CED PUBLIC POLICY WATCH
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1. PAYCHECK PROTECTION PROGRAM LOAN APPLICATION DEADLINE EXTENDED; RECIPIENTS TO BE MADE PUBLIC SOON

On Wednesday, Congress enacted its latest modification of the Paycheck Protection Program (PPP), which offers forgivable loans to mostly small businesses, extending the deadline for new applications from June 30 to August 5th. After quickly expending available funds provided by the CARES Act in early April, Congress increased total funding for PPP loans to more than $650 billion. However, loan requests slowed after additional funding was provided, leaving roughly $130 billion unclaimed. Nearly five million eligible businesses have applied for funding to date. After negotiations with Congress in mid-June, the Administration agreed to make the identities of recipients of PPP loans public. Public disclosure could occur as early as this week.

2. CBO RELEASES NEW PROJECTIONS OF ECONOMY, FORECASTING LONG RECOVERY WITHOUT ADDITIONAL AID
CBO released its July update to its economic forecast for 2020-2030, showing long-lasting damage to the US economy. CBO’s projections assume that the US will be able to safely relax all social distancing requirements by mid-2021. In the absence of additional Federal policy, CBO forecasts that unemployment will remain above 10 percent at the end of 2020 and above 7 percent until the fourth quarter of 2022. CBO expects rapid real GDP growth in the second half of 2020 and first half of 2021 to help return to the pre-pandemic real GDP level by mid-2022, and for the economy to have fully recovered to the pre-COVID-19 trend by 2028.

3. US COVID-19 CASELOADS CONTINUE TO INCREASE

The US continues to deal with an increasing and record number of COVID-19 cases. Since mid-June, the seven-day average of new daily cases nationally has consistently increased—more than doubling since June 15—and includes increases in thirty-eight states over the past two weeks. Despite the increase in new daily cases, reported deaths from COVID-19 have continued to slowly decline, possibly reflecting a combination of a lag between the increase in new cases and resulting deaths; a shift in who is infected to populations (like younger adults) less at risk of the worst consequences; increases in caseloads driven by increased testing of less-sick COVID-19 patients; or improvements in treatment.

With the increase in cases, many states are rethinking or reversing plans to further relax restrictions. By one estimate, six states have reversed re-opening measures and thirteen states have “paused” plans to re-open. Given increases in cases among younger adults and suspected modes of transmission, many states are reversing re-openings of bars and some indoor dining. Arizona announced that it would be re-closing bars, gyms, and theaters for at least one month. Texas and Florida also announced that bars would be re-closed.

In New York, Governor Cuomo announced that plans to resume indoor dining in NYC, originally scheduled to begin on July 6, would be indefinitely suspended. Mayor de Blasio announced that NYC was preparing to re-open its schools in September, though the ultimate decision to re-open will be left up to the state.

4. UNEMPLOYMENT RATE DECLINED BETWEEN MID-MAY AND MID-JUNE; INCREASING “PERMANENT” JOB LOSS

The unemployment rate declined from 13.3 percent in mid-May to 11.1 percent in mid-June. The Bureau of Labor Statistics highlighted potential misclassification errors in their survey, which, if corrected for, suggest that the unemployment rate was likely closer to 12 percent (however, BLS believes that the size of the misclassification has declined over time, meaning that the month over month decrease since the peak of the pandemic is larger than estimated). By comparison, during the Great Recession, the national unemployment rate peaked at 10 percent. Additionally, the labor force participation rate remains 1.9 percentage points below
the February level, suggesting that roughly 3 million people have dropped out of the labor force entirely (and are not counted among the unemployed). The underlying survey was undertaken in the second week of June, and so the report does not capture changes in employment over the last two and half weeks.

The number of unemployed Americans declined by an estimated 3.2 million between mid-May and mid-June, likely driven by large numbers of Americans who previously described themselves as “temporarily unemployed” returning to work. Among those Americans who have lost their jobs and remain unemployed, roughly 75 percent describe themselves as temporarily laid-off—i.e., they expect to return to their jobs in the next six months (temporarily laid-off workers make up nearly 60 percent of all currently unemployed Americans). By comparison, roughly 2.9 million Americans who have lost their jobs describe themselves as permanently laid off, an increase of roughly 600,000 from May to June.

The increase in employment was evenly split between workers returning to full-time and part-time work. Based on establishment survey data, about two-fifths of the increase in employment occurred in hospitality and leisure, especially food service. By June, the US had gained back about one-third of the decline in non-farm payroll employment that occurred between February and April, with overall employment still roughly 10 percent below February levels.

New unemployment benefit claims in the week of June 27 remained roughly flat with the two previous weeks, marking 15 straight weeks of historically high claims. Roughly 1.4 million Americans filed new Unemployment Insurance (UI) claims and 839,000 filed Pandemic Unemployment Assistance (PUA, for unemployed or idled workers ineligible for traditional UI claims) in the fourth week of June. State benefit systems and data reporting issues continue to suggest that initial claims are overstated but the consistently elevated level of new claims points to the likelihood of many new workers entering unemployment.

The number of Americans receiving some form of unemployment benefit increased slightly from early- to mid-June, driven by increases in Americans receiving PUA benefits. During the week of June 13, roughly 31.5 million Americans were receiving some form of unemployment benefits, a level equivalent to one-fifth of all the non-farm workers who were employed in February.
5. CONGRESS DEBATES PROPOSALS TO EXTEND UNEMPLOYMENT BENEFITS SCHEDULED TO SUNSET IN JULY

The CARES Act provided an “enhanced” benefit—Federal Pandemic Unemployment Compensation or FPUC—of an additional $600 to all recipients of weekly unemployment benefits. That additional benefit is scheduled to expire after the week ending July 25. Congress is currently debating if FPUC should be extended, and if so, in what form.

As part of the House-passed HEROES Act, House Democrats advanced legislation that would extend the additional $600 weekly payment through January 31, 2021.

This week, Democratic Senate Minority Leader Charles Schumer and Finance Committee Ranking Member Ron Wyden sponsored legislation that would tie the size of enhanced payments to the unemployment rate in a potential beneficiary’s state. For example, unemployed workers would continue to receive a $600 per week add-on until the three-month average unemployment rate in their state decreased below 11 percent. The FPUC payment would decrease $100 for each one percentage point decline in a state’s three-month average unemployment rate, with adjustments to benefits occurring no sooner than 13 weeks after a state moved to a lower tier. This means that eligible beneficiaries would continue to receive some amount of enhanced unemployment benefit until three months after the three-month average unemployment rate in their state dropped below 6 percent.
Some Republicans have expressed opposition to extending any form of FPUC past the end of July. NEC Director Kudlow has signaled that the Trump Administration opposed extension of FPUC and would instead favor some form of “back-to-work” bonus to be paid to returning workers. Previously, Senator Rob Portman and Rep. Kevin Brady had proposed allowing FPUC beneficiaries who return to work to keep some portion of the $600 weekly payment, but neither proposed continuing such benefits beyond the end of July.

Data lags and current state unemployment systems make quickly adjusting benefit amounts challenging. In mid-May, 28 states had an unemployment rate equal to at least 11 percent, while all but Nebraska (5.2 percent) had an unemployment rate of at least 8.5 percent. State unemployment rates for June will be released on July 17.

6. MORTALITY RATES UNDER COVID-19

A new “Research Letter” published by the Journal of the American Medical Association (JAMA) suggests that the mortality effects of Covid-19 may be greater than official statistics would suggest.

The article uses the “excess deaths” concept, under which deaths in a selected unusual period are compared with total deaths in a past baseline period to determine whether, and why, the number of deaths in the experimental period is higher. In this case, the authors compared deaths in the United States in March and April of 2020 with the preceding six years. Data include causes of death; the figures for this year are early and therefore provisional.

With all of the usual and expected caveats, the analysis indicated that the number of excess deaths in this year exceeded the expected deaths by 87,001, but only 56,246 deaths were specifically attributed in the source data to Covid-19. The authors consider why the numbers should turn out that way. Apart from data and statistical issues, one possibility is an under-attribution of Covid-19 as a cause of death, such as citation of other respiratory diseases. However, another potential cause is the influence of the disease on other, nonrespiratory health conditions, such as diabetes, heart diseases, Alzheimers, and cerebrovascular diseases; these causes of death appeared higher than expected by the methodology. The authors call for further research to determine whether disruptions in society from Covid-19 may have diminished or delayed access to health care for other conditions, or degraded the social determinants of health (such as jobs, income, and food security).

7. SPOTLIGHT ON Latin America

Latin American countries have been severely affected with the novel coronavirus – the World Health Organization (WHO), in May, declared South America as the current epicenter of the
pandemic, in large part due to Brazil’s rapid surge in the total number of confirmed COVID-19 cases.

At present, South American countries plus Mexico have exceeded two million cases of the coronavirus. Although Europe and the US show a higher number of cases, experts believe that the numbers in Latin America may be under-reported due to the lack of extensive testing in the
region. The first case of the virus in South America was confirmed in Brazil, the largest country in the region, on 26 February. Brazil is currently second only to the United States with respect to the total number of confirmed cases in the world and second to the United Kingdom with respect to the death toll. Peru, Chile, and Mexico are also tackling major outbreaks of the virus. As of the end of June, Brazil and Mexico have recorded the highest numbers of deaths (59,594 and 27,769 respectively) in the region, followed by Peru (9,677 deaths). Worldwide, Peru is sixth in line in terms of the highest number of confirmed COVID-19 cases, followed by Chile in the seventh position. Most Latin American countries are still observing daily increases in the number of cases and deaths, and have not yet reached the peak of the pandemic.

Globally, experts have stressed the importance of implementing social distancing measures in the absence of a vaccine or appropriate treatments so as to not overwhelm healthcare systems. Nevertheless, some Latin American countries have only issued recommended guidelines, and have largely shied away from imposing nation-wide lockdowns. For example, Brazil and Mexico, the region’s most populous countries, have persisted in taking less severe steps compared to neighboring counties like Uruguay. Experts do however attribute some of Uruguay’s comparative success with the pandemic to the country’s high social spending rates – ensuring a “safety net” for its population. Most other Latin American countries, along with their fight against the pandemic, have had to battle high levels of inequality, weak healthcare systems, other potential outbreaks (e.g., the Zika virus, Dengue fever, etc.), crowded cities, and a sizable population of informal workers – making it difficult for governments to mandate a strict self-quarantine. The New York Times reports that “worst-case scenario forecasts” from the University of Washington’s Institute for Health Metrics and Evaluation (IHME) project that Brazil and Mexico could see 340,476 and 151,433 COVID-19 related deaths, respectively.

Despite the rising numbers and grim outlooks, several Latin American countries have begun planning to reopen as their failing economies now face the risk of collapse. Unemployment has soared and millions of people are at a risk of losing their livelihoods. Dire projections by The United Nations show a 5.3 percent drop in the GDP of the region, pushing about sixteen million people into extreme poverty, in addition to the 54 million already experiencing severe food insecurity.

Peru

The first case of COVID-19 in Peru was confirmed on 6 March through a traveler returning from Europe. Peru’s President, Martín Vizcarra, initiated a complete lockdown – by mid-March, non-essential businesses were shut down, borders were closed, and domestic travel was restricted; and by the end of the month, schools were asked to close down. The government, at the start of May, announced plans to re-open the economy in four stages, although a “State of Emergency” was declared until the end of June. While Peru’s government took the necessary
steps to help contain the pandemic, the country is still the second most affected country in the region after Brazil – leading experts to cite socio-economic conditions as the reason. Peru has faced severe shortages of ICU beds, ventilators, masks, oxygen, and other necessary PPE. There have been reports of hospitals in the country struggling with rising COVID-19 infections, “with bodies being kept in hallways, masks being repeatedly reused, and protests breaking out amongst medical workers concerned over their safety.”

Chile

Despite the confirmation of Chile’s first case of the coronavirus on 3 March, the country has not established a national lockdown, but rather imposed selective quarantines in certain areas – the capital city, Santiago, was put under mandatory quarantine on 16 May. Chile currently has the third highest number of COVID-19 cases (after Brazil and Peru) in South America, and one of the worst rates per capita. The country, one of the wealthiest in Latin America, has seen the pandemic bring to light its widening inequality gap – leading to continued social unrest due to a shortage of food and lack of necessary resources. Between February and April, Chile’s unemployment level had reached a record high (in a decade) of 9 percent, hitting the trade, fishing and manufacturing industries the hardest. Chile’s government, to help combat the economic impacts of the pandemic, revealed an economic stimulus package of 12 billion USD (almost 5 percent of Chile’s GDP) in addition to 2 billion USD in funds to aid informal workers.

Mexico

Mexico first confirmed cases of the coronavirus on 28 February via travelers returning from Italy. Mexico’s President, Andrés Manuel López Obrador, has been highly criticized for his continued downplaying of the risks of the pandemic by making statements that the virus “won’t do anything to us,” and suggesting that “no lying, no stealing, no betraying, that helps a lot to not get coronavirus,” in addition to accusing the media and political rivals of exaggerating the threat of COVID-19. While Mexico subsequently took several steps to help curb the spread of the virus (such as temporarily closing schools and suspending the national soccer league), the country did not ban non-essential travel. The United States on 20 March applied limitations on travel across the US-Mexico border, restricting travel to essential personnel and cargo. On 30 March, Mexico’s government finally declared a national health emergency, suspending all non-essential activity. However, it was reported that, to help preserve international supply chains, factories along Mexico’s border with the US were pressured to reopen, with the US ambassador to Mexico tweeting that “it is possible and essential.” In the midst of rising cases and deaths that show no signs of slowing, Mexico has moved ahead with a country-wide phased reopening plan, despite the country’s health officials leading the response against the virus urging people to stay at home. Adding to the concern is Mexico’s failing healthcare system – which after years
of neglect, has been experiencing a severe shortage of trained medical personnel and necessary equipment to fight an outbreak of this scale.

Unlike most of the world, Latin American countries are seeing massive increases in COVID-19 cases and deaths even months after the onset of their first cases. The WHO has expressed concern about the region being the center for a number of the worst outbreaks in the world. The hard-hit Latin American countries especially are similar in the sense that the countries’ leaders have allowed politics to surpass recommended medical practices – inadequate government measures and vast economic inequalities have further amplified the impact of the pandemic. The pandemic has had a severe economic impact in the region, leading to depreciation of Latin American currencies, loss of revenue because of the effects of the pandemic on the tourism sector, etc. Latin American heads of state continue to debate the risk of the virus, advocate use of unproven and risky medicines, refuse to wear face masks in public, and often clash with state and local authorities about best practices.