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Plans to ‘Fix the Damn Roads’ May Help U.S. Hold Off Recession.

- **States and cities gave expansion biggest tailwind in two years**
- **Tax revenues for states soared 8.8% in the first half of 2018**

Minnesota leaders are starting work on a $2 billion light rail project, the state’s largest infrastructure project — and the kind of spending that may help keep recession risk at bay.

Spending by cities and states is a bright spot that could help to extend the expansion, now in its 10th year and within months of becoming the longest ever. Economists see it helping to offset other drag from the trade war, slowing global growth and a fading boost from federal fiscal stimulus and the effects of the longest government shutdown in U.S. history.

States and municipalities contributed 0.22 percentage point to annualized growth in the third quarter, the most in two and a half years, Commerce Department data show. State and local spending will add as much as 0.3 percentage point to growth in 2019 and the first half of 2020, estimates Neil Dutta, head of U.S. economics at Renaissance Macro Research LLC.

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Bloomberg Economics

By Steve Matthews and Margaret Newkirk

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