**TAKEAWAYS FROM THE FOURTH QUARTER UPDATE, 2/28/17**

Spending and tax policies at the local, state and federal level—which restrained overall economic growth from 2011 through 2014—neither stimulated nor depressed the pace of U.S. economic growth in the fourth quarter, according to the latest reading on the Hutchins’ Fiscal Impact Measure.

The Hutchins’ FIM has been hovering near zero for the past few quarters, suggesting that local, state and federal fiscal policies are neither adding to nor subtracting from the change in gross domestic product lately.

A few other highlights from the most recent update to the FIM:

* **In the fourth quarter, the FIM was +0.08, which means that 0.08 percentage points of the 1.9 percent increase in gross domestic product came from the government sector.** The fourth-quarter reading didn’t change from the third quarter. The four-quarter moving average was 0.06.
* **The slightly positive reading on the FIM in the fourth quarter reflected an uptick in spending by *state* and *local* governments.** The combined effect of *federal* purchases of goods and services as well as tax and benefits at all levels of government was close to zero.

The FIM illustrates the combined effect of local, state and, particularly, federal fiscal policy from 2008 through 2010 – the Great Recession and the ensuing slow recovery – added substantially to GDP growth, in part because of the American Recovery and Reinvestment Act, the fiscal stimulus of the Obama administration. The FIM peaked at 3.04 in the second quarter of 2009. But belt-tightening from 2011 through 2014, government subtracted from overall economic growth. The FIM fell below zero for several quarters in a row.

If the Trump administration and Congress agree on major tax cuts and changes – increases or decreases – in federal spending, the FIM will provide a gauge of their near-term effects on GDP growth.