



CED Public Policy Watch No. 10

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1. CONSUMER CONFIDENCE

After sharply declining in March and April, The Conference Board's Consumer Confidence [Index](#) held steady in May, suggesting that consumer *expectations* have been relatively stable over the past month. The arrested fall of consumer confidence may have been aided by the slow relaxing of state-imposed economic restrictions, though uncertainty over a possibly uneven path to recovery and a potential second wave of infections is likely preventing a quick rebound in consumer confidence. As a result, consumers' forward-looking expectations, which remain significantly depressed from pre-COVID-19 levels, appear to have noticeably [diverged](#) from the stock and bond markets, which have experienced substantial, if partial, recoveries.

2. UNEMPLOYMENT

New weekly unemployment insurance (UI) [claims](#) remain at a significantly elevated level—nearly three times higher than the peak week for claims in the Great Recession—even as they continue to decline week over week. Nearly 2 million workers filed for UI during the week ending May 23, bringing the total number of claims since mid-March to roughly 37 million (or an “excess” of roughly 35 million claims over the weekly average over the prior year). Additionally, 32 states reported 1.2 million claims last week for Pandemic Unemployment Assistance (PUA) benefits—which go to workers not typically eligible for UI, like contractors and the self-employed—roughly matching the previous week. As of May 9, roughly 31 million Americans were receiving some form of unemployment benefit—an equivalent to 20 percent of

all non-farm employees in February. The \$600 per week in extra unemployment benefits expires at the end of July, unless Congress extends it.

3. UPDATE ON SMALL BUSINESSES AND THE PAYCHECK PROTECTION PROGRAM (PPP)

According to a Census Bureau [survey](#) of small businesses, roughly 75 percent had requested, and two-thirds had received, money from the PPP program by mid-May. The share of small businesses requesting PPP funding has not increased since mid-April, suggesting that most businesses interested in accessing the program under its current terms have already done so. Roughly 45 percent of small businesses nationwide reported continuing to suffer a “large negative effect” from COVID-19, compared with a little more than half of small businesses in mid-April (a little less than nine in ten small businesses report at least a “moderate” negative impact).

Nonetheless, minority businesses are reportedly having a difficult time securing relief. [According to Robert Smith](#), CEO and founder of Vista Equity Partners, a private equity and venture capital firm, who is working with Secretary Mnuchin to address the problem, Smith explained that the “vast majority” of them are “sole proprietors” who usually have under five employees, and so apply for smaller loans that do not provide much of an economic incentive for large banks. To offset the imbalance, one of Smith's focuses has been “driving the capacity” for smaller and capillary banks to process the loans more effectively.

On Thursday, the House voted 417-1 in favor of passing a [modification](#) to PPP rules to allow businesses more time (up to 24 weeks rather than the current 8 weeks) and flexibility (reducing the share of required spending on payroll from 75 percent to 60 percent) to spend funds and still qualify for loan forgiveness. It would also extend the repayment period for funds that are not forgiven (from two years to five years). The Senate is expected to consider a similar approach to PPP modification when they return from Memorial Day recess.

4. UPDATE ON REOPENING EFFORTS

As states move to relax restrictions, COVID-19 caseloads are continuing to increase in some areas of the country. Over the past two weeks, nineteen states have [experienced](#) an increase of at least 10 percent in their seven day-average of new daily cases – though increases in testing can contribute to increases in case identifications, making it more difficult to assess trends of actual infection.

After changing some of their publicly provided criteria for re-opening, the District of Columbia [announced](#) that they would begin “phase one” of their re-opening plan on Friday, including lifting the citywide stay-at-home order. The move comes despite the fact that, [according](#) to White House coronavirus task force coordinator Deborah Birx, the DC metro area had the highest rate of positive tests of any region in the country last week.

New York City continues to publicly plan to begin its relaxation of restrictions in the first or second week of June, but no date has been set. NYC is the only region not to have met statewide-criteria for reopening (due to a lack of required available hospital beds and contact tracers). Mayor De Blasio [outlined](#) NYC's rules for phase one this week, which would not allow bar or restaurant patrons indoors. The mayor [predicted](#) that between 200,000-400,000 currently unemployed workers will return to work during phase one.

Nevada announced that it is moving to its second [phase](#) of re-opening this week, including reopening gyms and bars that don't serve food. Some Las Vegas casinos and hotels will also begin opening [next Thursday](#) with modifications in place including new rules for housekeeping and certain crowd limits, while some casinos have announced they will make use of special medical teams or thermal imaging scans to try to prevent potentially infected patrons from entering.

In Florida, Disney World [announced](#) its plans to begin reopening in mid-July, utilizing temperature checks for workers and guests, mandatory masks, and reservation-only park entrances, as well as other capacity limits.

But in Boston, the Boston Marathon was canceled for the first time in its 124-year history due to the coronavirus pandemic. The race was originally intended to take place on April 20 but was rescheduled to September 14. The Boston Athletic Association and Boston Mayor Martin J. Walsh are now offering a virtual event in September with people running 26.2 miles remotely

5. ANTIBODY TESTING

New guidance from the Centers for Disease Control indicates caution in the use of so-called serology or antibody tests for decisions about either public policy or personal behavior with respect to the coronavirus outbreak.

In past outbreaks, evidence that an individual has defeated an infection would provide a strong indication that the individual would not be susceptible to reinfection. Evidence of past infections of many individuals would indicate that "herd immunity" could allow normal social interactions with a reduced probability that a person who had not yet been infected would encounter other people who were contagious. The more defeated exposures, the stronger the "herd immunity," and the safer social interaction would be. (On the more negative side, as susceptible persons succumbed to the disease, they would no longer be carriers within the population, as well.)

There are three basic reasons for the CDC's more pessimistic conclusion in today's instance. First, serology tests for Covid-19 are in earlier stages of development and their effectiveness is questionable. Second, testing of a population with relatively low infection rate (that is, with people who have not been infected and therefore should with an accurate test be shown negative) will with inaccurate tests yield a comparatively high number of "false positive" test

results. And third, the current state of knowledge does not allow the usual level of confidence that people who have defeated infections will necessarily have strong or lasting immunity.

In other words, the current crop of serology tests is likely to tell too many people that they have defeated the coronavirus, from which they (or public policy) would be likely to conclude, falsely, that they are immune from future infection. They might choose, and public policy might encourage them, to rush back out into social interaction, from which they and others might contract or spread the virus. This suggests a greater sense of caution about our collective progress against the virus.

6. VACCINES/TREATMENTS/TESTING

The Department of Veterans Affairs has announced that it will cease using hydroxychloroquine as a treatment of Covid-19, after tests demonstrated that mortality was greater among those who used the drug than among those who did not. In light of the new information published Friday in the medical journal [The Lancet \(Nature, MIT Technology Review\)](#) the [World health organization has suspended](#) their testing of hydroxychloroquine, pending further safety information.

According to a study published in the [New England Journal of Medicine](#) last Friday, while remdesivir does not cure COVID-19, it [helps some patients to recover more quickly](#). New details in the study show that the group that benefited most from remdesivir were those who were sick enough to need oxygen but not so sick that they were on ventilators.

A new poll from the Associated Press and NORC Center for Public Affairs Research finds that only about half of all Americans say that they will take a Covid-19 vaccine. Reasons are many. A large proportion of the “no” respondents say that they do not believe that they will contract the virus without the vaccine, echoing the political divide in society. Some fear that the vaccine itself will give them the virus, and others cite other side effects. Others are concerned by the apparent rush to develop the vaccine. In an ironic test, researchers at Oxford University report that falling incidence of the virus is hindering their vaccine development, and may postpone success.

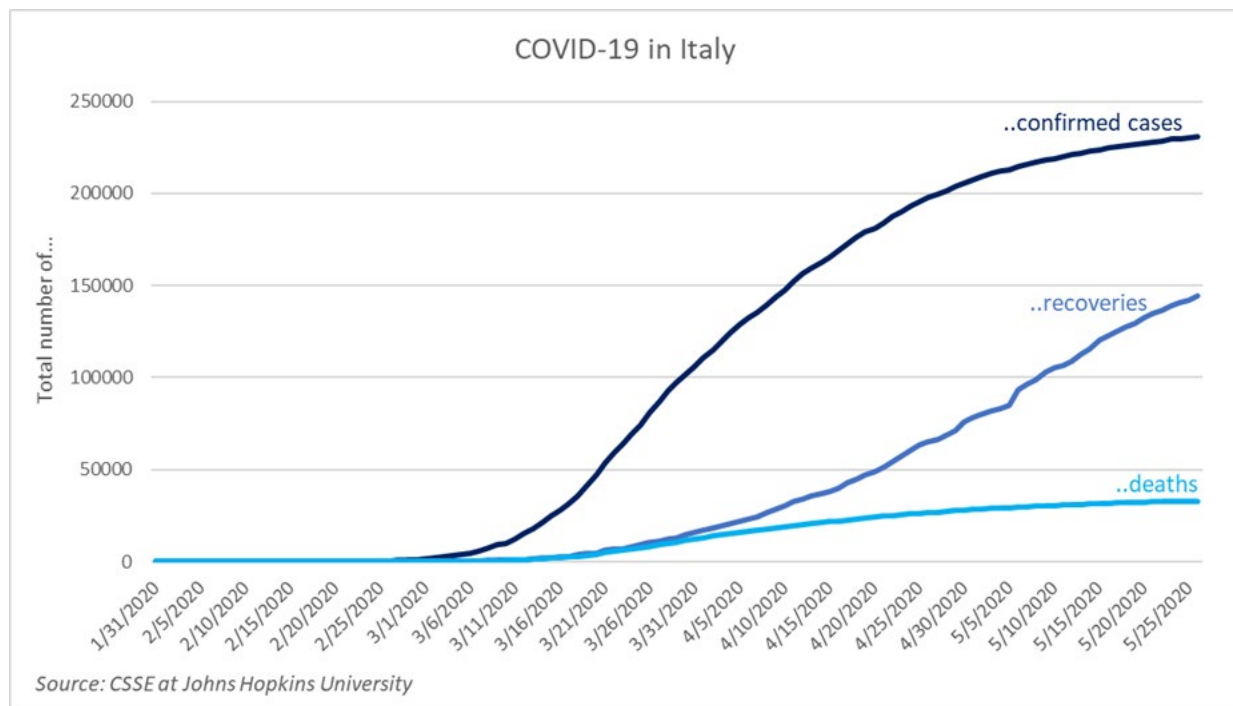
Echoing the sense of urgency in society, Novavax Inc has purchased a manufacturing plant with the goal of producing one billion doses of vaccine next year. Pfizer signed a long-term agreement with Corning for a supply glass vials, which has been seen as a bottleneck in a potential vaccine response. There were reports of rising skepticism about the expectations of historically short timelines for developing a successful vaccine. Scott Gottlieb, former commissioner of the US Food and Drug Administration, was quoted to say that production of large numbers of doses by year-end was feasible, but that the vaccine that was produced by that time would not yet be proved effective.

The Food and Drug Administration has issued an emergency use authorization for a new coronavirus test from [Quest Diagnostics](#) that allows people to collect their sample from home

and be shipped overnight with FedEx to a lab. The company said it will make more than 500,000 of the kits available by the end of next month. [In April, the FDA cleared the first](#) such collection kit from LabCorp.

7. SPOTLIGHT ON REOPENING: ITALY

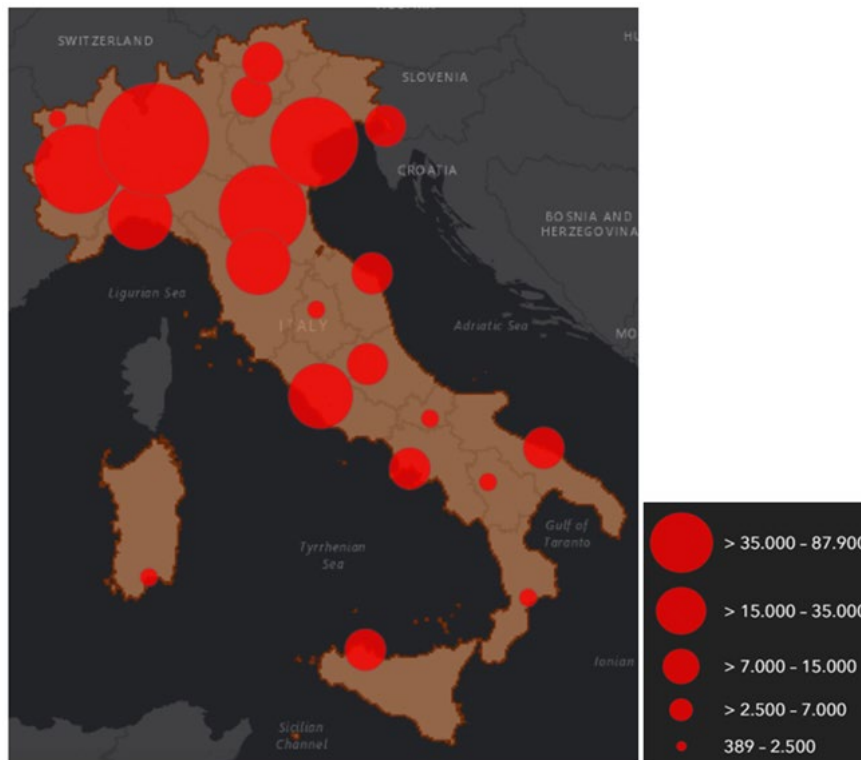
Italy, with one of the highest numbers of COVID-19 infections in the world, has 230,555 confirmed cases and 32,955 deaths as of May 26, and has tested around 3,482,253 people – although the real number of affected people is certainly higher than the confirmed official count. According to the [latest data](#) from Italy's ISS health institute, only about 1.1 percent of fatalities have been amongst those under 50 years of age and more than 57 percent were amongst those over 80. At a recent news conference, the president of the Italian National Institute of Health (ISS), Silvio Brusaferro, said, "The latest numbers show that new cases and fatalities have a common profile... mostly elderly people with previous illnesses."



Italy confirmed its first case of the virus on January 31 (when two tourists in Rome tested positive for the virus). At the end of February, the country had detected a cluster of cases – starting with sixteen confirmed cases in the Lombardy region – and had recorded its first coronavirus-related deaths. By the beginning of March, all [regions of Italy](#) had reported cases of the virus; and Italy's Council of Ministers approved to [divide](#) the prevalence of the outbreak

into three areas: A red zone (where the entire population would be quarantined); a yellow zone (where social and sport events were suspended, and schools, theatres, clubs and malls closed); and the rest of the country (where safety measures were promoted in public places and public transportation was sanitized).

Total number of COVID-19 Cases in Italy



Source: Screenshot from Italian Department of Civil Protection

<http://opendatadpc.maps.arcgis.com/apps/opsdashboard/index.html#/b0c68bce2cce478eaac82fe38d4138b1>

On March 8, the Italian government put the region of Lombardy as well as fourteen other northern and central provinces under lockdown, and shortly thereafter, extended the measures to the whole country – with a punishment of imprisonment of up to three months for those who violated the lockdown. Movement into and out of the lockdown areas were allowed only for authorized “emergencies” and “proven working needs.” The lockdown measures, described as the largest lockdown in the history of Europe (and at that time, the most aggressive response taken in any region apart from China), saw the closure of all gyms, wellness centers, shopping malls, museums, etc., along with the suspension of various public events including religious ceremonies, sporting events, and so on. On March 31, ISS chief Brusaferro [announced](#) that the

pandemic seemed to have plateaued in the country – and on April 20, Italy saw the first fall in the number of “active” cases.

Towards the end of April, Italy’s Prime Minister, Giuseppe Conte, [revealed](#) a "Phase 2" plan that allowed for the reopening of manufacturing and construction industries, although schools, bars, restaurants, and hairdressers were to remain shut. By mid-May, the prime minister revealed the government’s plan to further ease restrictions – most businesses could reopen (including cafes and restaurants serving sit-down customers), public Masses could be held, and free movement was granted to all citizens within their region (non-essential movement across regions was still banned). Additionally, it was announced that swimming pools and gyms could reopen by May 25, followed by theaters and cinemas on June 15. To stimulate tourism, the government also said that travel between regions will be allowed to resume starting June 3 but added that travel restrictions would remain if the nation saw an increase in the number of infections. It was also revealed that travelers from EU countries will be able to enter Italy without going into a two-week quarantine.

The Italian government, in March, allocated [25 billion euros of aid](#) to help tackle the coronavirus crisis. An [economic stimulus plan](#) was announced at the start of April, consisting of 200 billion euros of state-guaranteed loans to businesses and an additional 200 billion euros to support exports. Further, in mid-May, the country declared a [55 billion euros support package](#), including those who didn’t qualify for the previous financial relief (those participating in the “shadow economy,” i.e., illegal or undeclared work). It was [reported](#) that Italy’s nation-wide lockdown saw almost half of its official workforce losing their income and having to apply for state relief. The [Wall Street Journal](#) writes, “The health emergency has left hundreds of thousands of Italians unable to pay for their own food for the first time, the biggest jump in poverty since the aftermath of World War II.” According to the [European Commission](#), the country’s economy is expected to contract by 9.5 percent in 2020.

Update on Germany

(See Spotlight on Germany [here](#) and previous update [here](#))

German Chancellor Angela Merkel extended the country’s social distancing rules to June 29 to limit the spread of the coronavirus, asserting that basic measures like wearing masks and keeping an appropriate distance from others were necessary despite the loosening of restrictions. While schools have reopened, students have been required to self-administer coronavirus tests every four days to track if they are COVID-19 positive or not. In addition, school hallways were made one-way, masks compulsory in classrooms, seats spaced far apart, and windows kept open to improve air circulation.

Update on Sweden

(See Spotlight on Sweden [here](#))

Sweden's controversial decision against instituting a strict lockdown seems to have, so far, failed to produce the expected results of building up herd immunity. Anders Tegnell, chief epidemiologist at Sweden's Public Health Agency, referenced the findings of an ongoing antibodies [study](#), saying that the percentage of the population that developed antibodies against COVID-19 by the end of April was “bit lower than we'd thought.” Sweden's mortality rate due to the coronavirus is one of the highest in Europe, with almost half of the country's deaths having occurred in care homes for the elderly.

Update on South Korea

(See Spotlight on South Korea [here](#))

South Korea has seen a [rise](#) in new coronavirus cases, with health officials confirming forty new cases on May 27 – which is the highest number of new cases in single a day that the country has recorded in approximately two months. The country has also reported the first possible cases (in Asia) of the new COVID-19-linked illness in children (MIS-C), leading to concerned parents, as schools have been reopened this week.

Update on New Zealand

(See Spotlight on New Zealand [here](#))

New Zealand [announced](#) this week that there were currently no coronavirus patients being treated in the country's hospitals, while also observing the fifth consecutive day with no new reported cases and no new deaths. Prime Minister Jacinda Ardern revealed plans to further loosen restrictions by increasing the maximum size of gatherings from ten people to one hundred by the end of the week, but added that New Zealand will continue to observe its current alert Level 2 at least until June 22.