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1. Expiration of federal guidelines tonight on social distancing

The federal “social distancing” guidelines that were extended one month ago are about to expire, and the President said yesterday that they would not be extended. Those guidelines (not to be confused with the “Guidelines for Opening Up America Again,” released on April 16) were not binding, but did have some effect on the judgments of state governors in crafting their “stay-at-home” orders and other restraints, which did have the force of law in at least some instances.

Now the governors are reacting to the change in the federal government’s posture, as well as to the political pressures caused by the painful adverse economic conditions. Ten states have reopened to some degree; 13 states will loosen or rescind their orders in the next week. Some outlets have reported 31 states in total that are easing their restrictions in some way. In many of these instances, some public health conditions on business establishments remain in force.

Georgia, for example, which notably reopened restaurants among other retail establishments on April 24, set 39 conditions. Among them, all restaurant employees must wear masks, no more than 10 customers may occupy 500 square feet of floor space, and no more than six diners may occupy one table. Georgia is among other states that would not qualify for any reopening under the “Guidelines for Opening Up America Again,” but with the federal social-distancing guidelines being allowed to expire, these decisions are left to states and their localities. Some retail establishments that were legally permitted to open under the state’s revised orders chose to remain closed. Anecdotally, some retail establishments reopened under what they perceived to be competitive pressure, given that they could lose clientele should their competitors reopen. Some establishments reported some disappointment as to the number of customers who appeared, beyond the constraints imposed by maximum occupancy and other conditions, and it is uncertain how many businesses will actually turn a profit under the restrictions on the prior business models.
It seems clear that the response of the economy will be restrained at least somewhat by both business and consumer reluctance to accept risk. The federal government is reportedly preparing health guidelines for reopening businesses.

And while the broad trend of the states has been toward reopening, California reportedly was considering closing its state beaches after considerable apparent violations of social distancing followed a hot-weather spell earlier in the week. But then the Governor announced that he was ordering only the closure of Orange county beaches, calling it a temporary pause until guidelines could be put in place.

CED has offered its views on the proper pace of reopening. Our statement, CED Blueprint for Reopening the Economy, is available on our website, and also was highlighted on the website of Fortune Magazine.

2. Remdesivir—“Good news” re COVID-19 treatments

Remdesivir, a pre-existing drug that was developed unsuccessfully for hepatitis C and then for the Ebola outbreak, but reported to have some broad-range anti-viral benefits, has been found in a brief clinical trial to have a statistically significant beneficial effect for Covid-19 patients. Results were leaking out, including through a manufacturer release, and so Dr. Anthony Fauci spoke about them to the press before any formal announcement of the study findings was issued. Fauci said the data from the drug trial testing was “quite good news,” and “showed a clear-cut positive effect in diminishing time to recovery.” The full set of data has not been released and is expected to be shared in the next couple of days.

Remdesivir is administered intravenously, and so is somewhat more complicated to administer than oral remedies that have been tried. This finding indicates that the drug will shorten necessary hospital stays by four days, or about 25 percent on average. The drug has not demonstrated a higher survival probability to statistical significance, however (although a small positive effect was noted). Thus, the effect of the drug is analogous to Tamiflu, which does not cure cases of influenza, but does make them somewhat milder.

The results have been interpreted as a demonstration of a potential avenue of attack against the virus through its use of enzymes to infect the body. The hope is that there will be other medications that might attack the viruses in analogous ways, and might therefore be combined with remdesivir or still other medications in a “cocktail” that would have greater efficacy than any individual remedy, such as the drug combinations based on AZT that have been proven effective against HIV-AIDS. Or, alternatively, this finding may lead to some other drug that will be more efficacious on its own.

Remdesivir has been made available by the manufacturer under so-called “compassionate use” outside of an actual clinical trial. The Food and Drug Administration (FDA) will reportedly issue an emergency use authorization for the drug shortly. Formal approvals would normally take about a year. The FDA said they have been in “sustained and ongoing” discussions to make the drug available “as quickly as possible, as appropriate” to COVID-19 patients. Because remdesivir has not yet been approved for any other use, there will be a need for a rapid buildup of production literally from square one.

3. Capitol Hill begins discussion for next CARES Act

Although there has been resistance to aid for state and local governments among the leadership in the Senate, the House leadership has made aid to governments a high priority in the next coronavirus aid
bill, with the Speaker having laid down a marker at about the $500 billion in need specified by the governors, and mentioned $1 trillion for the entire bill. The Senate Majority Leader has said that he will insist on liability protections for businesses and health care workers as a part of any government aid program. There will be pressure for improvements in the programs to assist business, given signs that even the recent additions for the PPP program under the Small Business Administration will be insufficient, and that targeting of those funds toward businesses that are genuinely small has not been improved. Broadband access, the Postal Service, and hazard pay for frontline workers have also been mentioned as objectives of new legislation. These discussions are clearly at a very early stage. Another issue under consideration for the relief bill is the potential for job training of unemployed workers. The types of initiatives that could be considered in the next coronavirus relief package for training unemployed and furloughed workers are addressed in a column in The Hill by CED President Lori Murray.

4. Economic Indicators; Unemployment Compensation

Economic indicators this week were adverse, not surprisingly. In the first quarter, which included less than a full month of the downturn, real gross domestic product (GDP) declined at a 4.8 percent annual rate. That is the first negative quarter since the financial crisis. Heavy declines occurred in sectors relating to travel and entertainment, but also in big-ticket consumer goods and business investment, as well as trade. Government spending remained positive, as did nondurable goods, as people bought food at home rather than eating out, and also stocked up on household consumables. But overall, consumer spending was down sharply. For a detailed look at COVID-19s blow to global consumer confidence read The Conference Board report.

Meanwhile, initial unemployment insurance claims last week approached another 4 million, bringing the total of the last six weeks to over 30 million. There have even been layoffs in the health care industry, as financially stressed providers (including hospitals) have been forced to cut back on most activities other than treatment of Covid-19 patients. These numbers are difficult to interpret historically, given the substantial expansion of the unemployment insurance program that was included in the CARES Act. However, when the April employment situation report is issued next week (Friday, May 8), it seems likely that the unemployment rate will exceed 15 percent (with the precise number affected by the dates covered by the household survey). Unemployment now (well after the April survey) probably approaches 20 percent.

With states reopening, unemployed service workers are at increased financial risk. If businesses reopen and call their laid-off employees back to work, they will technically no longer be eligible for unemployment insurance.

At its meeting this week, the Federal Reserve’s Federal Open Market Committee emphasized its commitment to taking every necessary action to support the economy, as it works behind the scenes to bring its lending facilities (those for smaller businesses – the “Main Street Lending Program” – and for state and local governments – notably the “Municipal Liquidity Facility”) up and running. Some changes in those programs have been announced.

5. SPOTLIGHT ON REOPENING: Germany

According to reports, in March, close to half a million German companies applied to have employees enroll in a post WWII short-term government program to prevent mass layoffs. During the Financial
Crisis of 2008-09, Germany (unlike some European countries and the United States) defied the notion of government spending being critical to restoring economic growth. The country made use of “short-time work” saving about 200,000 jobs and thus avoiding a “talent drain.” During the ongoing pandemic, Germany is said to be abandoning its commitment to “black zero” (i.e., a balanced budget) to offset the economic fallout from the coronavirus and provide funds and unlimited loans to struggling businesses. Nevertheless, depending on the length of the lockdown, the country’s economy for the first time since 2009 is expected to shrink (3 to 10 percent). After aggressively reducing its debt-to-GDP ratio from more than 80 percent to below 60 percent in the span of a decade, Germany’s Chancellor Angela Merkel stated, “We’re doing whatever is necessary... and we won’t be asking every day what it means for our deficit.”

Strict social distancing measures (among the strictest imposed worldwide) were issued in Germany on the 22nd of March and subsequently extended until mid-April. As of April 26, the country has reported 154,175 cases of COVID-19 and about 5,640 fatalities. The country saw a decline in the number of new cases in the month of April, prompting leaders of the country’s sixteen states to begin easing these restrictions. Chancellor Merkel, however, did issue a warning to the state governors against relaxing restrictions too quickly, stressing that it could lead to a “false sense of security” and jeopardize the country’s ability to keep the spread of coronavirus under control. Germany’s proactive containment measures, among the most robust in Europe, may support a swift recovery, according to TCB’s Global Consumer Confidence Report

In addition to launching an economic bailout package (one of the biggest in Europe – worth up to $825 billion USD) to stimulate lending to businesses, support furloughed workers, etc., the German government has also put into place an internal draft plan that would help the country control the ongoing pandemic without the need for strict “lockdown” measures. After talks involving the chancellor, German states have begun allowing smaller stores (the higher the customer contact, the later will be the return to normality) to reopen from 20th to 27th April 2020, and schools in some regions (with strict controls and possible testing) to reopen from 6th May 2020. However, large-scale events and private parties are to remain banned for the foreseeable future. Cafes and restaurants could be permitted to reopen fairly quickly under conditions of limited guests at safe distances or only with takeout options. Germany’s Federal Ministry of Labour and Social Affairs, in agreement with the country’s Federal Ministry of Health, has submitted a draft bill, ‘Covid-19 Working Time Regulation,’ allowing “for a limited period of time, longer working hours, shorter rest periods and the employment of workers on Sundays and public holidays for certain activities.”

Additionally, Germany has made it compulsory to wear protective masks (with varying rules among the states) while using public transportation, and in populated areas like factories and other public buildings, to prevent a new rise in COVID-19 infections. The government also announced that there would be swift tracing of infection chains, with infected people needing to isolate themselves as necessary. Germany had previously implemented “corona taxis” which allowed medical professionals equipped with protective gear to check on patients who are at home, allowing for rapid testing. Further, the country has also established a free voluntary mobile/online application that allows people to anonymously share symptoms and information that could reveal signs of coronavirus infections.

Authorities assessed that the nation’s testing capacities must increase significantly to achieve effective control while gradually lifting the lockdown. According to the government’s internal draft document, the infection rate per sick person should be reduced to well below 1.0 (according to WHO standard measures, this implies that an infected person would only infect one other person with the virus) on a
sustained basis before restrictive measures can be relaxed. The document also ensures special protective measures for at-risk and vulnerable German residents by keeping in place strict social restrictions for nursing homes and establishing visiting bans in areas with large coronavirus outbreaks. A point of concern is that Germany is a federal country – meaning that power is delegated to each state on many issues, making coordinating actions more difficult due to different rules in different states.

While virologists expressed concern that the loosening of the constraints on public life may lead to an increase in the rate of spreading of the virus and strain Germany’s health system, Chancellor Angela Merkel expressed that she stood by her decisions to impose restrictions, and to allow them to be eased only slowly. She emphasized that Germans should remain vigilant, disciplined, and must learn to live with the virus until a vaccine is created, saying “This is about the lives of people.”

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