
Can The Municipal Bond Market Be A Key To Our Pandemic Recovery?

The municipal bond market has for decades served as a vehicle for assisting localities in reviving local industries and abandoned facilities by providing incentives for investors to support such high-risk efforts. In this time of a serious economic setback, we see Congress focusing on rescuing existing businesses, which is an appropriate response. There is another response that should be considered.

Looking into the future, we see almost universal agreement that we need to reshore many products and activities that were off-shored to China. We now recognize that this was a mistake. I'm sure that a reshoring of many critical products will take place over the next few years, but this process can be immensely sped up by involving local governments with municipal bond issuing authority.

Private industry will follow proposals by Congress to bring back China-based activities but motivated primarily by economic incentives. And as with all such legislative-based solutions, it will be a slow and inefficient one. Why not a solution that gets thousands of people involved immediately and with little delay?

There are thousands of manufacturing companies that have been damaged, even irreparably, by this pandemic. Many may be facilities that can be converted to manufacturing goods Congress determines to be of national interest to manufacture here. Think of the ventilator manufacturing facilities that sprang up overnight once it became a national priority.

Give a promise of import tariff protection to a legitimate but distressed company with the capabilities to manufacture a targeted product and you have the nucleus for a company's revival and collateral for muni-debt financing. You may even go so far as to have the Federal Reserve Bank buy those bonds. Similar deals can be structured for entirely new ventures for areas with closed facilities and idled work forces.

A first step in such a program is for the government and industry to identify which products should be given priority and offered tariff protection. The objective in all this is to use a national interest goal to resolve an economic crisis, both of which arose from the pandemic.

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by Richard Lehmann

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