____~~ parent demanded a 58% tariff boost to improve ^{service}

over 5 years--its umpteenth promise to upgrade--the Governor bought out the company, hiked rates half as much as ITT asked and switched over to run the new ~~company~~^{acquisition} his chief aide, abrasive, efficient Salvador Rodriguez Aponte. Hit by a strike and concomitant sabotage attributed to the flabby union which is close to the Communist PSP, Rodriguez has nevertheless ~~improved~~^{will} service and confidently says he will improve service twice as much ~~in~~ in the next five years as ITT would ~~have~~ have done with its 58% rate hike.

The Governor also bought the three shipping lines that lifeline the island to ~~the~~ mainland USA. The companies, handling ~~90%~~ 90% of the island's total shipping, had ~~hiked~~^{recently} rates 50% says ~~the~~^{The} Governor, ~~threatening~~^{threatening} to price Puerto Rico out of the market--no minor threat to an island whose economy depends on dealing with the US-- No. ~~1~~¹ supplier of its raw material ~~and~~ and ~~No. 1~~^{No. 1} market as well.

Another 12.8% hike was threatened for Jan. 11, 1975. The president of the Puerto Rico Manufacturers Association applauds the maritime purchase but Hernandez told me that "If we had had ~~the~~ the situation we have now, we would not have done it," that is, bought the phone and shipping facilities. The reason is that the bond market's appetite for Puerto Rican bonds--

2-13
Formerly ~~was~~ healthy and substantial, has dulled. ~~the~~ ^{The} bonds

still rate A-1 ~~is~~ says the Banco Economía's Vice President, Martínez

Echavarría, "but the capacity of the market to absorb Puerto Rican

bonds has been reached; the Puerto Rico phone company bonds are

pre-empting some of that capacity." Between 1970 and 1974, ^{Puerto Rico} Government

bond issues more ~~than~~ than tripled as the government turned to

public

~~is~~ spending to offset the downturn in the private sector. "We now

account for 2.6% of all municipal bond issues v. 1.7% in 1972," says

Juan Albors, Secretary of State and the Governor's tutor in economics.

~~is~~ "I believe Puerto

Rico can place \$700 million in long term debt per year. Last year we

placed \$610 million; this year we have placed \$650 million." But there

is a general feeling in government and financial circles that the island

has been going to the well too often. What then?

Casting about, the Governor still tries ~~to~~ ^{ing} turn some of the well-

worn knobs. He has floated the scheme, earlier cited, for government

subvention of 25% of the payroll for ~~the~~ selected new factories during

their first two years. He is involved in the current dialogue on

Commonwealth status (of which more later). He is trying to hold the line

on soaring food prices. Food takes a larger bite, proportionately, out of the average Puerto Rican's ~~income~~ income than it does in the States, for ~~the~~ island per capita incomes are, of course, smaller. Additionally ~~the~~ ^{food items just plain} ~~cost~~ cost more in Puerto Rico. As inflation added its impact, the Governor in 1973 set up a cabinet level Dept. of Consumer Affairs, set it to holding the price line on staples, and showed some remarkable results. A sampling of the period August 12-Sept. 9, 1974, ^{showed that prices} by a consulting firm ^{of} ~~of~~ controlled items (canned tuna, lard, pork chops, oleo, etc.) averaged one percent lower in Puerto Rico than in six stateside cities, whereas prices of ^{un}controlled items (lettuce, tomatoes, Safa Lee pound cake, apples, sliced ~~luncheon meat~~ luncheon meat, sliced bacon) averaged 10% higher. Government marketing centers are also guaranteeing minimum prices to farmers producing ~~foodstuffs~~ foodstuffs. ^{(in addition,} A giant government warehouse nicknamed El Almacen has ~~been~~ ^{to} been set up, buy ~~products~~ products in bulk which it wholesales to small retailers and mom and pop stores ~~in~~ in order to make them competitive. Business men are sore as ~~hell~~ hell.

NEW STRATEGY

Far more important, ~~however~~ however, than new, occasionally ingenious variations on old Puerto Rican themes is the hard fact that

La Fortakeza is moving in a striking new direction. In a three hour talk in his library the Governor said: "We must make fuller demands on Puerto Rico's capacity. We have to develop a quality of civilization here that is indigenous." Secretary of State Juan Albors, no. 2 man in the government, recalled: "We realized that the development strategy of Puerto Rico has to be rethought. About a year ago the Governor moved hard on the matter." Hernandez sent for onetime Yale's James Tobin, ~~former~~ member of JFK's Council of Economic Advisors, to head a committee to look into Puerto Rico's finances, and sent other cries to Brookings, the NY Fed, etc., for help in studying ~~the~~ Puerto Rico's plight.

~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~

The ^d completed papers are scheduled to come in during July and August, with an overall report on economic development strategy ~~_____~~ due the end of October 1975. A look at some of the areas being studied

gives an idea of ~~how~~^{how} sharp and iconoclastic are the questions that Hernandez's government ~~is~~^{is} at long last, asking::

Comparative Puerto Rico and mainland labor costs, taking into account fringe benefits and payroll taxes as well as wage rates.

Why is there so little agriculture in Puerto Rico?

Puerto Rico's food import substitution potential.

Policies to stimulate development of the fishing ~~industry~~^{industry}.

Whether (and what) Puerto Rico might gain from membership in the World Bank, IMF, IADB and could such membership be reconciled with Commonwealth status similar ~~to~~ to the present arrangement.

The volume of disguised ~~unemployment~~ unemployment and under-employment.

Amount of unemployment among secondary wage earners, especially younger members of non-poor families. (For such persons, alienation may be a more severe cost than actual economic hardship.)

Can social insurance schemes be financed with smaller impact on labor costs?

Has growth of mainland-owned enterprise been in addition to or at the expense of ~~island-owned~~^{island-owned} enterprise?

What services and/or subsidies are available to local entrepreneurs

compared to mainland ~~and~~ competitors?

Ways and means of accelerating Puerto Rican ownership and entrepreneurship in the context of continuing to attract needed foreign capital.

How does foreign ownership endanger Puerto Rico's control over its own political, social and economic destiny, and limit its future freedom of movement?

Are Fomento's industrial promotions too limited to North America? Should they be making greater effort to reach potential investors in Europe, Japan, Brazil, etc.?

Who bears the cost of unemployment as between families, the Puerto Rican budget, the Federal Treasury and employers?

A hard-headed assessment of the economic costs and benefits of
1) independence, 2) statehood, compared to present membership in the US currency union.

~~Quantitative~~ Quantitative response of migration to economic conditions on the mainland? In Puerto Rico?

Characteristics and motives of migrants. Are ~~past~~ past patterns changing?

(A note of caution: The turning inward, the realization that Puerto Rico's peculiar problems--excessive population and scant resources-- are not going to be solved by a sweeping adaptation of ~~the~~ ^{to} the US pattern, the Governor's statement "We must make fuller demands on Puerto Rico's capacity"--all ~~these~~ ^{these} presage ~~an~~ ^{an} upsurge of nationalism on the island. This is inevitable if ~~the~~ Puerto Rico is to plot its very own course, with US help. There is, further, danger that the growth in nationalism could slop over into independentism. The ~~salutary~~ salutary process of reorienting Puerto Rico toward a more indigenous course, almost implies--if not indeed, requires, a ~~concomitant~~ concomitant rise in nativist sentiment. This is one of the dangers, to be weighed against the danger of not ~~changing~~ ^{in fact that} course, if ~~the~~ option is ~~still~~ still open.)

The new directions so far agreed upon by the government include the following:

- # Lowering ~~the~~ ^{wage rises} minimum wages. "Continual ~~decreases~~ have a harmful effect," the Governor says. "They are based on the idea that ^(in time) Puerto Rico could be a state, economically. ~~the~~ Puerto Rico is a special case, not in the US league."

Import substitution by reviving agriculture.

Speed ~~up~~ the shift in ^{priorities at} the University of Puerto Rico (~~to~~⁵ campuses, 50,000 students) from the humanities to the study of technology.

Move for increased economic ties with the nations of the Caribbean, especially with Venezuela, currently ruled by the Accion Democratica party, an old ~~and warm~~ ally of Munoz and his ~~Partido~~ Partido Popular.

Seek US help in opening new markets. The Governor specifically asked US help in GATT.

Tackle the problem of overpopulation, previously nattered about and gingerly approached at most. "We have now for the first time

openly set up a ~~government~~ government family planning program and very dynamic work is being done by the Health Dept. The program has a budget of \$4 million, greater than ever before in our history. I hope we can begin to

see some effects in two to three years," says ^{Gov.} Hernandez.

Change the method of allocating federal funds to Puerto Rico. "If we could have block grants we could make better use of less

money," says the present ~~Gov~~ Governor as well as the old ~~Gov~~ Gov. Luis Munoz

Marin. "Suppose we got a bloc for a stated purpose, e.g. education or social service, Puerto Rico would be obligated to show that the funds were used for these purposes and how they were used. It would not mean

additional money."

"The point, ~~is~~" says Hernandez, "is that the previous, standard U.S. way is not working in Puerto Rico. The policy of the US toward ~~Puerto Rico~~ Puerto Rico should be to take such measures as to allow us to develop ourselves. This is in the interests of both parties. It would lessen the burden on ~~the~~ Congress."

THE OBSTACLES

The many obstacles to a new course include:

A trade union movement, wide but shallow, encompassing 20% of Puerto Rican labor, ^{initially} introduced and artificially protected by a liberal, paternalistic government and, in its continuing weakness, ^{latterly} moved in upon by Communists. It has a vested interest in high wage minimums and in fringe benefits far exceeding those in the U.S., which it protects by feeble strikes ^{interspersed} with bursts of ferocious sabotage.

Low productivity and a lack of excellence. The common phrase is "Ay

deja eso" meaning ~~leave it as it is~~

"don't bother...leave it as it is...it's good enough...why bother."

Carlo, Castaneda, editor of El Nuevo Dia, ~~probably~~ probably the best

^{daily} ~~in~~ in San Juan, says "Social Friday is an ingrained institution.

Last Friday, 7 of the ~~mechanical~~ 18 men on the mechanical side were absent. What to do? You fire them and get another batch and they

do the ~~same~~ same." "Our service is substandard," says Eugene Hudders, manager of the El Conquistador hotel in Fajardo, near San Juan. "The union makes money not according to the amount of wages as much as it does in the number of members employed.

Efficient employees are antiunion in the ~~sense~~ sense that they cut down union strength. Right now, El Conquistador has 302 employees for ~~80~~ 80 guests." Says Salvador Rodriguez Aponte, chief of the government-owned phone company: "Everything was given in return for nothing. If we don't increase productivity this island will go to hell."

A vast, inert reservoir of discouraged labor. Nearly 4 out of every ten (38% to be exact), Puerto Rican men and women, 16 to 64, are o_cioso voluntario,

discouraged workers in the US phrase, ~~workers~~ workers who have given up looking ~~at~~ ~~the~~ ~~problem~~

growing welfare class, vested in food stamps and nurtured by an extended family system that is otherwise quite admirable. One sees the possibility of a ^{mass} ~~mass~~ of permanently unemployed, a lumpen proletariat, explosive,

demagogue-prone, a threat to stability. "For people to be satisfied they have to be doing something productive. We are very much concerned

about the ^{growth} ~~growth~~ of a welfare class," says Vice-Governor Albers of ^{the member} ~~the~~

Up to 10 years ago, the communist PSP headed by lawyer Juan Mari Bras was following a familiar pattern--concentrating on the youth and on the university students through the activist FUPI

(Federation of University Students For Independence)--but with no meaningful success ~~though it brought off some~~ ^{rough} riots.

~~In~~ ¹⁹⁶⁷ it tried to get a foothold in government

labor which is extensive, ~~including~~ e.g. electric power, busses,

but ~~it~~ did not get far. In '68-'69 the PSP began wooing the trade

unions, ~~including~~ by 1971-72 ~~it~~ it began

getting results and this past year ~~it~~ the payoff

~~has~~ ^S begun. Of 17 strikes ^{so far in 1975,} ~~9~~ ⁹

~~showed strong PSP influences.~~

~~The~~ The

first day of the San Juan Star strike, ~~he~~ says Salvador Rodriguez Aponte,

phone ~~the~~ company chief, ^{who is} ~~currently~~ currently toughing out ^{his own} ~~the~~ strike

with great gusto, around 6 or 7 PM a PSP member showed up, introduced

himself politely, said he was in charge of this sector and offered

~~the party's~~ the party's

assistance. ~~It is substantial--~~ picketing, strategy, public relations,

ideology, demonstrations, riots, mass meetings, legal counsel, all

the way, says Police Supt. Astol Calero, to sabotage and bombings.

No more than 3 or 4% of the trade unionists are PSP members or active sympathizers but they are strategically entrenched as union vice presidents, secretary-treasurers, legal counsel--the ~~operational~~ operational chiefs-- and their targets are also strategic--government phones, government electricity, government housing bank, boilermakers, cement, teachers, government aqueducts and sewers. Rank and filers are generally not with the PSP, but even when they disagree they do what the union says. For one thing they are afraid of the strong arm. For another when PSP help comes, while not necessarily for it, they ~~accept it because~~ ~~it helps.~~ it helps. And the striking workers need the help; with profits down, industry resists demands and the ill-organized Puerto Rican trade unions give no strike benefits. The Puerto Rican worker's acceptance of the PSP is not philosophical but pragmatic. He tends to be apathetic and here is where the Communists come in. If the Puerto Rican trade union movement had grown ^{more} indigenously it might better be able to fight its own battles and kick ~~out the communists.~~ out the communists. The island trade union movement is beginning to grow in that direction. The new crop of unions is independent of stateside affiliations. ~~the island trade union movement is beginning to grow in that direction. The new crop of unions is independent of stateside affiliations.~~

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PSP lawyers are hard-working and well-entrenched in Legal Aid ~~and~~

(which is partially funded by the government) ~~_____~~ PSP

bombs, says Police Supt. Calero, are excellent. They have written an explosives manual "better than the manual used by the US army." Their favorite explosive is iremite, "more powerful than dynamite," of which they stole 5,000 lbs. from a factory at Mantee three years ago.

They use cheap watches ~~_____~~ Timex and 2 or 3 Hongkong makes--

but "no professionals make bombs as perfect" ^{claims} ~~_____~~ Calero. They use them well--no killings' but lots of damage and public impact.

(The only bombs that have killed in Puerto Rico were set by rightwing Cubans at a PSP meeting.) The bombers are hard to get; ^{PSP} ~~_____~~ cells are small and when caught the typical bomber "knows everything about his constitutional rights" laments Calero, while courts are lenient and very ~~_____~~ civil liberties conscious.

Ties with Castro's Cuba are close and go back a long time, at least to 1959. That year I asked Fidel how come and why such strong affirmations for ^{Puerto Rico's} ~~_____~~ independentistas. Rather lamely he said, it was because they had helped him. ^{Mexi} Bras is a regular visitor; his party has had an "embassy" in Havana for more than a year. Supt. ~~_____~~ Calero says he ~~_____~~ "no doubt Fidel is training PSP people as urban guerillas. The way they

~~_____~~

operate is that of people who receive training." (But then Calero seems a little hyperbolic, doesn't ^{he.)} Former (1964-68) Gov.

Roberto Sanchez Vilella says the last reports he ^{had} of Cuban training ^{were} in '65-'66, of small groups. Gov. Hernandez

had no evidence of current training which does not mean, of course, that it is not happening. The voyages to Cuba go on constantly says Calero; "every 3-4 months between 60 and 75 persons travel as tourists to Havana. Almost all are PSP Independistas. They do not use passports."

^{Other} evidence confirms Calero.

A few months ago, Ricardo Alarcon, Castro ambassador to the UN, told a Havana audience that ⁱⁿ improvement relations with the US would absolutely not interfere with Cuban support of the Communist independentista ^{s.}

In profile, the average PSP member is usually a young person with 2-3 years of university, smart, dedicated, very anti-American, believing the only way to achieve social justice is through communism. Stateholder Romero Barcelo says they "have hidden problems. Many come from broken homes. They have a lot of hostility." Eugene Hudlers, a former deputy police superintendent, well-informed,

thinks differently: "Surprisingly enough they are not loners and not single. Most are married and have families. They are quite aggressive and if this is not natural they develop it."

Socio-economically, the PSP'er is usually low middle or ^{middle} class with the usual dollop of upper class radicals: a couple of Jaime Benitez's children, a member of the powerful Carrion family of the Banco Popular, Puerto Rico's leading bank, ^{etc.} Many are lawyers.

The Governor thinks the PSP is no longer gaining, Calero agrees and Labor Undersecretary Vilches says "the trend is turning" in the unions. There is a strong independentista unconscious among the Puerto Rican people. Many if not most of their present day leaders were independentistas at one time, Munoz included, and "Everybody sings La Borinquena (the national hymn) after 3 Cuba Libres at 9'clock in the morning" chuckled a lawyer, but that kind of independentismo is far from Mari Bras, his bombings and his communist party line. Mari Bras' tactics and philosophy have, in fact, split the independentist movement and the larger wing, though less talked of, is the PIP (Puerto Rican Independence Party) led by Ruben Berrios, an eloquent lawyer and ~~Senator~~ Senator. The PIP espous democratic socialism.

^{Mani}
 However, Bras chooses his targets well. The bombings in Puerto Rico
 and even more those in New York, particularly the bloody one at Fraunce's
 Tavern, a favorite eating plac_es of Wall Street bankers,
 has had a bad effect on the bond market and has scared off investors,
 and contributed significantly ~~to the current decline in industrial~~
 promotions. An_d Bras presag_es more trouble come September. ~~He~~ He will
 appear first in ~~Havana~~ Havana for a three day world congress devoted entirely to agitating
 for Puerto Rican freedom. Following that he goes to New York ~~to~~
 to the Committee of 24 at the UN for yet another round of ~~debating~~
 baiting the Puerto Rican and US governments. ~~He~~
~~But~~ Mari Bras and his PSP are not strong elements in the situation, but
~~they~~ as Puerto Rico thrashes about, ~~they~~ they
 add their mite and wait for the onset of ~~calamity~~ calamity and/
 or despair that they feel will be their chance.

THE ADHOC GROUP

^{on status}
 The Adhoc Advisory Group ~~is the present~~ is the present
~~forum~~ forum for accomodating the realities of Puerto
 Rico and the U.S. Compl_icated by Munoz's presence and the current
 Governor's le_ss than total involvement, it is an unwieldy, inaccurate

mechanism, but still it indicates some of the possible directions and should be examined. Besides, it's the only game in town right now.

~~On~~ On July 10-12, 1975 the Adhoc Group ~~will~~ will open its third series ~~of~~ of public hearings at the EOB (previous hearings were held in February and April, ~~1974~~ 1974) on ~~changes~~ changes in the federal relations act proposed by the Puerto Rican members. A look at some of the proposals:

1. That Puerto Rico be empowered to lay tariffs on imports from foreign countries, either direct or ~~transshipped~~ transshipped via the US.

Basically, the Puerto Ricans are proposing this in order to help revive their agricultural sector, neglect of which has caused agricultural (including fishing and forestry) employment to plummet from 240,000 in 1940 to 54,000 last year and the proportion of food imported to rise to two thirds of the total, a sore drain on a poor people.

Tentatively, the Puerto Rican government has in mind ten commodities-- batatas, platanos, tomatoes, pumpkins, yams, gandules, pimientos, yautia, meat, bananas--that it would consider for tariff protection.

The idea has two merits: as a stimulant to 1) employment and 2) import

substitution. By 1979-80, the Puerto Rican government believes, ~~that~~
 a moderate tariff program would increase agricultural output by \$35
 million and provide 4,000 jobs, with the added advantage of a
 multiplier effect of 3, mainly because agriculture, more than industry,
 utilizes the natural advantages of Puerto Rico, namely the native soil
 and sun, while requiring fewer imports, mainly farm machinery and
 fertilizers.

Since a tariff ~~is basically a device~~ is basically a device
 to raise prices by effectively barring cheaper foreign goods, I

inquired whether the government had quantified the costs to the people of
 The increased prices would show up in commodities that are basic staples and would bear
 disproportionately heavily on the poor and unemployed who constitute the majority in Puerto Rico.
 Puerto Rico as well as the benefits. The Governor immediately phoned the

Agriculture Secretary. Upshot of many phone calls ~~on the island~~
 and to me in NYC from the Governor and the Undersecretary is that the
~~costs to Puerto Rico of the proposal~~ costs to Puerto Rico of the ~~proposal~~ proposal have
 not been quantified, raising some serious questions as to its wisdom.

In the absence of compelling evidence for the proposal, the Governor
 said there was no great point in going all out for the tariffs: "I don't
 really feel that for our creating 4,000 jobs that it is worth getting into
 a big fight with Congress."

and Puerto Rico, ~~lacking~~ lacking all resources, must ~~find~~ find ways of utilizing every advantage to help itself but some of ~~its~~ its resorts to government intervention have ultimately been counter-productive.

One is inclined to agree with ~~Salvador~~ outspoken Salvador Rodriguez Aponte who says: "Both these provisions--immigration control and tariff--are intended to insulate Puerto Rico from reality."

~~and the government has been... when... a kind of route... it fears they...~~

3. The Puerto Ricans' request, on the other hand, that their government take control over minimum wages ^{standards} in Puerto Rico, while posing mountainous political problems, appears to have substantial merit. Puerto Rico

is a special case, says the Governor, and indeed it is. The island had, even in normal ~~years~~ ^{years,} 4 to 6 times ~~the~~ proportion of unemployment and

poverty as in mainland ~~U.S.~~ ^{U.S.} The assumption that the two parties are equal-- they will be as ~~in~~ in the matter of minimum wages by 1977--reflects some of the old

fantasy about Puerto Rico. ~~with~~ ^{with} regard to the ~~degree~~ ^{degree} of unemployment the two parties to the ~~Commonwealth~~ Commonwealth agreement are two nations,

not ^{one}. The difference between them is not a difference ~~in~~ in degree but

in kind. Low wages, like it or not, ~~is~~^{is} one of the classic ways of absorbing surplus labor and if at all possible lower minimum wages ought to be made available to Puerto Rico at its option, at least until its unemployment rate nears the US range.

4. The unemployment statistics also argue for the ~~locally-~~ locally-set standards of environmental protection requested by the Puerto Rican members of the ~~State~~ Adhoc Advisory Group. The ~~high~~^{high} US standards are the characteristics of a "have" nation, not of a "have not"

Puerto Rico. To be sure there are different degrees of "have" among the 50 states, but these differences are, ~~in the range of~~

overall, in the range of differences in degree. ~~where a nation~~^{faces a} ~~choice between feeding~~^{however,} ~~birds and people,~~^{(its feeding its) the priorities are of} ~~another order.~~

~~Actually, the Puerto Rican government is highly~~ ~~conscious of the need for environmental~~^{protection.} ~~It has~~

been sitting on its copper reserves--the only exploitable metal it has--for eight years that I know, ~~because~~^{of,} because it fears, among other things, the ravaging of the copper area.

5. In the same spirit of Puerto Rican uniqueness, to the same degree that Puerto Rico argues that economic realities entitle it to set its own

wage and environmental protection standards, can it ask--as the Puerto Rican members of the Adhoc Advisory Group ~~do~~ do--to share the prevailing US benefits in education, housing, social ~~welfare~~ welfare, hospital construction? It's nice if ~~they~~ they can get it, and maybe they are entitled to ~~try~~ try, but the logic eludes one. At the same time the Puerto Rican Adhoc members ask for ~~precisely~~ precisely the US benefits, they ask for block grants, allowing them to dispose of the funds according to their own standards and needs. Ramon Garcia Santiago, Secretary of Welfare Benefits, scoffs at HEW standards ~~requiring~~ requiring Puerto Ricans ^{getting HEW funds for the purpose,} to build hospital corridors just as wide as in the US. Garcia Santiago's point is that Puerto Rico would rather build narrower corridors and more ^{rooms.} ~~rooms~~ "See what Schweitzer was able to do with that hospital in Africa," he shouts. Let us spend the ~~money~~ money to our best advantage, he says. ~~Hernandez Colon~~ Governor Hernandez Colon say the same--one of the few instances he comes down hard ~~in~~ in these negotiations, and so does Muroa. The old ^{H-} Governor cites the case of his divorced daughter Viviana who has four children and a \$10,000 a year income and finds it outrageous that she is eligible,

by US standards, for food stamps. (She doesn't take them of course.)

His point is that ~~standards~~ standards should be different in Puerto Rico and he is right. But then how can the Puerto Rican

members of the Adhoc Group ^{Led by Munoz} ask that "The laws of the US which provide loans and other assistance for the benefit of the health, education, opportunities for employment and social welfare of ^{citizens} ~~of the~~ of the US...be applicable to...Puerto ~~Rico~~ Rico"? In a very real sense

~~standards~~ Munoz and his brethren want it both ways.

6. The pleas for block grants, enabling Puerto Rico ~~to~~ to spend US benefit money in terms of its own needs, rather than according to strict US standards, ~~seems~~ seems reasonable. Providing the use of the money can be ~~controlled~~ can be policed ^{to} screen out pork barreling, ~~political~~ political

^{and such,} maneuvering with the funds there is no logic in imposing

US standards for use on Puerto Rico. They are willing to forego a lot of doodads so as to take care of as many people as possible. Their priority is ~~less~~ less esthetics than naked need.

7. "There are," said Governor Hernandez Colon in our talk, "many differences between the Governor's view and the views of the Puerto

Rican Advisory Group. If we got to the pragmatic level, I'd have to fix some priorities." The Governor ~~has been~~ is very aware of the dangers with Congress ^{over} the issue of status changes and will not go to battle ^{mightily}. The Munoz team, for example, wants Puerto Rico to be free to make arrangements with international organizations and foreign powers regarding industrial, commercial and financial relations. Hernandez Colon, however, is specific. His government has been studying the possibility of a treaty arrangement with Venezuela whereby Venezuela would supply crude to Puerto Rico's petrochemical plant, which is more advanced than Venezuela's, in order to produce petrochemical derivatives for the Puerto Rican, Venezuelan and US markets. At present the highly developed Puerto Rican petrochemical facilities are largely idle.

There is also the matter of Puerto Rico's newly-purchased merchant marine fleet, the Caribbean's most modern. With large excess capacity, it could move goods between the US and Caribbean countries, between Puerto Rico, Colombia, Costa Rica, Venezuela--all presently lacking cheap, adequate marine transport. However, barriers exist or are presumed to exist. Venezuela has grave

reservations about talking to Puerto Rico for fear of intruding on US
~~domestic relations.~~ Gov. Hernandez Colon says ~~simply:~~
 simply: "The policy of the US toward Puerto Rico should be to take such
 measures ~~as~~ as to allow Puerto Rico to develop itself." ~~simply.~~

This seems like a sensible request. If some way could be found to
 meet it, ~~it should go far to~~ it should go far to
 satisfy Puerto Rico's needs without undertaking the much vaster, much
 chancier and ~~much~~ ^{much} more ~~doubtful course proposed by~~ ^{doubtful course proposed by} Munoz's Puerto Rico
 Adhoc Advisory Group.

~~8. Proposal for a Joint Commission to sit in Washington and deal with~~
 8. Proposal for a Joint Commission to sit in Washington and deal with
 US-Puerto Rican ~~relations.~~ relations. Obviously, the relationship changes, as
 do all governmental relations, and requires a permanent institution to
 facilitate ~~the~~ necessary adjustments. Can we imagine a United States
 without a Congress or ~~arranging to set up a Congress every~~ ^{arranging to set up a Congress every}
^{to deal with a variety of accumulated problems?}
 25 years or so? ~~The relationship is sufficiently alive and faces~~
^(U.S. Puerto Rican)
 sufficient problems to warrant a simplified procedure. There is the danger
~~of course that~~ of course that ~~the presence of such a body~~ the presence of such a body

might encourage ~~the~~ an unneeded ~~and~~ and unwanted tendency to go ~~over~~ over the same old ground, ~~possibly~~ possibly even some turmoil, but there is ~~a~~ perhaps ~~the~~ greater possibility that lack of such a ~~body~~ body would encourage precisely such tendencies.

CONCLUSION

~~Try,~~ for a moment, projecting Puerto Rico onto the U.S.

The US would have a density of 875 persons per square mile with a population of 3 billion. Some 80% of the US would be craggy limestone hills and mountains laced with a patchwork of subsistence farms, and we would import all of our oil, coal, natural gas, industrial raw materials, minerals and two thirds of our food. Our people would average half the education, and family ~~incomes~~ incomes would be cut two thirds. There would be 140 million people on food stamps, 24 million unemployed in pre-recession times while another ~~31~~ 31 million would be "voluntarily jobless", that is discouraged men and women who had given up ~~looking~~ looking for work. Do that and you have an idea of Puerto Rico's situation in "normal," pre-recession times.

Clearly, ~~then,~~ Puerto Rico and the US are ~~two~~ two different nations, not one, in the vital respects ~~of~~ having to do with making a living and the social consequences that flow from it. If these two nations are to live together in permanent relationship, ~~as they~~ as they have decided, it may be wise to consider means of adapting the US rules to Puerto Rico's very special problems.

From 1945 to 1972, from Govs. Munoz through Ferrer, the thrust of modern Puerto Rican policy was to turn Puerto Rico, at least economically, into a US part or counterpart. The realization is just now dawning that this cannot be done, at least not anywhere near the extent dreamed of.

"They (Washington) should be aware of the fact that doing the job as it is right now is enormously difficult," the young Governor says. "If we face closed doors we'll find ourselves in a hell of a situation. I'm not saying we'll go independentista. But if they close doors, in a number of years we could be so bad off economically you don't know what will happen ~~in Puerto Rico~~ here in Puerto Rico."

This is a ^{veiled} ~~veiled~~ threat, all right; nevertheless it merits
serious consideration.

Sam Halper