IN THIS BRIEF:

1. **COVID-19 CASE GROWTH STALLS, DEATHS CONTINUE TO RISE**
   
   Nationwide, the seven-day average of new COVID-19 cases appeared to plateau over the past two weeks, while deaths continued to slowly climb. A number of states, including California, Florida, and Texas, set their own new highs for COVID-19 deaths in the past week.

2. **INTERNAL WHITE HOUSE ANALYSIS SHOWS TWENTY-ONE STATES IN “RED ZONE”**
   
   A House select oversight committee released data from an internal White House report that, as of July 26, designated 21 states as being in a “red zone” – having more than 100 new cases per 100,000 people or more than 10 percent of its coronavirus tests coming back positive. Committee analysis suggested that 17 of those states were not in compliance with the non-public recommendations offered by the White House’s coronavirus task force.

3. **NO PUBLIC PROGRESS IN NEGOTIATIONS OVER NEW AID PACKAGE**
   
   On Monday, Senate Republicans released their opening proposal—the HEALS Act—for the next COVID-19 relief package, countering a Democrat proposal (the HEROES Act) that passed the House in May. The HEALS bill was not expected to have the necessary 60 votes (because of the filibuster) to pass the
Senate, and likely not even majority support. Instead, it was meant to kick off negotiations with Democrats. Congressional Republicans, Democrats, and the Administration all appear to be at a public impasse, with a White House proposal for a short-term extension of the lapsed eviction moratorium and Federal Pandemic Unemployment Compensation dismissed by both parties in Congress. The conventional wisdom is that both sides are hoping for a deal by August 8th (when the Senate is scheduled to go on recess) but will remain in session until a deal is passed. A brief comparison of CED’s request to Congress, the HEROES Act, and the HEALS is available here.

The BRT also released their recommendations, the day following CED’s release, which have synergies with CED’s recommendations, including, for funding for training for unemployed workers.

4. US ECONOMY CONTRACTED AT FASTEST RATE ON RECORD IN Q2

According to preliminary estimates released by the Bureau of Economic Analysis on Thursday, GDP sharply contracted in the second quarter of 2020—the fastest drop in the more than 70 years on record. After a small Q1 decrease, US GDP fell to roughly ten percent lower in Q2 than it had been a year prior, led by a massive drop in consumption of personal services. In nominal terms, US GDP dropped to its lowest level in three years.

5. BIG TECH SHOWS STRONG RESULTS IN JUNE QUARTER

All four Big Techs beat expectations for the June quarter. The announcements came after the four testified on Capitol Hill this week. As reported in the Wall Street Journal, Apple benefited from demand for apps and work-from-home devices, Facebook reported increased engagement from users and Amazon was propelled by the pandemic’s effect on online shopping. Alphabet reported the first decline in quarterly sales in its publicly traded history, as some big Google advertisers cut spending.

Other companies showing a boost from pandemic lockdowns include delivery giant UPS, large videogame makers and Procter & Gamble, maker of cleaning products and paper goods, which posted its strongest annual sales gain since 2006.

6. UNEMPLOYMENT CLAIMS DROP, REMAIN HISTORICALLY HIGH

Americans filed over two million new initial unemployment assistance claims in the week ending July 25, marking a roughly 18 percent decline from the pace two weeks prior. While continuing claims remained historically elevated the week ending July 11—with over 30 million Americans reportedly receiving some form of unemployment assistance—total continuing claims have declined by 1.7 million since the week of June 20.
7. **FED CHAIR POWELL SIGNALS LOW RATES FOR AN EXTENDED TIME**

On Wednesday, as expected, the Federal Reserve Open Market Committee took no major actions. In his press conference, Chair Powell emphasized that economic recovery would remain dependent on the path of the COVID-19 pandemic. Given high unemployment, Chair Powell said that the Federal Reserve would likely wait to raise the federal funds rate until it is confident that the economy has fully “weathered recent events.” The Federal Reserve announced that it would extend many of its COVID-19 emergency programs through at least the end of the year.

8. **HOUSE PASSES CHILD CARE RELIEF PACKAGE**

On Wednesday, with all Democrats and a small minority of Republicans voting in favor, the House passed two child care aid bills – a $50 billion package aimed at stabilizing and supporting the finances of child care providers, several expansions of tax provisions aimed at lowering provider taxes and making care cheaper to purchase, and additional money for child care subsidies. CED has requested that Congressional leaders include a child care stabilization fund as part of Congress’s next COVID-19 aid package.

9. **CONSUMER CONFIDENCE SLIDES IN JULY**

After a partial recovery in June, The Conference Board’s Consumer Confidence Index declined in July, driven by increasing pessimism in consumers’ outlook over the next six months, particularly in states experiencing large COVID-19 outbreaks. For instance, the percentage of consumers expecting business conditions will improve over the next six months declined by over ten percentage points.

10. **FEDERAL EVICTION MORATORIUM EXPIRES, SENATE REPUBLICANS DO NOT PROPOSE EXTENSION**

On July 24, a 120-day federal eviction moratorium enacted as part of the CARES Act expired. A Federal Reserve Bank of Atlanta estimated that the moratorium, which applies to renters with federal housing assistance or people living on properties with federally backed mortgage, covered between 28 and 46 percent of occupied rental units. Even with the expiration of the federal moratorium, some renters may remain covered by state or local policies though many others will likely now receive 30 day notices of eviction. While Democrats included an extension of the eviction moratorium in their May proposal and the Administration has expressed support for extension, Senate Republicans did not include an extension in their COVID-19 aid proposal released Monday.

On the Census Bureau’s Household Pulse Survey for the week ending July 21, roughly a fifth of renter report being currently behind on rent and more than 10 percent of all renters expressed “no confidence” in their ability to pay next month’s rent.
11. PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS TAX TREATMENT DEBATED IN CONGRESS

Congress is debating a “fix” to the Paycheck Protection Program (PPP) that would allow PPP loan recipients whose loans are forgiven to still deduct the expense of wages paid for by the forgiven loan for tax purposes. The IRS previously ruled in the spring that such a “double benefit” (money to pay wages and a tax deduction for wages paid) was not provided for in the original statute and was at odds with the existing tax code. The proposal—not included in the Senate Republicans proposal released Monday—has some bipartisan support and would reduce small business taxes by an estimated $120 billion if enacted.

12. FIRST WAVE OF COVID-19 LIABILITY SUITS AGAINST COMPANIES

The first wave of liability suits against companies for gross negligence or wrongful death since the coronavirus pandemic began unfolding in March has included Walmart Inc., Safeway Inc., Tyson Foods Inc. and some health-care facilities, as reported by WSJ. Employers across the country are being sued by the families of workers who contend their loved ones contracted lethal cases of Covid-19 on the job, a new legal front that shows the risks of reopening workplaces. Senate Republicans this week proposed legislation that protects companies, schools and churches from being held liable for coronavirus infections beginning in December 2019, unless they acted with willful misconduct or engaged in grossly negligent behavior. CED called for liability protection for businesses in its Letter to Congressional Leadership on the follow-on Covid funding.

13. SCHOOL REOPENINGS INTERACTIVE MAP

The NYTTimes released an interactive map correlation COVID-19 infection rates with local communities across the nation as an aid to determining schools reopenings.

14. SPOTLIGHT ON REOPENING: UNITED STATES VS. EUROPE

The COVID-19 pandemic has followed a starkly different path in the United States when compared to even the hardest hit European countries. There may be some lessons in the differences.

The chart below shows the daily number of cases recorded by the five most affected European Union countries (France, Germany, Italy, Spain, and the United Kingdom) in comparison to the number confirmed by the US, as shares of their populations.
Currently, many southern and western US states, which began reopening in May, mostly after stay-at-home policies since March, are seeing huge spikes in the daily numbers of coronavirus cases. This has led public health experts to call to reverse reopening plans and enforce strict social distancing measures to help curb the spread of the virus, or even to impose new lockdowns. Dr. Anthony Fauci, the county’s leading infectious disease expert, has indicated that some states may have reopened too early and that it may be necessary to initiate another lockdown for those under dire circumstances, or to establish other measures to combat the spread. Some research shows that lockdowns in the US, which limited social gatherings and unnecessary travel and closed non-essential businesses, did indeed prevent the large-scale spread of COVID-19 cases.

Researchers have further found that many COVID-19 related deaths in the US could have possibly been avoided if the lockdowns and social distancing measures had been implemented earlier. While many European countries began opening up their economies around the same time that many southern US states did, lockdowns in Europe were implemented earlier – giving the countries more time between stages of reopening to establish “new normal” measures (such as mandating masks in all public spaces) and to bring the virus under greater control. Karl Lauterbach, a German professor of health economics and epidemiology and member of the Bundestag who advised the government during the pandemic, has credited American research as a big factor in helping shape the country’s pandemic-related policy responses going forward – Germany has resolved to reopen based on case numbers, reapplying...
restrictions in regions where cases exceed a fixed threshold. The US has, however, focused largely on managing the economic impact of the outbreak rather than addressing the growing number of cases. Some experts have also indicated that the US testing efforts may have fallen short of what was needed to manage the virus and help safely reopen the economy.

The US and European economies have both been devastated by the pandemic, and like almost every country impacted by the coronavirus have resorted to government support for economic relief and recovery. The International Monetary Fund has estimated that global debt (relative to GDP) will rise by about 19 percentage points in 2020. While the US had recovered sooner than Europe after the 2008 financial crisis, experts have suggested that the tables may have turned this time around due to differences in the countries’ systems. An article in the New York Times describes how during the financial crisis, the US economy was able to remain flexible due to its ease of quickly firing as well as rehiring workers, while Europe faced difficulties because of “automatic stabilizers.” The article further mentions that as the mandated shutdowns due to the COVID-19 pandemic have simultaneously affected both demand and supply, Europe’s “freezing the economy” response may indeed be the better reaction this time. In addition, the trajectory of the spread of COVID-19 could influence economic outcomes by affecting the duration of necessary government aid and increasing unemployment rates.

The US and Europe have seen different unemployment trends during the pandemic – while unemployment rates have soared in the US, they have mostly remained steady in Europe. The NYT article mentions that although the US government responded quickly to the current crisis, it did so by arbitrarily handing out funds to companies and taxpayers while relying on the market for job reallocations. European governments, on the other hand, due to their existing social welfare systems, have chosen wage subsidies to try to preserve jobs, in the hope of a rapid economic recovery. It has been noted that European governments may not be able to sustain such support for a prolonged period of time, especially if there is a second wave of the pandemic.