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Why Didn't Covid-19 Wreck State And City Budgets? Federal Spending.

When the Covid-19 recession hit hard in spring 2020, people feared that state budgets would collapse, driving cities and states to bankruptcy and crippling public services. Although we still must keep investing in public goods, the feared budget disaster didn't happen. Why? Prompt government action, including unprecedented steps by the Federal Reserve and massive federal spending.

Remember the headlines? In May 2020, the New York Times NYT -1.3% saw state services decline "as virus ravages budgets." The US Conference of Mayors put a "[Fiscal Pain Tracker](#)" on the internet, detailing the cuts being made across America's cities, big and small. In August, National Public Radio said "[States Are Broke And Many Are Eyeing Massive Cuts.](#)"

I was among those fearing deep harm from the Covid-19 recession. In May 2020, I endorsed a \$1 trillion spending package for states and cities, arguing that "collapsing" tax revenues were undercutting public sector jobs and threatening the macroeconomy.

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Forbes

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