Wall Street demands Puerto Rico pay up

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A day after Trump’s visit to Puerto Rico, where he contemptuously told survivors that they were not facing a “real catastrophe” like Hurricane Katrina in 2005 and that their demands for emergency aid were throwing the US budget “out of whack,” administration officials made it clear there would be no debt relief for the hurricane-ravaged US territory.

Trump tossed out paper towels and other supplies at a local church in what might be described as the billionaire president’s “let them eat paper towels” moment. With 95 percent of the island’s residents without power, half the population without clean water, a lack of gasoline and medical supplies, and a death toll, which is officially 34 now and potentially hundreds more, the president said the condition on the island due to the federal response was “nothing short of a miracle.”

This contrasts sharply with a statement of the UK-based anti-hunger organization Oxfam, which said last week that it would provide relief to the island because of the Trump administration’s “slow and inadequate” response.

Prior to the visit, Trump sat down with Fox News correspondent Geraldo Rivera. In a pre-recorded interview, which was aired Tuesday night, the president blurted out that it was likely that Puerto Rico’s massive debt would have to be wiped out due to huge recovery costs now estimated to be $90 billion.

“We are going to wipe that out,” declared the president in reference to Puerto Rico’s $74 billion debt obligation. “They owe a lot of money to your friends on Wall Street and we’re going to have to wipe that out,” Trump said in pseudo-populist fashion. “I don’t know if it’s Goldman Sachs but whoever it is you can wave goodbye to that.”

The president’s remark produced a sell-off on Wednesday of Puerto Rico’s defaulted bonds, which dropped from 56 percent of face value to 36 percent.

Administration officials rushed to downplay the president’s remarks and reassure the vulture capitalists which control the island’s debt.

Trump’s own budget chief, Mick Mulvaney, told CNN, “I wouldn’t take it word for word with that. We are not going to deal right now with those fundamental difficulties that Puerto Rico had before the storm.”

The head of the government’s Office of Management of Budget made it clear that there was no plan to relieve the island of its debt burden. “Puerto Rico’s going to have to figure out how to fix the errors that it’s made for the last generation on its own finances.”

In other words, Puerto Ricans did this to themselves. Storm or no storm, they must pay up.

In fact, the island’s massive debt is the result of its colonial legacy, a decades-long economic recession resulting from runaway US corporations seeking cheaper labor elsewhere, and the financial looting of the island by Wall Street which has long profited from buying up its high risk and high return debt.

In June 2015 then Puerto Rican governor Alejandro Padilla, declared Puerto Rico was in a “death spiral” because its debt is “not payable… There is no other option… this is not politics, this is math.” Having already imposed draconian austerity measures, Padilla demanded concessions from debt holders.

However, the Promise Act, passed by the Obama administration, mandated that the debt crisis would be resolved with ever more savage austerity measures that involve the dismantling of public budgets and social services. The Promise Act imposed a non-elected Financial Oversight and Management Board that would administer Puerto Rico’s budget and distribute the debt payments among debt holders.

The appointed members were front men for powerful financial interests. For example, two of its members, José Ramón Gonzalez and Carlos García came straight out of *Banco de Santander*, one of the banks that, operating in the middle, between Puerto Rico and the hedge funds, profited greatly from designing “financial instruments” and then selling them to investors.

And not just *Banco de Santander*; other Wall Street banks, including the infamous Goldman Sachs helped convince Puerto Rican officials to borrow more at terms that have been described as “payday loans” in a report by the Refund America Project.

The report describes how a $4.3 billion loan quickly morphed into a $33.5 billion debt, through the mechanism of compounded interest. It suggests that this portion of the debt violated Puerto Rican law and amounted to “unconstitutional debt” that can justifiably be repudiated. Tellingly, the current administration of Governor Ricardo Rosselló refused to cooperate with this study.

“We plan to do more with less,” was the phrase Rosselló used this June to describe his administration’s plan to deal with Puerto Rico’s financial implosion. He then went on to list the various austerity measures and job cuts that had already been enacted since he took office this January.

The Puerto Rican government’s $74 billion in tax-exempt bond debt to hedge funds and wealthy investors is the result more than ten years of negative economic growth, at the rate of about two percent per year, and mass emigration of skilled and professional workers in the context of some three decades of deindustrialization.

Prior to the storm the official rate of unemployment was 11.5 percent. Forty-six percent of all households existed under a dismal poverty line. One-third of workers were ineligible for Social Security benefits. A record 400,000 Puerto Ricans have left since 2007 with another 240,000 are expected to leave by 2025.

Retirees are among the most vulnerable. Three years ago, the Puerto Rican government changed the retirement system that guaranteed public sector workers a full pension after 30 years of employment to a system that forces workers to work up to 15 additional years for full benefits.

Driving the discussion in the bankruptcy court over further public pension cuts is the fact that the system is scheduled to run out of money this July, leaving some $50 billion owed to retirees unpaid. It is anticipated that ten percent or more may by slashed from existing pensions. Caps on Medicare imposed by the federal government force many seniors to pay more for their medical care

Had the US Federal Reserve bank adopted the same criteria toward Puerto Rico that it did toward Wall Street financial institutions behind the 2008–2009 crash and deemed “too big to fail,” it would have bought up Puerto Rico’s toxic assets long ago. That never happened and now the suffering people on the island are to be squeezed again.

Instead, the working class in Puerto Rico and on the US mainland should demand the cancellation of the debt and an end to the plundering of public assets. The Wall Street banks and other giant financial institutions should be transformed into public enterprises democratically controlled and collectively owned by the working class.

Only in this way can the necessary hundreds of billions be poured into Puerto Rico to repair and update the electrical power grid, the water system and flood control system, roads and schools, which are essential for the functioning of a modern society.