Sovereign debt, a global problem:
international experiences and the situation of Puerto Rico

Sovereign debt crises are spreading around the globe and affecting both local and national governments. In Latin America, falling oil prices undermines Venezuela's capacity to pay its debts and invest in public goods. In the United States, the lessons learned from Detroit and Flint are clear. An authoritarian state governor usurped local democratic decision to impose austerity with the deadly consequences of forcing Flint residents to drink contaminated water. Human rights were sacrificed for fiscal consolidation.

The impacts of a sovereign debt crisis are catastrophic: budget cuts, privatizations, unemployment, as well the deepening dependency on financial institutions, such as the IMF and the World Bank. It is crucial to highlight that in many cases public debts are illegitimately generated, and fed by artificial interests, including coming from the IFI's, which contribute to maintaining the dependency of the countries. On the other hand, on too many occasions, sovereign debt stems from corruption, tax breaks for the wealthy, and unjust tax systems. So it is important to know what is the origin of the public debt, in order to know how to challenge it.

More recently, we can observe the case of Greece, about which the Public Services International Research Unit found that:

"The impact of the austerity measures on the Greek economy and Greek society has been devastating. There has been little evidence that the 'troika' has been aware of the failure of its measures although the IMF, in a report released on May 2013, indicated that there had been some consideration of how damaging austerity policies had been, but not enough to change the loan conditions. Greece is still being pushed to further increase the 'flexibility' of its labor market in order to make it more competitive. Consumption and government expenditure have continued to fall and government debt has increased. Meanwhile the social costs of austerity are affecting the whole of Greek society. Young people are leaving the country or remaining unemployed, thus reducing the potential for future economic growth."

Today, Puerto Rico stands at the brink of default. Wall Street demands austerity, but recent history demonstrates that neoliberal prescriptions for solving fiscal and debt crises only promise more pain, inequality and less economic growth. Solving Puerto Rico's debt crisis requires difficult choices and a shared burden, but it cannot be resolved by fiscal consolidation that usurps democracy and undermines the economic development of the island and the government's capacity to achieve fiscal stability and carry out the policies and programs needed for economic recovery after successive years of contraction. The problem in Puerto Rico, as well as many other countries plagued by excessive debt, for instance, some Latin American countries in the 1980's, grew from economic stagnation and was further deepened by austerity measures.

The lessons learned from Americas, and more recently Greece, indicate that Puerto Rico's debt crisis can be solved, but not through additional austerity measures that undermine the long term stability and growth of this island nation. Countries that have recently adopted alternative solutions to confront the debt crisis, such as Iceland and Argentina, serve as examples that austerity is definitely not the best path. The Puerto Rican governmental debt must be renegotiated in ways that encourage greater productive investment without sacrificing the long-term development of the country or the programs needed by its most vulnerable citizens.

This Public Services International seminar offers a valuable mix of comparative perspectives that focus on how public services workers challenge the debt crisis around the world by promoting innovative solutions. This seminar brings a thoughtful discussion of relevant international experiences to support Puerto Rican organizations and trade unions working together to build alternatives to the Puerto Rican situation.

We are just beginning, and we are sure this will be a good start.