

Congress, Obama call for a Financial Control Board for Puerto Rico

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On June 11, US President Barack Obama devoted his weekly Saturday Address to defending House Bill 5278, passed last Thursday, which imposes a seven-member federal fiscal control board over the government of Puerto Rico, supposedly to manage the restructuring of Puerto Rico's \$72 billion government debt.

After making the dubious claim that the US mainland has recovered from the 2007-2008 Great Recession, Obama declared that this is not the case for Puerto Rico:

"Today, the island continues to face a crippling economic crisis. Schools are closing. Power is being cut off at homes and hospitals. Teachers have to choose between turning on the lights and turning on the computers. Doctors can't get medicine to treat newborns unless they pay in cash. And as the Zika virus threatens both the island and the mainland, workers dealing with mosquito control to help protect women and their unborn babies are at risk of being laid off."

The grim conditions that President Obama describes are not acts of nature or destiny; they are a direct result of Wall Street's financial stranglehold over Puerto Rico, which has been shut out of credit markets, and of the refusal of the Obama administration to provide emergency relief funds of a humanitarian nature, even in the face of an accelerating Zika epidemic in Puerto Rico and potentially across the mainland US.

The solution, declared Obama, is "debt restructuring" for Puerto Rico, a code-phrase that in essence means massive austerity measures on the Puerto Rican working class, much like measures imposed on workers and youth in Greece, Detroit, Spain, and across Europe.

The problem, however, according to Obama, is that Puerto Rico does not have the tools with which to "restructure" its debts. The president went on to assure his listeners, fraudulently, that not only will these new measures not cost US taxpayers any money, they would also protect the pensions of 300,000 Puerto Ricans, and

safeguard essential services.

The US president also advanced the equally false claim, "This bill also includes something else – a temporary system of oversight to help implement needed reforms and ensure transparency"

In fact, participating in the writing of HB 5278—the "Puerto Rico Oversight, Management and Economic Stability Act" (PROMESA)—were lobbyists for the major Wall Street hedge and vulture funds that own most of Puerto Rico's debt. The so-called "temporary system of oversight" will be a seven-member fiscal control board. Republican lawmakers will appoint four of its seven members.

Supposedly, the Fiscal Oversight Board will cease operations once Puerto Rico regains its credit standing in world bond markets and balances its budget for four consecutive years. For Puerto Rico such a balanced budget is estimated to require the elimination of 100,000 public jobs and the reduction of government expenditures by 30 percent.

The role of the Fiscal Oversight Board is to impose these draconian measures from the outside, providing a political cover to the local political establishment, the trade unions, and the US government.

Further exposing the deceptive nature of Obama's Saturday's assurances, according to HB 5278, the Fiscal Control Board is to meet in secret: so much for "ensuring transparency."

As written in the law, the Fiscal Control Board imposes a layer of federal authority over all elected officials in Puerto Rico, with the power to erase existing regulations and impose new ones. It will have the last and final word on fiscal policies, and its rulings will extend far beyond "debt restructuring," to ensure the profits of the financial parasites and big business in Puerto Rico by sacrificing the social conditions and jobs of Puerto Ricans. Choosing his words carefully, Obama assured that he would respect

“the democratic rights of the people of Puerto Rico. I am committed to making sure that Puerto Ricans are well-represented in this process.”

Obama is in reality not committing himself to anything that will in any way interfere with the imposition of a financial dictatorship over the island’s economy.

A *Wall Street Journal* article on the passage of PROMESA acknowledged as much. According to this commentary, the Financial Control Board will be “muscular” and it is based on the Financial Control Board set up for Washington DC in 1995, responsible for the sacking of thousands of municipal workers and draconian reductions in city programs, and attacks on education and other municipal services.

Like the Washington, DC Financial Control Board, its Puerto Rican twin would meet in private and make all-important decisions in secret. The takeover of the Puerto Rican economy by the FCB also means that whatever new borrowing takes place, even to combat the Zika health emergency, requires board approval.

The *Wall Street Journal* also indicated that by the US Congress passing the bill, and President Obama signing it, a moratorium would then exist that would stall legal action on a \$2.1 billion payment default expected to occur this July 1 and allow negotiations to take place. “If negotiations fail, the board could authorize a debt restructuring similar to Chapter 11 bankruptcy that protects creditor priorities. The board’s proposed plan of adjustment would have to be fair and equitable and in the best interest of creditors. So general obligation bondholders couldn’t get shorted to pay pensioners.”

Also included in the new bill is a provision that makes it possible for Puerto Rican authorities to impose a sub-minimum wage of \$4.25 per hour on young workers (aged 25 and below). While Obama and the Democrats claim that they do not support that clause in the bill, and had to accept in as an unfortunate compromise, the subminimum wage, points to one more agenda of Wall Street and big business, converting Puerto Rico into a low-wage platform from which to extract more and more surplus value.

This is part of an ongoing attack on working conditions in Puerto Rico. Since 2006, under the governors Aníbal Acevedo Vilá (Popular Progressive Party), Luis Fortuño (Statehood Party) and Alejandro García Padilla (Statehood Party), tens of thousands of public employees have been laid-off. Full time work has been increasingly replaced by contingent labor, while unemployment reached 16 percent.

Against all this, the Puerto Rican union movement reacted to each turn of the screw against jobs and working conditions with protests strikes and empty phrases, designed to disarm popular discontent.

Early on in his administration, García Padilla made clear his contempt for Puerto Rican workers. “We cannot think of lifting Puerto Rico out of the lack of economic growth by lying on the beach. Longer working days are needed to get the nation out of this stagnation,” he declared in 2015, calling for the elimination of holidays, vacation days, and personal time off. He now anticipates that the soon-to-be-appointed Control Board will impose further attacks on jobs and working conditions, which he euphemistically labels “labor reform.”

Puerto Rico confronts its worse economic and fiscal crisis since the 1950s. The public debt of \$72 billion cannot be paid, even at an enormous human cost. The commonwealth has no access to capital markets. In the last decade over 400,000 people have migrated away to the US mainland. None of this deters Puerto Rican creditors, who aim to suck out as much as they can, at whatever social cost.

Obama, the US House of Representatives, the US Senate, Wall-Street hedge funds, the Puerto Rican government and legislature, and the trade unions may disagree on this or that aspect of the new legislation. But all accept it as the vehicle to use the debt crisis as an opportunity to reduce working conditions and living standards in Puerto Rico drastically.

All can be counted on to work with the Fiscal Control Board, which requires their support, and against the interests of Puerto Rican workers. The only alternative for the Puerto Rican workers and youth is to reach out to workers in the US, Latin America, and across the globe, in a socialist movement to nationalize the banks under workers’ control and use the wealth of society for human needs.



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