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**Puerto Rico's Economic Crisis:  
Living Between Detroit and Argentina?**

By Angelo Falcón (August 12, 2014)

The current fiscal crisis in Puerto Rico is largely placed squarely on the shoulders of irresponsible political and economic actors in Puerto Rico itself. The statehooders killed the tax-incentives that kept Puerto Rico economically dependent but afloat as part of their political status strategy. The Commonwealthers were captives of the labor unions. The *independentistas* lost any sense of movement and ran out of credible alternatives. To many, this makes Puerto Rico sound a lot like Detroit.



But the problem with this take on the Puerto Rican situation is that, by definition, Puerto Rico is not like Detroit, it is more like Argentina but not quite. It cannot default under American law because it is not a state. But it is also not a sovereign nation so it cannot negotiate with creditors independently of US law. The Supreme Court's Insular Cases aptly described Puerto Rico as being "foreign in a domestic sense," concisely describing its central dilemma. As the federal government grapples with Puerto Rico's economic crisis as an American crisis, since the Island's debt is widely spread across U.S. municipal funds, it finds that it has created a colonial mutant that it is now not quite sure how to deal with.

For the proponents of statehood for Puerto Rico, this current crisis appears as an opportunity to aggressively advocate their position. It clearly shows the limits of the colonial model and its potential for disruption of the broader U.S. economy, for which statehood stands as a solution. In the past, the statehood movement has tried various approaches to argue for statehood, from a hyper-American patriotism, to taking an anti-colonial position, to stressing the civil rights of Puerto Ricans, to having the statehood issue replace immigration as the Republican key to Hispanic support. The current attempt to present statehood as an economic solution to the Island's current financial crisis in cost-benefit terms becomes compelling in the growing recognition of how intertwined its finances are with the broader American debt markets.

There are a number of problems with this strategy, however. Although statehood has gained some momentum, the status issue remains a polarizing one in Puerto Rico and among Puerto Ricans stateside. The economic problems facing Puerto Rico today are major, which would mean that making it a state would require major federal funding outlays for social and other programs that are the right of every state. There is also the potential problem that as a state Puerto Rico would

have a large Congressional delegation and two Senators who cannot be guaranteed to be largely of either major American political party. And besides needing a greater consensus in Puerto Rico on statehood, this is ultimately a decision of a United States Congress that currently is basically paralyzed legislatively.

The statehood approach is clearly modeled on the Republican Party's strategy of destabilizing the federal government in their quest for limited government. Their efforts at privatizing government operations in Puerto Rico and attacking public sector unions has created a situation where their opposing party, which is now in power, has to manage the economy with the statehood party's logic of greatly limited government. The economic hole that Puerto Rico finds itself in is such that the options available to it are limited by the US economic system of which it is a part. So that we might be able to say that today, Puerto Rico is "Argentinian in a Detroit sense." This, of course, is nonsense, which is, of course, the point.

There are no clear solutions to Puerto Rico's current economic dilemma because it is also a political dilemma for the United States. To provide some short-term solutions, the United States (and Puerto Rico) will have to improvise within its hodgepodge of colonial legal and procedural precedents, which has always been their prerogative running an empire. Possibly using the World Bank's neo-liberal model, the United States and/or its financial surrogates will impose austerity conditions for Puerto Rico in exchange for some influx of federal funding. When we see the billions in foreign aid and military assistance going to places like Afghanistan and Israel, at least Puerto Rico is, after all, inhabited by US citizens. But something like this would be but a Band-Aid when major surgery is really required.

Up to a certain point, there would be very limited political fallout from imposing draconian austerity measures in Puerto Rico since the people of Puerto Rico, who have been US citizens since 1917, do not have the right to vote for US President or the US Congress (except for a nonvoting Resident Commissioner they elect to the House of Representatives). However, already the outmigration from Puerto Rico to the states has been massive and will likely continue to grow as economic conditions on the Island deteriorate further. The stateside Puerto Ricans, now greatly outnumbering the population of Puerto Rico, can vote for President and the Congress and already have four full voting members in the House of Representatives --- two from New York, one from Illinois and one from Idaho. This and the Puerto Rican connection to the broader Hispanic community mean that US treatment of Puerto Rico would have its political costs within the metropolis itself.

The road to statehood, one can argue, has served to accelerate the deterioration of an already unsustainable economic colonial relationship between the United States and Puerto Rico. Will this result in the yield of political dividends the statehooders are seeking or in a serious US reconsideration of its relationship to Puerto Rico toward greater autonomy or even independence? In the short-run, it is always possible that the stopgap measures being proposed in the Congress and in Puerto Rico might preserve the status quo. As always, time will tell because I as Hell don't have a clue!

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