Hindsight

Is Puerto Rico becoming like Hawaii?

Introduction

Tensions are rising in Puerto Rico

> ["It's not your beach. It's not your island. It's not your island!!"]

This video was shot at a beach in Ocean Park, a wealthy sector of San Juan. [1]

> ["Mira esto. Mira, mira, Mira lo que están haciendo. Mira lo que están haciendo este tipo de personas."][2]

A couple claiming to own beachfront property denied access to beachgoers. She said:

> ["If you pay a million dollars for a house here, I'll listen to what you say."][3]

This video went viral, and the following day dozens of people joined to throw a beach party in front of their mansion. Similar protests erupted in other places on the island. [4]

This was part of something much larger.

The island is in deep financial straits. 42% of the population lives with poverty. [5] The median salary is $25,000, while the median listing for a home in San Juan is just under $900,000. [6] Middle class Puerto Ricans are priced off their island.

To get out of this crisis, the government is turning the island into a tax haven. They offer mainland Americans to pay 0% tax on personal income, capital gains, interest, dividends, and crypto assets, while investing in a booming luxury tourism sector. [7]

This is changing neighborhoods and villages, but the question is whether an influx of millionaires will help keep the lights on for everyday Puerto Ricans, or if it will turn the island into Hawaii – a place that no longer serves the native population, a theme park for millionaires, and billionaires, where native Hawaiians are outnumbered by tourists 30 to 1. [8][9]

This is whether Puerto Rico is becoming Hawaii… with Hindsight.

BUMPER

Body

OC: Puerto Rico is living through a population swap.

They are using tax incentives to attract rich, mainland Americans to move to Puerto Rico. As a result, everything becomes more expensive, and some longtime residents can no longer afford to live on the island. The middle class is exchanged for millionaires. [10] Puerto Rico now ranks as the 5th most unequal place on earth. [11]

OC: this leads to an odd situation where rich mainland Americans who due to these tax incentives are NOT paying taxes live alongside longtime residents who work for the lowest average wages in the United States and who ARE paying taxes.

Puerto Ricans are priced off their island, and some fear that they might end up like Hawaii – an extreme example of gentrification, and neglect of longtime residents. [12]

OC: Let me explain.

[BEAT]

In the 1890s, the United States was emerging as a global power. They were competing with European empires for strategic territories and influence. Then the U.S. went to war with Spain.

This was fought in the Caribbean, where Spain had Puerto Rico and Cuba as its last colonial possessions in the Americas, and in the Western Pacific, in Guam and the Philippines. This is where the strategic importance of Hawaii became apparent. These islands were used as a fueling station for ships travelling between the United States and the Western Pacific. [13]

In 1898, Spain lost the war. Cuba gained independence, and Puerto Rico was ceded to the United States. They had a strategic interest in this location because it could serve as a military outpost to defend maritime traffic in the Caribbean. This became increasingly important with the construction of the Panama Canal underway. [14]

OC: Hawaii and Puerto Rico were both annexed, in part, because the war with Spain showed that the U.S. had to become a stronger naval power.

And these strategic outposts served that goal. [15]

[BEAT]

Puerto Ricans initially welcomed a U.S. takeover, hoping that it would lead to greater autonomy, and economic opportunities. [16]

The U.S. tried to Americanize the island. They tried to make English the official language, and they discouraged cultural expression. But Puerto Ricans, during the 1930s in particular, developed a strong nationalist movement that opposed cultural assimilation into the United States. [17]

From now onwards, they were treated as a possession, not a partner.

This meant, by extent, that the policy in Washington was not primarily directed to increase the wellbeing of Puerto Ricans, but instead, their policies historically served a specific self-interest. And that's the first clue to understanding Puerto Rico's population swap today.

[BEAT]

[Sponsored segment]

[BEAT]

There was a strong desire in Puerto Rico to have more autonomy, and in the 1950s they were granted commonwealth status, which in reality, changed almost nothing. [18]

But they were becoming increasingly.

During the cold war, Puerto Rico became an important asset to the United States. They served as an example to show the benefits of capitalism in Latin America. [19] Local and federal policies made it attractive to big firms to set up shop in Puerto Rico. They offered tax breaks, helping Puerto Rico establish itself as the preferred manufacturing hub in Latin America. The transition from an agricultural to an industrial society greatly benefited local residents. And this is what the United States wanted to show to other countries. Join our team, and your country will prosper. [20]

But just look at Hawaii to understand their real intentions.

In the years following annexation, the culture and language of the native population was banned or discouraged, and sacred places like Kahoʻolawe, and the Mākua Valley were used as bomb testing sites. [021][22][23]

The U.S. showed deep neglect for the native culture and people, until the islands were advertised for tourism. Spiritual practices like hula were now commodified to help paint a picture of Hawaii as the perfect holiday destination. [24] Some have called this "the Prostitution of Hawaiian Culture." [25]

When the cold war ended, the wellbeing of Puerto Rico became less important for Washington. The tax incentives that gave the island a competitive edge was suddenly

deemed too expensive. “As a tax break closes, some see dire consequences,” this headline read. [26]

In the early 2000s, as these incentives were fully phased out, many businesses left Puerto Rico, and there was a major loss of jobs. This set the stage for the current economic crisis.

[BEAT]

These are dark times for Puerto Rico.

After countless of businesses left, followed years of really bad decisions, and with really bad luck. Puerto Rico was collecting tens of billions of dollars in debt which they were unable to pay back. In 2017, this culminated when they declared a form of bankruptcy. [27]

This was the largest bankruptcy in the history of the United States. [28]

Just a few months later, a hurricane devastated the island. Then came the worst earthquake in a century, to top it off with the pandemic, and again another hurricane (Fiona). [29]

> [“worst earthquake in a century”][30]

Bad decisions and bad luck keeps the island from getting out of this crisis. For residents this is incredibly frustrating.

The energy grid is the stuff of nightmares.

It is not uncommon for the electricity to go out. These blackouts are happening with increasing frequency, and in 2024, they lasted on average for 24 hours at a time. [31][32] This is particularly frustrating considering that energy prices are 41% higher in Puerto Rico than the average for the United States. [33]

> [Cost electricity US: 16.88 cents per kwh
> Cost electricity PR: 23.77 cents per kwh]

These bills are paid by Puerto Ricans who live on a salary that is almost half that of average Americans, [34] and while 42% of Puerto Ricans live in poverty. [35]

There is widespread government corruption, [36] and since 2006, many Puerto Ricans are moving to the mainland. There are now two times more Puerto Ricans on the mainland than on Puerto Rico. [37][38][39]

[Puerto Ricans exodus]

The majority who leave are young professionals.

Over 700,000 working-age adults left the country in the past 15 years. This means that fewer people are paying taxes, and their government receives less income. [40]

This also contributed to a rapid aging of the population. 13% of the population was older than 65 in 2010. This had risen to 21% in 2019. Making Puerto Rico one of the fastest aging places in the world, resulting in higher expenses for their government. [41]

To get out of this seemingly endless cycle of misfortune, the U.S. government took control.

[BEAT]

They passed the Puerto Rico Oversight, Management, and Economic Stability Act or: PROMESA, which put the White House in charge of Puerto Rico's finances. This resulted in some much-needed action, but here's why many are critical: [42]

> OC: this board is made up exclusively by people who are appointed by the U.S. President. Puerto Ricans get no vote, so some say that it undermines Puerto Rico's already weak self-rule. [43]

Their main focus is to pay off debt, instead of promoting economic growth. Critics argue that its intention is to please creditors over the needs of Puerto Rico's residents. [44]

> OC: In a parallel development, Puerto Rico passed two acts to help attract businesses and rich mainland Americans to move to Puerto Rico.

Act 20 lowered corporate tax rates to 4%, and Act 22 slashed taxes on personal income, dividends, interest, and capital gains. These were later bundled into Act 60, [45][46] and while simultaneously investing in a booming luxury tourism sector, this led to a transformation of the island.

> OC: The underlying philosophy is that an influx of rich people, their businesses, and tourists, would become a driver for economic growth. [47]

But so far, most job growth has been seen in construction, and leisure & hospitality. These offer comparatively low-paying jobs, as opposed to sectors like information technology, which have seen a job loss. [48][49]

The pandemic accelerated gentrification, as more mainland Americans could work from home and decided to move to Puerto Rico. As well as natural disasters. Older,

more-affordable homes were destroyed, and had to be replaced by newly built, more expensive homes. [50]

The island is becoming more expensive, and many feel that they're heading to a future where Puerto Rico is no longer for Puerto Ricans. That led to this moment:

> ["Mira esto. Mira, mira, Mira lo que están haciendo. Mira lo que están haciendo este tipo de personas. Este tipo de persona que viene aquí a la playa de Puerto Rico, Hay una playa pública. Estoy montando cancha y me dice que yo no puedo montar cancha allí. Me dicen que yo no puedo montar el gancho aquí porqdue ella vive aquí, porque yo vivo aquí. La estoy bloqueando. Ahora que el estímulo guiando la casa, la entrada a la casa, me dice, y se sentó en el medio de la cancha. Porque. Porque él quiere coger bolazo, porque esa por su seguridad. Eso es lo que están haciendo esta gente,"]
>
> OC: the irony, to me, is that it is common to compare Puerto Rico to Hawaii, and Hawaii then often serves as an example of what Puerto Rico might become. But Hawaii is probably the most extreme example of gentrification in the world. You might associate Hawaii with affluence, success, and paradise, but the reality for many native Hawaiians is very ugly and cruel. If you want me to make a separate video about this let me know in the comments.