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1. COVID-19 Caseload Growth Slows Nationally, Deaths Increase

The seven-day average of daily new COVID-19 cases continues to be elevated in most states in the country compared to two weeks ago, but the national average has remained steady over the past week (after several weeks of increases). While increased testing has contributed to an increase in identified cases, one analysis found that since early June—when caseloads began to increase nationally again—testing has increased by roughly 80 percent while caseloads have increased 215 percent. The reported rate of positive tests has increased from 5 percent to roughly 8 percent over that time.

Reported deaths from COVID-19 continued to increase this week, including new record highs in California and Texas. The seven-day average of COVID-19 deaths is similar to levels last recorded in mid-June.
Recently updated analysis of CDC data found that approximately 180,000 more Americans died between mid-March 15 and July 11 than in a typical year. An “excess deaths” analysis is useful since it may capture undiagnosed deaths from COVID-19 and indirect effects of COVID-19 on mortality (for instance, if more people died as a result of putting off medical procedures or screenings when hospitals were over capacity, or if fewer people died as a result of less driving). While recent “excess” deaths are more likely to be undercounted because of reporting lags, an excess deaths analysis suggests that the April peak in deaths was much higher than reported—a three-week stretch averaging more than 20,000 “excess” deaths per week.

2. CDC Announces New Guidelines Supporting the Reopening of Schools

The CDC published new guidelines that endorsed physical attendance for the reopening of schools stating, “Reopening schools creates opportunity to invest in the education, well-being, and future of one of America’s greatest assets — our children — while taking every precaution to protect students, teachers, staff and all their families,” the new opening statement said.

The package included decision tools and checklists for parents, guidance on mitigation measures for schools to take and other information that some epidemiologists described as helpful.

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The opening; guidance for K-12 administrators on preparing their schools, the use of cloth face coverings and screening for symptoms; and for parents, a decision-making tool and a set of checklists for in-person schooling, remote learning or a hybrid.

3. Republicans Negotiate New COVID-19 Relief Proposal

Senate Republicans planned to release details of their next COVID-19 relief program Thursday AM but postponed the rollout as they continued to negotiate with the White House and among their caucus on an agreed proposal. It seems likely that Republicans will limit their initial package to no more than $1 trillion. The House Democrats’ proposal from May, which presumably will represent their negotiating position, included more than $3 trillion in aid spending. The details of the Republican proposal remain fluid, but some reported possibilities include:

**Liability shield.** There appears to be broad agreement among Republicans that enacting an expansive liability shield for businesses, schools, and non-profits whose employees become sick with COVID-19 is a top priority in negotiations with Democrats.

**Economic Impact Payments.** Republicans are likely to propose a second round of stimulus checks mirroring those enacted in the CARES Act—$1,200 per eligible adult and $500 per eligible dependent for families with income below $70,000.
Aid for schools but no general state/local aid. Republicans are likely to propose $70 billion for elementary and secondary schools, with some portion of funding tied to requirements that schools physically re-open for in-person classes. Republicans are unlikely to provide any additional funds for states and localities but may make the spending of existing appropriated funds more flexible.

Enhanced unemployment benefit expansion. Republicans are likely to propose an extension and reduction in Federal Pandemic Unemployment Compensation (FPUC), from the current $600 per week in additional benefits. Republicans appear to be targeting a variable FPUC benefit that would provide total unemployment benefits (state and federal combined) to replace 70 percent of previous wages, though Administration officials had indicated earlier in the crisis that such a proposal would be unworkable for some time as states seek to adjust their antiquated benefit systems. Some reporting indicates the Republicans will temporarily support a lower cap of a flat rate and then transition to the new variable approach. Some earlier reporting suggested Republicans would seek to reduce the flat benefit payment to a level approximating 70 percent wage replacement for a roughly median income earner—a weekly benefit of an additional approximately $170-$200 for all unemployed beneficiaries (though lower amounts had also been reported). FPUC is currently scheduled to expire after this week’s unemployment benefit checks.

Small business. Per a statement from Senator Rubio, Republicans are expected to propose a second, more targeted round of Paycheck Protection Program-type loans or grants for especially affected small businesses, as well as expanded Small Business Administration loans on a long-term, low-interest basis for employers in low-income communities. Easier forgiveness of existing PPP loans is also expected to be part of the package.

Money for testing. After the Trump Administration reportedly opposed additional money for COVID-19 testing and tracing efforts, Republicans appear to have reached an agreement to include $20 billion in additional funding.

No payroll tax cut. Despite the Administration highlighting it as a priority in the runup to negotiations, Republicans appear to have decided not to include a payroll tax cut as part of their proposed package.

4. CED Releases Letters to Congressional Leadership, the President and the Secretary of Treasury on COVID-19 Follow-on Funding

In a letter to Congressional leadership and in a similar letter to the President and the Secretary of the Treasury, CED called for expeditious, comprehensive action to finally defeat the pandemic, provide relief to citizens and economic sectors that continue to be adversely affected and to help our economy return to a growth path that will realize its potential and restore broadly shared prosperity.

The proposals in the letter include:

- **Unemployment Compensation**: Reduce the FPUC benefit to $500 through year’s end to increase incentives to return to work and then target it to a percentage of prior wages, once
states upgrade their systems to implement a more finely tuned alternative. Pandemic Emergency Unemployment Compensation should remain in place into 2021. Additionally, eligibility criteria for the Supplemental Nutritional Assistance Program should be loosened and a block grant program enacted to target eviction-prevention resources to cases of genuine need.

- **Assistance to States and Municipalities:** Congress should fill the gap in state and local revenues until they can return to population- and inflation-adjusted fiscal year 2019 levels. It should also create a block grant for the extra costs of fighting the virus, especially in the cost of K-12 education.

- **The Health Care System:** More must be done to ensure the nation’s health care system can deal with patients in further waves of infection, including adequate supplies, aggressive testing and contact tracing, new treatments, and vaccine development.

- **Early Education and Child Care Support:** The federal government should create a childcare stabilization fund to ensure access to early education programs and safe, high-quality childcare, which is essential for a successful reopening of the economy, and the development of children.

- **Small, minority-owned businesses and the Paycheck Protection Program:** The PPP should run through 2020 but target businesses with fewer than 100 employees. Further, all PPP loans less than $150,000 should be forgiven.

- **Limits on COVID-19 Infection Liability:** Businesses should be liable for negligent or malicious actions, but Congress should provide liability relief to those that act in good faith to allow for orderly reopening.

- **A New Infrastructure Program:** The federal government ought to fund a continuation of federal and state infrastructure programs during the pandemic – the simplest and quickest way to get the economy back on track.

- **Train the American Workforce in the Post-COVID-19 Economy:** Funding for innovative training programs for workers who have been laid off, furloughed, or put on reduced hours to make this crisis an opportunity to meet the nation’s training and upskilling challenge—either by direct support to the recipient or to the institution or organization providing the training.

- **Safe, Accessible, Credible Elections:** Funding to ensure that COVID-19 is not a deterrent to participation in the November 2020 election, and that the election offers an accessible, transparent, and credible way for eligible voters to make themselves heard.

- **Paying for This Recovery:** Congress should demonstrate its fiscal responsibility with a post-recovery dedicated payment mechanism using bonds of 40- or even 50-year maturity.

5. **Infrastructure: Congress Passes Bipartisan Public Lands Bill**

On a bipartisan vote of 310 to 107, the House passed a Senate approved (73-25 in June) public lands bill, the Great American Outdoors Act, which will permanently fund the Land and Water Conservation Fund at $900 million annually for acquiring and improving public lands. The bill, which the President has signaled he would sign, also provides $1.9 billion in each of the next five years for maintenance and repair projects on federal lands and parks—an important element of an infrastructure strategy.

6. **Paycheck Protection Program Analysis Suggests Millions of Jobs Saved, Possibly At High Cost**

A preliminary analysis by MIT economist David Autor and coauthors suggests that the PPP program of targeted forgivable loans to small businesses increased employment by between 1.4 million and 3.2
million jobs through the first week of June, at a fiscal cost of roughly $224,000 per job preserved. The high initial estimate of costs reflects that PPP funds may have gone to many employers who would not have significantly changed their employment and wages in the absence of the program. However, the researchers note that we do not yet know the long-run economic effect of PPP loans and whether they helped to preserve intangible capital, for instance, or how long the measured job effects will persist beyond early June.

7. Unemployment Indicators Remain Steady, Concerns About Backsliding Recovery

During the week of July 4, as many as 32 million Americans may have been receiving some form of unemployment benefits. Reported numbers of continuing claims remained above 30 million for all of June and into the first week of July. Initial claims for unemployment benefits have also been holding steady at an average of 2.3 million new claim applications per week since the end of May.

Despite largely steady unemployment claims trends entering July, there are some signs that increasing COVID-19 caseloads may be dampening or reversing employment recovery. For example, reported employment levels on the Census Bureau’s experimental weekly Household Pulse Survey dropped significantly between June 23 and July 14.

On Thursday, The Conference Board released its Leading Economic Index (LEI) reading for June (+2 percent), reflecting improvements brought about by the incremental reopening of the economy. The LEI is designed to signal peaks and troughs in the business cycle. June was the second straight month of improvement but remains well below pre-pandemic levels and suggests that the US economy remained near recession territory entering July.

8. Retailers Continue to Suffer as a Result of COVID-19

According to the Wall Street Journal, U.S. retailers are on track to close as many as 25,000 stores this year as the pandemic upends shopping habits. AMC, the nation’s largest theater chain, is pushing back the reopening of its theaters to mid-to-late August, after a number of summer blockbusters delayed their release dates. And candy maker Hershey is bracing for a drop in demand from a subdued Halloween this year, a holiday that typically generates a tenth of its sales.

Airlines are also beginning to hunker down for the fall. American Airlines, which has been flying twice as much as some of its rivals this summer, said it will pare back. Southwest Airlines said cancellations are picking up and demand looks weaker heading into fall.

9. Pharmaceuticals

Pfizer/BioNTech Receive Government Funding for 100 Million Doses of Vaccine

The federal government struck a deal to pay Pfizer and its partner BioNTech $1.95 billion for 100 million doses of one of their four experimental coronavirus vaccines, with an option on a purchase of 500 million additional doses. It was reported that the vaccine would then be distributed to the US population free of charge, although Pfizer’s announcement was not definitive on that point.
The vaccine does appear to need two doses for full efficacy, so the total of 600 million doses would be about enough to serve the entire US population. One of the candidate vaccines under development by the two partners was said early this month to have achieved promising results in what appears to have been a combined Phase 1 and Phase 2 trial, with no serious side effects, and having stimulated more antibody production than was present in recovered COVID-19 patients. This agreement potentially could keep much or all of the early production of the vaccine within the United States (although BioNTech is a German firm). The federal government had already struck similar deals with AstraZeneca (in partnership with the University of Oxford) and Novavax, although the deals differ with respect to funding (or not) of research and testing of the vaccines prior to actual approval.

Also over the last week, there have been continued positive reports about trials of Moderna and Oxford vaccines. Phase 3 trials are expected to begin by the end of this month. China’s CanSino Biologics has a vaccine in Phase 3 trials now. Phase 3 trials are not time-limited; they must wait for efficacy to happen, rather than for some fixed time period in which adverse effects do not. As noted last week, there no vaccine trials among the many underway have been terminated thus far for adverse effects, which leads experts to be optimistic that some of the candidates will be successful, but there is no guarantee of success. The Food and Drug Administration standard is that a vaccine must demonstrate 50 percent effectiveness (beneficial results in half of those inoculated), but an emergency declaration to deploy a vaccine is possible. There is continued debate over whether immunity from the novel coronavirus can be achieved, and if so, how long that immunity will be maintained. Immunity has been demonstrated against some diseases (measles), but not against others (the annual flu; the common cold), and some diseases can strike again in modified form (chickenpox and shingles).

Meanwhile, China’s Sinopharm said it would have a vaccine ready for the public before the end of the year. The state-owned company has tested the vaccine on over 2,000 people in China and began clinical trials in the United Arab Emirates last week.

Russia, China Accused of Cybertheft of Vaccine Research

Meanwhile, there have been reports of attempted cybertheft of COVID-19 vaccine research by both Russia and China. In the case of China, indictments of two individuals have been filed; they have a long history of cybertheft, and allegedly were working at the behest of Chinese government intelligence authorities. Because the United States and China do not have an extradition agreement, and because these individuals were working for the government itself, the chances of bringing them to justice are nil. In addition to the indictments, the United States has ordered China to close its consulate in Houston, Texas; again, that step is unlikely to itself force any change in China’s behavior in the foreseeable future, on cyber issues.

But China responded immediately demanding that the U.S. consulate in the city of Chengdu cease operations by Monday in retaliation for the United States’ swift shutdown (Straits Times) of the Chinese consulate in Houston, Texas, over concerns about espionage and other crimes. The Chinese announcement follows a Thursday speech by Secretary of State Mike Pompeo, in which he called for “free nations” to triumph over Chinese tyranny (Guardian).

The latest tit for tat tensions complicate US-China relations at an already difficult time, when the United States has made allegations of Chinese malfeasance or nonfeasance with respect to the propagation of the virus, and US-China trade relations have been hostile for some time.
The US National Security Agency and officials from the British and Canadian governments accused Russia of similar attempted cybertheft. The organization cited for the offense is the same that was claimed to be responsible for interference in the 2016 US presidential election. There is reportedly no evidence that Russia attempted to sabotage US or other research; its apparent motive was to develop its own vaccine more quickly, for either prestige or power. Unlike in the instance of China, there has been no announced indictment or diplomatic retaliation to this date.

From the cybersecurity perspective, policy experts are far from optimistic about the efficacy of the remedies deployed thus far in this pandemic-centered dispute. Russia and China have much to gain from stealing US intellectual property, and there is no clear price that they will pay in the attempt. The closing of the Houston Chinese consulate will neither impose a meaningful penalty nor hinder further cybertheft attempts.

**Remdesivir Shortages**

On the therapeutic front, there have been reports of shortages of remdesivir, including in the US hotspot of South Florida and the disease-beset nation of India. As noted last week, remdesivir has been found in trials and laboratory experiments potentially to have benefits beyond its original reported shortening of hospital stays for seriously ill patients, possibly reducing mortality. Gilead Sciences, the developer of remdesivir, announced pricing for the drug (it had hitherto been distributing its original stock at zero cost), and faced criticism at the level it quoted, based in part on the federal government’s funding of the development of the drug. This dispute highlights the continuing challenge to finance advances such as remdesivir, which was created speculatively as a potential remedy for ebola, and proved ineffective in that use, only to emerge from the back of the figurative medicine cabinet when its properties appeared to match the characteristics of COVID-19. Such a drug would not have been developed without public funding, and so going forward, the nation must decide how to induce pharmaceutical companies to devote their scarce research resources (including the time of their limited number of skilled personnel) to such possibly unprofitable projects.

10. **The Effects of the Disease on the Young**

Public health personnel have expressed frustration that many in this nation – especially younger people – do not take COVID-19 seriously. It has become fashionable in some circles to say that young children cannot become infected, adolescents may but will recover quickly, and neither can transmit the disease. However, there is some evidence – perhaps more anecdote at this stage, but nonetheless cautionary – that young people, although less vulnerable, are still vulnerable, and that the disease can kill or leave lasting scars. This week, a nine-year-old girl became the fifth minor (and the youngest among them, the others ranging from 11 to 17) to die of the coronavirus in Florida. Meanwhile, there are stories – again, anecdotes rather than scientific findings – of persons in their twenties suffering permanent lung damage as a result of contracting COVID-19. One physician estimated that one in five of those who contract the disease are significantly affected. Some experts are arguing for greater caution than is generally apparent at this time.

11. **California Slides Backwards**
California is perhaps the most prominent negative success story in the young history of COVID-19. After a troubling round of early infections, the state’s progress appeared to mirror New York’s. The governor declared victory, and unlocked the state. Advice to wear masks and maintain social distancing, unfortunately, was ignored. A mid-June Orange County Board of Supervisors meeting in mid-June attracted 100 attendees, and all but one wanted a two-week-old mask mandate lifted. COVID-19 cases in California now exceed those in New York, and the state has reversed its lifting of numerous restrictions.

12. Spotlight On Reopening: United Kingdom

As of 23 July, official statistics show 297,146 confirmed cases of the novel coronavirus and 45,554 related deaths in the United Kingdom. Currently, the UK has the second highest COVID-19 related death rate per capita in the world.

In terms of the total number of coronavirus-related deaths in the world, the UK is presently positioned as the third highest (after the United States and Brazil). Several reasons have been presented for the nation’s high death rates. One is the densely packed urban city of London with its huge globally diverse population. In fact, reports on the virus’s genetics indicate that the coronavirus may have entered the UK at least 1,300 times, mostly from other European countries (34% from Spain, 29% from France, and
16% from Italy). Factors such as UK’s high obesity rate, and comprehensive death certificates\(^1\) (including fatalities of those who tested positive for coronavirus whether in hospitals or not, as well as cases where COVID-19 was cited as a contributory factor) have also been considered significant.

The delay in imposing a lockdown (on 23 March – almost two months after the virus was first confirmed in the country) has been also thought to have contributed to the initial infection (from abroad and within the UK) rapidly spreading out of control, and as a result also delaying the reduction of the death rate. The UK, in the early stages of the pandemic, did not take into account infections and deaths in sites other than hospitals, leading to “hotspots” (such as care homes) being overlooked. The aforementioned factors, in addition to other reasons such as initially including only a narrow list of symptoms to look for, the lack of large-scale testing and the lag in establishing contact tracing, have been put forward as reasons for UK’s high coronavirus-related death rates.

Among the four countries that make up the UK, England has seen an abnormally high number of deaths associated with COVID-19 in comparison to numbers in Scotland, Wales and Northern Ireland – the reason for this is thought to be Public Health England’s (PHE) calculation of death statistics – patients in the NHS database who had tested positive for COVID-19 (even if already recovered and discharged) are included in the COVID-19 death figures even if they died at a later date of other causes.

\(^{1}\) In contrast, Spain has only counted deaths of people tested in hospitals and Italy has counted deaths only of people who disclosed being tested positive (which does not necessarily include care homes).
The UK began lifting its lockdown by the end of June, approximately three months after imposing it. Social distancing requirements were cut in half – reducing the distance from six to three feet, even though experts have expressed concern that reducing the required social distance would significantly increase the risk of spreading the virus (the UK still reports about a thousand new infections daily). England began reopening restaurants, pubs, theatres, hairdressers, parks, as well as tourist sites from 4 July (on the condition that facemasks be mandated in all stores), in addition to ending its two-week compulsory quarantine period for incoming travelers from most countries – but continues to restrict travelers from the United States. Northern Ireland also began allowing pubs, restaurants and hairdressers to reopen, and permitted public gatherings of up to thirty people in an outdoor setting.

Scotland followed a similar approach to reopening, also lifting its five-mile travel limit. Wales, on the other hand, seems to have taken a more cautious path to reopening – while the country lifted its “stay local” rule, restaurants and pubs were allowed to operate only in outdoor spaces. The UK currently has plans to open up schools with safety measures in place from either August or September. Coronavirus vaccine trials carried out by scientists at Oxford University have confirmed that an early trial of their experimental vaccine triggered a protective immune response in hundreds of people (18 to 55 years of age) that persisted for at least two months after immunization.
As in almost all affected countries, the coronavirus pandemic has had a large economic impact on the UK, significantly disrupting financial markets, employment, and industries such as aviation, shipping, tourism, etc. The construction industry has seen an estimated 35 percent drop in productivity due to issues such as rising costs due to delays, uncertainty in labor availability, and social distancing measures, even though construction sites have begun reopening. The UK has announced a total of 166 billion GBP in stimulus packages aimed at aiding the economic recovery from the pandemic.

According to reports, UK’s Finance Minister, Rishi Sunak, recently announced a 30 billion GBP economic package (included in the total) to help curb the nation’s growing jobs crisis, and lift the economy out of its worst recession in three centuries. The plan includes bonuses for businesses rehiring their furloughed employees, programs to create and support new jobs for people under the age of twenty-five (who are most likely to have been impacted by business closures due to the pandemic), and reductions in sales taxes to bolster the hospitality and tourism sectors.

**Global Watch: COVID’s Resurgence**

The New York Times reported that as the pandemic continues to grow around the world — new cases have risen more than 35 percent since the end of June — troubling resurgences have hit several places that were seen as models of how to respond to the virus.

An outbreak in Melbourne, Australia, has rattled officials after extensive testing and early lockdowns had limited outbreaks for months. Hong Kong — where schools, restaurants and malls were able to stay open — has announced new restrictions in the face of its largest outbreak since the beginning of the pandemic. And cases have surged in Tokyo, which has avoided a full lockdown and relied on aggressive contact tracing to contain flare-ups.

Spain’s reopening has stumbled in the month after it lifted a national lockdown. New cases have quadrupled, with high infection rates among young people, and forced hundreds of thousands of people to return to temporary lockdown.

As governments around the world look to relax rules put in place to combat the virus, the experiences show how difficult it will be to keep outbreaks at bay. And they reflect, in some places, a weakening public tolerance for restrictions as the pandemic drags on.