

After a Century of American Citizenship, Puerto Ricans Have Little to Show for It

Escrito por Nelson Denis

Sábado, 04 de Marzo de 2017 07:25



Puerto Rico has never been more than a profit center for the US. Now an unelected board governs the island as a de facto collection agency for hedge funds and Wall Street speculators.

One hundred years ago today, on March 2, 1917, more than one million Puerto Ricans were granted United States citizenship. It wasn't exactly a gift. Exactly one month later, on April 2, President Woodrow Wilson asked Congress for a [declaration of war on Germany](#). The point of extending citizenship to Puerto Ricans was to get about 20,000 more bodies into the World War.

The centennial of that dubious bestowal makes now a good time to kick the tires and see whether citizenship ended up being a vehicle for human development or a beat-up car that only benefited its dealer.

After one hundred years of citizenship, [US federal agencies](#) control the island's currency, banking system, international trade, foreign relations, shipping and maritime laws, TV, radio,

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postal system, immigration, Social Security, customs, transportation, military, import-export regulations, environmental controls, coastal operations, air space, civil and criminal appeals, and judicial code.

After one hundred years of citizenship, the [per capita income](#) of Puerto Ricans is roughly \$15,200—half that of Mississippi, the poorest state in the union. Yet in the last five years alone, the government raised the [retire ment age](#), increased worker contributions, and lowered public [pensions and benefits](#). It also [hiked the water rates](#) by 60 percent, raised the [gasoline](#) and sales taxes (the latter to 11.5 percent), and allowed [electricity rates](#) to skyrocket. In 2013–14 alone, [105 different taxes](#) were raised in Puerto Rico. But this was not enough.

After one hundred years of citizenship, Puerto Ricans are prohibited from managing their own economy, negotiating their own trade relations, or setting their own consumer prices. Puerto Rico has been little more than a profit center for the United States: first as a naval coaling station, then as a sugar empire, a cheap labor supply, a tax haven, a captive market, and now as a municipal bond debtor and target for privatization. It is an island of beggars and billionaires: fought over by lawyers, bossed by absentee landlords, and clerked by politicians.

After one hundred years of citizenship, Puerto Ricans enjoy the media images of the American

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dream and the underside of the US Constitution. They are free to be poor, under-educated and unemployed; free to be invisible and unheard; free to lose their homes to Wall Street; free to flee the island in utter desperation, as hundreds of thousands have done in recent years.

Sure, Puerto Ricans are free—free to be poor, under-educated, unemployed, invisible, unheard.

After one hundred years of citizenship, Puerto Ricans know that that their homeland was invaded, its wealth exploited, its patriots persecuted and jailed. But they continue to suffer in solitude, their cause largely ignored even by those in the United States who generally pay attention to such suffering “abroad.” Separated by an ocean, a language, and a century of propaganda, they are more unnoticed than Ralph Ellison’s *Invisible Man*, and more forgotten than Macondo, the town in Gabriel García Márquez’s *One Hundred Years of Solitude*

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For Puerto Rico, the legacy of the American Century is a schizophrenic existence. Puerto Ricans are both citizens and colonial subjects of the United States. They have a legislature whose will can be vetoed by Congress. They have been conscripted to take up arms and die on foreign shores for the United States, but they are not permitted to vote for its president. Now a board elected by nobody, either in the United States or in Puerto Rico, will govern the island as a de facto collection agency for hedge funds and Wall Street speculators.

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The 20th century opened with lavish promises for Puerto Ricans. On July 28, 1898, [General Nelson Miles](#) of the United States Army hoisted the Stars and Stripes atop the municipal flagpole in Ponce, on the southern coast of Puerto Rico, and told the island's inhabitants that the United States had arrived "to bring you protection, not only to yourselves but to your property, to promote your prosperity...and to give...the advantages and blessings of enlightened civilization."

The words were magnificent, but their delivery depended upon the United States Congress, which has jurisdiction over the entire government and economy of Puerto Rico. In effect, Puerto Ricans are perpetually subject to the moods and whims of a few hundred politicians, over 1,500 miles away, in Washington, DC.

The politicians were indeed whimsical. [On the floor of the Senate](#), Joseph B. Foraker of Ohio insisted that Puerto Ricans "have no experience which would qualify them for the great work of government with all the bureaus and departments needed by the people of Porto Rico."

[William B. Bate](#), a Democrat from Tennessee who had served as a major general in the Confederate Army, shared the most precise information. Puerto Ricans and Filipinos, he said, were "heterogeneous mass of mongrels...hostile to Christianity," as well as "savages addicted to head-hunting and cannibalism."

From the very outset, then, a herd of misinformed senators viewed Puerto Ricans as too brown, dumb, and foreign to qualify as human beings, let alone United States citizens. This early de-humanization of an entire island was the precursor to a century and more of theft, usury, and deception.

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In a textbook illustration of Naomi Klein's "[shock doctrine](#)," Puerto Rico suffered an immediate barrage of economic hits. An 1899 hurricane leveled the island, destroying thousands of farms and an estimated \$7 million worth of the year's coffee crop. Rather than send relief, the United States government [devalued the island's currency](#)

by [40 percent](#). Overnight, by congressional whim, every Puerto Rican lost nearly half their net worth. In 1901, Congress imposed an unprecedented assortment of land and property taxes in order to pay for the "bureaus and departments" of [Charles Herbert Allen](#), the island's first US-appointed civil governor.

Allen ruled for just over a year. Within weeks of sending his [First Annual Report](#) to President William McKinley, Allen resigned and rushed to Wall Street. As a vice president of two House of Morgan subsidiaries, he built the largest sugar syndicate in the world with a little help from his friends in Puerto Rico. By 1907, Allen's company controlled 98 percent of the sugar refining capacity in the United States. Today his company is known as [Domino Sugar](#).

In short, Allen hard-wired the entire Puerto Rican economy for his own personal benefit, and injected over 600 US expatriates into the government of Puerto Rico. These expats then returned the favor, by delivering Allen [a sugar kingdom](#).

With crippled farms, higher taxes, and 40 percent less cash than they had before, Puerto Rican

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farmers soon lost their land. By 1928, [80 percent](#) of Puerto Rico's sugar cane farms were US-owned; four US-owned cane syndicates covered over half the island's arable acreage. The insular railroad systems, trolleys, and the San Juan seaport were also US-owned, along with much of the island's infrastructure.

Thus, within one generation of the American occupation of the island, the promises to Puerto Rico regarding the protection of property, promotion of prosperity, and "blessings of enlightened civilization" were exposed as a complete sham.

The financial control board is now the de facto government, banker, judge, jury, and executioner of Puerto Rico.

The crony capitalism of the early 1900s was quickly institutionalized by the US Congress. The Merchant Marine Act of 1920—also called the [Jones Act](#)—required that all ships delivering goods to Puerto Rico had to be built in the United States and owned by United States citizens.

The Jones Act is a de facto

[price-fixing scheme](#)

[price-fixing scheme](#)

which enables US corporations to charge up to 20 percent more for all goods sold on the island. Due to this scheme, the same car costs \$6,000 more in San Juan than on the mainland. The scheme has made this tiny island, smaller than Connecticut, a captive consumer market for US products. There are more

[Walmarts and Walgreens](#)

per square mile in Puerto Rico, than anywhere else on the planet, all selling US goods at a hyper-inflated profit.

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Until 2006, [IRS code 936](#) provided US manufacturers and pharmaceutical companies in Puerto Rico with tax abatement deals. Now, in 2017, [Acts 20 and 22](#) passed by the Puerto Rico legislature provide US corporations and wealthy investors with *another* tax abatement on all interest, dividend, and capital gains income. This tax haven status has enabled John Paulson—the hedge-fund billionaire, subprime mortgage speculator, and fervent supporter of Donald Trump—to buy the [AIG building](#) in Hato Rey, the Condado Vanderbilt Hotel, La Concha Renaissance Hotel, St. Regis Bahia Beach Resort, and the San Juan Beach Hotel. He has also invested in [Banco Popular](#), [the island's largest bank](#).

After the expiration of IRS 936 in 2006, municipal bonds became all the rage. Their triple tax-exempt status—from federal, state, or local taxes—offered a quick financial return with robust annual yields. Many of them violated Puerto Rico's constitutional [debt ceiling](#). Others were naked

[Ponzi schemes](#), issued as interest payments to well-connected bondholders. Still others were purchased for pennies on the dollar, by [vulture funds](#) that now insist on a full dollar's profit. These financial instruments—as dubious as the “credit default swaps” and “collateralized debt obligations” of the subprime mortgage meltdown—have plunged Puerto Rico into a public debt of \$72 billion, a daunting figure that amounts to almost three-quarters of the island's gross domestic product.

For over a century, one “economic development” scheme after another has been rolled down a red carpet stretching from Wall Street to San Juan. The latest caper is the Financial Control Board.

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Last year, through some celestial alchemy or Beltway coincidence, all three branches of the US federal government confirmed, on [the very same day](#) , that Puerto Rico is still a colony. On June 9, 2016, in [Valle](#) [Puerto Rico v. Sanchez Valle](#) , the US Supreme Court agreed with the Obama administration's argument that Puerto Rico is a [territorial possession](#) of the United States, with no political or juridical sovereignty whatsoever. That same day, the House of Representatives passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to create a [financial control board](#) empowered to manage the entire Puerto Rican economy.

The financial control board is now the de facto government, banker, judge, jury, and executioner of Puerto Rico. It will supervise and approve the [entire Commonwealth budget](#) ; reduce or eliminate public pensions; restructure the public workforce (meaning, fire government employees); preside over all leases, union contracts and collective bargaining agreements; and [ensure the payment of debt obligations](#).

The financial control board also has [prosecutorial powers](#) . It can hold hearings, demand evidence, secure government records, and subpoena witnesses—and anyone who fails to testify or appear can be held in contempt of court. This includes any public official in Puerto Rico, up to and including its governor.

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The stakes are higher now than ever. Get The Nation in your inbox.

Astoundingly, [the financial control board can also receive gifts](#) with no restriction on who gives them or in what amount. That this is an influence peddler's dream apparently did not trouble the drafters of the PROMESA bill, or the 297

[congressional representatives](#)

and 68

[senators](#)

who voted for it. Equally astounding is that several members of the financial control board are the same bankers who

[helped to create](#)

, and profited from, the island's current debt crisis.

In their very first meeting, the financial control board announced its jurisdiction over the entire Commonwealth government and about [two dozen state agencies](#), including the University of Puerto Rico, the Puerto Rico Electrical and Power Authority, the Puerto Rico Aqueduct and Sewer Authority, the central bank, the public retirement systems, the Housing Finance Authority, and the Puerto Rico Tourism Company.

Under financial control board pressure, the Commonwealth has already announced the closure and sale of [over 300 public school buildings](#) and an impending cut of [\\$300 million](#) from the University of Puerto Rico budget. The financial control board

[has also requested](#)

a 10 percent cut in the government

[retirement system](#)

; an increase in tax collections and penalties; and cutbacks in health, education, and pension expenditures. A

[minimum wage cut](#)

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to \$4.25 for those between the ages of 20 and 24 is under discussion, and since Puerto Rico [recently defaulted](#) on bond payments of \$312 million on February 1, 2017, a further wave of austerity demands is expected from the board.

These cuts will still not be enough. The debt service alone on the island's \$72 billion debt will be nearly \$6 billion annually: \$4 billion on its general obligation bonds and \$1.81 billion for the electric power authority and the aqueduct and sewer authority. With a population of more than 3.4 million, this means that every man, woman, and child in Puerto Rico will be paying more than \$1,500 per year just to cover the interest on Puerto Rico's public debt. Since per capita income barely exceeds \$15,000, this would represent 10 percent of everyone's personal income.

With a shrinking tax base, Puerto Ricans are unable to meet this crushing debt burden. Eventually the FCB will convert any institutions burdened by unpaid debt into so-called P3s— [public private partnerships](#)—which should actually be called P5s: public-private partnerships for the [plunder of Puerto Rico](#). One of these is already providing an outrageous [return on investment to Goldman Sachs](#) for the next 30-plus years, from tolls on the island's busiest highways. By the time the FCB completes its mandate, the entire public infrastructure will likely be [privatized](#), turning the island into one giant ATM in the Caribbean.

Within six months of its creation, the extent of FCB power, jurisdiction, and willingness to inflict austerity have earned it a new and more intuitive name: [Junta Colonial](#).

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On the island, opposition to the financial control board is vocal and widespread. As of June 2016 a [campamento](#) against the board, similar to the Occupy Wall Street camp in Zuccotti Park, has occupied the capitol grounds in San Juan. The *campamento* has grown continuously, [spoken loudly](#), and is drawing [international attention](#).

Virtually every town in Puerto Rico—including [San Juan](#), [Fajardo](#), [Ponce](#), [Mayagüez](#), [Arecibo](#), [Aguadilla](#) and the island of [Vieques](#)—has seen massive protests against the financial control board. [Over 50 non-profit organizations](#) and [18 labor unions](#) have rallied and organized against it.

In a speech to the Puerto Rico Bar Association, Judge Juan Torruella—the longest-sitting federal judge in Puerto Rican history—thundered that “the main purpose of PROMESA is to establish [a collection agency to collect the monies owed to the bondholders](#)” and the imposition of a financial control board “represents the most disrespectful, anti-democratic, and colonial act that has ever been seen in the course of our relationship with the US.” Both statements received an equally thunderous standing ovation, from over 400 attorneys in attendance.

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During a rock concert [in front of over 20,000 people](#) last October, a man was arrested for replacing a United States flag with a Puerto Rican one, in protest against the FCB. As recently as February 23, [thousands of demonstrators](#) surrounded the capital building in San Juan to protest the FCB budget cuts to the University of Puerto Rico.

In every corner of the island, public resentment is growing, and the strains of police containment along with it. It's a flammable combination. The island is in turmoil, and with each new FCB austerity announcement, it comes closer to exploding.

If it occurs, this explosion will be kindled by decades of frustration and a century of colonial solitude. After 100 years of citizenship, Puerto Ricans are being patronized to death. Exploited by bankers, deceived by politicians, ignored by journalists, they have nowhere left to turn.