

Creditor group calls for slashing education and social spending in Puerto Rico

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Last week, a group of creditors negotiating with Puerto Rico over payment of the island's \$73 billion debt called on the government to slash its budget and raise taxes.

The consortium of creditors, called the Ad Hoc Group of Puerto Rico, includes Wall Street hedge funds and vulture funds. Among them are Stone Lion Capital, which profited from the bankruptcy of Detroit, Fir Tree Capital, which made money off of the 2001-2002 Argentine debt crisis and the 2008 Lehman Brothers bankruptcy, and Canyon Capital and Perry Capital, both linked to Goldman Sachs, which have profited from the Greek crisis and the near-collapse of the Co-op Bank in the United Kingdom.

On June 29, Puerto Rican Governor Alejandro García Padilla of the Popular Democratic Party (PPD) declared the government debt "not-payable" and appealed for it to be restructured. The governor's announcement followed nearly a decade of job cuts and budget and pension reductions that have driven the economy further and further into recession. Tens of thousands of Puerto Ricans have emigrated to Florida and other US States over this period.

García Padilla is seeking either to bring the US territory under the umbrella of American bankruptcy law, which requires approval by the US Congress, or renegotiate the state debt with the so-called "distressed debt" funds that have been purchasing Puerto Rico's bonds at a steep discount. To this point, both of these alternatives have been rejected in favor of imposing brutal austerity measures on Puerto Rican workers to raise cash for paying off the island's Wall Street creditors.

The hedge fund proposal is in response to negotiations that began on July 13 between officials of Puerto Rico's Government Development Bank (GDB)

and creditors held at the headquarters of Citigroup in New York City. GDB President Melba Acosta presented the assembled representatives of hedge and pension funds a set of austerity proposals and asked for debt relief.

Last week's response by the creditors essentially rejects García's claim that the debt is "not payable" and demands that Puerto Rico service and fully repay its outstanding bonds. The Ad Hoc Group laid down a set of dictates, including the collection of an additional \$1 billion in taxes, the sale of \$4 billion worth of public assets, and the slashing of public education and other social programs.

The group's focus on attacking the public school system is influenced by a Washington-based neo-liberal think tank, the Centennial Group. It claims that the US commonwealth overspends on education, despite the fact that over 100 schools have been closed so far this year, following the shutdown of 60 in 2014. An additional 500 schools have been downsized.

According to a report by the Centennial Group ("For Puerto Rico, There is a Better

Way"), government expenditures increased by 39 percent while school attendance declined by 25 percent, a direct consequence of the emigration of some 300,000 Puerto Ricans to the US.

This report conflicts with one commissioned by the Puerto Rican government and coauthored by former IMF official Anne Krueger. The government report included its own set of austerity proposals, such as cutting the minimum wage and privatizing parts of the economy. However, it also supported García Padilla's claim that the bondholders would have to accept a renegotiation of the debt in order to give the economy time to favorably react to these "supply side" measures.

The British *Guardian* newspaper, in an article

published last Saturday, quoted José Fajgenbaum, one of the authors of the Centennial Group report. The García Padilla government has been “massively overspending on education,” declares Fajgenbaum. “The real expense per student has increased enormously without increasing the quality of education,” he continues. “It’s for the government to decide, but you don’t want to waste government resources. There have to be efficiencies. It is more important to establish a position for growth.”

Fajgenbaum’s protestations aside, in per pupil terms, Puerto Rico spends \$8,400 per student, well below the US average of \$10,667, which is in itself inadequate. Nearly 60 percent of children in Puerto Rico live below the poverty line.

Governor García Padilla initially said the vulture fund proposal was unacceptable, while declaring that it was being studied by his administration.

As Puerto Rican workers assess the impact of the new austerity measures, the García Padilla administration, the opposition parties, the trade unions and various pseudo-left organizations are positioning themselves to block an independent movement by the working class and prop up the Puerto Rican financial elite.

The two major parties, the pro-statehood New Progressive Party (PNP) and the ruling Popular Democratic Party, have few significant differences over how the crisis is to be resolved. Both support “adjustments,” i.e., austerity measures, privatizations and attacks on the jobs, wages and benefits of workers and retirees.

The third bourgeois political party, represented in the Senate, is the Puerto Rican Independence Party (PIP), which is calling for “equality of sacrifice.” In a recent TV interview, the PIP’s sole senator, María Santiago Lourdes Negrón, suggested she could support austerity measures if they were accompanied by some measures directed against the rich.

“Equality of sacrifice” is also the code word of the Puerto Rican trade unions and the pseudo-left. The Sindicato Puertorriqueño de Trabajadores (Puerto Rican Workers Union, affiliated with the American SEIU) in a leaflet handed out to workers last month called for the formation of a multi-sector commission, with a seat at the table for the SPTPR, together with representatives of the private sector, the government and the public.

The petty-bourgeois “radical” Red Betances echoes the same line in a statement with the title “Let Us Be Greece,” holding up as a model Greece’s nominal independence and sovereignty as opposed to Puerto Rico’s colonial status. Unfortunately for this group, Greece’s Syriza government, which it promotes, has completely betrayed its promises to the Greek electorate and agreed to a savage austerity deal that makes a mockery of Greek sovereignty and transforms the country into a de facto economic colony of the German and European banks. *Bandera Roja*, organ of the MST (Workers Socialist Movement), is limiting itself to demands for the reversal of a newly enacted Value Added Tax.

On July 15, the San Juan government announced another turn of the screw in its austerity policy—severe cuts in public transit. Alberto Figueroa, head of the Transit Authority, announced the elimination of 22 bus routes (from 37 to 15). He also declared that all bus service would end at 8 PM each evening instead of 10 PM. The cuts in service include the metro train service and ferry service out of the city of San Juan.

In January 2014, teachers, public employees and university students mobilized against an earlier round of layoffs and cuts in pensions and education. This struggle was isolated and betrayed by the trade unions.

Social protests are bound to reemerge when scores of bus drivers and transit employees are sacked or forced to work short hours, adding to the growing unemployment on the island (officially at 12.4 percent, up from 11.4 percent in February).



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