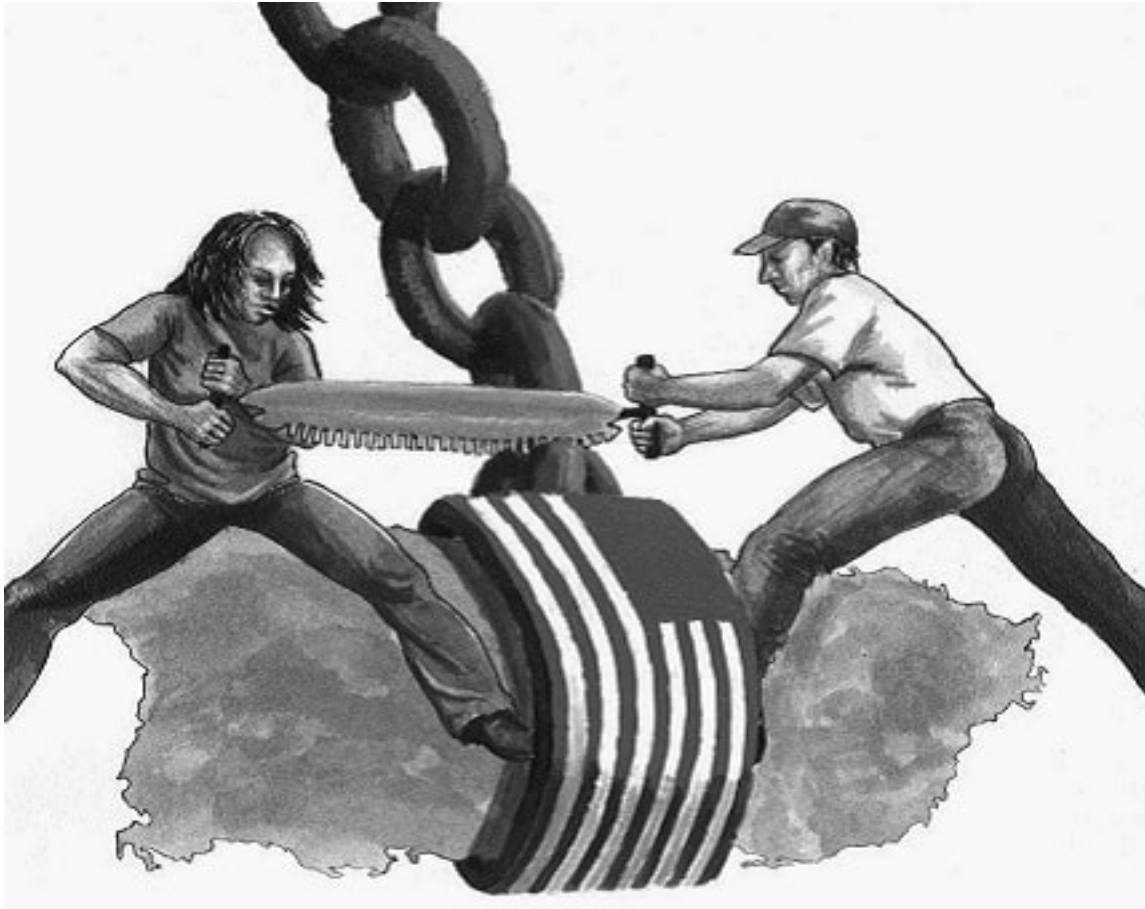


Wall Street seeks neoliberal ‘solution’ for Puerto Rico

Escrito por Berta Joubert-Ceci / Workers World
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Puerto Rico Governor Alejandro García Padilla surprised people when he said in a televised message June 29 that Puerto Rico’s public debt is “unpayable” and “that it is not about politics. It is mathematics.” That he suddenly accepts what the independence and progressive movement of the islands — Puerto Rico is an archipelago — has been saying for quite some time is puzzling. What’s behind it?

As a mere administrator of the colonial government, García Padilla responds, not to the needs of the people, but to his masters in Washington and Wall Street. When he says the debt is unpayable, it is not to protect the people, but the U.S. bondholders.

The enormous crisis of Puerto Rico, framed within the crisis of capitalism at a dead end on a global scale and in particular in the United States, has launched a complex scenario. Its goal is to collect from the Puerto Rican people every cent of the municipal bonds sold by successive

governments to administer Puerto Rico and pay its public agencies’ budgets.

The debt, now about \$72 billion, represents more than \$20,000 per person in Puerto Rico, more than the median income, which is \$19,520 per year. (“Puerto Rico’s Fiscal Crisis Is America’s Colonial Crisis” by Angelo Falcon)

The money borrowed by the government has been used only for local debts or to pay the huge interest that benefits those who hold Puerto Rico’s bonds. Even though Moody’s and other agencies have been progressively lowering the qualifications of these bonds to “junk” status, the big bondholder firms have sought these bonds because they are tax-free and have the highest return.

Beside the returns to bondholders, the commissions and fees Wall Street charges are astronomical. A Forbes article in 2013, “How Wall Street Profited from Puerto Rico’s Misery,” reported: “The fees charged were higher than those assessed on other financially troubled U.S. states and cities. In fact, according to Reuters, banks such as UBS were paid gross spreads averaging 31 percent higher than spreads charged to Detroit.”

The article concludes with what we can now conclude: “To understand how Puerto Rico is in such dire straits, simply follow the money to Wall Street.”

Today, the Puerto Rican government is bankrupt and there is no economic growth, despite desperate measures implemented to balance the budget since even before the economic crisis of 2008. These measures include imposing a sales tax in 2006, layoffs of public employees in 2009, pension reform in 2013, and the recent gas tax and the Sales and Use Tax (IVU), among others. Nothing has improved the economy, and the government is unlikely to continue payments on the debt.

Krueger Report: IMF neoliberal prescription

All García Padilla accomplished was to prepare people for the imposition of disastrous neoliberal measures detailed in the Krueger Report. The 30-page report provides a detailed study of the economy of the colony and its practices for 10 consecutive years. It was written by Anne O. Krueger, Ranjit Teja and Andrew Wolfe, former economists in none other than the International Monetary Fund.

While the purpose of this “Puerto Rico, a way forward” study is to find ways to extract more profits from the U.S. colony, by necessity it had to address the real crisis of the country: colonialism, even though it wasn’t expressed so clearly. It reflects the colonial reality that leaves Puerto Rico unable to solve its financial problems with a sovereign policy.

But what are these recipes to get Puerto Rico out of this quagmire? The report notes that these difficult measures have had no popular response, especially from the trade unions.

Some measures in Krueger’s five-year plan are elimination of the minimum wage of \$7.25 an hour — the report says it is too high for Puerto Rico and must be lowered until the situation

there approaches that of the poorest state in the USA — plus elimination of the year-end or Christmas bonus; reduction of holidays from 30 to 15 days; redefining overtime based on 40 hours a week and not, as now, after eight hours per day; “reducing onerous requirements for proving just cause in layoffs”; reducing the number of teachers and closing schools; reduction of funding for the University of Puerto Rico, and so on.

The plan also includes privatization of public agencies, such as the Electric Power Authority and other government agencies that are efficiently generating income as the State Insurance Fund.

Two new things in the proposal are the request to the U.S. Congress to allow Puerto Rico to use the bankruptcy law to “renegotiate” the debt, something now impossible; and the suspension of the Jones or Cabotage Act, which forces all items that arrive at the island, wherever they come from, to be transferred by U.S. vessels and with U.S. personnel — which more than doubles the products' price.

Without intending to, the report eliminates some of the pro-statehood arguments that have been used to try to convince people that statehood status will improve conditions and increase rights. When some of these measures are mentioned in the report, such as the reduction of vacation time and the requirements to validate unjustified layoffs and redefine overtime, the report argues that they should be at the levels in the “mainland,” where workers have already lost so many labor rights.

In Puerto Rico, despite its colonial status, the trade union struggle has achieved some progressive rights that have been lost in the “mainland.”

Another comparison the report makes is about education — that the budget for the University of Puerto Rico must be reduced because of its very low cost and that tuition should become more expensive, as in the U.S.

Resistance is education and struggle

Workers World/Mundo Obrero spoke with Luis Pedraza Leduc, spokesperson for the Labor Coordinator and coordinator of PROSOL, the Solidarity Program of UTIER (the Electrical Industry and Irrigation Workers Union, which represents some of the workers at the Electrical Power Authority). Pedraza Leduc attended the meeting the governor convened on June 29, where mayors, legislators, various sectors of society and the unions heard the report by Ann Krueger.□□ Pedraza Leduc mentioned the role played by Law 66, which the Krueger report supports. This “Law of Fiscal and Operational Sustainability of the Government of Puerto Rico allows the government to make the necessary adjustments to address the fiscal crisis facing the country.” (aldia.microjuris.com) It has been the basis for attacking the unions.

Pedraza Leduc says: “The approach is to extend Act 66; this means no collective bargaining and eliminating benefits. In our case for PROSOL, which represents the employees of the Highway Authority, a public corporation, on Monday, June 29, we opened a demand for a court injunction against this law. We say that the law is unconstitutional because it goes against the constitutional right to collective bargaining and therefore to free association.

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“This is a measure that we are taking from the legal standpoint.□ The other more urgent action that the UTIER and the union movement is taking, which is what we will be doing in all sectors, is to hold a discussion with delegates and with the union rank and file about all these issues. We need the people to immerse themselves in and discuss everything that is going on so that we have a base of support for struggle actions. Because it is not a struggle that can be decided on the level of legality or discussion with these people, because they (government and consultants) have already decided.”

This week several meetings will be held to do just that.

Puerto Rico is at a crossroads, where the Puerto Rican progressive movement, both on the islands and in the Diaspora, requires extensive discussions and mobilizations. Borinken’s (Puerto Rico’s) future is at stake.

Joubert-Ceci is a Puerto Rican living in Pennsylvania.