

Understand Puerto Rico

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Puerto Rico struggles with dire economic conditions even as it tries to sort out its status with the United States.

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Brightly colored birds flit above, while a riot of tropical fish dart through Puerto Rico's sparkling waters below.

Puerto Rico Today

Drive any distance on Puerto Rico's deplorable roads and your teeth will rattle to the perfect metaphor for the commonwealth: it's on a very bumpy path. Its finances have gone from bad to worse and it is at risk of following Detroit into bankruptcy. Meanwhile, its best-educated workers see greater opportunity in the United States. And the very relationship with the giant to the north shows no sign of being resolved any time soon.

Best in Print

When I Was Puerto Rican (Esmeralda Santiago) This memoir tackles immigration and cultural assimilation.

Parrots Over Puerto Rico (Susan L Roth & Cindy Trumbore) A beautiful and lyrical look at the island's people, nature and parrots.

Simone (Eduardo Lalo) A moody meditation set amid the neighborhoods of San Juan.

Spiks (Pedro Juan Soto) These short stories concern the struggle of Puerto Rican emigrants to the US in the '50s.

Best on Film

Maldeamores (2007) Luis Guzmán stars in this film about love's little ironies.

Lo que le pasó a Santiago (1989) Nominated for an Oscar, this is a mysterious, lyrical tale of unexpected love.

Rum Diary (2011) Johnny Depp as Hunter S Thompson in his booze-filled days in San Juan as depicted in his book of the same name.

La guagua aérea (1993) A rueful comedy about Puerto Ricans who moved to the US in the '60s.

Economic Woes

Like so many other places in the world, Puerto Rico's economy was sent in a downwards spiral with the global financial crisis that hit hard beginning in 2007. The effect on the commonwealth was immediate and stark: employment soared to 16%, a level unthinkable just a few years earlier when the island was touted as an economic miracle. Meanwhile, recession in the US depressed tourism and many long-time visitor haunts closed, from Old San Juan to the furthest reaches of the south and west coasts. (You can still see these commercial corpses, even today as tourism recovers.)

Meanwhile government spending rose as efforts were made to prop up the economy. The budget deficit in 2012 was a whopping \$2.2 billion. Efforts by the governor, Alejandro García Padilla, to raise taxes and limit spending have met with mixed results. As the red ink has flowed, Puerto Rico has taken a far more blasé approach than other places facing economic ruin such as Ireland and Greece. Why? Well you only need to look north to the US to see the salvation that most locals complacently assume will come.

Bailing out Puerto Rico, however, carries no political gain for President Obama or either party in Congress, plus with US spending down, there's little money for a bailout anyway. Instead, Puerto Rico's finances may survive because it is too big to fail. For years the commonwealth's municipal bonds have been beloved by mutual funds and other investors, lured by their high interest yields and supposed security. Were Puerto Rico to collapse, it would have disastrous consequences for some of the world's largest financial institutions. By 2014, it was clear to many investors that Puerto Rico's debt load might not be fatal and it was able to again sell bonds to avoid insolvency. Though this is merely a lifeline and hardly a cure.