CED Public Policy Watch

12.04.2020

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1. CED ISSUES FIRST 100 DAYS RECOMMENDATIONS

CED sent its non-partisan recommendations for national policy in the new Administration and Congress – a "first 100 days" agenda – to the President-elect and his transition team just before the Thanksgiving holiday. The objective of the First 100 Day plan is to overcome the public health challenge, safely reopen the economy, and get our nation on a path to high levels of employment, production and consumption—to put our country back to work safely, making capitalism benefit all Americans. Those recommendations are available publicly on our website and were discussed in a CED Public Policy Watch webcast on December 3 which featured four Trustees as panelists: Joseph E. Kasputys, Chairman & CEO of Economic Ventures, LLC; Jane Sherburne, Principal of Sherburne PLLC; Mark Testoni, Chief Executive Officer of SAPns; and Cynthia (CJ) Warner, President and Chief Executive Officer of Renewable Energy Group; and was moderated by CED's Joe Minarik.

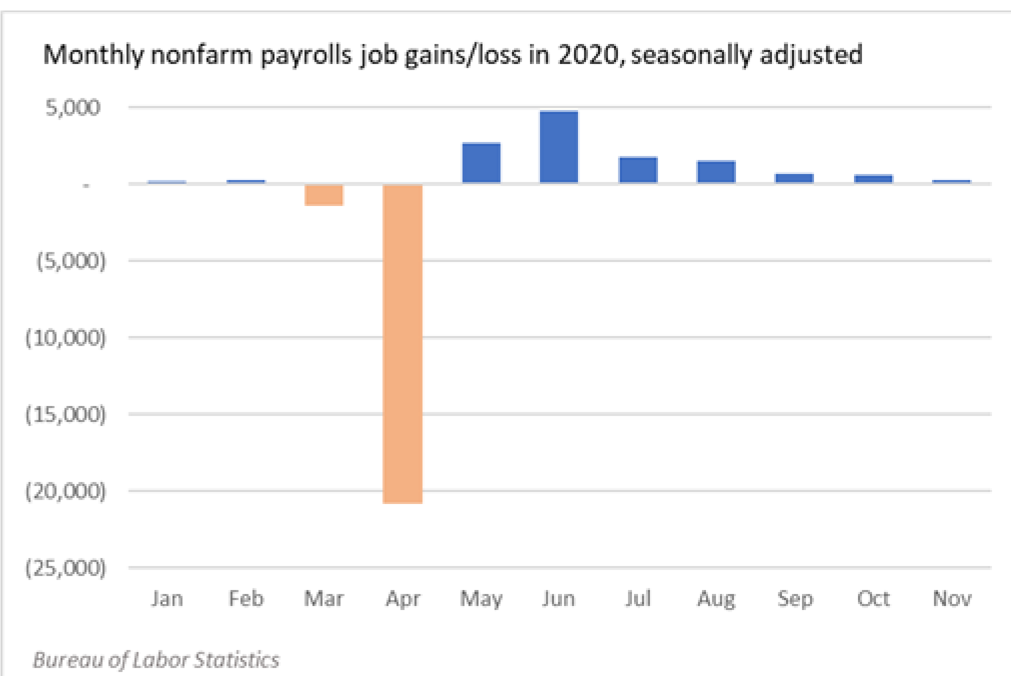
The recommendations focus on four areas: a public health attack on the pandemic; measures for recovery from the pandemic downturn; building from near-term recovery into long-term economic growth; and restoring fiscal sustainability in that recovered and growing economy. The plan make use of research undertaken with the guidance and input of CED's Trustees, working with the Ad-Hoc COVID-19 Committee and CED's standing Committees. We are grateful for the work of our Trustees, and look forward to continuing to work with you to disseminate and ultimately to implement the findings. We believe that these recommendations truly reflect reasoned solutions from business in the nation's interest, and that they follow firmly in the footsteps of CED's founders and Trustees over the last 78 years.

2. NUMBER OF THE WEEK: 0.2 PERCENT – UNEMPLOYMENT RATE CONTINUES TO FALL WHILE EMPLOYMENT RECOVERY CONTINUES TO SLOW

The employment situation statistics continued to improve in November, but at a pace that continues to slow month by month. The November survey was conducted in the week or pay period that included November 12th, a Thursday that month, which did reflect the beginnings of the current coronavirus upswing, but certain not its current intensity or the public health reactions to it.

The unemployment rate declined by 0.2 percentage points, which is the smallest drop since its April peak. Furthermore, the decrease was due to people exiting the labor force, wiping out the apparent improvements in labor force participation recorded in October. Nonfarm payroll employment increased by 245,000, which would be a robust number by pre-pandemic standards, but again is the smallest improvement since the onset of the coronavirus. Payrolls remain down nearly 10 million jobs since February. The number of part-time workers who want full-time work increased again in November, although it is lower than one year ago.

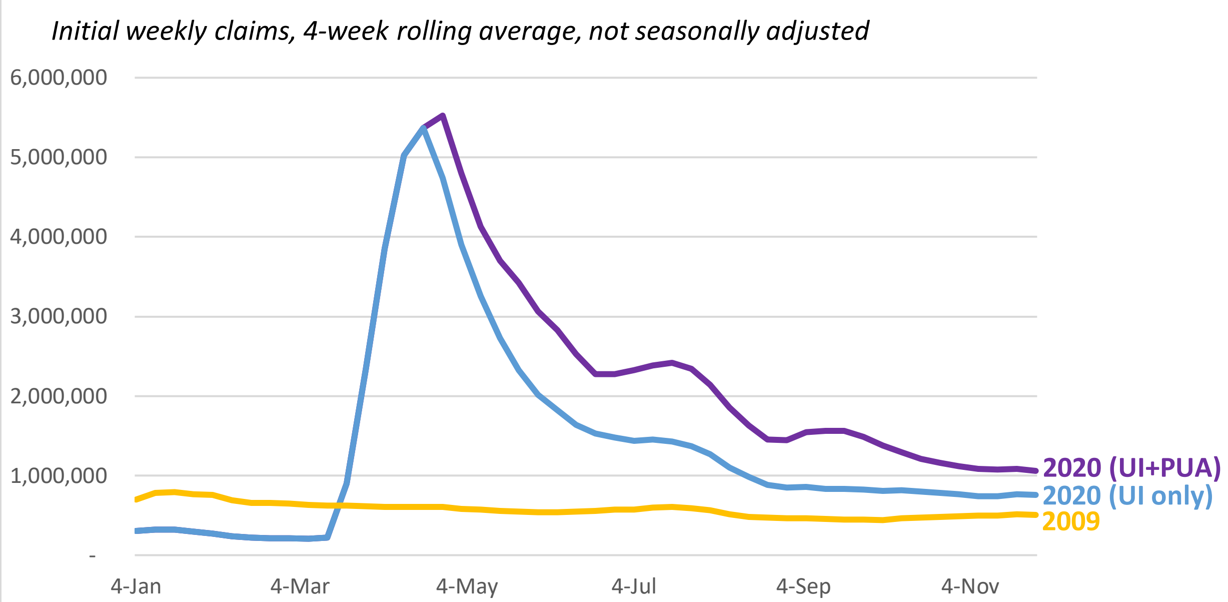
Although the pace of job recovery is expected to increase in 2021 once a vaccine is widely available, at the average pace of job growth experienced over the past two months it would take nearly two full years to return merely to pre-pandemic levels. Additionally, the pace of job growth has declined for five straight months and, with COVID spread increasing or peaking in many parts of the country, improvement looks unlikely in December.



The establishment survey shows increases in employment in transportation and warehousing, business services, and health care, but decreases in government and retail trade. Apart from the federal government, key government employment reductions fell on both state and local education.

3. UNEMPLOYMENT BENEFIT APPLICATIONS AND RECEIPT REMAIN ELEVATED AS PANDEMIC ASSISTANCE EXPIRATION APPROACHES

The US continues to consistently average over a million new applications for unemployment assistance each week. With an average of more than 760,000 initial claims weekly across October and November, applications for traditional Unemployment Insurance (UI) remain close to the highest level of weekly applications (781,000) received during the Great Recession.



Source: Bureau of Labor Statistics; UI=Unemployment Insurance, PUA = Pandemic Unemployment Assistance

More than 20 million Americans were estimated to be receiving unemployment assistance in the middle of November. Roughly two-thirds of current recipients are receiving either Pandemic Unemployment Assistance (which provides assistance to unemployed workers who are not eligible for UI, or who have exhausted their available UI and Extended Benefits) or Pandemic Emergency Unemployment Compensation (which provides UI recipients with an additional 13 weeks of benefits). Both programs are scheduled to expire at the end of December. One analysis estimated that, if Congress does not extend the programs, as many as nine million recipients could lose access to unemployment assistance at the start of 2021. Under current program rules, another nearly one million workers are expected to exhaust their current Pandemic Unemployment Assistance benefits prior to the program's expiration.

However, a new Government Accountability Office (GAO) analysis of the unemployment programs suggest that reporting problems tied to state processing backlogs may be significantly overstating unemployment benefit receipt during the pandemic. GAO also found that some states had improperly paid PUA recipients the minimum statutory benefit rather than the greater amounts of benefits recipients were eligible for.

4. LONG-TERM UNEMPLOYMENT INCREASING; BENEFITS EXPIRING

Even if pandemic unemployment assistance programs are extended before the end of the year, increasing numbers of unemployed workers will begin to exhaust benefits over the next four months. Almost 37 percent of unemployed workers in mid-November were estimated to have been consistently unemployed for more than 26 weeks. (Beyond those unemployed, almost six million more Americans are out of the workforce entirely than were in January of this year.)

5. LAME-DUCK CONGRESS – MUST-PASS LEGISLATION

The post-election session of this Congress has been taking alternating forward and backward steps, in varying numbers, on key items of legislation. The status likely will continue to change by the minute. The ultimate must-pass bill (or less likely, bills) to fund the government agencies are not due for eight days, when the most recent stopgap continuing resolution (CR) expires. That gives the Congress at least eight days to procrastinate. The work will fill (at least) the time available.

On the pandemic-relief front, House Speaker Nancy Pelosi and Senate Majority Leader Mitch McConnell met early Thursday afternoon, after a flurry of conflicting signals – including an attempt at compromise from a bipartisan group of rank-and-file Senators, a general endorsement of that offer from Pelosi and Senate Minority Leader Chuck Schumer, and, what was received as an unacceptable counteroffer, from the President through the Treasury Secretary. The meeting, following on the movement from Pelosi and Schumer, and statements from McConnell that the issue cannot wait until next year, may make a deal possible.

However, the conflict over the pandemic relief is taking oxygen from the agency appropriations process. The House and Senate have agreed on topline numbers for each of the 12 annual appropriations bills. However, there are expected differences over the details, plus some conflict over a proposed designation of some Veterans health care spending as an “emergency” outside of the regular budget limits, which would open space for additional funding for other programs. Remaining perennial disputes over funding for the border wall remain. Needed funding for vaccine distribution will help to motivate a deal (see below).

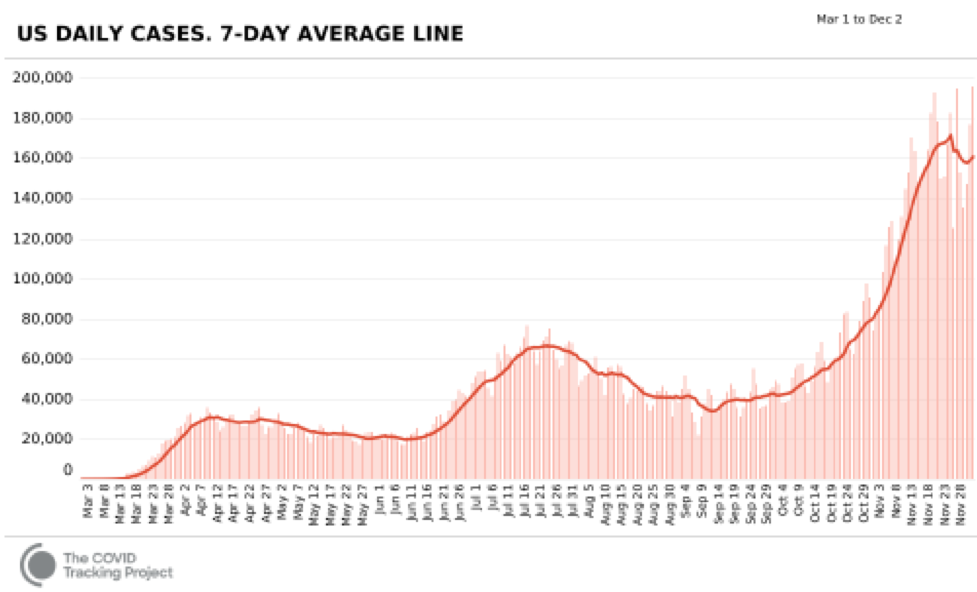
6. FEDERAL RESERVE AND TREASURY TESTIMONY

In testimony relating to the oversight of provisions of the CARES Act for pandemic relief, the Chairman of the Federal Reserve Board of Governors and the Secretary of the Treasury aired some of their disagreements. Treasury Secretary Steven T. Mnuchin had requested that the Federal Reserve return to the Treasury funds that backstopped emergency lending facilities that the Secretary labeled as unnecessary in the improved financial environment. The Secretary said that those funds could instead be applied to spending in a pandemic relief bill, which Republicans hoped to make as small as possible. Fed Chair Jerome H. Powell, on the other hand, described the economic outlook as highly uncertain, and sought to continue those lending programs for any emergency response that might become necessary.

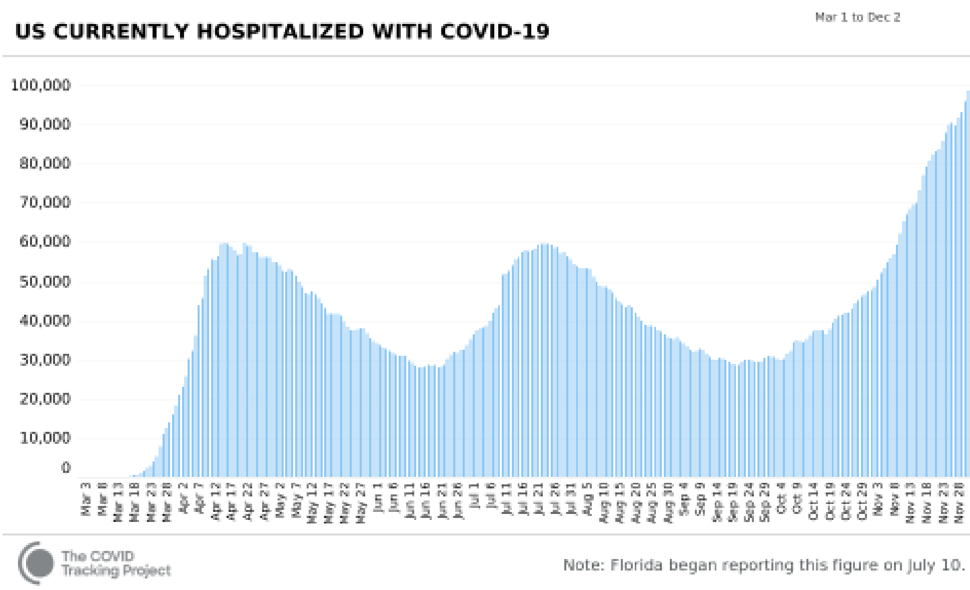
Chair Powell contended that the mere existence of those lending programs provided reassurance to the financial markets and therefore helped to maintain stability. However, the Fed returned the funds, and Secretary Mnuchin moved them into the Treasury's general fund, which can be accessed only through subsequent congressional action, rather than keeping them in the Exchange Stabilization Fund as permitted by law, where they would remain accessible to his nominated successor, Janet L. Yellen.

7. CORONAVIRUS UPDATE – STATE OF THE PANDEMIC

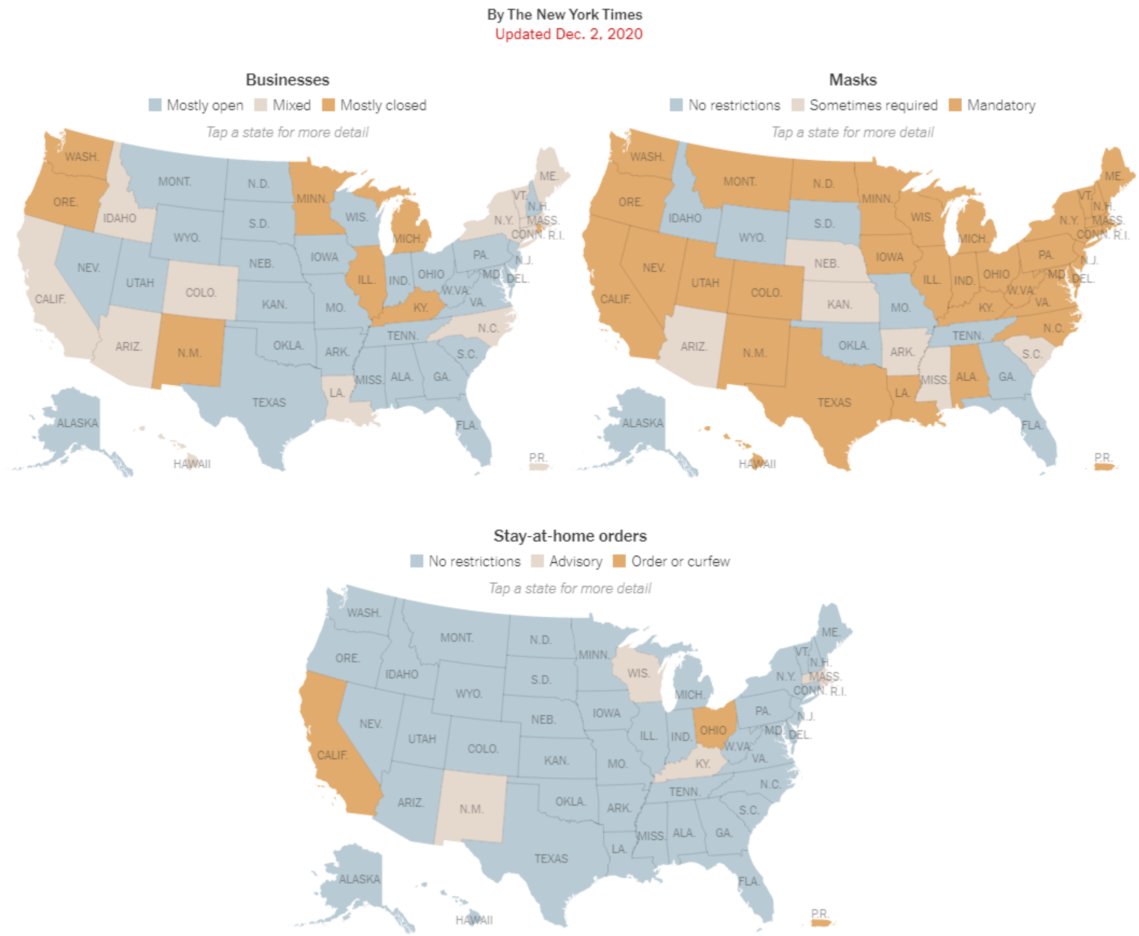
Wednesday's US coronavirus case count set a new record at almost 200,000 – almost double the prospect of 100,000 daily cases that was used in the spring and summer to scare straight the US population into following prudent rules of behavior. At just one week past the Thanksgiving holiday, it is surely too early to see in this number the full effect of the traveling and gathering. By the time that nationwide superspreader event can have its full impact, further celebrations of the Christmas holiday will begin to magnify those effects still further.



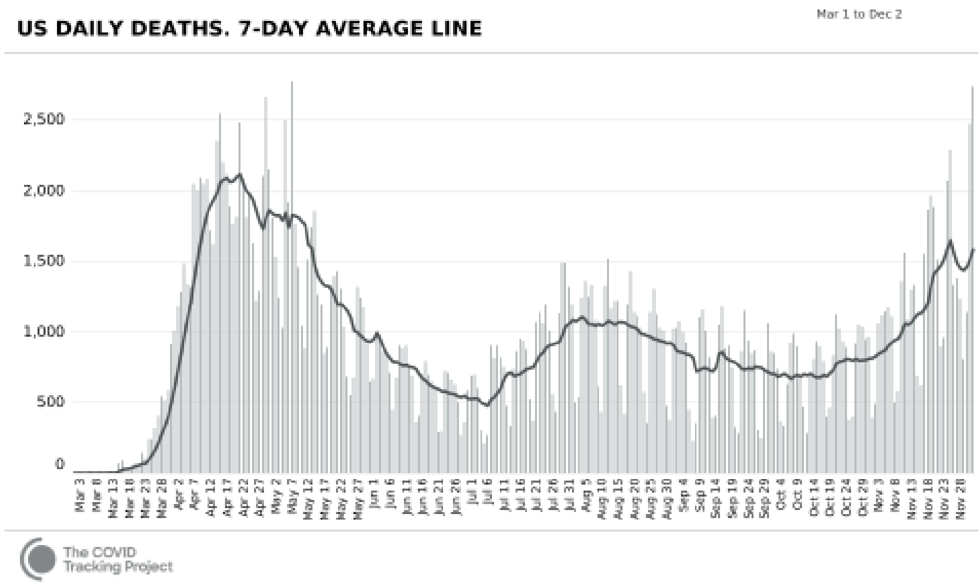
Despite the progress of the medical profession in treating the virus, hospitalizations are now at over 100,000 nationwide, or two-thirds higher than the 60,000 peaks in the spring and in the summer. With the rising number of identified cases, the hospitalization load is sure to follow. All health care is local, but those numbers are high enough to drive many hospitals to capacity, threatening the treatment of coronavirus cases while interrupting the care of others. In a monument to understatement, a Wisconsin county official was [quoted](#) that "Our hospital ICUs and emergency rooms remain stretched beyond any reasonable limit and our healthcare workers as well as our patients need our help."



Conventional wisdom since the summer peak has held that the public would have no more tolerance for "lockdowns," and indeed there is enormous resistance to public initiatives. However, with many local hospitals and health care systems on the verge of breakdown, states and localities are imposing greater restrictions.



And again, despite the progress being made in treating the virus, the accelerating growth of the number of cases has led to a growth of deaths as well. Deaths recorded on Wednesday exceeded 2,000, and although the daily numbers show substantial statistical noise, they remain on a pace of well over 1,000 per day. Cumulative coronavirus deaths are now at about 265,000, and at the current pace will exceed 300,000 by year's end. For perspective, the most commonly cited number of US combat deaths in World War II is 291,557; for the Vietnam War, it is 47,424. Thus, in calendar year 2020, the coronavirus pandemic will have given us one World War II, or six Vietnams. And clearly, the toll of the virus is still far from complete.



8. CORONAVIRUS PANDEMIC – VACCINE UPDATE

Pfizer has applied to the Food and Drug Administration (FDA) for an Emergency Use Authorization for its coronavirus vaccine, and approval is reported imminent. The US government owns 100 million doses of the vaccine, with purchasing rights for an additional 500 million doses (which could take the US supply close to what is needed for the entire population, at two doses per person). The United Kingdom has already approved the Pfizer vaccine for emergency use – interestingly, before the AstraZeneca-University of Oxford vaccine. The UK has customarily been quicker to approve vaccines than is the FDA (or other European countries), in part because the UK accepts companies' own testing analyses whereas the FDA demands the raw underlying data and performs its own analysis. Some might complain that the FDA is being excessively fastidious in this pandemic; others might respond that more-detailed analysis measured in days for a pharmaceutical that in past episodes would have taken several years rather than a few months to develop, and that will be administered to hundreds of millions of people, is only prudent. (Some would cite the experience with thalidomide, which was introduced in Germany but subsequently marketed over the counter in the UK and other countries.)

The Pfizer vaccine is noteworthy for its need for ultracold storage (minus 70 degrees Celsius). The UK source for the vaccine will be a Pfizer plant in Belgium. Health authorities all over the world will watch the shipping and storage experience in the UK for clues as to how to handle the vaccine successfully.

One week behind Pfizer, the Moderna-BioNTech vaccine was also submitted for FDA Emergency Use Authorization. The Moderna vaccine requires only customary pharmaceutical cold storage, and so is easier to manage and administer. Moderna has less manufacturing capacity in the United States, but the US government owns 100 million doses, plus the right to buy 400 million more. The company expects to have 20 million doses in the United States by year end, and to produce 500 million to 1 billion doses worldwide next year. The United States also owns 300 million doses of the AstraZeneca vaccine.

Novavax and Janssen (Johnson & Johnson) vaccines are also in Phase 3 trials, with the J&J vaccine requiring only one dose and having the least demanding storage requirements. The US government owns 100 million doses of each of these vaccines. Thus, if all of the vaccines achieve approval – and signs so far are good – it would bode well for an early complete supply of vaccines for the Unites States, with the federal government in a position to turn some of its rights over to the rest of the world to accelerate the global vaccination process. CED Trustees were briefed this past week by former FDA Commissioner, Dr. Mark McClellan on the vaccine progress and the FDA Emergency Use process.

9. CORONAVIRUS UPDATE – VACCINE DISTRIBUTION

The Centers for Disease Control (CDC) has recommended that health care workers and residents in long-term care homes be first in line for a coronavirus vaccine when it becomes available. About 39 percent of all coronavirus deaths have been linked to nursing homes, but only about 6 percent of all cases – indicating the vulnerability of older persons, or persons with debilitating conditions.

Although the role of the military in the distribution of vaccines under Operation Warp Speed has received considerable attention, primary responsibility for vaccination programs has always rested with the states. A Kaiser Family Foundation analysis finds that the federal government has met only a small part of its financing commitment to the ultimate cost of distribution, and that the state programs differ widely in their stages of development. Notably, some states have not yet estimated the number of their priority groups, including health care personnel; for many, that is simply not a datum of any past interest, and in fact the draft state plans were requested more than a month before the release of the new CDC distribution plan. For that matter, the terms in the CDC plan require definition which must be developed by the states. The supercold storage required by the first-out-of-the-gate vaccine from Pfizer has added a new dimension to the challenge to the states. Most recently, the CDC has developed vaccination cards that will not only identify the vaccinated but also remind them of which vaccine they received and when they need to obtain a second (booster) dose (if applicable).