

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

**02.26.2021**

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### **1. DATA DIVE: WEEKLY UNEMPLOYMENT INSURANCE CLAIMS CONTINUE SLOW DECLINE**

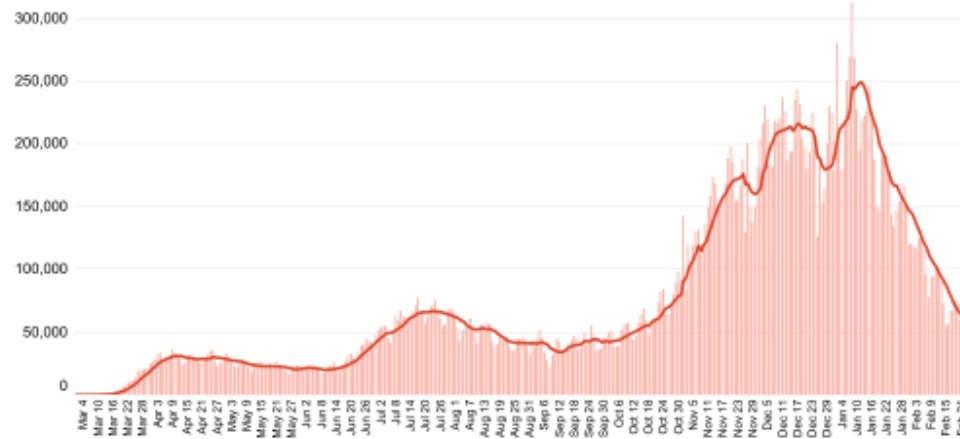
Once again this week, new unemployment insurance claims declined modestly. The headline number of seasonally adjusted weekly initial claims under regular state programs fell by 111,000, to 730,000 – which leaves them well over three times the level of the prior year. Highlighting the unsteadiness of the decline, the total of continuing claims for all state and federal programs reporting – not seasonally adjusted, and with a one-week longer lag – increased by over 701,000, to 19.0 million – which is about nine times the level of the prior year.

### **2. CORONAVIRUS NEWS: CASES CONTINUE TO FALL, BUT...**

The heartening decline of coronavirus cases, hospitalizations and deaths continues. Sort of. In the last few days, new cases seem to have bottomed out and plateaued – if you are a pessimist, perhaps. But there is a recurring theme. After the second peak of last summer, new cases declined, but they hit bottom at about the level of the peak of the previous early spring. Now, after the colossal peak of the winter holiday season, new cases seem to be bottoming out at the level of the second, summer peak. Hospitalizations still seem to be falling, and are below the levels of last summer, but not by much. And deaths, a very statistically noisy indicator, show the strongest signs of hitting bottom and perhaps bouncing back up, at levels about equal to the Spring 2020 peak. This leaves us highly vulnerable to any bad news on the infection front...

## US DAILY CASES. 7-DAY AVERAGE LINE

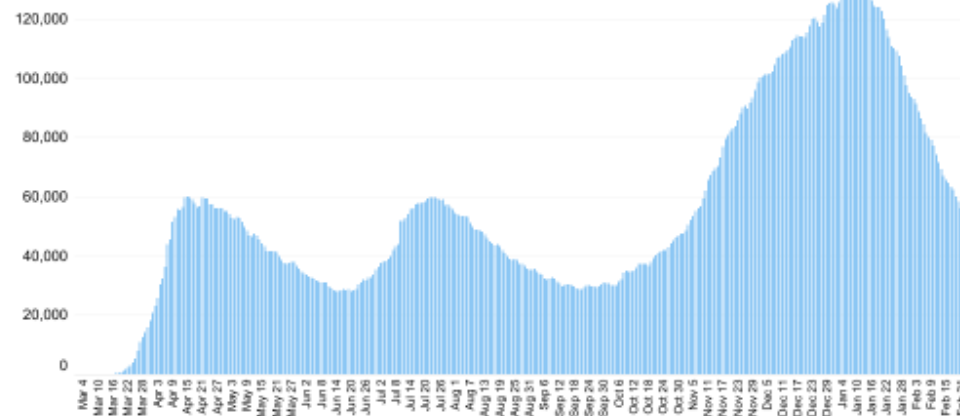
Mar 1 to Feb 24



The COVID  
Tracking Project

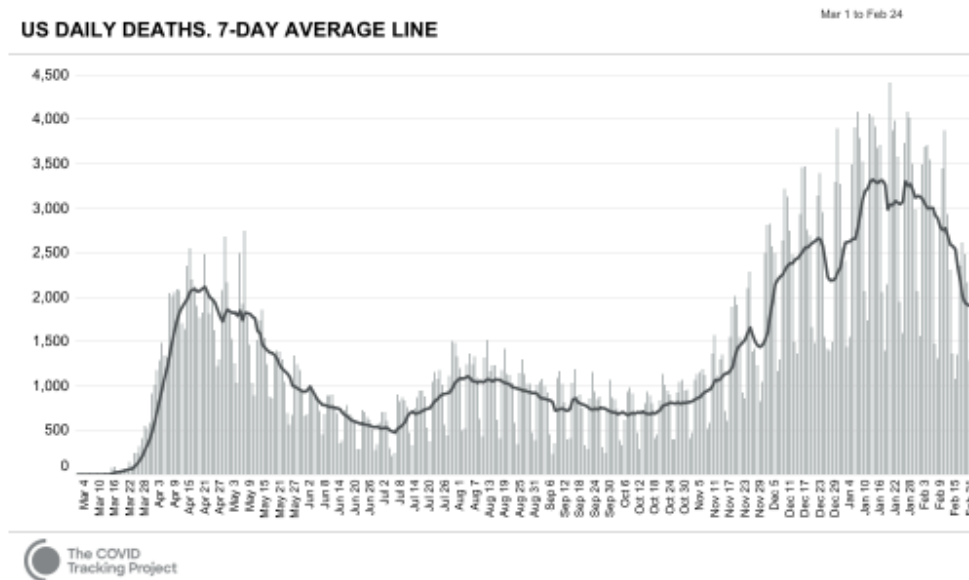
## US CURRENTLY HOSPITALIZED WITH COVID-19

Mar 1 to Feb 24



The COVID  
Tracking Project

Note: Florida began reporting this figure on July 10.



### 3. CORONAVIRUS VARIANTS CONTINUE TO FRIGHTEN

To the three major previously identified variants of the original SARS-CoV-2 coronavirus must now be added [B.1.526](#) (identified in New York, although again, genetic tracking in the United States has been so slow that there is no telling where it might have originated) and [B.1.427/B.1.429](#) (identified in California, with the same caveat). There is absolutely no good news in the emergence of a new variant; it is a heads-I-win, tails-you-lose proposition. If a mutation should be less efficient at propagating itself, then the previous strain will just go on its merry way; but if it is more transmissible, it will accelerate the pandemic, and possibly evade the vaccines that have been developed. The vaccines can be [updated](#) for new variants, but there is a veritable race between the virus's mutations and the discovery and vaccine-modification process. This is why the public health authorities have urged continued vigilance and good behavior, even as the pandemic indicators have seemed to decline.

In fact, public health experts are concerned that the emergence of these and the three earlier variants in the United States will lead to a [renewed rise](#) of new cases at some time in the Spring. Stay safe, and stay tuned.

### 4. VACCINE NEWS

Well, the virus does not have its race with the vaccines all its way. The FDA has [approved](#) the Johnson & Johnson vaccine for emergency use. This single-dose vaccine, which requires little special handling and storage, has achieved about two-thirds effectiveness, and does appear to have efficacy against the new variants. The not-so-good news is that the initial shipments are [expected](#) to be in the three-to-four million range; the Administration had expected more like ten. This appears to be just one more indication that manufacturing vaccines is really, really hard – and uncertain.

But there is more good news: Pfizer has [requested](#) FDA approval that its vaccine (jointly developed with BioNTech) be approved for storage for up to two weeks in standard pharmaceutical freezers, rather than being limited to supercold storage in laboratory freezers or dry ice, as it has been to date. That would make its use much simpler, especially in areas away from research laboratories. In addition, Public Health England [reports](#) that a first dose of the Pfizer vaccine provides 72 percent infection, not far from the 85 percent enjoyed after a second dose. News such as this, plus concern about the mutation of the virus into potentially more dangerous new variants, has led some experts to [propose](#) that national policy shift to delivering the maximum number of first doses as quickly as possible, not holding vaccines back for second doses – which would result in more people not being inoculated at all for a longer time. Some studies have suggested that longer lags between first and second doses do not risk the level of ultimate protection, and of course, if necessary, people could go back to the beginning of the regimen later (although there is no sign yet that this would be necessary). Furthermore, as vaccines are fine-tuned for newly emerging variants, it is within the realm of possibility that it would be advantageous even for people who had been fully inoculated to receive another revised booster injection.

## **5. FED CHAIR POWELL TESTIFIES**

Federal Reserve Board Chairman Jerome H. Powell delivered his twice-annual “[Monetary Policy Report to Congress](#)” (with the “[Humphrey-Hawkins testimony](#)”) to the House and Senate Banking Committees this week. As he has regularly done in the current pandemic-burdened economy, Chair Powell reassured the Members of Congress, and through them the financial markets, that he perceives the serious current risks to the economy and will maintain an accommodative policy for the foreseeable future. This includes a view that the outlook for inflation remains muted, and that even if inflation were to begin to accelerate, the Fed would want to see a true pickup in economic growth as well before it began to raise interest rates.

As is almost always the case for these hearings, the Fed Chair offered the same written testimony to both Committees. However, as sometimes happens, the Members’ questions can send the Fed Chair in different directions from one hearing to another. In the second hearing, on the House side, Chair Powell answered a question about the adverse impact of the pandemic on the [availability of child care](#) and the effect that it has on the ability of women to participate in the labor market – an issue of long-standing importance to CED. Chair Powell expressed great concern that years of progress in integrating women into the job market could be lost, to the detriment of the work force and the economy at large.

## **6. PAYCHECK PROTECTION PROGRAM – WINDOW FOR VERY SMALL BUSINESSES**

President Biden [announced](#) on Monday a two-week window of exclusive access to the Paycheck Protection Program loans, for businesses with fewer than 20 employees. The President expressed concern that the first iteration of the program allowed larger firms to use their relationships with banks to get the first loans, to the exclusion and detriment of smaller firms.

## **7. NEW IMMIGRATION POLICY**

In his latest action in a policy area that has been of great importance to CED, President Biden in a [proclamation ended](#) the pause on the issuance of “green cards” that allow foreigners to become lawful

permanent residents, and live and work in the United States. The President cited specifically the need for talent to fuel the US economy, and the humanitarian interest in reuniting families of US citizens and lawful permanent residents.

Also here is the link to the [President's statement](#) on the Immigration Reform Legislation he sent to Congress on February 18<sup>th</sup>.

## **8. SPOTLIGHT ON REOPENING: ARGENTINA – POLICY RESPONSE AND A LOOMING SOVEREIGN DEBT CRISIS**

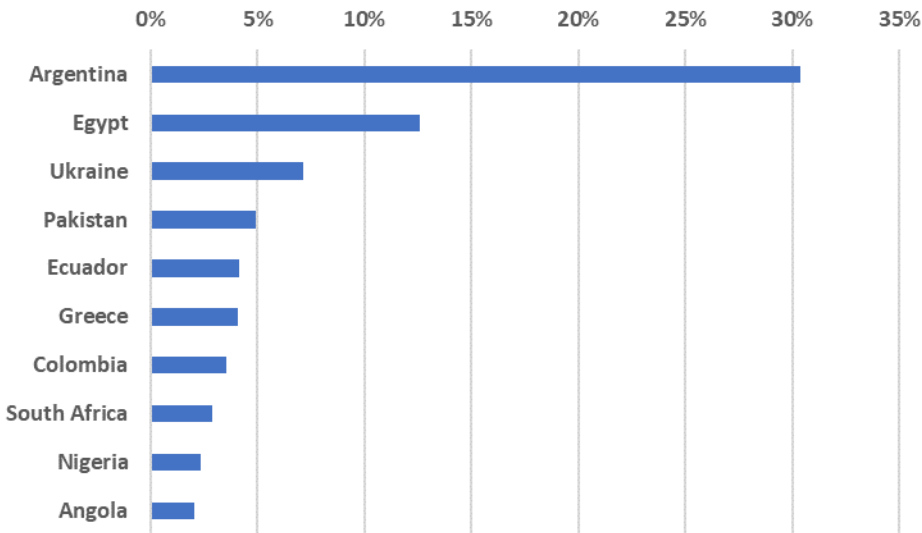
Argentina, Latin America's third largest economy (behind Brazil and Mexico), has arguably had the world's [strictest and longest](#) COVID-19 lockdown. The economic fallout has also been severe: Argentina's economy contracted by [10 percent](#) in 2020, its third consecutive year of recession amid high unemployment, sky-high inflation, [rising levels of poverty](#), and massive government debt. And despite austere containment measures, the country is among the world's top 15 in both total COVID-19 cases and deaths.

At the same time, Argentina is (still) facing a financial crisis, defaulting on its foreign debt for the ninth time in its history in May 2020. Argentina [restructured its debt](#) with private creditors last year and, as the International Monetary Fund's biggest debtor (see chart), it is now aiming to [renegotiate payments](#) on \$45 billion it owes the lending institution.

However, the timing of the negotiations amid the pandemic is sensitive. According to the [IMF](#), Argentina has spent 3.8 percent of its GDP on pandemic relief measures, which is closest to Spain's 4.1 percent and just above the average (3.6 percent) for emerging and middle-income economies. Making difficult spending cuts associated with debt relief while COVID-19 cases remain elevated, and ahead of mid-term elections in October, may not be politically viable. However, without additional access to credit, the government has been financing its pandemic response by [increasing taxes on the rich](#) and [printing money](#). These tactics have fueled concerns about further deterring business investment and igniting additional inflation that could put the country at risk of yet another devaluation and financial market crisis.

### **Top 10 IMF Debtor Countries**

As a percent of total IMF credit outstanding



Source: International Monetary Fund, [“Total IMF Credit Outstanding as of 02/25/2021”](#)

## 9. SENATE PARLIAMENTARIAN RULES MINIMUM WAGE INCREASE OUT OF RECONCILIATION RELIEF BILL

On Thursday evening, the Senate Parliamentarian [ruled](#) that an increase in the minimum wage would not be in order in the budget reconciliation bill that carries the President’s proposed coronavirus relief proposals. The budget reconciliation process is strictly circumscribed to maintain the Senate’s supermajority requirement for legislation that is not budgetary in nature. The increase in the minimum wage would have no direct impact on the budget. (Because all federal government salaries are appropriated, and appropriations are limited by statutory caps, even an increase in a wage paid by the federal government would necessarily require other cuts in appropriations, and thus would have no net impact on the budget. Changes in wages paid outside the federal government – and some people would receive higher wages, while others would lose their jobs and receive no wage at all, with the net increase in wages smaller than the gross – would be indirect and so their effect on tax revenues would not qualify as direct effects for parliamentary purposes.) The President and the Senate leadership have accepted the ruling of the Parliamentarian (in the past, parliamentarians have been [fired](#) over their rulings), and so the minimum wage provision will be removed from the bill before Senate consideration. It was theoretically possible that the bill could have lost its reconciliation status and therefore its parliamentary protection if this situation had not been recognized and remedied beforehand.

Further reading from this week on the Covid-19 \$19T stimulus and relief bill:

[Senator Mitt Romney, op-ed WSJ Biden’s Stimulus Bill Is a \\$1.9 Trillion Clunker](#)