



CED PUBLIC POLICY WATCH No. 3

March 26, 2020

In this Brief:

PRESIDENT SENDS LETTER TO GOVERNORS RE COVID-19

LEGISLATIVE UPDATE: Phase III Relief Bill Passes Senate, Will Be Considered in the House on Friday

UNEMPLOYMENT CLAIMS: Historic Unemployment Insurance (UI) Claims Increase Shows Speed of Economic Impact

FEDERAL RESERVE: Federal Reserve Chairman Jay Powell Interview and Wait for Main Street Lending Details

PRESIDENT SENDS LETTER TO GOVERNORS RE COVID-19

President Trump sent a letter to Governors today foreshadowing a federal risk assessment for local and regional areas that would be data based on increased testing. The intent of the risk assessment is to help regional and local officials make decisions on the extent of social distancing and other mitigation efforts required. Letter is attached.

LEGISLATIVE UPDATE

Phase III Relief Bill Passes Senate, Will Be Considered in the House on Friday

Following passage of the "Phase III" CARES Act in the Senate on Wednesday night, the House is expected to be in session Friday morning beginning at 9am. Both Democratic and Republican leadership in the House have signaled support for a plan by which Members who are physically present in DC can have open debate on the floor, followed by a voice vote for passage. If no one objects to the voice vote, the bill can be passed without requiring a quorum of Members to be physically present for a roll call vote. Kentucky Representative Thomas Massie, who opposes passage of the bill, has raised the possibility of [objecting](#) to passage by voice vote on Constitutional grounds, which would likely delay House passage of the bill until the weekend.

UNEMPLOYMENT CLAIMS

Historic Unemployment Insurance (UI) Claims Increase Shows Speed of Economic Impact

On Thursday, the Bureau of Labor Statistics reported a record-high 3.3 million seasonally-adjusted initial Unemployment Insurance (UI) claims submitted nationally during the week that ended March 21. In 50 years of reporting, the previous high for a week was nearly 700,000 (in October 1982). A typical week features roughly 230,000 UI initial claims.

UI claims can be made by workers who have been permanently let go or temporarily furloughed. The application for UI benefits lags the qualifying event and not all workers are qualified for UI benefits, so the claims number is likely significantly understating the number of workers who were out of work, temporarily or permanently, by the end of last week. With more than 160 million Americans working, 3 million UI claims is equivalent to only 1.5 percent of the workforce making claims last week. It's widely expected that the share of people already laid off or temporarily furloughed is a much higher share of the workforce. Holding other factors constant, recent UI claims numbers suggest that the unemployment rate had increased to at least 5 percent nationally by the end of last week. Realistically, the current unemployment rate could already be a few percentage points higher. However the official unemployment rate for March that will be released next week is based on unemployment levels earlier in the month and won't reflect this week's claims. The Conference Board has [forecast](#) that the unemployment rate could increase to 8 percent by the end of June under a relatively optimistic scenario and higher than 15 percent under more pessimistic conditions.

Relief legislation expected to be enacted this week will provide more generous unemployment benefits to unemployed and temporarily furloughed workers, including some workers like contractors or the self-employed, who would not typically be eligible for UI. The legislation also includes lending programs, industry-specific grants, and a loan forgiveness program targeted to small businesses intended to offset some of the costs of maintaining workers on payrolls as an alternative to unemployment or temporary furloughs that could help to cushion future claims numbers or encourage the re-hiring of recently laid off workers.

FEDERAL RESERVE

Federal Reserve Chairman Jay Powell Interview and Wait for Main Street Lending Details

In a televised [interview](#) on Thursday AM, Federal Reserve Chair Jay Powell said the US was likely already in a recession but that the Federal Reserve was committed to supporting as quick a rebound as possible after the pandemic was brought under control. He also highlighted that the downturn was "unique" and "there is nothing fundamentally wrong with our economy." Powell's remarks follow Federal Reserve [actions](#) announced earlier in the week to support liquidity, including \$300 billion in financing for the development, expansion, launch or relaunch of several lending facilities and a commitment to purchase Treasury bonds and Mortgage-backed Securities (MBS) without any set dollar limitation. The phase III stimulus includes funding for the Treasury Department to backstop losses on new Federal Reserve lending programs, including a new program targeting "main street" business, the details of which are expected to be announced soon.