

Banks impose massive attack on Puerto Rican workers amid island-wide blackout

Genevieve Leigh
20 April 2018

In the midst of another island-wide electrical blackout across Puerto Rico, the island's Financial Oversight Management Board (FOMB) met in the capital of San Juan Thursday afternoon to pass a fiscal plan that amounts to a full-scale assault on Puerto Rican workers, who are still reeling from a catastrophic hurricane in late September 2017.

The plan will eliminate thousands of jobs, enforce the privatization of both the Puerto Rico Electric Power Authority (PREPA) and the water utility, consolidate dozens of state agencies, cut pensions by 10 to 25 percent for retired public employees, drastically reduce government subsidies to all of Puerto Rico's 78 municipalities, cut funding to the island's only public university, cut sick leave and vacation pay by half, and eliminate mandatory Christmas bonuses, among other "cost-cutting" measures, all of which are to be placed squarely on the backs of the working class.

The final addition to the fiscal plan was the brutal attack on pensions. The slashing of pensions for retirees, among the most vulnerable layer in society, is made all the more barbarous considering that in 2014 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. In other words, over the course of the last four years, workers have been made to stay in the workforce an additional 15 years and will now receive up to 25 percent less in benefits upon retiring.

The cutting of pensions will create a life and death scenario for many elderly workers. In Puerto Rico, members of the "Employees Retirement System" receive an average of \$1,092 monthly from pension benefits. This is nearly half of what retirees in the public sector receive in the US, according to the latest census report. The poverty rate on the island is nearly three-and-a-half times

the official US rate, standing at 43 percent, with a median household income of \$19,606 per year. These starvation wages and the struggling economy, exacerbated by the horrific hurricane last year, have created a social crisis of immense proportions on the island.

Despite this reality, the fiscal plan is being hailed by financial speculators as a major success as it forecasts a potential \$6.7 billion in debt payments to bondholders, \$400 million more than a previous estimate from Governor Ricardo Rosselló. The fiscal plan has been sent back and forth between the island government and the FOMB over the course of many months in order to scrape every dollar possible from the working class. The ruthless dedication to securing bondholder payments has caused bond prices to rise constantly this year, with Puerto Rico's benchmark general obligation bond trading at 42.6 cents on the dollar on Thursday and senior sales tax-backed debt at about 60 cents, according to Thomson Reuters data.

The unelected seven-member board voted 6-1 to certify a plan, with only board member Ana Matosantos, president of Matosantos Consulting and director of the California Department of Finance, voting against it. Puerto Rican Governor Ricardo Rosselló is also on paper as opposing the final fiscal plan, insisting in a written statement to the board Thursday that it "lacks the authority to impose steps that would require legislation."

If the Rosselló government refuses to implement the fiscal measures, the FOMB could sue to enforce them. However, any such "opposition" from Rosselló would only be for show and motivated purely to save face with the Puerto Rican working class—not from any genuine concern for the people. On the contrary, the Rosselló government has done everything in its power to assist the plundering of the island by financial interests. This includes enthusiastic support for the privatization of both public education and the previously largest publicly-

owned utility in the United States, PREPA.

The role of the FOMB all along was to impose these savage austerity measures from the outside, providing a political cover to the local political establishment, the trade unions, and the US government. The nominal “opposition” from Rosselló poses no real threat to the rule of the FOMB. It is instead a protest staged in order to divert unrest among workers and youth on the island by promoting illusions in Rosselló’s government as constituting some form of “opposition.”

It is worth noting that this anti-democratic dictatorship of the banks was imposed upon Puerto Rico by former Democratic President Barack Obama under the guise of “debt restructuring” for the island; 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 Detroit, Greece, Spain, and across Europe.

The act that saw the creation of the board was called the “Puerto Rico Oversight, Management and Economic Stability Act,” or “Promesa” meaning “promise” in English.

At the time, the “promise” that Obama explicitly made, fraudulently, was that the new measures were being implemented to protect the pensions of 300,000 Puerto Ricans, and safeguard essential services. Thursday afternoon, as PREPA and PRASA were privatized and pensions slashed, it was proven the measures taken were in fact meant to carry out the exact opposite.

Those involved in the writing of this bill were lobbyists for the major Wall Street hedge and vulture funds that own most of Puerto Rico’s debt. The seven-member board hand picked to oversee the plundering includes front men for powerful financial interests, including former and current CEOs and bankers:

- Andrew Briggs is a former official of the Social Security Administration under George W. Bush, who supports privatizing the system. He is currently with the American Enterprise Institute.

- Carlos García is the CEO of BayBoston Managers LLC and managing partner of BayBoston Capital LP. He is considered the architect of Puerto Rico’s controversial Ley 7, which allowed the government to temporarily declare a fiscal emergency and lay off thousands of public sector employees in response to the fiscal crisis.

- David Skeel Jr. is a professor at the University of Pennsylvania Law School. He authored the book, “True Paradox: How Christianity Makes Sense of Our Complex World.”

- Arthur González is with the New York University School of Law. Judge Gonzalez previously served on the United States Bankruptcy Court for the Southern District of New York from 1995 to 2012, retiring as Chief Judge in 2010.

- José R. González has served in multiple banking and financial services positions, including with Credit Suisse First Boston and with the Government Development Bank of Puerto Rico. He is also the CEO and president of the Federal Home Loan Bank of New York.

- Jose B. Carrión III is president and principal partner of HUB International CLC, LLC. He previously served in various positions in the island government, including the Workers Compensation Board.

- Ana Matosantos is president of Matosantos Consulting and has been director of the California Department of Finance and deputy director of budgets for the state overseeing massive layoffs of California workers.

Both José Ramón Gonzalez and Carlos García were recruited to the job from the Spanish-owned Banco de Santander, which was one of the banks that profited greatly from the financial scheming that led directly to Puerto Rico’s debt crisis. These figures, along with the representatives of the local government, have no interest in the well-being of the working class in Puerto Rico.

The passing of the fiscal plan marks a watershed moment in the pillaging of the island of Puerto Rico, a defining feature of its history. However, the Puerto Rican working class, like the working class on the mainland US has also in its history a legacy of class struggle. In tandem with the upsurge of educators across the mainland and internationally, teachers, students, and workers in Puerto Rico have also begun large scale protests against the austerity measures and the attempts to privatize education.

There is a vast reservoir of anger among the workers in Puerto Rico. What is needed above all is a political perspective and leadership to fight for the independent interests of the working class and to link up the struggles of the Puerto Rican workers with those on the mainland and internationally.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact