

ECONOMY

The lack of a stimulus plan from Congress stymies recovery

THINK STRATEGICALLY:

National Transformative Vision for Puerto Rico

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On Nov. 9, the governor-elect, the resident commissioner-elect, the legislature and the mayors, as well as union leaders and members of the private sector and civil society must unite to sign the National Transformative Vision for Puerto Rico.

We must all recognize that the present circumstances of Puerto Rico require that all of civil society commit to a solidarity pact, an agreement of unity, and reconciliation. We have the unique opportunity to channel our future toward the path of collective participation, order, justice and prosperity while implementing the fiscal discipline that forced Puerto Rico into bankruptcy.

This pact must be initiated before the next governor takes office and, starting Jan. 2, would encompass a master plan to implement a National Transformative Vision for the 2021-2031 period. The initiative involves establishing principles, objectives, goals and strategic guidelines that must be met during that period of government regardless of which party or candidate is favored. This will be the plan for Puerto Rico and must be understood, respected and protected by all citizens.

Everything has been analyzed in Puerto Rico; what ails us as a nation is a lack of consensus and not having an execution plan to lead Puerto Rico toward an unprecedented period of growth and prosperity.

The framework for this process is aimed at implementing the following:

- A National Transformative Vision for Puerto Rico incorporated the Puerto Rico First Goals to be implemented from 2021-2031 and becomes the Country Plan.

- The creation of a matrix of indicators will help citizens understand what success looks like and how to recognize it. According to each of its strategic guidelines, the matrix must contain the quantitative criteria to be achieved. Measuring the progress and compliance with the country plan, segmented according to the degree of improvement expected at the end of each government period.

- Legislation of unanimous consensus to approve the Puerto Rico First Goals: When approved, this legislation acts as an instrument for the country plan's execution and institutionalization. For its proper implementation, it must have a legal framework, an institutional definition and an operational functionality scheme.

Puerto Rico is facing a defining moment; almost the entire island already recognizes a need to have a clear vision to achieve a sustainable economic future for Puerto Rico. From our vantage point, the structure of the Government of Puerto Rico has to undergo dramatic and profound changes.

The economic progress we seek and aspire to achieve contains the following elements:

- High levels of well-paid, stable employment with the capacity to create thousands of jobs in the private sector.

- Change into a model that promotes economic development, entrepreneurship and self-employment.

- Insert Puerto Rico in the global economy effectively and permanently, eliminating all barriers to achieving that goal.

- Convert the local business sector at all levels into a highly competitive, innovative and export-focused one.

- Provide social welfare comparable to that of the most advanced countries.

- High quality of life and protection of the environment.

- Foster, nurture and preserve Puerto Rico's investment climate.

To achieve these aspirations, we must follow guiding principles that define how the process is undertaken:

- Adopt free competition as a necessary condition for healthy development, in which free entry to the

market is encouraged; the current state monopolies must be transformed into public-private partnerships.

- Encourage economic activity by the private sector in all cases in which state participation is not necessary, such as the judicial system, public security and others.

- Ensure that productivity is the critical element of economic policies, even recognizing that this change represents a significant challenge and a socio-economic necessity.

- Recognize regionalization as the mechanism for decentralizing government activity and the citizenry's empowerment, acknowledging that government processes are brought closer to all citizens.

We must all be aware that the economic transformation of the magnitude that Puerto Rico requires will create ruptures as deep as those caused by the transition from an agricultural society to an industrial one and must ensure that this transition is carried out with the minimum social cost possible.

Foster the innovative entrepreneur as the cornerstone of the new economy.

Given our challenges, we call on all our politicians to sign the commitment to establish a National Transformative Vision for Puerto Rico. In doing so, we will be able to position Puerto Rico on a path toward creating wealth instead of poverty.

It doesn't matter if it is red, blue, green, purple or independent, we all love Puerto Rico, we all wish the best for this land, and we all want to have a better future for our children in a better country for all. Puerto Rico's reputation and economic transformation will not be based on what we say we will do; reputations and economic changes are built only on results.

Week in Markets: Longest Weekly Downturn since 2019

The U.S. stock markets fell into negative territory this past week, making this the most prolonged weekly downturn since 2019. Most investors adjusted to a vast array of issues at play

Weekly Market Close Comparison	9/25/20	9/18/20	Change%	YTD
Dow Jones Industrial Average	27,173.96	27,657.42	-1.75%	-4.78%
Standard & Poor's 500	3,298.46	3,319.47	-0.63%	2.09%
Nasdaq	10,913.56	10,793.28	1.11%	21.63%
Birling Puerto Rico Stock Index	1,471.94	1,572.03	-6.37%	-27.77%
10-year U.S. Treasury	0.66%	0.70%	-5.71%	-1.30%
2-year U.S. Treasury	0.12%	0.14%	-14.29%	-1.30%

that includes the possibility that the Covid-19 vaccine may not be widely available until the second quarter of 2021. Initial jobless claims totaled 870,000, or 20,000 more than expected. Unemployment claims as a whole showed a slight decline. However, they were still higher than projected. The lack of a stimulus plan from Congress continues to hold back economic recovery and the U.S.-China trade tensions seem to be rising again.

Another segment that is down for the month is tech, including Tesla, Alphabet, Apple, Netflix, Amazon and Facebook.

The death of Supreme Court Justice Ruth Bader Ginsburg and the nomination of Judge Amy Coney Barrett provided voters yet another issue to examine as they assess their choices in this year's elections. This vacancy's timing ensures that an intense partisan battle in the Senate over President Trump's nominee will engulf the media through election day.

The September market pullback is due to at least three pressing issues:

- Extreme Valuations: The current valuation of the S&P 500 is at 23 times earnings versus the historical 16 times.

- Stimulus Package: With the Senate embroiled in a Supreme Court confirmation, we do not see the stimulus becoming a center-stage issue.

A Second Covid-19 Wave may derail the economic recovery: Some European countries are experiencing a second wave of the pandemic. Should this happen in the United States, economic progress will be impacted.

The Final Word: \$13 billion gamble

President Trump approved a \$13 billion FEMA package to rebuild Puerto Rico's electric grid and public schools. The timing of the announcement was just shy of 40 days from the elections. Trump needs to secure votes from Puerto Ricans who live in Florida, Texas, Pennsylvania, New York and other states; it seems too convenient. However, we must be honored by the fact that Trump places a price tag of \$13 billion or \$2,214.37 per vote on the close to 5.8 million Puerto Rican voters in the United States. Let's see how that works for the president.

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has more than 25 years of experience working with government, and multinational and public companies.