



# **BLACKOUT IN PUERTO RICO:**

## **How 120 Years of Corporate Dominance & Political Inequality Stifle Self-Determination Today**

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A Joint Report by Free Speech For People and United for a Fair Economy

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# EXECUTIVE SUMMARY

This report examines the history of political inequality and corporate dominance in Puerto Rico from 1898 to Hurricane Maria. The report also examines tools used by corporate interests to maintain their power and control of Puerto Rico's economy today. We end with a call to address the root causes of political, economic, and racial inequality through solidarity efforts and intersectional movements.

The United States, justified by a racist doctrine of manifest destiny, originally seized Puerto Rico from Spain to expand the power, influence, and control of U.S. businesses and government entities over new regions. The United States has historically granted special benefits to large corporations moving to Puerto Rico, while simultaneously working to minimize the voice and self-governance of those living on the islands. Policies have allowed corporations to amass wealth through exploitative tactics and predatory lending, multiplying Puerto Rico's debt. Puerto Rico is over 73 billion dollars in debt and still experiencing massive harms from Hurricane Maria, like lack of food, housing, water, education, and medical services. The current political environment, which allows for a direct influence of money on politics, gives those on Wall Street – not the Puerto Rican people – the main voice in deciding how to handle Puerto Rico's ongoing financial crisis, its recovery from 2017's Hurricane Maria, and Puerto Ricans' future more broadly.

## The First Century of U.S. Control over Puerto Rico

To understand how corporate political money impacted the response to the financial crisis and hurricane recovery today, some historical background is helpful:

- **The Foraker Act:** In 1900, Congress enacted the Foraker Act as a comprehensive measure intended to transform the economic, legal, and political foundations of Puerto Rico. This allowed the U.S.-appointed governor and executive counsel to rig the rules of commerce to favor large U.S. corporations, which, in turn, decimated local sugar businesses that were fundamental to the local economy.
- **The Jones-Shafroth Act:** In 1917, the United States enacted the Jones-Shafroth Act which authorized the creation of a legislature for Puerto Rico, but also provided that any local legislation passed by the Puerto Rican House and Senate could be nullified by the president or amended and repealed by Congress. As a further instrument of federal control, the Jones-Shafroth Act provided that the president would appoint the Puerto Rican governor.
- **Merchant Marine Act:** The Merchant Marine Act of 1920 was passed in large part to protect the economic interests of the U.S. shipping industry, causing price increases on critical imports to the island. Due to tariffs on exports and new competition with U.S.-based businesses, the Puerto Rican agricultural industry (the main industry in Puerto Rico at the time) began to decline. This law still exists today and causes massive inflation for cost of goods in Puerto Rico.
- **Public Law 600:** In 1952, Puerto Ricans drafted their own constitution, but Congress reserved the right to “unilaterally repeal the Puerto Rican Constitution ... and replace [it] with any rules or regulations of its choice.” Despite having citizenship, Puerto Ricans still do not receive the same rights as most other U.S. citizens. Today, the United States Congress can pass controlling legislation that affects purely local issues in Puerto Rico, and this legislation will supersede any Puerto Rican legislation and the Puerto Rican Constitution.
- **Operation Bootstrap:** Puerto Rico underwent an economic transformation in the late 1940s called “Operation Bootstrap.” The federal government made it easy for Puerto Rico to borrow money, and U.S. companies were encouraged to bring factories to Puerto Rico through a variety of regulation waivers and tax exemptions. These policies also led to sweatshop-like conditions on the islands, and vastly limited necessary revenue for critical infrastructure such as education and transportation. In the 1950s, unemployment remained above 15 percent, while corporations continued to see huge

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increases in profits due to the massive tax cuts. Some provisions are still in effect today.

- **Rise of Public Debt:** By 1975, the Treasury urged Congress not to reform, but to dismantle these tax benefits entirely, and Congress agreed. The Treasury began working with Puerto Rico to phase out these benefits. Once the tax benefits and waivers began changing, many of these companies left Puerto Rico by 2006.

### **Campaign Contributions, Oversight Board Appointments, and Conflicts of Interest**

In response to the growing debt and impending default, Congress sought legislation on how to address the financial crisis. In 2016, Congress passed Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), which creates an “independent” unelected financial oversight board (appointed by Congress) that can engage in debt-restructuring, determine the passage of any legislation that affects the Puerto Rican economy, and more. Eliminating the Puerto Rican government’s ability to make decisions on anything related to government spending weakens the political power of the people living in Puerto Rico, but that does not mean that *everyone* lost. A few benefited substantially from the passage of PROMESA, starting with Members of Congress.

Many of the industries lobbying for PROMESA also donated substantial amounts to the campaigns of Members of Congress who either advocated for PROMESA or appointed the unelected officials to the board. Wealthy campaign funders influence the composition of the very board that could choose to engage in debt repayment that favors certain mutual fund companies over the payments of pensions or social services. For some Members of Congress, this legislation also provides an opportunity to benefit directly from the financial crisis.

### **Campaign Contributions, Corruption, and Incompetent Contractors**

The emergency response to Hurricane Maria was also compromised by campaign contributions. In at least two documented cases, grossly unqualified, but well-connected, contractors were chosen for critical recovery efforts due to the influence an executive had

after making campaign contributions to important decision-makers.

### **Money in Politics Furthering Political and Economic Inequality**

Policies created by the federal government, and in some cases by the Puerto Rican government, have allowed corporations to amass wealth through exploitative tactics and predatory lending, multiplying Puerto Rico’s debt. The United States government has also restricted political equality for Puerto Ricans throughout history. The current political and legal environment, which paved the way for the direct influence of money on politics, has further given those on Wall Street – not the Puerto Rican people – the tools to continue having a louder voice in deciding how the financial and hurricane crisis in Puerto Rico is handled.

To address how corporations and the wealthy few hold power in our political system, deep structural changes must be made – changes that overturn Supreme Court decisions and build massive grassroots and solidarity efforts. We need a constitutional amendment to get big money out of politics and end corporate personhood to promote political equality in the United States. An amendment, of course, is only one piece of the puzzle.

### **Building Solidarity**

Passing a constitutional amendment to get big money out of politics and end corporate personhood is only one part in the fight to promote true political, economic, and racial equality for Puerto Rican people, and all people marginalized by systems of oppression. To enact an amendment, pass laws, shift politicians, or educate the public, our truest power comes when we build solidarity. Authentic solidarity requires working together to dismantle all the systems that sustain oppression. Through this work, we can create deep changes that come from people who experience the harms of political, economic, and racial inequality firsthand. Building an intersectional grassroots movement that works toward centering those who are experiencing the most harms by systems of oppression will provide critical insight on how to create change that supports us all. When we build solidarity through a deeply intersectional movement, we can change not just the United States Constitution, but the world.