

CED Public Policy Watch

01.15.2021

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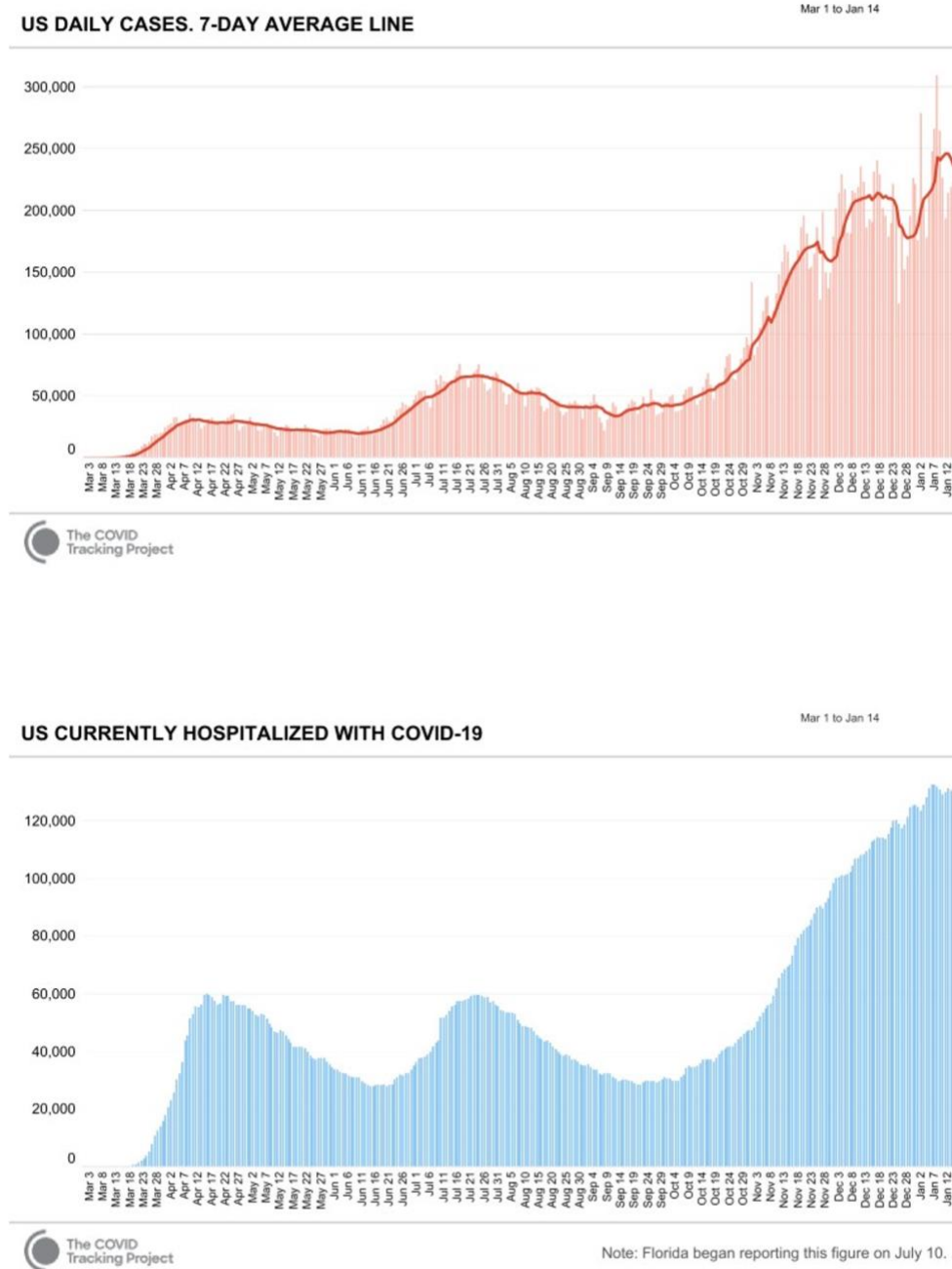
As we mentioned last week, labor market statistics will be veiled for several weeks because of the expiration and modified re-enactment of key pandemic relief programs late last year, on top of normal holiday seasonality. However, to the extent that we can see through the veil, the picture does not look pretty. For the week ending January 9, states reported the highest weekly level of new Unemployment Insurance (UI) applications—1.15 million (not seasonally adjusted)—since July of 2020. It is unclear how much of the increase can be attributed to rising COVID-19 caseloads, data reporting issues or application delays that occurred over the end-of-year holidays, or the enactment of enhanced unemployment benefits in the late-December legislation in encouraging eligible persons to apply. At the end of 2020, the number of Americans receiving unemployment benefits dropped to its lowest level since early April, but that drop likely reflected program disruption incurred by the delay in enacting extensions of the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) programs. More than 1.2 million people were reported as exhausting or dropping off PUA and PEUC between December 19 and December 26, and without those exits from the program, total continuing claims would have increased as well. These developments increase the motivation of many policymakers to seek greater economic stimulus in the new year.

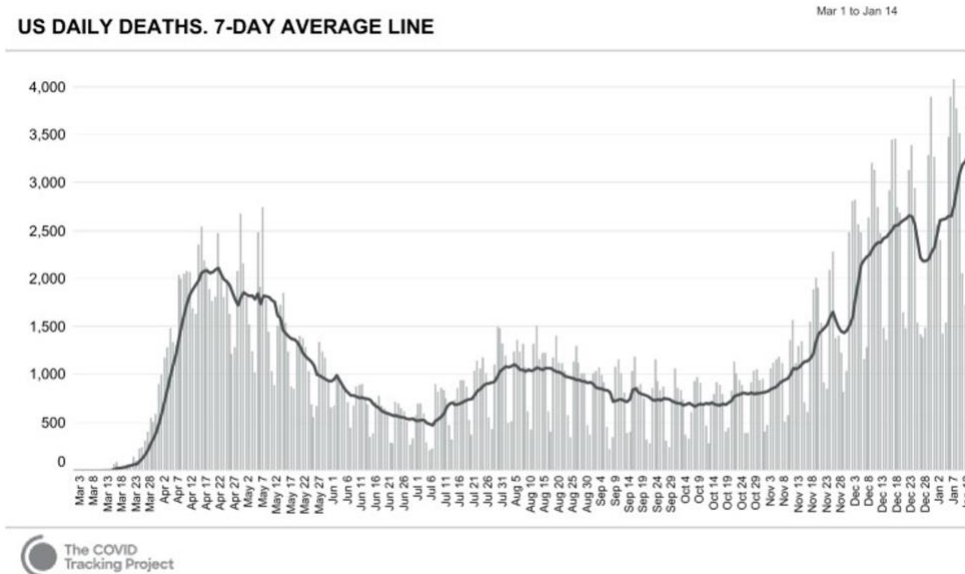
Meanwhile, retail and food service sales in December were down 0.7 percent over November, raising concern about the trajectory of the economy.

2. COVID-19 PAIN LEVELS REMAIN HIGH

Health care workers are hoping that they can see the beginnings of a peak in the key COVID-19 indicators. After a record level of over 300,000 new cases in a day, the seven-day moving average of new cases has begun to turn down at just short of 250,000. Hospitalizations have been flat this week but at more than 120,000, the highest level of the pandemic. And using the dismal rule of thumb that an exposure requires about one week for infection to take root, one week for symptoms to build, and then

one week for a patient to worsen in the hospital before passing away, we see now the approximate culmination of the December holiday spreader event, on top of the Thanksgiving holiday spreader event, on top of the fall and winter resurgence of the pandemic—with the seven-day average still rising, and several days of more than 4,000 Americans losing their lives. We can only hope that this will be the worst of the season.





3. VACCINE NEWS

After building public dissatisfaction about the pace of the administration of the new Pfizer and Moderna vaccines, both the current Administration and the Biden transition have announced that they will accelerate the process by administering more first doses, setting aside concern about the availability of vaccine for the second doses. The current team suggested that the states were misinterpreting the CED guidelines for prioritization by following them too strictly, waiting to complete the first priority group before moving on to the second. It had been reported that Vice President Biden was [planning](#) to urge such greater haste before the current team announced it.

Because of the greatly accelerated clinical trials process, there is perhaps less science available to assess the options for faster inoculations at the risk of running short of vaccines and then being late with second doses. It is not certain how much protection a single dose of either of these two vaccines will afford, and whether any protection will be lost if the second “booster” dose is late. With the rapid current spread of the virus, and its apparent ability to mutate, some authorities believe that it is worth the calculated risk to get at least some resistance in a larger segment of the population as quickly as possible, and thereby to tamp down the spread of the virus and its freedom to mutate.

Criticism of the current distribution system has come in several variations. One is that the states differ in the proportions of their total populations that are at high risk, but that the state allocations were [set](#) simply on the total population size. Therefore, it is argued, some states must wait much longer for enough vaccine to treat their nursing home and health care worker populations, while others have ample vaccine for those groups and can move on to lower priorities. Some have complained that individual states have [departed](#) from the CDC priority guidelines in their allocation processes, while the federal authorities have in effect [complained](#) that other states did not depart even more and created new systems that would work better on the ground. However critics come down on those issues, there certainly has been confusion, and apparent unfairness between residents of different states.

Lurking behind criticism of distribution mechanisms has been concern about supply. The original target was delivery of 40 million doses (at two doses per person) by the end of 2020; today, with both Pfizer and Moderna on line, claimed total delivered doses are still below 30 million. It is the shortage of supply that has forced the use of complex prioritization; and it is the fear of future shortage of supply that imposes the risk involved in not holding back vaccine already delivered to ensure the availability of second doses for people who have already received their first doses.

Building on that theme, there are positive reports that the Phase 1 and Phase 2 trials of the Johnson & Johnson vaccine have yielded highly promising results. The J&J vaccine has two substantial advantages over the two vaccines in current use, in that it requires only one dose, and it can be stored with long shelf life using conventional refrigeration. However, as an Operation Warp Speed participant, J&J committed to a production schedule, and it has [reportedly](#) fallen behind. The federal government contract called for 12 million doses by the end of February, and 100 million by the end of June; the current estimate is for less than 10 million, and perhaps as few as three or four million, by the end of February. J&J expresses optimism that it can catch up to the original schedule in the spring. However, this is another repeat of the continuing theme that the US population must wait as a highly complex, indeed unprecedented, manufacturing and deployment process is [brought](#) up to speed.

4. PRESIDENT-ELECT BIDEN'S "AMERICAN RESCUE PLAN"

On Thursday evening, January 15, President-elect Biden announced the outlines of his "American Rescue Plan." This did not include the details of his vaccination plan, which aims to deliver 100 million vaccinations in the first 100 days of his administration (the United States is now administering over 900,000 vaccinations per day, and so this goal is not out of reach), or of his longer-term "recovery" plan, which is promised for an address to Congress (the equivalent of a "State of the Union" but not so designated for a newly elected President).

The skeleton of the vaccine plan released for Thursday's announcement includes \$20 billion of funding for no-charge vaccination at community vaccination sites in densely populated areas and mobile sites for more-remote areas. More details are promised.

Other COVID programs include \$50 billion for testing with a focus on schools to facilitate reopening, 100,000 public health jobs, care for underserved populations to address the disparate impact of the pandemic, special programs for long-term care facilities and prisons, science investments to identify and track new coronavirus strains and to advance treatments, filling personal protective equipment (PPE) shortages including through the Defense Production Act, an OSHA protection standard for COVID, and international engagement to slow the pandemic around the world.

An additional \$170 billion would be focused on schools, including reducing class sizes (which presumably means more personnel), more cleaning and improved ventilation, and a long list of services from nurses in schools to expanded transportation to allow social distancing. There will be funding for colleges, and a \$5 billion fund for governors to target to "hardest hit" education programs in their states. In addition, the President-elect proposes a \$25 billion stabilization fund for child care, a \$15 billion increase in the Child Care and Development Block Grant, and a one-year expansion of the child care income tax credit including full refundability. The President-elect emphasized a goal of reopening a majority of schools during his first 100 days.

There is a long list of additional programs in the overall plan. The major elements include renewing required employer paid sick and family leave (the employer tax credit for paid leave was extended in the December law); topping up the \$600 per person payment in the December law by \$1,400, reaching the widely touted \$2,000 per person; temporarily increasing the earned income tax credit (EITC) for childless workers; extending and expanding the liberalizations of the Unemployment Compensation program, including increasing the weekly federal supplement to \$400, and funding state short-time compensation programs (also known as work sharing); extending federal eviction and foreclosure moratoriums, and providing \$30 billion for rental, energy and water assistance to aid landlords as well as tenants, and \$5 billion for homelessness services; extending the 15 percent SNAP increase and cutting the state matching requirement, and adding \$3 billion to the WIC program; raising the minimum wage to \$15 per hour; exhorting employers of essential workers (such as in the food processing industry) to provide hazard pay; subsidizing COBRA coverage for the unemployed who lose employer health insurance and increasing subsidy payments under the ACA; adding funding for mental health and veterans health care; funding additional cybersecurity efforts; and providing grants to small businesses, and creating a lending fund for small business. Finally, the plan calls for \$350 billion for state and local governments, \$20 billion for tribal governments, and \$20 billion for public transit.

The stated total cost of this plan is \$1.9 trillion. To put that in perspective, when key provisions of the CARES Act expired last summer, the House Democrats put forward a \$3.1 trillion replacement which was dismissed by many as a wish list. In December, the Congress passed its \$0.9 trillion bill, which President-elect Biden characterized as a “down-payment;” with this new proposal, that down-payment would be topped up to \$2.8 trillion, or very close to the \$3.1 trillion laundry list of last summer. Some might take this as another over-the-top first offer; others might characterize it as a logical response to a seriously worsening pandemic and its potentially dire economic consequences.

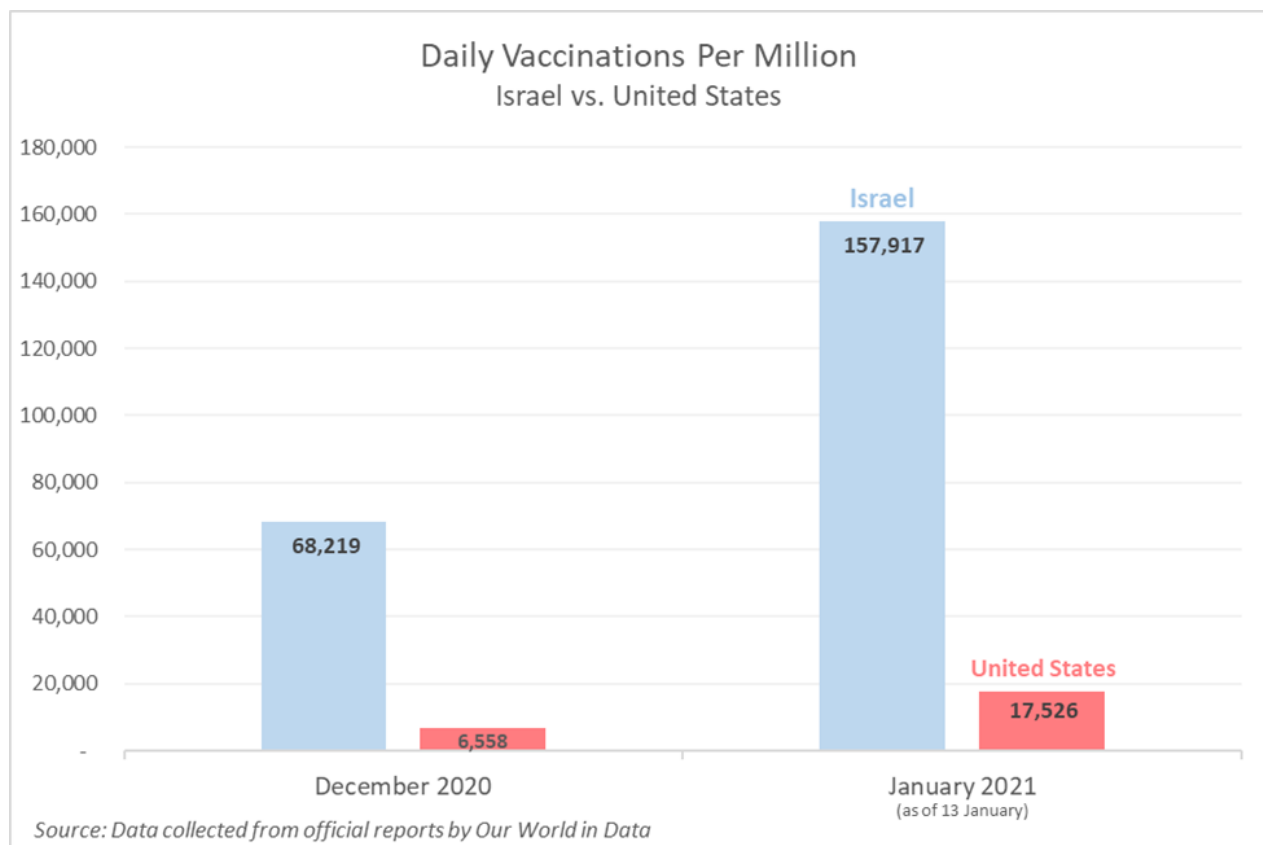
Three provisions probably stand out. One is the \$15 minimum wage, which is not a direct response to the pandemic. Although there is an academic dispute, the higher minimum wage could deter hiring particularly in low cost-of-living localities, and some might argue that the increase in the EITC serves the same purpose (at least for childless workers). The second is the explicit funding for state and local governments, which has been a “line in the sand” to many in the opposition. The third is the \$2,000 (an additional \$1,400) per-person relief payment. Given the troublingly escalating public debt, the overall price tag of the plan is noteworthy. Even with the income limits on the payment, some will argue that those dollars could be better targeted. The President-elect in his remarks argued for the higher per-person payment by citing the troubling dilemma of low-income families choosing between paying rent and buying food. But the plan also includes rent relief and increases in SNAP and WIC, and those increases (and the increases in Unemployment Compensation) could have been more robust if the larger per-person payment were reallocated to them.

In the end, the program will most likely face a 60-vote requirement in the Senate. Prospects of success will be improved over last year because after the Georgia runoff elections the President can bring his program to a vote rather than merely imploring that it be considered, and so members of the other party will be forced to go on record. However, the program still must obtain the votes of more-conservative members of the President-elect’s own party, plus a minimum of 10 of the opposition. The parliamentary alternative would be for the President-elect and his party to first enact a budget resolution, and then to try to pass the program through a budget reconciliation bill which would have a debate time limit in the Senate and therefore not be subject to filibuster. However, a budget reconciliation bill could not include any non-budgetary provisions, and could not appropriate

discretionary funds; only mandatory (or “entitlement”) programs and tax programs could be included. This entire effort will be a test of the President-elect’s promise to achieve bipartisan agreement to address the deadly pandemic and its devastating economic fallout, and all of the nation’s other pressing problems thereafter.

5. SPOTLIGHT ON REOPENING, ISRAEL: VACCINATION ROLL OUT

The COVID-19 global pandemic has spurred the largest vaccination rollout in history, with Bloomberg [reporting](#) that more than 32.4 million doses have been administered in forty-five countries. The report confirms that about 3.3 doses have been administered for every 100 people (falling short of federal projections) across the United States, with about 37 percent of the vaccines that have been distributed administered through health care institutions. In comparison, Israel has administered vaccinations at a rate of 22.0 doses per 100 people, far surpassing the current efforts of other countries.



Israel has been deemed a world leader in the COVID-19 vaccination campaign – despite humanitarian [criticisms](#) and the country’s recently [tightened](#) nationwide lockdown (imposed towards the end of December, soon after the [detection](#) of the UK coronavirus variant). [According](#) to the *Washington Post*, the vaccination rates of the US and Israel are approximately 1 percent and 12 percent, respectively. The article continued to say that Israel’s rate of inoculation is now exceeding its rate of vaccine supply, and that, “since rolling out the campaign on December 20, Israel has repeatedly surpassed its goal of 150,000 vaccinations a day.” Israeli health officials have, however, [announced](#) that based on recent agreements reached with the Pfizer pharmaceutical company, Israel is set to receive hundreds of thousands of

vaccine shipments weekly – allowing the country to meet the goal of vaccinating 2 million Israelis by March 20.

Israel's success in distributing the COVID-19 vaccines has been attributed to its smaller population size and efficient community health care system – which is personalized, regulated, and completely digitized. As all Israelis are insured by one of four national health maintenance organizations (HMOs), and all medical records are online (available to healthcare institutions and the Ministry of Health), it is possible to keep track of who has been vaccinated. It has been [opined](#) that Israel's unique healthcare system allows the country to be a perfect test-case for assessing the efficacy of the vaccine among various demographic groups, as well as the level of coverage needed to achieve herd immunity. In addition, the *Wall Street Journal* [points](#) to Israel's policies of providing vaccines free of charge, limiting waste (by allowing surplus doses left over from vaccinating those on the priority list to be administered to those who show up), creating dedicated vaccine sites to allow more access, contacting those eligible for vaccines, and persuading those less disposed to take the vaccine as potential lessons for the US.

6. SPOTLIGHT ON REOPENING, JAPAN: NEW COVID-19 VARIANT

Health authorities in Japan have [announced](#) that a new variant of the coronavirus was discovered in travelers from Brazil. According to Japan's National Institute of Infectious Diseases (NIID), there is not yet sufficient information available to determine how infectious the new strain is or to ascertain if the available COVID-19 vaccines remain effective against it. The new variant is [reported](#) to have mutations similar to the more infectious strains found in South Africa and the United Kingdom, raising concerns of an increase in the number of cases and hospitalizations, and overwhelming health care systems and personnel. The Director-General of the World Health Organization (WHO), Tedros Adhanom Ghebreyesus, [called](#) for an equitable distribution of the COVID-19 vaccines, stressing that curbing the spread of the virus will help prevent the escalation of mutations. Japan [declared](#) a state of emergency for the capital city of Tokyo and surrounding areas in the beginning of January after a record number of new COVID-19 cases were reported. In absolute numbers or even per-capita terms, Japan's spike pales next to those of the US and other countries, but it was a shock to a nation whose habits of social distancing have left it comparatively untouched to this point. It also bodes ill given the continued and accelerated tendency for the virus to mutate in potentially threatening ways.