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Puerto Rico

Economic reconstruction, debt cancellation, and self-determination

- Features -

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Puerto Rico has been a colony of the United States since the Spanish-American War of 1898. Its trajectory has been exceptional. Along with Cuba, it was one of the last colonies of Spain in the Americas. After 1898 it became a colony of a power, the United States, which historically preferred noncolonial forms of domination. It remains a colony, decades after colonialism ceased to be the typical form of imperialist control.

In a series of decisions in 1901, known as the Insular Cases, the US Supreme Court defined Puerto Rico as an unincorporated territory, a possession but not part of the United States, under the plenary powers of Congress. [1]

Although Congress has reorganized the territorial government over the years, the colonial nature of the relationship has remained unchanged. Under the present status, established in 1952 and officially known in English as "Commonwealth," Puerto Ricans elect their governor and legislature, but they only attend to insular matters. We remain subject to both federal legislation and executive decisions, even though we have no participation or representation in their elaboration. Since 1898, Congress has never consulted the Puerto Rican people in a binding plebiscite or referendum on whether to retain or modify the present status, become independent, or become a state of the Union.

Six aspects of a colonial economy

Colonialism has an economic as well as a political dimension. Through the different epochs of Puerto Rico's economic evolution since 1898, some features have remained constant. Let us briefly point out six of them. [2]

First, since 1900 Puerto Rico's economy has been shaped by the priorities and preferences of US capital. US corporations have owned the main sectors of Puerto Rico's economy. They have, in fact, determined what those sectors would be. Such was the case before World War II, when sugar production was the main industry, during the expansion of light manufacturing from the 1940s to the 1970s, and during the following period, characterized by capital intensive manufacturing (pharmaceuticals, for example).

Second, under the control of external capital Puerto Rico's economic evolution has been unbalanced and one-sided (before 1950, monoculture without industry, and after 1950, fragmented industry without agriculture); marked by discontinuity (specialization in one sector is abandoned for the next) and vulnerability to external shifts in sectors of specialization (sugar, petrochemicals, pharmaceuticals). After 1950, this includes the destruction of Puerto Rico's agriculture, to the point that we now import more than 85 percent of our food.

Third, a further consequence of the domination of Puerto Rico's economy by US capital continues to be the constant outflow, largely toward the US, of a significant portion of the income generated in Puerto Rico. This has been the case since the early 1900s. At present, it is estimated that more than \$35 billion leave the island every year, in the form of dividends and other payments to external investors. This is around 35 percent of Puerto Rico's gross domestic product. This figure includes both profits generated in Puerto Rico as well as declared there for tax avoidance purposes.

Needless to say, this is capital that is not reinvested in Puerto Rico. Which leads to a fourth feature of its economy since 1900: Puerto Rico's dependent economy has never been able to provide sufficient employment for its

workforce. At present, Puerto Rico has a 40 percent labor participation rate. The official unemployment rate is around 10 percent.

Even between 1950 and 1964, that is to say, during the period of Puerto Rico's postwar economic expansion, which led many to see it as a model for other underdeveloped countries, the number of jobs in Puerto Rico fell. [3] In other words, manufacturing was not able to compensate for the jobs lost in agriculture.

This leads us to the fifth feature of Puerto Rico's economic evolution since 1898: given the lack of employment, considerable migration has been a feature of Puerto Rican life since the early twentieth century. This was the case in the 1910s and 1920s, when the first Puerto Rican *colonia* took shape in New York, as well as in the mass migration of the 1950s and during the last decade of economic contraction.

Historically, Puerto Ricans have been incorporated into the US working class as one of its discriminated and over-exploited sectors, along with African Americans and other Latinos. Deeply connected and concerned with the situation of their homeland, they are also part of a multiracial and multinational US working class.

Mass unemployment depresses wages, which deepens inequality and creates high levels of poverty. This helps explain the sixth feature: the persistence of the wide gap in living standards between Puerto Rico and the US mainland. Puerto Rico's per capita income is a third of the US figure. It is half of the per capita income of the poorest state, Mississippi. The yearly median household income in the United States is \$53,900. In Puerto Rico it is \$19,000. [4] Around 45 percent of the people and 55 percent of the children in Puerto Rico live under the US poverty level. These percentages surely have gone up after Hurricane MarÃa.

Given the levels of poverty, it is not surprising that many in Puerto Rico participate in federally funded welfare programs. Here it is important to get the causality straight: it is not welfare that generates unemployment, as neoliberal ideologists would have it (in order to justify welfare cuts), but rather the lack of employment that places people in the hands of a far from adequate welfare apparatus.

The road to stagnation . . .

The world capitalist economy went through a period of expansion after World War II. Puerto Rico's colonial economy grew as well during this period, without shedding its colonial nature. Its participation in that expansion was shaped by several factors.

1. 1947, the government of Puerto Rico adopted a policy of tax exemption in order to attract US investment. This made Puerto Rico attractive enough, since US corporations in Puerto Rico were also exempt from federal taxes on profits.
2. Puerto Rico also had unrestricted access to the US market, which at the time meant exceptional and privileged.
3. It offered the lowest wages under the US flag.

Tax exemption, access to the US market, and low wages combined, in the context of the postwar boom, to attract considerable investment and to fuel economic expansion, even if it was never able to provide nearly enough employment.

Yet, since the 1990s, the workings of capitalist globalization and congressional decisions have undermined the basis of Puerto Rico's colonial economy. Thus, with trade liberalization, Puerto Rico's access to the US market ceased being exceptional. [5]

Furthermore, in 1996 Congress began phasing out federal tax exemption, which was completed in 2006. Make no mistake tax exemption was never able to guarantee development or employment. But Congress replaced an inadequate mechanism with nothing.

Meanwhile, the same corporate policies that gave us trade liberalization and intensified competition and exploitation of labor worldwide also included financial deregulation and unfettered speculation. This led to the crisis of 2008 and the consequent Great Recession.

Under the cumulative impact of neoliberal trade policies, the crippling of tax exemption policies by Congress without providing alternatives, and the recession of 2008, Puerto Rico's colonial economy slowed down, stopped growing, then began shrinking.

Its average yearly growth withered from 3.82 percent in the 1990s to 0.71 percent between 2000 and 2009 and then to negative 0.56 percent between 2010 and 2016. [6]

Puerto Rico's economy has not grown since 2006 (with a very mild exception in 2012). It has shrunk about 1 percent annually since 2005. [7] More than 250,000 jobs have been lost since 2006; 20 percent of the jobs that existed a dozen years ago have vanished. Over two decades, manufacturing jobs in particular collapsed from 180,000 in the mid-1990s to less than 70,000 today.

To summarize: in the past, Puerto Rico's situation combined dependency with growth; exploitation with improving living standards; relative poverty (compared to the United States) with decreasing absolute misery. This is no longer the case. In the last decade, persistent dependency, exploitation, and relative poverty have been coupled with productive regression, deteriorating living conditions, and absolute impoverishment.

...and debt crisis

As government revenues stagnated or fell, successive administrations had several options: reconsider the tax privileges of US corporations, apply austerity measures, or issue more debt. [8]

They should have emphasized the first, but did not. In 2009, a 4 percent excise tax on sales by local subsidiaries to their international parent companies was imposed.

Even this limited measure has generated around \$2 billion annually or close to 20 percent of Puerto Rico's government revenues since then: testimony to the magnitude of the profits generated or declared in Puerto Rico. The fact that ten companies pay around 90 percent of this particular tax indicates how fragile Puerto Rico's economy is and how vulnerable it is to the decisions of a handful of private interests.

But the emphasis has not been on measures such as the 4 percent tax. Instead of thoroughly reconsidering its economic strategy, including tax exemptions, the government began a series of austerity measures while issuing more debt.

Austerity measures included new sales taxes, mass government layoffs, attacks on public sector labor rights, an increased sales tax, and reduced public employment through attrition (90,000 jobs eliminated since 2006).

Meanwhile, Puerto Rico's total public debt (including the central government and public corporations) grew 64 percent between 2006 and 2014, from \$43 billion to \$73 billion. [9] Puerto Rico's debt was attractive to investors since it is exempt from municipal, state, and federal taxes. Even after Puerto Rico's debt was degraded to junk or non-investment status in February of 2014, investors bought \$3.4 billion in new bonds issued a month later. Needless to say, Wall Street brokers also made millions in commissions by issuing \$30 billion in new debt since 2006.

Meanwhile, the government carried the tax exemption policy to its most grotesque extreme in 2012, with a law that gave tax exemption to millionaires and hedge fund managers who relocated to Puerto Rico. [10]

Inevitably, servicing the growing debt demanded an increasing portion of the public budget. Meanwhile, electrical and other infrastructure was mismanaged and allowed to deteriorate, often to generate support for privatization. By 2014 Puerto Rico was spending more servicing its debt than financing its public school system.

PROMESA

On June 29 2015, the governor of Puerto Rico admitted that Puerto Rico's debt was, as he put it, "un-payable." [11] It was evident that Puerto Rico's debt would have to be renegotiated. A year later, Congress adopted the Puerto Rico Oversight Management and Stability Act, or PROMESA (promise in Spanish).

PROMESA created a non-elected, federally-appointed control board, with broad powers over Puerto Rico's state finances. It provides no funds or measures for economic recovery. It enables austerity policies that deepen poverty while perpetuating the present depression. In other words, it is antidemocratic, colonial, socially unjust, and economically counterproductive. [12]

Two plans, same logic

On March 2017, the board certified a ten-year fiscal plan negotiated with the government of Puerto Rico. The plan had to be revised after the catastrophic impact of Hurricane María. The government adopted a reformulated five-year fiscal plan, which was certified by the board last May.

Board plans followed the neoliberal script: the debt crisis is attributed to "big government," economic stagnation, excessive regulation, and too many labor benefits. The desired cures follow from this diagnosis: cutbacks in government spending, privatization, and attacks on labor rights and benefits.

The five-year fiscal plan includes major cuts in pensions, in public education "Euros" including the University of Puerto Rico (UPR) "Euros" and of other government agencies, as well as increased costs of some services including a major tuition hike for the UPR. This includes the closing of hundreds of schools, which are vital to the life of many communities and the closing or near-closing of university campuses with budgets bigger than the municipalities in which they are located. The board and the government also seek to privatize public corporations, agencies, and services, including electric power and the public school system (through charter schools). All in all, in the next five years the government would spend \$9.5 billion or 20-25 percent less than in recent years.

Besides attacking the public sector, the board has made private sector labor reform a major priority. It seeks to deepen 2017 labor law counter-reform with new cuts in the legally recognized rights to paid vacations, sick leave, and end-of-year bonuses, while eliminating restrictions and penalties on employers for arbitrary firings. Needless to say, these measures have the enthusiastic support of the Puerto Rican business class and its organizations. [13]

Not to leave any sector untouched, the board and the government also favor some form of workfare requirement and other restrictions to welfare benefits.

False promises

It is far from certain that the attack on labor rights will generate new investments and growth. After all, wages in Puerto Rico are already much lower than in the United States. The median hourly wage in the United States is \$17.81. In Puerto Rico it is \$9.73. [14] These attacks will certainly intensify the exploitation of workers in Puerto Rico. They will make sure that the results of any growth are shared more unequally than at present.

As indicated, there is no basis for blaming an allegedly overextended public sector for the debt crisis. Compared to other states and jurisdictions, Puerto Rico does not have an excess of public employees in proportion to its population. [15] Plus, government employment has shrunk during the last decade. What has failed in Puerto Rico is not big government, but a rachitic private sector.

As many mainstream commentators have indicated, government cuts in a paralyzed economy have a depressive impact. In fact, the 2017 fiscal plan foresaw no real economic expansion before 2024. [16] As two newspapers have recently indicated, the plans elaborated under the supervision of the board underestimate the depressive impact of austerity and overestimate the possibilities for growth. [17]

But there is a not-too-hidden logic behind this. Certain economically powerful, if minority, private interests expect to benefit from PROMESA and the policies it enables: employers that seek to intensify the exploitation of workers in Puerto Rico; creditors that want to squeeze debt payments from a paralyzed economy; investors that hope to profit from the privatization of public services; and corporations that wish to keep enjoying at least a partial tax holiday in Puerto Rico.

Title III

In fact, creditors were not satisfied with the first plan, or the second one, for that matter. PROMESA provided for a stay of creditor suits against the government of Puerto Rico. During the stay period the government sought an agreement with its creditors. As none was reached in the time allowed by the stay (May 1, 2017), the board took action under Title III of PROMESA, which allows it to file a bankruptcy-like plea in federal court on behalf of the government of Puerto Rico. The renegotiation of Puerto Rico's debt now proceeds under the supervision of Judge Laura Taylor Swain of the US District Court for the Southern District of New York.

What Puerto Rico needs

Instead of a socially regressive, colonial agenda, Puerto Rico urgently needs an adequately funded program of

economic reconstruction (including the transition to renewable energy); a true process of decolonization and national self-determination, and international allies without which no alternative to the dictates of capital can succeed.

Puerto Rico's dire situation is the result, not only of colonial rule, but also of the destructive imperatives of capitalist competition. [18] Economic reconstruction demands an expansion, not a reduction of the public sector, an extension of economic planning, and the placing of social well-being and ecological imperatives over private profits; that is to say, the very opposite of the neoliberal policies dominant since the 1980s and of the proposals emanating at present from Puerto Rico's government, the board, and Congress.

Immediate demands

To orient our resistance to their punitive neoliberal agenda, we have presented a program that, in general terms, includes:

1. Revoke PROMESA.
2. Maintain the stay on the claims by creditors on Puerto Rico's public debts.
3. Audit and annul the illegitimate portion of the debt. Renegotiate the remainder with three priorities: protecting pensions, maintaining essential public services, and retaining resources required for economic renewal.
4. Declare a moratorium on all debt payments until the audit has been completed.
5. Adopt an economic reconstruction plan centered on reinvesting profits generated in the island that must include a reconsideration of the existing tax exemption policies.
6. Stop austerity and privatization measures and revoke recent labor law "reforms."
7. Democratically reform the public sector with active labor and citizen participation.
8. Self-initiate a process of decolonization and self-determination through a constitutional status convention.
9. Seek and obtain sizable funding from Congress for Puerto Rico's economic reconstruction as well as action for Puerto Rico's decolonization. [19]

Such a program depends on the initiatives and mobilization of the labor and social movements. Puerto Rico's sorry business class has no development alternative or project for Puerto Rico and no desire to confront the board or Congress. As has been the case since 1898, it is happy to occupy whichever subordinate place US capital and the colonial relationship allow or assign to it. [20]

The board's demands have been so extreme that a normally compliant legislature has resisted some of them. As we speak, the board and the government are in conflict over the extent of the cuts in next fiscal year's budget. The conflict is real enough. After all, legislators need to ponder the electoral consequences of their actions. The board does not. Nevertheless, we cannot rely on the former to take a consistent position.

From debt renegotiation to cancellation

The list of demands presented above was prepared before Hurricane MarÃ-a, which hit Puerto Rico in September of 2017. A recent study has estimated the death toll at 4,645, which government authorities had done their best to hide. This makes it the worst disaster of this type since the Galveston hurricane of 1900. Most deaths were due to the late, insufficient, and criminally inadequate response by internal and federal agencies to an extraordinary but quite predictable situation after a category 5 hurricane. Beside the cost in human lives, damages have been conservatively estimated at \$80 billion. [21]

Given this catastrophic impact, point three above should be reformulated: Puerto Rico needs, not audit and debt renegotiation, but audit and debt cancellation. [22] This debt was already unsustainable before MarÃ-a; to collect it now would be criminal. [23]

Radical realism

Before Hurricane MarÃ-a, a study by Joseph E. Stiglitz and two associates concluded that to attain "debt sustainability" (debt that could be paid while allowing for economic recovery) would require cutting Puerto Rico's debt by at least 62 percent and perhaps as much as 80 percent. [24] In December 2017, MartÃ-n GuzmÃn, one of the authors of the study, concluded that after Hurricane MarÃ-a, all of Puerto Rico's debt would have to be cancelled. [25]] Economist Juan Lara formulated a similar conclusion soon after MarÃ-a. [26] These are not radical voices, but mainstream economists. Once again, the "radical" perspective, at first dismissed by many, proves to be the more accurate and realistic position.

Yet the board, not to speak of the creditors, continues to act on the premise that debt payments must be extracted from Puerto Rico, even if, since 2007, its real GNP has shrunk by 14 percent, employment by 20 percent, and its population by close to 10 percent. [27]

The proposal of a significant (\$5 billion yearly) federal contribution to Puerto Rico's reconstruction was also dismissed by some as unrealistic, impossible, or crazy. Yet the board now estimates that, due to the damage caused by MarÃ-a, Puerto Rico will receive around \$54 billion in federal funds by 2024, that is to say, on average, \$9 billion annually. [28] In other words, the funds to reconstruct Puerto Rico exist. They are not assigned, not because they are not there, but rather because Congress is at the service, not of the people, but of those who profit at their expense. And this is true of Puerto Rico and of the American people as well.

Internationalism

Because, extreme as it is, Puerto Rico's present situation cannot come as a complete surprise to people in the United States. Neither exploitation nor neglect of the poor, tax holidays for the rich, the use of deficit reduction as an excuse for cuts in public spending, the actions of unelected boards to destroy labor and social gains in the context of debt crises, are unique to Puerto Rico.

Congress has often ignored and overlooked, indeed provoked and propitiated, many unjust situations in the United States (affecting workers, women, African Americans, Native Americans, immigrants, among others).

The federal response to disasters in the United States, such as Hurricane Katrina in New Orleans, has been slow, inadequate, and discriminatory. Cuts in public spending and jobs, often by unelected boards, has been the formula applied against working people in dozens of budget crises, from New York City in the mid-1970s to Detroit in the recent past.

Allow me to quote a brief comment on the 1970s New York City fiscal crisis and the intervention of the Municipal Assistance Corporation:

The year 1975 was a turning point for the City of New York. In that year the city's economic leaders forced its elected leaders to change longstanding municipal priorities. Henceforth, the municipal labor force would shrink; its real wages would fall; less income would be redistributed to the poor; taxes would be cut . . . The overall objective was to balance the City's budget and restore its access to the public credit markets.

Change the locations and dates and you have a description of PROMESA, the board, and Puerto Rico today. [\[29\]](#)

Tax cuts to corporations and the rich have been used since Reagan's presidency, and the resulting deficits have been used to justify spending cuts that hurt workers and the poor. In other words, working and poor people in the United States face the impact of several decades of neoliberal corporate tax, fiscal, social, and economic policies, to which we must now add the frankly racist and universally reactionary agenda of the Trump administration. As much as we in Puerto Rico require a vast program of economic reconstruction, geared toward the creation of jobs and the satisfaction of basic social needs, so do workers in the US.

Over the years, much of the product of our labor has left the island, not unlike much of the wealth created by US workers that is taken by a fabulously rich corporate caste. This harsh reality demands that the fight against these ill-advances colonial and class exploitation advance jointly.

One sometimes hears the question: Why should Congress allot billions for reconstruction in Puerto Rico, when it does not do so in the states? Our answer: It should do it in the states as well! The struggle for economic justice in Puerto Rico and the United States must advance together, as part of the movement seeking social change in the United States and similar change and national self-determination for Puerto Rico.

Precedents

There are many examples of such collaboration in the past, from the links of the insurgent CIO with Puerto Rico's similarly renewed labor movement in the late 1930s and early 1940s, [\[30\]](#) to American Labor Party Congressman Vito Marcantonio's 1936 bill to grant independence to Puerto Rico under just and favorable conditions. [\[31\]](#)

Not too long ago, mass mobilizations and activism in Puerto Rico and the United States forced the US Navy out of Vieques. Today we need similar actions if bondholders, the federal judges, Congress, and the White House are going to respect Puerto Rico's needs.

There are even precedents for federally funded programs of economic reconstruction in Puerto Rico. In the 1930s, during the Great Depression, the Puerto Rico Reconstruction Administration (PRRA) sought to redistribute land, diversify production, operate mills as public corporations, promote cooperatives, electrify, and build other infrastructure. We need a suitably modified equivalent of those initiatives. Allow me to underline the word *modified* in the previous sentence. We bring up the PRRA merely as an example of federal funding for a plan of economic

reconstruction, not as a project to be mechanically copied with its many limitations (beginning with its control by federally- appointed officials).

Anticapitalism

Nevertheless, such measures can only begin to address Puerto Rico's needs. For more than a century Puerto Rico has been a hothouse experiment in market economics.

Since 1900, Puerto Rico has enjoyed unrestricted movement of goods, money, and capital, even people, with the United States, the center of world capitalism. According to the apologists of capitalism, these are precisely the conditions most conducive to capitalist development and to the leveling of more backward with the more advanced economies.

But after a 118 years in the free trade laboratory, Puerto Rico still exhibits all the typical traits of underdevelopment: external control, surplus extraction, productive one-sidedness, mass unemployment, and labor migration. Of course, underdevelopment evolves: it is not the same in 1918, 1968, or 2018, but it is still underdevelopment.

Some economists spend much time trying to figure out which obstacles stand in the way of capital investment, under the assumption that removing those obstacles will close the development distance between Puerto Rico and the United States. But Puerto Rico's experience demonstrates that the problem is capitalism itself, and not the alleged fetters to it.

Some friends consider this a pessimistic notion, since the end of capitalism seems to be nowhere near. Pessimistic or not, it is a fact that under capitalism we can only mitigate but not solve some very fundamental problems. Adequate disaster relief, economic reconstruction, debt cancellation, and self-determination for Puerto Rico: these are our immediate demands. But while we actively oppose colonialism and resist capitalism's consequences, we must also build a movement that seeks, not only to curb capitalism, but also to abolish it.

A discussion of the current labor and social movements in Puerto Rico and the United States is beyond the time available for this presentation. Suffice it to say that these movements are still far from the level of organization, coordination, and mobilization that we require: we must build them, here and there, and we must build the collaboration between them as well, to better confront our common enemies.

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[1] The most important is [Downes v. Bidwell](#), 182 U.S. 244 (1901)].

[2] For further discussion: César J. Ayala and Rafael Bernabe, Puerto Rico in the American Century: A History Since 1898 (Chapel Hill: University

Economic reconstruction, debt cancellation, and self-determination

of North Carolina Press, 2006); James L. Dietz, *Economic History of Puerto Rico* (Princeton: Princeton University Press, 1987); and Puerto Rico: *Negotiating Development and Change* (Boulder: Lynne Rienner, 2003).

[3] Total employment in Puerto Rico, 603, 000 (1950); 586,000 (1963). Ayala and Bernabe, 195.

[4] Lara Merling, Kevin Cashman, Jake Johnston, and Mark Weisbrot, "Life after Debt in Puerto Rico: How Many More Lost Decades?" (Washington DC: Center for Economic and Policy Research, 2017), 9, <http://cepr.net/publications/reports/life-after-debt-in-puerto-rico-how-many-more-lost-decades>.

[5] Some steps in that process of trade liberalization and subordination to the dictates of the market were the adoption of NAFTA that went into effect in 1994; the launching of the WTO in 1995 and China's entrance into the latter in 2001. Merling et al., "Life after Debt," 5.

[6] Merling, 5.

[7] Merling, 6.

[8] Tax revenue fell in real terms since 2005. See José Caraballo Cueto and Juan Lara, "From Deindustrialization to Unsustainable Debt: The Case of Puerto Rico" (2016), http://homes.chass.utoronto.ca/bobonis/CaraballoLara_PR_debt_16.pdf.

[9] Since 2006 we have argued that the growing debt crisis was the result, not of an over-extended public sector, as neoliberal ideologists argue, but of economic stagnation and the government's unwillingness to reconsider its economic and tax policies. A recent study has confirmed our analysis. See Caraballo Cueto 2016, cited above, according to which deindustrialization without an alternative development strategy lead to stagnation and debt.

[10] These measures earned the ridicule of business publications such as Forbes. Even this capitalist medium wrote "It is not clear how tax subsidies for billionaire investors will materially reduce the commonwealth's unemployment rate." <https://www.forbes.com/sites/beltway/2014/12/23/the-tax-vox-lump-of-coal-awards-the-10-worst-tax-ideas-of-2014/#3dcc98e042df>.

[11] Puerto Rico's public corporations, unlike their US equivalents, cannot file for bankruptcy under chapter 9 of the US bankruptcy code. Puerto Rico's government enacted its own public corporation bankruptcy law in 2014 (popularly known as the ley de quiebra criolla), but it was ruled unconstitutional by the US Supreme Court.

[12] Such undemocratic structures are typical of neoliberalism. Even degraded democracy can be a problem for it. Economist Gustavo Vélez admitted as much in his early proposal of a federal board. (Gustavo Vélez, *A Fiscal Control Board for Puerto Rico*, September 2015). Puerto Rico, he argued, needed profound reforms, but elected officials were reluctant to adopt them, given their "political cost." What was the "political cost"? Precisely the fact that the proposed measures would be very unpopular: they could complicate the reelection of those responsible. Unelected organisms can step in when legislators falter. This corresponds to the general philosophy of neoliberalism. According to it, people have the lamentable tendency to try to correct the market. But the market is the most efficient processor of information. To correct it, to distort it, is to provoke a less efficient result. People must be rescued from their ignorant inclination to second-guess the market. They must be taught, forced, if necessary, to respect its rules. This doctrine sustains the unelected boards, the "autonomy" of central bankers and the WTO and its rulings. Neoliberalism's twin is not democracy, but authoritarian rule.

[13] Asociación de Industriales, Cámara de Comercio, Centro Unido de Detallistas, Asociación de Constructores.

[14] Merling, 9

[15] "The government is relatively smaller than it was thirty years ago. Indeed, it should also be noted that central and municipal government outlays as a percentage of GNP tend to be lower in Puerto Rico than in most developed countries. The common notion that the government has grown too big in Puerto Rico cannot be easily justified by the actual relative size of government expenditures in economic activity." James Alm, "Assessing Puerto Rico's Fiscal Policies" in Susan M. Collins, Barry P. Bosworth, and Miguel A. Soto-Class, eds., *The Economy of Puerto Rico. Restoring Growth* (Washington D.C.: CNE/Brookings Institution, 2006), 338. See also José I. Alameda, Daniel E. Garavito, *La política neoliberal*

en Puerto Rico y la Ley n^omero 7 (San Juan: SITUM, 2012).

[16] In March 2017, economist Sergio Marxuach, of the mainstream Center for a New Economy, calculated that the budget cuts adopted by Governor Rosselló in collaboration with the board would depress Puerto Rico's GNP by at least 6.5 percent. "Ante el ajuste fiscal y la realidad económica" (Nuevo D^á-a, 12 marzo 2017), [<http://grupocne.org/2017/03/12/ajuste-fiscal-y-la-economia/>].

[17] They guarantee Puerto Rico another lost decade. [See Merling; also Pablo Gluzmann, Martin Guzman, Joseph E. Stiglitz, "An Analysis of Puerto Rico's Debt: Relief Needs to Restore Debt Sustainability", Espacios Abiertos, 2018, 2, 3, 5), [<http://espaciosabiertos.org/wp-content/uploads/2018/03/DSA-English.pdf>].

[18] Contrary to the doctrines of market fundamentalism, these are the results we should expect. Economist Anwar Shaikh: "Simply opening up the markets of a developing country exposes its businesses to powerful international competition, whether or not they are internationally competitive. And if they are not, they will lose out on a large scale. This can be offset to some extent by foreign investment . . . But . . . the unemployment created by the displaced domestic industries need not be absorbed by any new production by foreign firms, for the latter will generally be far less labor intensive . . . Without the intervention by appropriate institutions that counter these tendencies of free trade, the problems will tend to be chronic." Globalization and the Myth of Free Trade, (London/New York: Routledge, 2007), 63-64.

[19] The 2017 study by the Center for Economic and Policy Research concludes, "there is a substantial case for federal aid to Puerto Rico, as well as sufficient debt cancellation, to allow for speedy economic recovery." Merling, 6.

[20] In December 2015 a commission of the Coalición del Sector Privado, which includes the Asociación de Industriales, the Chamber of Commerce, Colegio de Contadores P^áblicos visited Washington DC to support the creation of a federal board. These sectors speak of promoting "local industry", but are the first to reject any measure that questions the prerogatives of multinational capital in Puerto Rico, [<https://hechoen.pr/sobre-appr/coalicion-del-sector-privado-visita-washington-dc/>].

[21] The board estimates damages at \$80 billion. Puerto Rico's government estimates rebuilding costs at \$95 billion. Lara Merling, Jake Johnston, "Puerto Rico's New Fiscal Plan: Certain Pain, Uncertain Gain" (Center for Economic Policy and Research, Washington DC, June 2018), 3, [<http://cepr.net/publications/reports/puerto-rico-s-new-fiscal-plan-certain-pain-uncertain-gain>].

[22] In 2015 the government of Puerto Rico created a Commission for the Comprehensive Audit of the Public Credit. It was largely ignored by Governor Alejandro Garc^á-a Padilla's administration and dissolved by the present administration. It managed to prepare two preliminary reports on central government bond issues since 2014 and Electric Power Authority bonds issued in 2013. Both found irregularities that make more than \$30 billion in debt illegal. The initial report in: Commission for the Comprehensive Audit of the Public Credit. First pre-audit report: [http://big.assets.huffingtonpost.com/Puerto_Rico_Commission_Interim_Report.pdf]. Second pre-audit report: [<http://sptpr.net/wp-content/uploads/2016/10/Second-Interim-Pre-Audit-Report-on-2013-PREPA-debt-emission-con-anejos.pdf>].

[23] We formulated this in the first article we were able to publish after the hurricane. English version in "Some Lessons of the Hurricane" (October 7, 2017), [[Some Lessons of the Hurricane](#)]. Both change of circumstance and state of necessity doctrines justify cancellation after Mar^á-a. The former applies when a government "finds itself, due to external circumstances beyond its control, unable to fulfill its international obligations, including repayment of a debt." The second does not require that a government be "absolutely prevented from fulfilling international obligations but . . . that to do so would necessitate sacrifices on the part of the population that go beyond what is reasonable." Eric Toussaint, Damien Millet, Debt, the IMF and the World Bank (New York: Monthly Review, 2010), 246-47

[24] Gluzmann, 51.

[25] "Paying Bondholders Not Viable" Joanisabel González, Nuevo D^á-a, English, [<https://www.elnuevodia.com/english/english/nota/payingbondholdersisnotviable-2381610/>].

[26] Juan Lara, "Nueva promesa para Puerto Rico", Nuevo D^á-a, 4 noviembre 2017. Lara combines this with proposals that would perpetuate Puerto Rico's subordination to external capital, [<https://www.elnuevodia.com/opinion/columnas/nuevapromesaparapuertorico-columna-2371361/>].

Economic reconstruction, debt cancellation, and self-determination

[27] Real GNP fell by 14 percent, 2007-16. Gluzmann, 51. Population fell from 3.8 to 3.4 millions, a 9.8 percent drop.

[28] Merling, 3. This breaks down into \$35 billion public and \$19 billion individual assistance. An estimated \$8 billion private insurance payments will also be issued. Many commentators who considered it unrealistic to demand a major federal contribution for reconstruction now bank on this inflow to spur economic recovery.

[29] Charles Brecher and Raymond Horton quoted in Kim Moody, *From Welfare State to Real Estate: Regime Change in New York City, 1974 to the Present* (New York: New Press, 2007), 30.

[30] Including the 1938 dockworkers' strike and the rise of the General Confederation of Labor that, unfortunately, declined after a crippling split in 1945.

[31] Those conditions included recognition by the United States of its "responsibility for the present disastrous situation of [the] Puerto Rican economy and the poverty of the people of Puerto Rico;" "free entry" of Puerto Rican products into the United States;" "no immigration restrictions on Puerto Rican citizens" and willingness to pay "any claims of indemnity which . . . Puerto Rico may make." "A Bill to Provide for the Granting of Sovereignty to the Island of Puerto Rico, and to Provide for Neighborly Relations with the Proposed Government of Puerto Rico" (HR 12611, 74th Congress, 2nd Session.) Introduced by Representative Vito Marcantonio (R-NY), May 6, 1936,

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