

ECONOMY

Puerto Rico held hostage by its political leadership

THINK STRATEGICALLY:

The Price of Leadership

Pierluisi's Appointment as P.R. Governor Challenged Status quo, a Sign of Authentic Leadership Under any Scenario

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Left, Pedro Pierluisi, and former Gov. Ricardo Rosselló

Pedro Pierluisi, governor of Puerto Rico

Quite often, it is said that fear of failure is one of the most significant barriers for personal success. The fear of failure stops most people from making significant changes in their lives, such as changing jobs, becoming an entrepreneur or even getting to know people. Often, the fear of failure makes some people not try. Come to think of it, from the moment we have use of reason, the instructions are to “be careful, stay out of trouble or watch out,” which translates to our young minds that our surroundings, in fact, are a dangerous place. The fear of failure is often the toughest obstacle to surpass in leadership; however, those who do, achieve the price of leadership.

Nonetheless, as we can note with some leaders, instead of letting failure slow them down, they are harnessing the power of failure as “fail forward.” Why this is relevant was seen in 2016, when former Resident Commissioner Pedro Pierluisi lost the New Progressive Party (NPP) gubernatorial primary to

now-former Gov. Ricardo Rosselló. Instead of this situation stopping Pierluisi, he began the redefinition of this failure and retook his prosperous legal practice, advising clients of all kinds, while using his keen knowledge of U.S. Congress and Washington politics to assist clients, which is “The Price of Leadership.”

As Gov. Rosselló's situation became dire and the final hours arrived, Pierluisi was nominated to become secretary of State with the understanding he would be the new governor. After being approved by the House, Pierluisi decided to be sworn in as governor of Puerto Rico. Only a true leader without fear of failure would have accepted such a designation knowing he could be facing a legal challenge of Law 7 of 2005 under which he came into office, which is “The Price of Leadership.”

The people we lead are counting on our ability to turn failure into resilience, failure into opportunity, and this is a prerequisite of our growth as a leader. While the country awaits the developments, we know that Gov. Pierluisi is redefining The Price of Leadership by

challenging the odds and the status quo, which is a sign of authentic leadership under any scenario.

Week in markets: Federal Reserve cuts rates, Trump doubles down on China

The Federal Reserve Bank, as expected last week, lowered the range of its benchmark interest rates to 2.0 percent to 2.25 percent, from 2.25 percent to 2.5 percent, in an attempt to curb rising uncertainties that range from too low inflation to slowing global economic growth. However, what came after the cut is what impacted the market, as Fed Chair Jerome Hayden “Jay” Powell stated during a press conference that no future rate cuts were likely during the rest of 2019. The market

Market Close Comparison	8/2/19	7/26/19	Change	YTD
Dow Jones Industrial Average	26,485.01	27,192.45	-2.60%	13.50%
Standard & Poor's 500	2,932.05	3,025.86	-3.10%	17.00%
Nasdaq	8,004.07	8,330.21	-3.92%	20.60%
U.S. Treasury 10-Year Note	1.84%	2.07%	-11.11%	-0.840%

immediately showed its disapproval of this policy by delivering its worst week in 2019.

As the losses extended during the week, another obstacle was placed by President Donald Trump, as he announced another round of tariffs on Chinese imports.

The new U.S. tariffs charge an additional 10 percent on \$300 billion worth of Chinese goods starting in September.

The Dow Jones Industrial Average closed the week at 26,485.01, for a loss of 707.44, or minus-2.60 percent, and a year-to-date (YTD) return of 13.50 percent. In addition, the S&P 500 closed the week at 2,932.05, for a loss of 93.81, or minus-3.10 percent, and a YTD return of 17.0 percent. The Nasdaq closed the week at 8,004.07, for a loss of 326.14, or minus-3.92 percent, and a YTD return of 20.60 percent. Meanwhile, the U.S. Treasury's 10-year note took a loss during the week, closing at 1.84 percent, or a drop of minus-11.11 percent, with a YTD return of minus-0.84 percent.

What investors should look for?

•**Economic growth.** U.S. economic data show that even though gross domestic product growth has slowed from 3.1 percent in first quarter 2019 (1Q19) to 2.0 percent in 2Q19, it was above the analyst's consensus of 1.8 percent.

•**Consumer spending** has increased from 1Q19, during which personal consumption expenditures grew by \$37 billion. In 2Q19, personal consumption expenditures came in at \$13.241 trillion, an increase of \$138 billion from 1Q19. This is the brightest spot.

•**Rate cuts.** Since the early 1970s, the stock markets generally have responded quite favorably when rates are cut.

•**Jobs growth continues.** As reported by the U.S. Bureau of Labor Statistics, the U.S. economy created 164,000 new jobs in July, which compares with the analysts' consensus of 165,000, which is 1,000 shy of the target. While this jobs growth is less than the 193,000 reported in June, it is still above the 110,000 threshold that is needed to sustain economic growth rates.

•**Trade tensions subsiding or not.** While the trade war between the U.S. and China continues, analysis shows a trade deal is likely to happen sooner rather than later. The final resolution to

this trade war will sustain market growth and allow for continued trade expansion.

Every investor must be vigilant and understand the metrics that have an impact on their investments under any scenario; this applies to 401(k) plans, individual retirement accounts (IRAs), brokerage accounts, insurance policies and all stock market instruments. Some market events create volatility or price swings that have an impact on the portfolio; however, understanding the dynamics allows for a direction adjustment. It is always recommended to stay invested and adapt to a diversified portfolio that includes the right mix of stocks and bonds that are in line with the time horizon, risk tolerance and investment goals.

Final word: P.R. Senate files lawsuit to nullify Gov. Pierluisi's swearing-in

After Pierluisi was sworn in as governor of Puerto Rico Aug. 2 at 5:01 p.m., any pending confirmation hearing for secretary of State became irrelevant because the position of secretary of State is now vacant. Gov. Pierluisi was sworn in using Law 7 of 1952, as amended in 2005, which states there is no need to hold confirmation hearings for secretary of State and, moreover, the secretary of State was named and sworn in while the Legislative Assembly was in recess, allowing him to legitimately assume the post.

Although there are at least three or more arguments related to the constitutional validity of Gov. Pierluisi's swearing in, others question the validity of the manner in which Pierluisi was sworn in. For one, Senate President Thomas Rivera Schatz has filed a lawsuit requesting an injunction and to invalidate Pierluisi's swearing in as governor. If this lawsuit favors the Senate, Puerto Rico may end up having Justice Secretary Wanda Vázquez as governor. The bigger reality is that Puerto Rico is traveling in uncharted territory.

Before all this was going on, a poll was conducted that compared the popularity of Pedro Pierluisi versus Thomas Rivera Schatz, which showed Pierluisi at 89 percent and Rivera Schatz at 2 percent.

Only time or the courts will tell who will prevail. In the meantime, Puerto Rico is being held hostage by its political leadership.

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