

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **States Were Prudent; Here's Why They Need a Bailout Anyway.**

**Without federal help, frugal and profligate states alike will have to tighten their belts, deepening the recession and slowing the recovery**

The debate over the next federal stimulus package is taking on the trappings of a morality play, pitting Democrats who want \$1 trillion in aid for cash-strapped states against Republicans, including President Trump, who say that's a bailout for fiscal mismanagement.

This is not a good time to mix macroeconomic policy and moralizing. For one thing, the federal government is hardly one to preach fiscal rectitude to states, who have done a better job of managing their debts. For another, without federal help, prudent and profligate states alike will have to tighten their belts, deepening the recession and slowing the recovery, which is not in the federal government's interest.

This is the second time through the wringer for state and local governments in recent years. In the 2007-09 recession their revenues plummeted, health expenses climbed, and pension funding gaps—the shortfall between state pension assets and expected payouts—widened because of falling stocks and plunging interest rates.

[Continue reading.](#)

**The Wall Street Journal**

By Greg Ip

Updated May 14, 2020 10:03 am ET

Copyright © 2024 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)