

# TAILWINDS

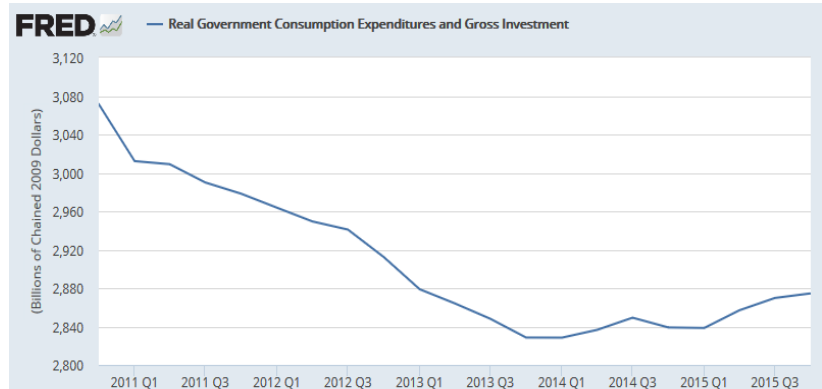
## The End of Fiscal Austerity

### Did you miss it?

Between the never-ending U.S. election coverage and the recent turmoil in global capital markets, there's a good chance you may have missed the December headlines coming out of Congress. For the first time in a half-decade, the legislative body finally took positive action to benefit economic growth.

Coming out of the Great Recession, the nation's undivided economic attention has been directed toward monetary stimulus (Bernanke, Yellen, Europe, Japan, etc.) while Congress remained absent in providing any measure of fiscal stimulus.

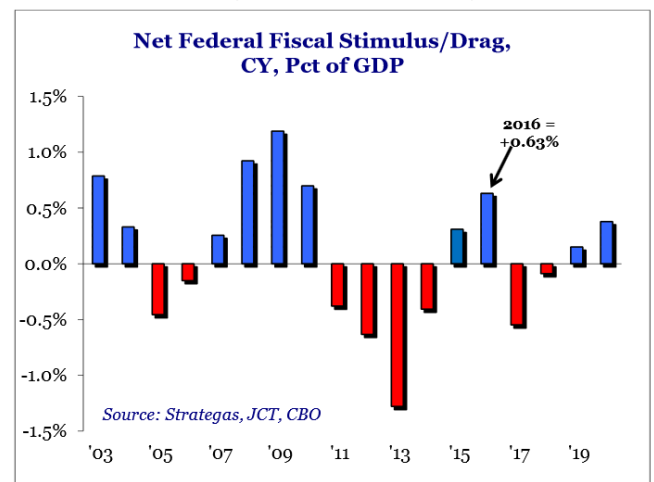
In fact, Congress hasn't merely failed to stimulate domestic growth; they've effectively served as an impediment. Fiscal austerity started in 2010, but intensified in 2013 when the automatic spending cuts (known as the Sequester) cut deeply into the economy. From 2011 to 2014, it's estimated that these austere Congressional actions essentially detracted -2.7% from U.S. GDP, serving as a key reason why our economy is now "Flying at Low Altitude." Finally, these headwinds are now starting to turn into tailwinds as the age of austerity appears over.



### The Details

In December, Congress was able to pass a few important pieces of legislation including a 5-year \$308 billion highway bill, a 10-year \$600 billion tax extenders bill, and a \$1.15 trillion budget for Fiscal Year (FY) 2016. And should Congressional bipartisanship continue, passage of the Trans-Pacific Partnership (TPP) is a distinct possibility later this year. What does it all mean for the economy? In this year alone, the combinations of tax cuts and spending increases should add an estimated 0.7 percent to GDP.

Perhaps more importantly, the clarity in policy will now allow government agencies, corporations, and individuals to initiate long-term plans that will help further increase spending. After all, it's quite hard to



make productive decisions on long-term projects when you don't know what your budget will be the following year. Moving forward, a litany of positive outcomes can be expected including:

- Transportation departments now will be able to make a comprehensive plan to fix the nation's ailing infrastructure as the highway bill increases spending by 15-18%.
- The 2014 expiration of 52 tax cuts created a nightmare for businesses trying to make capital investment decisions. The 10-year tax extenders package will make these tax cuts permanent, allowing business to innovate, spend, and expand.
- The budget adds a cumulative \$80 billion over the next two years to the defense and domestic economy.

## Conclusion

We ended 2015 in a position that was far from expected, especially in light of John Boehner's resignation just three months prior. With Congress now in support of growth, a near-term recession becomes increasingly less likely.

As always, if there are any questions please do not hesitate to contact your advisor or visit us online at [www.seia.com](http://www.seia.com).

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