

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
DIVISION OF RESEARCH AND STATISTICS

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**Date:** July 17, 2015  
**To:** Federal Open Market Committee  
**From:** David W. Wilcox  
**Subject:** Perspectives on the Government Sector and Aggregate Demand

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Attached is our assessment of the influence of the government sector on aggregate demand in the Tealbook forecast. This memo, which was prepared by Byron Lutz and William Peterman, briefly touches on some aspects of the government sector currently garnering attention in the financial press, namely the Puerto Rico situation, the possibility of an appropriations driven shutdown in the fall, and the fact that the debt ceiling is expected to bind this fall. The bulk of the memo discusses the methodology the staff has developed to assess the impact of fiscal policy actions on GDP growth. In addition, the memo describes the fiscal policy actions embedded in the current Tealbook forecast and reviews the key actions during the recovery. You may address any questions about the issues described here to either Byron or Will.