



## **CED Public Policy Watch No. 12**

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### **1. Companies Announce Measures to Promote Racial Justice**

The Wall Street Journal today reported that Corporate leaders are rushing to [show their commitment to change](#) amid the national outcry stemming from George Floyd's killing in police custody. Apple said it would devote \$100 million to a racial-justice initiative with a goal of increasing opportunities for people of color. Google subsidiary YouTube said it would create a \$100 million fund aimed at amplifying content from black creators, in addition to highlighting racial-justice issues through its official channel.

Microsoft said it [wouldn't sell facial-recognition technology to U.S. police](#) until there is a national law regulating its use, echoing similar commitments from Amazon and IBM.

### **2. Congress Introduces Measures on Racial Justice**

On Capitol Hill, [House Democrats unveiled a sweeping police reform package](#), crafted by senior Congressional Black Caucus leaders, that includes efforts to rein in racial profiling and police brutality, largely with new training requirements and tougher accountability measures for abusive officers. House Republicans have delayed their response. The delay comes as Sen. [Tim Scott](#) (R-S.C.) has unveiled a 10-point draft proposal on police reform legislation that provides more funding for police body cameras, requires police to report use-of-force incidents to the FBI and makes lynching a federal hate crime.

And also in the Republican led Senate, the [Armed Services Committee voted](#) with Republican and Democratic support to remove the names of Confederate officers from military bases within three years as part of the must-pass Defense Authorization Bill.

### 3. COVID-19 Trends

While daily deaths from COVID-19 continue to decline nationally, with fewer deaths reported over the past week than at any point since March, the seven-day average of new daily cases has remained roughly flat. Since the beginning of June, new cases in the areas around New York City and Boston have continued to decline, and [22 states' average daily cases](#) have dropped more than 10% over the past week. But [fourteen](#) geographically diverse states, including Arizona, Arkansas, California, Florida, North Carolina, Oregon, South Carolina and Texas, have seen their highest levels of new COVID-19 cases since the pandemic began.

An analysis has estimated that more than [40 percent](#) of all COVID-19 deaths in the US to date were among nursing home and long-term care facility residents and employees. Jails and prisons are also presumed to be frequent "hot spots" for COVID-19 transmission. The state of [Texas](#), which has begun mass testing of state prison inmates and employees, found that among approximately 136,000 inmates, roughly [7,000](#) had tested positive by the first week of June. Additionally, 1,000 Department of Criminal Justice employees have also tested positive.

According to a report in [Reuters](#), a rising number of sick farm and packing house workers are being reported on the heels of the reports of thousands of meat plant employees having contracted the virus and could lead to more labor shortages and a fresh wave of disruption to U.S. food production. On May 19 the U.S. Agriculture Department and Food and Drug Administration said the government could use the Defense Production Act to keep fruit and vegetable lines moving. The act would give companies some liability protection if workers fall sick.

### 4. Mnuchin Supports More Stimulus

[Treasury Secretary Steve Mnuchin told](#) the Senate Small Business and Entrepreneurship Committee on Wednesday the U.S. needs additional fiscal stimulus -- particularly for businesses struggling to reopen from coronavirus-related closures -- even as he said the economy has started to recover. "I do think the economy is going to rebound significantly, but there is still

significant damage in parts of the economy,” Mnuchin said. A fourth round of fiscal stimulus should include help for travel, retail and leisure businesses, and possibly more cash for American families, Mnuchin said Wednesday. The Trump administration has discussed a capital gains tax cut but Mnuchin indicated it’s not the best approach.

## **5. The Federal Reserve Meeting**

In a press conference following the Federal Reserve met on Tuesday and Wednesday of this week, Fed Chairman, Jerome Powell stated that the U.S. economy faced “a long road” to recovery despite an unexpectedly positive jobs report for May. “The key thing people need to understand is that there’s just a lot of work to do in the labor market. We’re going to stick with this and support that until the work is done,” [he said](#).

The Fed’s statement and message was down in the details. The broad parameters of Fed policy did not change, but in the current economic gale, needed to manage short-term imperatives against medium-term priorities, and to communicate its views clearly. The Fed maintained an approximately zero policy rate; it did not pursue negative interest rates. Keeping a steady policy in today’s weak economy meant that the markets were looking for any hint of policy leanings for the foreseeable future. In that connection, the Fed employed language in its public statement to assure the markets of a firm commitment to support economic recovery. Members’ economic forecasts were parsed by the markets for indications of expectations about where the economy is heading. Because no FOMC members foresaw an interest rate increase for the remainder of 2020 or in 2021, and only two projected rate increases in 2022, the prevailing sentiment surely is that the economy will need considerable support going forward, and the Fed expects to provide it.

Plans for the balance sheet were another important signal. In the chaotic early days of the pandemic, the Fed made considerable purchases of securities because of perceived irregularities in market functioning. Thereafter, the Fed tapered back its purchases. Markets wanted to know the Fed’s priorities and objectives for smooth market functioning as opposed to pulling down interest rates for longer-term economic recovery. Some market actors may have feared that the Fed was reducing purchases to restrain the economy. The Fed stated explicitly that it would maintain purchases of at least the most recent amounts, making clear that the tapering was only a response to rough market functioning at the height of the crisis, not a foreshadowing of policy tightening in the foreseeable future.

The Fed’s lending facilities are taking firmer shape, and the Fed issue new, liberalized rules for the Main Street Lending Facility to businesses, which soon will begin making loans under those new terms. The minimum loan size was reduced and the maximum loan size was increased, and the percentage of each loan that lending institutions would be required to hold on their balance sheets was reduced, all facilitating lending to eligible businesses. soon will be coming up to speed. Even though rates are low, credit availability can be limited, and the Fed’s backing will make rate spreads lower than they might otherwise be. Meanwhile, Treasury Secretary Steven Mnuchin testified before the Senate Committee on Small Business and Entrepreneurship that

his department would use its administrative authority to liberalize loan forgiveness under the Small Business Administration Paycheck Protection Program loans.

Market reaction to the Fed's statement and decisions quickly turned adverse, at least for now. Of course, ascribing causation to market movements is somewhere from hazardous to futile. Some said that the markets wanted even more assurance of concern from the Fed, and that the Fed members' economic forecasts were in some respects (such as unemployment) more optimistic than those of the Congressional Budget Office, and therefore portended less policy support for the economy. Others said that the Fed's outlook was so bearish that it scared the markets. Whatever the cause, equities turned negative on Wednesday afternoon and were sharply negative on Thursday.

#### **6. Study Documents Increase COVID-19 Risk from Pre-existing Conditions**

A [study](#) by South Korean doctors documented that preexisting medical conditions increase risk from the virus. Diabetes, high body temperature, low oxygen saturation and prior cardiac injury all increase vulnerability. Age in turn is a cause of diabetes and low oxygen saturation, and thus indirectly a risk factor.

#### **7. Vaccine Update: USG Funds 3 Phase 3 Trials**

Meanwhile, Dr. Anthony Fauci announced that the federal government will fund Phase 3 trials of three potential Covid-19 vaccines – one developed by Moderna, with the test expected in July; one developed by Oxford and AstraZeneca, to be conducted beginning in August; and the third for the vaccine developed by Johnson & Johnson, with the trial to begin in September. These very large trials involving tens of thousands of participants require prior safety and efficacy findings to merit the considerable expense. Dr. Fauci said that he expected “more than one winner” from the trials. Given the novel nature of the virus, its varying impacts on different patients, and the need for an enormous production volume, many experts are hoping for multiple successes to facilitate choices of vaccines that can help different patients and can be produced quickly in large volumes. As in past vaccine development efforts, success of any particular formulation is by no means assured. Over 100 vaccines are in various stages of development worldwide. The New York Times launched a [Coronavirus Vaccine Tracker](#) that follows the progress of the vaccines development.

Meanwhile, the US government's current supply of remdesivir, the only drug known to work against Covid-19, will run out at the end of the month, Dr. Robert Kadlec, a US Department of Health and Human Services official, told [CNN](#).

#### **8. Unemployment Claims: Department of Labor Economic Data Releases**

New unemployment benefit claims continue to slowly decline, while remaining at weekly levels higher than any seen prior to the COVID-19 pandemic. Roughly 1.5 million Americans filed new Unemployment Insurance (UI) claims and 700,000 filed Pandemic Unemployment Assistance (PUA, the new program aiding the self-employed and “gig” and contract workers) claims in the first week of June. Just under 30 million Americans were receiving some form of unemployment benefits in the week ending May 23, a level roughly equivalent to one-fifth of all the non-farm workers as of February.

Department of Labor data for the month of April [showed](#) that roughly 5.9 percent of the non-farm workforce was laid-off or discharged in April, following 7.6 percent of the workforce being laid-off in March. In the Great Recession, the share of the workforce laid-off or discharged in a single month was never higher than 2 percent, showing the sharpness of the COVID-19 economic impact.

## **9. New York State Reopening moving to Phase 3**

[Governor Cuomo announced](#) that Five upstate New York regions will enter phase three of the coronavirus reopening process just in time for the weekend, Key metrics like hospitalizations and deaths have largely dropped in New York since the reopenings began. The regions that will enter phase three Friday are North Country, Southern Tier, Mohawk Valley, Central New York and the Finger Lakes.

Phase three allows restaurants to host patrons inside, though an establishment’s capacity cannot exceed 50% and 6 feet of social distancing must be maintained at all times. Patrons and workers are also required to wear face coverings at all times, except when seated. The same precautions go for personal care services like nail salons, spas and tattoo shops.

## **10. K-12 School Reopenings Outlook**

In a preview of what K-12 education might look like for many families in the fall, Massachusetts’ Department of Elementary and Secondary Education released a [memo](#) outlining preliminary plans for the 2020-21 school year. The directives include social distancing and smaller class sizes necessitating a daily or weekly rotation between those students attending in-person and online classes, as well as consistently isolating small groups of students together with one teacher. The Boston Public Schools Superintendent described the changes as “[incredibly expensive](#)” to implement. More broadly, the Association of School Business Officials International, an industry group, released a cost estimate of compliance with CDC safety recommendations to schools, finding that an average-sized school district could expect up to [\\$1.8 million](#) in additional costs. The increased cost estimates are primarily driven by increased staffing and transportation needs to maintain current levels of in-person education, though securing PPE and cleaning supplies is also expected to be a cost-driver.

Fiscal pressures from the COVID-19 pandemic have already driven a reduction in the education workforce. In May, state and local government education employment had fallen 9 percent below the previous year's level—its lowest level since 2001. Absent Federal aid, additional reductions are widely [expected](#). Many school districts will begin notifying teachers of possible layoffs in the next several weeks, as most states approach the start of a new fiscal year at the beginning of July.

## **11. Recession Declared**

The National Bureau of Economic Research (NBER) Business Cycle Dating Committee (the official designator of all US business cycles) [announced](#) that US economic activity peaked in February 2020, marking the onset of a recession and the end of the US's longest period of economic expansion on record. Though the declaration and dating of the recession was expected, the speed with which it was declared is unusual and reflects the rapid and widespread nature of the COVID-19 shock (as well as the intense interest of the public). Given the decline in the unemployment rate from April to May and the reopening of some businesses, it is possible that the current recession (a broad contraction of the economy) may have already ended, which would make it the shortest recession in US history. (The end of the first officially dated US business cycle – its beginning was not officially dated – was in December, 1854.)

## **12. Primary Elections**

After twice delaying the date of voting, Georgia [experienced](#) multiple notable failures in the conduct of its primary, which ended Tuesday with in-person voting. Mail-in voting was hindered by slow processing of applications for absentee ballots prior to the election, as well as confusing instructions for those receiving their ballots that resulted from what the state's vendor described as "a lack of understanding" between them and Georgia state officials. Mail-in voting challenges drove higher in-person voting numbers—which, combined with election-day problems with a new voter system, a reduction in polling places due to COVID-19 concerns and rescheduling problems, and new procedures to help maintain social distancing, led to long wait times in some precincts. The challenges appeared notably concentrated in predominantly [black communities](#). DC and Maryland also faced [challenges](#) with absentee ballots and long-lines on election day the week prior, raising heightened concerns about states' preparation for the November election. CED has been [vocal](#) in calling for rigorous preparation for the Fall election.

## **13. Ford Foundation to take on Debt to Give More Money to Non-Profits during COVID-19**

[The Ford Foundation announced](#) that it would borrow a \$1 billion so they can continue to fund non-profits during this unprecedented economic downturn. It plans to issue 30 to 50 year bonds. Darren Walker, President of the Ford Foundation said, "For most foundations, the idea of taking on debt is outside of normative thinking. Covid-19 has created unprecedented

challenges that require foundations to consider ideas — even radical ones that would have never been considered in the past" ([NYT](#)).

#### **14. CED Trustee Briefing: Greg Ip, *Wall Street Journal***

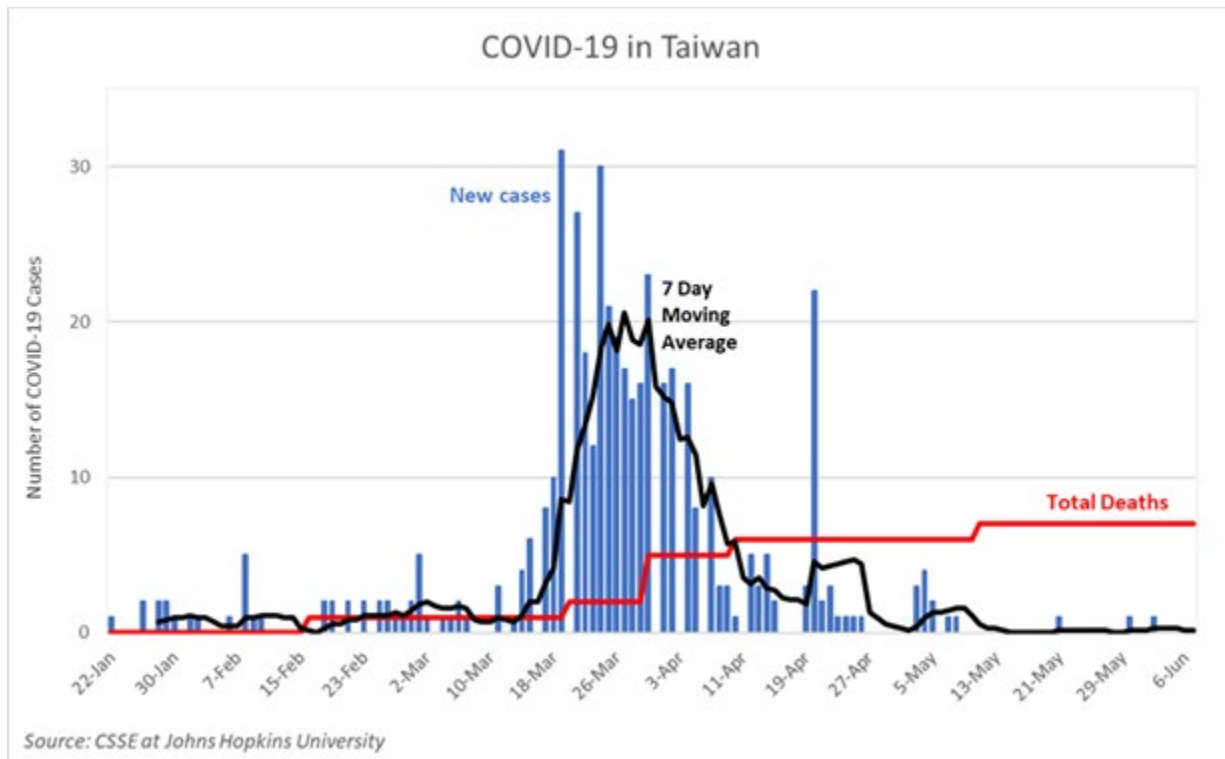
Greg Ip, chief economics commentator of the *Wall Street Journal*, spoke with CED Trustees in a telephone conference on Wednesday.

Ip explained that in today's severe global crisis, the Fed's lowering of short-term interest rates and even its buying of bonds has proved insufficient; and so the Fed has gone back to its initial role of being the lender of the last resort to ensure that no company would fail solely due to lack of credit. Traditionally, the function of the Fed has been to lend only to banks. Hence, as the Fed goes beyond its traditional role of lending only to banks, the Treasury will have to stand behind those loans — having a say in how it is lent and also by absorbing any losses (through money appropriated in the CARES Act). Ip worries that political pressures may influence who would receive loans, but believes that the Fed still must fulfill this essential function of providing liquidity.

On the rising public debt and fiscal policy, Ip observed that the stabilization role of the federal government requires that it borrow more during recession. And currently, there is a need for unprecedented borrowing due to the enormous hit on the economy. He believes that the long-term worry is too much money chasing too few goods and services leading to inflation, but added that this should not be a cause of concern at least for the moment, and it sure not deter fiscal policy from fulfilling this stabilization role.

#### **15. Spotlight on Reopening: Taiwan**

Despite Taiwan's proximity to China, the nation has managed to keep the COVID-19 pandemic largely contained. Unlike in most other affected countries, the novel coronavirus has had a significantly low impact in Taiwan — with a total of seven deaths and four hundred forty-three cases so far, [which constitutes](#) one of the lowest national incidence rates per capita.



The nation was put on alert concerning the unidentified pneumonia-like outbreak in Wuhan, China after the Deputy Director for Taiwan's Centers for Disease Control (CDC), Luo Yi-jun, came across [posts](#) on Taiwan's PTT Bulletin Board System. The country immediately began carrying out [inspections](#) on flights inbound from Wuhan, began [screening](#) those who had travelled to Wuhan within two weeks for symptoms seen in illnesses such as SARS and MERS, and quarantining those who tested positive. By mid-March, foreign nationals, except in certain special cases, were banned from entering Taiwan, and all of those who were admitted into the country were required to complete a fourteen-day quarantine on arrival.

On 20 January, even before the first COVID-19 infection was confirmed in Taiwan, the government [activated](#) the Central Epidemic Command Center (CECC) and National Health Command Center (NHCC) to coordinate its response to the virus. Taiwan's Vice President (20 May 2016 – 20 May 2020) Chen Chien-jen's [expertise](#) in epidemiology; [lessons](#) learnt from Taiwan's experience with the SARS epidemic including the establishment of infrastructures integrating relevant institutions; use of data analytics; affordable health care policies; extensive educational outreach; travel bans, quarantines, strict surveillance, and social distancing measures have contributed to the nation's success in dealing with the pandemic. Widespread testing (including retesting those diagnosed with influenza or pneumonia) and contact tracing were practiced. According to the Journal of the American Medical Association (JAMA), Taiwan put about a hundred and twenty [action items](#) into place within three weeks, leading to worldwide [praise](#) for its quick and efficient response to the outbreak.



Taiwan, after the SARS epidemic, had ordered [stockpiles](#) of PPEs to be kept at a sufficient level to deal with the early stages of possible future virus outbreaks. With the cooperation of private companies, the Ministry of Economic Affairs organized additional production lines for surgical masks to increase production capacity. The government also monitored price spikes in the market and took over the distribution of medical-grade masks to prevent mass panic buying. By January end, Taiwan's government had announced a [temporary one-month ban](#) on the export of face masks (which was then further extended) to secure a supply of masks for its own citizens. A mask rationing system was introduced, allowing people to buy masks on specific days and restricting the number that could be purchased at a single time.

On June 7, Taiwan [lifted](#) some restrictions, including those limiting the number of people allowed at public events, and began easing social distancing measures in certain public areas. The CECC also moved to weekly (rather than daily) press briefings due to the visible success of the nation's containment efforts.

Taiwan successfully navigated the pandemic without the mass lockdowns that have devastated the economies of most affected countries. The executive branch of the government, the Executive Yuan, proposed a [60 billion TWD](#) economic stimulus package, which then [passed](#) the Legislative Yuan. The stimulus package was [expanded](#) in the beginning of April to 1.05 trillion TWD. In addition, Taiwan's Ministry of Economic Affairs [introduced](#) a "stimulus coupon" plan to help local businesses by encouraging the buying of commodities. The International Monetary Fund (IMF) has [forecasted](#) that the nation's GDP would have a 4 percent decline (compared to a 6 percent average decline of advanced economies).

### **Update on New Zealand**

The Prime Minister of New Zealand Jacinda Ardern [said on Monday](#) that New Zealand [\(spotlighted in PPW 5.22.20\)](#) has successfully eliminated transmission of the coronavirus domestically and will lift all lockdown measures aside from border controls