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Cities Face Mounting Financial Pressures.

On top of the familiar problems—pensions, inflation, pandemic aid ending—officials are also trying to prepare for two potentially devastating scenarios: a recession or the U.S. defaulting on its loans.

As big cities try to regain a steady financial footing after the pandemic, some familiar but stubborn problems threaten to knock them off balance, a panel of municipal finance experts warned this week.

“We’re in a moment of inflection right now,” David Schleicher, a Yale law professor, said during a virtual gathering on municipal distress held by the Volcker Alliance. “We’ve been living through this period of flush state and local budgets, and we’re about to see a real turn.”

While the economy has proved resilient in many places, it has had an uneven effect on cities. The pressures facing municipalities include the imminent end of federal pandemic aid, uncertainty around the economic condition of downtowns, inflation, and increased demand for social services and other city services.

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