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## **Covid-19 ... Like a Massive Tax**

For some years, health economists have argued that diseases and epidemics constitute taxes on those who fall ill, and on the communities in which they live. The Covid-19 virus regrettably fits this model too well. For us, it has features of a sales tax AND an income tax.

Suppose that suddenly a taxing authority levied a tax of 100%, effectively doubling the prices of all goods. People would:

- pay more for what they buy;
- purchase less of what they buy;
- buy goods on the “black market” or engage in other sorts of activities to avoid the tax

Such a tax would severely damage commerce and lead to short-term economic hardship. We have already seen this with the Covid-19 virus.

Covid-19 also acts as an income tax. People’s incomes fall, activities slow, and there is a decrease in demand for goods. Canceled activities, canceled vacations, canceled travel, canceled purchases of both big and small ticket items all have major macroeconomic impacts, and they do not bounce back. China has seen this already, and we will see it soon.

What are the potential policy responses?

- Sales Tax Response – Make commerce easier through drive-through and on-line shopping methods. These will effectively lower the tax, although they almost certainly cannot reduce it to zero.
- Income Tax Response – Restore demand by putting purchasing power in the hands of consumers. My proposal would be for the government to send a \$250 check EACH WEEK for three months to each of the approximately 130,000,000 households. My “back of the envelope” cost of this is \$422.5 billion. Others may have better solutions, and I would love to see them.

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