**Regarding Puerto Rico**

**DID YOU KNOW?**

1. **People born in Puerto Rico are citizens of the United States, just like people born in any of the states. In 2017, U.S. citizens made up 99% of Puerto Rico’s population.**
2. **Residents of Puerto Rico, U.S. citizens, cannot vote in presidential elections, and they have no representatives in the U.S. House of Representatives or the U.S. Senate.**
3. **Puerto Ricans living on the island can move to the states with no constraints.**
4. **People living in the states do not need a passport (or a visa) to go to Puerto Rico.**
5. **Puerto Ricans living on the island are part of the U.S. Social Security and Medicare systems and pay the Social Security and Medicare taxes, just like anyone living and working in the states.**
6. **Puerto Rico receives less federal expenditures per capita than any state or the District of Columbia. It might be argued that this is because Puerto Ricans living on the island are not part of the federal income tax system.**
7. **Residents of Puerto Rico do pay federal Social Security and Medicare taxes, and, yet, on a per capita basis Puerto Rico has received less *net* support—federal expenditures coming to Puerto Rico minus tax payments going to the federal government—than have many states.**
8. **Residents of Puerto Rico are not eligible for the federal Earned Income Tax Credit and have limited eligibility for the federal Child Tax Credit. As a result, their disposable income is often several thousand dollars less than it would be if they were in the states.**
9. **Although many people view Puerto Rico as heavily dependent on “welfare” from the U.S. government, in the 2006 to 2017 period, the great majority of the increase in transfers of funds from the federal government to Puerto Rico – 86.6% – was in Veterans’ Benefits (14.7%), Medicare (41.7%), and Social Security (30.2%). These are programs into which Puerto Ricans had made payments, like people in the states, or, in the case of Veterans Benefits, had served in the military (at higher rates that people in the states). The only “welfare” program that contributed a substantial share of the increase in federal transfers was Nutritional Assistance (6.6%).**
10. **Like many people in the states, residents of Puerto Rico fear the IRS. Yet, if Puerto Rico were part of the federal income tax system, more than half of households on the island would not be liable for any federal income tax payments.**
11. **The poverty rate in Puerto Rico has been about 45% since the beginning of the 21st century. In 2017, the poverty rate was 44.4%, whereas the rate for Mississippi, the lowest-income state, was 19.8%. For the United States as a whole, the poverty rate in 2017 was 12.3%.**
12. **The distribution of income in Puerto Rico is more unequal than in any state; and in most countries in Latin America the distribution of income is more equal than in Puerto Rico.**
13. **Puerto Ricans living on the island pay Medicare taxes, just like anyone living and working in the states. Yet, in the Medicare program Puerto Rico is treated less well that the states: less expenditure per person, lower reimbursement for hospitals, less reimbursement for individuals in Medicare Advantage, no automatic inclusion in Part B, less reimbursement for prescription drugs.**
14. **For Puerto Rico, federal Medicaid payments are “capped.” In the states there is no such “cap” and the federal share of payments varies with the level of per capita income in each state (with the federal share being higher in lower income states and the state government paying the remaining share). Were Puerto Rico treated in the same manner as the states, the federal Medicaid contribution would be much higher.**
15. **In the federal nutritional assistance program (commonly known as “food stamps”), Puerto Rico receives a block grant, while in the states the program is open-ended and funds are provided on the basis of need. Were Puerto Rico treated in the same manner as the states, more Puerto Ricans would be covered and the average monthly benefit for each household would be significantly greater.**
16. **For decades, an integral aspect of Puerto Rico’s economy has been, in effect, getting rid of the island’s people. Even when the Puerto Rican economy has been growing, it has been unable to provide sufficient employment, and large numbers of Puerto Ricans have left the island for the states. But as the economy has been in decline since 2006, this out-migration has become even larger.**
17. **In 2017 (before the hurricanes), the economy of Puerto Rico was as far behind the United States in terms of Gross National Product (GNP) as it was in 1950.**
18. **From July 1, 2006, the year when Puerto Rico’s long recession began, to July 1, 2018, after the immediate impacts of the hurricanes, the population of the island fell by 16%. Most striking is a sharp decline in the number of children, people 15 years old or younger. There were 906 thousand people in this youth category in 2006 but only 485 thousand in 2018, a decline of 46%.**
19. **The Puerto Rican economy has long been dependent on external sources for investment and for the operation of the largest firms on the islands, and has lacked a full development of a Puerto Rican foundation for its economy.**
20. **The degree of dependence of the Puerto Rican economy on foreign investment and operations is reflected in the large gap between the island’s Gross Domestic Product (GDP), which includes the profits of firms owned off the island, and the Gross National Product (GNP), which does not include the profits of those externally owned firms. From the 1970s onward, the GDP-GNP gap has been growing, and since 2000 GDP has been at least 50% larger than GNP.**
21. **The dependence, or outward orientation of the Puerto Rican economy, also pervades the government’s economic policy. At the center of its policy has been an effort to obtain favorable treatment from the federal government that would attract investment on the island from U.S. firms.**
22. **The focus of the Puerto Rican government on attracting foreign investment led to an extremely large role for manufacturing; yet, over many years manufacturing has made a very small contribution to employment. Furthermore, the government’s focus on manufacturing was associated with its failure to support the development of other areas of economic activity and to strengthen the social foundations for economic growth.**
23. **Many people and institutions share responsibility for the poor state of the Puerto Rican economy—the long recession, the slow growth preceding the recession, the huge public debt, the inability of the government to implement effective policies, the great decline of the population, the continuing poverty, and the great economic inequality. *Yet, ultimately responsibility lies with the U.S. government.* This conclusion is not simply a statement about particular poor federal policies toward Puerto Rico, but is based on the fundamental relation between the federal government and Puerto Rico as embodied in the provision of the U.S. Constitution regarding territories. According to Article IV, Section 3: “The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States.” The entity to which a property belongs has ultimate responsibility regarding what happens to and in that property.**