

# ECONOMY

Effective governors must connect with all voters

THINK STRATEGICALLY:

## P.R.'s 12 Governors Have Lacked Transcendent Goals

Unable to Create Broader Plans Than Their Term of Office That Would be Supported, Protected by Entire Country

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### Puerto Rico's 2020 elections outlook

Since 1948, Puerto Rico has democratically elected 11 of its 12 governors, beginning with Luis Muñoz Marín and, most recently, Ricardo Rosselló Nevares. We have had industrialists, engineers, lawyers, career politicians and the son of a governor. What we never have had, until recently, was an unelected governor who rose to power after a governor resigned during “The Summer of Ricky.”

Of Puerto Rico's governors, 10 have been men and only two have been women. By and large, a great variety of smart and transforming initiatives were delivered or attributed to our governors, as well as significant blunders and mistakes.

Every governor is remembered for one or two key issues that permit us to examine our past governors' accomplishments.

**Luis Muñoz Marín:** His legacy is as the “Father of Modern Puerto Rico” and the “Architect of the Commonwealth.”

**Roberto Sánchez Vilella:** His legacy included the most efficient public administration of all Puerto Rican-born governors, and he is blamed for the Popular Democratic Party's (PDP) loss in the 1968 elections.

**Luis A. Ferré:** His legacy includes PR-52, the Christmas bonus, a 40-hour workweek and the Museo de Arte de Ponce.

**Rafael Hernández Colón:** The economic booms from Section 936 created gross domestic product (GDP) growth of 5 percent during the years 1987-1989, the highest since Operation Bootstrap. Construction began on the Teodoro Moscoso Bridge and the controversial Pabellón de Sevilla in Spain was built.

**Carlos Romero Barceló:** His legacy includes Minillas Tunnel, Roberto Clemente Coliseum and the creation of the Puerto Rico Federal Affairs Administration. He was frequently associated with the Cerro Maravilla shootings in 1978.

**Pedro J. Rosselló González:** His legacy includes the Puerto Rico healthcare plan, and starting the construction of

the Convention Center, Coliseum of Puerto Rico and Superaqueduct. Rampant corruption also reminds us of some of his associates.

**Sila M. Calderón:** Her legacy includes being the only woman governor elected in Puerto Rico, who actively took action to eliminate corruption through a Blue Ribbon Committee that largely stalled the government's work. She restored citizens' confidence in government, revamped government finances and retained credit quality, spurred economic growth and job creation, and gave particular attention to the most disadvantaged sectors of the population. The controversial Special Communities Program provided \$1.4 billion to poor communities and funded it with \$1 billion from the now-defunct Government Development Bank.

**Anibal Acevedo Vilá:** His legacy includes the adoption of the sales & use tax, the government's shutdown and a shared government. He was also indicted and charged in a long-running public corruption probe, along with 12 other people; he was later acquitted.

**Luis Fortuño:** His legacy includes attempting to fix the government's finances; Act 7 that eliminated 20,000 government employees; the 4 percent tax on pharmaceutical manufacturers; and the public-private partnerships law (P3) that converted the Luis Muñoz Marín Airport and PR-22 into world-class P3s.

**Alejandro García Padilla:** His legacy includes the Puerto Rico government

debt crisis, declaring Puerto Rico could not pay its debts and would default on its bond payments, which forced U.S. Congress to enact the Puerto Rico Oversight, Management & Economic Stability Act.

**Ricardo Rosselló Nevares:** His legacy includes spearheading Puerto Rico's economic recovery after Hurricane Maria, which grew the GDP to 1.7 percent, a 136 percent increase, lowered unemployment to 9.0 percent, which was the lowest levels in 30 years, among other initiatives. He is also remembered by the controversial Telegram chat that forced him to resign.

**Wanda Vázquez:** While it is too early to tell, she provided much-needed stability to the government after Rosselló's resignation.

It is often said that great governors have been those who served in times of crisis, and to a high degree, the mystery of human nature comes into play. One of the relevant cohesive stories from these 12 Governors is the fact that not a single one of them was able to develop a plan for Puerto Rico broader than their term in office. That is why we need to develop supranational goals, objectives that would live beyond the governor's four-year term.

### Week in markets: U.S. stocks rally, uncertainty removed

The U.S. stock market rallied to new record highs after the three elephants in the room revealed their kimonos and erased some of the uncertainty that had been lingering. The top issues include:

**Brexit:** With the recent dramatic turn of events in the United Kingdom's general elections, Boris Johnson received a strong public mandate to finalize the U.K.'s exit from the European Union.

**U.S. Federal Reserve Bank policy:** This past week, the Fed did not lower rates, as was mainly expected, and signaled a pause in monetary policy for 2020.

**U.S. & China trade deal:** The nations are said to have agreed on what is called a “phase one” trade agreement, which includes agricultural purchases and tariff reliefs; however, this deal has not been finalized.

While these issues will continue to dominate the news until they are resolved once and for all, there are significant risks that volatility will increase as 2020 ushers in the new decade.

The Dow Jones Industrial Average closed the week at 28,135.38, for a gain of 120.32 for the week, or 0.43 percent, and a year-to-date (YTD) return of 20.60 percent. In addition, the S&P 500 closed the week at 3,168.91, for a gain of 22.89, or 0.73 percent, and a YTD return of 26.40 percent. The Nasdaq closed the week at 8,734.88, for an increase of 78.35, or 0.91 percent, and a YTD return of 31.60 percent. The Birling Capital Puerto Rico Stock Index closed the week at 1,664.67, or a gain of 54.96, or 2.71 percent over the previous week, and a YTD return of 20.34 percent. Meanwhile, the U.S. Treasury's 10-year note lost this week, closing at 1.82 percent, or a loss of -1.09 percent and a YTD return of minus-0.90 percent. The U.S. Treasury's 2-year note rose during the week to 1.60 percent, a loss of -0.62 percent for the week, and a YTD return of minus-0.87 percent.

The current market rally has lasted more than 10 years up to March 2019, and it is the longest bull market in history. A diversified view can help you navigate significant volatile periods, even recessions, bubbles and market crashes. Doing so will allow you to thrive in bear markets while growing your portfolio.

### The final word: Supranational goals needed; what are they?

- Transform Puerto Rico with robust economic development and sustained 4 percent growth over the next two years;
- Align P.R. as knowledge-based economy of not less than 25 percent within a period of 10 years;
- Create 300,000 new jobs in the private sector in the next six years;
- Increase the labor-participation rate to 55 percent;
- Reduce the unemployment rate to 5 percent in six years;
- Reduce the government apparatus by transferring to the private sector any operation that the private sector can perform more efficiently; and
- Transform the educational system, from the primary to university levels, into one focused on entrepreneurship and the trades.

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Weekly Market Close Comparison	12/13/19	12/6/19	Change	YTD
Dow Jones Industrial Average	28,135.38	28,015.06	0.43%	20.60%
Standard & Poor's 500	3,168.80	3,145.91	0.73%	26.40%
Nasdaq	8,734.88	8,656.53	0.91%	31.60%
Birling Puerto Rico Stock Index	1,664.67	1,620.71	2.71%	20.34%
U.S. Treasury 10-Year Note	1.82%	1.84%	-1.09%	-0.90%
U.S. Treasury 2-Year Note	1.60%	1.61%	-0.62%	-0.87%