



## The Problem With Bernie Sanders' Bold Plan To Aid Puerto Rico

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May 20, 2016

The race for the Democratic nomination is in its final throes, and Sen. Bernie Sanders (I-VT) and Hillary Clinton are fighting it out for every last remaining delegate. Puerto Rico's June 5 primary — in which 67 delegates are up for grabs — will carry more political weight than usual, and the campaigns are lavishing attention on the island.

As he campaigned in the territory's capital on Monday, Sanders laid out a bold proposal to help Puerto Rico dig itself out from \$72 billion dollars in debt, but economists and former government officials tell ThinkProgress the plan is legally impossible.

Both Sanders and Clinton have urged Congress to pass a bill giving Puerto Rico the ability to declare bankruptcy and restructure its debt. But Sanders went further this week, demanding that the Federal Reserve act unilaterally to help the island if Congress continues to drag its feet on a bill to restructure the massive debt the Puerto Rican government says it cannot pay.

“If the Federal Reserve could bail out Wall Street, it can help the 3.5 million American citizens in Puerto Rico improve its economy and lift its children out of poverty,” he said. “Under current law, the Federal Reserve has the authority.”

One of Sanders' advisers, Ady Barkan with the Center for Popular Democracy, echoed Sanders in an e-mail to ThinkProgress, saying that if the U.S. government could find a way to prop up Wall Street during the 2008 crash, it can do the same for Puerto Rico.

“When the financial crisis hit Wall Street, they used all of their most creative legal minds and institutional power to design solutions that would protect the big banks from collapse; if they wanted to, Fed officials could similarly find appropriate solutions here.”

But other economic experts and former Federal Reserve board members told ThinkProgress that Sanders is mistaken. Ironically, the reforms Congress passed to rein in Wall Street following the 2008 financial crisis — reforms Sanders supported — are part of why the Federal Reserve can't do what Sanders is now demanding.

“The type of assistance Senator Sanders is asking the Fed to provide would not be legally possible,” said Donald Kohn, who served on the Federal Reserve's Board of Governors from

2002 to 2010. “[It is] not what the Congress intended. Among other things, [the law] requires that any facility be broadly based and not intended for a particular troubled borrower.”

The reforms in the 2010 Dodd-Frank bill sharply curtailed the central bank’s ability to make emergency loans to struggling banks, partnerships, or corporations in order to keep them afloat. While questioning whether the Puerto Rican government counts as a bank, partnership, or corporation in the first place, Kohn also cited another section of the law saying the Federal Reserve must “prohibit borrowing from programs and facilities by borrowers that are insolvent,” as Puerto Rico will soon be, and that emergency lending powers are “not to aid a failing financial company.”

The Federal Reserve has given Congress the same message, and other fiscal policy experts agree. University of Pennsylvania professor Peter Conti-Brown, an expert on the Fed’s legal authority, told the *Washington Examiner* that Dodd-Frank “specifically forbids this kind of targeted bailout,” while Cato Institute director of financial regulation studies Mark Calabria added that “the intent and clear language forbids ‘one-off’ rescues to single entities.”

Experts say it falls on Congress to act to rescue Puerto Rico. House Republicans introduced a bill this week that would allow Puerto Rico to restructure its debt, but would also implement an unelected control board to oversee the island’s budget and cut the minimum wage from \$7.25 to \$4.25 an hour for workers under 25.

Sanders blasted the proposal as undemocratic and a further burden on the poor. “We need austerity for billionaire Wall Street hedge fund managers who have exacerbated the financial crisis in Puerto Rico. We don’t need more austerity for children in Puerto Rico who are going hungry,” he said.

Yet regardless of the feasibility of Sanders’ Federal Reserve proposal, his pro-sovereignty and anti-austerity message resonated with Puerto Ricans on and off the island.

“Bernie Sanders is the only candidate dedicated to the people of Puerto Rico,” said Jose Nicolas Medina, an attorney in San Juan. “Much of our problems are due the policies of Clinton. As first lady and as Senator, Hillary did nothing to help the situation of Puerto Rico. So we punish the Clintons with our votes.”

Others watching Sanders’ speeches told ThinkProgress they were inspired by his promise to allow Puerto Ricans to vote for either independence or statehood during his first year in the White House, and his characterization of the current U.S.-Puerto Rican relationship as “colonial-like treatment.”

“To have a candidate for president finally admit that Puerto Rico is a colony is historic,” said Phillip Arroyo, the former chair of the Young Democrats of America’s Hispanic Caucus and a Puerto Rican living in Florida. “He has planted a seed in the mind of the new generation. It will ultimately bear fruit regardless of whether he’s elected.”