

US house approves new austerity program for Puerto Rico

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On Friday May 20, the US House of Representatives approved legislation to restructure Puerto Rico's \$72 billion debt. The law was the result of an agreement between the administration of US president Barack Obama and the Republican Party-controlled Congress, centered on the joint commitment that there will be no federal rescue package for the US Caribbean island-territory.

The bipartisan measure is clearly skewed toward the banks and Wall Street. It attacks virtually every right of Puerto Rican youth, working and lower-middle classes, while protecting the profits of banks and hedge funds.

Policing Puerto Rico's finances and debt restructuring will be a seven-member so-called financial oversight board, which will have powers to override the government of Puerto Rico. The oversight board will orchestrate Puerto Rico's fiscal policies—taxes, pensions, health care, education, etc.—to ensure repayment. Its mandate is open-ended; it would hand control of finances back to the government only when Puerto Rico can reenter the bond market on Wall Street and globally, i.e., only when Wall Street decides that it will be so.

One can anticipate that the only role left for the elected authorities will be to send in police and security forces against the Puerto Rican masses, whenever so ordered by the oversight board.

While the new law supposedly provides for “restructuring” of debt, i.e., a likely reduction of the amount of money owed by the government and its agencies combined with payments over an extended period of time, its clauses make clear that those calling the shots will be those financial entities themselves. They will decide the concessions, if any, while the fiscal oversight board controlled by Wall Street will guarantee their profits through a combination of cuts in

social programs, the privatization of public utilities, increased taxes, and reductions in wages and working conditions for Puerto Rican workers and youth.

The decision not to bail out Puerto Rico will have dire consequences. Currently, Puerto Rico dedicates roughly 30 percent of its fiscal budget to debt service and repayment, about three times what US states pay. In addition, a decade or more of economic collapse has been pushing Puerto Rican emigration into Miami and other US cities.

According to the Madrid daily, *El País*, Puerto Rico has lost 10 percent of its population during the last decade, despite near recession conditions in the US. While Governor Alejandro Garcia Padilla insists that Puerto Rico is not looking for a bailout (“we simply need the legal tools that will help us confront this crisis and insure that Puerto Rico has a viable future”), he has mentioned that an infusion of \$20 billion is required in the short term, a pittance compared to the hundreds of billions handed out to Wall Street and the banks since 2008.

Discussions had been taking place for months between the White House and congressional leaders, the agreement was hammered out last week. It includes changes in the oversight board (from five to seven members, with at least one from Puerto Rico itself).

On wages, the new bill provides for the suspension of minimum wage and overtime rules.

The oversight board with expanded powers will be able to dictate Wall Street's terms to Puerto Rico. It will be able to sell government assets, carry out the sacking of thousands of workers and veto legislative and executive branch decisions.

President Obama will appoint all members of the oversight board. All but one will be appointed from a list drawn up by congressional leaders. Restructuring

decisions will require a super-majority of five.

Though the bill that was approved on Friday expands the oversight board's power over Puerto Rico's government, it constrains the board's authority to compel hedge funds and banks to agree to virtually anything, severely limiting its ability to use the US courts against the debt holders.

"All in all the bill has been improved drastically by being more voluntary and protecting creditor priorities," said Susheel Kirpalani, a partner at Quinn Emanuel Urquhart & Sullivan, representing a group led by 10 asset management firms. Among the provisions supported by Kirpalani and others is language that fiscally binds the territorial government, under the federal board's oversight, to "respect the relative lawful priorities" of existing creditors, and requires any court-approved restructuring plan to be "feasible and in the best interests of creditors."

According to the *New York Times*, "The bill bars Puerto Rico's governor or legislature from exercising 'any control, supervision, oversight or review over the Oversight Board or its activities.'" This means essentially the imposition of direct colonial rule, which was left behind in 1952 with the creation of the *Estado Libre Asociado* (Free Associated State, or Commonwealth) and self-rule.

House Speaker Paul Ryan, who had led the negotiations for the Republicans, declared on the eve of the vote, "We got this bill exactly where we wanted it ... We wanted to make sure that the restructuring worked, and that the restructuring is done in a way that it prevents any taxpayer bailout, or some precedence that could affect the bond markets. And we're very confident that we've achieved that."

There were those who accepted the new law with some trepidation, aware of rising class tensions in the island. Pedro R. Pierluisi, Puerto Rico's nonvoting member of Congress, warned of the political instability that exists in Puerto Rico and the danger of a social explosion: "I hope every Member of Congress will bear in mind that the collapse of the bill could mean the collapse of Puerto Rico's government," declared Pierluisi.

The debt crisis and austerity measures of the administration of Alejandro García Padilla are magnifying a decade-long humanitarian crisis in Puerto Rico.

Hundreds of cases of the Zika virus have recently been documented. Though the virus is mosquito-borne, mosquito control is being hampered by budget cuts. Water quality and delivery that depends on an aging and collapsing infrastructure also allows mosquitoes to breed. Worsening the crisis is the flight of health professionals from Puerto Rico, and the closure of clinics and hospitals. In San Juan, people often wait 12 or more hours at crowded emergency rooms.

Compounding the health crisis is a food crisis. Half a million Puerto Ricans are in poverty, of which only 110,000 receive food assistance. For many children their main meal is the lunch that schools provide. Thousands depend on food banks and soup kitchens. A recent TV report on hunger in Puerto Rico asked a 10-year-old in the town of Lares about his dreams: "When I dream, I dream of food," answered the child. Statistically, 47 percent of Puerto Rican children live in poverty, the highest in the United States.



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