

Hurricane Maria, vulture funds & “disaster capitalism” : Puerto Rico Needs Massive Emergency Aid Now—and an End to Austerity

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The island has become a target not only for rapacious vulture funds but also for exponents of Katrina-style “disaster capitalism.”

Hurricane Maria has created a humanitarian crisis in Puerto Rico. Much of the capital city of San Juan is flooded ; there is contaminated water in the streets, shortages of gasoline and water, and looming crises for senior citizens in fragile health, reports Mayor Carmen Yulín Cruz. Maria destroyed what Hurricane Irma, which struck earlier in September, did not : Virtually the entire island is without electricity, and cell-phone service and other communications are severely strained. Municipalities like Guayama, Cataño, and Toa Baja have reported massive floods and unthinkable devastation. (My mother and other family members live in a remote mountain town near the rain forest, and while I know they’re safe, their food, water, and medications will only last so long.) A damaged dam at Lake Guajataca, near the northwestern town of Isabela, is threatening thousands of residents in nearby areas. As we go to press, 16 fatalities have been reported, but thousands of citizens have lost their homes, and those figures could increase substantially when the final numbers come in. Representative Nydia Velázquez estimates that Puerto Rico will need \$10 billion for a full recovery.

The US government has declared Puerto Rico a disaster area, making it eligible for funding by the Federal Emergency Management Agency (FEMA). And the Trump administration suspended the usual matching-fund requirement (currently 25 percent of the federal amount). But it denied a request from several members of Congress to lift restrictions in the 1920 Jones Act, which require that all goods transported between mainland US ports and those in Puerto Rico be carried on US-flagged ships constructed, owned, and crewed by US citizens.

With conditions worsening, the Trump administration reacted laconically on September 25 through press spokeswoman Sarah Huckabee Sanders, who insisted that Tom Bossert of the Department of Homeland Security and Brock Long of FEMA needed time to conduct “a more thorough and deeper assessment of what needs there are,” to make sure “we’re actually funding the correct things.” A senior congressional aide suggested the decision would take until “the first or second week of October.” That evening, Trump himself tweeted that while “much of the island was destroyed,” Puerto Rico’s billions of dollars of debt “owed to Wall Street...sadly, must be dealt with.”

While immediate aid is desperately needed, the Trump administration, unsurprisingly, is missing the point : It is time for Washington to abandon its austerity approach to Puerto Rico. As a result of the PROMESA bill passed by Congress last year, a Financial Oversight and Management Board has been imposed to restructure the island’s \$68 billion debt, address an additional \$49 billion in pension obligations, and promote economic development. To its credit, the FOMB announced on September 21 that it would allow Governor Ricardo Rosselló to redistribute up to \$1 billion of the territory’s

budget as an emergency fund for hurricane damages. But this is the proverbial drop in the bucket for a weary populace ravaged not only by today's bankruptcy and storms worsened by climate change, but by decades of colonial neglect.

The FOMB—or La Junta, as it is known in Puerto Rico—never made sense, at least as a way to kindle economic development. Its primary purpose is to allow the collection of debt by bondholders, thus preventing disruption of the municipal-bond market, a crucial area of speculation for America's financial industry. La Junta's austerity measures would have caused a contraction of the economy, not growth—indeed, before the storms, islanders had already seen a deterioration in their daily lives. Hurricane Maria has moved all of this into fast-forward, and the always fallacious promise of PROMESA has become a cruel joke.

Puerto Rico is now the target not only for rapacious vulture funds trying to collect on debt, but also for exponents of Katrina—style “disaster capitalism.” A recent *Washington Post* op-ed suggested that companies like Home Depot would profit immensely from a major hurricane by cornering the market on home—reconstruction materials. In fact, Ken Langone, who helped finance Home Depot for its founders, is one of President Trump's closest allies. So is the billionaire hedge—funder John Paulson, whose Hotel Vanderbilt—accused of turning away island residents hoping to cool off in its air—conditioned lobby—is currently a FEMA—approved bunker. And, of course, the notoriously unreliable electrical grid—administered by a power authority \$9 billion in debt and already being primed for privatization—might not be restored for months. The power grid also affects water distribution, which depends on electric pumps. Privatization has been touted as a way to create greater efficiency, but Puerto Ricans have already experienced the negative effects of the partial privatization of the Aqueduct and Sewer Authority, which resulted in increased rates and poorer service. What's more, the goal of making utilities profitable can inhibit badly needed modernization. The island's grid must be switched from outmoded electrical lines on poles—most of which were toppled by Maria—to underground lines, but such an investment is not profitable, at least in the short term.

What Puerto Rico needs is the kind of massive public investment that Washington provided in the days of Franklin Roosevelt. Reacting to the deadly hurricanes that struck the island in 1928 and 1932, Roosevelt established the Puerto Rico Reconstruction Administration, which created jobs, built schools and medical facilities, expanded the university, and enhanced the electrical infrastructure. Today's monumental debt, an outgrowth of neoliberal excess, should be resolved with some version of the plan proposed by Bernie Sanders in his 2016 campaign : The Federal Reserve should buy back the debt from bondholders and deny the vulture funds a profit, imposing the kind of severe “haircuts” that the current Title III bankruptcy proceedings are unlikely to require.

Puerto Rico has been hit by the double whammy of irresponsible policy driven by a lust for profit. The reckless speculation in bonds ignored not only the fact that its economy was failing, but that the island itself is vulnerable to extreme weather events resulting from climate change, caused by the irrational addiction to fossil fuels. Maria is the third Category 4 storm to hit US territory in a month, a record in modern meteorological history.

Maria's terrible blow reveals how Puerto Rico could be the mirror for a dystopian American future. As a recent report by the Action Center on Race and the Economy suggests, the hard-line austerity planned for Puerto Rico is a version of the strictures already imposed in Detroit's bankruptcy, and will likely be used for troubled municipalities like Chicago and states like Illinois. On the other hand, Puerto Rico's misery can be a wake-up call for the United States—which, ever since the New York City fiscal crisis of the 1970s, has gradually abandoned its commitment to the common good. Terminating PROMESA and investing billions in infrastructure, health, and education—humanely assuming responsibility for over a century of colonialism—will not only save tens of thousands of

lives. It can also set a precedent and help reverse the slow descent of Trump's America into political, economic, and social disaster.

Ed Morales

Editor's update : On Thursday, September 28, the Trump administration announced that it was temporarily waiving the Jones Act shipping restrictions in response to a request from Puerto Rican Governor Ricardo Rosselló. The waiver will last for 10 days.

P.-S.

* The Nation Daily :

<https://www.thenation.com/article/puerto-rico-needs-massive-emergency-aid-now-and-an-end-to-austerity/>

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