

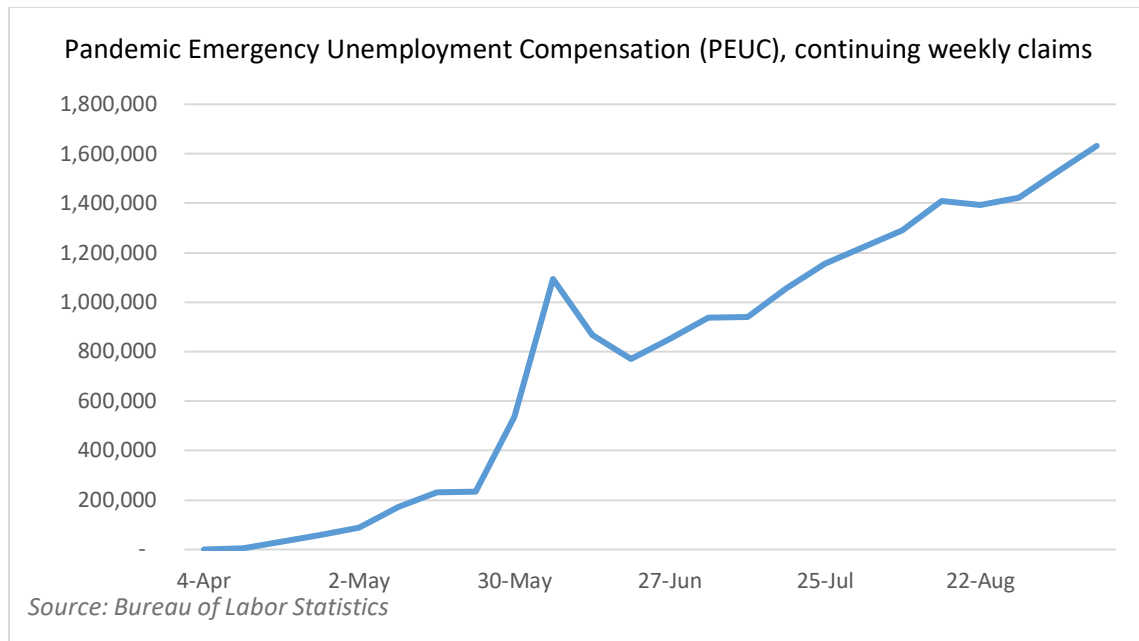
*CED Public Policy Watch*

10.02.2020

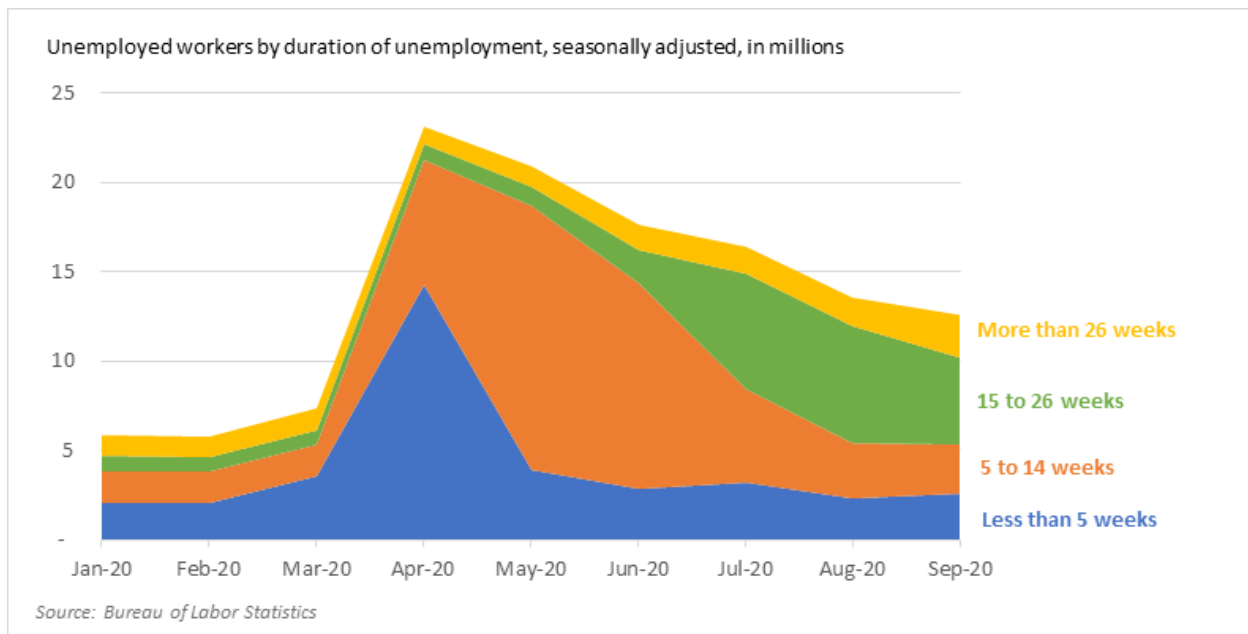
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1. NUMBER OF THE WEEK – 20 PERCENT OF DECLINE IN CONVENTIONAL UNEMPLOYMENT BENEFITS IS ACTUALLY TRANSFERS TO EMERGENCY EXTENDED BENEFITS



The March CARES Act created a temporary Pandemic Emergency Unemployment Program (PEUC), which provides unemployed workers exhausting their regular Unemployment Insurance (UI) benefits an additional 13 weeks of federally funded unemployment assistance. In most states, regular UI benefits are available for 26 weeks (though in states like Florida and North Carolina as few as 12 weeks of benefits are provided). As a result, increasing numbers of workers who have been continuously unemployed since the spring will begin transferring to PEUC in September and October. **Between the first week of August and the middle of September, roughly 20 percent of the decline in workers receiving UI benefits was likely the result of the more than 340,000 workers who have begun to receive PEUC during that time.** As of September Employment Situation Report, which is separate from the administrative count of UI beneficiaries, 4.9 million workers had been unemployed for between 15 and 26 weeks, suggesting that reported declines in UI beneficiaries over the next few months will overstate employment recovery to the extent that those former workers transfer to PEUC rather than finding jobs. As an indication of this phenomenon, in today's household survey release, 2.4 million workers have been unemployed for more than 27 weeks as of the beginning of September, a nearly 50 percent increase since August.



## 2. UNEMPLOYMENT DECLINED SLIGHTLY FROM MID-AUGUST TO MID-SEPTEMBER AS PROGRESS SLOWED

The September Employment Situation Report (released this morning) showed that employers reported hiring 661,000 net additional workers, while household responses showed that the unemployment rate [declined](#) 0.5 percentage points to 7.9 percent in September. Recovery in some hard hit industries like retail and leisure offset losses in state and local employment, which were heaviest in education. However, the labor force participation rate continued to decline—by 0.3 percentage points—and is now 2 percentage points lower than in February, indicating that some former workers have exited unemployment by getting jobs, but others have done so by leaving the job market. The share of unemployed workers who were permanently laid off continued to increase as the numbers of temporarily laid off workers continued to decline. The disparate impacts of the COVID-19 pandemic continue to grow, with improvements in unemployment concentrated among white and Asian workers, while the unemployment rate among black and Hispanic workers remains in double digits and showed little improvement from August.

## 3. UNEMPLOYMENT BENEFIT APPLICATIONS AND RECEIPT HOLD STEADY IN SEPTEMBER

The estimated number of new initial claims for unemployment assistance have held steady at an average of roughly 1.5 million weekly claims. After falling to its lowest level since March in the week ending September 5, the number of Americans receiving unemployment benefits increased slightly in the week ending September 12. Additionally, a newly released [audit](#) of Wisconsin unemployment call centers has helped to give some color to concerns about state benefit systems overwhelmed by heightened demand in the COVID crisis. The report found that roughly 0.5 percent (that is, to be clear,

less than 1 percent) of calls placed to unemployment call centers tasked with helping applicants apply for benefits ultimately reached a state employee or contractor.

#### **4. SUNSET OF ENHANCED UNEMPLOYMENT BENEFITS LED TO DROP IN PERSONAL INCOME IN AUGUST**

Between July and August, monthly disposable personal income [dropped](#) by more than 3 percent, a decline that can be fully attributed to the \$667 billion drop in enhanced unemployment benefit payments received over the course of the month. Despite that drop, personal consumption expenditures (PCE) increased \$141.1 billion (1.0 percent). Total government support for personal income (through payments such as unemployment compensation) was estimated to have dropped 43 percent from July to August (and 72 percent since such support peaked in April), though the drop may be understated due to assumptions regarding when the proceeds of the Paycheck Protection Program of forgivable loans to small businesses were received by those businesses. The small 1.0 percent increase in personal consumption from July to August was the slowest monthly increase in consumption since its steep decline in April, and surely was held back in significant part by the decline in income support.

#### **5. WHITE HOUSE AND HOUSE DEMOCRATS CONTINUE COVID-19 RELIEF NEGOTIATIONS**

The financial assistance for airlines that was included in the CARES Act has expired, and the airlines have [predicted](#) dire consequences if it is not renewed. American Airlines has said that it will begin furloughing 19,000 employees; United Airlines says that 13,000 of its employees are at risk. [Disney](#) has said that it may lay off 28,000 parks employees, blaming California's unwillingness to lift operating restrictions. [Retailers](#) are seeing a record number of store closings and bankruptcies, effects from coronavirus that are likely to continue into next year. Social distancing requirements and the ease of online shopping will likely continue these trends, with experts saying that 2020 could rival the 48 retailers that filed for bankruptcy in 2010 after the financial crisis.

These developments, plus the continued reduced Unemployment Insurance benefits relative to the temporary and now expired CARES Act expansions, have increased the pressure on the White House and the Congress to reach a deal on follow-on relief legislation. The negotiations chiefly pursued by Treasury Secretary Mnuchin and House Speaker Pelosi have yielded a roller-coaster of good and bad [news](#). The Speaker has prominently mentioned assistance to state and local governments, which the White House has resisted on the grounds of both dollar costs and concern about the substantive merits.

The negotiations have followed a convoluted path. After House Democrats unveiled a \$2.2 trillion "compromise" proposal—a substantially smaller package than the \$3.4 trillion one that passed the House in May—some [details](#) of a larger, revised White House offer in the range of \$1.6 trillion were reported, suggesting that both sides have moved closer to agreement. Some key components of the White House offer that have been reported include:

- **Economic Impact Payments** - Both House Democrats and the White House support a second round of the \$1,200 stimulus checks that were originally provided in the CARES Act (but were not included in Senate Republican's latest proposal).

- **Enhanced unemployment benefits** – The White House has proposed restoring an enhanced unemployment benefit payment of \$400 per week (retroactive to September 12) through the end of the year as a replacement of the \$600 per week enhanced payment that expired at the end of July. House Democrats have proposed fully restoring the enhanced payment of \$600 while Senate Republicans have proposed a \$300 weekly benefit.
- **State and local funding** – Perhaps the biggest change from past offers, the White House has allegedly offered \$250 billion for state and local governments over and above their \$150 billion proposal for supporting schools. Democrats revised offer for state and local funding was roughly \$430 billion, while Senate Republicans and the White House had not previously offered any funding. Democrats proposals for school support were \$75 billion higher than the White House offer.
- **Business assistance** – The White House has offered \$160 billion for a second round of more-targeted small business support in the vein of the Paycheck Protection Program forgivable loans provided by the CARES Act. Additionally, the White House has offered more than \$100 billion for business sectors particularly hard hit by social distancing, like restaurants and entertainment venues, plus money for the airlines.

House Democrats at first delayed voting on their own proposal while negotiations with the White House continued. Senate Leader McConnell [described](#) the negotiations as being “very, very far apart,” suggesting that Senate Republicans—whose last proposal was less than \$1 trillion—may not support the ultimate agreement or are looking to shape it closer to their own priorities. No agreement around liability protections, a top priority for many Senate Republicans, had been reported. By Thursday evening, in a sign that they were giving up on the negotiations at least for a while, House Democrats brought their own bill to a vote. It passed by 214 to 207, but with 18 Democratic “no” votes, which indicated that several moderate Democratic Members wanted further negotiations and even concessions to achieve some agreement.

## 6. CONTINUING RESOLUTION PREVENTS GOVERNMENT SHUTDOWN

Meanwhile, after extending its negotiations to the last minute—as has become all too customary—the Congress and the White House agreed on a [continuing resolution](#) to fund the federal government agencies through December 11, leaving time for recovery from the grueling election campaign and a lame-duck session of Congress to achieve a more enduring solution. This might be seen as good news in that it forestalls a government shutdown, which would have been a spectacle in the election campaign and a dead weight on the pandemic economy. However, having achieved this bare minimum level of performance, the Congress and the White House could be tempted to give up on coronavirus response legislation in the face of their deeply held differences. Although opinions differ widely, some would argue that the most ill-affected citizens and businesses, and even the financial markets, are in need of action on recovery assistance.

## 7. PAYCHECK PROTECTION PROGRAM (PPP) LOAN FORGIVENESS REMAINS DELAYED

After complaints from borrowers and bank servicers about delays in the process, the Treasury department [announced](#) that loan forgiveness would begin within the next week. Since August, when the Small Business Administration portal for applying for loan forgiveness opened, more than 96,000 businesses have applied but no applications had been processed as of the end of November. A late August survey by the NFIB found that more than 84 percent of PPP borrower-respondents had used their entire loans, suggesting that they are ready to apply for forgiveness.

## **8. NEW YORK CITY SCHOOLS OPEN FOR IN-PERSON EDUCATION FOR ALL STUDENTS OPTING TO ATTEND**

New York City [opened](#) its middle schools and high schools for students opting to attend in-person education on October 1. These are the last of the New York City schools to reopen. New York is among the first large school districts to restore in-person education, with Miami-Dade scheduled to follow next week. Nearly half a million NYC public school students have opted to start the school year with remote learning, with the option to return to in-person learning after the first quarter of the school year.

Meanwhile a few weeks into college students return confirmed coronavirus cases in people aged 18 to 22 rose 55 percent between August 2 and September 5, with the biggest spikes in the Northeast (144 percent increase) and the Midwest (124 percent increase), according to a study by the U.S. Centers for Disease Control and Prevention (CDC) [published Tuesday](#)

## **9. CORONAVIRUS HERD IMMUNITY**

New [research](#) has offered an estimate – 9.3 percent – for the share of the US population that has antibodies to the SARS-CoV-2 coronavirus, which causes COVID-19. This estimate is sobering because it suggests that the US population is far from achieving herd immunity – the condition under which so many people would be resistant to the virus that persons who carry it would be unlikely to spread it more widely. If the virus could not find new hosts, it would terminate in the few people who carried it, and so would before long die out.

The [study](#) takes advantage of the samples from the periodic blood tests that kidney dialysis patients already undergo. (The population on which the research is based includes more than 28,500 patients across the country treated by 1,300 facilities that use one laboratory for analysis.) Thus, there is no need to identify and recruit trial patients, or to undergo any new and additional procedures. The dialysis population is not perfectly representative of the general population, and so the investigators needed to make adjustments for the differences. Those are reflected in the 9.3 percent overall estimate. However, the average synthesizes a wide variation among different population groups. Antibodies were found among 3.5 percent of patients in the west, but 27 percent in the northeast (33 percent in New York State). Black and Hispanic neighborhoods were two to three times more likely to have infections than the country at large; poor neighborhoods were two times more likely, and the most-densely-populated neighborhoods were 10 times more likely.

A simple, unsophisticated extrapolation illustrates the downside of this news. Suppose that herd immunity requires 60 percent exposure (probably a lower bound) and that we hope for herd immunity before a vaccine is available. On average across the United States, increasing from 10 percent (in a generous round number) to 60 percent exposure would require increasing the number of exposures from today by five-fold. The first 10 percent exposure has cost the United States more than 200,000 deaths. If the mortality rate continued unchanged (it does appear to be falling, as health care learns how to treat COVID-19 patients), that would entail 1,000,000 more deaths. Even assuming only half the mortality rate to date, to reflect that progress in treatments, reaching herd immunity would entail 500,000 more deaths. Beyond that would be the unknown prevalence of long-term diminution of health among COVID-19 survivors. The bottom line is that it appears far better to seek other means (including public health steps to reduce the incidence of the virus) of combatting the virus until an effective vaccine rather than actual infections can increase the share of the population with antibodies and thereby achieve herd immunity.

## 10. VACCINES

While marveling at the extraordinary progress of the pharmaceutical industry in pursuit of a vaccine, the public remains eager for the completion of the process. Of course, there are many stages of “completion:” There is the claim of a developer to have achieved a safe, effective vaccine; there is the submission and approval of an application for emergency use; then there is the production and distribution of sufficient doses of the vaccine for virtually the entire population of the earth, ordered by some standards of need and urgency. Considering that almost all of the 11 vaccines currently undergoing large-scale Phase 3 efficacy trials require two doses to be effective (which doubles the number of necessary doses, vials and syringes) and must be shipped and stored with cooling beyond what is provided by conventional refrigerators and freezers, this is a monumental task. And there is every reason to expect that different vaccines will provide different degrees of protection to different populations, meaning that the first vaccine through the gate almost certainly will not be the best, or perhaps not even suitable, for everyone. In sum, the dedicated personnel attempting to protect the world’s population through the development of a vaccine should not be criticized or judged with reference to a stopwatch, or even a calendar.

However, of course, the sooner, the better. Two vaccine developers have recently offered some indications of when they believe they might reach some milestone in this process. [Moderna](#) has estimated that it could have sufficient data to apply for emergency use (without asserting that it will have such satisfactory results) by November 25, which could lead to availability for public use in late March or early April next year. [Pfizer](#) has indicated that it may be able to judge the safety and efficacy of its vaccine and therefore to apply for emergency use by the end of October (again, without prejudging the ultimate result of the trial). Experts have suggested that Pfizer’s trial design may facilitate an earlier judgment than Moderna’s, in part because it involves subjects from several countries some of which have more exposure to the virus, and in part because it calls for a lower number of reactions to reach a conclusion (which may be subject to Food and Drug Administration [standards](#), as we discussed last week). Meanwhile, although the pause in the [AstraZeneca](#) trial caused by a possible adverse reaction in one trial subject has been lifted in the UK, the pause remains in place in the United States. The reasons for the lifting of the pause elsewhere and its continuation here are [not known](#).

## 11. THERAPEUTICS

Although its trials are in an early stage, and not all results have yet been reported (and none have been subject to peer review), [Regeneron](#) has found promising results for a two-part antibody “cocktail” for treatment of COVID-19. The drug shows signs of efficacy for people who have not yet generated any natural antibody activity (which is characteristic of vulnerable populations such as the elderly), and when administered in the pre-hospitalization stage. The drug appears to reduce the viral load in the throat, which may make patients less likely to spread the disease. Experts look forward to more data and wider review of the results.

## 12. CHINA DEVELOPMENTS: New Export Controls + Tik Tok

The Wall Street Journal reported this week that last Friday the Commerce Department told U.S. computer-chip companies that they must obtain licenses before exporting certain technology to China’s largest manufacturer of semiconductors. The new U.S. export controls threaten to [cut off China’s top chip maker from equipment](#) used to manufacture chips, dealing a blow to China’s efforts to compete in advanced technology.

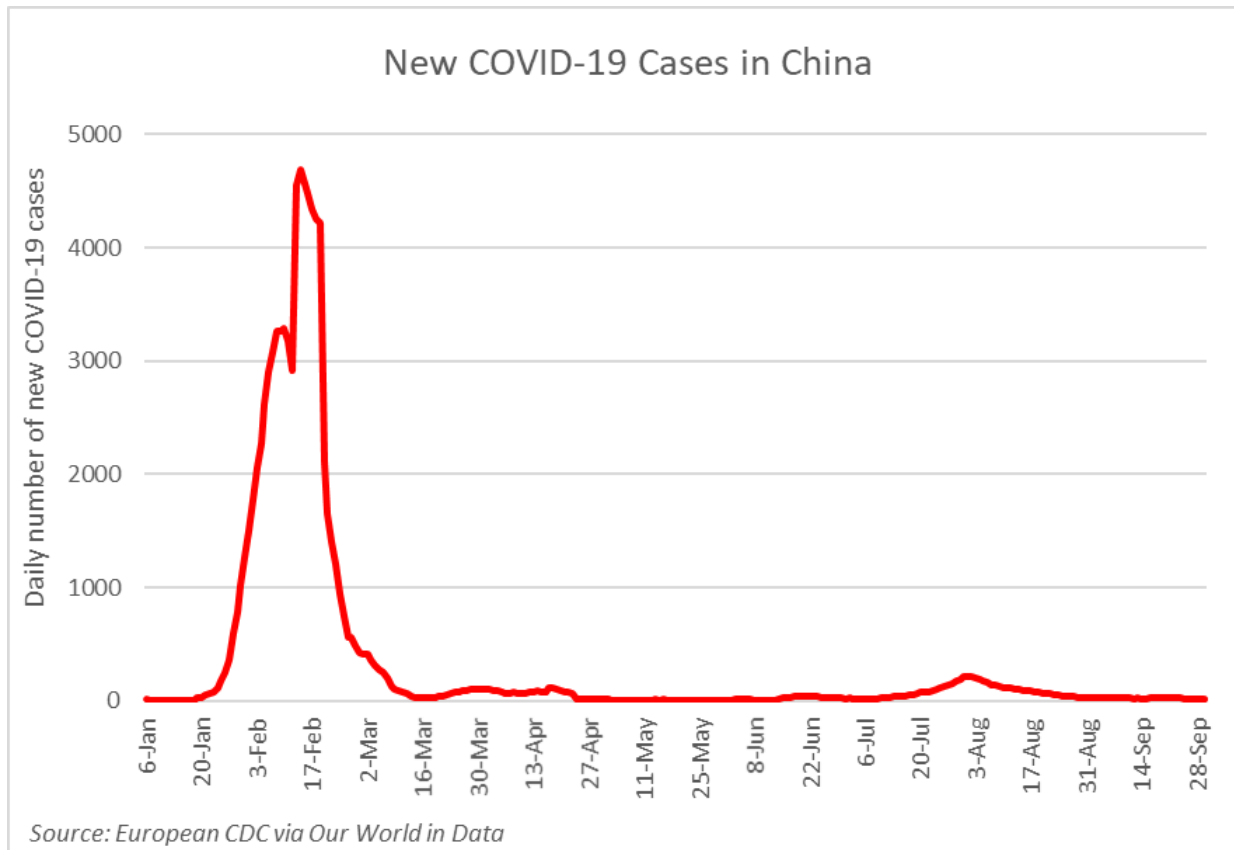
Meanwhile, federal judge blocked the Trump administration’s attempt to ban TikTok downloads in the U.S. The ruling came hours before the ban was supposed to take effect late Sunday night. Earlier in the day, [TikTok lawyers argued in court](#) that the ban would harm its business, while the Justice Department defended the federal government’s intent to protect users’ personal data on the video-sharing app. The U.S. Commerce Department plans to implement a full ban on Nov. 12 if a deal isn’t completed by then.

## 13. GLOBAL SPOTLIGHT ON REOPENING

### Mainland China

[Reports](#) of a group of unexplained, suspected pneumonia cases originated in the city of Wuhan (the capital of the Hubei province) in China towards the end of December, which then evolved into the COVID-19 pandemic. By the end of January, the virus had [spread](#) to all the provinces of mainland China as well as to around 20 other countries; and was [declared](#) a global health emergency by the World Health Organization. As of 30 September, the People's Republic of China has [reported](#) a little more than 90,000 cases and over 4,000 confirmed deaths from the coronavirus. In a [second wave](#), China saw the highest number of daily cases since March on 26 July with 61 new cases (up from 46 cases the day before), subsequently [leading](#) to 127 daily cases by the end of July, eventually falling to below twenty cases towards the end of August.





While there were [reports](#) that the Chinese government may have suppressed discussions about the outbreak, all the provinces of mainland China [introduced](#) the highest response level to the public health emergency at the peak of the virus' [spread](#). Cities across China were placed under [lockdowns](#) (full or partial), and the city of Wuhan, the epicenter of the virus, was [quarantined](#) – with all airports, railway stations, and roads in and out of the city closed or highly regulated. The country also began seeing a shortage of face masks, leading to more than two billion pieces of epidemic prevention and control materials being [imported](#). The lockdowns began being [eased](#) towards the end of March and public transport [resumed](#) in Wuhan at the beginning of April. People were required to confirm a “Green Code” via a [monitoring system](#) on their smartphones to access public spaces. Although China claimed to have mostly brought the outbreak under control (confirming only imported cases and few or no new domestic cases), there were [questions](#) on reported refusals by hospitals to test for the virus, allegations of biased data, and speculations of unreported cases.

[Research](#) indicates that the availability of free COVID-19 testing and related hospitalizations; designated shelters with fulltime access to medical assistance; building of temporary hospitals; waiving social insurance payments by businesses; tax cuts or deferrals; increased liquidity to sustain small and medium businesses; cutting reserve requirements for banks; rent holidays on leases; driving demand with public investments such as issuing pre-paid vouchers, infrastructure investment, etc., are some of the major policies taken by China to help its citizens and SMEs during the crisis.

While less than 1% of the Chinese population has been infected by the coronavirus so far, the economic devastation brought on by the virus has been disproportionate in its scale of impact. It is [estimated](#) that during the height of the pandemic (January and February), approximately five million people lost their jobs, and that as many as [eighty million](#) people were out of jobs by March. China's migrant workers were among the worst [impacted](#) by the pandemic. The country's GDP fell by 6.8 percent compared to 2019 in the first quarter of 2020 – the first [contraction](#) since 1992). Data also show that indicators of economic activity fell to record lows during the first months of the crisis – the Caixin Manufacturing Purchasing Managers Index (PMI) in February fell to 35.7 (from 50 in January,) showing a deep [contraction](#), although it did [rebound](#) (to 50) at the end of March as businesses began to be [active](#) once again. In May, Chinese Premier Li Keqiang [announced](#) that the central government wouldn't set an economic growth target for 2020 (for the first time in history), but also indicated a goal of creating nine million new urban jobs by the end of the year.

## Sweden Update

According to an [article](#) in the *New York Times*, unlike many European nations who are seeing a resurgence of coronavirus cases, Sweden is currently recording one of Europe's lowest rates of daily new cases. While most other countries imposed strict lockdowns, Sweden had opted not to enforce a lockdown but rather only recommend a limited number of restrictions – deeming them sufficient for public health and allowing for protection against an economic collapse. While analysis show that the COVID-19 death rate in Sweden far exceeded the rates in other Nordic countries at the beginning of the pandemic, its current low number of cases has raised new questions about the effectiveness of Sweden's approach. Though critics have indicated that the current number may be a temporary anomaly and that Sweden does not test as thoroughly as many other nations, the article points out that *"in early September, 1.2 percent of tests in Sweden were positive, compared with about 7 percent currently in Northwest England, Britain's hardest-hit area."* The article continues that currently, to combat recent outbreaks, all of the European countries seem to be following *"the Swedish model,"* while also combining rigorous testing, tracing and quarantine procedures (as introduced by Germany).

Although no official lockdown measure was introduced, the article acknowledges that people in Sweden were trusted to "self-apply" social distancing measures and go into "self-lockdown." However, the article quotes Antoine Flahault, director of the Institute of Global Health, stating that Swedes *"continue not to wear masks,"* and that this may prove to be a big drawback. In addition, the article includes a statement by Anders Tegnell, Sweden's state epidemiologist, who stressed that *"Sweden did not set out to achieve herd immunity... it is a myth that has been created."* The article concludes with a statement by Kim Sneppen, professor of biocomplexity at the Niels Bohr Institute in Copenhagen, saying that, *"While the Swedes are far from having achieved herd immunity, we can conclude that their social distancing rules have proven essential."* In sum, Sweden's public policy responses, when coupled with the voluntary behavioral decisions of the population, have created a complex web that is not easy to categorize. To this date, the relatively heavy caseload does suggest caution before embracing such an approach.

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