



The Daily Dish

PPPPPP

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## Eakinomics: PPPPPP

Yesterday the world witnessed PPPPPP – Peak Pathetic Press on the Paycheck Protection Program. The genesis of every major paper – e.g., *The Wall Street Journal*, *New York Times*, *Washington Post* – writing a terrifically misdirected, opinion-disguised-as-news column was the release of borrower-level data for the [Paycheck Protection Program](#). The essence of the coverage was that “free” PPP funds went to undeserving successful firms, who were well-connected in financial and political circles, or even swamp-dwelling D.C. law firms. Shame! The PPP was, in the words of the *Washington Post*, a “first-come, first-served program that was not designed to evaluate the relative need of the recipients.” Precisely. That was the *point*.

Congress designed the PPP to be open to firms with under 500 employees (i.e., without any analysis of need, without any restriction on legal structure). It said that to participate, one had to apply to a Small Business Administration- (SBA) approved lender (i.e., first-come, first-served). Since the Treasury elected to not waive the requirement that banks ensure that borrowers were laundering money for terrorists and the like, it was natural that businesses with existing relationships got their loans first.

Recall that these were *loans* – not free money – that were forgiven only if three-quarters of the funds were spent on payroll (and a narrow list of other expenses). The [most recent data](#) from the SBA suggests that the PPP has supported over 50 million jobs, or 84 percent of *all* small business employees. It is crazy to suggest that this is not a huge victory for everyone concerned considering the unprecedented unemployment. It is equally madness to suggest that some recipients have prevented “more deserving” firms (whatever that means to economics) from accessing the program when over \$130 billion remains available.

Despite all the sturm und drang, all these firms did was follow the rules. And those rules, although imperfect, reflected the circumstances. The COVID-19 pandemic had hit with stunning force, well-run and successful businesses had seen their customers disappear, and the economy was falling off a cliff. The basic idea was to flood the small business sector with liquidity (loans or grants) to replace lost cash flow, preserve the firms and, where possible, the employment relationships. If the program has been designed to scrub each borrower for the state of their balance sheet and their conformity to mainstream press political correctness, there would have been little economy left.

At some level, it is in the past and does not matter. But in a dynamic sense, it matters a lot. The misinformed coverage undercuts the faith of voters in what was good-faith effort by Democrats, Republicans, Congress, and the administration to respond to the crisis. Since such needed policy responses are far from over, it makes future policymaking – especially the future of the PPP – harder to implement successfully. *That’s* a real scandal.