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## Two Tales of Two U.S. States: Regional Fiscal Austerity and Economic Performance

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# Two Tales of Two U.S. States: Regional Fiscal Austerity and Economic Performance

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**Abstract.** The recent fiscal austerity experiments undertaken in the states of Kansas and Wisconsin have generated considerable policy interest. Using a variety of identification approaches within a difference-in-differences framework and examining a wide range of economic indicators, this paper assesses whether the experiments have spurred growth in the states as promised by the governors and legislatures which enacted them into law. The overall conclusion from the paper is that the fiscal experiments did not spur growth, and if anything harmed state economic performance. Among the identification approaches used, the synthetic control method (Abadie and Gardeazabal 2003; Abadie et al., 2010) is demonstrated to provide the most compelling evidence.

**Keywords:** Fiscal austerity; State taxes; Synthetic Control Method

**JEL classification:** R11; R12; R51

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