



Puerto Rico at the Precipice

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Two weeks after Hurricane María made direct landfall on Puerto Rico, President Donald Trump arrived waving the magic wand of federal assistance.

He reminded Puerto Ricans that, though they have thrown the US budget “out of whack,” he will cooperate with local officials “to assist those in need, to help save and sustain lives, and to begin the long recovery and rebuilding effort.” After widespread criticism of his leadership and disaster management skills, he claimed that resolving the crisis was just a matter of “sending tremendous amounts of supplies, tremendous amounts of food and water, and we are sending great people to help.”

Eager to benefit from such tremendous promises, local officials laid out the red carpet. The benign hand of American power had finally arrived, eager to help its colonial subjects reconstruct the capitalist utopia it had so altruistically bestowed upon the island’s people.

The Destruction

For the past two weeks, the testimonies emerging from Puerto Rico have been unnerving. An unreported number of hospital patients have died due to the government’s inability to supply diesel to hospital power generators. For ten days after the storm, finding food, water and fuel was a herculean task. Multiple sectors of the island remain isolated, with residents resorting to drinking water from contaminated creeks and community pools. SOS messages are written on rooftops and roadways in hopes of receiving assistance. As of Monday approximately 88% percent of cellular phone towers on the island were still out of service. It became commonplace for people to stand in six- to eight-hour-long lines only to find grocery stores bereft of supplies.

While ordinary Americans and diaspora Puerto Ricans have shown an outpouring of solidarity to the island’s distressed communities through charity drives and the shipment of sorely needed supplies, the actions of local and federal authorities have conspired to ensure a disaster of unthinkable proportions. The hurricane was a force of nature, spawned by easterly winds born in

the Sahara, but the negligent response to the devastation it caused is the cruelest reminder of Puerto Rico's colonial condition.

The storm accomplished the unthinkable: making the economic outlook of Puerto Rico for the foreseeable future look even worse than it had the day before the storm. Facing multi-million-dollar damages, manufacturing companies have taken steps to minimize further economic losses by laying off full-time and temporary workers. Many expect these firms to shut down operations and transfer production to other countries. Workers who've managed to keep their jobs report having to show up to work hungry and thirsty, forming endless lines for gas only to squander it on their commutes.

In addition to the near death sentence Hurricane María delivered to the island's manufacturing industry, she has devastated local agriculture. In a matter of hours the hurricane wiped out approximately 80 percent of Puerto Rico's crop value — almost the whole of the coffee, plantain, and banana harvests have been destroyed.

For an island that already imports 85 percent of its food, the signs are ominous. As the soils recover and trees are re-planted, Puerto Ricans will only become more dependent on the largesse of American food stamps and the over-priced goods they have no choice but to consume thanks to Washington's protectionist cabotage laws — regulations on foreign transport firms operating domestically — like the Coastwise Shipping Act or Jones Act. That outdated piece of legislation renders food prices roughly double those of nearby Florida, even though per capita income in Puerto Rico is less than half that of Mississippi, the poorest of the fifty states.

The island's food prices — much like its inability to overcome its fiscal troubles, economic depression, and obsolete energy infrastructure — are hardly an accident. We can only hope that among those things Hurricane María destroys will be the myths about the United States' benevolence towards Puerto Rico.

Part of the Racket

Between 1898 and 1934, the Puerto Rican economy benefited from an injection of US capital into the island's agriculture. Yet the resulting capital extracted by mainland investors was rarely reinvested in the island. The Great Depression and the crisis in the sugar industry prompted a reorganization of Puerto Rico's economy through a policy that came to be known as Operation Bootstrap, which fostered a transition away from agriculture towards manufacturing.

Wary of the Soviet threat — conspicuous in nearby Cuba — the United States sought to ensure the prosperity of its capitalist experiment. Between the 1960s and 1990s, the island prospered, especially in comparison to the past decade. Growth rates depended heavily on federal tax incentives, first granted to the island in 1921; their final iteration was the 1976 approval of Section 936 of the US Internal Revenue Code. When President Clinton in 1995 signed legislation to phase out that provision over the next ten years, multinationals started transferring operations (mainly pharmaceutical production) from Puerto Rico to more profitable sites in Asia and Latin America.

With the Soviet Union's collapse and Cuba's hardship during the "special period" of the 1990s, propping up the Puerto Rican experiment became a far less pressing concern.

In the 1990s, the Puerto Rican political class facilitated neoliberal policy: privatizing public services, divesting from infrastructure (energy, for example), facilitating the extraction of capital from the island. Puerto Rico's two main political parties — the conservatives, who favor statehood, and the slightly more liberal-leaning party that supports the existing Commonwealth — repeatedly squandered opportunities to incentivize production and economic development. They preferred issuing bonds to finance mega-projects (like concert and conference venues) and keep campaign pledges promising unsustainable clientelistic social spending.

When it came to addressing the island's looming financial implosion, administrations repeatedly passed the buck to their successors. All wished to avoid the political costs of taking steps to avert the impending crisis — they lacked both imagination and resolve. The national bourgeoisie was content to play the role of business agent for US companies. Like the politicians, their "innermost vocation," as Frantz Fanon put it, was "to keep in the running and to be part of the racket." Puerto Rico never quite recovered from the end of US manufacturing incentives, which came to an end on December 31, 2005.

Today, as in 1898, the health of the island's economy continues to depend on the economic vitality of the United States and the effects of its trade, fiscal, and foreign policies. Puerto Rico no longer has the tools needed to overcome its economic predicament, nor to face natural disaster when it rears its head.

Real Catastrophies

President Trump sought to assure Puerto Ricans that they hadn't suffered a "real catastrophe." Many on the island beg to differ. For ten days after the hurricane, both local and federal efforts were a lesson in incompetence. Governor Ricardo Rosselló's failure has been two-pronged. First, he declined to delegate any of the tasks crucial to distributing emergency relief. Eager to take credit for any and all government efforts — a product of his perpetual concern with publicity optics and the next campaign — Rosselló categorically failed to mobilize local resources that could help clear crucial highways and disperse diesel fuel to where it was most needed.

His insistence on an early evening curfew for all the country's residents meant trucks and tankers were unable to deliver supplies. They sat idle near hundreds of shipping containers, in the island's main port in San Juan. The resulting distribution bottleneck has plagued any and all relief efforts. As Puerto Ricans bore the brunt of electricity and water shortages, Rosselló felt his time was best spent taking helicopter rides and staging unhelpful publicity stunts while using his Twitter fingers to give Trump a pat on the back for a job well done. The governor's failure should come as no surprise: Rosselló had no experience in government prior to holding office. Much like us, he has never run anything bigger than a classroom.

The second source of the bungled response is directly linked to the island's colonial relationship to the United States. Puerto Rico simply does not have the fiscal, political, military or administrative tools to respond to a full-fledged humanitarian emergency. Given the scale of

María's destruction and the manifest failures of the relief efforts under the governor's control, he has, much like his predecessors, been reduced to pleading with Washington for its kind assistance and benedictions. To the chagrin of those on the island, President Trump preferred to play golf in Bedminster. As detailed by the *Washington Post* and many others, it took five days for senior administration officials to travel to the island to survey the damage. Army Lt. Gen. Jeffrey Buchanan, now charged with leading recovery efforts, publicly stated his astonishment at the lack of people and assets on the ground to help in the aftermath of the storm.

The United States military has now assumed complete operational control. While the extent of their power on the ground is still unknown, their arrival has been cheered on by many, long indoctrinated to believe the United States has the best interests of its colonized subjects at heart.

La Junta

Puerto Rico has been a non-incorporated territory of the United States since 1898. It lost all the institutions of self-government it had wrested from Spain, after long struggles over four centuries of colonial rule. In 1901, the US Supreme Court started issuing a series of rulings known as the Insular Cases, which determined that Puerto Rico is a territory *belonging* to the United States, but is not a *part* of the United States. After two years of military rule, the United States established a limited civil government, but Puerto Ricans did not elect their own governor or chief executive until 1948. They were not given the right to draft their own constitution until 1950.

To this day, they lack the right to vote for the presidents who have eagerly sent them to war since 1917, when the island's residents were granted US citizenship. In the aftermath of Hurricane María, Puerto Ricans, both on the island and the mainland, have resorted to issuing reminders of their US citizenship to the majority American population, largely unaware of the status of the residents of this US territory "sitting in the middle" of a "big ocean," as Trump put it. For all the benefits it entails, this citizenship status remains a half-truth.

Any illusions about Puerto Ricans' right to self-determination or full membership in the US polity were laid bare just last year. Since the 2008 recession, local politicians have been grappling with how exactly to address the island's crippling debt — a product of local mismanagement, yes, but also intimately linked with the island's ties to the United States, which preclude a whole host of measures that could jumpstart growth.

Things came to a head in June 2015, when then governor Alejandro García Padilla announced the island's inability to pay its creditors. After negotiations on Capitol Hill, a bipartisan deal was struck, culminating in passage of federal legislation called PROMESA (Puerto Rico Oversight, Management and Economic Stability Act), which President Barack Obama signed into law on June 30, 2016. PROMESA — the Spanish word for "promise," rather ironically — enables the island's government to enter a bankruptcy-like debt restructuring. In this process, it is to be guided by a Financial Oversight and Management Board, jointly appointed by Congress and the president. Known locally as "*La Junta de Control Fiscal*" or "*La Junta*," the seven-member body has full powers not only to monitor but also to overrule the budgets proposed by the Puerto

Rican people's elected representatives. In doing so, it denies Puerto Ricans their only remaining source of sovereignty — fiscal autonomy.

From the outset the Junta has pursued classic neoliberal measures. Its main aim has been to ensure that debts owed to various bondholders are collected. In doing so, it will rescue some of the same “vulture funds” that preyed on Greece and Argentina's debt, thus ensuring the smooth functioning of America's municipal-bond market, a longstanding source of financial speculation.

Staffed by some of the very same personalities who helped cause the fiscal crisis in the first place — bankers, lawyers, some with links to firms and investment banking concerns with long-standing ties to previous Commonwealth governments — the Junta has, unsurprisingly, pursued rapacious cuts to public education, infrastructure, and other public investment. The reasoning behind their decisions, ostensibly meant to improve the economy, remains a mystery. Paul Krugman and Joseph Stiglitz, hardly stalwarts of radical economics, have denounced their approach in categorical terms. They correctly point out that the Junta's plan will lead to a debt spiral — raising the ratio of debt to GDP — and with it, the likelihood of bigger debt write-downs in the future.

Too much austerity is obviously self-defeating; it did not work in Africa, Asia, or the Middle East in the 1980s and 1990s, or in Greece more recently. Why exactly it should work in Puerto Rico remains an open question — one to which the unaccountable Junta has no reason to provide an answer, except to its American overlords. The local response is clear for all to see. Over the past year, Puerto Ricans have voted with their feet, leaving the island in record numbers. US taxpayers will pay the cost of the increased migration, which will hopefully awaken some to the cost of placing creditors' interests above those of the population.

In a sad twist of irony, the Junta recently announced it would allow the governor to use \$1 billion of Puerto Rico's budget to address hurricane damage. María's projected cost, according to conservative estimates, is some \$30 billion, roughly a third of the island's economy, or \$10,000 for every resident. Puerto Rico has been declared a disaster area, making it eligible for FEMA funding, and the Trump administration has suspended the usual matching requirement (25 percent of the federal sum), which the local government would surely be unable to meet. Yet the White House has made clear that it does not intend to request aid from Congress until Trump returns from his trip to the island and talks with congressional leaders. The contrast with the \$15.25 billion of aid quickly authorized for Texas after Hurricane Harvey is painfully obvious. Puerto Rico is more easily ignored; islanders have neither a vote in presidential elections nor voting representatives in the corridors of Congress. Rather distressingly, we have no option but to cheer on our right-wing “allies.” As Jenniffer González, Puerto Rico's sole, nonvoting member of the House of Representatives and vocal Republican put it: “We don't have a voice in the Senate, unless it's Marco Rubio.”

Competing Colonialisms

And it will be up to Rubio and his colleagues to determine whether or not the island's lights will be switched back on. Already \$9 billion in debt, due to severe mismanagement and a failure to adopt alternatives to fossil fuels, the local power authority has been unable to restore energy to

more than 95 percent of the island. Federal and Commonwealth officials on the ground have already forecast that electricity might not be restored for months. The state-owned Puerto Rico Electric Power Authority (PREPA) — the power authority that manages the island’s energy — is a public corporation that ruling parties have repeatedly used as a pawn to get a boost in the polls. Previous administrations neglected the decaying energy infrastructure, which made power outages a common occurrence.

Meanwhile, to fulfill campaign promises, they issued bonds to finance artificial reductions in energy costs. Accustomed to anti-union attacks, PREPA linemen have expressed their determination to restore energy to the island’s inhabitants. Yet their will to overcome the island’s predicament collided with the harsh reality of an unsupportive conservative government, which is readying itself to privatize the PREPA and bust one of the island’s strongest unions (UTIER, the union of PREPA linemen).

Nor can islanders count on the humanity of those who bought PREPA bonds to make a profit. Just a week ago, the PREPA Bondholder Group kindly offered \$1 billion in new loans, along with a swap of \$850 million in fresh bonds for \$1 billion in existing bonds. Puerto Rico’s Fiscal Agency and Financial Advisory Authority (AAFAF), a local government body set up by the governor to oversee austerity, quickly rejected the proposal. The new bonds would have jumped to the front of the line for repayment; interest payments after two years would have risen to 6 percent. The bondholders’ main goal was probably just to increase the speculative value of PREPA bonds on the secondary market, where they were trading at a measly 43.4 cents on the dollar at the time the offer was made. Dressed up as \$150 million in supposed debt relief, the proposal was quickly rejected by the AAFAF. In atypically hostile terms, it asked creditors to “abstain from making non-solicited financial offerings at the cost of the people of Puerto Rico.”

Coming from a body unaccustomed to denouncing the financial machinations of creditors, the AAFAF’s response indicates growing levels of frustration, even among the most right-wing elements of the Commonwealth government: “The bondholders proposal is an effort to benefit from Puerto Rico’s crisis and increase the value of its holdings instead of helping to ensure that the reconstruction efforts of PREPA are successful.” Given Wall Street’s generosity, Puerto Rico’s best hope may indeed be aforementioned senator from Florida.

A blackout in a hospital in Humacao, Puerto Rico, on September 27, 2017. Getty Images
The costs that Puerto Ricans pay by virtue of their colonial condition result not only from the emblematic machinations of speculative finance; the island is also subject to a rather outmoded form of crony capitalism. The latter is epitomized by the aforementioned Jones Act, a 1920 law that stipulates that goods imported to Puerto Rico must be shipped in vessels built, owned, and operated by American companies. Under the law, any and all foreign vessels entering Puerto Rico must pay punishing tariffs and taxes. Most prefer to re-route to Jacksonville, where goods are taken on board an American vessel and delivered to the island.

The costs, of course, are passed on to Puerto Rican consumers, who are now the fifth-largest market for American products in the world. Initially adopted to ensure the United States maintained a shipbuilding industry and a seafaring labor force after World War I, the law now acts as a government subsidy for the very same industry.

According to conservative estimates, the Jones Act costs Puerto Ricans more than \$500 million per year. Asked why these hardships shouldn't be eliminated, Trump simply responded that powerful stakeholders are mobilized against any such repeal. Ironically, the maritime industry lobby he was referring to also helped fund the campaign of Puerto Rico's only (non-voting) representative in Congress. Suspending the Jones Act for ten days, as the President recently did, or even ten months, will not be enough.

Those on the island are not alone in coming to this conclusion: free-market champions John McCain (R-AZ) and Mike Lee (R-UT) recently proposed a permanent exemption for Puerto Rico from the onerous law, a step also supported by the Heritage Foundation and the Cato Institute. These actors are hardly opposed to America's sovereignty over the island. They just prefer colonialism to be of the free-market, rather than the crony-capitalist, variety.

Naked Barbarism

Whether or not emergency reconstruction funds arrive, Puerto Rico now lies at the mercy of rapacious vulture funds and a fiscal control board imposed for the purpose of ensuring their profits. President Trump, with characteristic panache and uncommonly precise punctuation, has made clear as much in several of his tweets. Puerto Rico, he tells residents living without electricity, is in troubled waters; it has "billions of dollars owed to Wall Street and banks, which, sadly must be dealt with."

Reconstruction will be guided by the interests of the Junta, which seeks to ensure that bondholders are reimbursed. What little infrastructure remains in the people's hands will be privatized; public beaches will be sold off to the highest bidders. Recovery efforts will be concentrated in Puerto Rico's wealthy districts and tourist sector, while its resident captive consumers continue to prop up America's shipbuilding industry. The University of Puerto Rico, the island's premier public university and a long-standing beacon of intellectual life and affordable education in the country, will be stripped of what scarce assets it still holds. Student fees will rise. Development will be for the few, rather than the many.

Puerto Rico should stand as a lesson to all of what happens when a population is subjected to the twin evils of contemporary capitalism — cronyism and financial speculation. Solidarity with the island requires combatting both — not just pleading for more financial aid or denouncing Trump's bungled handling of the hurricane response.

The commitment to profits over lives comes as no surprise to those who follow the island's travails. Nor will it astonish those who have been fighting the hardline measures imposed after Detroit's bankruptcy. These are but a small indication of what awaits America if the free-market dreams and pork-barrel policies so beloved by Republican speaker Paul Ryan and his allies are implemented.

For now, as Marx put it so cogently when discussing British rule in India, "The profound hypocrisy and inherent barbarism of bourgeois civilization lies veiled before our eyes, turning from its home, where it assumes respectable forms, to the colonies, where it goes naked." Then, as now, dispossession in the colonies rests on the supreme rule of capital.