$310 billion more for misnamed “Paycheck Protection Program”

# Senate passes another bipartisan bailout for business

**By Barry Grey**
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On Tuesday, the US Senate passed another bipartisan bailout bill, whose benefits will once again go disproportionately to wealthy employers. The centerpiece of the bill is a new infusion of $310 billion of taxpayer money into the so-called “Paycheck Protection Program” (PPP), a provision of the $2.2 trillion CARES Act enacted at the end of March.

The PPP is supposedly aimed at aiding small businesses and preserving the jobs of their employees. In reality, the program is designed to make it difficult for mom-and-pop businesses to obtain relief, while funneling a substantial portion of the allotted funds to large enterprises with hundreds and even thousands of employees, and enriching Wall Street banks that make millions in processing fees and interest payments.

The new bill was passed by unanimous consent, with no Democratic senators rising to oppose it. It takes only one dissenting senator to block a unanimous consent vote and force a roll call vote. That would have disrupted the rush by the White House and both parties to enact the measure this week, since senators, currently dispersed around the country due to the pandemic, would have had to assemble in the Capitol.

Democratic House Speaker Nancy Pelosi had previously announced that she would hold a vote in the lower chamber either Wednesday or Thursday. President Trump tweeted his support for the bill on the eve of the Senate action and urged Republicans to vote for it.

The program extends low-interest loans backed by the federal Small Business Administration (SBA) and allows the loans to be forgiven if the recipients rehire furloughed or laid-off employees and devote 75 percent of the loans to payroll, utility or rental costs for a period of eight weeks. It was presented to the public as being open only to businesses with fewer than 500 workers and less than $2 billion in revenue.

However, after lobbying by restaurant and hotel chains, Congress agreed to the insertion of a provision making such companies eligible for PPP money, as long as none of their individual locations employed 500 people. As a result, multimillion- and billion-dollar chains such as Ruth’s Chris steakhouses, Shake Shack, Potbelly and J. Alexander were given priority by Wall Street banks, including JPMorgan, Bank of America and Wells Fargo. They approved loans for large companies ranging from $15 to $20 million each, while hundreds of thousands of family-owned restaurants, beauty and barber shops, gas stations and small retail outlets were shut out.

The PPP was allotted $349 billion under the CARES Act, a small fraction of the trillions allocated by the Treasury and the Federal Reserve to bail out major corporations and banks and prop up the stock market. The program is administered by the SBA but conducted through major banks, which actually approve and administer the loans. These financial institutions are seeking to maximize their profits and minimize their risk by extending larger loans to bigger companies.

Such was the demand that the program ran out of funds last Thursday, less than two weeks after it was launched. More than 25 percent of the value of the loans that had been approved went to fewer than 2 percent of the firms that got relief.

There are 30 million small businesses in the US, employing hundreds of millions of workers. Many are being bankrupted by the shutdown of much of the economy caused by the pandemic and the government’s failure to contain it.

Eleven percent of restaurant owners surveyed by the National Restaurant Association say they expect to close permanently by the end of this month. UBS Bank said

200,000 US restaurants, one in five, could go out of business. Nationally, 8 million restaurant workers have already been laid off. For the vast majority, the government program will do nothing to save their jobs.

The bill passed by the Senate on Tuesday includes, in addition to the $310 billion in new money for the PPP, $60 billion for a separate rescue program nominally for small businesses that also ran out of funds last week. The Economic Injury Disaster Loan program includes $50 billion in loans and $10 billion in grants.

Sixty-billion dollars of the new PPP funding is to be handled by smaller "community" banks, with the intention of ensuring that minority-owned businesses get a share of the money.

The Democrats had made a show of pushing for additional money for hospitals and coronavirus testing, as well as for aid to state and city governments that are facing massive deficits due to collapsing tax revenues, and for more funding for the food stamp program. There is nothing in the series of corporate bailout bills enacted since the eruption of the coronavirus crisis to address the staggering growth of hunger in America. The consequences of repeated cuts in the food stamp program and social programs more broadly under Obama as well as Trump are now seen in massive food lines spreading across the country.

In the end, the Democrats settled for a completely inadequate $75 billion for hospitals and a derisory $25 billion for testing in the bill, whose total cost is pegged at $484 billion. They abjectly dropped their demand for relief to state and local governments and additional funding for food stamps.

The failure to secure aid to the states and localities is particularly significant. Depression levels of unemployment and negative economic growth are bankrupting state and local governments across the country.

While there is universal acceptance within both parties that unlimited amounts of public funding must be supplied to the corporate-financial elite to offset the impact of the economic collapse triggered by the pandemic, when it comes to the jobs, pensions, wages, schools and health care of the working class, the opposite principle applies. The only possible response, the ruling class declares in one voice, is the most brutal austerity.

Trump, for his part, is deliberately withholding aid from states and cities in order to pressure them to reopen their economies more quickly. He and Republican congressional leaders have held out the possibility of discussing such aid in a new round of bailout legislation.

According to the Center on Budget and Policy Priorities, state tax revenues may fall by $500 billion over the next three years. Moody's Analytics warns that states may face combined deficits of $158 billion to $203 billion through the 2021 fiscal year. More than 2,100 cities across the country expect budget deficits this year.

Governors and mayors, Democrats no less than Republicans, are already imposing spending freezes and cuts. New Jersey's Democratic governor, Phil Murphy, has frozen more than $1 billion in spending and cut property tax rebates for homeowners. Virginia Governor Ralph Northam, a Democrat, is seeking to freeze $2.3 billion in new spending that had been approved by lawmakers, scuttling a program for free tuition at community colleges and canceling an increase in the state minimum wage.

Washington State Governor Jay Inslee, also a Democrat, this month vetoed budget items projected to cost $445 million over three years, including a plan to hire 370 school guidance counselors. Michigan may have a deficit as high as $7 billion over the next 18 months.

New York's Democratic mayor, Bill de Blasio, announced last week that he would slash over $2 billion in city services over the next year. He plans to close public pools, reduce sanitation pickups, suspend the summer youth employment program and impose a hiring freeze.

Detroit's Democratic mayor, Mike Duggan, has threatened to throw the city back into bankruptcy and bring in an emergency financial manager to impose new cuts in social services, pensions and jobs.