

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

**01.14.2022**

- 1. INITIAL UNEMPLOYMENT CLAIMS SEE SMALL UPTICK FOR SECOND CONSECUTIVE WEEK**
- 2. FEDERAL RESERVE NOMINEES EMPHASIZE INFLATION RISK**
- 3. INFLATION FASTEST IN 40 YEARS (DEPENDING ON HOW YOU LOOK AT IT)**
- 4. PANDEMIC NEWS**
- 5. VACCINE NEWS**
- 6. SPOTLIGHT ON REOPENING—FRANCE: *EMMERDER* THE UNVACCINATED**

### **1. INITIAL UNEMPLOYMENT CLAIMS SEE SMALL UPTICK FOR SECOND CONSECUTIVE WEEK**

Initial weekly unemployment insurance claims for the week ending January 8 increased for the second straight week and sit at the level last seen toward the end of November. The headline seasonally adjusted number increased by 23,000 to 230,000 (with the previous week's estimate unrevised). Initial claims remain low relative to the 2021 average of 473,000 weekly claims. The upward trend, while not alarming, is something to watch given the recent surge in the Omicron variant of COVID-19 and the associated workforce disruptions.

Continuing claims, the number of individuals receiving continuing unemployment benefits, fell 194,000 to 1.6 million for the week, the lowest level since June 1973. The COVID-19 surge and increase in initial claims threaten to reverse this downward trend.

### **2. FEDERAL RESERVE NOMINEES EMPHASIZE INFLATION RISK**

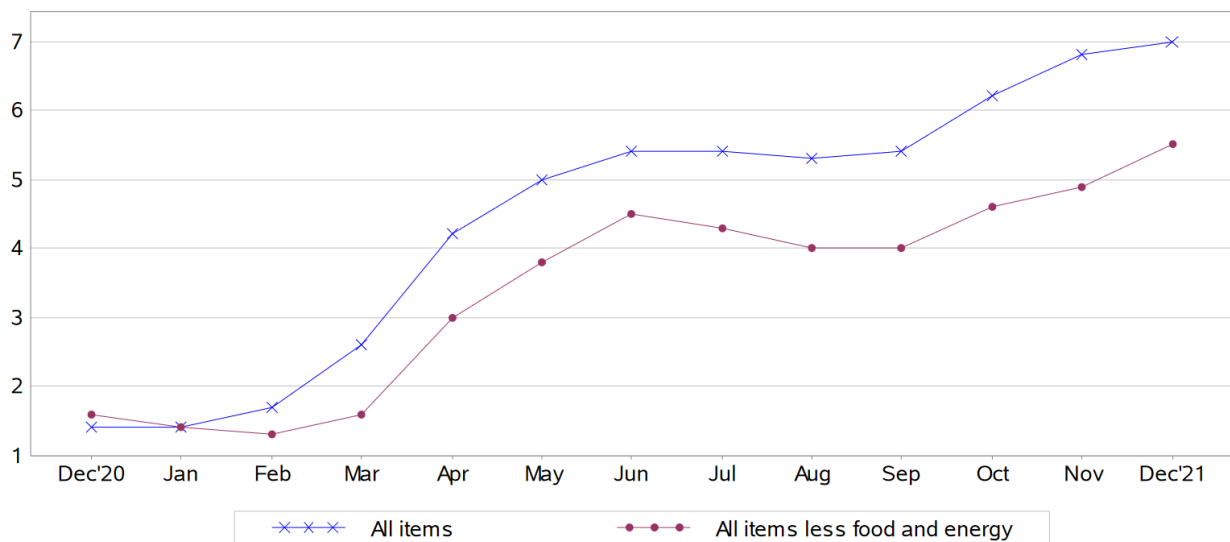
Both current Federal Reserve Board Chair [Jerome H. Powell](#), renominated for a second four-year term, and current Federal Reserve Board Governor [Lael Brainard](#), nominated for a term as Vice Chair, emphasized the risk of accelerating inflation in their confirmation testimony this week. The Fed has been burned by taking an aggressive early stance that inflation in the wake of the pandemic would prove “transitory,” because it was driven by the pandemic, and the pandemic was assumed to have been addressed in a timely fashion. As the pandemic has dragged on, inflation may prove to have a longer lifetime than its parent. The issues were on display this week; see below.

### **3. INFLATION FASTEST IN 40 YEARS (DEPENDING ON HOW YOU LOOK AT IT)**

The inflation glass is either half empty or half full. And while we are measuring, it is being replenished from the top and drained from the bottom. The one thing that is certain is that any spillage will be highly consequential to the economy and the body politic.

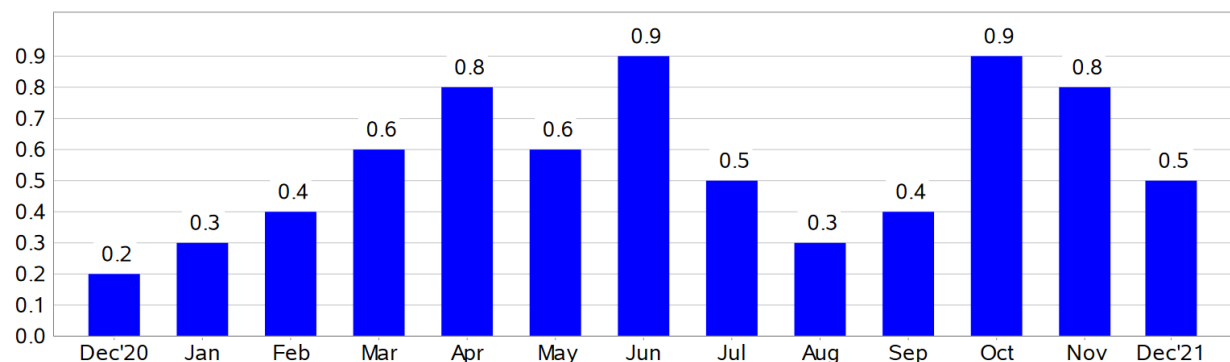
Headlines about this week's Consumer Price Index report for December all cited "[highest since 1982](#)," which is true with respect to the 12-month rate of increase. This is shown in one of the charts presented by the Bureau of Labor Statistics in its scheduled monthly release. The chart, below, indicates that inflation has accelerated more because of the sometimes-volatile food and energy components, but that it is running faster even without considering those drivers.

**Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Dec. 2020 - Dec. 2021**  
Percent change



However, the chart above, again, shows cumulative inflation over the last 12 months. The picture month-by-month, however, might be a bit less chilling—if you believe that inflation is being driven by short-term influences.

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Dec. 2020 - Dec. 2021**  
Percent change



On a twelve-month basis, the inflation rate as of December was rising; in other words, inflation in December 2021 (which was added to the calculation) was faster than inflation in December 2020 (which was dropped from the twelve-month average). However, inflation in December 2021 was slower than in

the two preceding months (although certainly faster than the Federal Reserve and almost all other Americans would like). Some would like to hope that we are now breaking the back of the worst of the inflation.

So which picture is more meaningful? That depends on the answers to two questions.

First, to what extent is inflation the product of the pandemic, and if so, how soon will we bring the pandemic to heel? Before the pandemic, probably more economists were concerned that the inflation rate was too low than too high. The pandemic forced people to stay home, people with steady incomes spent more money on goods to make their time more enjoyable, and supply chains for goods—from manufacturing through storage and transportation, including equipment, structures, supplies and labor—broke down. Lesser supply and greater demand created a perfect storm for price inflation. Are businesses solving these problems, and if so, will they stay solved despite the pressure from the Omicron variant?

Second, has inflation become embedded into people's expectations, so as to make inflation a self-fulfilling prophecy? Once employers believe that they can give in to higher wage demands because they can raise prices—along with their competitors—and still not lose market share, inflation will build up momentum that will become hard to break.

One troubling indicator here is the extent to which inflation has across classes of goods and services. A standard monthly table in the CPI report shows the broad diffusion of inflationary pressures.

**Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average**

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Dec. 2021
	Jun. 2021	Jul. 2021	Aug. 2021	Sep. 2021	Oct. 2021	Nov. 2021	Dec. 2021	
All items.....	0.9	0.5	0.3	0.4	0.9	0.8	0.5	7.0
Food.....	0.8	0.7	0.4	0.9	0.9	0.7	0.5	6.3
Food at home.....	0.8	0.7	0.4	1.2	1.0	0.8	0.4	6.5
Food away from home <sup>1</sup> .....	0.7	0.8	0.4	0.5	0.8	0.6	0.6	6.0
Energy.....	1.5	1.6	2.0	1.3	4.8	3.5	-0.4	29.3
Energy commodities.....	2.6	2.3	2.7	1.3	6.2	5.9	-0.6	48.9
Gasoline (all types).....	2.5	2.4	2.8	1.2	6.1	6.1	-0.5	49.6
Fuel oil <sup>1</sup> .....	2.9	0.6	-2.1	3.9	12.3	3.5	-2.4	41.0
Energy services.....	0.2	0.8	1.1	1.2	3.0	0.3	-0.1	10.4
Electricity.....	-0.3	0.4	1.0	0.8	1.8	0.3	0.3	6.3
Utility (piped) gas service.....	1.7	2.2	1.6	2.7	6.6	0.6	-1.2	24.1
All items less food and energy.....	0.9	0.3	0.1	0.2	0.6	0.5	0.6	5.5
Commodities less food and energy commodities.....	2.2	0.5	0.3	0.2	1.0	0.9	1.2	10.7
New vehicles.....	2.0	1.7	1.2	1.3	1.4	1.1	1.0	11.8
Used cars and trucks.....	10.5	0.2	-1.5	-0.7	2.5	2.5	3.5	37.3
Apparel.....	0.7	0.0	0.4	-1.1	0.0	1.3	1.7	5.8
Medical care commodities <sup>1</sup> .....	-0.4	0.2	-0.2	0.3	0.6	0.1	0.0	0.4
Services less energy services.....	0.4	0.3	0.0	0.2	0.4	0.4	0.3	3.7
Shelter.....	0.5	0.4	0.2	0.4	0.5	0.5	0.4	4.1
Transportation services.....	1.5	-1.1	-2.3	-0.5	0.4	0.7	-0.3	4.2
Medical care services.....	0.0	0.3	0.3	-0.1	0.5	0.3	0.3	2.5

<sup>1</sup> Not seasonally adjusted.

Early on, inflation was concentrated in the energy sector, because of long-standing issues of the concentration of production in a few national industries. (And the drop in overall inflation in December came notably from a drop in energy prices.) But the twelve-month change in prices has expanded to cover just about the entire economy. If inflation were concentrated in just a few goods and services, where increases in OPEC oil production and progress against the pandemic would turn prices around, we could see relief in fairly short order. But if Omicron continues to disrupt the economy, and if it is widely believed likely to do so, inflation could continue at higher rates than we have seen in the last 40 years. People are [pained and angered](#) by this increase in inflation. Stay tuned.

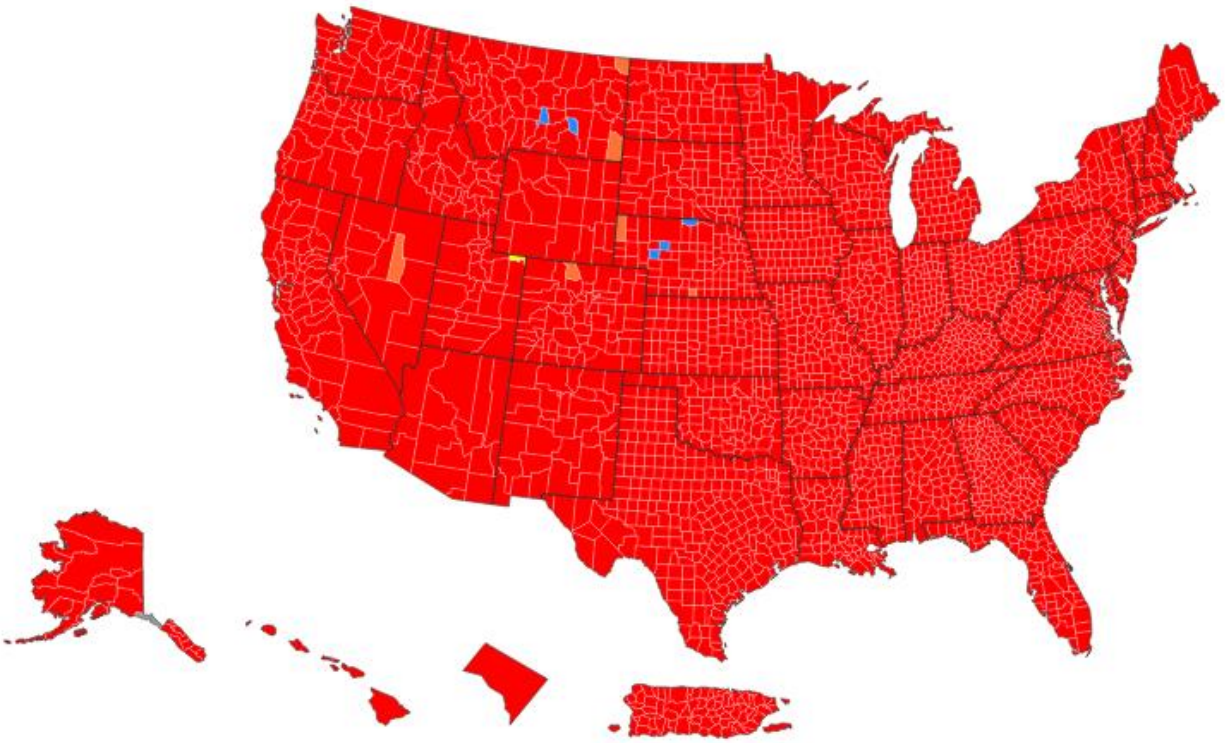
#### 4. PANDEMIC NEWS

With the new Omicron variant in the lead, COVID-19 infections have gone off the charts. Confirmed new daily cases have roughly quadrupled the Delta surge, making that prior graphical mountain look like the proverbial molehill. Experts are quite sure that actual case counts are far worse, given that many infected people are never tested, and many positive home tests are never reported. Dr. Anthony Fauci said, chillingly, that Omicron would [“find just about everybody.”](#)

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



If you are looking for somewhere in the United States where you can go to avoid high rates of transmission of the virus, pick one of the areas in the following chart that is not bright red. If you do, you will join approximately 0.65 percent of your fellow Americans in comparative safety.

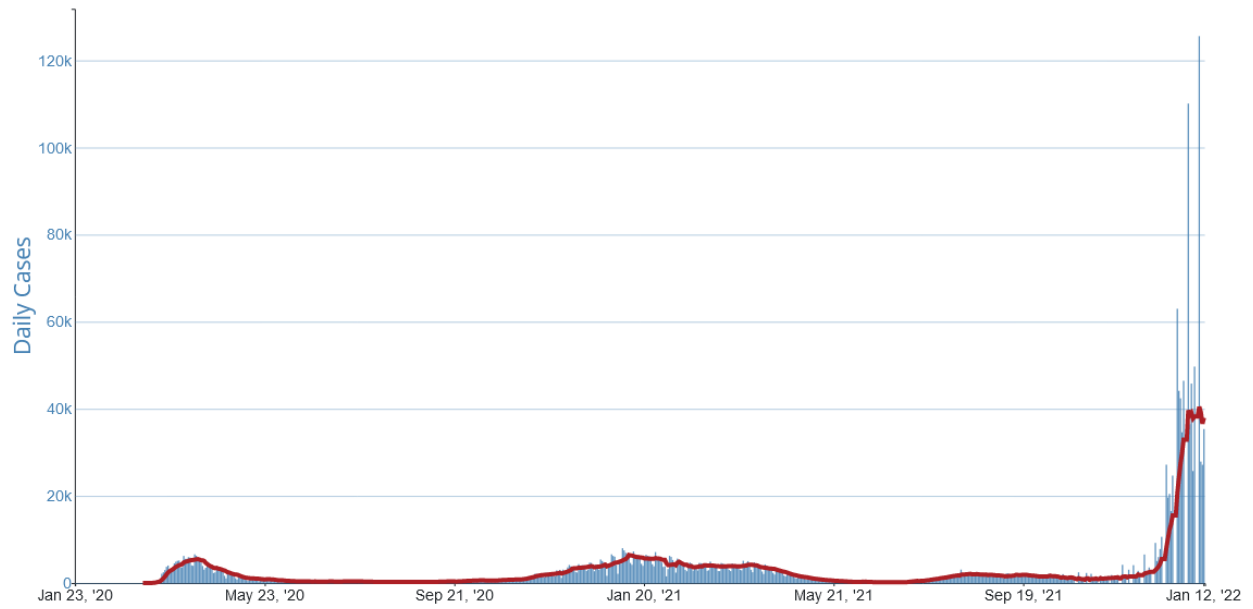


### Community Transmission in US by County

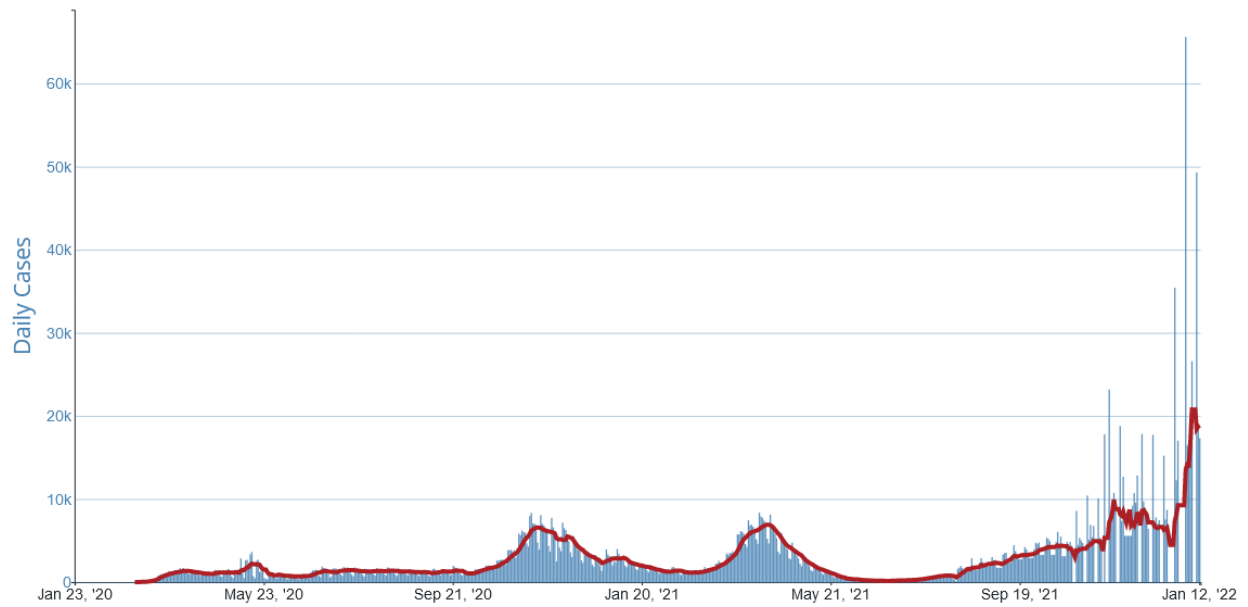
	Total	Percent	% Change
High	3201	99.35%	1.24%
Substantial	7	0.22%	-0.65%
Moderate	2	0.06%	-0.74%
Low	10	0.31%	-0.28%

In terms of case counts, virtually all of the country is on a sharp upswing, but different parts are on slightly different phases of the curve. New York City is well in the vanguard. Michigan, which had suffered badly under Delta, has had less of an increase in its case count. Florida, too, has seen substantial case growth, but not quite at the quadrupling of the national count.

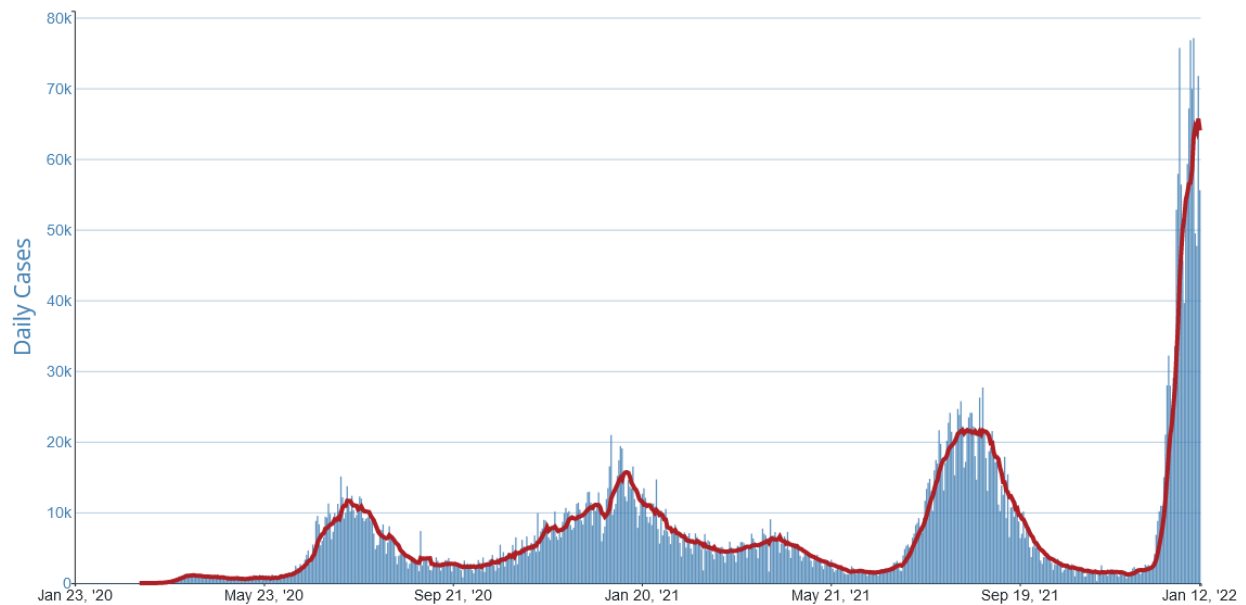
Daily Trends in Number of COVID-19 Cases in New York City Reported to CDC



Daily Trends in Number of COVID-19 Cases in Michigan Reported to CDC



Daily Trends in Number of COVID-19 Cases in Florida Reported to CDC



Data thus far indicate that Omicron is less lethal than was Delta or other earlier strains of the virus. Hospitalization and death rates have increased significantly less than the simple confirmed case rates. However, just as a .200 hitting shortstop who somehow managed to get 1,000 at-bats would lead the league in hits, Omicron is infecting so many people that even a low rate of serious disease is enough to strain our health care system, and the personnel who put their lives on the line in it, to the limits. There are now more people hospitalized with COVID than there have been at any time in the pandemic.

Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States  
August 01, 2020 – January 11, 2022

**128,222**

Current 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**95,853**

Prior 7-Day Average  
Dec 29, 2021 – Jan 04, 2022

**128,222**

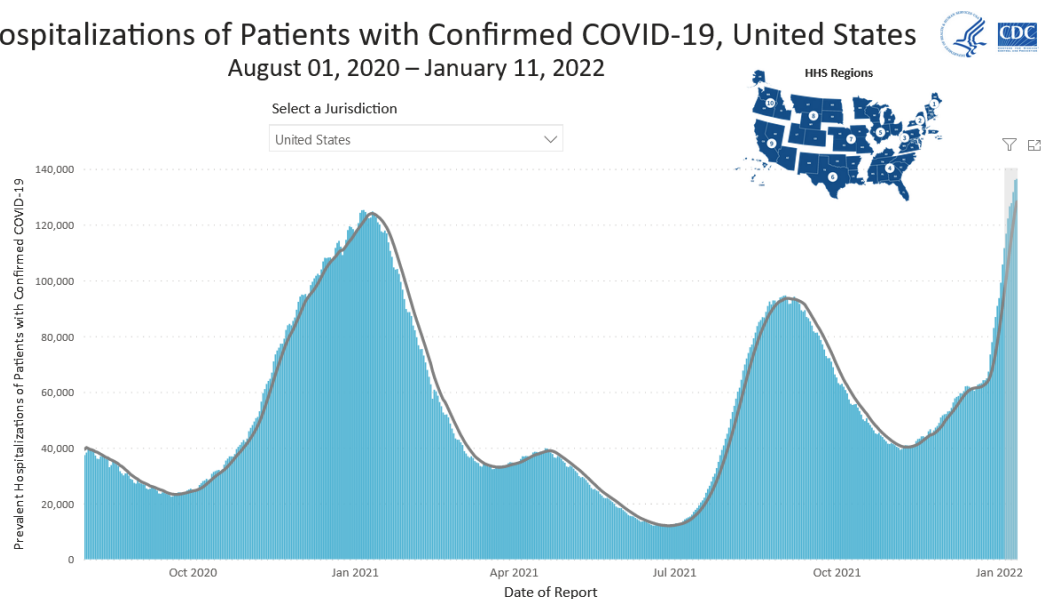
Peak 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**+33.8%**

Percent change from prior 7-day  
avg. of Dec 29, 2021 – Jan 04, 2022

**0.0%**

Percent change from peak 7-day  
avg. of Jan 05, 2022 – Jan 11, 2022



New York State, after bearing (in particular in New York City) the initial brunt of the pandemic and then making great progress through a high vaccination rate, is now once again suffering disproportionately. Its increase in hospitalizations puts its burden well beyond what it was in prior phases of the pandemic.

## Prevalent Hospitalizations of Patients with Confirmed COVID-19, New York August 01, 2020 – January 11, 2022



**11,505**

Current 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**8,971**

Prior 7-Day Average  
Dec 29, 2021 – Jan 04, 2022

**11,546**

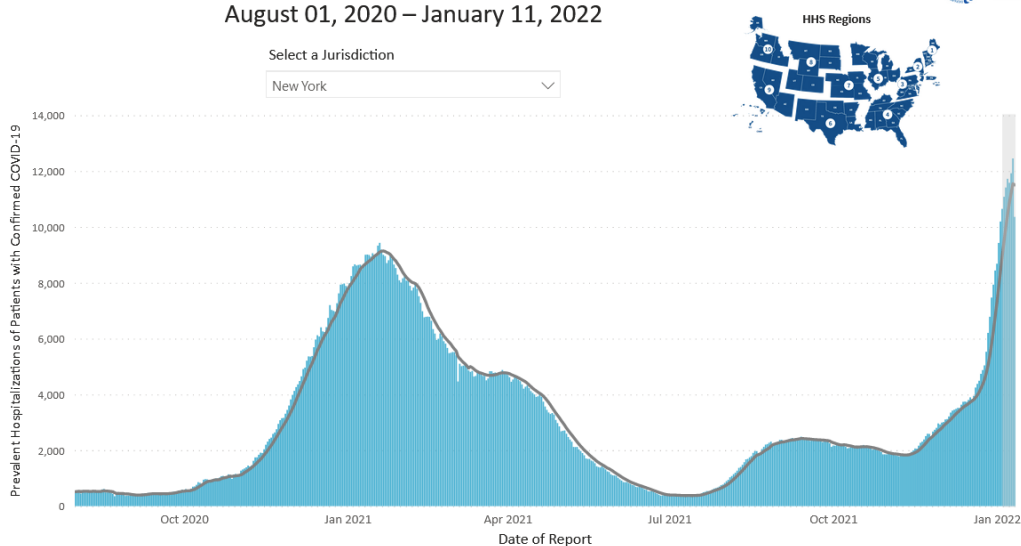
Peak 7-Day Average  
Jan 04, 2022 – Jan 10, 2022

**+28.3%**

Percent change from prior 7-day  
avg. of Dec 29, 2021 – Jan 04, 2022

**-0.4%**

Percent change from peak 7-day  
avg. of Jan 02, 2022 – Jan 08, 2022



The South (HHS Region 4, from Kentucky to Mississippi to Florida to North Carolina), like its case count, sees a rapid increase in hospitalizations, but not yet to its prior peak.

## Prevalent Hospitalizations of Patients with Confirmed COVID-19, HHS Region 4 August 01, 2020 – January 11, 2022



**25,617**

Current 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**16,824**

Prior 7-Day Average  
Dec 29, 2021 – Jan 04, 2022

**35,189**

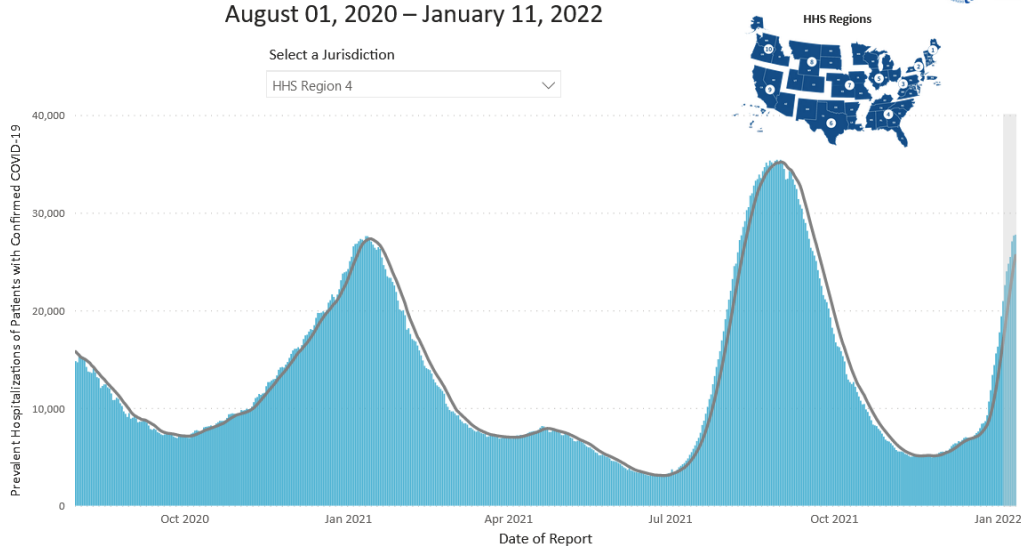
Peak 7-Day Average  
Aug 26, 2021 – Sep 01, 2021

**+52.3%**

Percent change from prior 7-day  
avg. of Dec 29, 2021 – Jan 04, 2022

**-27.2%**

Percent change from peak 7-day  
avg. of Aug 20, 2021 – Aug 26, 2021



In contrast, HHS Region 5 (from Minnesota to Illinois to Ohio) is well beyond its prior peak of hospitalizations.

## Prevalent Hospitalizations of Patients with Confirmed COVID-19, HHS Region 5 August 01, 2020 – January 11, 2022



**24,648**

Current 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**21,467**

Prior 7-Day Average  
Dec 29, 2021 – Jan 04, 2022

**24,648**

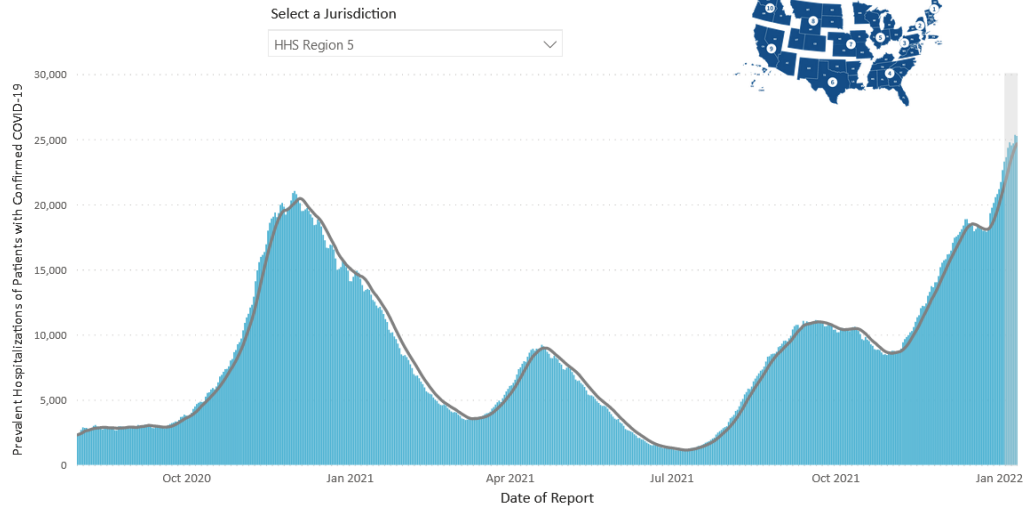
Peak 7-Day Average  
Jan 05, 2022 – Jan 11, 2022

**+14.8%**

Percent change from prior 7-day  
avg. of Dec 29, 2021 – Jan 04, 2022

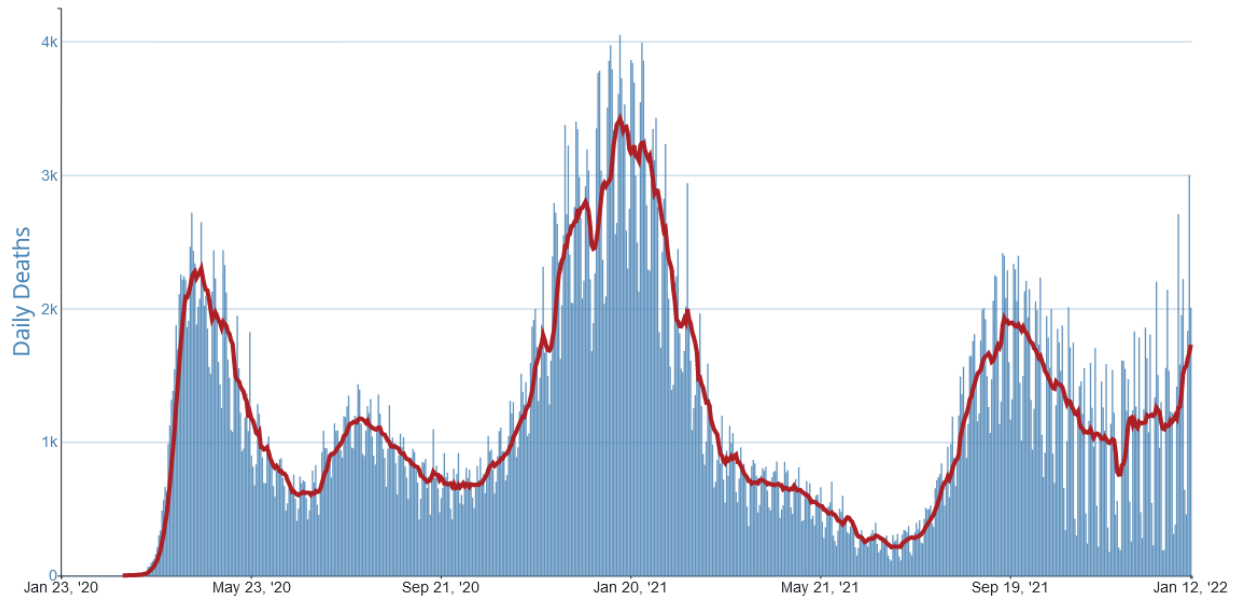
**0.0%**

Percent change from peak 7-day  
avg. of Jan 04, 2022 – Jan 10, 2022



Again, the saving grace (if we can call it that) of Omicron is that it is less lethal than the earlier variants. The national daily death toll has not yet reached its prior peak, even though the hospitalization count has. We have our health care providers, plus the benefits of almost-mass vaccination, to thank for that. However, the COVID stress on the health care system is surely lowering the standard of care for other illnesses and injuries, and so the full toll of the pandemic is not yet counted.

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

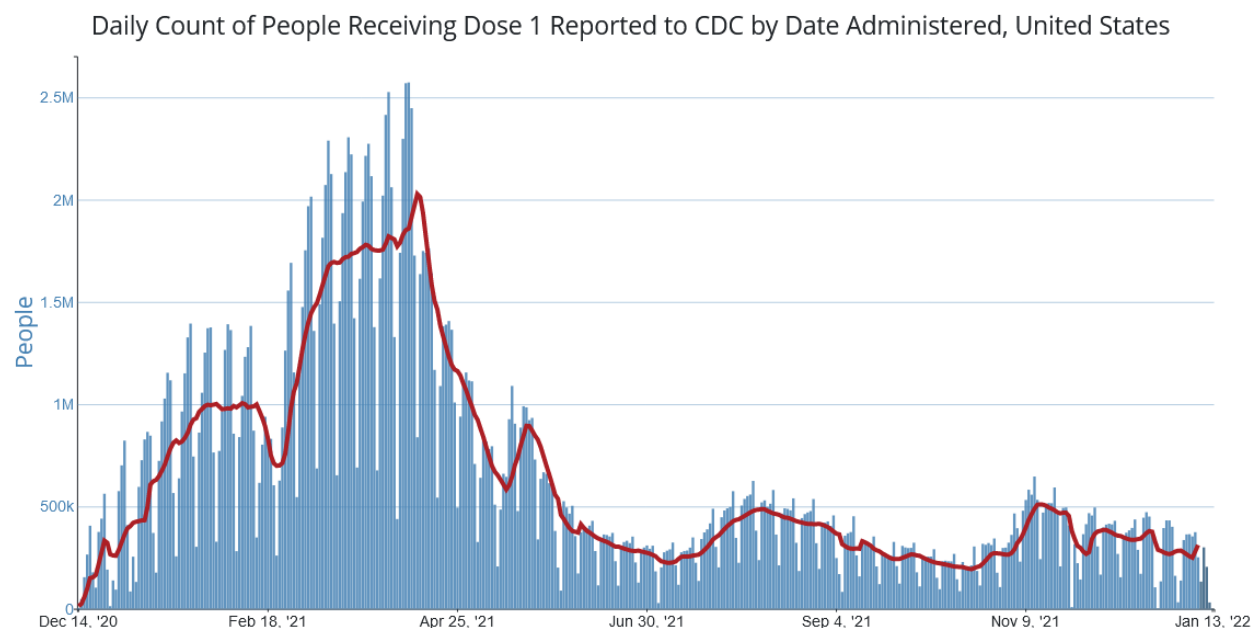


## 5. VACCINE NEWS

On Thursday, the Supreme Court [ruled](#) by a six to three vote that the Biden Administration may not enforce its proposed vaccine mandate for large employers, but allowed on a five to four vote the enforcement of a mandate in health care institutions that receive federal funding.

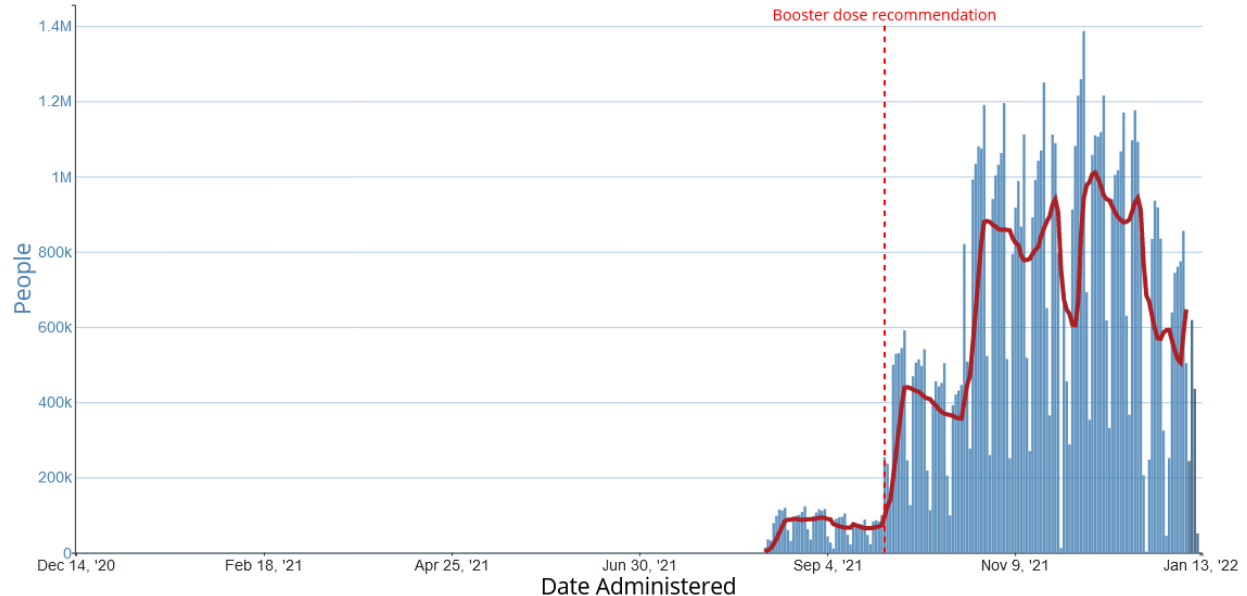
The employer mandate rested on the federal government's authority under existing law to address workplace hazards through regulation issued by the Occupational Safety and Health Administration of the Department of Labor. The Court ruled that the COVID threat did not rise to the level required by the statute. Companies that have waited to act on the issue, even though the regulations would in some respects already be binding absent the Court's action, can now decide on their own how to deal with the workplace threat of COVID. Many firms had expressed concern that enforcing the mandate would have induced large numbers of their employees to quit. On the other side, public health experts have worried for some time that vaccinations have not reached a sufficient level to snuff out the virus, and that as a result many people will die unnecessarily both in the near term and from future variants of the virus.

And along that line, those who had hoped that the spread of the Omicron variant would "scare straight" some of those who have thus far refused vaccination are likely to be disappointed. The number of people seeking out a first dose of vaccine continues to trail off, even though the population remains well short of any semblance of "herd immunity" sufficient to snuff out the virus.



In contrast, just about twice as many people each day are receiving booster doses than are beginning a vaccine regimen. (Note the different vertical scales in the chart above and the chart below.) Boosters have proven desirable, but overall public health would be better served by closer-to-universal vaccination. (And just to note, the data lag behind the rush of the Omicron virus, but anecdotal reports continue to indicate that vaccinated persons are far less likely to require hospitalization or to suffer serious illness from Omicron than are the unvaccinated.)

Daily Count of Fully Vaccinated People Receiving a Booster Dose Reported to CDC by Date Administered, United States



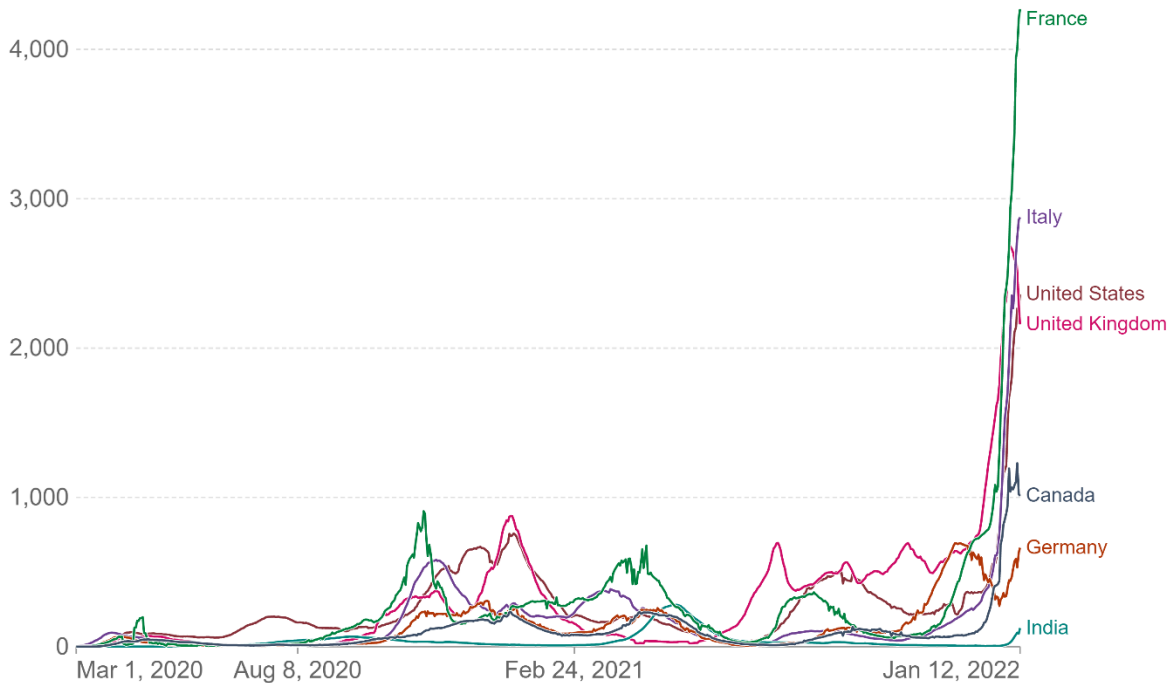
## 6. SPOTLIGHT ON REOPENING—FRANCE: *EMMERDER* THE UNVACCINATED

On Tuesday, France set its new [daily COVID-19 case record](#) at 368,149 as Omicron sweeps through Europe. France's seven-day moving average reported on Monday of nearly 270,000 puts the country's case tally significantly above its neighbors, even the UK. Dr. Hans Kluge, the WHO's regional director for Europe, predicted that [more than half of Europe's population](#) will become infected with the Omicron variant over the next two months. Dr. Kluge cited data from the Institute for Health Metrics and Evaluation at a news briefing Tuesday, saying a "West to East tidal wave" of Omicron infections was sweeping across the region, on top of the Delta variant which remains prevalent. He stated Tuesday that mortality rates had remained stable and continued to be highest in countries with lower vaccination uptake.

## 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

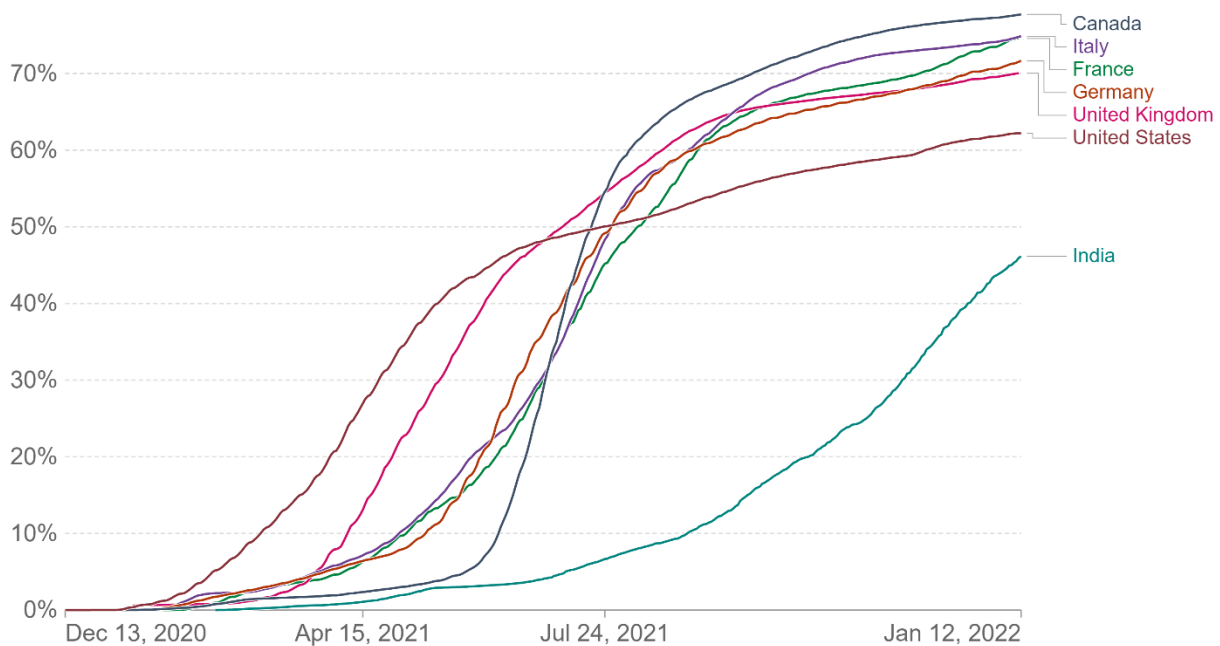
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France is preparing to implement a [strict COVID-19 passport system](#) where citizens will need to show proof of vaccination before entering a restaurant or indoor event (the policy as it currently stands allows for a negative test as a substitute to vaccination). French President Emmanuel Macron sparked controversy last week after being accused of using divisive, vulgar language when he used a slang term to say he wanted to [make life difficult](#) for the unvaccinated people of France. "I am not for bothering the French. I rant all day at the administration when it blocks them. Well, there, the unvaccinated, I really want to hassle them. And so, we will continue to do it, until the end," Macron said in an interview with [Le Parisien](#). President Macron's comments referred to parliamentary discussions over the vaccine passes. He used the French word "*emmerder*" in his interview with the French newspaper, which can roughly be translated as "hassle" or "annoy," or close to the English phrase "piss off."

## Share of the population fully vaccinated against COVID-19

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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President Macron's comment of "pissing off" the unvaccinated three months prior to presidential elections is not only a public health message, but a political message. Macron [tapped into a political vein](#) his counterparts have been more cautious about: the anger among the majority of vaccinated people at a minority who refuse to get vaccinated and disproportionately occupy hospital beds. More than 77 percent of French residents, and 92 percent of those 12 years of age and older, have received at least two doses of vaccine.