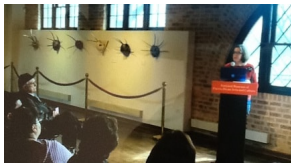


Economic Crisis in Puerto Rico: A Women's Perspective

Escrito por Wilma E. Reverón Collazo / Copresidenta del MINH
Domingo, 13 de Marzo de 2016 04:00



Conference at the National Museum of Puerto Rican Arts and Cultural, sponsored by the National Conference of Puerto Rican Women and the Juan Antonio Corretjer Puerto Rican Cultural Center, Chicago, Illinois, Saturday March 12, 2016.

I am sure that all of you will agree with me that people do not choose to be poor, that having the adequate opportunities people will choose to have a life that is good.

Women in Puerto Rico have not chosen to be the poorest of the poor, but they are. Families with one head of household and one or two children are twice as likely to be poor, as revealed by statistics prepared by the Índice de Desarrollo Humano (IDH) para Puerto Rico (<http://www.estadisticas.gobierno.pr/idh/>

). As explained in a recent column by the Director of Puerto Rico's principal newspaper, El Nuevo Día, a woman of 21 years of age most likely has not finished high school, will probably live in a town such as Ciales, Corozal or Culebra, where 7 or 8 of every ten children live under poverty levels and have little if any possibilities of getting out of that situation. Between 2000 to 2012, the amount of children living in households headed by women rose from 38% to 58%, and only half of the children between 2 to 4 years of age living in these homes go to a preschool or day care center. This means that these head of household mothers cannot work outside of the home because of lack of support and essential services such as day care, making them totally dependent on government aid and subsidies. Before the economic crisis, almost three of every ten children lived in poverty. After the crisis one in every two children, that is 50% of the Puerto Rican children, live in poverty.

As you may easily guess the social consequences of these cold but accurate statistics are terrifying. Puerto Rico has become a breeding ground for illiteracy, underdevelopment, unemployment, and informal economy, mainly that of drug trafficking, and thus of crime and social insecurity.

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So those Puerto Ricans who can leave are migrating in masses to the US. In 2015 alone, 71,297, and in 2014, 83,010 migrated. These migrants are the skilled workers, families with both parents and children and young single professionals in their most productive stages of life. Left behind are the unskilled, unemployed female heads of household and their children who have no way of getting out of their situation. So yes, poverty in Puerto Rico has the face of women and children.

And you may be by now asking yourselves, "but what happened in Puerto Rico? How did we get this way?"

Puerto Rico has been suffering an economic depression with a negative growth index for the last decade. This is the consequence of what economists are calling a "structural crisis." What is that structure that has gone into crisis? We are talking here of an economic structure, but this structure is in place due to political decisions. Now, who made those political decisions? Was it the Puerto Rican government? In part, but in a very limited part. Why do I say this? Because the truth is that since 1898 the fundamental economic decisions are not made in Puerto Rico but are made in the U.S. mainland by the U.S. Congress and the US Executive and Judicial powers. Let me just give some examples.

The first economic action the U.S. took upon invading and occupying Puerto Rico in 1898 was to devalue the then existing currency by 40%. So the Puerto Rican people lost 40% of their capital in one stroke of U.S. president Theodore Roosevelt's pen. Thus started our decline.

We have gone from having a sustainable agriculture, and by that I mean that people produced what they ate and that agriculture represented almost 70% of the Island's economy, to the situation we face today in which we import 85% of what we eat and agriculture represents less than 4% of our national economic production. Not only do we eat what we do not produce, but on top of that, being an Island, we have to transport our food in ships and by the mandates of the Jones Act we can only use U.S. flag ships to transport our food to Puerto Rico. This alone means that each year we pay over \$700 million just to transport goods to Puerto Rico. And of course this also applies to the transport of oil to produce electricity. And you know what? The U.S. Merchant Marine is the most expensive of the world, so the end result is that we pay almost twice as much for goods in Puerto Rico as people pay in the U.S.. The electricity costs 28 cents per kilowatt in Puerto Rico, compared to the 15.3 cents you are paying here in Chicago.

So our agriculture, which produced our food and was exporting tobacco, coffee and fruit to the world, was destroyed and replaced by mono agriculture (that is just one crop), which was sugar cane. Puerto Rico became one big sugar cane plantation owned by U.S. capitalists. Puerto Rican farmers went from being landowners to peasants, and the displacement from the countryside to the city thus began. Some of you might remember El Fanguito, the wooden shacks built on top of mud and water, built by those displaced. People displaced from the countryside also built the famous La Perla community. And thus also began the migration to the U.S.

When sugar production in the Island was no longer necessary for the U.S. because Southern

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farmers were producing enough sugar made out from beets to meet the U.S. demand, the sugar cane plantations were abandoned, and a new economic model was created for Puerto Rico, that of manufacturing, under the program known as Operation Bootstrap. Thus we became the center for production of U.S. clothes and goods. And we thought "life is good;" this is producing jobs, a middle class was growing, we were investing in schools, public hospitals, and for a moment there we thought we had made it.

But we were not aware of the underside of this economic model. To attract U.S. investment, we gave the investors incentives in the form of tax exemptions for as long as 10 years, renewable for another ten; very cheap or free buildings and land; and no obligation to re-invest the profits they made in Puerto Rico, or at least some part of it or to keep their deposits in Puerto Rico's banks. So yes, jobs were produced, but they paid little or no taxes to the Puerto Rican Treasury, they did not deposit their profits in Puerto Rico banks, and they did not re-invest in Puerto Rico. So our workers were making these U.S. investors very rich, but besides very low wage jobs, we were not receiving anything in exchange. The Government of Puerto Rico was making sure those workers were healthy and thus productive through a very good public health system and was educating them with a very good public school system, for the exploitation and benefit of the U.S. investors. And to provide these public services and aid, since the government was hardly collecting any taxes from the industries that were producing riches in Puerto Rico, what did the government do? It acquired debt to pay for those services.

At the same time that the U.S. investors were getting all the incentives to invest in Puerto Rico, our local businesses had to pay taxes and high rents and could not compete with the U.S. manufacturers -- they were at a clear disadvantage. Puerto Rican local manufacturers of clothing, shoes, and furniture started failing and disappearing.

And then came globalization and the economic treaties. The U.S. investors decided that they could get even lower paid workers in places like Mexico or India, and with the treaties such as NAFTA or TLC, as soon as their tax exemptions expired, rather than stay in Puerto Rico and pay taxes and federal minimum wages, they took their businesses to Mexico, India or China. Here in the U.S. you have also been hard hit by this so-called globalization. The U.S. today hardly produces anything here. The U.S. multinationals pay hardly any taxes here and have a zillion tricks to evade their tax obligations.

With manufacturing gone, the powers that be decided to go another route: let's send to the Island the highly toxic industries that nobody in the U.S. wants nearby. So the new economic model brought us the petrochemicals and the pharmaceutical industries. CORCO, PPG, SUNOCO established themselves in the eastern and southern coastlines in the towns of Yabucoa and Peñuelas, and the pharmaceuticals in Barceloneta, Cidra, Abonito. And again we said, this is good, these are high wages and highly skilled industries. But the fact was and is that they are not labor intensive, and their productions are highly toxic, leaving Puerto Rico with a contaminated environment.

Some of these industries were also what was known as 936 industries, named for a section for the U.S. Code that provided them with attractive tax exemptions upon bringing their profits into the U.S.. Again, more tax exemptions in Puerto Rico and in the U.S. as well. No re-investment

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in Puerto Rico and on top of that, destruction of the environment. Do you know that Barceloneta is one of the most highly contaminated towns included in what is called the Superfund, a U.S. appropriations bill designed to clean up the contamination that U.S. multinationals leave behind?

In the 70's the oil market suffered a huge increase in prices and the oil refineries decided to close operations because they were no longer profitable.

So now we are in the 90's where we have reached high levels of unemployment, and extensive environmental destruction left by the pharmaceuticals and petrochemicals. In 1996, Section 936 incentives that included some manufacturing that at least produced jobs for the unskilled worker, were terminated by the U.S. Congress. So these industries decided to close shop in Puerto Rico.

We reach 2006 with an increase in oil prices, less than 40% of workers actually working, the financial markets creating havoc, and the real estate bubble exploding. Puerto Rico goes into recession and immediately into depression. They say that when the U.S. catches a cold, in Puerto Rico we get pneumonia. That is exactly what happened in 2006. Unemployment rates hit the 17% ceiling. Real estate has lost 60% of its value.

So we end where we began: who are the hardest hit by this situation? The frailest of the society, the single mothers and their children who cannot even escape from their dire situation.

Today Puerto Rico faces very hard choices. It has to choose between paying the debt to the Wall Street and hedge fund owners of the public debt or it has to try to keep providing its people with education, health, and security, and paying the pensions of the retired public employees. Even though as you may have concluded by now, the economic structure that we have lived with has been designed to answer to U.S. capitalists' interests, the U.S. does not want to share even in part, let alone in whole, the responsibility for the crisis created by these historically unfair U.S. economic decisions.

\$72 billion in debt, and the U.S. can only offer to take away the historically acclaimed advantage of being a Commonwealth or Estado Libre Asociado, the fiscal autonomy of Puerto Rico. The U.S. answer to our fiscal crisis is to impose upon us a so-called Fiscal Control Board, whose members will be appointed by members of U.S. Congress whose campaigns, as you know, are funded by the owners of Puerto Rico's debt. Their recipe is: massive layoffs of government workers, consolidation and elimination of government agencies, reduction of pension payments, elimination of private workers' benefits such as the protection of dismissal without just cause, a minimum wage, Christmas bonuses, and the 40 hour week, reduction of vacation and health leave, and elimination of overtime compensation, and other benefits.

At the same time, the government insists on unprofitable tax exemption incentives to attract foreign investment, thus keeping local businesses at a disadvantage without any power to seek protection from the unfair competition of U.S. capitalists. Ask a pharmacy owner or food storeowner what Walgreen and Wal-Mart has done for them: put them out of business and caused their families to migrate to the U.S.

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What is the solution? The Puerto Rican people need to gain control of their decisions and stop being handled from the outside; we need to make decisions with our people's interests in mind. We need to be able to restructure the debt that is truly ours, to have access to other financial markets to refinance the debt that is ours, to be able to enter into commercial and financing agreements with other nations. We need to insert ourselves into the economy of our region and to be part of the search for solutions to problems that affect us all like drug trafficking, climate change and the erosion of our coastlines, as well as reducing inequality and other problems related to income, education and health. For that we need political sovereignty. Only then can we turn upside down the economic structure that has destroyed our land, our production and our way of life.

¹ Luis Alberto Ferré Rangel, domingo, 28 de febrero de 2016, La pobreza nuestra de cada día

² Informe Negociado Estadísticas de Transporte de Estados Unidos.