Congressman Pedro R. Pierluisi
Five-Minute Floor Statement as Prepared for Delivery
Puerto Rico's Political Status and its Economic Crisis
July 8, 2015

Mr. Speaker:

The U.S. territory of Puerto Rico, home to 3.5 million American citizens, stands at a crossroads. The governor recently announced that Puerto Rico cannot pay all of its debts. The governor's comments were not constructive because they lacked precision. Puerto Rico's total debt is about $72 billion, and the structure of this debt is complex. About seventeen entities in Puerto Rico have bonds outstanding, from the central government to public corporations. The terms, source of repayment and level of legal protection for each bond varies.

For instance, bonds issued by the central government receive priority payment under the Puerto Rico constitution, which was authorized and approved by Congress. Accordingly, when the governor asserted that Puerto Rico cannot pay its debts, the sweeping nature of his comments raised many practical and legal questions and generated considerable anxiety.

The crisis in Puerto Rico is real, and it must be confronted with composure, competence and candor. To this end, I want to articulate a simple truth, but one that is too often overlooked.

Namely, the challenges we face are structural in nature and therefore require structural solutions, at both the Puerto Rico level <u>and</u> the federal level.

Within Puerto Rico, more discipline by the territory government is imperative. We must learn to live within our means. Puerto Rico's political leaders have shown the capacity to <u>develop</u> sound strategies, but have not always demonstrated the same ability to effectively <u>execute</u> those strategies. Performance, not planning, is the problem. We can do better and, for the sake of our constituents, we must do better.

Honest self-appraisal and self-criticism are essential, but cannot be limited to Puerto Rico. If the American public is under the impression that Puerto Rico is solely to blame for this crisis, it is profoundly mistaken.

The source of the problem in Puerto Rico is not its people, who are talented and hard-working. Nor is it our political leaders, who are no better or worse than their counterparts in other U.S. jurisdictions, who at times also over-promise and under-deliver. Instead, the root cause of the problem is our political status, which has given rise to a system of severe and entrenched inequality that makes it exceptionally difficult to succeed and exceptionally easy to fail.

The direct link between Puerto Rico's political status and its economic problems was explored at a recent congressional hearing. The hearing served to underscore that there are more American citizens in Puerto Rico than in 21 states, that they serve in the U.S. military in large numbers, but that they cannot vote for president or senators and have only a non-voting delegate in the House.

The hearing also highlighted that, as a territory, Puerto Rico can be—and often is—treated worse than the states under federal laws, from Medicaid to the Earned Income Tax Credit to Chapter 9 of the bankruptcy code. To compensate for the deficiency in federal economic support, the Puerto Rico government has borrowed heavily, which helps explain the excessive debt. In recent years, 250,000 island residents have moved to the states, and these numbers are only growing. Once in the states, they are entitled to full voting rights and equal treatment under law—rights they were denied in Puerto Rico.

This is an intolerable situation. My constituents have tolerated it for too long and they will tolerate it no longer. They voted for statehood in a local referendum in 2012, and they will vote for statehood again, in even greater numbers, in a federal referendum in 2017.

My message to my colleagues is simple. If you give us the same rights and responsibilities as our fellow American citizens, and let us rise or fall on our merits, we will rise. But if you continue to treat us like second-class citizens, don't profess to be surprised when we fall.