

ECONOMY

Gauging the
Presidency

THINK STRATEGICALLY:



Gov't Progress Index Measures Biden's Performance

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This report presents Birling Capital's Government Progress Index—a set of metrics developed by the firm to evaluate the performance of several entities, including the progress of the governor of Puerto Rico, the U.S. presidency and certain institutions. We use a determined set of variables to measure the progress of government management. This initial brief focuses on the first year under President Biden.

The index measures the quality of public services, the progress of economic development, the quality of life of citizens, policy formulation, policy implementation and the government's ability to improve the general condition of the United States. The index utilizes 15 variables: Gross national product (GNP) growth, unemployment rate, labor-force participation rate, inflation, markets and the quality of public services, among other metrics from more

than 20 sources.

The function of the index is to provide a road map that allows citizens to evaluate how, in this case, the U.S. government has fared during Biden's first year and how the overall economy is performing through the implementation of the government's public policies.

The algorithm used for the index allows a maximum score of 40 points using the 15 variables it measures. We note that President Trump left the presidency with a score of 12.4; let us examine Biden's performance.

The Biden administration took over a divided nation, a surging pandemic crisis and an internal threat to our democracy.

On Jan. 20, we watched the transition of power in the United States. During the swearing-in of Biden as the 46th president of the United States, his inaugural speech was an immediate change of tone and attitude for the nation.

We heard Biden proclaiming that the democracy we all live in and cherish is both fragile and precious.

"Today, we celebrate the triumph, not of a candidate but a cause, the cause of democracy. The will of the people has been heard, and the will of the people has been heeded. We have learned again that democracy is precious. Democracy is fragile, and at this hour, my friends, democracy has prevailed," Biden said.

Since this column began to be published, we have evaluated the performance of the president and governor based on what they inherited and how their respective policies helped the economy, people, markets, credit-ratings and other key metrics.

Since Inauguration Day on Jan. 20, 2021, this is how the following have changed over Biden's first year in office:

As the COVID-19 headwinds continued to blow, the nascent administration took key steps to curtail the pandemic

with two policies having the biggest short-term impacts.

– **One hundred million Vaccines in 100 Days:** The goal of vaccinating 1 million Americans per day was achieved well before the April 30, 2021, deadline, when it reached 101.4 million fully vaccinated Americans, from 2.1 million on Jan. 20, 2021. The Biden administration had set a goal of reaching 70 percent vaccination by July 4, 2021, which happened, and because vaccination has become a political issue, it may be a difficult goal to achieve. The new omicron variant might help raise the number of vaccinations.

– **Economic Progress:** When Biden took office, the U.S. GDP rose to 4.5 percent following the pandemic; the most recent reading fell to 2.3 percent—still robust but less growth 48.9 percent drop.

– **Employment Growth and Reduction of Unemployment:** During 2021, the United States created north of 8 million jobs, a fundamental improvement over 2020. Also, the unemployment rate fell to 3.9 percent from 6.7 percent in January 2020, a decrease of 41.8 percent. Additionally, initial unemployment claims fell to 286,000 from 836,000 on Jan. 20, 2020, a 65.7 percent change. However, U.S. job openings remain stubbornly high at 10.5 million, up from nearly 7.1 million on Jan. 20, 2020, or a 64 percent increase.

– **U.S. Stock Markets:** The U.S. equity markets performed spectacularly throughout 2021, achieving double-digit returns in the three major indices, the Dow Jones saw 18.73 percent, the S&P 500 yielded 26.89 percent, and Nasdaq Composite grew 21.39 percent. As 2022 began, the mix of inflation with climbing omicron cases and changes in monetary policy caused increased volatility over the past month. Comparing all the indices since Biden took office, we can report that they have had positive returns compared with Jan. 20, 2021, the Dow was up 11.3 percent; the S&P 500, 16.4 percent; and the Nasdaq Composite, 5.2 percent. The results are remarkably different from Trump's many warnings that if Biden were elected, the markets would crash.

– **Inflation Impacting the Economy:** The inflation benchmarks all look bad for Biden and the U.S. economy, with the Consumer Price Index (CPI) rising to 7.04 percent in January 2022, up from 1.4 percent in January 2021, a 402.9 percent rise; the Producer Price Index (PPI) also rose, to 9.68 percent, from 1.6 percent, for a 505 percent surge; and the inflation rate rose to 7.04 percent from 1.4 percent, or up 402.9 percent in January 2021, the most

significant rise since June 1982.

Federal Reserve Chair Jerome Powell told a Senate panel that to control inflation during a period in which the U.S. economy has largely recovered, the Fed must raise rates during 2022. Birling Capital has predicted that at least three to four interest rate hikes will occur during the year—at levels easy assimilate.

– **Approval Rating:** Trump left office in January 2021 with a 29 percent approval rating, the second-lowest in 47 years. Biden has had an average approval rating of 49 percent, but the rating has been taking a hit. The latest approval rating is 40 percent, meaning 60 percent of Americans disapprove of the job he is doing, quite a turn from the expectation everyone had of him, particularly someone with a world of experience for the job.

In conclusion, the Government Progress Index gives Biden's first 12 months in office a rating of 29.5, which when compared with Trump's 12.4 is 137.9 percent greater, quite an improvement.

One of the main conclusions is that we must find ways to strengthen government by unifying the nation. A nation sorely divided in every imaginable way.

Benchmarking the government is necessary. It can improve program oversight and accountability, as well as the effectiveness and efficiency of services, and help assess what works and what doesn't while providing the critical information needed to make difficult policy decisions.

Our political leaders' actions must reflect the people's desire to succeed even if they do not recognize success. Regardless of party preference or particular interests, we must help restore the sense of common purpose that we so badly need right now. There are no quick fixes; only the resolve and determination of our leaders and citizens will drive our long-term growth. For these reasons, we have created the Government Progress Index to show what success looks like and to understand how to recognize it.

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