

CED Public Policy Watch

07.16.2021

- 1. UNEMPLOYMENT CLAIMS CONTINUE THEIR DOWNWARD TREND, ESPECIALLY AS SOME STATES END BENEFITS**
- 2. ELEVATED INFLATION RATE CONTINUES**
- 3. FED CHAIRMAN POWELL REMAINS OPTIMISTIC ON INFLATION, TENTATIVELY**
- 4. BIDEN BUDGET DEALS ADVANCE, TENTATIVELY**
- 5. PANDEMIC NEWS**
- 6. VACCINE NEWS**
- 7. SPOTLIGHT ON REOPENING: AUSTRALIA PLAYS CATCH-UP**

- 1. UNEMPLOYMENT CLAIMS CONTINUE THEIR DOWNWARD TREND, ESPECIALLY AS SOME STATES END BENEFITS**

New weekly unemployment insurance claims declined for the week ending July 10, remaining below the 400,000 mark for the third consecutive week. The headline seasonally adjusted number fell by 26,000 to 360,000 (but was revised higher for the previous week). The four-week moving average also declined after ticking upward in previous weeks, indicating an ongoing, but still bumpy, labor market recovery. Unadjusted initial claims for Pandemic Unemployment Assistance (PUA) for self-employed and gig workers also fell significantly for the second week in a row. As certain states end this and other special pandemic-related UI programs, we will mechanically see initial and continuing claims for these benefits fall over the next several weeks.

As a result, the total number of individuals receiving benefits under all state and federal programs, while still elevated at 13.8 million, has begun to fall at a faster rate than during the 4 weeks prior to June 12, when states began opting out of federal pandemic unemployment programs.

- 2. ELEVATED INFLATION RATE CONTINUES**

The report on consumer price inflation in June was even more worrisome than that for June. Both the headline index covering all items and the “core” index excluding food and fuel increased by 0.9 percent in that one month. Over the last 12 months, the all-items index increased by 5.4 percent; the core index increased by 4.5 percent. However, just as last month, there are indications that this fire will burn itself out. More than one-third of the one-month increase in the all-items index came from prices of used cars and trucks, and those prices will come down when supply issues for new cars are resolved. Airfares also

increased, but they remain below pre-pandemic levels, and likely will not continue to increase at current rates. It is always easy to say that except for the components of the increase that increased most rapidly, the index increased more slowly. But there are clearly some extraordinary—and potentially temporary—factors at play.

3. FED CHAIRMAN POWELL REMAINS OPTIMISTIC ON INFLATION, TENTATIVELY

The latest consumer price index shows inflation well above the Federal Reserve's target rate. It also coincided with [testimony](#) before Congress by Fed Chair Jerome Powell. Chair Powell repeated that he and his colleagues continue to believe that the current burst of inflation, which the Fed had anticipated, will prove temporary. However, he hedged his bets a bit. He conceded that measured inflation over the last few months is more rapid than the Fed expected. And he said explicitly that the Fed is watching the numbers, and is prepared to act if current inflation persists. Among the contingencies that he cited was the possibility that labor force participation might not bounce back after the pandemic eases, which could set off bidding for labor and raise the cost of production. Chair Powell did not buy into any hypothesis about why potential workers might hang back, but he acknowledged that the current reopening of the economy with aggressive policy support is unprecedented, and might yield unpredictable reactions in the labor force.

4. BIDEN BUDGET DEALS ADVANCE, TENTATIVELY

On Wednesday, President Biden and the Democratic leadership in Congress [proclaimed](#) that they had [achieved](#) agreement on a \$3.5 trillion package of human and technology investment, climate-change initiatives, tax cuts, and broadening of health care coverage. The principals assured their colleagues that the plan would be fully paid for. However, documentation was sparse, and what paper there was included language for several of the headline items such as this for extension of tax cuts for families with children: *"The duration of each credit's enactment will be determined based on scoring and Committee input."* In other words, although the package is asserted to be paid for, it may achieve that status by making some of its initiatives temporary. In addition, comments by several of the potentially hesitant members of the Senate made clear that they had not yet heard precisely how the bill would be financed.

And on Thursday, the bipartisan package on physical infrastructure hit an apparent [speed bump](#) over an important element of its financing package. Parties to the deal had counted on revenues to be raised by increasing funding for the Internal Revenue Service that would increase compliance with the law and reduce the "tax gap." Some take this idea to be unexceptionable, in that it would require only that individuals pay the tax that they already legally owe. However, others raised specters of intrusion and coercion, and characterized the additional tax liability that would be paid as a "tax increase." It appears likely that the bipartisan working group will decide that it must go back to the drawing board to replace the missing financing.

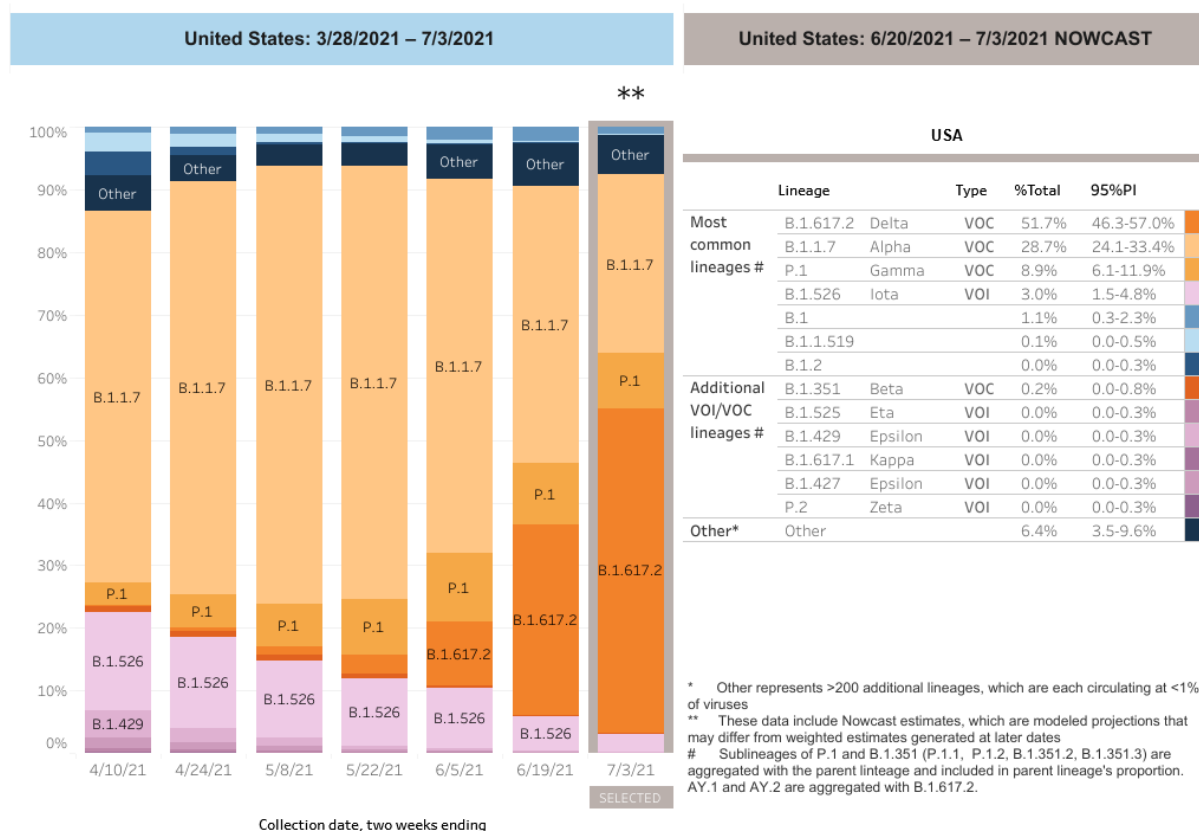
5. PANDEMIC NEWS

Like a resurgent Wimbledon singles finalist who has saved match points and squeaked through a tiebreaker to stay alive, COVID-19 has come roaring back. There may be limits, because enough of the population has been vaccinated to make a full repeat of last year's initial and holiday surges unlikely. But

new cases are again increasing (admittedly from a low base) at exponential rates, and much of the population remains unvaccinated and therefore vulnerable. We should have put this guy away when we had the chance. Now we have a fight on our hands.

The Delta variant (B.1.617.2) has made an enormous difference. It was [estimated](#) early on to be about 50 percent more transmissible than the original SARS-CoV-2, and to have a hospitalization rate 85 percent higher. Newer [estimates](#) suggest that it could be 2-1/2 times more transmissible, and twice as lethal. (Those estimates will surely be refined with time.) At that rate, we could expect Delta to march through the unvaccinated population at a deadly pace. The only prospect more frightening is that a further variant could be even worse.

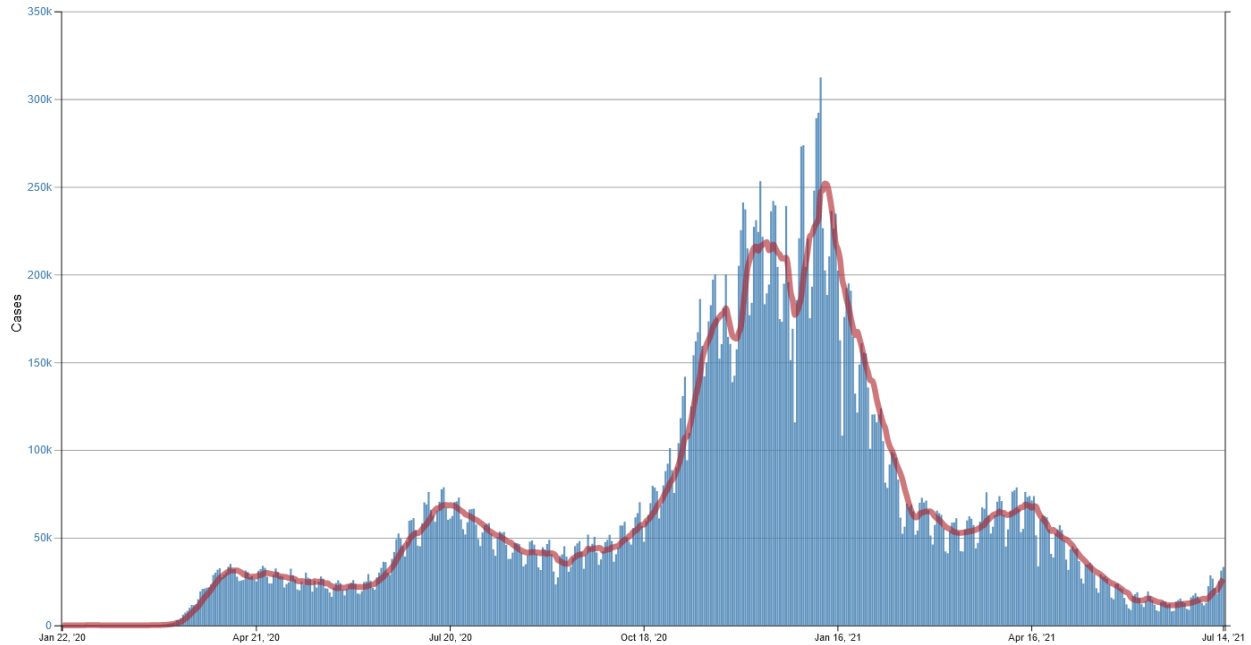
The CDC has not issued new estimates of the prevalence of the various strains of the virus, but we reproduce the chart from last week for your convenience. It confirms the transmissibility of the Delta variant by showing that it has become prevalent in the United States (as it has elsewhere). It therefore hints at what Delta can do in the unprotected parts of the country.



After a brief hesitation and in response to the aggression of the Delta variant, the daily case count has begun to increase at an accelerating rate. After spending the week-plus from June 17-24 in the 11,000 bracket, the seven-day moving average of daily new cases has more than doubled, to 26,306 as of July 14. And the one-day count on that date was 33,292.

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



The number of hospitalizations also is up, by almost one-fourth in just a week. The latest seven-day average is less than one-eighth of the peak value, and the levels of vaccination in the nation, though still unsatisfactory, might prevent a nationwide overload of the health care delivery system.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States
August 01, 2020 – July 13, 2021

15,580

Current 7-Day Average
Jul 07, 2021 – Jul 13, 2021

12,824

Prior 7-Day Average
Jun 30, 2021 – Jul 06, 2021

123,865

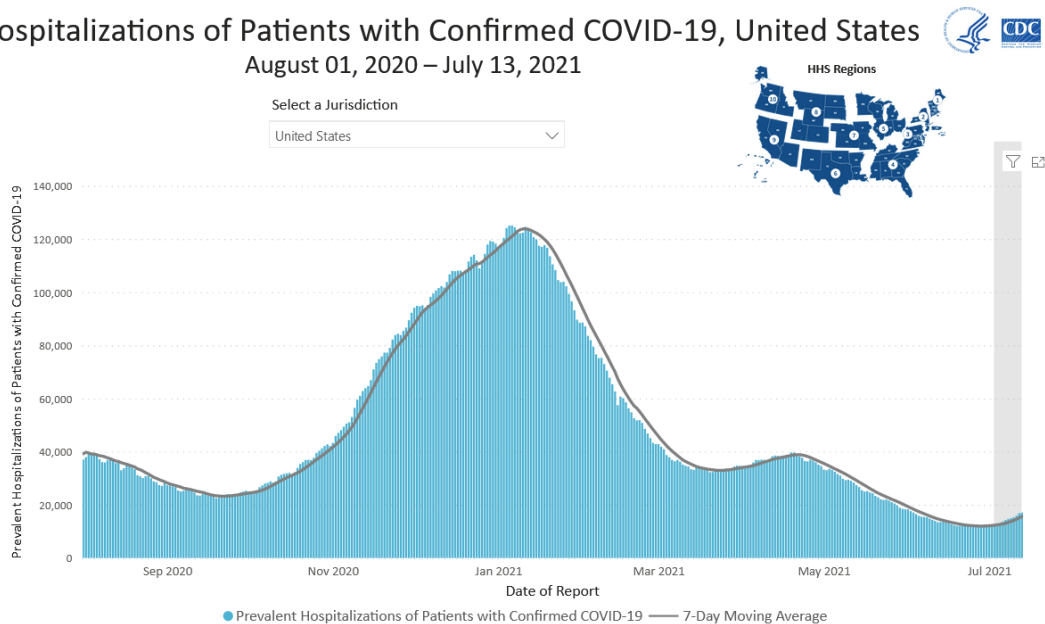
Peak 7-Day Average
Jan 05, 2021 – Jan 11, 2021

+21.5%

Percent change from prior 7-day
avg. of Jun 30, 2021 – Jul 06, 2021

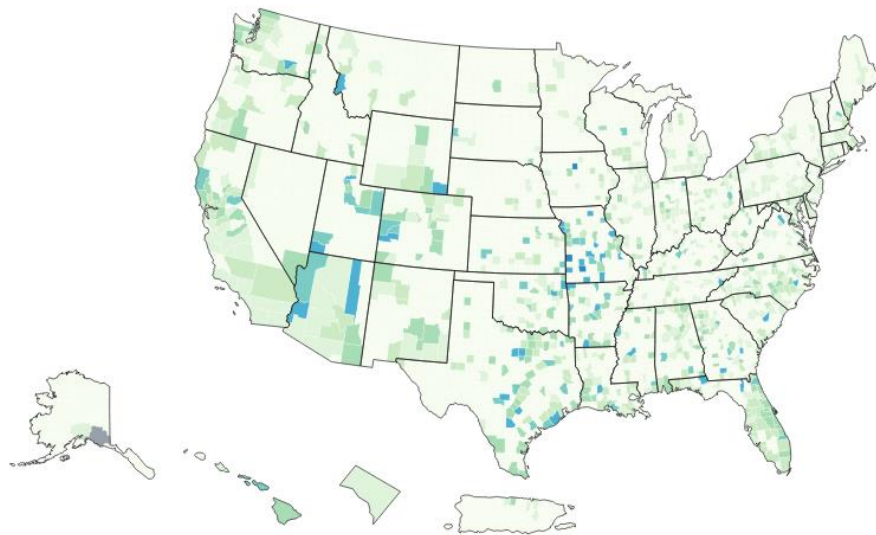
-87.4%

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



However, the national average is not necessarily representative of the circumstances on the ground in particular communities in our large and diverse country. As we have discussed (and will discuss further below), any individual's susceptibility to the virus is strongly a function of vaccination status, and

willingness to accept the vaccine has been itself strongly a function of political and religious predispositions, which in turn are differentially distributed by geography. Parts of the country that are more rural have disproportionately refused vaccination, and now are disproportionately beset by the virus. So while generally short of last winter's surge, the burdens on individual health care providers have become more intense in the rural United States. This is illustrated in the following chart, which shows the percentage of intensive care unit (ICU) beds that are taken up by COVID-19 patients by county.



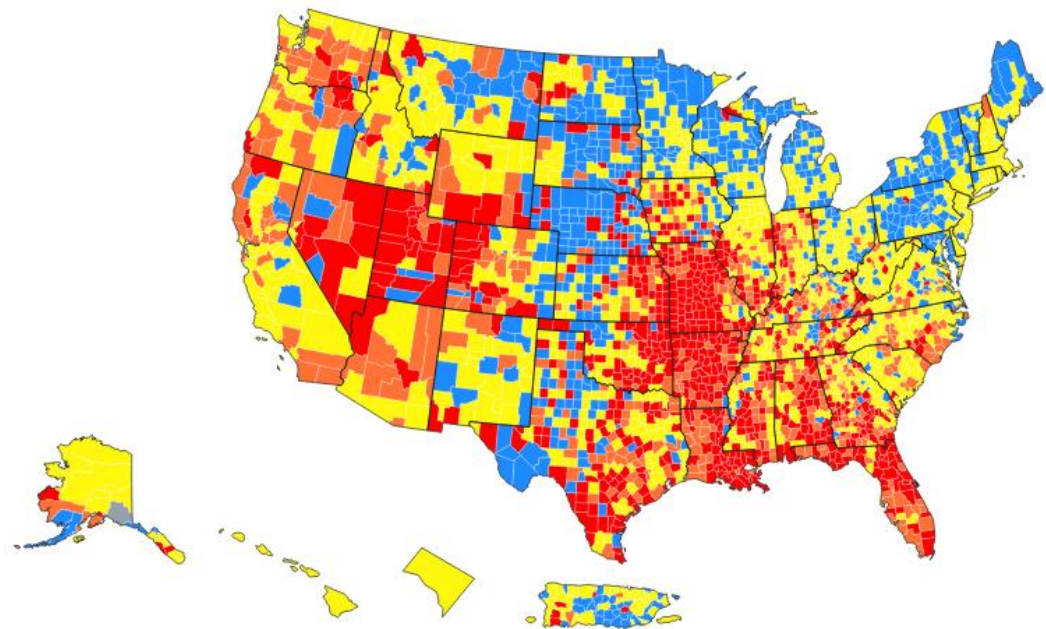
○ 0 ○ 0.01% - 5% ○ 5.01% - 10% ○ 10.01% - 20% ○ 20.01% - 30% ○ 30.01% - 50% ○ 50.01% - 75% ○ 75.01% - 100%

Clearly, although the picture is not as dire as it was in the winter surge, the more rural South, the central counties and portions of the West are more beset than the Northeast, which of course was ground zero for the beginning of the pandemic, but is now more fully vaccinated.

In a more-vivid display, the CDC indexes the “level of community transmission,” which again is highly concentrated in the more-rural parts of the country. This index suggests a troubling increase in the number of counties (albeit on average with smaller populations) where new cases are appearing at a rapid rate—moving from the bottom two categories to the top two categories of the level of transmission.

Level of Community Transmission	Number of U.S. Counties at this Level	Percent of U.S. Counties at this Level	Percentage Point Difference Since 7 Days Ago
High	744	23.11%	10.16%
Substantial	531	16.49%	7.05%
Moderate	1231	38.23%	-2.08%
Low	713	22.14%	-15.12%

Indicator - If the two indicators suggest different transmission levels, the higher level is selected	Low Transmission Blue	Moderate Transmission Yellow	Substantial Transmission Orange	High Transmission Red
Total new cases per 100,000 persons in the past 7 days	0-9.99	10-49.99	50-99.99	≥ 100
Percentage of NAATs ¹ that are positive during the past 7 days	0-4.99%	5-7.99%	8-9.99%	≥ 10.0%

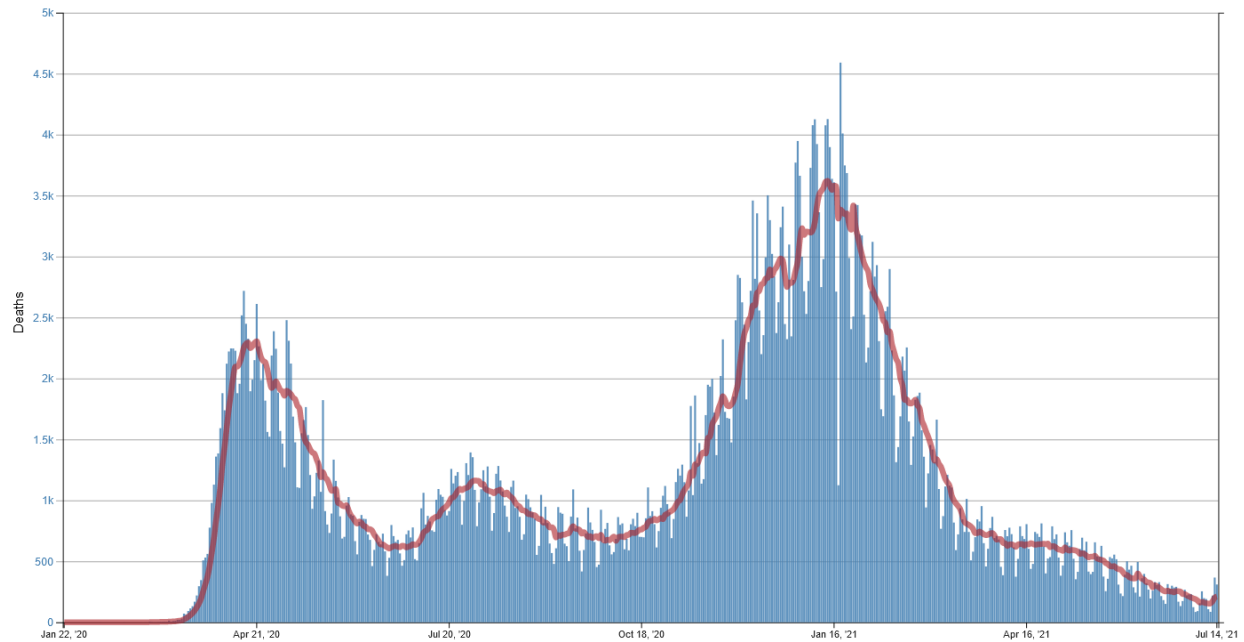


● High
 ● Substantial
 ● Moderate
 ● Low
 ● No Data

And the truly bad news is that right on time, after the expected lag, the daily death count is following the trajectory of the daily case count. Recorded deaths bottomed out on July 4, at 85 (to see a lower number you need to go back to March 19, 2020), and the seven-day average hit its low at July 10 and 11, at 154 (the lowest since March 25, 2020). On July 14, the seven-day average is up to 211, and the one-day count is at 310 (after 367 on the 13th).

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



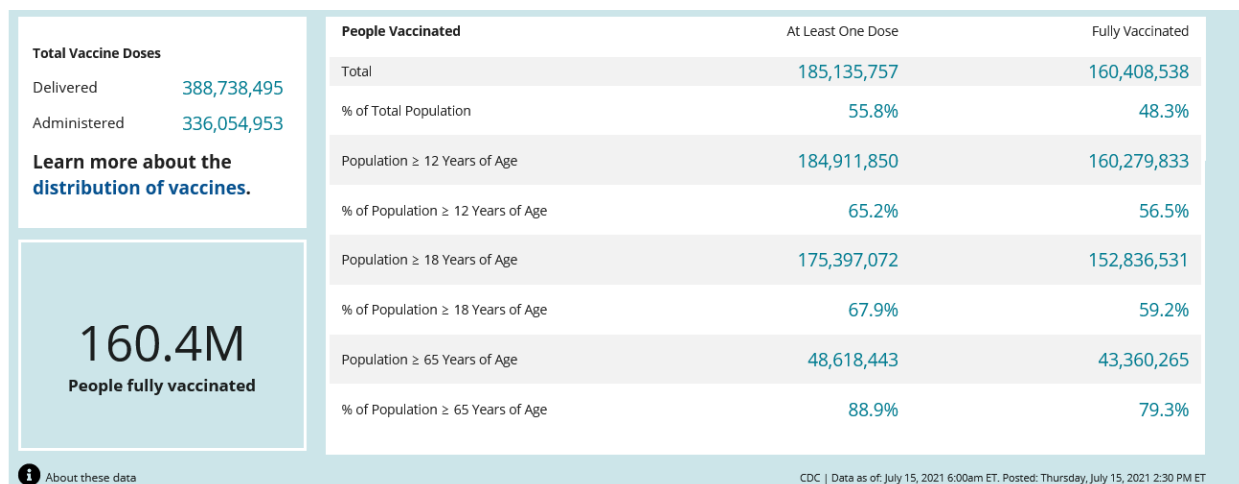
So yes, the current case and death counts are much lower than in the earlier waves. And yes, many American people are vaccinated. But almost as many are not. And the latter are concentrated in specific parts of the country, and they appear to be unwilling to be vaccinated and unwilling to accept the science, and they are behaving accordingly. And if they continue to transmit the virus among themselves, they could not only die in large numbers, but also breed a new variant that could successfully prey on the rest of the country as well.

6. VACCINE NEWS

So again, the path of the virus is dependent upon the pace of vaccination. And on that front, the news is not encouraging.

There is at least some good news. For all the fearsomeness of the Delta variant, it has not found a way to circumvent the existing vaccines. Current estimates indicate that those who are vaccinated are more likely to contract Delta than they are the other strains, but are no more likely to require hospitalization or to die from Delta—which is to say, the vaccines are more than 90 percent effective. Reports from health care institutions hold consistently that north of 99 percent of serious COVID cases (including fatalities) are people who are not vaccinated. If we could convince the vaccine-hesitant and -hostile to change their minds, we could win this battle.

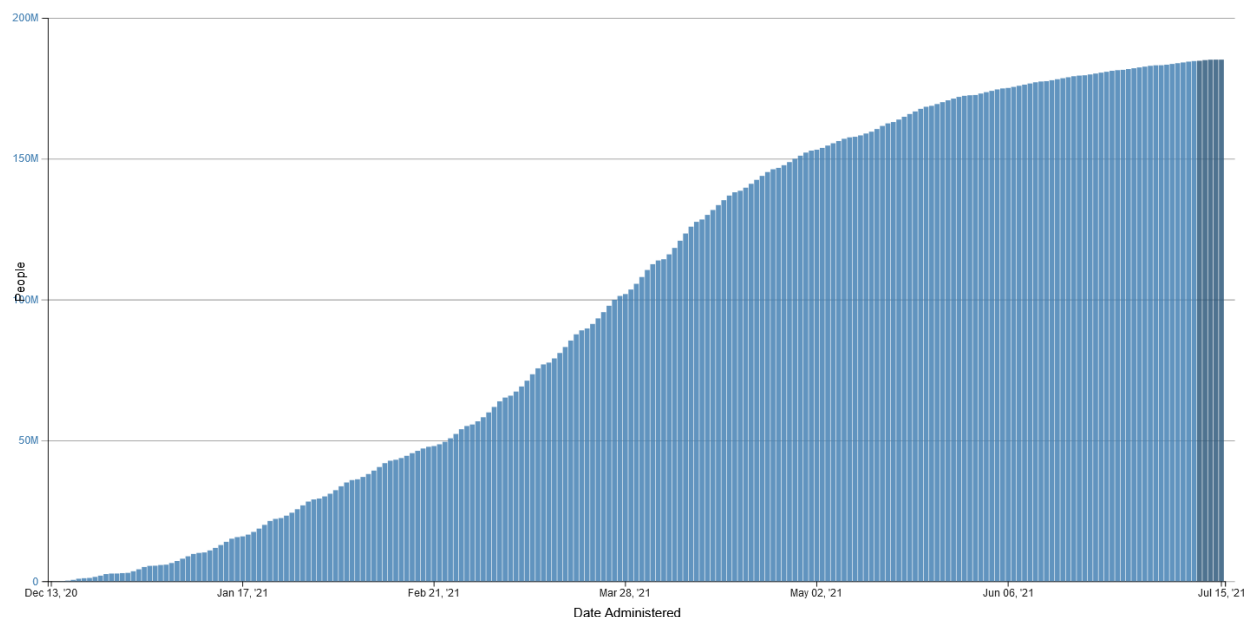
And we have reached over two-thirds of the adult population having received at least one dose, and almost 60 percent being fully vaccinated. But those numbers are stalled, and have not increased significantly in recent weeks, and show no signs of increasing significantly in the near future. Notably, more than 50 million doses have been delivered but have not been administered—an indication of the unwillingness of many Americans to be vaccinated.



Bars shown in the darker blue shade represent the most recent five days of reporting where the number of vaccine administrations might be impacted the most due to delays in reporting. All reported numbers might change over time as historical data are reported to the CDC.

[How Do I Find a COVID-19 Vaccine?](#)

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



There are indications of tension building over the failure of vaccination to reach so much of the population while the Delta variant builds momentum in wide swaths of the country. Dr. Anthony Fauci resists a federal vaccination mandate, but has [argued](#) that local governments should require inoculation. Of course, that idea assumes that parts of the country that are predominantly vaccine-hostile will for some reason decide to discipline themselves. Dr. Fauci is the object of a political [campaign](#) in Florida for this and other reasons. Delta is [ravaging](#) Missouri, but residents remain vaccine-hesitant (at the least). And Tennessee has gone so far as to [forbid](#) outreach to adolescents with respect to all vaccines—not just the coronavirus vaccines. Meanwhile, there have been [disputes](#) over requirements for vaccination of US health care workers, and [restrictions](#) on the behavior of unvaccinated citizens in France.

Some news has threatened any advance toward a vaccine consensus. The FDA has issued a [warning](#) for a rare side-effect of the Johnson & Johnson vaccine, the appearance of Guillain-Barre syndrome, a nerve condition. (For perspective, Guillain-Barre has been reported in fewer than 100 (virtually all fully recovered, with only one reported death) of the 12.8 million J&J inoculations, so very roughly 1 reaction out of 128,000 inoculations; whereas COVID-19 has killed over 600,000 of the total of about 350 million Americans, so 1 death out of fewer than 600 total Americans.)

And Pfizer and senior federal government scientists have had an unusual spat over the company's public [contention](#) that people who have been inoculated with their vaccine will need an additional injection between six months and one year later. Pfizer argues that protection wanes over that span of time; the federal government questions that assertion. The differences range over several issues. One is the technical question of whether a declining presence of antibodies constitutes a risk, or whether T-cell and B-cell memory is more important. Another is a question of priorities, and whether vaccine should be directed to additional injections for possibly-protected persons in a wealthy country, while poor countries have no vaccination at all. Yet another is whether even a shred of evidence of waning protection should cause the federal government to begin to gear up for further injections, given the logistical lead time and the damage that could occur if we fall behind the curve. Finally, there is a strategic question of whether such injections should be third doses of the existing vaccine, or a booster created specifically to address the Delta variant. Further evidence from Israel, which used the Pfizer vaccine exclusively and has had an early and extensive vaccination program, may help to decide the question.

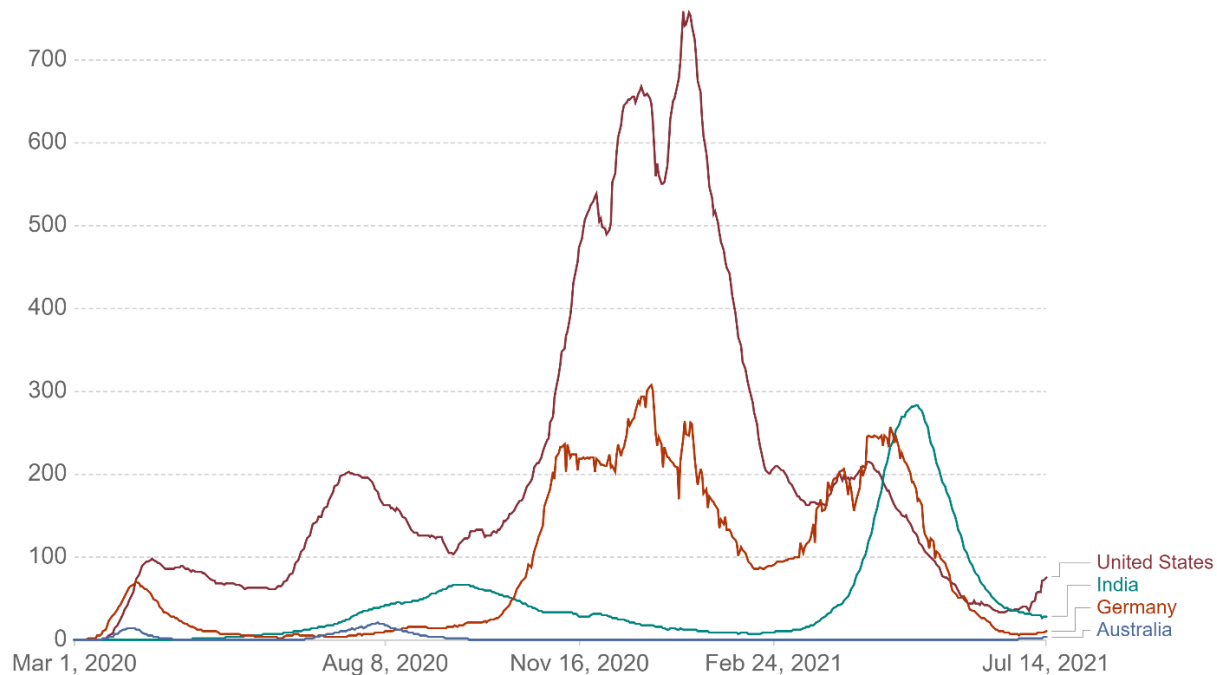
7. SPOTLIGHT ON REOPENING: AUSTRALIA PLAYS CATCH-UP

The US and UK continue to reopen, while Australia has begun to re-enforce lockdowns all for a daily caseload (per million people) well below that of other nations—and only a third of the absolute number

of cases of New York City, and less than three percent of what London is currently encountering.

Daily new confirmed COVID-19 cases per million people

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: Johns Hopkins University CSSE COVID-19 Data

CC BY

Note: The United Kingdom is omitted from this chart because of its much higher past infection rates. Its current rate is approximately 515 cases per million.

On Thursday, Melbourne joined Sydney in [newly enforced lockdowns](#) as COVID-19—the new Delta variant—spreads throughout Australia. Victoria’s population of 6.6 million were told to stay home, except for grocery shopping, essential work, exercising, and getting vaccinated.

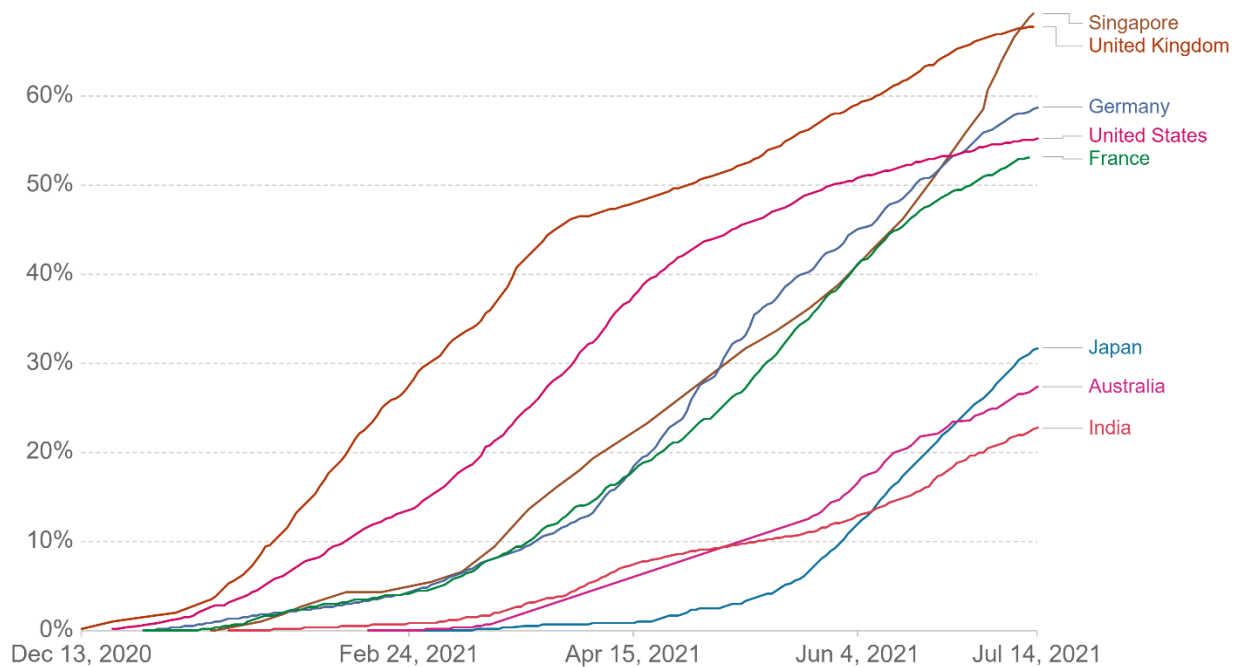
Australia [fared extremely well](#) relative to much of the rest of the world earlier in the pandemic thanks to its vigilant testing, tracing, and quarantine. After loosening controls and then experiencing a second spike in cases last year, the country quickly learned from those mistakes, and cases never rose over 1,000 for a population of 25.26 million.

Australia’s luck changed last month when an outbreak in a Sydney beachfront suburb spread through the city and surrounding areas. This week, Sydney furniture movers traveled to Melbourne while infectious and introduced the virus to an apartment building. After nearly two weeks without new infections, the state of Victoria recorded eighteen new infections in the past two days. Authorities took this development as a sign of the presence of the highly infectious Delta variant which has shown signs that it can travel between passing individuals with virtually no direct personal contact.

Share of people who received at least one dose of COVID-19 vaccine

Our World
in Data

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses. This data is only available for countries which report the breakdown of doses administered by first and second doses.



Source: Official data collated by Our World in Data

CC BY

Australia's complacency and slow vaccine rollout, arguably motivated by its success with social restrictions against the less-transmissible earlier strains of the virus, has left the population vulnerable as the Delta strain slips through the country's borders. Back in March, Prime Minister Scott Morrison [said of the vaccine rollout](#): "It's not a race." Now he is increasingly criticized by health experts for failing to secure enough vaccines as the country's rollout lags behind those of other advanced economies. Australia has administered enough [doses](#) for 18% of its population, compared with 52% in the US and 61% in the UK.

A dramatic government [health television advertisement](#) showing a young woman gasping for air while on a ventilator has caused enormous backlash throughout Australia. "Covid can affect anyone. Stay home. Get tested. Book your vaccination," reads an on-screen message. The ad is intended to illustrate to young people the dangers of the highly contagious Delta variant. Social media users criticized its targeting of young people, not only for the government's mixed messaging, but because most Australians under forty are not eligible to receive a Pfizer-BioNTech vaccination. Earlier this month, Prime Minister Morrison announced that people [under forty](#) could ask their general practitioners for an AstraZeneca shot even if they are not yet eligible for a Pfizer vaccine. Morrison's comments were contradicted by senior health officials who suggested that young people wait to receive the Pfizer-BioNTech vaccine, owing to AstraZeneca's risk of [rare blood clotting](#) events. Clearly, the government's earlier hesitation to press vaccination as a preventive against dangerous mutations of the virus has left it in an untenable position, with no immediate way out.