



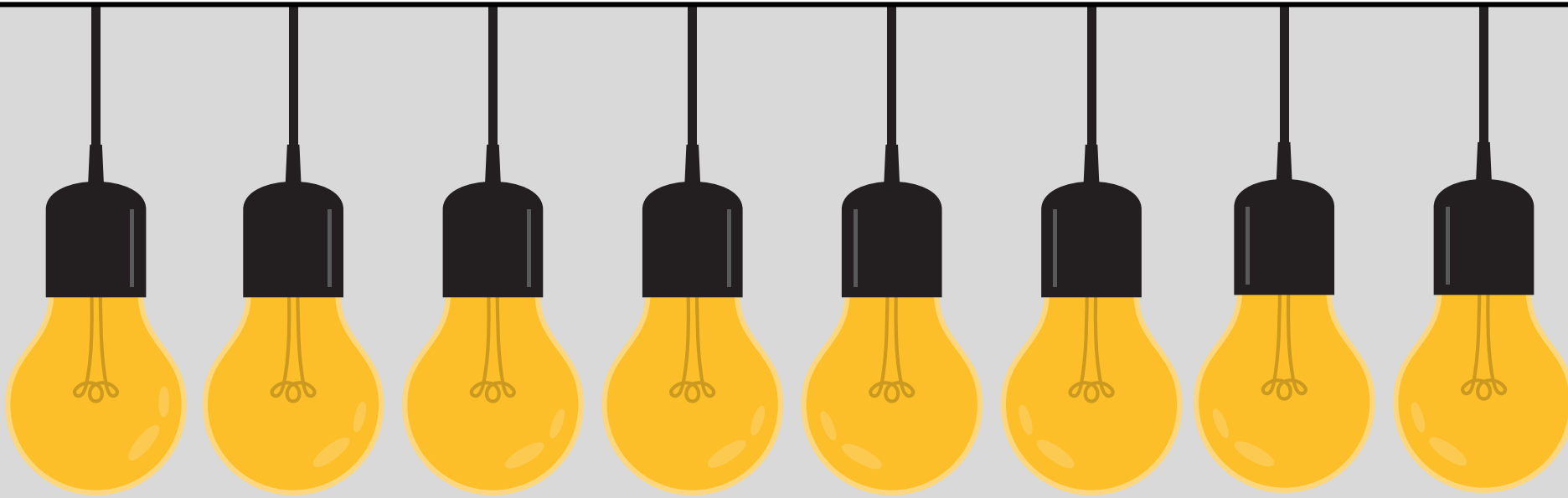
# The State of the Economy

José J. Villamil  
February 26, 2020

# LOOKING FORWARD NOT BACKWARDS

## THE PAST AS PROLOGUE?

One of Puerto Rico's problems is its success in the fifties and early sixties



“The difficulty lies not so much in developing new ideas as in escaping from old ones”.

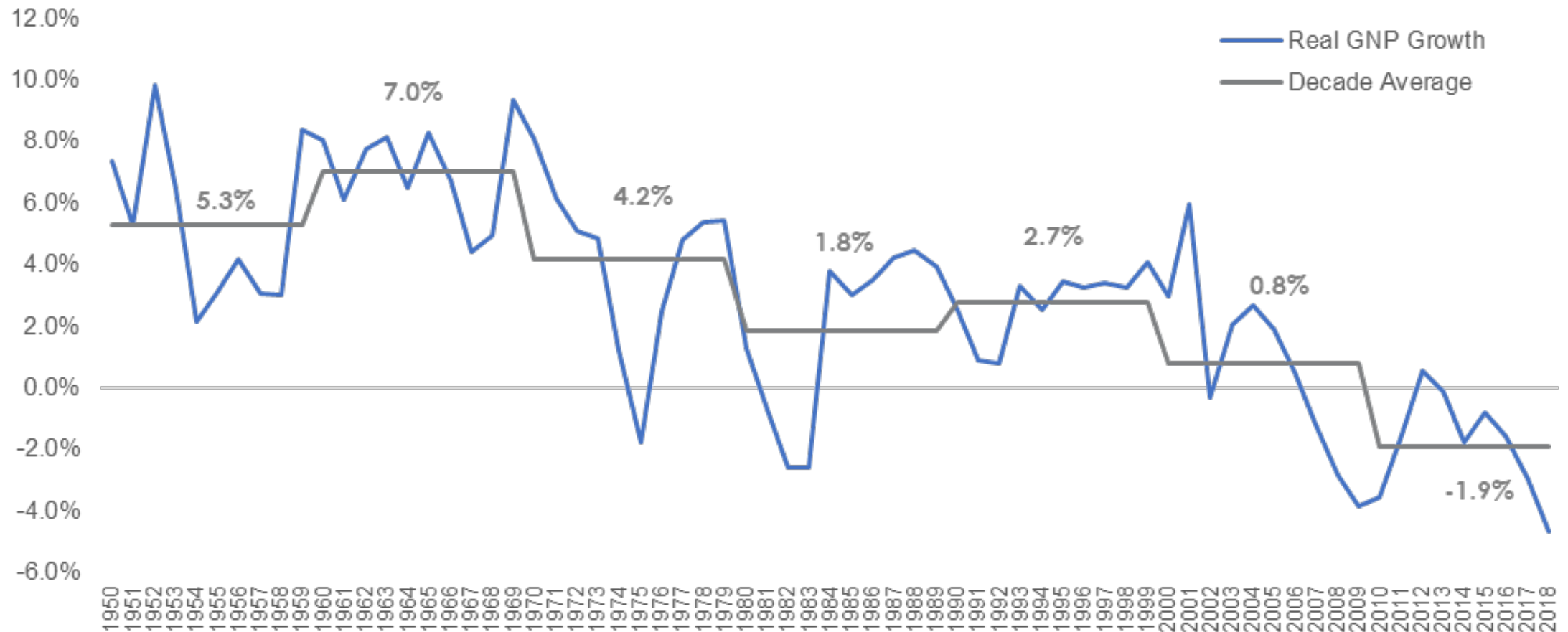
John Maynard Keynes



# REVERSE DEVELOPMENT AS HISTORY

## THE STORY OF ECONOMIC UNDERPERFORMANCE

Puerto Rico needs to reconstruct its economy from the prolonged period of under performance



# IDEOLOGY AS A GUIDE TO ECONOMIC POLICY

***“... the problem with any ideology is that it gives the answer before you look at the evidence. So you have to mold the evidence to get the answer that you've already decided you've got to have. It doesn't work that way. Building an economy; rebuilding an economy is hard, practical nuts and bolts work”.***

**Bill Clinton**











# THE IDEOLOGY OF DEVELOPMENT

The method of Economics becomes an ideology and, in many cases, predetermines results

*“The first essential for economists is to combat, not foster the ideology which pretends that values that can be measured in terms of money are the only ones that ought to count”*

**Joan Robinson**

# THE COMPLEXITIES OF ECONOMIC DEVELOPMENT

INFRASTRUCTURES	OBJECTIVES					
	Flexibility	Productivity	Sustainability	Pluralism	Constancy	Innovation
 <b>Physical</b>	Integrated planning and decentralization	Emphasis on connectivity	Focus on renewable energy and decentralized initiatives	Stimulate local initiatives (acueductos comunitarios)	Long range planning	Integrating AI in infrastructure planning and execution
 <b>Social</b>	Decentralization of social programs	Strengthen STEM programs in education	Training programs that integrate social and environmental concerns	Integrated housing and social service programs	Improve efficiency and decentralized delivery	Create an R&D entity for innovation in social services
 <b>Environmental</b>	Community involvement in environmental policies	New energy sources and better land use planning	Include the environment in the Fiscal Plans	Better and more accessible information and community involvement	Create non government environmental policy entity	Strengthen university R&D capabilities
 <b>Institutional</b>	Consolidate processes, deregulate and re-regulate	An investment focused tax system	A legal framework that stimulates community involvement	Consider social infrastructure as a development tool	Minimize political intervention in government activities	Needed a public policy on innovation that covers all infrastructure areas
 <b>Cultural</b>	Stimulate institutional learning	Culture as an economic sector: culture as consumption vs. culture as investment	Assure adequate budgetary allocations	Strengthen support for community initiatives	Increase intervention in cultural policy by non government entities	Stimulate research on the creative economy
 <b>Knowledge</b>	Reduce market entry obstacles	Improve technology transfer capacities (Fundación Chile)	Work towards an autonomous innovation system	Improve access by SMEs to new technologies and strengthen internal linkages	Strengthen K-12 educational system and R&D infrastructure	An innovation based economic development strategy

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# THE COMPLEXITIES OF ECONOMIC DEVELOPMENT (CONT.)

*For every complex problem there is an answer that is clear, simple, and wrong.*

H.L. Mencken

“In the scientific world, the syndrome known as “great man’s disease” happens when a famous researcher in one field develops strong opinions about another field.... The same syndrome is apparent in some business leaders who have been promoted to economic advisers. The general principles on which an economy must be run are different... from those that apply to a business.”

Paul Krugman, 1996

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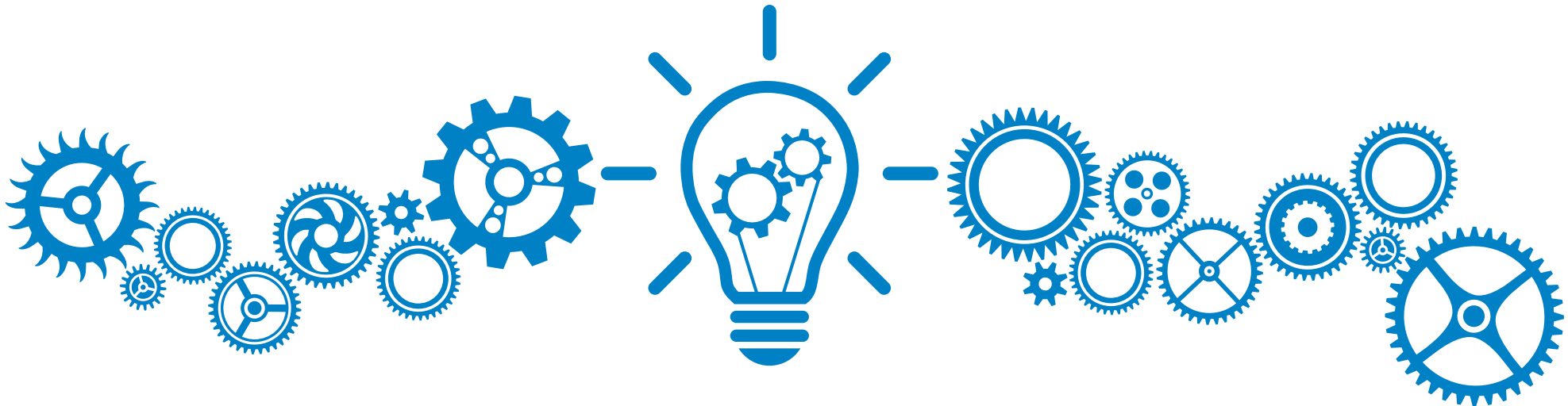
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# A NEW ECONOMIC VOCABULARY

Uber is not a taxi, Airbnb is not a short term rental agency, Wal-Mart is not a retailer.... they are all new technologies.

Trade is no longer synonymous with integration. This process now occurs through technology transfers, cross border mergers, supply chain networks, international division of labor within firms, collaborative arrangements for material and knowledge production....





# BEYOND UP AND DOWN ECONOMICS

**Reconstructing a destructured society is a major challenge**

"... economics alone is not enough, and this is why I am a reluctant economist. We cannot comprehend the world around us without knowledge of the facts and insights provided by the other social sciences.... It is good to be an economist; it is better to be a social scientist."

**Richard Easterlin**  
**The Reluctant Economist**

"Development can be seen ... as a process of expanding the real freedoms that people enjoy (economic opportunities, political freedom, social facilities, transparency guarantees, protective security)"

**Amartya Sen**  
**Development as Freedom**



## THE ROAD TO RECONSTRUCTION

“Once an area has been left behind technically and economically, the effort to improve levels of living involves the greatest difficulties...”

**Harvey Perloff, 1951**

“... in the normal case there is no ... tendency towards automatic self-stabilization in the social system.... In the normal case a change does not call forth countervailing changes but, instead, supporting changes, which move the system in the same direction as the first change ... circular causation as a social process tends to become cumulative and ... gather speed at an accelerating rate”

**Gunnar Myrdal, 1957**

# NEEDED: A CLEAR VISION OF THE DESIRED FUTURE

The country that is more developed industrially only shows to the less developed the image of its future.

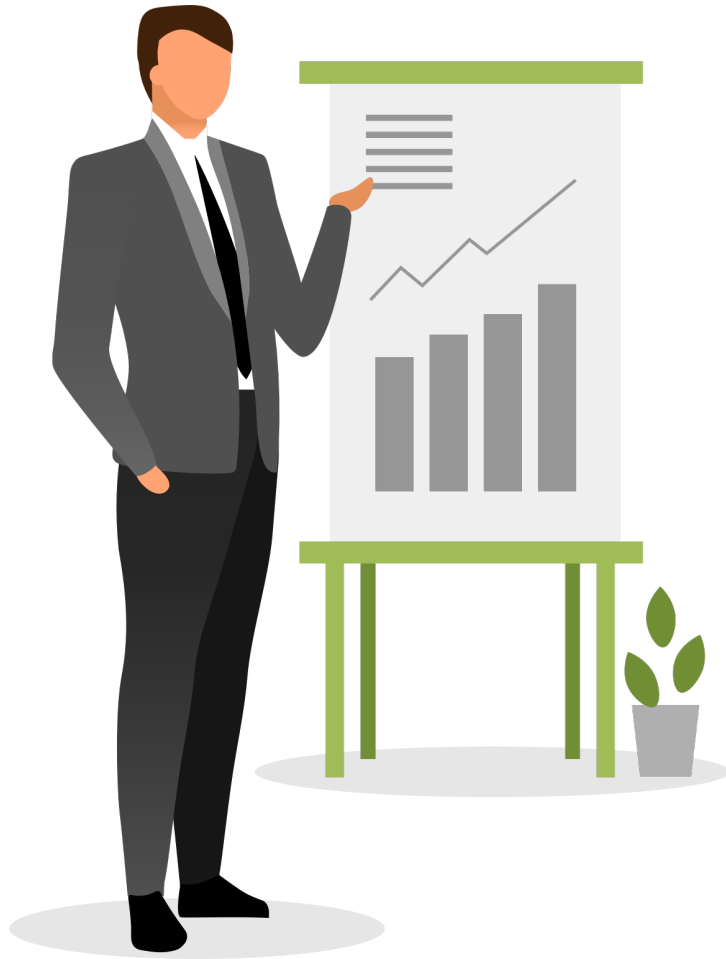
**Karl Marx**

"One day Alice came to a fork in the road and saw a Cheshire cat in a tree. 'Which road do I take?' she asked. 'Where do you want to go?' was his response. 'I don't know,' Alice answered. 'Then,' said the cat, 'it doesn't matter.'"

**Lewis Carroll, Alice in Wonderland**

"All nations have opportunities which they may grasp if only they can summon up the courage and the will... It is possible for a nation to take a new turn if it is fortunate to have the right leadership at the right time."

**W. Arthur Lewis**



“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists”.

**Joan Robinson**



# Thank You!

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