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Christian Smutzer

California State University, Monterey Bay

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Corruption and Government Intervention

After Hurricane Maria:

A Puerto Rican Case Study

Christian N Smutzer

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Introduction

Puerto Rico became a United States territory in 1898 after the Spanish American war. It is geographically located in the Caribbean Sea and the North Atlantic Ocean. Therefore, making it an easy target for natural storms. On September 16, 2017 the Island of Puerto Rico was hit with a category 5 Hurricane Maria. The storm picked up wind speeds of up to 175 mph leaving an estimated 3,057 deaths. It also affected the islands of Dominica, and St. Croix. This is the worst natural disaster in the history of the island and one of the deadliest since Hurricane Mitch (1998). According to the National Oceanic and Atmospheric Administration (NOAA), the estimated damage in Puerto Rico and the U.S. including the Virgin Islands amounted to 90 billion dollars. Puerto Rico was devastated by winds and floods, making it the third costliest storm in the history of the United States (Pash 2019).

The devastation required fast and effective attention due to the severity of the situation. Unfortunately, government leaders lacked preparedness and because of internal government corruption affected the distribution of international humanitarian aid logistics. I am arguing that the corruption of Puerto Rico’s government limited the logistics disaster relief after Hurricane Maria on September 16, 2017. This analysis helps me to understand how Puerto Ricans were deceived by their own government leaders and how the corruption contributed to the delay of humanitarian aid. Unfortunately, these delays prolonged the pain and suffering for those who suffered the natural disaster of hurricane Maria which devastated their home island.
Theoretical Framework

I have applied David Harvey’s critical theory of neoliberalism in this case study to identify the key factors that have been responsible for the corruption of Puerto Rico’s colonial government and the mismanagement of the humanitarian aid that was sent to Puerto Rico in response to hurricane Maria on September 16, 2017. Harvey’s critical theory of neoliberalism in *A Brief History of Neoliberalism* (2007), explains how neoliberal ideology has been applied around the world by governments and private corporations to reduce and privatize the distribution of public goods, services, and deregulate the activities of the private sector. As a result, the responsibility of the governmental institutions to provide for the welfare of the citizenry has been greatly diminished, and these institutions are often unable to respond effectively to natural calamities and control corrupt behavior both in the public and private sectors.

Harvey visited the island of Puerto Rico on May 6, 2019 and offered an analysis of the post-disaster conditions at the University of Puerto Rico (Escuela Graduada de Planificación) on an exposition named La Demencia de la Razon Economica, 2019. He revealed how government institutions, private corporations, and non-governmental organizations use neoliberal ideology to personally benefit from natural disasters in places such as Puerto Rico, adding that when Hurricane Maria hit the island in 2017, government leaders and private corporations took advantage of this natural disaster to engage in corruption practices. The Puerto Rican authorities diverted monetary funds, supplies, and purposely delayed humanitarian disaster relief for their personal gain. This is an explicit case of Harvey’s theory of neoliberalism in which public funds and supplies are used for private use and profit.
Harvey insists that neoliberalism enables the rich and powerful to accumulate wealth at the expense of the general population. Thus, neoliberalism does not benefit the general population of a country. On the contrary, it increases the accumulation of wealth by the rich and powerful not only in Puerto Rico but throughout the global economy. This pattern of neoliberal accumulation of wealth has adversely affected the development of Puerto Rico and made it possible for the rich and powerful in this colonial territory and the mainland of the United States of America to profit from the devastation caused by Hurricane Maria in 2017 (Harvey 2019).

According to Onis Catalina disaster capitalism marks the historical experiences and events people overcome or survive in any tragic event. The discourse of events and conditions force people to migrate, and the importation and exportation of goods and energy dominates how the energy and resources are being used, controlled, and who will capitalize from it. Disaster capitalism benefits from the different forms of energies, oil, hydrocarbons, fossil fuels, and the privatization of national assets. (Onis, 2018). I will refer to disaster capitalism as a representation of an actual natural disaster, in this case, Hurricane Maria which hit Puerto Rico in 2017 and devastated the island.

Naomi Klein’s conceptualization of disaster capitalism is developed in The Shock Doctrine (2007), where Klein argues that the neoliberal free market has thrived in developed countries due to “shock therapy.” She indicates that natural disasters and hurricanes such as hurricane Maria are exploited by corruptive government leaders and the neoliberal forces such as private corporations that look for their own profit, rather than the public good. This premeditated form of profiteering in times of disaster allowed for a moment of opportunity to push through a radical move for a pro-corporate agenda such as the “shock doctrine” (Klein 45).
Naomi continues describing how the earlier levels of privatization had been so profitable, indicating that many corporations had significantly benefited from the State privatization ideology where greed became the essential mission for the next generation of instant millionaires. This relative history of manipulation levels the terrain for “the privatization of the infrastructure of disaster creation and disaster response” (Klein, 364). This abusive behavior led to the arrest of several governmental leaders, like Nazario who got arrested on bribery charges, illegal usage of municipal funds, and for committing theft. Additionally, the indictment included charges for mishandling federal funds as well. These criminal charges included other Senate members from the local government administration (Mazzei 2019).

Methodology

My bibliographic research has included books, journals, newspapers and various specialized documents such as government documents and reports; as well as additional online sources of peer review online journals and newsletters/magazines, informative websites of relevant non-governmental and research organizations, blogs, and archival databases. I used reports from the National Oceanic and Atmospheric Administration (2019 NOAA). That provided vital weather information during and after Hurricane Maria disaster.

My method(s) of analysis were diachronic (historical) and synchronic (comparative and/or contemporary time frame). I also interviewed witness informants from the American Red Cross organization. I also carried out field research in the City of Santa Cruz with Red Cross volunteers who participated in humanitarian aid assistance for hurricane Maria disaster in 2017, as well as with the rescue team volunteers who worked in the humanitarian aid planning strategies for victims of the disaster. The team described the conditions observed and how the characteristics of the actual event developed.
Their testimonies confirmed my research which involved systematic observations of the following characteristics, 1) damaged infrastructure was blamed in part for delaying humanitarian aid; with 2) Puerto Rican authorities lack the support and contribution for operations, prolonging the victims' suffering; with 3) undistributed humanitarian aid supplies sat in wharf docks, warehouses, and airport runways being wasted; with and 4) according to Red Cross volunteer eye witnesses, there was plenty of evidence that supported corruption involvement from government leaders who confiscated humanitarian aid and profit from the proceedings.

I based my methodology case research on specific illustrative case studies and qualitative data that provided the foundation to create my analytical research method. This clear analysis and ideas help me to fully understand the sequence of events that catapulted the Island of Puerto Rico into a global corruption scandal. I used quantitative processes for data collection as well, to better account the incidents of political emergence and how it affected the Puerto Rican society. I used the case study methods to facilitate my evaluations and analytical processes to compare Puerto Rico with other nations. Following these processes, helped me piece together my research and relate it to other international points of view.

Findings

Corruption prior to the hurricanes

The financial struggles of Puerto Rico date back to the year 2006, since then the financial inconsistencies kept climbing, getting worse, and more difficult to sustain every year. The national debt reached the amount of 72 billion dollars in debt, causing serious economic default. A “federal tax loophole” allowed Puerto Ricans to borrow money from the federal government,
as a consequence of this continued pattern of borrowing, Puerto Rico exceeded its creditworthiness causing a major debt crisis in their nation.

The island of Puerto Rico was heavily involved in wrong doings and internal deals of corruption within government agencies long before hurricane Maria devasted the island. According to Blakeman (2017), Puerto Rico was long involved in corruption and financial mismanagement; in fact, Hurricane Maria only added to the misery. It has been over ten years since social media has been making public the crippling infrastructure system and the miss financial management system of the island. In addition, the lack of funding, overinflated labor costs, and an arbitrated form of billing became a very difficult issue for the Puerto Rico Electric Power Authority (PREPA) to admit (Blakeman 2017). The federal government was concerned about the potential financial defaults of Puerto Rico’s debt crisis years before the disastrous event of hurricane Maria. United States Treasury Secretary Jacob Lew visited the island, in May 2016 while Garcia Padilla was the current governor of Puerto Rico between 2013 through 2017 (Newkirk 2016).

The power grid situation became an unbearable economic nightmare. The extreme financial instability of the Puerto Rico Electric Power Authority (PREPA) has been an accumulative series of sequential disasters from past hurricane events such as Irma storm, and Harvey among other hurricanes that have weakened the fragile power system of the island. Jorge Bracero, a power plant operator, said to Wired correspondent Rose Marie Cromwell that the power utility was “stuck in a vicious cycle.” adding that the power outages were flounder with outage after outage sequences and over inflated power usage prices. Consequently, the power company concentrated on building up the enormous needed investments for the rebuilding of the
power system. Bracero insisted that PREPA’s management authority are much more inclined on a vision of wrongdoings and fraud schemes (Alarcon 2018).

Bracero reiterated that PREPA’s administration members were suspicious of having participated in an orchestrated fraudulent scheme, involving the acceptance of bribes in exchange for purchasing downgraded fuel quality oil at skyrocket prices. In a 2016 investigated report, the Puerto Rican authorities found laboratories that manipulated sulfur tests for PREPA’s fuel, to cover their tracks from Puerto Rico authorities. The scam has possibly involved billions of dollars in fraudulent contracts. In fact, there is an a class action lawsuit pending on behalf of service recipients. To make matters worse, the power company (PREPA) holds over 9 billion dollars in debt. Therefore, making recovery efforts much more difficult to control (Alarcon 2018).

Luciana Lopez reported on this power grid insolvency in 2014. She described how PREPA agreed on a seven and a half month extension agreement with Scotiabank, and Citibank, amounting to 671 million dollars in credit lines to buy more of the already expensive oil to continue operating their crippled power system. Lopez insisted that their operation's financial stability got so bad that they had no choice but to borrow more money to cover for cost of operations, as described by the credit agency Moody’s Investors Service. Lopez indicates that Auditors Ernst and Young, one of the largest audit companies in the world, reported in 2012 that PREPA had a debt of 9 billion dollars, and that the electric company “has more liabilities than assets since 2011” (Lopez 2014).

The huge debt affected public corporations like PREPA, which defaulted heavily on meeting their payment commitments. The Puerto Rican authorities recognized that they were not able to pay back their older debts and admitted to not borrowing money any longer. This
unfortunate financial crisis has driven the government leaders to take other drastic measures to save itself from bankruptcy and financial disaster (Lind 2015). The financial situation was getting worse and therefore affecting financially the lives of thousands of people on the island. The increased deficit effects produced mass migration to Florida, possibly affecting its economy. Another major concern was that the fallout in Puerto Rico could reach the mainland as well, causing widespread economic problems to other states of the union. This default caused the public utility system and public system to get weaker and prompt to fail, with payments on the rise and close to 2 billion dollars at stake on federal bonds. Puerto Rico was bound for lawsuits. The lack of payments eventually led to reduction of medical supplies, general public services, other basic goods, and a very weak and devastated economy in years to come (Meyer 2016).

Hurricane Maria and Aftermath

A catastrophic chain of events hit Puerto Rico in 2017: hurricane Harvey on September 2, 2017, Irma on September 14, 2017, and hurricane Maria, the most deadly Category 5 hurricane in the history of Puerto Rico. The devastation of hurricane Maria was nothing like Hurricane Irma and Harvey. Most hurricanes move at speeds of around 15 mile per hour (Resnick 2017). Hurricane Irma passed just north of Puerto Rico moving at a speed of 16 mph. Hurricane Maria as a Category 5 storm, had a wind speed of 185 miles per hour. Tricia Wachtendorf, a director of the University of Delaware in Disaster Relief Studies called Maria a “catastrophic event.” (Resnick 2017). She explains that these events are rarer than natural disasters which demolish infrastructure over large areas of land (Resnick 2017). Maria was not an ordinary storm, according to Jeff Weber a meteorologist for the National Center for Atmospheric Research. He informed Vox that the storm constantly slashed the island, flooding it
with over 30 inches of rain in some areas. The wind blasted the island for over 30 hours and reached wind speeds of 150 miles per hour range, pouring blasting rain throughout the territory. Maria’s trajectory slashed the island from the Southeast and the Northwest regions like a “50 to 60 mile wide tornado raging across Puerto Rico. insisting that it was like a Buzz saw” causing devastation throughout the island (Resnick 2017). Maria moved around 9 miles per hour, plenty of time to dump more rain on the island and washing away most of the infrastructure system. In comparison, hurricane Harvey was much slower, moving at speeds of 3 miles per hour causing heavy rain and flooding in Houston on August 17, 2017, with a downpour level that reached close to 50 inches high (Resnick 2017).

Maria’s damage was utterly devastating. On September 23, 2017, The National Weather Service (NWS) issued a desperate warning of the “imminent failure” of the Guajataca Dam in the northern region of the island. The Guajataca Dam posed a “life-threatening situation” and residents were urged to get to higher ground many got evacuated in buses. Over 70,000 lived in the vicinity of Isabela and Quebradillas region (BBC 2017). Communication to the island of Puerto Rico was interrupted, the internet system was not operational at all, and the entire island lost electrical power for months to come. Eighty percent of Puerto Rico’s electrical transmission lines went down and the entire island lost power.

Unfortunately, these devastations open up a new world of opportunities for corruption, government intervention, mishandling of funds, and humanitarian aid distribution. During the devastation of hurricane Maria, it became very evident that the focus of attention for neoliberals and government leaders was based on the well-founded idea of privatizing the already troubled power company. Needless to say, other public services like the school system among other public institutions were on the menu for privatization schemes as well.
In its aftermath, Robinson Meyer (2017) described how the slow response from the federal government agencies as well as the local authorities caused major delays in the aftermath of Maria's disaster. Meyer says that humanitarian aid supplies arrived and got positioned inland and in Atlanta too. However, humanitarian aid could not be distributed to victims of the hurricane due to broken infrastructure. This lack of action raised high criticism for President Trump who lingered around in Washington DC not acting soon enough to implement a plan for the recovery of Puerto Rico. In fact, he did not meet in the situation room until six days after the storm hit the island. Obviously the criticism did not do any good for the President (Meyer 2017).

Humanitarian organizations like the American Red Cross and the US Federal Emergency Management Agency (FEMA) among other International Non Profit Organizations (NGOs), found themselves overwhelmed by the calamities of Hurricane Maria. The CNN news report on September 28, 2017 described the vital humanitarian supplies arrived at Puerto Rico’s main port of San Juan with no place to be distribute. A shortage of truck drivers and a damaged infrastructure limited accessibility to distribute the highly needed vital supplies. A minimum of 10,000 containers arrived with general supplies to the island. These containers included medical supplies, food, and water according to Jose Ayala who is “the Crowley shipping company’s Vice President in Puerto Rico”, The lack of distribution methods gave no choice but to seat the containers at the San Juan port dock (Gillespie 2017).

FEMA on Puerto Rico: ‘It's not nearly as fast as any of us want’ (CNN, 2017).
In *The Battle for Paradise* (2018) Naomi Klein, who visited the University of Puerto Rico in January 2018, describes how during humanitarian crisis structural adjustment programs were implemented. Governor Ricardo Rossello presented on January 24, 2018 a Facebook live broadcast of his “fiscal plan,” to Puerto Ricans. It involved the privatization of public services, selling the Puerto Rico’s Electric Power Authority (PREPA) assets, and other infrastructure public related services. Rossello’s plan for privatization was massively revoked by Puerto Ricans who totally disagreed with his plan (Klein 2018, 44). Governor Rossello believed in the perception of privatization as an immediate remedy to the degenerative economy. His idea of privatization soon became rejected by the Puerto Rican communities, setting off the alarm for widespread corruption ideals, conflict among political leaders, and setting up a great business opportunity for special interest groups. In addition, Rossello’s poor management in the event of Hurricane Maria raised too many questions for his credibility. The epic moment came when infuriated victims of the hurricane disaster questioned his lack of authority and control over the situation (Mazzei 2019).

**Corruption Uncovered**

In order to better understand these and other allegations of infamous popularity, one must take a closer look at the adversities that caused governor Rossello to announce his resignation on July 24, 2019. Rossello’s first initiative led to his effort to stabilize the inefficient electric energy system and more than 11 years of successive recession, including the 9 billion dollars in public debt. It gave him no choice but to sign the historic bill on June 20, 2018, as it was announced at a conference meeting in Washington DC. The goal of his resolution was to privatize the crippled PREPA the power grid system of Puerto Rico (Coto 2018). His intentions were clear, to frame neoliberalism as a standard to hand out public assets into the private sector. This decision
severely damaged his credibility as a leader and governor too, the anger and frustration from the
Puerto Rican communities became evident through the revolts and heavy protesting on the island
streets.

On September 11, 2019 The Federal Emergency Management Agency (FEMA) officials
arrested FEMA’s regional administrator Asha Tribble, her former deputy Jovanda Patterson, and
former president of Cobra Acquisitions for fraud committed in mishandling of funds and
conspiracy. The alleged charges they all faced were a 15 count indictment for conspiring to bribe
public officials and by making false statements. These individuals were sent to Puerto Rico to
help out in the process of recovery after hurricane Maria hit the Island. Instead, they wanted to
benefit from the downfall of PREPA (Deibert 2019).

Subsequently, the Department of Justice on November 6, 2019 arrested Senator Abel
Nazario-Quinones and seven other people who were charged with theft and bribery regarding the
federal funds acquisitions, and by reporting irregular employees as if they were working, (ghost
employees) according to the United States Attorney for the District of Puerto Rico. The Federal
Bureau of Investigations (FBI) directs the investigation together with Puerto Rico’s Controller’s
Office, and the United States Department of Labor (DOL) are investigating the alleged charges
(Department of Justice, 2019).

The increasing political unrest from governor Ricardo Rossello’s quest to privatize
public services, power grid, and other infrastructure services in the month of August caused a
greater problem for him. Due to the consequences of his public announcements, thousands of
Puerto Ricans took to the streets in protest in an effort to stop the corruption acts that were taken
place from their government leaders. By the month of July two former officials from Rossello’s
office were arrested, the former Secretary of Education Julia Keleher, in conjunction with the
health insurance administration head officer Angela Avila Marrero. Additionally, there were four more people involved in steering federal funds, and for soliciting politically connected contractors to fix unlawful contracts with the government (Acevedo 2018).

On July 17, 2019 thousands of Puerto Ricans took the streets in protest, forcing governor Ricardo Rossello to step down from power on August 2, 2019, ending years of government corruption, mismanagement of funds, and fraud. The situation that ended Rossello's career as governor was his phone call remarks he made in a private group conversation. The rhetoric expressions Rossello used with his government staff making fun of victims of the hurricane infuriated many people. The already beaten Puerto Ricans by the hurricane devastation along with dishonest government leaders, took its toll eventually. Arelis Hernandez from the Washington Post described how these massive protests led to governor Rossello’s resignation and transition in leadership (2019). Ricardo Rossello was replaced by former district attorney Wanda Vasquez Garced who assumed the office on August 7, 2019 as the new Governor of Puerto Rico. In the midst of the celebration, Puerto Ricans told Hernandez that “Wanda is just more of the same” because she was investigated in the scandal of corruption. Wanda is “deeply distrusted” by the people, one of the protesters said. Some of her accusations have to do with the mishandling of prosecution members of her own party, the pro-statehood New Progressive Party. Her position as governor of Puerto Rico still remains with so many doubts (Hernandez 2019).

These unfortunate events helped to understand how neoliberalism ideology along with corruption, changes public perspective about their government system credibility. These shameful and corrupt government practices caused the Puerto Rican government to fall apart in 2019 (Mazzei 2019). The delayed action on behalf of the local government to make humanitarian aid readily available to victims of hurricane Maria, prolonged the pain and suffering for the
islanders. The inaccessibility to potable water to drink, lack of food, limited medical supplies, and no access to hygiene supplies caused Puerto Ricans to suffer even more unnecessarily. In addition, the catastrophic natural disasters that have impacted the island of Puerto Rico in 2017, have remarkably affected their way of life for years to come.

**Conclusion**

There were several economic factors and conflicts of interest throughout the years that contributed to the collapse of the Puerto Rican economy. Its ever increasing debt of 72 billion dollars left Puerto Rico in bankruptcy, one on which they cannot even appeal because of its colonial territory annexation to the United States. The broader spectrum of change for Puerto Ricans had a much bigger opening for the privatization model of the neoliberal society, and for elites who were looking to benefit from the catastrophes of the island of Puerto Rico. The governor’s intention to privatize and modernize the public services on the island, became an ideal entrepreneurial venture for world capitalists. Corrupted government officials incursive propaganda, misled the people’s choice for a better way of life. Instead, government leaders chose to use this perception to capitalize on the idea of modernization to improve the Puerto Ricans way of life. These ideas created an enormous corruption scheme and bad governmental organization for the people of Puerto Rico.

By analyzing the framework of government intervention, the humanitarian aid distribution techniques along with wrongful corruption practices, I was able to understand clearly how the Puerto Rican government was up to a much bigger financial interest goal. These examples of corruption had a huge broader spectrum towards the development of global connection capability with the island. In fact, the disciplines of Global Studies have proven that
neoliberalism ideology works along with corrupted politicians who utilize rhetorical speeches to establish new public programs, better ways of life, and other deceptive misleading progressive standards for the people. The true reality is that Governor Rossello and his staff had the perfect recipe for selling Puerto Rico’s already weakened infrastructure to neoliberals from the private sector, who are well known for being opportunistic world capitalists.

The best solution to solve Puerto Rico’s government corruption is to change their government system, with one that delivers effective results and not promissory speeches. Puerto Ricans deserve to start from scratch with elective leaders chosen by the people, leaders who are part of their communities and understand their needs and way of life. What did not work for Puerto Ricans was its ineffective leaders whose agenda was based on personal gains. In fact, hurricane Maria tested their capacity as leaders of a nation, unfortunately, they could not help effectively in time of disaster due to their lack of leadership. The facts speak for themselves, the economic disaster demonstrates their incompetence as leaders of Puerto Rico.

At the end of my research, I was convinced that neoliberalism as modernity contributed to its failure. Lastly, the multiple events of continuous corruption, mishandled humanitarian aid, poor government intervention and subsequently adding the hurricane disasters, took the island of Puerto Rico to the climax of financial disaster.
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