

Paycheck protection program shouldn't have protected big businesses

By Karl Olson

Congress shelled out over \$650 billion earlier this year for the so-called Paycheck Protection Program, and now – amid stalled talks about a possible new stimulus program -- is a good time to look at whether the first \$650 billion was well spent. The results are in, and while the PPP did help many small businesses, it's equally obvious big businesses got too much of the PPP's huge pie. That should inform any debate about any new round of stimulus for an economy ravaged by the coronavirus.

The Treasury Department and Small Business Administration, after fighting disclosure of data for months, finally released a partial accounting of the program. Their PPP report still contained glaring gaps in transparency, omitting names of businesses which got loans for under \$150,000 and concealing the exact loan amounts for businesses which got loans over \$150,000, instead giving large ranges like "\$5 million to \$10 million."

We do know that too much money went to big businesses. Some 4,840 businesses nationwide got loans in the \$5 to \$10 million range. Many of them didn't report saving any jobs.

Over \$107 billion of the PPP money went for loans of over \$2 million. The PPP, by letting businesses with up to 500 employees (and even restaurant chains) get forgivable loans, subsidized a lot of businesses that didn't need the money. At the same time, many small businesses with no banking relationships got nothing. Many have now closed their doors.

Not surprisingly, allies of President Trump fed at the PPP trough, with the Kasowitz law firm in New York – which has represented the President -- chalking up a PPP loan in the \$5 to \$10 million range even after grossing \$217 million last year.

One of the problems with the PPP was that the bigger businesses who got the loans and pocketed so much of the money gave the government far less bang for the buck than small businesses. Businesses in the \$150,000-\$350,000 loan range saved far more jobs per dollar than businesses which got PPP loans in the \$5 to \$10 million range.

Lloyd Chapman, president of the American Small Business League, criticized the fact that so much of the PPP money went to large businesses. "All of the PPP money should have gone to firms with fewer than 100 employees," Chapman said. He added that PPP loans should have been capped at \$500,000.

The way it worked out, however, the government gave \$179 billion to businesses which got loans of over \$1 million. They got 34 percent of the first \$520 billion of PPP money, even though those loans represented only 1.6 percent of the number of loans. Translated: much of the PPP was a giveaway to the top 1 percent.

The bottom line is this: the PPP did help some small businesses. Unfortunately, many have had to pull the plug anyway, in part because the top 1 percent got too much. It would have made more sense to give out larger stimulus checks to workers or more generous unemployment benefits. Republican Senators who have complained about unemployment benefits of \$600 a week have been

silent about the PPP loans of over \$1 million and up to \$10 million. Too much of the PPP money went to big businesses that didn't need it and didn't save jobs, and not enough to people who are getting food from food banks. The government should learn from that lesson if it doles out another big round of stimulus money.

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