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Puerto Rico

Puerto Rico's Multi-layered Crisis

- IV Online magazine - 2021 - IV554 - March 2021 -

Publication date: Monday 29 March 2021

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THE RECENT ELECTIONS in Puerto Rico produced some startling results: both a surge in the vote for progressive, including pro-independence, forces and a status plebiscite which has been hailed a “mandate” for statehood. In order to interpret these results, it is best to start with an overview of Puerto Rico’s recent past.

Puerto Rico’s present situation can be described as a multi-layered crisis. Its main features are the chronic problems arising from the colonial and dependent nature of its economy; the crisis of that colonial economy since 2006; the debt crisis, officially recognized in 2015, resulting from the government’s response to that crisis; and the policies imposed by the Federal Oversight and Management Board since 2017.

On top of this, we must add the catastrophic impact of Hurricane Maria in 2017, a series of earthquakes and the COVID-19 pandemic in 2020 and the inadequate government response to these disasters.

A Colonial Economy

Puerto Rico became a colony of the United States in 1898, as a result of the Spanish-American War. Since then Puerto Rico has been burdened with a typical colonial and dependent economy. Its main productive sectors have been controlled by U.S. capital and its market flooded by U.S. imports. Its economy has shifted from one form of overspecialization to another, from the sugar industry before the Second World War, to light manufacturing during the postwar boom and capital-intensive operations (such as pharmaceuticals) since the mid-1970s.

External control has meant that a sizable portion of profits generated on the Island are not reinvested there. At no point has this colonial economy generated enough jobs for the insular labor force: mass unemployment and underemployment (registered as high unemployment rates and low labor participation rates) have been a feature of Puerto Rican society even during the periods of rapid economic expansion, such as the postwar boom.

Mass unemployment tends to depress wages, which have remained the lowest in any U.S. jurisdiction, even after the extension of the federal minimum wage to Puerto Rico in the late 1970s. By the end of the post-war boom — half a century ago — its per capita income had reached half of that of the poorest state (Mississippi). It has remained in that relative position since then.

More than 45% of the population, and more than 55% of children, live under the official poverty line. This makes a large portion of Puerto Rico’s inhabitants eligible for federally-funded welfare programs, which compensate (inadequately) for the failings of dysfunctional colonial economy.

Lack of employment and poverty have also propelled Puerto Ricans to migrate to the United States, which as U.S. citizens they can enter without legal restrictions. [\[1\]](#)

Puerto Rico’s Long Depression

Despite its colonial limits, economic growth in the postwar period, and less spectacularly in the 1990s, resulted in palpable progress in living standards for most Puerto Ricans: health, education, housing conditions, access to drinking water and electricity were considerably improved. Wages in manufacturing and many service operations

rose, compared to the meager levels of the formerly dominant agricultural sector.

Such improvements are now far in the past: beginning around 2006 Puerto Rico slid into a crisis that continues to this day. The economy has not grown for the past 15 years. Around 20% of the jobs that existed in 2006 have vanished. More than half of the close to 180,000 better-paid manufacturing jobs that existed in the mid-1990s have vanished as well.

Migration has accelerated since 2010. Puerto Rico's population has fallen from close to 3.8 million to an estimated 3.1 million today (some estimates go lower). This affects all sectors of its working class, but young people in particular have little hope of economic security — not to speak of a meaningful and satisfying application of their talents and abilities.

The causes of this long depression are varied. Briefly put, Puerto Rico's official economic policy has centered on three elements: a tax-exemption policy which allowed U.S. capital to operate in an almost tax-free environment; low wages, compared to the United States; and unimpeded access to the U.S. market.

Beginning in 1996, Congress began a ten-year phaseout of the federal tax exemption for U.S. corporations operating in Puerto Rico. This exemption had never generated adequate economic progress for the Island, as we saw, but Congress replaced a faulty incentive with nothing.

At the same time, free trade policies in the Americas and globally granted low-wage areas freer access to the U.S. market, reducing Puerto Rico's advantages in this regard. The long recession of 2008 dealt another blow from which Puerto Rico's colonial economy has never recuperated.

Debt Crisis, Austerity and PROMESA

As Puerto Rico's economy stagnated and shrank, government revenues fell. Successive administrations responded with slight revisions in corporate-tax policies and, above all, increased borrowing and austerity policies. Beginning in 2006 these measures were combined — for example, through the issuing of the new debt known as COFINA — to be paid by increased sales taxes.

This was followed by Law #7 in 2009, which led to mass firings of more than 20,000 public employees. In 2014 Law #66 curtailed benefits, labor rights and collective bargaining in the public sector. This was combined with the reduction of public employment through attrition, and increases in the cost of services (fees and tuition at the University of Puerto Rico, for example), among other measures.

But borrowing also grew at a rapid pace: public debt expanded by 64% from \$43 to \$73 billion between 2006 and 2014. With a shrinking economy and stagnating government revenue combined with the rapidly growing debt burden, no matter how harsh the austerity policies, it was only a matter of time before Puerto Rico's government defaulted on its debt payments.

By late June 2015 Governor Alejandro García Padilla officially recognized that Puerto Rico's public debt was, as he put it, "unpayable" and would have to be renegotiated. To aggravate Puerto Rico's economic, social and debt crisis, in September 2017 the Island was hit by Hurricane María, killing more than 4,000 and causing material damages estimated at \$80 billion.

This was followed by a series of earthquakes in early 2020, which disabled important installations (including an important thermoelectrical plant) and left many home-less. In turn it was followed by the COVID-19 pandemic, which

paralyzed most of Puerto Rico's economy for several months.

Back in late 2016, after Puerto Rico's default and recognizing that part of the debt would have to be renegotiated, Congress adopted the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA), which created the Federal Oversight and Management Board, better known in the Island as the Control Board, or la Junta, for short.

While recognizing that part of Puerto Rico's debt would not and could not be paid, it set out to make sure that as much as possible would be paid, at the cost of increased sacrifices by the Puerto Rican people. To achieve this la Junta supervises the adoption and revision of five-year fiscal plans by the government of Puerto Rico and its annual budgets to make sure they fit the objectives fixed by the fiscal-plan. PROMESA, it should be pointed out, provides no funds for Puerto Rico's economic reconstruction.

To formulate its budget policies la Junta contracted the firm McKinsey and Company, a global consulting outfit known for ruthless anti-labor policies.

The Junta's diagnosis of Puerto Rico's problems can be briefly summarized: the debt crisis is attributed to "big government," and excessive regulation and labor rights are blamed for economic stagnation. This neoliberal dogma leads to the usual prescriptions of cuts in government spending, privatization and attacks on labor rights and benefits.

Even mainstream economists have pointed out that these policies are socially destructive and counterproductive, since they have what they describe as a deflationary impact, in other words, they prolong the present economic crisis.

A study conducted by Joseph E. Stiglitz and two associates concluded that Puerto Rico's debt had to be reduced by 80%, if the Island was to pay for its essential services and adopt measures to revive its economy. That figure surely went up as a result of the impact of Hurricane María, earthquakes and the COVID-19 pandemic.

A considerable part of Puerto Rico's debt has been bought at a heavy discount by hedge and vulture funds, who now seek payment at face value, which would ensure them extraordinary profits.

There is also ample basis to suspect that a considerable portion of Puerto Rico's debt is unconstitutional or illegal, which has fueled the demand formulated by labor and other organizations that no agreements be reached and no payments be made until the debt has been fully audited. [\[2\]](#)

Nevertheless, negotiations with Puerto Rico's creditors, conducted by the Junta on behalf of Puerto Rico under Title III of PROMESA, resulted in an agreement very favorable to the COFINA creditors. The agreement with the holder of general obligation debt (GOs) under discussion at the time of writing also fails to reduce debt to a sustainable level, while imposing new sacrifices on the Puerto Rican people.

Presented as a means of liberating Puerto Rico from PROMESA and the Junta, the agreement will probably result in a new bankruptcy when it proves to be unworkable. Puerto Rico is faced with a dire choice between the agreement favored by the Junta and the even worse terms favored by some bondholders and some of Trump's recent appointees to the Junta.

The debate and the fight over this agreement, which should be rejected, will be major issue inside and outside the legislature in the early months of 2021.

Fragmented, Discontinuous Resistance

Austerity and the policies of the Junta have not gone unchallenged. Unfortunately, however, resistance has been fragmented and sporadic.

The adoption of Law #7 in 2009 provoked widespread mobilizations and a one-day general strike (paro general or paro nacional) of largely public employees. But the fight was led by two rival coalitions (linked to different sectors of the labor movement), a division which hindered effective action and contributed to the movement's collapse after the paro general in October 2009.

Law #66 in 2014 also generated strong resistance, above all by public corporation unions. (Public corporations are government-owned entities that have financial autonomy and issue their own debt.)

The movement failed to reverse Law #66, as the government succeeded in falsely portraying the unions as defending their "privileges." The lack of a united front bringing together union, social and community organizations again weakened the resistance by part of the working class.

Students at the University of Puerto Rico have been at the vanguard of the fight against austerity measures imposed by the Junta and the collaboration of university administrators (through tuition hikes, for example). A prolonged student strike in 2010 won considerable support beyond the university. But other paros and strikes in 2017 and later years failed to generate the same degree of support.

Meanwhile, groups large and small kept up the fight around other issues including women's rights, environmental struggles, the demand for an audit of Puerto Rico's debt, and the need to address the needs of those affected by Hurricane Maria and the earthquakes and the pandemic. Vital as these initiatives have been, they were separate and dispersed actions: no coordinating body or common program emerged to bring them together as parts of broad united front.

Then, in July 2019 Puerto Rico was hit by a different kind of hurricane. In a momentous week, former Secretary of Education Julia Keleher, who had presided over the closing of hundreds of schools, was arrested by the FBI and indicted on corruption charges. At the same time, long portions of a shameful Telegram chat between Governor Ricardo Rosselló and his inner circle were made public.

The conversation was full of sexist and homophobic comments. It included vile attacks on political opponents and journalists, and even joking references to the bodies of those who died as a result of Hurricane María or its aftermath. Indignation swept the Island and soon led to protests demanding Rosselló resignations.

The Summer of 2019: Social Explosion

In a few days, pickets grew from a dozen, to hundreds and then thousands of participants. On July 15 close to 30,000 demonstrated in Old San Juan. Daily and nightly protests often concluded in confrontations with the Police, who regularly cleared the streets with massive use of teargas.

On July 17 more than 200,000 marched demanding Rosselló's resignation. Protests of all sorts (marches, pickets, vigils, roadblocks, etc.) spread across the Island. On July 22 more than 500,000 filled Puerto Rico's widest highway,

the largest gathering of any sort in Puerto Rico's history.

Close to midnight on July 24, Governor Rosselló announced that he would resign his post as of August 2. It was an exhilarating and invigorating popular victory, truly unforgettable for those who experienced it. For the first time in Puerto Rican history, under Spanish or U.S. colonialism, a ruler had been removed from office through mass mobilization.

The social explosion of the summer of 2019 cannot be attributed merely to Keleher's arrest or the reaction to the infamous Telegram chat, offensive as it was. It was rather a concentrated expression of the anger and frustration accumulated over a decade of uninterrupted economic crisis, austerity policies and the incapacity of often corrupt politicians to provide alternatives.

Some have described these extraordinary events as a "spontaneous" insurgency, while others argued that they indicate how traditional forms of organization, such as labor unions or political parties, are now obsolete. This is wrong on two counts.

The road to the Summer of 2019 was prepared by dozens of deliberate initiatives by all sorts of activist organizations: feminist groups, environmental campaigns, student organizations, labor unions, LGBTQ coalitions, collectives opposed to the Junta's policies, socialist organizations, and many others.

People knew what a paro was and how it works, not spontaneously but thanks to many previous struggles and initiatives. The speed with which the call for a one-day paro spread through social media, and was embraced overnight by hundreds of thousands, can only be explained by the fact that years of labor and student actions had familiarized the public with the notion and practice of paros, which they could thus readily understand as a tactic appropriate to the fight for Rossello's resignation.

Similarly, far from being superfluous, labor unions provided much of the material and personnel required to carry out the largest mobilizations. One cannot gather several hundred thousand persons without deploying sound trucks, route guides, vehicles for the press, portable johns, first aid teams, and speaker platforms, most of which were provided by unions. [3]

Grand as the Summer of 2019 was, its aftermath was marked by the problem of fragmentation. Those who wish to build on that experience now have the challenge of creating some kind of broad coordinating body, capable of attracting labor, feminist, student and environmental organizations, and able to adopt a shared set of demands or program.

Electoral Terrain and Coming Battles

The discontent that exploded in the Summer of 2019 undoubtedly had an impact on the 2020 electoral results. Rosselló in 2016 had won the governorship with 42% of the vote. Close to 20% of those who voted supported forces other than the two historically dominant political parties, the Partido Popular Democrático (PPD) and the Partido Nuevo Progresista (PNP).

Those new forces included independent candidate for governor Alexandra Lúgaro, who obtained 11% of the votes cast and the Partido del Pueblo Trabajador, which had also participated in the 2012 elections.

In early 2019, on the eve of the Summer of 2019, a group led by Representative Manuel Natal who had abandoned

the PPD, independent candidate Alexandra Lúgaro, the Partido del Pueblo Trabajador and labor, feminist and LGBTQ activists joined to create the Movimiento Victoria Ciudadana (MVC).

The MVC adopted a clear-cut anti-neoliberal program, committed to the defense of working people, women and the environment and opposition to the PROMESA policies imposed by the Junta. It called for an end to the existing colonial relation but was open to the participation of supporters of different status options, including independence, statehood or some form of sovereign free association.

Five parties participated in the 2020 elections: the PNP and the PPD, the Partido Independentista Puertorriqueño (PIP), the MVC and the new rightwing religious-fundamentalist party, Proyecto Dignidad. In the last four elections the PIP had obtained less than three per cent of the vote.

The November 2020 elections registered a new reduction in support for the traditionally dominant parties. PNP candidate Pedro Pierluisi won the governorship with a mere 33.24% of the vote. The PPD, whose gubernatorial candidate received 31.75% of the vote, won majorities in both the Senate and the House of Representatives. But the most salient fact about the elections was the encouraging result for the more progressive forces, the PIP and the MVC.

The MVC and PIP candidates for governor each received 14% of the vote. No pro-independence candidate had received a comparable portion of the vote since the 1950s. The MVC elected four legislators (two representatives and two senators), which again, no "third party" had achieved since the 1950s. The PIP elected one senator and one representative.

The MVC delegation is composed of Afro-Puerto Rican feminist and LGBTQ activist Ana Irma Rivera Lassén, social activist and civil rights lawyer Mariana Nogales, young lawyer José Bernardo Márquez, and the author of this article. The elections were marred by an unprecedented number of irregularities through which the MVC was quite likely deprived of two additional victories: the election of a fifth legislator and of the mayor of San Juan. [\[4\]](#)

MVC and PIP legislators are now in a better position to introduce legislation to audit Puerto Rico's debt, block the policies of the Junta, reject the proposed agreement with the holders of Puerto Rico's debt, restore labor rights, revert privatization measures and strengthen women's rights among other objectives.

Most of these measures, however, have little chance of being adopted unless they are supported by significant mobilizations outside the legislature. This is the main task posed for the coming months: to connect legislative initiatives with an intensified and, hopefully, better coordinated activism by labor, women's, student, pensioners', environmental, LGBTQ and other movements.

A Mandate for Statehood?

The "status issue" is at the center of Puerto Rico's politics. Should Puerto Rico become a state of the United States, an independent republic, or a republic (or sovereign entity) associated with the United States? Those are the options incessantly debated as alternatives to the present colonial status.

The November 2020 elections included a referendum on this issue, which some have hailed as a "mandate" for statehood that liberal and progressive persons and forces in the United States should embrace.

The question posed in the plebiscite was basically "statehood, yes or no." The referendum was enacted by the legislative majority of the pro-statehood PNP, against the opposition of the PPD and the PIP. Indeed, the objective of the PNP was to obtain a clear mandate for statehood.

The referendum result was 52.52% for and 47.48% against statehood (a difference of 63,000 of 1,248,176 cast). This can hardly be described as a decisive endorsement for statehood. If anything, it reflects a rather evenly divided opinion on this issue.

Put otherwise, in the referendum close to 48% of those voting opposed statehood. This is all the more remarkable since proponents of the Yes vote had ample funding, enabling them to run slick TV ads, for example, while the No campaign had far fewer resources.

Since voter participation in 2020 was 54.72%, statehood's vote represents 27.8% of the registered voters. As indicated, this was also the election in which the vote for the PIP's candidate for governor jumped from 2.13% to 14%.

Thus, although statehood has significant support in Puerto Rico, there is no mandate and the issue is far from settled.

Statehood and U.S. Progressives

At first sight, support for statehood for Puerto Rico may seem like a logical position for U.S. progressives. Puerto Ricans are U.S. citizens, federal legislation and presidential decisions apply to them, yet they have no voting representatives in Congress and cannot vote in presidential elections. Statehood thus would be a way of doing justice to this disenfranchised community.

The problem with this reasoning is that it ignores the fact that to escape its present colonial status Puerto Rico has at least two other alternatives besides statehood, namely independence and some form of sovereign free association with the United States. Who then should decide which road Puerto Rico should take?

The only democratic answer is that this is something for the Puerto Rican people to decide. Therefore, U.S. progressives should demand, not statehood, but a fair self-determination process for Puerto Rico. [\[5\]](#)

A more elaborate defense of statehood as a progressive goal points out that Puerto Rico's colonial status was enabled by the doctrine of non-incorporation formulated by the U.S. Supreme Court in the early 1900s.

In a series of decisions known as the Insular Cases, the doctrine established that the United States could control territories which were possessions but not part of the United States. In contrast with other past or then existing U.S. territories, these were non-incorporated territories.

This policy of non-incorporation was adopted by basically the same Supreme Court which a few years earlier embraced the infamous "separate but equal" doctrine in *Plessy v. Ferguson* and thus validated racial segregation across the U.S. South. While *Plessy v. Ferguson* was revoked in 1954 and official segregation ultimately dismantled, the Insular Cases are still in the books and the colonial relationship that they enabled remains in place.

From this unobjectionable historical account of the links and parallels between racial segregation and colonialism, some conclude that the U.S. Supreme Court should revoke the doctrine of non-incorporation. This would presumably redefine Puerto Rico as not a possession but part of the United States, and thus as a future state.

But this would mean that Puerto Rico's future would be determined by the U.S. Supreme Court and not the Puerto Rican people. In other words, from the undeniable fact that racial segregation and colonialism were linked historically, it does not follow that the solution of the colonial problem can be imported lock, stock and barrel from the dismantling of segregation.

Despite some problems, a bill recently introduced by representatives Alexandria Ocasio-Cortez and Nydia Velázquez is a step in the right direction. Instead of seeking statehood, the bill provides for the election of a Status Assembly that in collaboration with a commission designated by Congress would elaborate non-colonial status options for Puerto Rico.

One of these options would then be presented to the Puerto Rican people in a plebiscite. If it receives majority support, it may be enacted by Congress. As can be appreciated, this leaves the final decision in the hands of Congress and may keep Puerto Ricans voting pointlessly for an option that the former is not willing to enact.

This could be remedied if the bill instead mandated that, after the consultation between the Status Assembly and the Congressional commission, Congress would adopt legislation enunciating the options it is willing to enact. Puerto Rican people would vote to choose between those options. [\[6\]](#)

Voting No

But even while embracing the demand of self-determination for Puerto Rico, U.S. progressives are entitled to ask why some of us oppose statehood and voted against it on November 3.

Support for statehood in Puerto Rico is based on the calculation that U.S. living standards are significantly higher than living conditions in Puerto Rico. From this, the conclusion is drawn that making Puerto Rico a state would equalize Puerto Rico with the United States.

But there is an evident flaw in this argument. Statehood would perpetuate the conditions that have perpetuated its colonial dependent economy, with all its limits and consequences.

Statehood implies the free flow of goods, money, capital between Puerto Rico and the United States, but these are the conditions under which Puerto Rico has evolved over the past 120 years. They have not led to a leveling of Puerto Rico with its metropolis, nor a minimally coherent or balanced evolution of its economy.

It is true that statehood should lead to an increased inflow of federal funds. But Puerto Rico already receives a significant amount of federal funds. They compensate for the limits of its colonial economy. Increased funding would mean increased compensation, but the conditions making such compensation necessary would remain in place.

What best fits the needs of the Puerto Rican people would be their political organization as an independent republic, capable of determining the economic and social policies best adapted to a socially just and ecologically sound development, in collaboration with other peoples, and in particular, in collaboration with the people of the United

States.

U.S. progressives must struggle for such an outcome, while supporters of Puerto Rican independence cannot be indifferent to progressive struggles in the United States.

The struggle for Puerto Rico's right to self-determination, for independence under just and adequate conditions for its people, and the fight for social change and justice in the United States, are convergent struggles that should jointly be embraced by progressives in the United States and Puerto Rico, including of course Puerto Ricans in the United States.

Source [Against the Current March/April 2021](#).

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[1] For further background about Puerto Rico under U.S. rule see César J. Ayala and Rafael Bernabe, *Puerto Rico in the American Century: A History Since 1898* (University of North Carolina Press, 2006).

[2] For more background on Puerto Rico's economic and debt crisis see Rafael Bernabe, "Puerto Rico: Economic Reconstruction, Debt Cancellation and Self-Determination," *International Socialist Review*, 111, Winter 2018-19.

[3] For a more detailed account of the Summer of 2019 and the ensuing debates see Rafael Bernabe, "[The Puerto Rican Summer.](#)" *New Politics*, XVII: 4 (Winter 2020).

[4] For more on the elections results see Jorge Lefevre Tavárez, "[A reflection on the Puerto Rican elections](#)".

[5] For further considerations on this see Rafael Bernabe and Manuel Rodríguez-Banchs, *Counterpunch*, April 9, "[Solidarity without Erasure: Responding to Trump on Puerto Rico.](#)" 2019. and "Open Letter to the NAACP on Puerto Rico," July 10, 2018, published in several websites including [Solidarity](#).

[6] For a more detailed discussion of this bill see Rafael Bernabe, "[On the bill for a 'Puerto Rico Self-Determination Act of 2020' by Representatives Alexandria Ocasio-Cortez and Nydia Velázquez](#)".