



## The Daily Dish

# Scandal, Finger-pointing, and the PPP

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### Eakinomics: Scandal, Finger-pointing, and the PPP

This past week featured a lot of carping about the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. There were a [spate](#) of [stories](#) about large, multi-location businesses - Shake Shack, Ruth's Chris Steakhouse, the parent company of Hyatt - having received PPP loans. Separately, there were [criticisms](#) that the banks offering PPP loans were favoring existing customers. Maybe I'm just pandemically peevisish, but I don't find the critiques interesting or compelling.

The first is that these firms were not eligible for the PPP. Well, yes, they were. That's how Congress wrote the CARES Act. And from an economic point of view, if each location is under 500 employees, shouldn't that location be able to get help to support the payroll of its employees? Actually, these larger firms have more employees. If the idea is to keep people at work, then why is helping *more* people a bad thing?

The second notion is that these firms "didn't need" the money. Stepping back, this is really an issue of targeting. If we wanted to truly identify those firms with the liquidity to survive the pandemic, we both have to know exactly how much liquidity that is, and we'd have to audit every balance sheet to identify those who don't have it. There would be no economy left by the time this was done.

The third notion is that it is the fault of these large firms that small firms didn't get loans before the PPP ran out of funds. No. That is Congress's fault. A reasonable estimate of the needs of the PPP was \$750 billion to \$1 trillion from the outset. Congress underfunded it to begin with and may have continued to do so.

The prime imperative of the PPP (and CARES more generally) should be speed in getting

funds out. When considering tradeoffs with speed, it should be the bigger factor than targeting, excessive scrutiny to prevent fraud, and other issues. In this regard, it is entirely unhelpful to put the banks - the key transmission mechanism - on the defensive about how they selected the first round of loans. It simply makes perfect sense to lend to those you know the most about.

So, ignore the “Ruth’s Chris is the worst” and “blame the banks” narratives. PPP is exactly the program Congress created. This is the time for improving it, not finger-pointing and scapegoating.