

## ***CED Public Policy Watch***

**03.19.2021**

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### **1. UNEMPLOYMENT CLAIMS RISE SLIGHTLY**

Illustrating the stubbornness of the labor market's resistance to recovery from the pandemic, new weekly unemployment insurance claims rose in the week ending March 13 (and were revised slightly higher in the previous week). The headline seasonally adjusted number rose by 45,000 to 770,000, breaking a short string of small declines and dashing the hopes of some to see a number beginning with a "6" for the first time since the pandemic was in its very early stages. The unadjusted number also rose. The four-week moving averages of new claims dropped slightly, following on the small improvements in the last few weeks. Continuing claims, including under the new pandemic-rescue programs, also declined.

Continued high numbers of new claims and layoffs highlight the continued turbulence in the job market, as businesses that were hanging on by their figurative fingernails continue to drop workers or to fail entirely.

### **2. FEDERAL RESERVE HOLDS INTEREST RATES STEADY**

The Federal Open Market Committee closed its policy meeting on Wednesday, making no changes in its monetary policy stance. Chair Jerome H. Powell emphasized in his press conference following the meeting that the economy has recovered better than had been expected, but that it still has a long way to go. Fed policy continues to be that will continue to maintain low interest rates until both the labor market recovers to full employment, and inflation remains somewhat above the 2 percent target for a period of time sufficient to reestablish that 2 percent level as the central tendency given that inflation has been well below that rate for so long. In fact, the consensus of Fed policymakers is that inflation this year will accelerate to 2.4 percent, but Chair Powell maintained in his press conference that this acceleration will be purely temporary, and that for that matter the Fed is looking for actual inflation, not just a forecast, to reattain the 2 percent target. He also noted that the rise in unemployment does not tell the entire labor market story, because as many former workers have withdrawn from the labor

market and are not counted as unemployed. However, the collected forecasts of the Fed policymakers expect that the unemployment rate will fall for 4.5 percent by year end and 3.5 percent by the end of next year.

In an associated thought, noted economic forecaster Allen Sinai told a CED Trustee audience last week that he fears that the economy may reach the Fed's 2 percent inflation target before it reattains full employment, perhaps leaving the monetary policymakers on the horns of a dilemma as to whether to raise interest rates. Sinai also expressed concern that market interest rates are beginning to rise while the US public debt is approaching record levels (expressed as a percentage of the GDP). Chair Powell and past Federal Reserve chairs have also stated that the public debt will need to be addressed at some point after the economy has recovered.

### **3. PANDEMIC NEWS**

Again mimicking the slow and sometimes halting progress of the labor market, the major coronavirus indicators remain much improved from their recent peak, but still at dangerously high levels from a public health perspective, and perhaps warning of a threat from the evolution of the virus.

The number of new cases of the variant per day hovers just above 50,000, and has done so for about one month. The number of daily deaths, a lagging indicator, continues to decline, and currently is about 1,000. A painful question is whether the daily death rate will continue to decline as health care providers become ever more proficient at treating the disease, or whether it too will flatten out if the new case rate continues steady. Similarly, the number of hospitalizations for the virus declines slowly but remains above 30,000; this is far more manageable for our health care system and its workers than the holiday peak, but again remains painfully high.

Select a state or territory:

United States ▼

View:

☒ Cases

☐ Deaths

Metric:

☒ Daily trends

☐ Total and rate

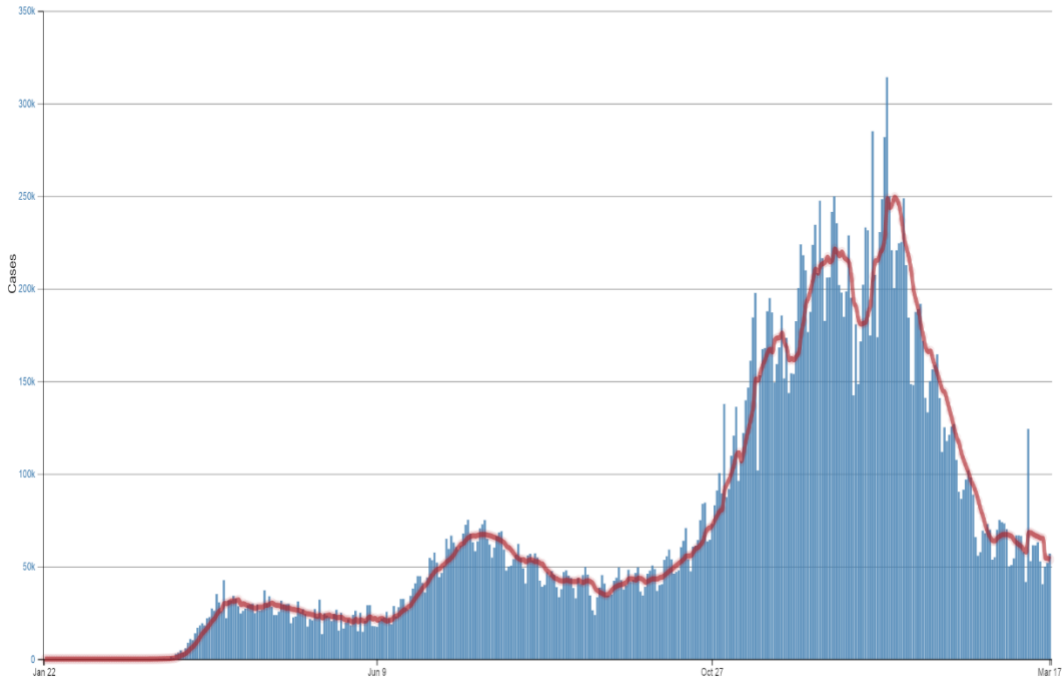
Show:

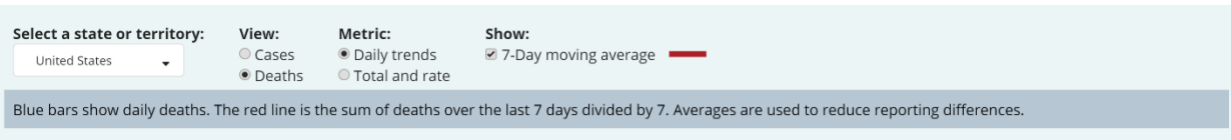
☒ 7-Day moving average



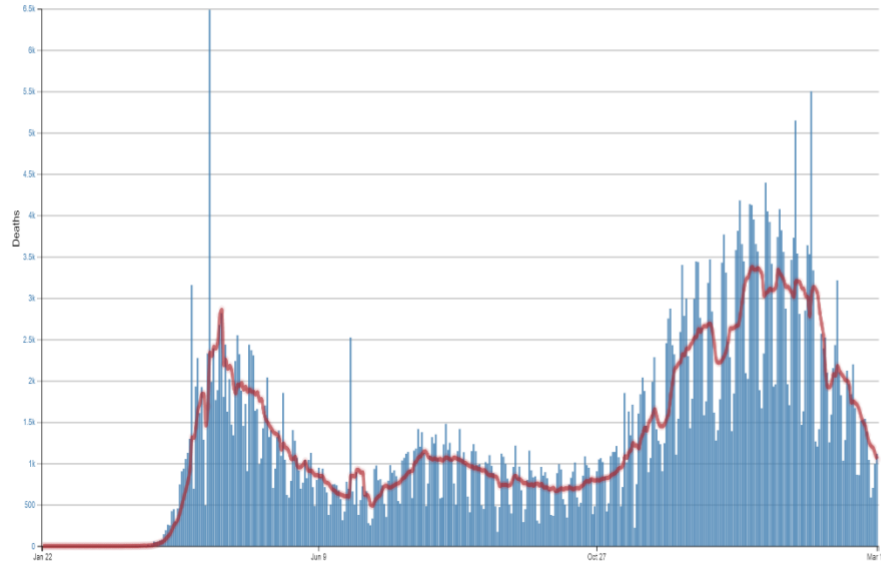
Blue bars show daily cases. The red line is the sum of cases over the last 7 days, divided by 7. Averages are used to reduce reporting differences.

#### Daily Trends in Number of COVID-19 Cases in the United States Reported to CDC





Daily Trends in Number of COVID-19 Deaths in the United States Reported to CDC



Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 1, 2020 – March 15, 2021

**33,683**

Hospitalized Patients  
Mar 15, 2021

**34,295**

Current 7-Day Average  
Mar 9, 2021 – Mar 15, 2021

**38,526**

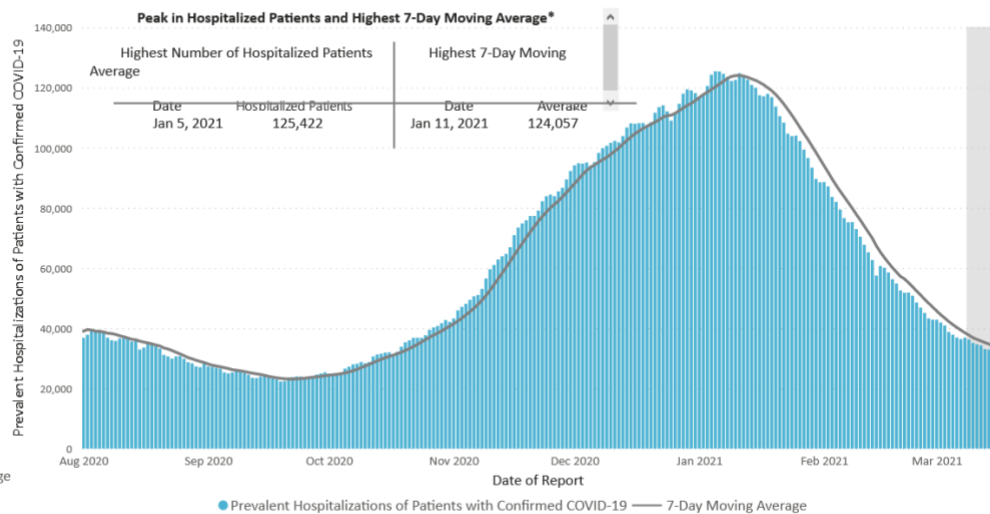
Prior 7-Day Average  
Mar 2, 2021 – Mar 8, 2021

**-11.0%**

Change in 7-Day Average

**-72.4%**

Change Since Peak 7-Day Average



Based on reporting from all hospitals (N=5,257). Due to potential reporting delays, data reported in the most recent 7 days (as represented by the shaded bar) should be interpreted with caution.

\*Small shifts in historic data may occur due to changes in the CMS Provider of Services file, which is used to identify the cohort of included hospitals.

Last Updated: Mar 17, 2021

Unified Hospital Dataset, White House COVID-19 Team, Data Strategy and Execution Workgroup

#### 4. VIRUS VARIANTS IN THE UNITED STATES

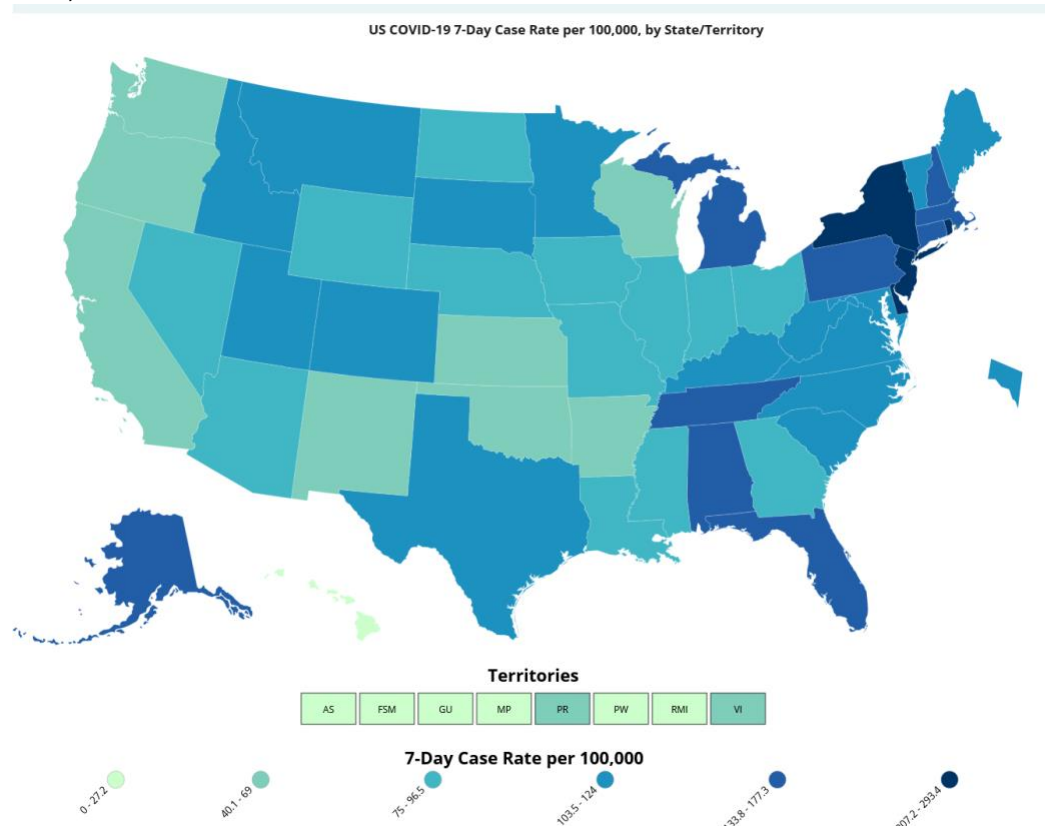
The CDC [classifies](#) virus variants in three levels: “Variants of Interest” (“A variant with specific genetic markers that have been associated with changes to receptor binding, reduced neutralization by

antibodies generated against previous infection or vaccination, reduced efficacy of treatments, potential diagnostic impact, or predicted increase in transmissibility or disease severity”); “Variants of Concern” (“A variant for which there is evidence of an increase in transmissibility, more severe disease (increased hospitalizations or deaths), significant reduction in neutralization by antibodies generated during previous infection or vaccination, reduced effectiveness of treatments or vaccines, or diagnostic detection failures”); and “Variants of High Consequence” (“A variant of high consequence has clear evidence that prevention measures or medical countermeasures (MCMs) have significantly reduced effectiveness relative to previously circulating variants”).

At this time, there are no known variants present in the United States and designated as “of high consequence.” There are three “variants of interest:” two (B.1.526 and B.1.527) first observed in New York, and one (P.2) first observed in Brazil. Three widely discussed variants are classified as “variants of concern.” They include the B.1.1.7 (“United Kingdom”), B.1.351 (“South Africa”) and P.1 (“Brazil”) variants of the original SARS-CoV-2 coronavirus. However, the CDC has recently added to that list of “variants of concern” two new discoveries: B.1.427 and B.1.429. Those two variants were first observed in California. Those variants are assessed to have about 20 percent greater transmissibility than the original coronavirus, and to be more resistant to treatments.

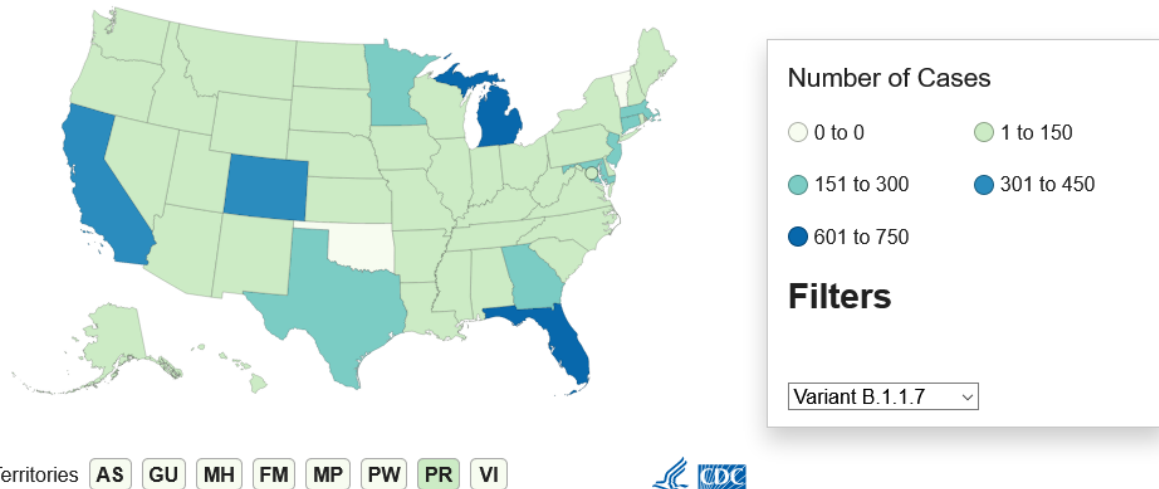
We have related the concern that coronavirus variants could potentially spread more rapidly, evade current vaccines (and even potentially immunity previously attained through infection, recognized or not), and provide the coronavirus with more opportunities to mutate still further and thus accelerate still more the pace of the pandemic.

To assess the danger of such a worsening, it is worth a state-by-state look at the recent progress of the virus, as shown in the chart below:



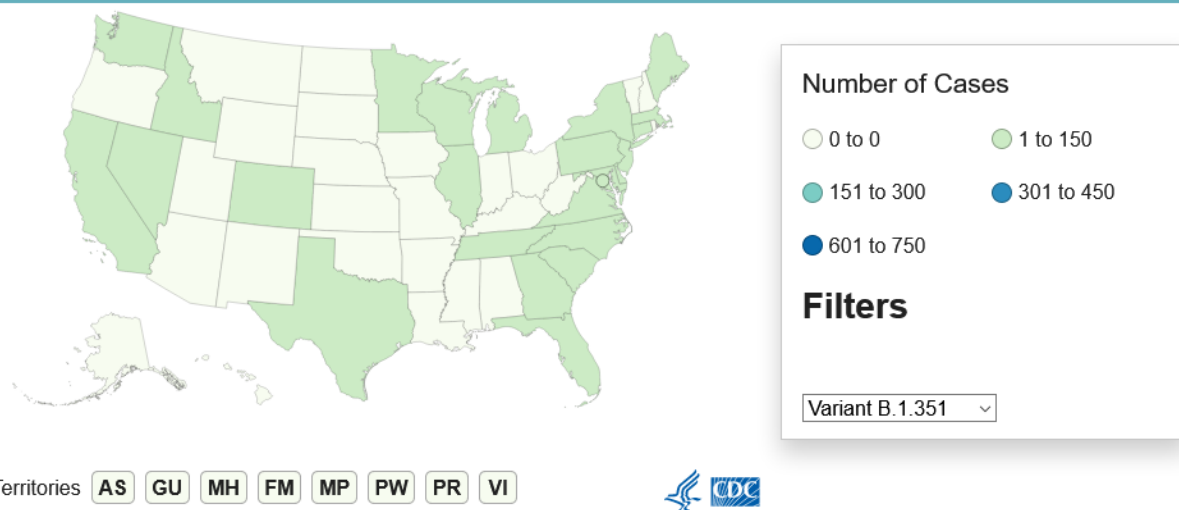
So the darker colored states have the highest per-capita incidences of COVID-19. The CDC has accumulated full data only on the three older variants, not on the two new ones discovered in California (although those two are [growing](#) in California, Nevada and Arizona). Of those three, the P.1 variant, though potentially dangerous, has not yet spread markedly here. The more prevalent of the other two variants is B.1.1.7. It has been detected across the states as shown in this chart:

Cases of Variants of Concern in the United States\*†



The other relatively prevalent variant, B.1.351, has penetrated the states as shown in this chart:

Cases of Variants of Concern in the United States\*†



Among the states that appear of the most concern in terms of overall infections, Colorado, Florida, Michigan and Texas show up as being most beset by new coronavirus variants. (Reports in the last few hours also suggest rapid case buildup in California, which has a high prevalence of B.1.1.7, plus issues with the two new variants as well.) The overall new daily case count has remained stable for the last few weeks, but the appearance of these virus variants in states with relatively high incidence does suggest reason for vigilance going forward.

## 5. THE PANDEMIC AND VACCINES IN EUROPE

Vaccinations in [Europe](#) are running far behind those in the United States. In part for that reason, Europe is facing a [resurgence](#) of the virus while the United States sees a lull (though as discussed above, that lull might prove only temporary). For example, [Italy's](#) cases and deaths have grown so rapidly that it has invoked another lockdown—this after the recovery from the initial tragedy had left people believing that the worst was over. Italy's vaccination program is among the world's least advanced, adding to the anxiety. France has announced a new lockdown in the Paris region.

The European resurgence was only made more fearsome by a [scare](#) regarding the AstraZeneca vaccine—which was discovered at the University of Oxford in the United Kingdom, and is the most widely used vaccine in the world. Incidences of rare blood clotting caused a brief shutdown of use of the vaccine, even though experts explained that the frequency of those clots among the vaccinated population were no greater than in the population at large. The vaccine has now been cleared for renewed use, but any reputational damage to the vaccine, which is comparatively cheap, easy to handle, and licensed for production and use around the world (except in the United States, where regulators want to see more testing data), would be a serious blow to the global effort to defeat the pandemic.

## 6. SPOTLIGHT ON REOPENING: ISRAEL—POSSIBLE REVERSALS

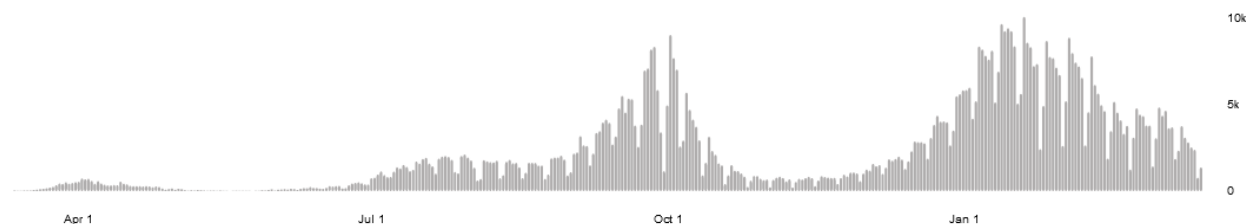
[Israel](#) has been a model patient in the pandemic. Paying top dollar, the government bargained for early deliveries of large volumes of vaccines to enable early inoculations, which was made easier because of the small population to be immunized. Because much of the nation's health care is delivered by four large health maintenance organizations (HMOs), distribution and administration of the vaccine was straightforward. The early pace of inoculation was so rapid, and the number of persons inoculated so large (even with the small overall population), that it was possible to draw strong statistical [conclusions](#) about the efficacy of the Pfizer vaccine. Prime Minister Benjamin Netanyahu has attributed significant reductions of infections and deaths among vulnerable populations to the vaccination program.

However, there are indications that the rapid early progress has reached its limits. The pattern of the indicators is very similar to that in the United States. A drop in infections from dizzying peaks has left the level still dangerously high. There are populations within Israel (including young adults and the ultra-Orthodox) that are not well disposed toward vaccination, or even such cautious behavior as mask wearing. The government itself has been hesitant to commit significant resources to inoculating its Palestinian population. And the arrival of variants that are more successful at working around the current vaccines are thought to have led to a bottoming out of the improvement in daily cases.

### Israel Situation

**819,493**

confirmed cases



Source: World Health Organization

The public discussion in Israel contemplates a long hard slog against the pandemic, not a once-for-all victory. There likely will be a struggle to pull in the resistant stragglers for vaccination, with a gradual easing of the current, third, national lockdown in stages. Reversals of the reductions of infections will require halting or even reversing the reopening process. Given the similarity of the paths of halting progress against the virus, it is a prospect that is likely for the United States as well.