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U.S. House of Representatives

Committee on Natural Resources

Subcommittee on Indian, Insular and Alaska Native Affairs

The Honorable Don Young, Chairman

Oversight Hearing – June 24, 2015

"Examining procedures regarding Puerto Rico's political status and economic outlook."

Chairman Young, Ranking Member Ruiz and other Members of this Subcommittee:

The focus of today's hearing is on point, because the economic outlook for Puerto Rico is directly linked to the historical necessity of a permanent, constitutionally defined political status.

The current economic crisis is a cruel manifestation that territorial status is not a sustainable model for the political economy of America's last large and populous territory. Real people are enduring harsh suffering because Puerto Rico's development is being suppressed by a century of even more severe constraints on growth than 32 other federal territories experienced before transitioning to a statehood economy.

The dire situation that has devolved under the commonwealth regime is demonstrated by graphs from reports released by the Puerto Rico Government Development Bank that I have provided to this Subcommittee (Exhibit A). With the exception of a year and a half between 2011 and 2012, Puerto Rico's economy has been in negative territory during the last nine years. Said situation has turned critical during the last thirty months. We must reverse this accelerating decline and restore fiscal discipline so that people can go back to work and families can recover optimism and prosperity.

But there can no longer be any illusions about one transcendental truth. Puerto Rico's full potential for economic success and job creation will not be realized until economic uncertainty generated by the island's unresolved political status is replaced by stability and full participation in the U.S. national economy.

The 3.5 million U.S. citizens of Puerto Rico get it. That is why a 54% majority voted to end the current status in the plebiscite of 2012. With voter turnout exceeding 78%, more than 61% of voters chose statehood over separate sovereign nationhood, with or without a treaty of free association.

Results certified by the Puerto Rico Elections Commission confirm that the total number of votes cast for statehood (834,191) was greater than the total vote for the current status (828,077). That means the current status got an up or down vote and was defeated on the first ballot question, while statehood won a strong majority on the second ballot question.

There is no legal basis for assigning a meaning to blank ballots on the second question in the 2012 vote, while there is historical precedent for a federally sponsored vote to confirm the results of the 2012 plebiscite. That is why Congressman Pierluisi's bill (H.R. 727) will empower voters either to confirm or reverse the 2012 vote for statehood.

H.R. 727 is fully consistent with the purpose of the 2014 bipartisan legislation in which Congress allocated \$2.5 million for a new status vote. Its objective can be accomplished pursuant to the Pierluisi bill, under which the U.S. Attorney General still must certify the ballot question is legally valid under federal law.

Yet, here we are in 2015, and instead of open democratic self-determination, the ideological faction clinging to the status quo insists on obstructing the will of the people as so clearly expressed in the 2012 plebiscite. The simple truth is that defenders of the status quo can't even agree on a legally valid non-territorial status definition. The status proposals made in the past by the commonwealth party have not been constitutionally valid, and there is no indication that this time it will be any different.

Meanwhile, as time passes, a steady and indeed unprecedented stream of U.S. citizens, denied both self-determination and equal economic opportunity in the territory, continue the exodus to acquire equal rights secured under our Constitution only through residence in a state.

But mass relocation within our national borders should not be required for U.S. citizens in a territory to attain equal rights. People know that in America equality includes government by consent, and in the U.S. that means voting rights in federal elections secured only for residents of a state under Article I and Article II of the Constitution.

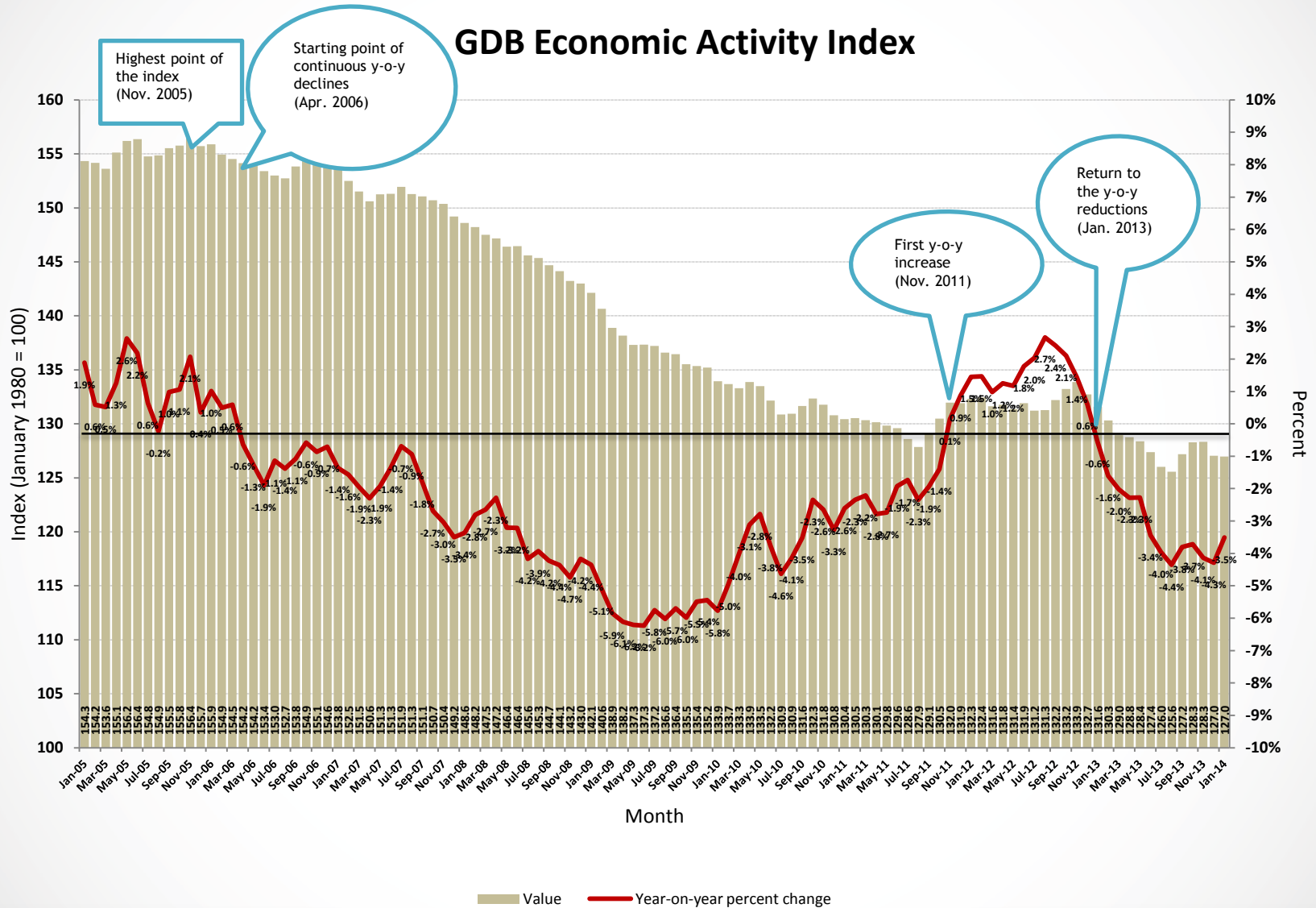
Thus, the real meaning of the 2012 vote is that decades of false doctrine on political status options have ended. A majority of your fellow citizens in Puerto Rico now understand that the most sacred fundamental rights of citizenship can be secured permanently and constitutionally only by citizenship in a state of the Union. This modern-day diaspora is a direct reflection of the inequities of the current territorial status and a direct response to the lack of action by Congress to address this flaw in our democratic way of life. Every month, thousands of American citizens relocate from the island, leaving their homes and families behind, in search

of equal opportunities, equal rights and economic freedom that can only be attained in one of the fifty states of the Union.

That is why supporters of statehood are not afraid to put the status we support to the test in an up or down vote. As fate would have it, the most logical and democratic way for Congress to know where we stand as Americans is to allow an up or down vote to confirm or overturn the 2012 results.

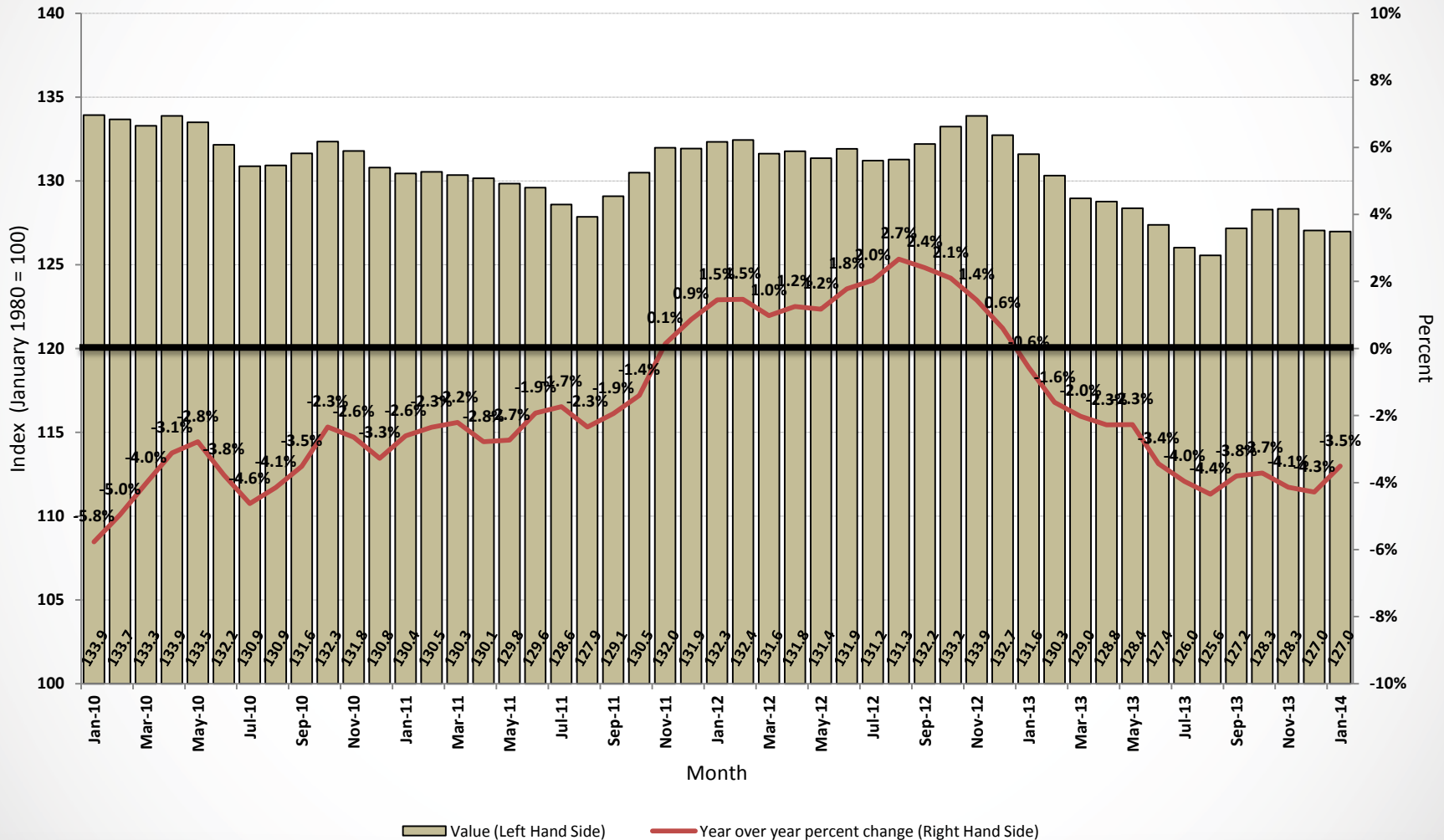
* The opinions expressed in this testimony are my own and do not necessarily represent the opinions of Steptoe & Johnson, LLP, its employees or clients.

- In 2005 the EAI reached its highest level, and in 2006 it started to show significant year-over-year reductions.



- In January 2014, the GDB-EAI reflected a 3.5% y-o-y reduction, after showing a 4.3% y-o-y decrease in December 2013.

GDB Economic Activity Index



Changes to the new GDB-EAI (4)

...in terms of the year-over-year percent changes. The y-o-y percent changes remained similar to the previous estimates for the past three years.

Economic Activity Index (Year-over-year growth rate)

