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Fed’s Mester Says Cities and States Need More Government Support.

Federal Reserve Bank of Cleveland President Loretta Mester said Washington will have to step up aid to states and cities struggling with the economic impact of the coronavirus pandemic.

“The states and the local governments are definitely going to need more help, and I think the federal government should be thinking about the best way to do that,” Mester said Friday in an interview on SiriusXM Business Radio.

The Fed is preparing to help by lending directly to municipal bond issuers, but direct transfers can only be done by fiscal authorities, she said.

Mester said she expects “much worse numbers” for the second quarter after the U.S. economy contracted at a 4.8% annualized rate in the first three months of the year. A recovery can commence later in the year, she said, as long as re-openings are done cautiously.

“I think there’s a possibility of opening up in the second half of the year, but it has to be done in a very careful way to avoid having to go backwards, because that would be a devastating outcome,” she said.

The Labor Department reported earlier on Friday that employers cut 20.5 million jobs in April and the unemployment rate soared to 14.7%, the highest since the Great Depression era of the 1930s. Joblessness was at a five-decade low of 3.5% just two months earlier.

Bloomberg Economics

By Christopher Condon

May 8, 2020, 8:01 AM PDT

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