

CED Public Policy Watch

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1. WEEKLY UNEMPLOYMENT INSURANCE CLAIMS STEADY, BUT OTHER DATA POSITIVE

In the week ending June 19, new claims for unemployment insurance under regular state programs declined by only 7,000. This was a bit of a surprise, because claims in the preceding week had jumped by a revised 44,000. New claims are well down from their pandemic peak, but remain close to double their pre-pandemic level. That suggests continuing layoffs in the labor market, despite a perceived shortage of workers that has sparked wage increases and, consequently, fears of inflation. In the week ending June 5 (reported with a longer lag), claims under all programs, including the special federal programs created to respond to the pandemic, increased by just under 4,000, again sending ambiguous and tepid signals about progress in the labor market's recovery. One [hypothesis](#) about the mixed signals is that the low-hanging fruit in the recovery from the pandemic has been picked, leaving a harder slog remaining. The evidence for that hypothesis is that more than 18 million of the unemployed reported that they were on temporary layoff in April of 2020; that number in May was down to 1.8 million. That would suggest that most workers who had jobs to which to return have done so, and that most of the remaining unemployed must find new jobs.

Other economic indicators remain more upbeat, however. The latest GDP release shows real first-quarter growth of 6.4 percent. And new orders for durable goods increased by 2.3 percent in May, in this case showing a rebound from a small drop in April.

2. THE FEDERAL RESERVE AND INFLATION

The Federal Open Market Committee met last week and, though it held policy constant, it ruffled a few feathers with [signals](#) that tightening in some form is not beyond the horizon. The so-called "[dot plot](#)"—a collection of personal individual forecasts of FOMC members, not a collective forecast of the FOMC—showed that seven of 18 members expect the Federal funds rate to move off the zero lower bound in 2022, and that 13 expect a higher rate in 2023. Because these are each participant's assessment of the

appropriate monetary policy assuming that the participant's personal economic forecast is borne out—and those are 18 different economic forecasts—the dot plot is not at all an agreement, or even a consensus. However, it is an indication that the FOMC members, by and large, are moving toward a view that economic growth and inflation will justify higher rates sooner than they had anticipated as of prior meetings.

The FOMC, based on its statement, believes that the recent burst of inflation will be temporary. There are good reasons for that assessment. Inflation has been boosted by price increases for used cars (which surely will not continue until prices of used cars exceed those of new ones, and do not embody any costs that will be passed through across the economy), oil (whose price is effectively capped by the cost of additional horizontal drilling in the United States), and transportation of goods (which should settle down once the system interruptions caused by the pandemic and the temporary Suez blockage are sorted out). There will remain the intensely competitive global economy (facilitated by technology and instant price comparisons), and the growing productive capacity in developing nations all around the world (once the pandemic is put down). The most credible threat to price stability is rising wage costs here in the United States, but there is a reservoir of labor on the sidelines to douse that flame (again, after the pandemic is resolved, child care is again available, and people go back to work).

3. INFRASTRUCTURE DEAL REACHED

President Biden and a bipartisan group of 10 senators agreed to an infrastructure plan. Both the President and Democratic leaders said that advancing the [roughly \\$1 trillion deal](#) will hinge on the passage of more elements of Mr. Biden's \$4 trillion economic agenda through the reconciliation process, setting up weeks of delicate negotiations. The President said he would not sign the bill into law until a bill containing the rest of his agenda was "on his desk."

The bill contains \$579 billion of spending above expected federal levels and a total of \$973 billion of investment over five years and \$1.2 trillion if continued over eight.

Bipartisan Infrastructure Framework

	Amount (billions)
Total	\$579
<u>Transportation</u>	<u>\$312</u>
Roads, bridges, major projects	\$109
Safety	\$11
Public transit	\$49

Passenger and Freight Rail	\$66
EV infrastructure	\$7.5
Electric buses / transit	\$7.5
Reconnecting communities	\$1
Airports	\$25
Ports & Waterways	\$16
Infrastructure Financing	\$20
<u>Other Infrastructure</u>	<u>\$266</u>
Water infrastructure	\$55
Broadband infrastructure	\$65
Environmental remediation	\$21
Power infrastructure incl. grid authority	\$73
Western Water Storage	\$5
Resilience	\$47

**New spending + baseline (over 5 years) = \$973B*

**New spending + baseline (over 8 years) = \$1,209B*

The pay-fors include repurposing existing federal funds, public-private partnerships and revenue collected from enhanced enforcement at the Internal Revenue Service, sales from the strategic petroleum reserve and wireless-spectrum auction sales among the other revenue raisers.

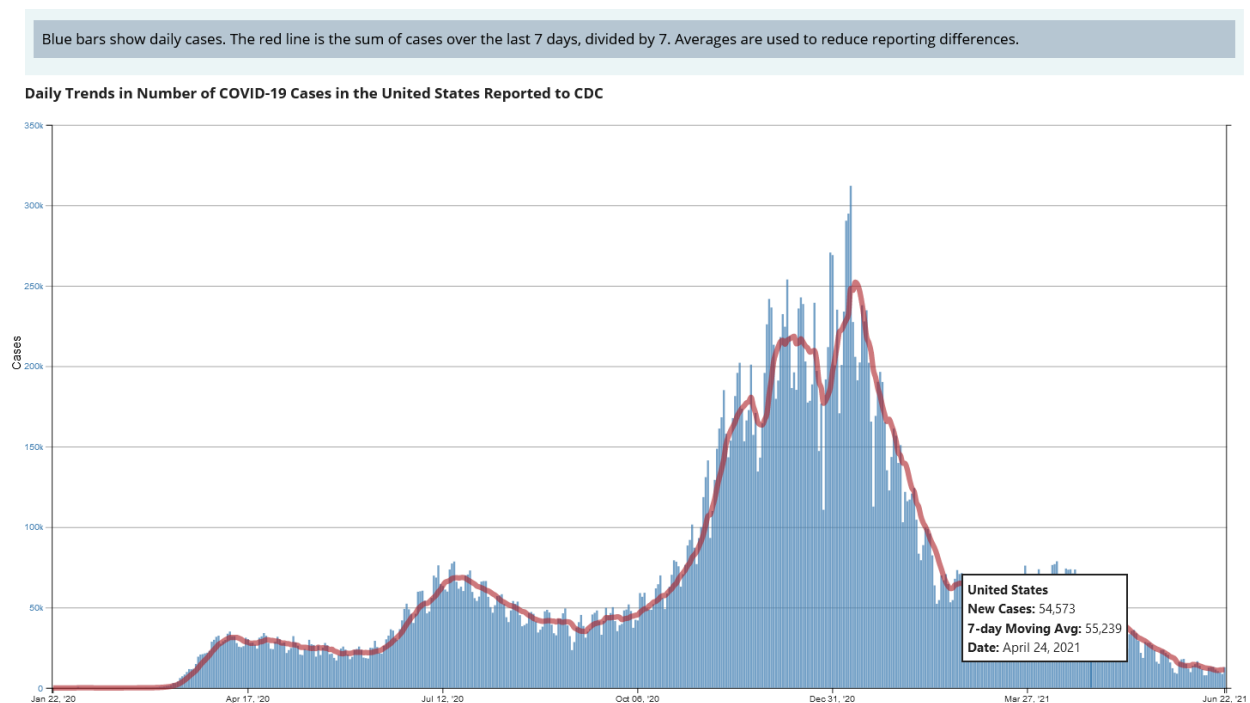
Proposed Financing Sources for New Investment

- Reduce the IRS tax gap
- Unemployment insurance program integrity
- Redirect unused unemployment insurance relief funds
- Repurpose unused relief funds from 2020 emergency relief legislation
- State and local investment in broadband infrastructure
- Allow states to sell or purchase unused toll credits for infrastructure
- Extend expiring customs user fees
- Reinstate Superfund fees for chemicals
- 5G spectrum auction proceeds

- Extend mandatory sequester
- Strategic petroleum reserve sale
- Public-private partnerships, private activity bonds, direct pay bonds and asset recycling for infrastructure investment
- Macroeconomic impact of infrastructure investment

4. PANDEMIC NEWS

COVID-19 cases in the United States continue to decline, but very slowly and grudgingly. The seven-day moving average of daily new cases fell to the 14,000 bracket on June 2, reached the 13,000s on June 5, made it to the 12,000s on June 13, and then to the 11,000s on June 16. The number on June 22 was still 11,282. Dr. Anthony Fauci apparently let slip some weeks ago that he would believe in great progress if we broke below 10,000; and the virus heard him, and wants to deny him that satisfaction.



The number of hospitalized patients is just as stubborn, remaining above 12,000.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States August 01, 2020 – June 21, 2021



12,402

Current 7-Day Average

Jun 15, 2021 – Jun 21, 2021

14,148

Prior 7-Day Average

Jun 08, 2021 – Jun 14, 2021

123,865

Peak 7-Day Average

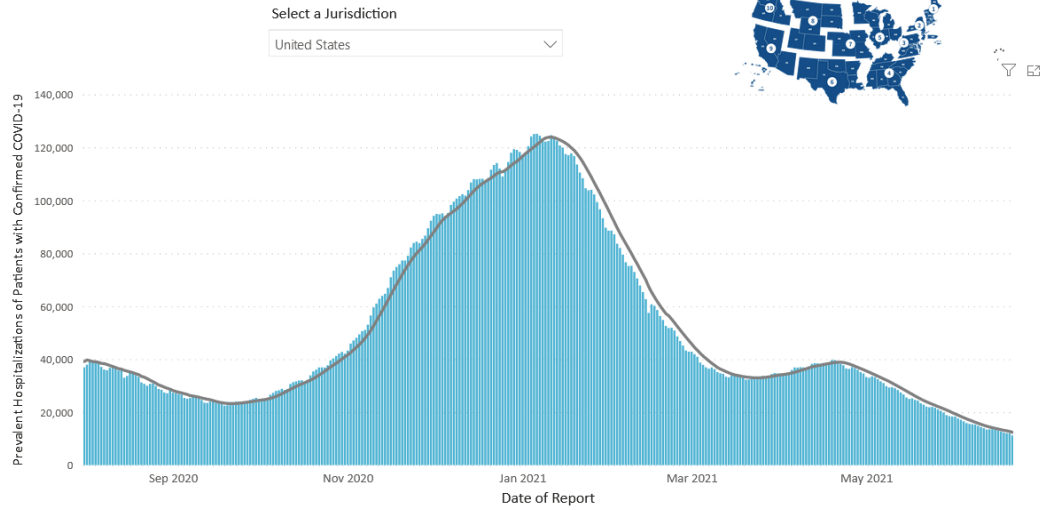
Jan 05, 2021 – Jan 11, 2021

-12.3%

Percent change from prior 7-day
avg. of Jun 08, 2021 – Jun 14, 2021

-90.0%

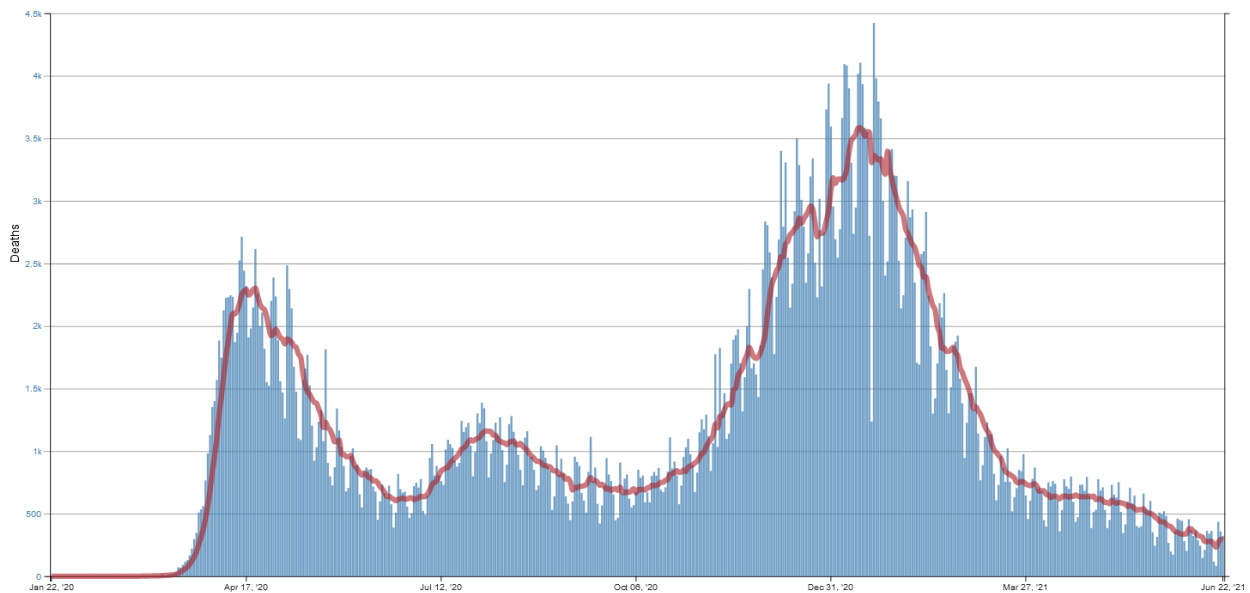
Percent change from peak 7-day
avg. of Jan 03, 2021 – Jan 09, 2021



The seven-day moving average of daily COVID deaths in the United States has been in the high 200s since June 14, and as of June 22 (latest available at this writing) stood at 287.

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

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

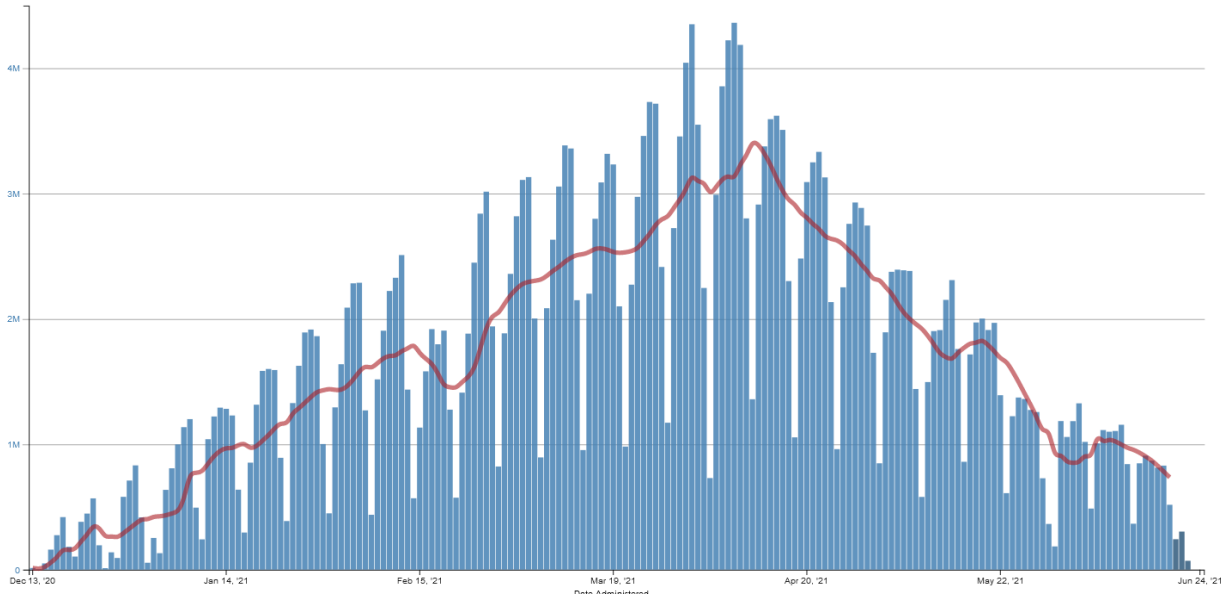


The data on the prevalence of the different variants of the virus are available only with a significant lag. However, the latest numbers show the rapidity with which the so-called “delta” variant, B.1.617.2, is growing in the United States. This variant appears to be 60 percent more transmissible, and also more lethal, than the original strain. It is now [estimated](#) to account for one in five infections in the United States. The P.1 variant, first identified in Brazil, is another cause for concern.

5. VACCINE NEWS

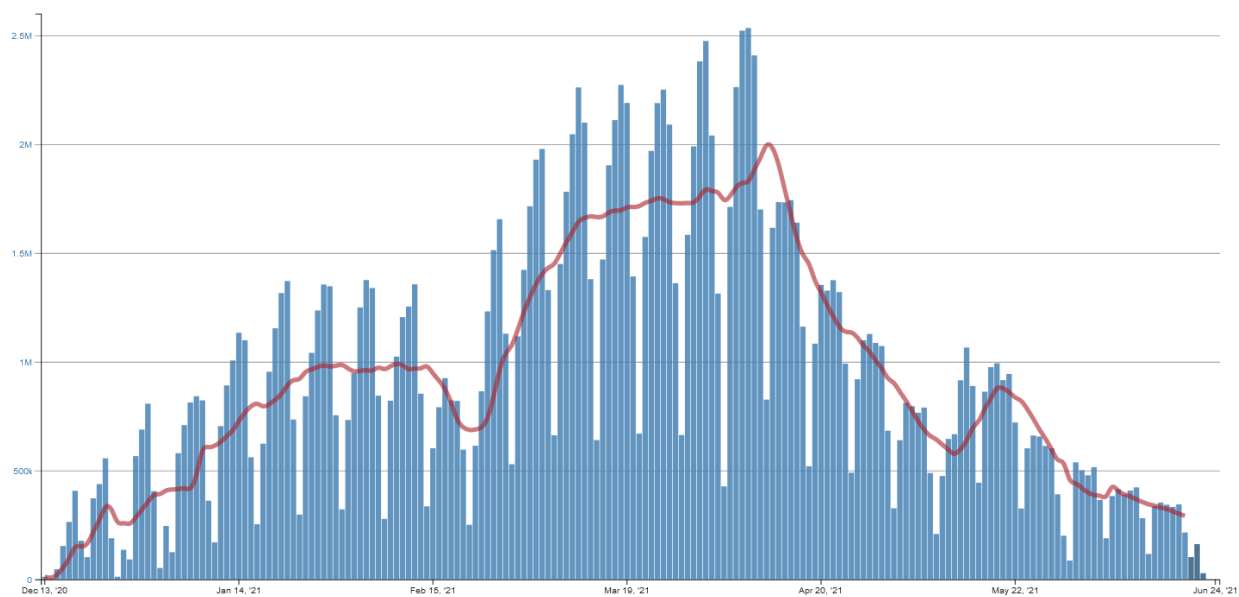
The nation continues to make slow and decelerating progress in its push toward sufficient vaccination to force COVID-19 to die out. The number of doses administered daily continues to trail off, and now is well below one million.

Daily Count of Total Doses Administered and Reported to the CDC by Date Administered, United States

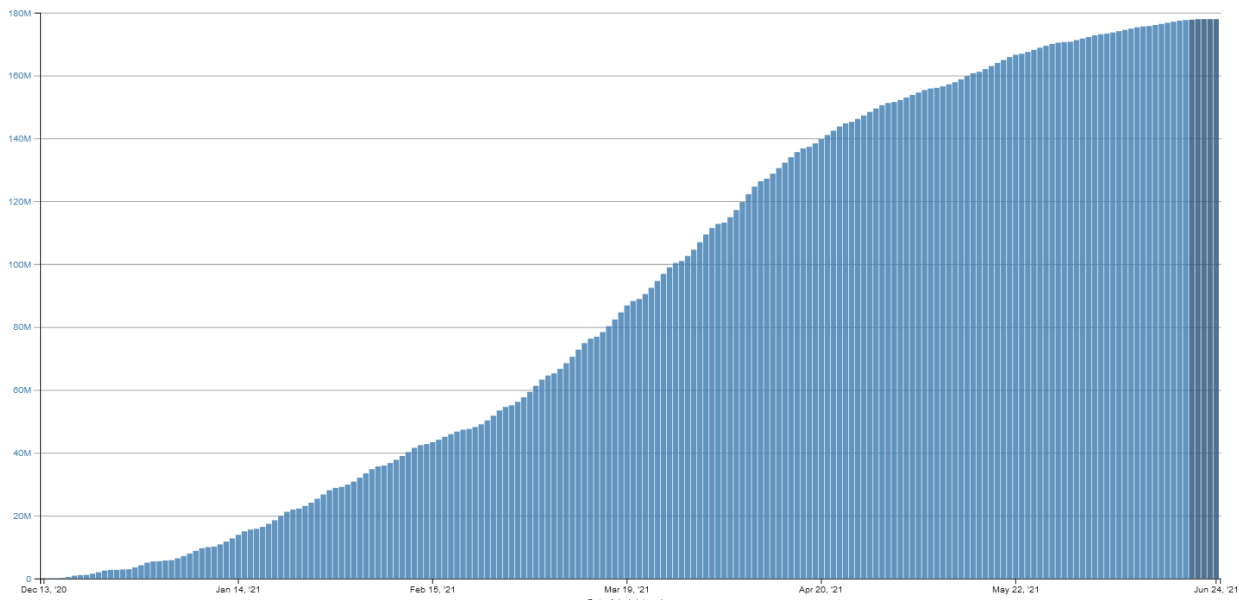


Telling is that the daily number of persons receiving their first doses of the vaccine is now well below 500,000. It is all well and good that people are completing the typical two-dose regimen, but stamping out the virus will require more people to receive at least some inoculation, and at the stage, the number of people who are vaccine resistant, as opposed to merely hesitant, simply refuses to budge. Despite enormous person-to-person [effort](#), the plateau of the number of persons receiving at least one dose is becoming flatter and flatter.

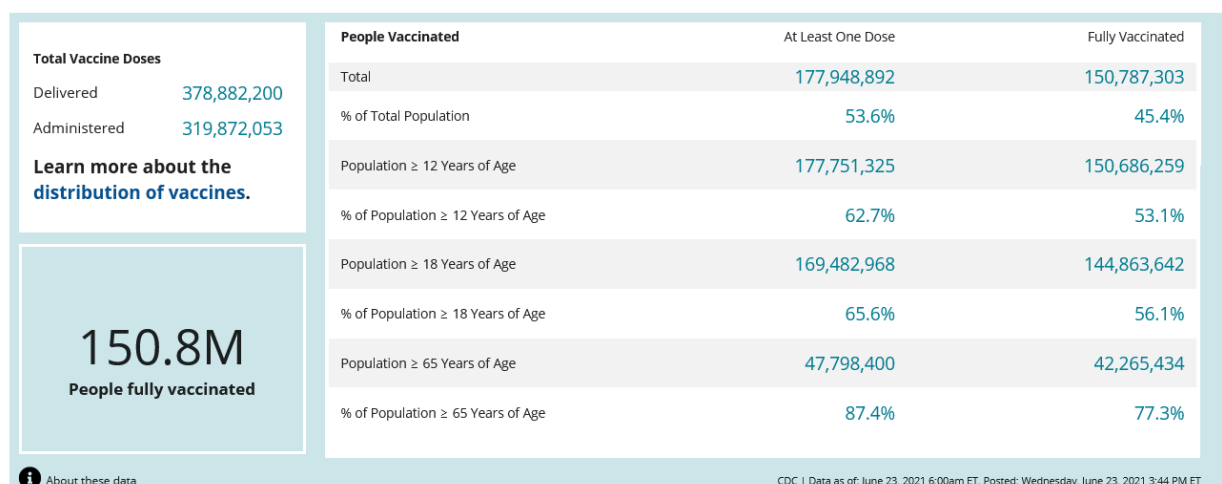
Daily Count of People Receiving Dose 1 Reported to the CDC by Date Administered, United States



Cumulative Count of People Receiving at least One Dose Reported to CDC by Date Administered, United States



The vaccination campaign has been comparatively successful among the elderly, but much less so among young adults. The administration has claimed credit for satisfactory rates among those aged 30 and over, but has [conceded](#) that it will not reach its target of at least one shot for 70 percent of all adults by the July 4 holiday. And again, the national average rate understates the protection in urban areas, but overstates it in rural parts of the country; and so long as the virus remains free to propagate and mutate, we will never close the page on this sad chapter of history. The gap of almost 60 million vaccine doses between the number delivered to medical personnel and the number actually administered is emblematic of the impact of popular vaccine reluctance on progress against this disease.



Dr. Anthony Fauci, the Director of the National Institute of Allergy and Infectious Diseases, [reports](#) that those still dying from COVID-19 in the United States are “overwhelmingly” unvaccinated. That means that the remaining price of the disease is disproportionately being paid by particular geographic, religious, racial, and political groups, which is a depressing thought in a society every corner of which can benefit from the very best science, information, and medical care.

Another depressing thought: the Seychelles, Chile, Bahrain, and Mongolia are all between 50 and 68 percent fully inoculated (higher than the United States, and much higher than the 10 percent global [average](#)), but with the two Chinese vaccines, Sinopharm and Sinovac Biotech; and all four countries are [suffering](#) among the 10 worst outbreaks in the world. The Chinese vaccines are not standing up to the current challenge of the virus, including from the new, more transmissible variants.

6. SPOTLIGHT ON REOPENING: CONTINUED PANDEMIC IN BRAZIL

Last Saturday, the COVID-19 death toll in Brazil surpassed 500,000. An average of 74,490 [cases per day](#) were reported in Brazil in the past week. Cases have increased 26 percent from the average two weeks ago, while deaths have increased by 21 percent. The 500,000 death count puts Brazil behind only the US, which marked 600,000 [deaths last week](#). To put these numbers in perspective, Brazil’s population of just over [214 million](#) is significantly lower than the US’s nearly [333 million](#).

Daily new confirmed COVID-19 deaths

Shown is the rolling 7-day average. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



Source: Johns Hopkins University CSSE COVID-19 Data

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President Jair Bolsonaro has dismissed the threat of the virus since its early days; Bolsonaro failed to acquire an adequate vaccine supply and questioned the need for wearing masks. Vaccine-maker Pfizer said they received no response to offers to sell vaccines to the government between August and November of 2020. So far, only 12% of the population is fully vaccinated, with 30% having received at least one dose.

Brazilians took to the streets last Saturday to [protest](#) “the genocidal Bolsonaro government that did not buy vaccines and has done nothing to take care of its people in the last year,” said one protestor at the national mall. [Critics claim](#) that Bolsonaro’s promotion of disproven treatments such as hydroxychloroquine along with the country’s sluggish vaccine campaign have contributed to the soaring death toll. Last month, his government announced that Brazil would host the Copa America soccer tournament after Argentina claimed it would be irresponsible to do so while the virus ran rampant. Last Friday, Brazil’s health ministry announced that 37 players and staffers of the ten tournament teams were infected, in addition to 45 workers.