



# **BLACKOUT IN PUERTO RICO:**

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

Written by Jasmine F. Gomez, Esq.

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

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# Remembering Our Waters: For the Children of Borikén

Puerto Rico is a group of islands that includes Vieques and Culebra. Puerto Rico is an archipelago that weaves history with neighboring islands and descending colonizers, tourists, relatives, and close allies. We are a port to the world, not just America.



Nuestrx Puerto Rico holds space for its children — whether or not we can afford land — because we all grew up understanding that we are stewards of this land and our traditions. Nuestrx Puerto Rico is known as Borikén, the land of Taínos, who the government claims are extinct, pero are alive and well. Borikén honors the grief of the transatlantic slave trade and the joy of black cultura and enslaved ancestors who left clues to liberation in song and in dance. In Borikén, the river belongs to no one: it flows

freely to every crevice, cave, mountain, and shoreline. Even today the plants are the same plants that our native ancestors and Jíbaro used to live in right relationship with the land.

A developer may come to the shore to cut mangroves, making room for a casino, and leaving himself no natural barrier to a Hurricane. When man intentionally destroys the land and the people who live on it, he hurts himself and also ruptures the relationship with nature. Nature expresses her grief and we must listen and adjust as our ancestors did. We are just as much a part of nature as the changing shoreline or the palm tree cut from our roots by a developer claiming progress. The only way we will progress is to live as nature does, without borders or amnesia to our interconnectedness.

May the children of Borikén remember their own waters, and never go against them, whether on the island or at a connecting river anywhere in the world. May we remember that our liberation and ecosystems remain interdependent despite the collective trauma that suggests we are alone. Even in the darkness, we can access love. Even in darkness, our seeds can grow. But it is not in darkness that we can live for long nor sustain life. A decolonized world is possible. Our collective liberation reminds us that self-determination is our birth-right. What is the offering we make to restore the borderless existence nature upholds? Our offering is to decolonize our hearts, bodies, and minds.

- Cassandra Lopez Fradera

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## ABOUT THE REPORT

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

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Photos: Eroc Arroyo-Montano. Photos in this report are from a gathering of hundreds in Boston to protest the United States' economic exploitation of Puerto Rico, the corrupted hurricane recovery efforts, austerity measures enacted in Puerto Rico by the unelected financial oversight board, and more.

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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



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.

# FOREWORD

*“This is also the time now to look at the relationship between Puerto Rico and the United States and ensure that Puerto Rico stops being a colony of the United States once and for all.”*

*– Carmen Yulín Cruz, Mayor of San Juan, Puerto Rico*

## **Foreword by Eroc Arroyo-Montano, United for a Fair Economy**

At least 4,645 people have died. 4,645 loved ones are estimated to have been lost in Puerto Rico after Hurricane Maria. This number is in stark contrast to the government’s official death toll: sixty-four.

Many of the 4,645 people who died as a result of this storm died because of the U.S. government’s negligence. During Hurricane Maria, a longtime friend of mine from Puerto Rico had family living on the islands. The lack of electricity prevented my friend’s abuela from having access to medical services and her insulin. She died due to the lack of aid. Instead of giving Puerto Rican people the resources needed to recover and rebuild, the President of the United States visited the islands, threw rolls of paper towels at those who had survived the hurricane, and left without bothering to offer actual support. The devastation from Hurricane Maria was compounded by other issues already existing on the islands, including the financial crisis and rampant political inequality. The result was that many Puerto Rican families found themselves without a place to live, food to eat, access to education, medical services, legal resources, or a clear pathway forward.

Puerto Rico -- originally named Borikén by its first inhabitants, the Arawak Taino people -- has the tragic history of having been colonized twice. Borikén was first colonized by Spain and subsequently colonized by the United States. The colonial relationship is at its heart an abusive relationship. The power structure of the colonial relationship is such that the very people and institutions benefiting from colonization are also the entities providing “solutions” to problems they do not have an incentive to fix -- and may in fact have an incentive to worsen. The relationship between Puerto Rico and

the U.S. is no different. The U.S. government has consistently imposed policies onto the islands of Puerto Rico that have led to exploitation and death.

The Puerto Rican people have been crying out in pain for so long now. How did this happen? The challenges Puerto Rico faces today are symptomatic of the ongoing theft of the island’s natural resources, the neglected infrastructure left unrepaired for generations by conquerors and colonizers, and widespread individual poverty. The destruction occurring today is a direct result of over 500 years of colonization. Free Speech For People’s report, written by Jasmine Gomez, discusses not just the history of political inequality and corporate dominance, but also shows how the situation in Puerto Rico is made worse through exploitative economic policies being pushed upon the islands. This is not about a single hurricane. This report shows how the force of Hurricane Maria threw the rottenness of the United States’ behavior toward Puerto Rico into plain view.

Before the report, let’s talk about what colonization actually does. Colonization is more than just a land grab: it also directly functions as a tool of economic and political control. As Dr. Emma LaRocque writes: “[colonization] is often legalized after the fact. The long-term result of such massive dispossession is institutionalized inequality. The colonizer/colonized relationship is by nature an unequal one that benefits the colonizer at the expense of the colonized.” When the U.S. embedded systems of oppression into Puerto Rico’s legal and financial systems, the impact was to ensure that a wealth gap would exist between Puerto Rican people and those taking financial advantage of the Puerto Rican people. Current economic policies do more to increase the racial wealth gap than to address it. Today, the unlimited influence of money in politics gives wealthy mainland-based investors and corporations

more influence over Puerto Rico's affairs than the people who live on the islands.

This racial wealth gap is not unique to the United States' relationship with Puerto Rico. The U.S. has always enacted policies that systemically harm communities of color, as well as women, people with disabilities, and trans and queer people. It comes as no surprise that the United States has fostered a broad racial wealth gap on the mainland U.S. as well. White supremacy and other oppressions stemming from capitalism and colonialism are embedded in the United States' dominant culture. The U.S. still celebrates the violence of slave-owners and colonizers with aggrandizing national holidays, street names, and statues. This includes Christopher Columbus, who visited genocide and slavery onto the indigenous people he encountered, and Andrew Jackson, a slave-owner who authored the Indian Removal Act and oversaw the Trail of Tears. Black and brown people in the U.S. today experience a disproportionate wealth divide because of both historical and contemporary barriers to wealth creation among communities of color. We are poor because the United States has grown rich off us.

So what's next? A typical school curriculum ignores the devastation caused by past and current colonizers. This report shows the other side; it discusses how systems have been historically unjust. Because injustice is built into systems, fighting these systems of oppression requires building an internalized intersectional framework that centers those most harmed by our society. My family migrated to Boston, Massachusetts from the U.S. Colony of Puerto Rico in 1976. My father stressed that when you're new to a land, you must prioritize learning the history of the oppressed people there. With a better understanding of the systems of power and oppression in U.S. history, we can stand in solidarity with others and challenge the systems and policies that benefit the few while harming so many others.

A person who wants to fight for justice must be able to critique the false narratives set up to benefit individuals or institutions who have inherited finances from slave labor, land theft, or the government benefits afforded only to those considered "white" by

*It is time for all of us –  
Boricuas on the islands, Boricuas  
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enact a new way forward.*

the Supreme Court of the United States. A person who wants to fight for justice must find the strength to take action. A person who wants to fight for justice must uncover the will to love. In the midst of the destruction of my beloved island, I remember the words of the Sufi poet Rumi, who wrote "the wound is where the light enters." No work claiming to deal with the decolonization of American empire can be successful if it ignores the plight of Puerto Rico. The wounds inflicted must be addressed.

For me, Rumi's painful entering light is this truth: while we grieve and rebuild, we also have a chance to pursue radical hope, radical love, and a healing justice. Historically, from the Abolitionists, Suffragists, and the Civil Rights movement to modern social movements like Black Lives Matter and protecting Standing Rock, an organized radical resistance has been the vehicle for social change. Social movements have organized to combat the roots of inequality: white supremacy, capitalism, heteropatriarchy, and more in the United States. These movements have shown over and over again that there is a need to build coalitions across social issues and agitate, agitate, agitate!

Our diaspora has been extended like never before; Boricua families are split between the continental U.S. and the islands. It is time for all of us -- Boricuas on the islands, Boricuas in the continental states, and all of our global accomplices who find that their struggle for liberation is bound up with the Borikén struggle -- to imagine and enact a new way forward.



## I'm Brown (Boricua Anthem)

For my Boricuas on the mainland  
And on the island con mucho orgullo  
Para todo mi gente Latina  
From the islands, South and Central America y México  
Stop letting the U.S. steal our resources  
And treat us like second-hand citizens in our own lands  
It's bigger than pride, know your history  
Don't just wave a flag, know who made it and why  
We've been imperialized by Spain and the U.S. for too long  
Too many have forgotten their roots  
That's the truth, from the booth to the streets, each one teach one  
We brothers and sisters, we need to look out for each other  
And stop making war with each other, that's what they want from us.

- Eroc Arroyo-Montano of Foundation Movement



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# INTRODUCTION

Since September 20th, 2017, over 100,000 people have fled Puerto Rico to seek refuge on the mainland U.S. after the devastating impact of Hurricane Maria, which left almost all of Puerto Rico's islands without electricity, water, or shelter.<sup>1</sup> Studies indicate over 4,500 people are dead due to the storm.<sup>2</sup> Puerto Ricans displaced to the U.S. mainland found themselves cramped in small motels and apartments, seeking employment and food, trying to figure out how to provide an education for their children. Now, many of those same Puerto Rican families are finding themselves without a place to live, as Federal Emergency Management Agency ("FEMA") waivers for housing and water are being cut.<sup>3</sup> The loss in FEMA waivers has put countless Puerto Ricans' lives into limbo, as many are not prepared to go back to the islands. The situation is no better on the islands. Thousands of people in Puerto Rico waited months for repairs on their homes, only to be given plastic roofs;<sup>4</sup> over 280 public schools have been shut down and remain closed;<sup>5</sup> and electricity is still unreliable – several major power outages have occurred, leaving wide swaths<sup>6</sup> of Puerto Rico completely without electricity. The unfortunate truth is that Hurricane Maria exacerbated existing issues. In 2016, over a year before Hurricane Maria landed on Puerto Rico, "during the first 20 days of July, 65 percent of Puerto Rico's municipalities reported blackouts."<sup>7</sup> Much of this infrastructural turmoil began years before and is inextricably connected to the ongoing financial crisis that Puerto Rico is battling.

On May 1st, 2018, seven months after Hurricane Maria tore a path of destruction through the islands, thousands of Puerto Ricans gathered to protest proposed austerity measures. The measures that these Puerto Ricans protested included school shutdowns, the rollback of labor protections, privatization of government entities, pension slashing, and the rule of unelected officials.<sup>8</sup> These measures were suggested by the unelected financial oversight board (a board imposed by the U.S. Congress) that controls all decisions around government spending for Puerto Rico, including social services and debt repayment (legislation known as "PROMESA").<sup>9</sup> The protests turned violent. Police fired pepper spray and tear gas into crowds in response to some demonstrators attempting to get past

a barrier, as well as claims of rocks and water bottles being thrown at police.<sup>10</sup> On May 2nd, 2018, protesters took to the streets again.<sup>11</sup> If so many Puerto Ricans are unhappy with PROMESA, why does the unelected financial oversight board hold so much power? Why are so many Puerto Rican people still without basic utilities nine months after Hurricane Maria hit? The delay in accessing electricity, water, and more is rooted in other crises on the islands: political inequality, corruption, big money in politics, and corporate power.

Corporate greed and big money have influenced Puerto Rican politics since the U.S. invaded the islands. The United States originally seized Puerto Rico from Spain. This had the double impact of satisfying racist desires for expansion on the grounds of manifest destiny, as well as expanding the power, influence, and control of U.S. businesses and government entities over new regions of the world.<sup>12</sup> The United States has historically granted special benefits to large corporations moving to Puerto Rico – including Domino Sugar and sugar production companies, manufacturing companies, and pharmaceutical companies – while simultaneously working to minimize the voice and self-governance of those living in Puerto Rico. This report examines both the history of political inequality and corporate dominance in Puerto Rico and the tools used by the wealthy few to maintain their power and control over Puerto Rico's economy today.

Since the beginning of this colonial relationship, the United States has enacted a web of policies that has allowed large corporations to profit off Puerto Rico in ways that eventually led to its financial collapse. Puerto Rico is currently over 73 billion dollars in debt.<sup>13</sup> Policies created by the federal government, as well as in some cases by the Puerto Rican government, have allowed corporations to amass wealth through exploitative tactics and predatory lending. This has multiplied Puerto Rico's debt. The current political and legal environment, which paved the way for the direct influence of money in politics, allows those on Wall Street – not the Puerto Rican people – to have a significant voice in deciding how the current financial crisis in Puerto Rico is handled.

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# HISTORY OF THE US AND PUERTO RICO

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

Spain colonized Puerto Rico in the early sixteenth century. In July 1898, during the Spanish-American War, the United States invaded and conquered Puerto Rico.<sup>14</sup> The U.S. maintained a military government in Puerto Rico until the Treaty of Paris was signed in December 1898.<sup>15</sup> In this treaty, Spain violated its own treaty with Puerto Rico by transferring Puerto Rico and other islands to the United States' possession.<sup>16</sup>

Under the U.S. Constitution, “insular areas” and other territories such as Puerto Rico are subject to plenary control by Congress.<sup>17</sup> Over the past 120 years, Congress has used this authority to govern Puerto Rico with a set of policies that mix economic exploitation by large mainland-based or multinational corporations with a generous helping of racism.

## **The Foraker Act era (1900-1917)**

In 1900, Congress enacted the Foraker Act as a comprehensive measure intended to transform the economic, legal, and political foundations of Puerto Rico. The Foraker Act established a “temporary civil government” in Puerto Rico, which gave complete control of the government to a U.S.-appointed governor and executive council – all of whom were non-Puerto Rican white men. This allowed the U.S.-appointed governor and executive council to rig the rules of commerce in a way that favored large U.S. corporations, such as Domino Sugar. This, in turn, decimated the smaller sugar businesses that were fundamental to the local economy.<sup>18</sup>

Without the input of any Puerto Rican people, the first U.S. civilian governor, Charles Herbert Allen, created a budget for the entire archipelago.<sup>19</sup> That new budget halted building repairs and school construction funds, generated new positions for hundreds of political appointees, and redirected insular budget funds to issue no-bid contracts for U.S. businessmen, including Allen's father's lumber business.<sup>20</sup> Allen wrote in his First Annual Report to the U.S. President about the profits that could come from sugar in Puerto Rico. He

wrote how the “fresh blood” of “Anglo-Saxon people” was needed because Puerto Rican people would not be able to “manage their own affairs.”<sup>21</sup> This was a common view at the time. For example, in 1901, the Supreme Court said that territories with an “alien race” of “savages,” including the islands of Puerto Rico, would under “Anglo-Saxon principles” not receive the same privileges and protections under the U.S. Constitution as Anglo-Saxon populations.<sup>22</sup>

A few weeks after issuing the First Annual Report, Allen resigned as governor and moved to Wall Street, where he became Vice President of the Morgan Trust Company and the Guaranty Trust Company of New York.<sup>23</sup> The political appointees he had placed in while in office provided generous “land grants, tax subsidies, water rights, railroad easements, foreclosure sales, and favorable tariffs” to white Americans moving to Puerto Rico for the sugar industry.<sup>24</sup> This allowed Allen's private syndicate, the American Sugar Refining Company – which later changed its name to Domino Sugar – to control 98% of sugar produced for the U.S. by 1907.<sup>25</sup>

## **The Jones-Shafroth Act (1917-1952)**

The United States enacted the Jones-Shafroth Act in 1917.<sup>26</sup> Passed as a wartime measure, the Jones-Shafroth Act unilaterally conferred a version of U.S. citizenship onto all Puerto Ricans. The act authorized the creation of a legislature for Puerto Rico, but also ensured that any local legislation passed by the Puerto Rican House and Senate could be nullified by the U.S. President, and amended or repealed by U.S. Congress.<sup>27</sup> As a further instrument of federal control, the Jones-Shafroth Act provided that the U.S. President would appoint the Puerto Rican governor.

The day after this act was passed, the U.S. entered World War I. From a population of roughly 1 million people, more than 17,000 Puerto Rican men – newly eligible as soldiers, thanks to the Jones-Shafroth Act – were selected for the draft.<sup>28</sup> In all, over 60,000 Puerto Ricans would serve in the U.S. armed forces during WWI.<sup>29</sup>

## Merchant Marine Act (1920-today)

Another major federal statute that affected Puerto Rico was the Merchant Marine Act of 1920 (also known as the Jones Act, but not to be confused with the Jones-Shafroth Act).<sup>30</sup> This act was passed in large part to protect the economic interests of the U.S. shipping industry.<sup>31</sup> This act requires all shipments of goods between U.S. ports – including Puerto Rico – to be on American-made ships staffed by American crews.<sup>32</sup> Since Puerto Rico, unlike the mainland, is completely reliant on maritime shipping for import and export of goods, this requirement disproportionately raises the prices of both imports and exports.

Between the harms stemming from the Foraker Act, the Merchant Marine Act, the Great Depression, and a devastating hurricane, the Puerto Rican agricultural industry – the main industry in Puerto Rico at the time – began to decline in the 1920s. By the 1930s, U.S. sugar syndicates owned 80% of sugar farms in Puerto Rico,<sup>33</sup> while Puerto Rican people were largely without work on the islands.<sup>34</sup> Unemployment reached roughly 65% among Puerto Rican workers.<sup>35</sup>

The Merchant Marine Act is still enforced to this day, and impacted those living in Puerto Rico even during Hurricane Maria recovery. Due to the decline of local agriculture in Puerto Rico, 80% of the food is imported.<sup>36</sup> Reports issued by local and federal governments confirm that due to the Merchant Marine Act, the cost of consumer goods, such as food, in Puerto Rico has skyrocketed.<sup>37</sup> The combination of a depressed local economy, the high cost of consumer goods, and disgruntled and unemployed workers has created a social tinderbox.

## Rising Discontent in the 1930s and 1940s

In 1934, with a rising tide of discontent to ride, sugar cane workers organized an extremely successful island-wide strike in response to the negative impact of corporations and the government on the land, economy, and culture of Puerto Rico. Pedro Albizu Campos led these strikers in fighting for wage increases and for Puerto Rico's independence from the United States.<sup>38</sup> In response, the United States appointed a military general as governor to Puerto Rico. This governor immediately militarized the police force.<sup>39</sup> In 1935, this militarized police force raided a student rally and publicly killed four people (the Río Piedras Massacre).<sup>40</sup>

## PONCE MASSACRE

When asked about this massacre in an interview, the police chief stated that if Albizu Campos continued his agitation, “there will be a war to the death against all Puerto Ricans.”<sup>41</sup> The following year, two Nationalist Party members killed that police chief; the individuals responsible for this killing were then captured and shot by the police later that day.<sup>42</sup>

During this time, Albizu Campos was arrested and sentenced to jail. A peaceful protest was held in support of Albizu Campos. This protest, which would later be known as the Ponce Massacre, became violent when police shot into the crowd, injuring 200 people and killing 17 unarmed people, including a 7-year-old girl who was shot in the back.<sup>43</sup>

With the advent of World War II, the U.S. military seized more than 17% of the land in Puerto Rico to use as bombing practice.<sup>44</sup> This caused tensions to rise even further in Puerto Rico during the 1940s, leading to increased support for independence. Although other factions in Puerto Rico supported a bid for statehood instead, the fight for independence became too loud for the U.S. Congress to ignore. Congress and President Truman worked with the Popular Democratic Party on governance reforms that would attempt to “strike a balance” between independence and statehood.<sup>45</sup> One such reform would allow Puerto Rico, for the first time since the U.S. invasion, to elect its own governor. The first popular election of a governor for Puerto Rico was scheduled for 1948. Then, in 1947, the Puerto Rican legislature enacted a gag law (Ley 53)<sup>46</sup> that made it illegal to fly the Puerto Rican flag, sing the Puerto Rican anthem, or support the independence of Puerto Rico.<sup>47</sup> This attempt to silence the Puerto Rican Nationalist Party effectually undermined any chance for a fair election.

In 1952, Congress passed Public Law 600 to replace the Jones-Shafroth Act as the primary federal framework for Puerto Rico. This law allowed Puerto Rico to draft its own Constitution, allowing Puerto Rico



to create its own legislative, executive, and judicial branches.

### **Public Law 600 (1952-today)**

In 1952, Puerto Ricans drafted their own constitution, which passed in a referendum with the support of 81% of voters on the islands.<sup>48</sup> The constitution then went through the process of receiving approval from Congress.<sup>49</sup> During this process, the U.S. Congress vetoed a provision that would have allowed for support of “human rights” to be incorporated into the Puerto Rican Constitution.<sup>50</sup> Although the Puerto Rican constitution was eventually adopted for the islands, the U.S. Congress reserves the right to “unilaterally repeal the Puerto Rican Constitution . . . and replace [it] with any rules or regulations of its choice.”<sup>51</sup> This legislation still impacts Puerto Ricans today.

Despite having U.S. citizenship in name, Puerto Ricans do not receive the same rights, representation, and benefits as most other U.S. citizens. Public Law 600 makes it so that the sole representative of Puerto Rico in the U.S. Congress is a “Resident Commissioner.” While this person can vote in committee and introduce legislation, Puerto Rico itself has no voting members in the U.S. Congress,<sup>52</sup> and Puerto Ricans living on the islands are not permitted to vote for the president of the United States.<sup>53</sup> Today, the United States Congress can, at any point, 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.<sup>54</sup>

### **Operation Bootstrap (1940s-2007)**

Puerto Rico underwent an economic transformation in the late 1940s as the United States tried to repair the islands’ crashing economy with a series of policies and programs called “Operation Bootstrap.”<sup>55</sup> At the time, and to this day, all bonds issued by Puerto Rico are triple tax exempt,<sup>56</sup> which means these bonds are not taxed by the federal, state, or local governments. Since very few municipal bonds are triple tax exempt, this has led a variety of investors, municipalities, and mutual fund companies to purchase a large number of Puerto Rico’s government bonds. At first glance, the triple tax exemption might seem a blessing to Puerto Rico, because it

allows the government to pay lower interest rates on debt. However, over time this blessing turned into a curse. Since Puerto Rico was able to borrow at low interest rates, the government fell into the trap of issuing more and more bonds for revenue – and mainland-based investors were happy to encourage Puerto Rico to accumulate more debt.<sup>57</sup>

U.S. companies were also encouraged to bring factories to Puerto Rico through a variety of federal and local tax exemptions, with the goal of creating a completely tax-free business environment to attract new businesses and increase employment.<sup>58</sup> Congress granted waivers from federal regulations regarding labor relations<sup>59</sup> and environmental protection in Puerto Rico.<sup>60</sup> While a significant number of U.S. factories initially relocated to Puerto Rico, the waivers that were granted also led to sweatshop-like conditions on the islands, and vastly limited the revenue allocated to critical infrastructure such as education and transportation.<sup>61</sup>

Tax exemptions enacted by Congress were intended to massively increase employment for those living in Puerto Rico. In reality, U.S. corporations exploited those tax benefits while barely creating any additional employment for people on the islands. For example, after Operation Bootstrap began, the pharmaceutical industry, including companies like Johnson & Johnson and Amgen, created factories in Puerto Rico. By 1987, pharmaceutical companies received around \$2.67 in tax benefits for every single dollar that employees received in compensation (including benefits).<sup>62</sup> In 1989, Johnson & Johnson received \$145 million in tax savings, despite only employing 2,900 individuals (an average of \$50,000 in tax savings per employee).<sup>63</sup>

While 50% of Puerto Rico’s available tax benefits went to the pharmaceutical industry, that same industry generated only three to five percent of all employment in Puerto Rico.<sup>64</sup>

In the 1950s, unemployment remained above 15% and Puerto Rico became more reliant on the federal government to provide grants for social welfare benefits to prevent emigration into the United States (and therefore, a loss of tax income).<sup>67</sup> By 1968, 23% of Puerto Rico’s budget relied on federal grants, compared to only 10% before Operation Bootstrap.<sup>68</sup>



# RACIAL WEALTH GAP

**By Riah O'Malley, United for a Fair Economy**

The crisis in Puerto Rico is part of a broader story of wealth creation in the United States. The structures used by elites to extract wealth from Puerto Rico are similar to the structures used to extract wealth from communities of color in the U.S. mainland. Many of these structures began when the Americas were first colonized, and still exist today. If we plan to truly address economic and political inequality, we must analyze how corporate elites have used their money and influence to create laws to amass wealth that devastates communities of color.

Since the U.S. was formed, white, land-owning men have created and passed policies that institutionalize white supremacy and other systems of oppression. Economic and racial inequality began with colonization, land-theft, and slavery. Over time these systems transformed into policies like redlining, the war on drugs, police targeting unarmed black people, and unjust immigration laws. Many of these policies, like those used to practice domination in Puerto Rico, have been passed strategically, and are often motivated by an agenda of racism and greed.

Wealth extraction happens along lines of gender as well. Creating and maintaining a hierarchy with only two genders has taken resources out of the hands of women, genderqueer, nonbinary, and trans people and puts those resources in the hands of white cis-gender men. This happens by devaluing domestic labor – which continues to be disproportionately performed by women – and legalizing discrimination against queer and trans people in employment and housing.

Sadly, there is no shortage of policies that illustrate how we create systems that have generated and maintain economic and political inequality. There is a myriad of examples found throughout history beyond what is in this report.

For example, since its founding the U.S. has seized 1.5 billion acres of Native land (not including Puerto Rico, which is considered an “unincorporated territory”). The U.S. holds that land in a trust and manages it on behalf of Native Americans, making Native people the largest private landholders on the mainland. Yet Native people in the U.S. have the highest poverty rate of any racial group. This is, in large part, due to federal policy that puts the wealth of Native people, including the land, natural resources, and income generated from such resources, under the control of the federal government.

The top .01% in the U.S. owns as much wealth as the bottom 90% of people.<sup>65</sup> Latinx families have just 12 cents to every dollar of wealth held by white families; Black families have just 10 cents to every dollar of wealth by white families.<sup>66</sup> To uproot oppression and create a fair economy we must address the policies and history responsible for inequality.

While earlier parts of Operation Bootstrap worked toward closing wage gaps, the policies failed to generate sustainable wealth accumulation for most families. Corporations continued to see huge increases in profits due to massive tax cuts, while the average Puerto Rican person remained (and still remains) unemployed or underemployed. Families in Puerto Rico continue to struggle to afford the necessities of life.

### **Rise of Public Debt (1970s-today)**

In the 1970s, the U.S. Treasury began to question the federal tax provisions that U.S. corporations received when operating in Puerto Rico, because, as noted above, the benefits were largely captured by companies that employed very few people on the islands. In the Treasury's view, the tax benefits failed to create enough employment to justify the loss in federal tax revenues. By 1975, the Treasury urged Congress not to *reform*, but to *dismantle* these tax benefits entirely. Congress agreed.<sup>69</sup> The Treasury began working with Puerto Rico to phase out these benefits.

Once the tax benefits and waivers began changing, many of the companies that had benefited left Puerto Rico.<sup>70</sup> The U.S. Treasury and Puerto Rican government phased out all tax benefits by 2006. No provisions were made for rebuilding the local economies that had existed prior to the arrival of the large corporations. The economic effect of this financial vacuum was disastrous. By 2007, Puerto Rico entered the Great Financial Crisis, cutting one-third of its public workforce.<sup>71</sup>

Corporate entities continued to exploit Puerto Rico's struggling economic and political status from afar. The Puerto Rican government worked with major banks and financial institutions to refinance the island's debt, selling billions of dollars of COFINA (sales) bonds starting in 2006.<sup>72</sup> There were no restrictions on the interest rates, and as a result, Puerto Rico's debt ballooned. By 2016, nearly half of Puerto Rico's debt owed was interest alone, with the average interest rate reaching over 700%.<sup>73</sup> Wall Street underwriters of the bonds – including Goldman Sachs, Merrill Lynch, Citigroup, and more – profited greatly during the 2000s, earning billions in fees.<sup>74</sup> Vulture investors and hedge fund capitalists

purchased bonds for as low as \$0.30 on the dollar.<sup>75</sup> It became obvious to Congress that Puerto Rico would need to default on hundreds of millions of dollars in debt. The debt climbed to roughly \$72 billion before Hurricane Maria.

In response to Puerto Rico's growing debt and impending default, Congress sought legislation on how to handle the financial crisis. Various proposals were put forward by politicians and activists.

The pharmaceutical industry, technology and engineering companies, and financial groups all spent millions lobbying for the Puerto Rico Oversight, Management, and Economic Stability Act, known as PROMESA (Spanish for “promise”).<sup>76</sup> In 2016, Congress passed PROMESA, which creates an “independent” unelected financial oversight board (appointed by Congress) that can engage in debt-restructuring, enforce balanced budgets and government reform, determine the passage of any legislation that affects the Puerto Rican economy, and more.<sup>77</sup> Because the financial oversight board has control over the Puerto Rican government's financial decisions, no elected officials from Puerto Rico can determine economic policy decisions. The financial oversight board created by PROMESA is known in Puerto Rico as “La Junta”.

### **VARIOUS PROPOSALS TO ADDRESS PUERTO RICO'S FINANCIAL CRISIS**

When the U.S. Congress sought legislation on how to handle the financial crisis, three main categories of proposals emerged. To understand the incentives for these proposals, it is helpful to understand both the debt and the Puerto Rican Constitution. The Puerto Rican Constitution created limitations on the amount of debt that Puerto Rico could accrue. The Puerto Rican government created two forms of bonds: general obligation bonds and sale bonds (also known as COFINA bonds). In addition to setting limits on the debt, the Puerto Rican Constitution only guaranteed repayments of the general obligation bonds.<sup>78</sup> Despite this, billions of dollars worth of COFINA bonds were created and sold.

## Proposal A: Absolve the Debt

Puerto Ricans have been holding protests in Puerto Rico and around the United States since the start of the financial crisis.<sup>79</sup> These protests demand that Puerto Rico's debt be forgiven in full, as much of the debt was created in violation of the Puerto Rican Constitution. The debt is additionally unethical due to extremely high predatory interest rates and the United States' actions to destroy the local Puerto Rican economy – which facilitated the economic crisis. Despite pressure from both activists and Puerto Ricans, Congress never moved forward to address the demands around debt forgiveness.

## Proposal B: Bankruptcy

Another proposal would allow Puerto Rico to file for bankruptcy under Chapter 9 – “Insolvent Governments” – of the Bankruptcy Code.<sup>80</sup> After Congress encouraged purchases of Puerto Rican bonds through triple tax exemptions in the 1940s, Puerto Rican debt was bought widely by a multitude of institutions and individuals, including local municipalities.<sup>81</sup> In 1984, Congress amended the Bankruptcy Code so that Chapter 9 did not apply to Puerto Rico. That gave Congress complete control over debt repayments in Puerto Rico.<sup>82</sup> If Chapter 9 bankruptcy proceedings were to occur at that time, creditors holding debt consistent with the Puerto Rican Constitution (general obligation bonds not exceeding the debt limit) would get the first opportunity to receive debt repayment.<sup>83</sup>

The idea of Chapter 9 bankruptcy proceedings for Puerto Rico led to resistance, both in the courts and in Congress, from mutual fund groups holding COFINA bonds.<sup>84</sup> A group of large mutual fund companies, including a hedge fund named BlueMountain, sued the Puerto Rican government in 2014, challenging local legislation that would allow Puerto Rico to file for a status similar to Chapter 9 bankruptcy proceedings.<sup>85</sup> While it was clear that Chapter 9 did not apply to Puerto Rico, the Puerto Rican government tried to create its own bankruptcy laws to address the bankruptcy of the public utilities. The U.S. Supreme Court sided with the mutual fund companies, claiming that while Puerto Rico is *not* considered a “state” for the portion of

the bankruptcy code that would allow Puerto Rico to file Chapter 9 bankruptcy, Puerto Rico *is* considered a “state” for some other Chapter 9 purposes, including Chapter 9's preemption provision.<sup>86</sup> The preemption provision means that Puerto Rico can not file for federal bankruptcy, or create local bankruptcy laws. This meant that only Congress could give Puerto Rico the power to enact bankruptcy laws.

In Congress, a group of hedge fund and financial institutions lobbied against legislation allowing bankruptcy proceedings for Puerto Rico. BlueMountain circulated a letter telling lawmakers not to support bankruptcy provisions in Puerto Rico. BlueMountain feared that allowing bankruptcy would cause public workers' pension payments to be prioritized over repaying bondholders.<sup>87</sup> An example of the power of these financial institutions is as follows: Senator Marco Rubio of Florida once asked his staff to draft a bill that would allow Puerto Rico to file for bankruptcy. Yet, three weeks after a hedge-fund founder held a presidential campaign fundraiser for Rubio, he quickly shifted his position and said that bankruptcy should only be a “last resort” effort for the islands.<sup>88</sup>

Elected officials who advocated for debt restructuring options, such as bankruptcy, did not always have the Puerto Rican people in mind. Because so many investment firms bought triple-tax exempt bonds, legislation that allows for debt restructuring (including bankruptcy) would benefit certain investment firms. Investment firms that supported Chapter 9 bankruptcy options for Puerto Rico donated more than \$325,000 to Democratic and Republican members of the U.S. Senate Finance Committee during 2015.<sup>89</sup> The politician who received the most donations from these investment firms was representative Chuck Schumer of New York. Schumer, a member of the Finance and Judiciary Committee, received donations from Fir Tree Capital, York Capital, Fore Research & Management, and more.<sup>90</sup>

## Proposal C: PROMESA

The legislation actually passed by Congress is known as PROMESA. PROMESA is discussed further in the main text.

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# FOLLOWING THE MONEY: CAMPAIGN CONTRIBUTIONS AND PROMESA

## Campaign Contributions, Oversight Board Appointments, and Conflict of Interest

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. However, a few individuals, including members of the U.S. Congress, benefit substantially from the passage of PROMESA.

Under PROMESA, two of the members of the financial oversight board are nominated by the Speaker of the House, one is nominated by the Majority Leader of Senate, one by the Minority Leader of Senate, one by the Minority Leader of the House, and one by the President. The President then individually appoints the remaining members.<sup>91</sup> In 2016, U.S. House Speaker Paul Ryan nominated four members, and U.S. House Minority Leader Nancy Pelosi nominated three. President Obama appointed all seven of these congressionally-proposed nominees.<sup>92</sup>

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 officials to the board. In other words, it is wealthy campaign funders who influence the composition of the very board that decides how to engage in debt repayment, including whether payments to specific mutual fund companies will be prioritized over the payments of workers' pensions or social services.

For some members of Congress, this legislation also provides an opportunity to benefit *directly* from the financial crisis. Key congressional players involved in the passage and appointment process of PROMESA have extreme conflicts of interest. For example, one vocal supporter of PROMESA has been Pedro Pierluisi, Puerto Rico's sole representative in Congress (Pierluisi is a non-voting delegate) from 2009 to 2016.<sup>93</sup> Prior to Pierluisi's election, María Elena Carrión, Pierluisi's wife, worked on Wall Street for 15 years. A mere 20 days after Pierluisi was elected, Ms. Carrión opened a financial advisory firm in Puerto Rico.<sup>94</sup> Car-

rión advised Wall Street funders to purchase distressed assets and bonds in Puerto Rico. Financial institutions quickly began to lobby Pierluisi to introduce legislation that would help holders of Puerto Rican bonds, namely legislation that allows for some form of debt restructuring. The financial institutions lobbying Pierluisi for aid included clients of Carrión's financial advisory firm.<sup>95</sup>

In time, Pierluisi came forward as a supporter of PROMESA, but only on the condition that the PROMESA board had the authority to suggest debt restructuring options.<sup>96</sup> One of the seven people on La Junta (the unelected financial advisory board created by PROMESA) is Pierluisi's brother-in-law, Jose Carrión. In addition, Pierluisi himself was appointed to the Economic Development Task Force for Puerto Rico, which was created by PROMESA.<sup>97</sup> This allows Pierluisi, in coordination with other appointed representatives, to recommend changes to law that would promote economic growth, such as changes to tax policies.<sup>98</sup> In other words, one of the members of La Junta, Jose Carrión, now has the legal authority and position to manipulate financial situations in favor of the same investment firms that his sister (Pierluisi's wife, María Carrión) advised while Pierluisi was a representative in Congress. Simultaneously, Pierluisi also has the authority to suggest government policies that could benefit these investment firms and other companies on the islands.

Pierluisi ran for governor of Puerto Rico in 2016. During his campaign he received substantial support, via campaign contributions and political expenditures, from executives and super PACs representing the interests of the financial industry, pharmaceutical companies, technology companies, and other institutions that have an interest in the financial restructuring of Puerto Rico.<sup>99</sup> In 2014, Julio A. Cabral-Corrada, a former Morgan Stanley executive who helped issue a \$3.5 billion bond sale in Puerto Rico, engaged in fundraising for Pierluisi's campaign.<sup>100</sup> During this time, Cabral-Corrada emailed donors, assuring them that they would enjoy access to Pierluisi in order to "continue dialogue with the investment community"



as the negotiations in Congress continued. More than a dozen figures in the financial industry donated to Pierluisi during this period.<sup>101</sup>

Another member of La Junta is Carlos García. Prior to 2008, García worked at Santander and created Santander Securities, a municipal bond business within Santander. After the 2008 elections in Puerto Rico, García became the president of the Government Development Bank, a position that wields immense power over fiscal policy in Puerto Rico. In this capacity, García liquidated one billion dollars that had formerly been reserved for water and sewer projects to allow for the fiscal restructuring that led to the creation of COFINA bonds.<sup>102</sup> Between 2009 and 2011, García directed the issuance of nine billion dollars in COFINA bonds and notes. Santander made millions of dollars in profit from underwriting these bonds. The person at Santander responsible for major investments during time was José Ramón González, a third member of La Junta. This means that two of the individuals responsible for further indebting Puerto Rico with at least nine billion dollars in COFINA bonds (which is more than half of the total outstanding COFINA debt) are also determining who gets paid and what public services get cut now that Puerto Rico is defaulting on the debt.<sup>103</sup> In addition, these individuals are paid hefty personal fees to do what they do; the executive director of PROMESA makes \$625,000 a year.<sup>104</sup>

Both José Carrión and Carlos García were nominated by U.S. House Speaker Paul Ryan, who receives substantial campaign contributions from executives

at the hedge funds, venture capital firms, and investment firms that own much of Puerto Rico's debt.<sup>105</sup> These include large contributions from Amgen, Inc., a biotech company that benefits massively from Puerto Rico's taxation structure.<sup>106</sup> José Ramón González, another member of La Junta, was nominated by U.S. House Minority Leader Nancy Pelosi, who receives contributions from real estate and securities and investment groups that own much of – and stand to profit from – Puerto Rico's debt.<sup>107</sup>

### **How the Oversight Board Repaid its Sponsors**

The Puerto Rican Constitution guarantees repayments of general obligation bonds, but not of COFINA bonds. Despite this, under a plan ordered by the Financial Oversight Board, in 2017 Puerto Rico defaulted on its repayment of \$780 million in general bonds, while COFINA bondholders received on-time payments.<sup>108</sup> The progress on addressing the debt has been negligible; the human impact and loss that has occurred as a result of social services being cut is immeasurable. As predatory lenders receive timely payments, La Junta has simultaneously imposed furloughs on government employees<sup>109</sup> and lowered the minimum wage for people under 25 to around \$4.25 an hour.<sup>110</sup> La Junta also closed 280 public schools<sup>111</sup> and cut the University of Puerto Rico's budget in half.<sup>112</sup> Meanwhile, many Puerto Ricans are advocating that because the debt was illegal, unethical, and caused in large part due to U.S. policies, it should be forgiven completely.<sup>113</sup>

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# FOLLOWING THE MONEY: CAMPAIGN CONTRIBUTIONS AND HURRICANE MARIA RECOVERY

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

The emergency response to Hurricane Maria is yet another facet of the Puerto Rican story that has been 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 campaign contributions given to important decision-makers.

The 2018 hurricane season started on June 1st, yet Puerto Rico's power grids have not yet been fully repaired from the last hurricane season. The unpredictability of power outages, including some as recent as April 2018, has left hundreds of thousands, and in some cases all, of Puerto Ricans without electricity.

Cobra Acquisitions, the small private electric company contracted to restore power to Puerto Rico, was responsible for the April 2018 power outage that affected everyone in Puerto Rico.<sup>114</sup> One of Cobra's cranes struck a power line, causing a chain reaction that left more than three million people in the dark. This was only a week after Cobra acted to leave over 850,000 people without electricity.<sup>115</sup> For many, Cobra's inability to repair the grid came as no surprise. When the two hundred million dollar electric grid contract was first awarded to Cobra, numerous reports were published expressing concerns around the company's ability to complete the contracted work.

The decision by Puerto Rico's utility company (PREPA) to use private companies for repairing the damage caused by Hurricane Maria is an unusual one. Most governors call in the support of nearby states for repairs to utilities after natural disasters. This process is known as mutual aid. In fact, New York Governor Andrew Cuomo, who dealt with Hurricane Sandy, strongly recommended that Governor Ricardo Rosselló of Puerto Rico invoke mutual aid.<sup>116</sup> Instead, PREPA hired Whitefish Energy and Cobra Acquisitions, both

private subcontractors. At the same time, FEMA sent in the Army Corps of Engineers to assist in rebuilding Puerto Rico's major grid.<sup>117</sup> The Army Corps was not prepared to take on the repairs in Puerto Rico, and had never in fact previously repaired major electrical grids.<sup>118</sup> PREPA's contracts with small private companies raised so much skepticism that PREPA eventually cancelled their contract with Whitefish.<sup>119</sup> However, it was not until the most recent power outages in April 2018 that PREPA cancelled its contract with Cobra Acquisitions.

Cobra Acquisitions was less than one year old when it was awarded the two hundred million dollar contract.<sup>120</sup> Cobra is a subsidiary of Mammoth Energy, which is predominantly an oil company. Mammoth only started doing utilities work because it believed utilities would bring "significant growth" to their company. The entire company had less than 300 employees, all of whom were new hires, when the contract with Puerto Rico was first signed.<sup>121</sup> Cobra claims that its top four managers have over 25 years of experience; however, Cobra has not provided the names of any of those executives or even where they used to work.<sup>122</sup> During the time that Cobra was involved with Puerto Rico, Cobra had no ongoing storm-related contracts outside of the islands.

Given this context, PREPA's decision to pick Cobra seems strange indeed. PREPA claims it chose Cobra Acquisitions because Cobra agreed to provide water and medical facilities for its own employees.<sup>123</sup> Others think that a more sinister reason explains why PREPA and Governor Rosselló favored private companies, like Cobra and Whitefish, instead of mutual aid: a desire to privatize utilities in Puerto Rico through the influence of corporate power and money in politics.

In the past, Puerto Ricans have suspected that PREPA is purposefully underfunded and that the utility company itself has not properly maintained the electric systems on the island, which is what caused many of the electrical failures.<sup>124</sup> Even prior to Hurricane



Maria, power outages were commonplace. Puerto Ricans worried that the lack of maintenance for the electrical grid would eventually result in a massive electrical failure.<sup>125</sup> Puerto Ricans worried that an underfunded public electric utility system was a system designed for the purpose of failing. A electrical failure of sufficient size would in turn pave the way for the privatization of Puerto Rico's utilities.<sup>126</sup>

La Junta appointed a new PREPA manager, Noel Zamot, immediately after the hurricane. According to La Junta's chair, the goal of the appointment was to "privatize the Electric Power Authority as soon as possible."<sup>127</sup> Some members of Congress had been calling for the privatization of Puerto Rico's utilities since before Hurricane Maria. PREPA's decision to string a failing electrical system along using untested and underqualified private companies set the islands up for a catastrophic power failure and strong call for the privatization of Puerto Rico's utilities.

The private electric company Cobra Acquisitions is a subsidiary of Mammoth Energy Services, a corporation that deals almost exclusively with oilfield services such as fracking.<sup>128</sup> 47.4% of Puerto Rico's power

comes from oil.<sup>129</sup> Before Hurricane Maria, the Puerto Rican government attempted to construct pipelines that would run throughout the main island of Puerto Rico.<sup>130</sup> Although public opposition was so strong that it stalled the creation of the pipelines, the influence of money in politics may change everything. While PREPA's leadership acknowledges that fiscal sustainability requires less reliance on oil, PREPA's plan for 2035 includes building a \$400 million-dollar liquid natural gas import terminal.<sup>131</sup> During a congressional hearing, Representative Rob Bishop, chair of the Natural Resources Committee, and Representative Glenn Thompson, co-chair of the House Natural Gas Caucus, both stated that Hurricane Maria provides an opportunity to create new energy policies – policies that will ultimately benefit the oil industry.<sup>132</sup> Thompson and Bishop have both received extensive campaign contributions from oil and gas companies.<sup>133</sup>

The result of PREPA's failure to fully restore the power grid has given La Junta ammunition to issue a list of austerity measures, including privatizing PREPA. In response to these austerity measures, thousands of Puerto Ricans have taken to the streets in protest.



# CONCLUSION

## Getting Big Money Out of Politics

In order to address Puerto Rico's economic crisis and the harms of Hurricane Maria, the U.S. Congress enacted legislation that gives power and control to financial institutions and bondholders issuing predatory debt rather than to the people of Puerto Rico. This has worked to actively prevent the voices of the Puerto Rican people from weighing in on how to address this economic crisis.

Why do financial institutions, oil companies, and bondholders continue to have such a commanding presence in our political system? History has shown that corporations have always been able to profit from the second-class status of Puerto Rico. Both the Puerto Rican government and the U.S. government are beholden to big money interests (in this case, the financial institutions and others who hold Puerto Rican debt). This is part of a larger trend.

Those who contribute the most money to political campaigns have the most access to politicians. The Supreme Court's decisions in *Citizens United v. F.E.C.* and similar money in politics and corporate rights cases have led to a vein of deeply entrenched corporate power in our political system.<sup>134</sup> Since 1976, the Supreme Court has ruled that the act of donating money to politicians is entitled to protections under the Constitution because money is political speech.<sup>135</sup> *Citizens United* further entrenched us in a corrupt system by giving corporations the power to spend unlimited money in elections.

The result is that the wealthiest people, corporations, and unions can spend unlimited amounts of money in U.S. and Puerto Rican elections. This also means that to participate in our current political process, you must have enough money to compete with the interests of the wealthy. This has created a predictable problem: studies show that middle and low-income voters have virtually no effect on the policies Congress enacts.<sup>136</sup> In Puerto Rico, this problem is even worse than on the mainland. Since Puerto Ricans lack voting representation in Congress and cannot vote for president, there is virtually no political counterweight to the influence of

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corporate money.

Instead, Congress chooses to listen to those with the most money to spend on their elections. For many Puerto Ricans and other people throughout the United States, this has left us with a nation that is now run of, by, and largely for, the wealthy few. Deep structural changes must be made to address the deepening financial crisis in Puerto Rico. We must overturn the Supreme Court decisions that extended constitutional protections to corporations, deeply entrenching their direct power. Enacting a constitutional amendment to overturn *Citizens United* and the doctrines underlying that ruling will not fix the financial crisis in Puerto Rico, but it will give citizens living in the United States, including millions of Puerto Ricans, the ability to come together and be heard above the wallets of the wealthy.

## **Building Solidarity to Promote Political, Economic, and Racial Equality**

### **With comments by United for a Fair Economy**

Deep structural changes must be made to address political, economic, and racial inequalities in the United States. The history of Puerto Rico and the United States shows how those with wealth and privilege were able to create laws. These laws gave the wealthy – originally only white men – control of economic and political systems on the islands of Puerto Rico. Our current legal and political structures allow the wealthy few to maintain power and control of those systems. This, in turn, sustains eco-



conomic and political systems that disproportionately cause harm to people who have been historically marginalized in the United States, like Black and Indigenous people, people with disabilities, queer and trans people, people of color, women, and so many more. This inequality is not unique to Puerto Rico – it is happening all over the United States.

Passing a constitutional amendment to get big money out of politics and end corporate personhood is only one part of the puzzle in the fight to promote true political, economic, and racial equality for Puerto Rican people, as well as for all people marginalized by systems of oppression. Whether we are enacting an amendment, passing laws, shifting politicians, or educating the public, our truest power comes when we build solidarity. Authentic solidarity requires working to dismantle *all* the systems that sustain oppression. Through this work, we can create deep change rooted in the needs of 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 harm will provide critical insight on how to create change that supports us all.

For those wanting to build an intersectional and inclusive movement to promote political, economic, and racial equality, know that you are not alone. There are materials created by Free Speech For People, United for a Fair Economy, and many other organizations that show how we can build true solidarity by learning about our own privileges and the history of oppression, while also uplifting those who have been most marginalized by systems of oppression. When we build solidarity through a deeply intersectional movement, we can change not just the Constitution of the United States of America, but the world.



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# ABOUT THE AUTHOR AND ACKNOWLEDGEMENTS

**Jasmine F. Gomez, Esq.** is an attorney and Democracy Honors Fellow at Free Speech For People. Jasmine is Puerto Rican, queer, and grew up low-income, which influences the critical race theory, transformative justice, and intersectional frameworks Jasmine brings to their legal analysis and organizing.

## About Free Speech For People

Free Speech For People works to renew our democracy and our United States Constitution for we the people. Founded on the day of the Supreme Court's *Citizens United* ruling, Free Speech For People envisions a democratic process in which all people have an equal voice and an equal vote. We educate, we organize, we fight in the courts, and we press for a constitutional amendment to reclaim our democracy.

## About the Foreword Author

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## About United for a Fair Economy

United for a Fair Economy challenges the concentration of wealth and power that corrupts democracy, deepens the racial divide and tears communities apart. We use popular economics education, trainings, and creative communications to support social movements working for a resilient, sustainable and equitable economy.

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