

CED PUBLIC POLICY WATCH

AUGUST 8, 2020

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1. UNEMPLOYMENT RATE CONTINUED TO DECLINE IN JULY, BUT JOBS RECOVERY WAS SLOW

The US unemployment rate [declined](#) to 10.2 percent in mid-July, a drop of 0.9 percentage points compared to a month earlier. The number of people on temporary layoff decreased (-1.3 million) to 9.2 million and the number of unemployed workers reporting a permanent job loss (2.9 million) remained nearly flat from June. This suggests that enough laid off workers were finding new employment to offset temporary job losses becoming permanent and new layoffs through mid-July. It is unclear whether this pace of job creation and recovery is rapid enough to drive a strong economic recovery.

2. UNEMPLOYMENT CLAIMS DECLINE TO LOWEST LEVEL SINCE MARCH, STILL HISTORICALLY ELEVATED

New weekly claims for Federal unemployment benefits in the week ending August 1 [declined](#) to their lowest level since first spiking in the second half of March. However, though there were fewer than one million new weekly claims for traditional Unemployment Insurance (UI) for the first time since the week ending March 14, new claims remained higher than at any point during the Great Recession. For example, new weekly claims before the pandemic ran at an average of 200,000 to 250,000, or about one-fourth to one-fifth of the “low” newly reported count. This implies that significant numbers of Americans continue to be laid off, perhaps as a result of business failures that could have longer-term consequences for the employees and the economic recovery.

A new [study](#) of California unemployment applicants found that less than half of new applications for UI benefits since early June have come from “first-time” applicants in the COVID-19 pandemic period. Instead, most applicants had previously applied for UI and temporarily returned to work before needing to re-file. It is estimated that one-third of all California workers have filed for an unemployment benefit at least once since mid-March. This would help to explain the much higher cumulative amount of new claims in the COVID-19 period relative to the lower number of continuing claims.

During the week ending July 18, as many as 31 million Americans were receiving a federal unemployment benefit—a level that remained relatively steady over the previous 10 weeks. The week ending August 1 was the first week for which Federal Pandemic Unemployment Compensation payments of an additional \$600 lapsed. One study has [estimated](#) that allowing benefits to fully lapse for the month of August would result in a drop in aggregate spending of more than 4 percent.

3. NEGOTIATIONS ONGOING ON NEXT COVID-19 RELIEF PACKAGE

Democratic congressional leaders and White House negotiators continued to [meet](#) throughout the week on a possible new COVID-19 aid package, though little progress has been publicly reported. Both Senate Majority Leader McConnell and House Speaker Pelosi continued to [express](#) confidence that a deal would be reached but were circumspect about the likely timeline. The Senate will remain in session next week in order to work on a deal if it comes together. CED was told in briefings with congressional staff this past week that if the White House and Democrats can work something out, it will pass in the Senate. CED’s recommendations to the Congressional Leadership and the President can be found [here](#).

For a data analysis of how the extra \$600 federal unemployment benefits have affected incomes and what the impact of different plans will have, see [the NYTimes Interactive analysis](#).

4. WHITE HOUSE FLOATS EXECUTIVE ACTION FALLBACK PLAN IF NEGOTIATIONS FALL THROUGH

On Wednesday, the President [suggested](#) that he would move forward with executive actions to provide financial relief in the absence of a deal with Congress by this Friday. The White House is reportedly considering measures like temporarily delaying the collection of payroll taxes, allowing states to repurpose unspent CARES Act funds to provide enhanced unemployment benefits, and reinstating a Federal eviction moratorium that expired in July. Given that some of the contemplated measures are likely [not](#) within the President's authority or would have limited effectiveness without additional congressional action (for example, the President could postpone payroll tax collections, but he does not have the power to forgive the taxes, meaning that firms could hold the postponed taxes temporarily but at some date would be required to pay them), the assertion of executive action may be an attempt to exert leverage rather than an actual path forward.

5. TRADE

- **CHINA: PRESIDENT TRUMP BANS TRANSACTIONS WITH CHINESE SOCIAL MEDIA GIANTS + SANCTIONS ON MORE OFFICIALS**

President Trump has signed two executive orders that, effective in 45 days, will [ban](#) any US transactions with two popular Chinese social media applications, TikTok and WeChat, with [unclear](#) implications for the applications' owners, ByteDance and Tencent respectively. Reportedly, a literal reading of the executive orders (which are not yet posted on the White House website) would prohibit any transactions of the holding-company owners, which are engaged in many other businesses in the United States. Financial markets drove the value of Tencent down sharply on this implication. The White House has pressed for a US acquisition of the applications in the interests of national security, and has cited similar Chinese restrictions on US technology platforms' operations in China.

The Trump administration on Friday imposed sanctions on 11 senior Chinese Communist Party officials and their Hong Kong allies, including chief executive Carrie Lam, over their role in cracking down on political dissent in the southern Chinese territory. The sanctions allow the United States to seize any property the designated officials may have in the United States, though it is unclear whether any of them have any assets subject to seizure.

- **CANADA: PRESIDENT REIMPOSES TARIFF ON ALUMINUM.**

One month after the new US-Mexico-Canada Trade Agreement went into [effect](#), President Trump has [reimposed](#) a 10 percent tariff on Canadian aluminum. The President cited an increase in US imports of Canadian aluminum under the new agreement. Canadian Prime Minister Trudeau announced an immediate and equivalent retaliatory tariff.

6. ELECTION 2020

- **NEVADA EXPANDS MAIL-IN VOTING, IS SUED BY TRUMP CAMPAIGN**

This week, Nevada passed an election measure along party lines that included a provision to make the state the seventh that will send mail-in ballots to all active voters prior to the November election. In response, the President's re-election campaign, the Republican National Committee, and the Nevada Republican Party have [sued](#) the state to prevent the law from being implemented, citing provisions they believe to be unconstitutional. The President [Tweeted](#) that the measure would "make it impossible for Republicans to win the state" and that the "Post Office could never handle the Traffic of Mail-In Votes without preparation."

- **DHS RELEASES ASSESSMENT OF MAIL VOTING RISKS**

An 11- page [assessment](#) of mail voting risks released by the Department of Homeland Security's cybersecurity division outlines dangers including cyberattacks, possible delays in tabulating ballots that arrive after Election Day and cautions that U.S. adversaries might use partisan differences over mail voting to undermine faith in the election.

Yesterday, the U.S. government [sent text messages to cellphones in Russia and Iran](#) offering up to \$10 million for information about people trying to attack American voting systems.

- **HOW 2020 ELECTION VOTING IS FARING SO FAR**

37 states plus Washington, D.C., have held statewide primaries¹ for president or state-level office since COVID-19 was declared a pandemic on March 11. FiveThirtyEight reports that while those that have [gone poorly](#) have tended to [grab the headlines](#), there have been [success stories](#) too. [Here's their snapshot](#) of all 38 statewide elections since the pandemic started and what macro trends they have been able to observe so far.

- **CENSUS COUNT TO END EARLY**

Because of a delay caused by the coronavirus outbreak, the decennial census has carried on longer than originally planned. However, the Census Bureau has [announced](#) that it will stop its counting process four weeks earlier than the post-outbreak revised plan had indicated. By some reports, four in every ten US households – those that are most difficult to reach – have not yet been counted.

7. **PHARMACEUTICALS**

- **RUSSIA'S VACCINE TO BE PRODUCED FOR PUBLIC USE IN SEPTEMBER.**

A Russian team, consisting of Russia's Direct Investment Fund, or RDIF, and the state-owned Gamaleya Institute for Epidemiology and Microbiology and a Russian conglomerate named Sistema, has [announced](#) that it will register a vaccine with the Russian Health Ministry early next month. The vaccine was said to have completed two phases of tests, including on volunteers from the Russian military. After registration, the vaccine is to go through a third phases of tests while being administered to volunteer Russian health workers, although the Russian Deputy Prime Minister also said that it would be produced for public use in September, and Russia claims to have interest in the vaccine from several other countries in Africa, Latin America and the Middle East. No test results for the vaccine have yet been made available for peer review. This process is clearly far faster than those being contemplated in the West. The Food and Drug Administration [specifies](#) that Phase 3 drug trials alone typically last one to four years; the US process in this instance is being accelerated because of the damage being done by the virus. But far beyond the US timetable, it will have been only about eight months from the time the virus was generally recognized until Russia claims that it will manufacture its vaccine for use by the general public. A second Russian vaccine is scheduled for production for public use only one month after this one.

- **MODERNA_NOVAVAX LAUNCH PHASE 3 VACCINE TRIALS.**

Here in the United States, Moderna was the first developer to [begin](#) a Phase 3 trial of its vaccine with the first test inoculations with both the candidate vaccine and a placebo. The Phase 3 trial is the largest in the series of trials required, with a sufficient number of subjects to test for both efficacy and any contraindications for people with particular characteristics. The Moderna vaccine will require two doses, to be administered 28 days apart, and so the first late-July inoculations will need to be followed with others in late August for the trial to begin in earnest. Moderna's vaccine, along with another being developed by Johnson & Johnson, showed [efficacy](#) in animal trials this week as well.

Later, Novavax [reported](#) that its candidate vaccine had shown limited side effects and had produced favorable cell reactions. That vaccine too will enter Phase 3 trials. These vaccines join AstraZeneca and Pfizer, along with Chinese and the Russian candidates, in showing reported positive results in early stage trials.

- **ASTRAZENECA AGREES TO VACCINE DEAL WITH CHINA**

The British company AstraZeneca agreed to have a Chinese drugmaker produce hundreds of millions of doses of its experimental Covid-19 vaccine for use in China if it is approved by regulators there, a deal that expands [China's access to potential vaccine](#) options, [WSJ reported](#). President Trump signed an executive order Thursday to help increase [U.S. production of essential medicines](#), medical equipment and protective gear, including a "buy American" requirement for government agencies.

8. DATA ON TRAVEL AND RESTAURANT DINING

The Transportation Security Administration (TSA) [reports](#) the throughput of its airport security facilities. In the most recent reported one-week period (July 29-August 4), compared with the same day-of-the-week period one year ago, the number of travelers was down by 73.2 percent. The Bureau of Transportation Statistics of the US Department of Transportation [collects](#) data on the frequency with which people leave their homes. Prior to the pandemic, roughly 20 percent of people did not leave home on a given day. At the height of the pandemic in April, that number rose to almost 30 percent. It fell back to about 20 percent in June, when optimism about the course of the virus was high. However, in recent weeks, the share of people staying home has risen again, to about 25 percent, or about halfway back to the peak reduction.

In the same vein, the internet restaurant reservation site Open Table [reports](#) that in its latest reporting week (the same dates as TSA), the number of seated diners (which does not include food pickup for consumption elsewhere) was down on daily basis in a range from 53.3 percent to 64.7 percent. Not quite 70 percent of US restaurants are open for reservations. These data raise the issue that although businesses may open, people who are anxious about their safety will not necessarily make use of those opportunities.

9. NATIONAL GUARD FUNDING CUT TO SELECTED STATES

The federal government will [cut](#) funding for COVID-19-related deployments to 75 percent of the total cost, which is a departure from past practice of full reimbursement in emergencies. However, the federal government will reimburse the full cost of deployments in Florida and Texas.

10. DR. BIRX ON MASKS_ DR. FAUCI ON SCHOOLS

Dr. Deborah Birx, the White House coronavirus response coordinator, [said](#) in a television interview this morning, "We believe if the governors and mayors of every locality right now would mandate masks for their communities and every American would wear a mask and socially distance and not congregate in large settings where you can't socially distance or wear a mask, that we can really get control of this virus and drive down cases, as Arizona has done."

Dr. Fauci in an interview with The Washington Post, said students should generally be allowed to go back to school, under certain conditions.

In an interview with [Jacqueline Alemany](#) of [Power Up](#), Fauci said “The default principle should be to try as best you can to get the children back to school. The big, however, and qualifier in there is that you have to have a degree of flexibility. The flexibility means if you look at the map of our country, we are not unidimensional with regard to the level of infection.”

- **States with minimal virus:** “So if you're in one of those areas, generally referred to as the green states ... you can get back to school with the kinds of precautions that you do in general society,” he said.
- **States with “smoldering infections”:** “You might want to tighten that up a bit and do things like, you know, the hybrid models where you have part online, part in person,” he said.
- **States with high infections:** In consultation with local authorities, and the Centers for Disease Control, “they may want to pause before they start sending the kids back to school for a variety of reasons.”

11. US SCHOOL REOPENINGS

The school year has begun in some parts of the US, and the dilemma facing parents is already evident. More than 200 employees of Georgia’s largest public school district have been [barred](#) from work because of positive tests or proximity to other persons who have tested positive. A high school in Indiana retreated to online learning after two days. And positive tests among students in Mississippi have forced quarantines. School systems are trying to formulate appropriate standards for continuing in-person learning or moving to online education. Maryland’s governor has issued an executive order requiring schools to move online despite some local decisions to the contrary.

12. COALITION OF STATES TO PURCHASE COVID-19 TESTS

At the height of the initial round of the pandemic, state governors complained that they found themselves bidding against one another to obtain equipment that was in short supply, resulting in what they considered exorbitant prices. Back in May, seven Northeastern states (New York, New Jersey, Connecticut, Pennsylvania, Delaware, Massachusetts and Rhode Island) formed a “[coalition](#)” to buy supplies collectively and therefore avoid bidding up prices. Now, seven states (seven seems to be the magic number – Maryland, Virginia, Louisiana, Massachusetts, Michigan, North Carolina and Ohio) have formed a “[purchasing compact](#)” to exert bargaining power on companies making rapid-turnover COVID-19 tests. Maryland Governor Larry Hogan, outgoing chair of the National Governors Association, was reportedly the prime mover of the deal; the governors involved are a bipartisan group (split three Republicans and four Democrats), and the Rockefeller Foundation has expressed willingness to act as the financing agent if necessary.

13. EVIDENCE OF PRE-EXISTING IMMUNITY

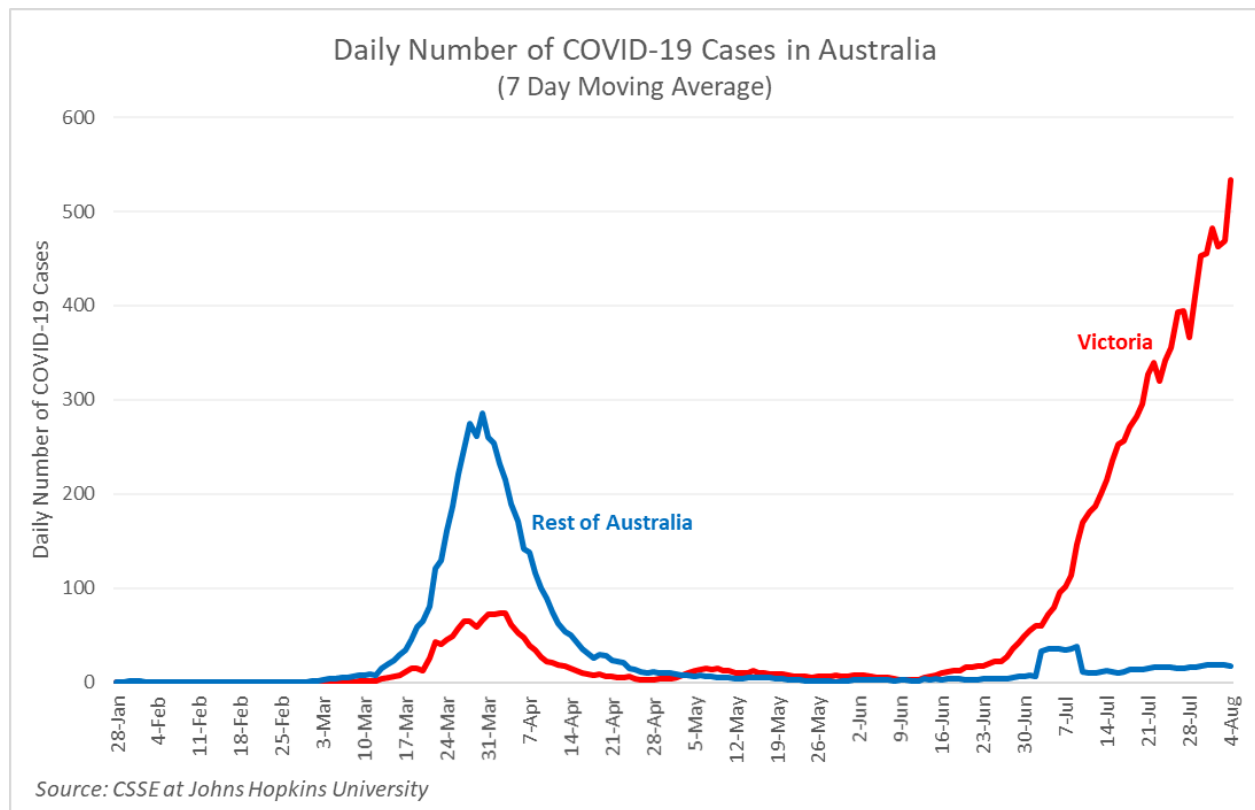
An article by German physicians in the journal *Nature* [finds](#) that some persons (35 percent in the studied sample) not yet exposed to the coronavirus appear already to have some immunity, in the form of T cells that react to the virus. The authors hypothesize that these persons may have been exposed to some related virus in the past. This finding might help to explain why many people who contract the virus weather it well, while others become seriously ill.

14. POSSIBLE BRAIN DAMAGE FROM COVID-19

In an earlier edition, we discussed reports of longer-term respiratory and other [complications](#) among young-adult COVID-19 patients, indicating that even survivors suffer seriously over the long term. New [reports](#) indicate that especially in serious cases of survivors, there can be long-term impairment of brain function including delirium, acute and chronic memory deficits, and learning deficits. These effects reportedly can include children. Clearly, the fact base on the virus is incomplete and uncertain, but early findings once again could urge caution.

15. SPOTLIGHT ON REOPENING: AUSTRALIA

Australia confirmed its [first](#) case of the novel coronavirus on 25 January, and as of 5 August, has subsequently [recorded](#) a total of 19,444 cases and 247 COVID-19 related deaths. The number of cases in Australia grew sharply in the initial months, peaking towards the end of March, and eventually falling since the beginning of April. However, since the month of June, Australia – specifically, its second-most populous state, Victoria – has been going through a second wave of COVID-19 transmissions. Additionally, recent [estimates](#) by the country's Department of Health show that majority of infections in the country are due to local (community) transmissions.



Australia began [screening](#) flight passengers traveling from China on 23 January, and eventually established a travel ban on non-residents and [closed](#) its borders. By the end of March, the country imposed social distancing measures, banned non-essential indoor gatherings of a hundred people or more and instituted a [standard](#) for the number of people per unit of floor area – a “four square meter” rule. State governments began closing hotels, pubs, clubs, cinemas, and places of worship, while cafes and restaurants were restricted to takeaway options only. Australian Prime Minister Scott Morrison stated that, following medical advice, schools were to remain open, but try to move towards online learning. By the beginning of April, state governments in Western Australia introduced restrictions on interstate, and even some intrastate, travel. By the month of May, many states (see [here](#), [here](#) & [here](#)) began reporting to be free of active COVID-19 cases. However, since mid-June, the Australian state of Victoria began [experiencing](#) an alarming rise in the number of new cases.

Authorities have narrowed down the cause of this second wave of cases to a [failure](#) of a quarantine program in hotels through genomic testing. Residents returning to Australia from travel abroad were held in quarantine for two weeks in hotels. However, breaches in social distancing protocols in such hotels in Melbourne were [reported](#) – travelers passed the virus to hotel security guards, who then carried the infection back home. The lack of training for security guards and the lack of protective equipment (such as gloves) have also been cited. In addition, the *New York Times* reports [that](#), “the pandemic has come raging back [in Melbourne] even after the highest level of restrictions... leaving officials flummoxed by the persistent complacency of just enough people to let the virus thrive and multiply.”

Due to the rise in the spread of community-transmitted infections, [restrictions](#) were levied once again on 20 June in Victoria, limiting the number of people allowed in household gatherings to five.

Subsequently, the state government re-enforced local lockdowns [across](#) ten different Melbourne postcodes – about thirty six suburbs. Residents have been [asked](#) to self-quarantine and leave their houses only for essential needs like groceries, medical needs, or education. Interstate borders with Victoria were [closed](#) towards the beginning of July, and on 2 August, authorities [declared](#) a state of disaster in Victoria in addition to establishing a nighttime curfew across Melbourne, resulting in about a million workers staying home.

The Reserve Bank of Australia [cut](#) interest rates by 0.25 percent, becoming the [first](#) central bank to do so (one day before the US Federal Open Market Committee cut rates) in response to the COVID-19 outbreak. Further, to help lessen the economic impact of the pandemic and secure jobs, the Australian government [introduced](#) economic stimulus packages totaling about \$140 billion. The [provisions](#) of the initial packages included payments and loans to encourage hiring and maintain wages in small and medium-sized companies, subsidies to industries adversely affected by the pandemic, and one-time welfare payments to those on government benefits. A subsequent stimulus package released at the end of March [included](#) a backdated “JobKeeper Payment” feature which was a biweekly \$980 payment made to employers to further help cover wages.

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