



The Daily Dish

A Retrospective on the Paycheck Protection Program

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Eakinomics: A Retrospective on the Paycheck Protection Program

One of AAF's most popular products, week in and week out, is Thomas Wade's [tracker](#) on Paycheck Protection Program (PPP) loans. Yet as he notes: "On May 5 the [SBA announced](#) that all funds for Round Three, and the PPP as a whole, had effectively been exhausted." That doesn't mean that Congress couldn't add more money – Lord knows they know how to do that – but the PPP has been a policy success whose time has passed. It is time for the federal government to return small business finance to the private sector.

The PPP can be traced to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which set aside \$349 billion for the relief of small businesses to be administered by the Small Business Administration (SBA) in the form of the PPP. This funding was exhausted quickly and Congress later provided an additional \$320 billion for the PPP in [H.R.266](#), the Paycheck Protection Program and Health Care Enhancement Act (round two of PPP funding). Wade notes that "This brought the total funds available to the SBA and the PPP to \$669 billion. The PPP program was due to expire at midnight on June 30 with funds remaining, but just hours for the expiration of the program Congress authorized an extension through August 8. This date passed without a second extension to the program."

The primary objective of the first round was to get money out the door, and quickly. The basic structure of the PPP was to provide loans on demand and, if the funds were spent on core expenses such as payroll, forgive those loans upon maturity. The goal was to keep the cash flow intact for small firms (under 500 employees), keep paychecks flowing to the workers, and maintain the employer-employee link. Viewed from those perspectives, the program was an enormous success; it quickly (under 6 weeks) disbursed roughly \$500 billion in loans.

The success came with some criticism, however, as time passed. There were objections to some recipients, notably the Los Angeles Lakers and many large franchise organizations. So, when the caseloads of COVID-19 began to rise sharply in late fall and early winter 2020, Congress passed the Consolidated Appropriations Act, 2020 (CAA) which was signed into law by President Trump on December 27. Wade points out that "[Amongst other provisions](#), including jobless benefits and stimulus checks, the \$900 billion CAA package included \$284 billion once again for the PPP program," and "in addition to other program changes, made it possible for businesses to apply for a second PPP loan up to a maximum loan amount of \$2 million. The CAA also rescinded the \$147 billion that had remained in the program at the end of Round Two, simultaneously increasing and decreasing the funds available to the program on reauthorization. The SBA reopened the PPP on Monday January 11, 2021, with a two-day period where access to the program would only be possible for the smallest businesses and those owned by minorities; after this the program was opened to all who qualify."

In short, Congress modified the program to improve the targeting to firms headed by minorities and to those with little access to traditional private lenders but provided sufficient funds to carry the program for another four months. Given the progress against COVID-19 in the interim, the recent declines in new claims for

unemployment insurance, and the general improving of the economy, the PPP has to again be declared a success.

That success doesn't mean, however, that Congress should immediately dump another tranche of taxpayer money into the PPP. None of the CARES programs was intended to be other than a bridge to the post-pandemic economy, including the PPP. As constructed, the PPP was designed to cover businesses for only eight weeks of expenses (later extended to 24 weeks). If Congress remains concerned regarding financial flows into the small-business sector in a non-emergency sector, it should consider [a better mechanism](#) than forgivable loans.