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Cohn Says States Deserve Aid in Response to McConnell Reluctance.

- **Former Trump adviser likens state aid to support for business**
- **McConnell has suggested letting states file for bankruptcy**

Gary Cohn, the former top economic adviser to President Donald Trump, said the federal government needs to help cash-strapped states with emergency financing, not leave them to seek more desperate solutions such as bankruptcy.

"States are in a horrible position," Cohn said in an interview Thursday with Bloomberg Television. "Like we're providing liquidity to small businesses, medium-sized businesses and large businesses, I think we also need to provide liquidity for states."

As states grapple with the coronavirus pandemic, many governors are struggling with the dual problem of soaring health-care costs and plummeting tax revenue. The National Governors Association estimated that states and municipalities will need at least \$500 billion in aid.

Congress on Thursday is expected to pass a bill that contains a \$484 billion aid plan for small businesses and also gives additional funding for coronavirus testing and hospitals.

House Speaker Nancy Pelosi said Wednesday on Bloomberg Television that those "interim" measures would soon be followed by another stimulus bill that includes a "major package" of aid for state and local governments. Yet Senate Majority Leader Mitch McConnell indicated he was reluctant to support that approach, suggesting in a radio interview Wednesday that he favors letting states use bankruptcy protection as a means to cutting fixed expenses such as public-employee pensions.

New York Governor Andrew Cuomo called the suggestion "really dumb" and said it would precipitate an economic collapse.

Cohn, who served as director of the National Economic Council during the first two years of the Trump administration, also disagreed.

"All of a sudden they went from a very good operating environment to a very unusual or extraordinary operating environment," he said. "I would hope that states never have to file for bankruptcy."

What's most important, Cohn added, is finding ways to restore economic activity, and with it state sales and income tax revenue.

Cohn, 59, favors the "road map" drafted by former Food and Drug Administration Commissioner Scott Gottlieb, which would rely on widespread testing for the virus and surveillance data to revive parts of the economy gradually. It's possible, he said, for services such as small retailers and hair salons to reopen.

While he favors stimulus for state economies, Cohn also has concerns about the aid programs that pay individuals more in benefits than they would make working. He said he knows of fast-food restaurants and local retailers that can't find employees for deliveries or preparing curbside pickups.

"We're going to need people to re-engage and want to go back to work and not rely upon the government handouts," Cohn said.

Among his other comments, Cohn, a former president of Goldman Sachs Group Inc., said:

- "The financial markets around the world have actually held up quite well. We've had relatively good liquidity, we've had very good price discovery."
- The economic recovery will probably be "U-shaped."
- "I don't think we're going to basketball or baseball games anytime soon."
- Financial regulators should loosen bank capital and liquidity rules in times of crisis so more credit and cash are available.

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