

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESEARCH AND STATISTICS

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**Date:** December 2, 2016  
**To:** Federal Open Market Committee  
**From:** David Wilcox  
**Subject:** Revisions to the Staff's Fiscal Policy Assumptions in the December Tealbook

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The attached memo, "Revisions to Fiscal Assumptions in the December 2016 Tealbook," prepared by Byron Lutz and William Peterman, discusses the revisions to the staff's fiscal policy assumptions that are being incorporated in the December Tealbook forecast. In light of the outcome of the U.S. elections, fiscal policy appears likely to follow a more expansionary trajectory over the medium term than we had previously assumed in the baseline forecast. For now, we have put in a 1 percent of GDP tax cut as a placeholder while we await more information. Of course, considerable uncertainty remains about the size, composition, and timing of the incoming Administration's fiscal policy changes. The memo outlines our rationale for the size of the assumed package and describes its likely economic consequences.

If you have questions about the contents of this memo, please feel free to contact me or the authors of the memo directly.