
A Benign Year in Public Finance: Will We Be Nostalgic for Normality?

The taming of inflation was the main financial story. Bond and capital markets were cooperative, even if voters upset about property taxes were not. Governors, mayors, finance directors and pension pros may soon look back wistfully at 2024’s business-as-usual atmosphere.

It started out as “a year of stability and quiet optimism.” The Federal Reserve actually pulled off a soft landing, avoiding a frequently predicted recession. Inflation subsided and short-term interest rates finally drifted down a bit. The U.S. economy continued to grow at a Goldilocks rate. It was the most benign and manageable year for state and local financiers since COVID-19 hit. Then the voters came along on Nov. 5.

The election was clearly a seismic political event that portends big political changes in the year to come, but most of the year was actually a reflection of the Federal Reserve’s success in (essentially) taming the inflation monster and stabilizing interest rates. State and local government budgets and finances were affected most of all by the Fed this year, not by the national election. So let’s reflect now on those developments in retrospect and save the noisy future-facing political-economic outlook and fiscal analyses for the new year.

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