The Daily Dish

In Defense of the PPP

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Eakinomics: In Defense of the PPP

It is a poorly held secret that a primary purpose of Eakinomics is primal scream therapy to address my policy demons. I've already opined on the vast misunderstanding of the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As the public shaming and Monday-morning quarterbacking continues, however, there is a growing story line that PPP is a "failure." This narrative has caused me to suffer an outrage relapse.

Stop it! PPP is the *best* part of the CARES Act.

It's not that PPP is without flaws; it has numerous weak points. But despite those flaws it has done an enormous amount of good. The table below is taken from Thomas Wade's PPP tracking work for AAF. It displays the cumulative number of loans, value of loans, and number of lenders in the PPP. Round 1 refers to dollars provided in CARES, while Round 2 funds came from the subsequent Paycheck Protection Program Increase Act.

	Round One		*Round Two*	
	4/13/2020	4/16/2020	5/1/2020	5/8/2020
Total Number of Loans	1,035,086	1,661,367	3,873,158	4,232,534
Total Value of Loans	247,543,393,521	342,277,999,103	518,021,247,011	531,221,587,666
Average Value of Loans	239,152	206,022	133,746	125,509
Total Number of Lenders	4,664	4,975	5,432	5,463

There are two main takeaways from the table. First and most striking: In one month PPP distributed $531 billion. That is nothing short of extraordinary. It is also the single largest source of support for the economy during the awful month of April. The lending facilities created at the Federal Reserve and backed by Treasury funds have hardly begun to

function. The Congressional Budget Office (CBO) put the total price tag for checks to individuals at $293 billion and $268 billion for unemployment insurance – and not all of that money has gone out yet.

The second important takeaway is the average loan size in the third line. As time has progressed, the cumulative average loan size has steadily fallen. This decline means that new loans are steadily smaller; the average loan size has fallen from $239,00 in the first week to $73,000 in the most recent data. The PPP is well beyond serving only "big" firms and is now reaching increasingly smaller ventures.

This performance notwithstanding, the economy shed 20 million jobs in April. Can you imagine the further carnage if PPP were the awful corruption-ridden, poorly targeted program that people are suggesting?