



2nd PROMESA Conference

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Fiscal and Economic Update: A View of Two Islands

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A SUGGESTION TO THE GOVERNMENT AND FOMB

**FOCUS FISCAL CONSOLIDATION ON THE CURRENT ACCOUNT
PRIMARY BALANCE.**

**TAKE ADVANTAGE OF NEW CAPITAL ACCOUNT FUNDING TO
PROVIDE DEMAND-SIDE STIMULUS AND SUPPLY SIDE
ROBUSTNESS.**

**INTEGRATE CAPITAL AND CURRENT ACCOUNT PLANNING,
BUT KEEP AUSTERITY TO THE CURRENT ACCOUNT.**

**RECONSTRUCTION FUNDING IS THE SILVER LINING.
DON'T WASTE IT.**



2nd. PROMESA CONFERENCE

Overall, however, the Puerto Rican story is one of bad times that fall well short of utter disaster. And the saving grace in this situation is big government — a federal system that provides a crucial safety net for American citizens in times of need, wherever they happen to live.

Paul Krugman, August, 2015

- **Two plans in one:**
 - Fiscal Stimulus and Reconstruction Plan**
 - Fiscal Consolidation Plan**
- **Agree with assumptions and growth forecast**
 - IF fiscal funds materialize as projected**
- **Need for FEMA liquidity facility in the short term**
 - Essential Spending Defined at Last?**
 - Austerity Made Academic?**
- **What Comes After Reconstruction Stimulus?**
 - Domestic Economic Reforms a Positive**
 - US Tax Reform a Negative**



Thank You

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