

March 2nd, 2016
9:00 AM – 11:00 AM
National Press Club
Washington, DC



Is a Federal Fiscal Control Board the Only Option for Puerto Rico?

Opening Remarks

Miguel A. Soto-Class, President of the Center for a New Economy

Good Morning.

It is a privilege for us at the Center for a New Economy to have you here with us today.

For those of you who don't know us, CNE is an independent, and nonpartisan research and policy institution founded in 1998, and headquartered in San Juan, Puerto Rico. We value being relevant, independent, pragmatic, and empirical. And we refer to ourselves as a think-tank plus, because we do not hesitate to go beyond the ivory walls when it is called for.

We are here today, because we feel a vital piece has been missing from the conversations and discussions regarding the placement of an oversight authority over Puerto Rico. And we want to fill that vacuum, and inform the debate, particularly as regards the notion of a Fiscal Responsibility Law, as a viable proposition for improving Puerto Rico's fiscal condition.

The debate so far has been a binary one, with those on one side debating how strong a federal control board for Puerto Rico should be, while on the other side they argue that no oversight authority at all is acceptable.

We feel it is critical, to impose strong fiscal controls on the Commonwealth, but we feel they are best provided by a Fiscal Responsibility Law.

Many have called us naive to think such a system would work. I assure you, we are not naive, and we understand the skepticism towards our proposal, as well as the attraction to the appointment of a powerful control board. The people of Puerto Rico have been witnesses to a string of political administrations unwilling, and unable, to put the house in order. And so, we are all duly skeptical that a change in behavior can occur unassisted.

But we cannot fall prey to a cynicism that blinds us to the problems and complications that a federally imposed control board will face in Puerto Rico. The hurdles of legitimacy that will confront such a mechanism will undoubtedly limit its effectiveness, its duration and its deliverables as well as the quality of its composition.

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What Puerto Rico needs is a solution that accepts and embraces the rebuilding of our fiscal institutions so that progress can be enduring. A Deus ex machina control board will not necessarily tackle this, and so the roots of our problems will remain.

I want you to know, that our goal today was not to stack the panel in favor of our proposals. What you will witness today is not a banal chorus of synchronized thinking, but an intelligent debate based on evidence, social science and realpolitik that will serve to inform and improve CNE's policy proposals, while simultaneously elevating the discussion beyond shallow political rhetoric.

I have to admit I have been surprised by the public sentiment in Puerto Rico in favor of a strong, and federally imposed, control board. As I've mentioned, I understand the allure, but I venture to say few in Puerto Rico have thought out the implications, and many I'm sure will come to regret their request.

What's more, I feel this is a conversation where important voices have been left out of the room, namely, the opinions of those of us who are citizens of Puerto Rico, who have borne the brunt of the fiscal and economic crisis and who will have to live with the eventual remedies.

For those of us from Puerto Rico, these issues are not just news or an interesting sideline. When I hear about the hundreds of thousands of Puerto Ricans who have migrated, it is personal for me, because my parents and both of my sisters are among them. When I read about bankruptcies and foreclosed homes, it is personal for me, because it reminds me of the two homes foreclosed by the bank on my street, and the impact that has had on our household and on our neighborhood.

Since 2005, CNE has been sounding the alarm about Puerto Rico's debt problem and pushing forward proposals to stem the downward spiral. You would be surprised, or perhaps you would not, at the disbelief and timid responses we received, not just in the Commonwealth, but in some of the most hallowed halls of this nation's political and economic institutions.

Now the day of reckoning has arrived, and with billions due to creditors in the next few months, the clock is ticking in suspense for a solution from policy makers here in Washington. In the meantime, and without the tools necessary to adequately confront the crisis, Puerto Rico struggles to stay afloat, and is forced to negotiate under duress into punitive deals with creditors that lock generations to come into one-sided transactions.

We feel there has been, and we have been active in denouncing, the mismanagement and lack of foresight and statesmanship of our own policy makers in San Juan. But there is plenty of blame to go around, and those who would point the finger solely at Puerto Rico would do well to remember the polarized state of play right here on the hill. If San Juan can't claim innocence, neither can Washington feign to be in the midst of an enlightened political renaissance.

Beyond informing the debate, this event serves another function for CNE. With it, we announce our arrival and incursion into the policy arena of Washington, D.C. We intend to be active here from now on

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on issues affecting Puerto Rico, trailblazing a new civic infrastructure for the island that insists on being in the room, and at the table where decisions about our future are being debated and decided.

Finally, though it may seem odd or out of place, I cannot bring myself to end these brief remarks without first challenging all of us here today to reflect a bit deeper about the issues before us. It is very easy to fall into a line of thinking that isolates our humanity from all these debates. But we cannot allow that to happen. When we talk about fiscal laws, and oversight authority, when we talk about creditors and public finance and capital markets and the such, it is very easy to forget the communities we come from, and the people and individuals beyond the numbers, beyond the spreadsheets and the financial statements.

As we have built up our societies and governments we have lost track of many of the values we hold dear. Values such as community and dignity. Values such as work, and fairness, generosity and virtue; right versus wrong.

The eyes of the world are upon us now, watching to see how we come to terms with the crisis of Puerto Rico. How we work this out, will say a lot about who we are as a society. I believe, that if we choose now, to stand with our better angels, and in remembrance of those values we hold in sacred trust, it will be a powerful signal to all today, and a bright beacon of hope for those to come.

Thank you very much.