

# Financial Oversight and Colonialism in Puerto Rico

By [Matt Peppe](#)

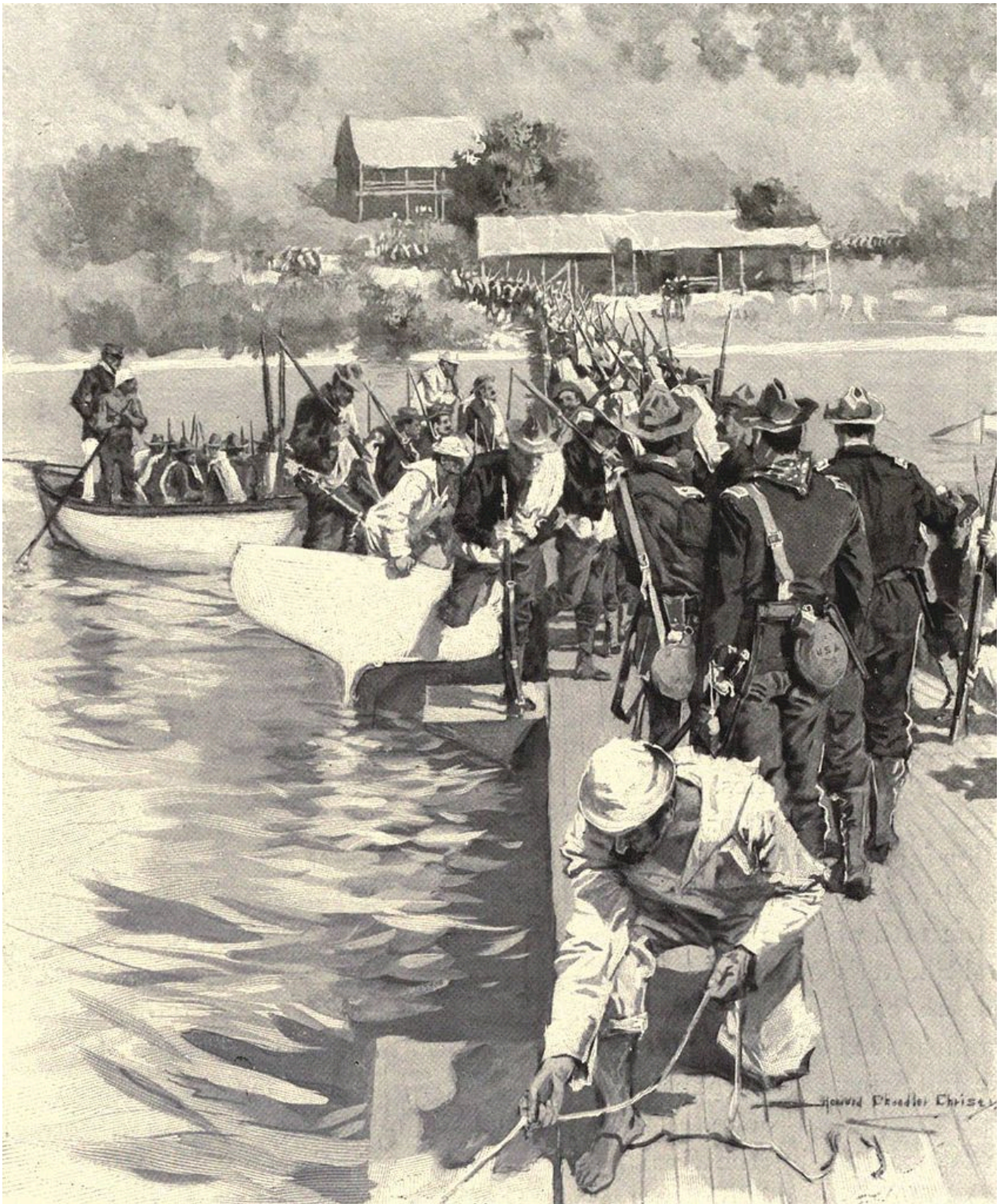
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Region: [Latin America & Caribbean](#), [USA](#)

Theme: [Global Economy](#), [History](#)

*118 years after U.S. troops landed at Guánica, Puerto Rico (see image below), the liberal political site the [New Republic](#) asks, “Why Are We Colonizing Puerto Rico?”*

*The occasion for this comically tardy acknowledgment of Puerto Rico’s colonial status is a Republican proposal to deal with the island’s \$72 billion debt problem by allowing a cabal of unelected technocrats carry out austerity measures against the will of the Puerto Rican people.*



Or, as the [bill](#) puts it: “To establish an Oversight Board to assist the Government of Puerto Rico ... in managing its public finances.”

The Republican plan most certainly would “spell disaster for vulnerable Puerto Rican citizens, and create a bonanza for private corporations looking to take over public functions,” as David Dayen writes in the *New Republic* piece. But Dayen is shutting the stable door after the horse has bolted.

As I [reported](#) recently, vulnerable Puerto Ricans are already facing disaster in the form of cuts to social programs and oppressive increases in taxes. Private corporations have already taken over public functions, including the island’s largest airport and its largest highway.

*Former Governor Luis Fortuño created the Public Private Partnership Authority to allow the firesale of public assets to corporate vultures nearly seven years ago.*

Alternative plans have been advanced in the [Senate](#) and the [Obama administration](#). Both of these would allow restructuring of Puerto Rico's debt, which the House Republican plan would not. While the Republican legislative proposal for Puerto Rico is vastly inferior to either of the other options, neither the Democratic Senate plan nor the White House plan would be fair to Puerto Rico's residents.

The Senate plan would grant priority for pensions over bondholders. This would directly challenge the outrageous clause in Puerto Rico's colonial [Constitution](#) which mandates that if revenues are ever insufficient to cover appropriations, the interest on public debt must be paid before anything else.

The plan introduced by New Jersey Senator Bob Menendez would also grant Puerto Rico tax credits and address lower distributions to Puerto Ricans of Medicare and Medicaid funds they contribute to through payroll taxes. The White House also submitted a proposal for restructuring all of Puerto Rico's debt that would grant similar protections as Chapter 9 without formal bankruptcy proceedings.

The catch is that both the Senate and White House plans, like the House Republican one, would include a financial board to oversee (read: dictate) economic policy. Despite proclamations that the board would function in merely an advisory role, there is no doubt that in practice they would serve the same purpose as all unaccountable technocrats: implementing structural adjustment and slashing social spending, policies that populations would never submit to willingly through their own freely elected representatives.

Dayen laments that an oversight board "effectively moves the capital of Puerto Rico from San Juan to Washington. The discussion draft proposes a war on self-government."

It's unclear whether Dayen is entirely ignorant of Puerto Rico's history, or whether he is cynically implying that U.S. control over Puerto Rico for more than a century has actually been based on a disinterested desire to help people while denying them the democratic rights it grants to citizens in the incorporated states.

Regardless of which U.S. government "solution" to Puerto Rico's financial crisis is carried out, Puerto Ricans will not be losing any sovereignty over affairs they previously controlled on their own. Since the invasion of 1898, the United States has claimed sovereignty over the island. The people of Puerto Rico are unable to make foreign policy, enter into trade agreements, control their borders, issue tariffs, or provide universal public health care.

Though Puerto Rico's political structure was modified in 1952 with the passage of a new Constitution which created a nominal Commonwealth, the island's political status remained equivalent to what it had been for the previous half century: a colony of the United States without self-determination.

Puerto Ricans cannot vote for President of the United States, nor elect their own representatives to Congress. (They do elect a Resident Commissioner, but the position is non-voting.) They are unable to change their political status. That right is reserved for the U.S. Congress. It is a political arrangement without even the pretension of consent of the governed.

The U.S. courts already play the same role that an oversight board would play in dictate political and economic policy. Their decisions for the island are based on a legal system developed and maintained without any input from the Puerto Rican people themselves or regard for their interests. Puerto Rico's political system and its laws must fit within the framework of the U.S. Constitution, which they have no ability to amend.

Recently the Puerto Rican government implemented a "Walmart tax" on big-box retailers. The special tax would apply to businesses with revenue of more than \$2.75 billion. Hugely profitable foreign companies, who send most of their earnings to investors on the mainland, would thereby face a greater responsibility for contributing to the territory's coffers. This would in turn alleviate the financial burden on working people and local businesses in Puerto Rico.

But a judge in the United States District Court in Puerto Rico [struck down](#) the tax last week as a violation of the Equal Protection Clause of the U.S. Constitution. The clause prohibits states from giving advantages to their own businesses at the expense of those located in other states. Puerto Rico, which is not even a state, must give corporations like Walmart the same unfettered access to its domestic markets as companies owned and operated by locals.

As I have written before, this directly subverts Puerto Rico's [self-sufficiency](#). Several years ago, a federal judge sided with milk processors and blocked Puerto Rico from enforcing regulations that allowed locally produced milk to be directed to a state-run company to produce dairy products like yogurt, cheese, and UHT milk, and determined how to divide up the proceeds of milk sales between producers and distributors. The decision struck a blow against the viability of Puerto Rico's dairy industry, one of the only successful industries producing foodstuffs locally for the population.

While restructuring Puerto Rico's debt is imperative and would help temporarily alleviate the humanitarian and economic crisis that has been well underway for a decade, it would be a band-aid that would not even address the fundamental issue at its root. Proposals to deal with Puerto Rico's debt problem without ending colonialism are distractions from the U.S. government's ongoing exploitation and subjugation of the Puerto Rican people.

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