

CED Public Policy Watch
03.18.2022

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1. FED RATE HIKE – WITH MORE TO COME

This week the Federal Reserve raised interest rates by 0.25 points – the first increase since December 2018. This is only the first of seven planned increases for 2022 as the Fed seeks to tackle rising inflation following the pandemic and the invasion of Ukraine. Taken together, the rate increases are a full percentage point above where the Fed expected to have rates as recently as December.

Members of the Fed's Open Market Committee had somewhat different perspectives on the prospects for the economy, unemployment, and inflation, with nearly half of members [expressing a preference](#) for greater tightening than that which the Fed agreed in this week's meeting. Overall, the FOMC expects a 4.1-4.7% increase in personal consumption expenditures inflation for this year before some moderation next year, though above the Fed's 2% target. Chairman Jerome Powell stated at his press conference that the Fed is "determined to take the measures necessary to restore price stability. The U.S. economy is very strong and well-positioned to handle tighter monetary policy." The Fed also cut its forecast of GDP growth to 2.8%, a significant decline from the 4% it expected earlier, in part [because](#) "the invasion and related events [will] weigh on economic activity." Dana Peterson, Chief Economist & Center Leader of Economy, Strategy & Finance at The Conference Board, and Erik Lundh, principal economist of The Conference Board, reported on the [Fed's hawkishness](#) here.

In other Fed news, former Fed Governor and Deputy Treasury Secretary Sarah Bloom Raskin asked for her nomination to be Federal Reserve Vice Chair for Supervision [to be withdrawn](#) in the face of strong Republican opposition and that of Senator Joe Manchin (R-WV) for her view that bank regulators, including the Fed, should pay greater attention to financial risks associated with climate change. The

remaining nominees – Lisa Cook and Philip Jefferson and Jerome Powell for an additional term as Chairman – also await confirmation, with potential committee votes this week.

2. UNEMPLOYMENT INSURANCE CLAIMS REMAIN LOW

Unlike the spikes in inflation and jobs opening of late, initial [claims for unemployment insurance](#) remain low as COVID cases continue to decline and mask mandates are dropped around the country. Initial claims for unemployment insurance [decreased by 15,000 to 214,000 for the week ending March 12](#) (last week's claims were revised upwards by 2,000). Claims are now back to pre-COVID levels seen from 2018 to early 2020 when sentiment concerning labor market tightness began. Continuing claims dropped by 71,000 to a 50-year low of 1.42 million.

3. DEVELOPMENTS ON UKRAINE

President Volodymyr Zelensky's powerful and emotional [address to Congress](#) Wednesday highlighted the week. Harkening to touchstones of American history such as Pearl Harbor, the September 11 attacks, and Rev. Dr. Martin Luther King's "I have a dream" speech, Zelensky received strongly positive bipartisan reactions in Congress and brought the reality of the conflict home to Americans in a gripping video of the violence Ukraine has suffered over the last three weeks. In response, President Biden announced [\\$800 million](#) of "unprecedented" additional military assistance from the \$13.6 billion Congress appropriated last week for Ukraine-related spending. This new aid [includes](#) a number of [Switchblade "kamikaze" drones](#), 800 Stinger missiles, 2,000 Javelin, 1,000 light anti-armor weapons, and 6,000 AT-4 anti-armor missiles, in addition to other armaments. Work continues with NATO allies on providing other systems to Ukraine, including "longer-range anti-aircraft systems and the munitions for those systems," Biden said. While Congress and the Administration continue to oppose the idea of a no-fly zone over Ukraine as risking direct conflict between NATO and Russia, the provision of anti-aircraft systems helps Ukraine defend against attacks from the air and thus gives greater control over its skies.

CED also published a new Policy Brief on ***Russia and the Chemical Weapons Threat to Ukraine***, which is available [here](#).

Meanwhile, the exodus of refugees from Ukraine continues and has now over [3,200,000](#). The costs to countries, mostly in Europe, housing these refugees could approach \$30 billion, according to a [report](#) from the Center for Global Development (CGD). CGD encourages government donations to the World Bank's Global Concessional Financing Facility, which has helped with refugee surges in the past, and governments to make generous provisions for work permits for Ukrainian refugees.

In CED's recently released survey of CEOs and Directors, the biggest priority that policymakers must address this year is Russia (68 percent). This topped inflation (64 percent) and strengthening the economy (61 percent).

Simultaneously, roughly 67 percent of respondents agree with the President's handling of the situation in Ukraine.

[View the survey results.](#)

4. HIGH-LEVEL US-CHINA MEETING AND BIDEN-XI CALL

National Security Advisor Jake Sullivan and Chinese senior diplomat Wang Jiechi, who heads the Communist Party's Central Foreign Affairs Commission, met for seven hours in Rome this week in talks that were [described in somewhat different terms by the US and China](#). [For the US](#), Sullivan emphasized the US position against China supporting Russian military efforts in Ukraine as a part of what the US termed "deep concerns about China's alignment with Russia at this time." (Sullivan and Yang had last met [in October in Zurich](#).)

The Chinese readout of the meeting was nearly eight times longer and focused on issues such as Taiwan, which the readout stated "is gravely concerned about and firmly opposes the recent series of erroneous statements and actions" by the US concerning Taiwan – presumably referring to the recent visit of former US defense officials to Taiwan and a US warship transiting the Taiwan Straits. On Ukraine, which the Chinese mentioned only in the last paragraph of their readout, some analysts noted a subtle shift in China's public posture regarding the war (not least, [referring to it as a "war,"](#) which Russia does not). The underlying reality that China remains both very close to Russia diplomatically and the Russian economy is increasingly tied to China. China is seeking to walk a fine line between its support for Russia and need for Russian oil without provoking actions that might catch it in sanctions for supporting the Russian military. As the *Straits Times* [noted](#), coverage of the meeting in Chinese-language press was harsher towards the US; some Chinese officials may believe that press

The Ukraine issue is domestically sensitive in China. As the *Washington Post* [reported](#), a post by a senior official of the Public Policy Research Center associated with the State Council (China's cabinet) calling for choosing "the lesser of two evils and unloading the burden of Russia as soon as possible" was censored shortly after publication – an unusual event for such a highly-placed institution. The *Post* article notes that some Chinese officials may believe that pressure on Russia shows the inevitability of conflict with the West.

On Friday, President Biden [spoke for almost two hours](#) with Chinese President Xi Jinping, focusing on Ukraine.

5. DE-DOLLARIZATION OF OIL?

The Wall Street Journal [reported](#) this week that Saudi Arabia "is in active talks" to accept yuan rather than dollars for some of its oil sales to China (which account for 25% of Saudi Arabia's total exports). The news is worrying as it would dent the dollar's dominance of global oil markets and end almost 50 years of Saudi practice to sell oil exclusively in dollars. According to the *Journal*, the discussions reflect Saudi unhappiness with the extent of support from the Biden Administration on issues such as Iran, the war in Yemen, and Afghanistan. Given that about 80% of all oil trades are currently conducted in dollars, the Saudi shift would be significant.

6. FURTHER SANCTIONS ON RUSSIA

This week, President Biden imposed [further sanctions](#) on Russia, banning Russian seafood, alcohol, and non-industrial diamonds and barring exports of US luxury goods to Russia. The measures will have an estimated total economic impact of about [\\$1.55 billion](#) and signals a focus on targeting the Russian elite. Russian vodka accounted for only 1.3% of the US market in the first half of 2021; ironically, despite its

cultural identification with Russia, virtually all major [vodka imports come from NATO allies](#) (France, Netherlands, Latvia, and Poland, as well as from Sweden, where sentiment is rising in favor of [closer cooperation with NATO](#).)

Congress has now passed a [bill](#) that will [strip Russia](#) of permanent normal trade relations status, impose conditions for restoring it, and allow President Biden to raise tariffs on Russian goods. The President is expected to sign it soon. Beyond this US action, [nine other countries](#) have joined the G-7 in [similar steps](#) against normal trade relations with Russia.

7. COVID SUPPLEMENTAL FUNDING

The omnibus budget bill passed last week did not include supplemental funding for COVID relief. Now, the [Administration](#) is continuing to ratchet up pressure on Congress to enact its \$22.5 billion request for supplemental COVID spending. Most immediately, the Administration announced that it is canceling plans for a purchase of monoclonal antibody treatments it was to have made next week and that the fund which reimburses medical providers for care for the uninsured will not take new claims starting next week and will end completely in early April. For the privately insured, the Administration earlier used its authority under the COVID relief bills to require private sector [insurers to pay](#) for at-home COVID-19 tests.

Further, the Administration warned it will cut monoclonal antibody treatments sent to states by 30 percent – with supply possibly running out by late May, raising the question of whether those treatments will be sold to other customers abroad. It is also unclear, in the Administration's view, whether domestic test kit manufacturers will keep maintaining their production lines past June without additional Federal funding to support manufacturing. The Administration expressed a willingness to move away from government support towards an insurance-based system but is concerned about a scenario in which the need for a new variant-specific vaccine would force US private insurers to compete against other countries for supply rather than the government simply stepping in to make the purchase.

On the Federal budget, CED released a Solutions Brief, [Dealing with Fiscal Debt: A Policy Road Map](#), that outlines the very dangerous US fiscal situation and recommends several steps to reverse this daunting trajectory. Business leaders and policymakers can take steps now to begin paying off the debt and getting America's fiscal house back in order. Read the Solutions Brief [here](#).

In CED's recently released survey of CEOs and Directors, the vast majority of respondents – over 90 percent – believe the nation is ready to treat COVID-19 as an endemic virus. What's more, the results reveal mixed feelings from corporate America about the success of vaccination and testing mandates for companies with more than 100 employees: 38 percent said the mandates did not help or hurt vaccination rates in the workplace, and only 7 percent said the vaccination mandates helped a great deal.

[View the survey results.](#)

8. PERMANENT DAYLIGHT SAVINGS TIME?

In a bipartisan move, the Senate [unanimously approved a bill](#) sponsored by Senators Marco Rubio (R-FL), Sheldon Whitehouse (D-RI), and 16 others to make daylight savings time permanent – eliminating “fall back” and moving sunset to later, although major cities in the North would face later sunrises in winter, and the bill makes exemptions for states currently exempt from daylight savings time to choose whether to adopt it. The bill would become effective November 20, 2023, to permit transportation companies to

arrange for adjusting their schedules. The effort raises strong emotions on both sides as well as competing scientific analyses of [health effects](#).

9. PANDEMIC NEWS

The Biden Administration's coronavirus response coordinator, Jeff Zients, is [resigning in April](#). His replacement will be [Dr. Ashish Jha](#) of Brown's School of Public Health, who is both a noted expert on pandemics and a familiar figure from numerous media appearances and articles during the COVID-19 pandemic, whom President Biden cited for his "wise and calming public presence." Jha was not among the [former Biden transition advisers](#) who had called for a rapid transition from pandemic response to endemic response in January.

Research has shown that immunity wanes over time. Even those who are fully vaccinated and have received a booster dose may find themselves sick with [BA.2](#), a new subvariant of omicron now [spreading in the New York/New Jersey area](#) (where it accounts for 39% of new infections). As of last week, BA.2 accounted for [23.1 percent](#) of all new COVID-19 infections in the US, up from 13.7 percent the week before. On Tuesday, vaccine-makers Pfizer and BioNTech asked the FDA for emergency authorization to offer a [fourth dose](#) to individuals aged 65 and over. However, the Administration has [funding](#) only for a fourth shot for the immunocompromised, not for all Americans and probably not for all those over 65.

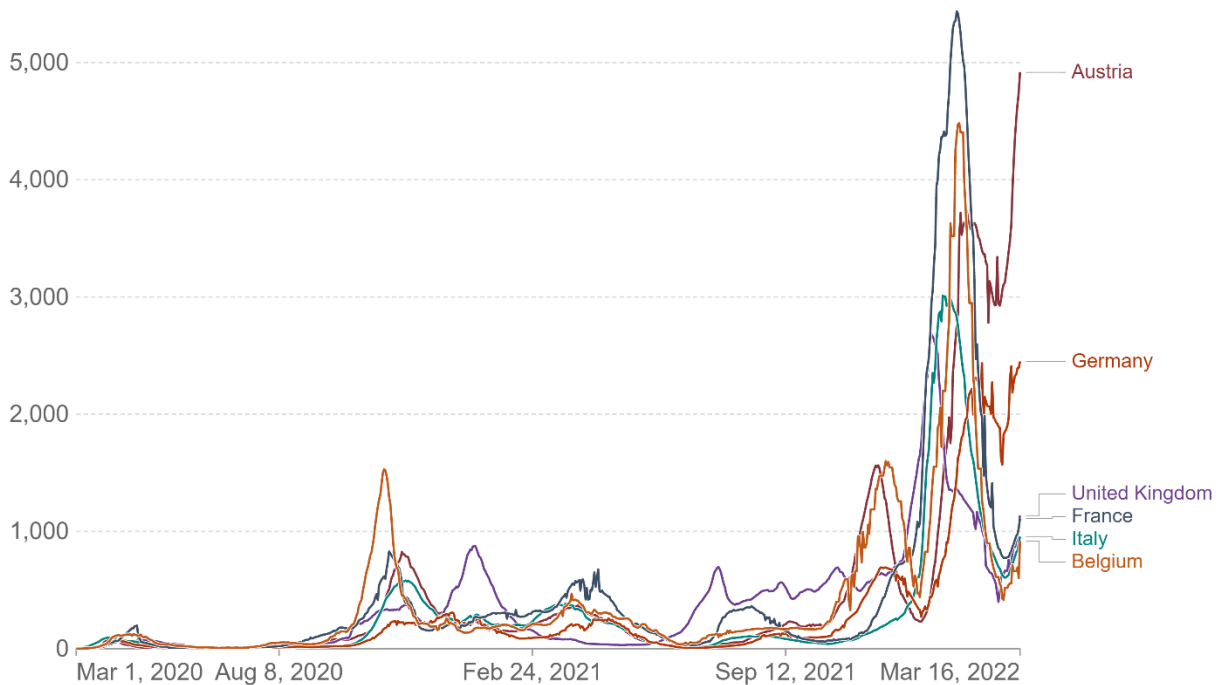
10. NEW WAVE IN WESTERN EUROPE

A new COVID-19 wave sweeping through Western Europe has US health authorities on high alert. This new spike across the western half of the continent is being driven by a subvariant of omicron known as [BA.2](#), which appears to be more transmissible than the original strain, BA.1. Since the start of the pandemic, a [widespread outbreak](#) like the one currently occurring in Europe has been followed by a similar surge in the US.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

Our World
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

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Germany recorded a [record number](#) of COVID-19 infections on Thursday, with the country's disease control agency reporting 294,931 new cases. German health minister Karl Lauterbach said the impact of COVID-19 has reached a ["critical" level](#): "We have strongly rising case figures again. [...] I keep reading that the omicron variant is a milder variant but that's only true to a limited extent," Lauterbach said at a weekly COVID-19 press briefing. He noted that the belief by those in Germany, including politicians, that the pandemic was over, was an "error of judgement." "We cannot be satisfied with a situation in which 250 people are dying every day and the prospect is that in a few weeks more people will die," he said.

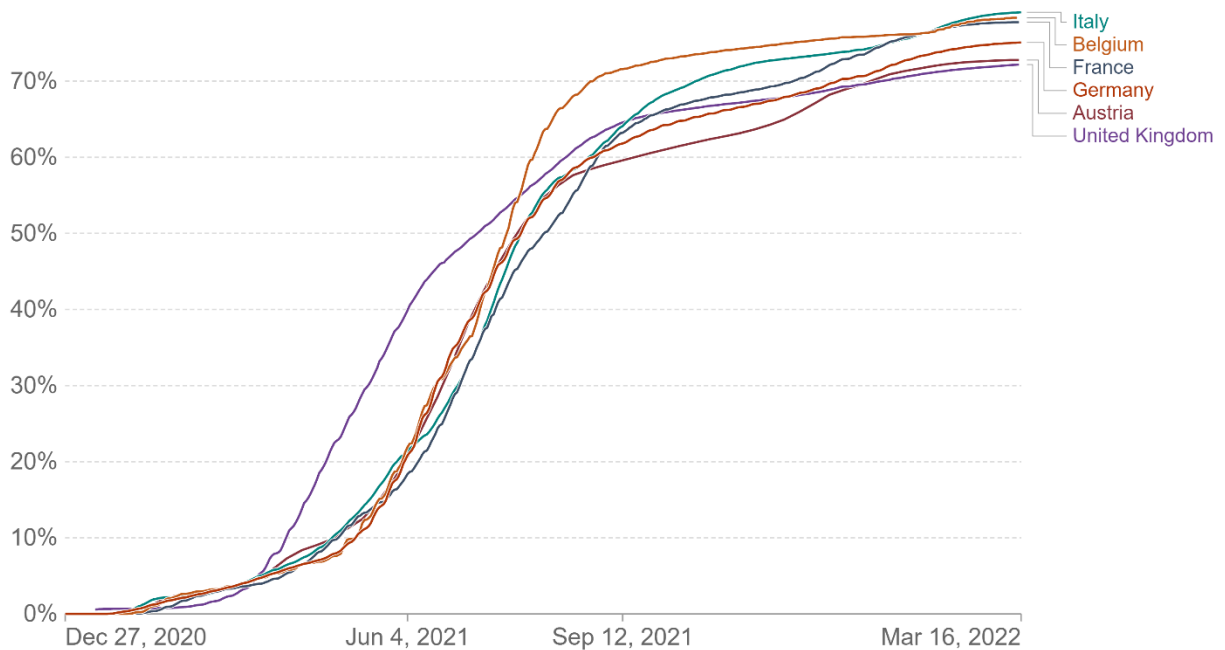
Despite soaring case numbers, some government officials are still [championing](#) an easing of restrictions. Germany began easing COVID-19 restrictions last month and is set to [lift most restrictions](#) on March 20, the final phase of a three-step process. From then on, state governments will be allowed to require their own measures, such as mask-wearing and testing. "It's a step toward normalcy and I say that's what we need," said Finance Minister Christian Lindner. Masks will remain mandatory on long-distance trains and flights. German lawmakers are still considering a COVID-19 [vaccine mandate](#), with a final decision not expected for weeks to come. Some opponents suggest that the mandate should only apply to those over 50, while others oppose any mandate as a whole. Just last week, [Austria](#) announced the suspension of its controversial nationwide COVID-19 mandate just a week before its enforcement was set to begin. According to German health ministry [data](#), just under 76 percent of the population is fully vaccinated, leaving approximately 15.6 million people over the age of four without adequate protection. Around 2.7 million Germans over the age of 60 have not been fully vaccinated.

In related news, the European Union [approved the extension](#) of the [EU Digital COVID certificate](#) (a vaccine certificate good across the EU and in 35 other countries) – through mid-2023. (Ukraine had previously joined the certificate, which should make passage of Ukrainian citizens and refugees into the bloc easier.) The European Commission must submit a “detailed report on the certificate” by next February 1, which would enable either renewal or an end to the need for the certificate.

Share of people who completed the initial COVID-19 vaccination protocol

Total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country.

Our World
in Data



Source: Official data collated by Our World in Data

Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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