



Government Seeks to Mitigate COVID-19 Economic Fallout

Thomas Gallatin

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With President Donald Trump's sober address to the nation last night over the growing coronavirus (COVID-19) public health threat, concerns over the economic impact have simultaneously risen. What can be done to mitigate the immediate effects of COVID-19 to the U.S. economy?

First and foremost, politicians from both parties will be eager to act, as the worst thing a lawmaker can be seen as doing during a crisis is nothing. And there are legitimate actions that the government can take both regarding the immediate healthcare challenge presented by COVID-19 and to mitigate the short- and longer-term economic effect on Americans who may suffer significant financial struggles as a result of the viral impact on their jobs.

Focusing on addressing the economic factor presented by COVID-19, Trump has proposed a temporary payroll-tax cut on the theory that this will help people keep more money in their pockets for the immediate future and keep the economy from sinking into a recession. While tax cuts of any type are most often a welcomed proposition, in this particular instance it would be an overly broad-brush solution that would do little to provide the needed financial relief to those who will be most affected: non-salaried, hourly wage workers. Secondly, it would be a recipe for adding more government debt as it includes no offsetting spending cuts.

Besides, as Cato Institute economist Ryan Bourne observes, “Big tax cuts — such as the proposed employee payroll tax cut — seem an expensive blunt instrument for alleviating distress. If social distancing is necessary, we don't want employees out spending more money because they have more in their pockets.”

Meanwhile, Democrats are exploiting the crisis by proposing a relief package chock full of handouts for their special interests. The Wall Street Journal notes, “Senate Democrats on Wednesday floated a kitchen-sink virus bill loaded with money for every pet program going back to the Great Society. One chestnut is ‘supplemental financial assistance directly to housing authorities’ — that is, the folks at the New York City Housing Authority who spend \$1,973 per

apartment to install new lighting. Their tenants may need a check if they lose their job, but why reward the housing bureaucrats?"

The immediate focus regarding economic fallout should be on short-term solutions that are narrowly targeted at those who suffer the most negative impact. Most of the country is likely to feel the economic strain, but, as history shows all too often, the government's short-term "solutions" usually lead to long-term negative consequences.