

New Puerto Rican governor declares fiscal emergency, paves way for massive cuts

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Ricardo Rosselló (New Progressive Party, pro-statehood) was sworn in on Monday, January 2 as Puerto Rico's new governor. Later on that day, during his inaugural address, Roselló declared the island in an economic emergency.

In his speech, Roselló admitted that the government will not have the funds to pay public employee wages in February. "We're inheriting a deficit of more than \$6 billion and a situation so precarious that there is no way to pay the payroll for the month of February," declared the new governor.

Roselló, 37, is a medical doctor who ran on a populist pro-statehood platform with the slogan "a new nation is possible." He appealed on a demagogic basis to inequality, the exodus of doctors, poor conditions facing the elderly, and pledged to rescue public employee pensions, which are currently facing a \$40 billion dollar deficit.

In his inauguration speech, however, the new governor promised Puerto Rico's Wall Street creditors that he will prioritize their interests over those of the Puerto Rican working class.

Over 200,000 Puerto Ricans have fled to the US in the last few years, including many technical workers, professionals and medical doctors.

For Roselló, statehood is key in the transformation of the Puerto Rican economy. "The United States cannot pretend to be the world's model for democracy as long as it continues to discriminate, under its flag, against 3.5 million of its citizens, with no political, social or economic equality," he said. "There is no way of overcoming the current crisis that affects Puerto Rico while maintaining this colonial crisis," said Roselló, referring to the country's commonwealth status.

Puerto Rico owes its creditors some \$70 billion. Roselló declared in his speech that the resolution of the

debt crisis will become "top priority" for his administration.

The administration of Governor Alejandro García Padilla imposed heavy taxes and fees for transportation and public utilities in order to generate revenues with which to pay the corporate creditors. These and other austerity policies have further sunk the Puerto Rican economy, which has been unable to recover from a decade-long recession that began in 2006. Last May, Puerto Rico defaulted on more than \$400 million in bonds related to the Government Development Bank. In July, the government failed to make a \$1 billion debt payment.

In his speech, Governor Roselló called for a public-private partnership to bring investments to the island, including through the expansion of the tourism industry. He also assured that he would work closely with the financial control board.

Last June, US President Barack Obama signed the Puerto Rico Management and Economic Stability Act, PROMESA, which means "promise" in Spanish. In return for allowing Puerto Rico to engage in debt-negotiations with its creditors, PROMESA established a seven-member financial control board (Junta de Control Fiscal, JCF) to rule over the island's finances in the interests of Wall Street. In addition, PROMESA granted Puerto Rico a brief breathing space, protecting it from being sued by creditors until February 15, 2017.

At a conference in the Puerto Rican beach resort of Fajardo on November 8, the financial control board discussed a report from Rogelio Garcia for the Conway MacKenzie consulting firm. According to García, the government is shut out of credit markets and has been postponing payment to creditors in the amount of \$1.3 billion, a policy that is not sustainable. Other participants in the conference voiced their skepticism

about the government's debt reduction strategy.

A December 20 letter from the JCF to both Roselló and García Padilla declares, "Structural reforms will not be sufficient to allow Puerto Rico to fund its long-term liabilities as they currently stand. The Government budget is simply not large enough to allow it to provide essential services and pay debt service as currently structured, even if it implements extensive fiscal initiatives... Education and healthcare are two of the largest areas of expenditure for the Government. While both areas are essential, the fiscal condition requires they be reduced substantially... Change is also needed to ensure the pension costs are sustainable and to address the massive pension liabilities built up over decades".

The letter attempts to mask the draconian cuts that are being proposed, with words and phrases such as "efficiency," "simplification," and "thinking outside the box."

On Monday, Roselló indicated that he was declaring a fiscal emergency and cut the budget of all government departments by ten percent, with a 20 percent reduction in politically appointed personnel.



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