



# INVESTIGATING STRATEGIC INVESTMENT IN PUERTO RICAN MUNICIPAL BOND MARKET

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## INTRODUCTION

Research focuses around better understanding the nature of strategic investments in municipal bonds in Puerto Rico and how they affect the overall quality of life on the island.

To do this, I evaluated the nature of governmental corruption in Puerto Rico and also the relationship between economic instability and higher return on investment, usually at the stake of civilians. In the case of Puerto Rico it seems apparent that money is being generated on the island, but that money is not being adequately redistributed to Puerto Ricans. Puerto Rican investors usually are prioritized over Puerto Ricans, and in the case of municipal bonds (for example, bonds that fund the pension fund of Puerto Rico) when the economy rebounds, citizens lose money.

## METHODS

The research project utilized a literature review, which required amalgamating newspaper articles and publications alongside the consultation of an Economics professor with the School of International and Public Affairs (SIPA) as an advisor to the project.

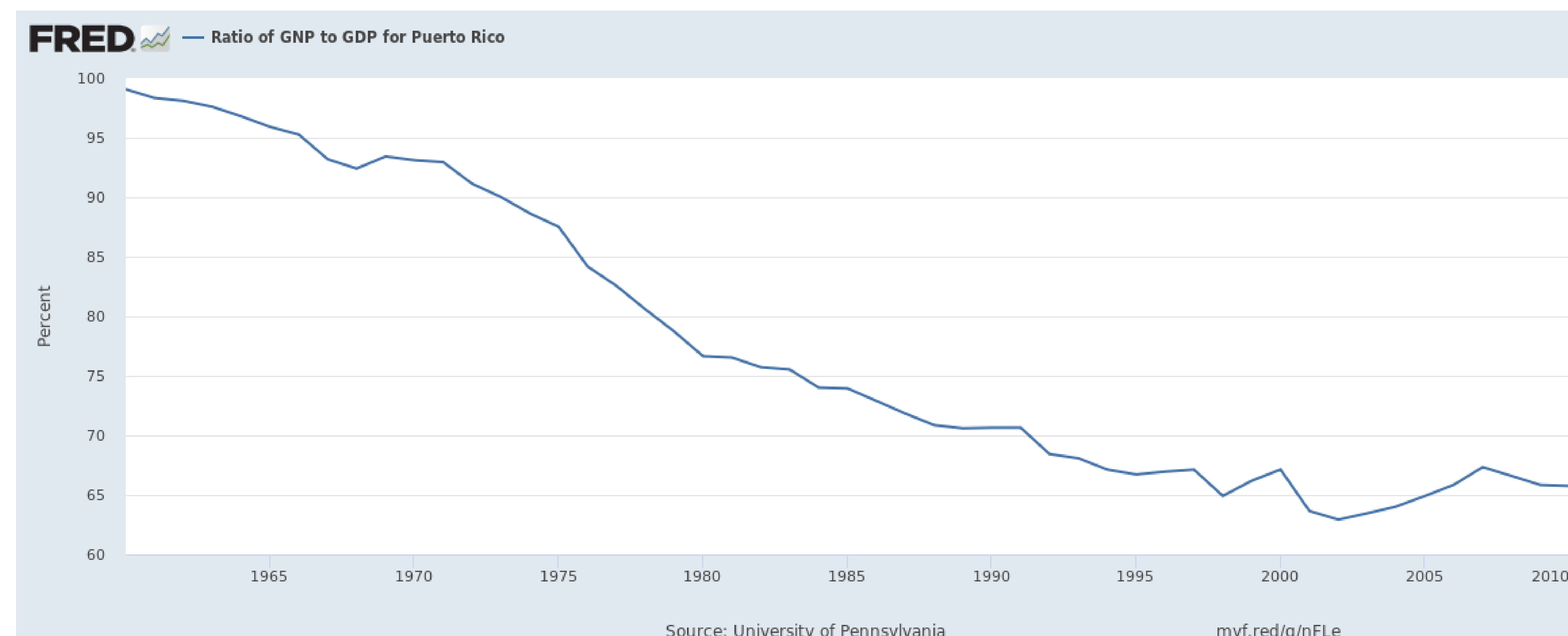
## INQUIRIES

Next steps include considering the following:

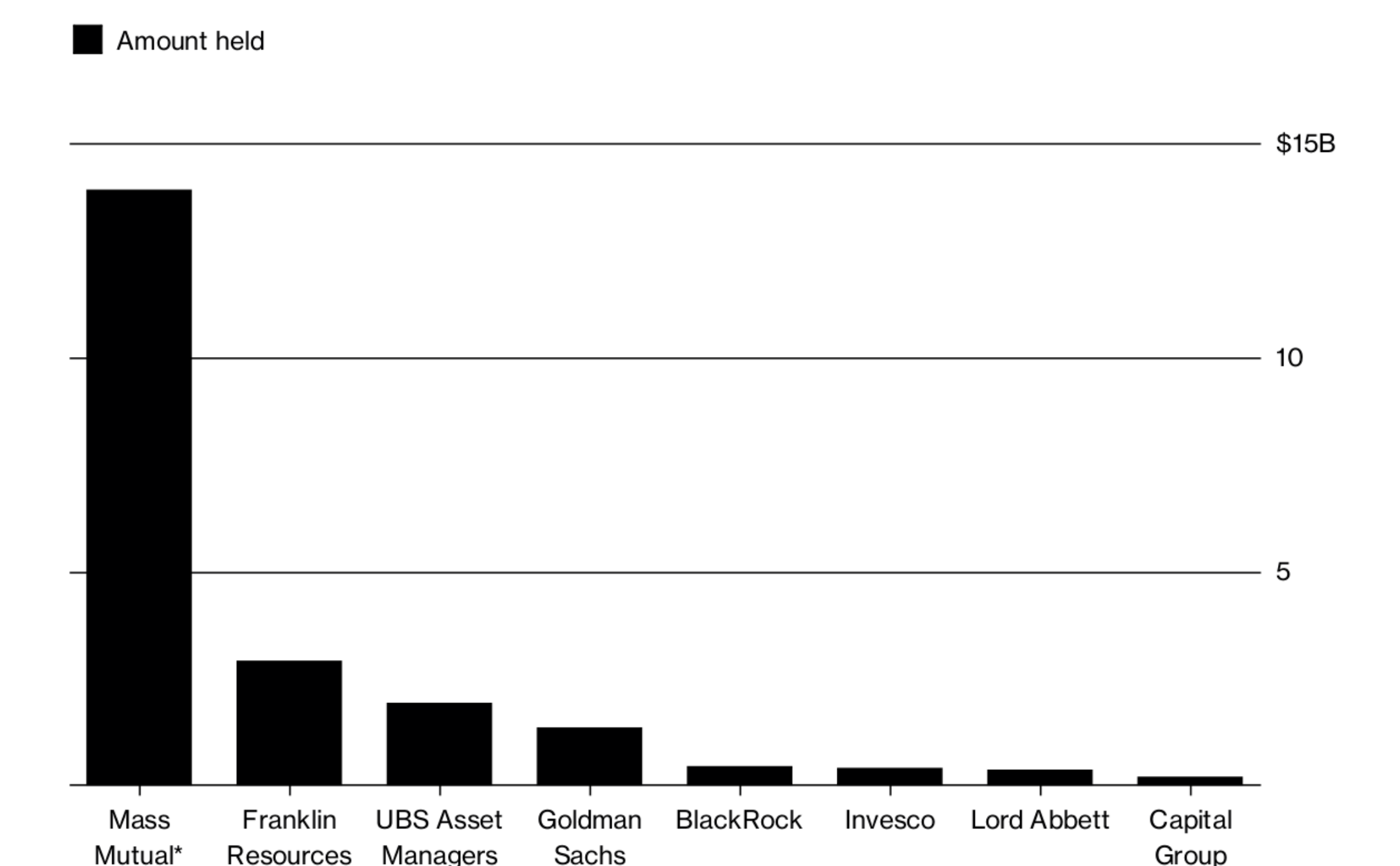
- Investigating ways in which history and racial demographics can affect unsatisfactory responses by the American legal system in litigation of these issues
- Attempting to formulate an economic experiment that can predict which situations and events will lead to firms employing predatory investment strategies during economic crisis
- Study why various nations experience prolonged economic downturn, and do not “bottom-out” (a term used to denote when a country that is in economic crisis is experiencing an increase in economic growth and activity) when others experience jobless recoveries to economic and financial crises.

## CONCLUSIONS

Banks seem to invest in municipal bonds during financial crises because bond prices are low at those times and sold for much higher, which communicates into large returns on investment when failing economies experience economic recovery. What is interesting about Puerto Rico is that, because the island’s economy is highly regulated by the United States, the various municipal bonds that are sold are bonds that usually serve the public (primary example is the pension fund), so once the economy begins to recover, the money does not go to Puerto Ricans, but to primary shareholders of the debt, which are most often hedge funds and banks that employ aggressive tactics to ensure that they are paid first. This cycle reinforces poverty in Puerto Rico and provides an enriching view into the nature of poverty, not as a cycle in which money is not entering the system, but in which those funds are not being allocated equivocally throughout the community.



Who Holds Puerto Rican Debt?  
U.S. mutual funds are among the commonwealth's biggest institutional creditors



\*Mass Mutual is the parent company of OppenheimerFunds, whose municipal-bond funds oversee the bulk of debt shown.  
Note: Based on face value at maturity; excludes derivatives, insured and refunded bonds  
Data: Bloomberg, public filings; graphic by Bloomberg Businessweek