

The bipartisan “small business” swindle: Billions for the banks and corporations, pennies for workers and shopkeepers

Barry Grey
23 April 2020

Scores of multi-million- and billion-dollar corporations are receiving free handouts from the government under the “small business” relief fund grotesquely misnamed the “Paycheck Protection Program” (PPP). The program was launched last month as part of the \$2.2 trillion CARES Act, with \$349 billion in taxpayer funds.

Billed as a lifeline to small businesses and their employees, the program has been exposed as a cynical fraud. Multiple reports have emerged showing that it is first and foremost a cash cow for large businesses and the Wall Street banks. It is yet another example of how the corporate-financial elite is exploiting the coronavirus catastrophe to further enrich itself at the expense of society and at the cost of human lives.

The CARES Act was passed with the unanimous support of the Democrats in the Senate—including the votes of Bernie Sanders and Elizabeth Warren—and by voice vote in the House, with no effort by so-called “progressives” such as Democratic Socialists of America members Alexandria Ocasio-Cortez and Rashida Tlaib to stall, let alone defeat, its passage.

While big restaurant chains and other firms whose stock is traded on Wall Street gobbled up large portions of the “small business” relief money, and the major Wall Street banks pocketed \$10 billion in loan fees, family-owned restaurants, barber shops, beauty salons, retail stores and other small firms were pushed to the back of the line or denied relief outright.

The program ran out of funds last Thursday, less than two weeks after it was launched, leaving hundreds of thousands of small businesses high and dry and their millions of laid-off employees facing destitution. Now the Trump administration and Congress are rushing to inject an additional \$310 billion into the PPP.

On Wednesday, the Senate passed by unanimous consent a new \$484 billion bailout bill, whose central component is the renewal of the PPP. At the urging of the Democrats, looking to provide a “progressive” fig leaf to the pro-corporate measure, and with the agreement of Trump, the bill tacked on a totally inadequate \$75 billion for hospitals and a derisory \$25 billion for COVID-19 testing.

Speaker of the House Nancy Pelosi has announced that the

Democratic-controlled chamber will vote on the new bill on Thursday. On Tuesday, she hailed the passage of the bill in the Senate, declaring that the Republicans “have seen the light—and we had a great victory for the American people.”

Among the businesses that have received low-interest PPP loans, which are to be forgiven if the firms use 75 percent of the money to keep their workers employed for eight weeks, are:

- The Ruth’s Chris steakhouse chain, with some 5,000 employees at over 100 locations in 2019 and \$468 million in revenues. It received two PPP loans totaling \$20 million. The total compensation for CEO Cheryl J. Henry was \$6,105,629 in 2018. The stock price of the chain’s parent company, Ruth’s Hospitality Group, has risen by 112 percent over the past month.

- The Potbelly Sandwich Shop chain, with around 6,000 employees at 474 locations in 2019 and revenues of \$410 million. The company received a PPP loan for \$10 million. Total compensation for CEO Alan Johnson in 2018 was \$1,668,251. Potbelly stock has risen 70 percent over the past month.

- The Shake Shack restaurant chain, with some 6,000 workers at 254 locations in the US and internationally and \$595 million in revenues in 2019. It received \$10 million in PPP loans. Total compensation for CEO Randy Garutti in 2018 was \$3,805,410. Shake Shack stock has risen 40 percent over the past month. On Sunday, Shake Shack announced it was returning its PPP loan.

- The J. Alexander’s restaurant chain, with 2,700 employees at 46 locations in 2019 and \$304 million in revenues in 2016, received \$15.1 million in PPP loans. Total compensation for CEO Mark Parkey was \$591,000 in 2019. J. Alexander’s stock has risen by 2 percent over the past month.

Other large firms that received PPP loans include:

- The Ohio-based biotech company Athersys, which raised almost \$60 million in a stock offering on Monday. Its shares have nearly doubled in 2020.

- Indiana-based coal operator Hallador Energy, which received \$10 million after it laid off 60 workers in March.

- Data storage company Quantum took \$10 million.

- Nicola Motor, backed by giant hedge funds and asset management firms and valued at \$4 billion, received a loan of \$4 million.

According to a *Financial Times* article published on Tuesday, 83 publicly traded companies received a combined \$330 million in loans from the PPP program, an average of \$4 million each. The combined stock value of these firms at the end of 2019 was \$12 billion.

Other published figures show how the program is skewed to big companies. More than 25 percent of the \$349 billion in loans went to fewer than two percent of the firms that got relief. And more than one out of every four dollars in the fund went toward big loans of \$2 million and above.

Meanwhile, just eight percent of small businesses that have applied for aid under the CARES Act have received money.

JPMorgan Chase, the largest US bank, processed many of the biggest loans and cashed in the most on the program. Only six percent of its smaller customers got PPP loans, 18,000 out of the 300,000 that applied. But nearly all of the 5,500 larger companies that applied for PPP loans, customers of the bank's commercial banking business, received them.

A class action lawsuit filed Sunday in federal court in Los Angeles alleges that four banks—Wells Fargo, Bank of America, JPMorgan Chase and US Bancorp—rushed loans to the biggest businesses to maximize their earnings. The suit alleges that the banks prioritized larger loans to bigger firms instead of processing applications in the order in which they arrived in order to generate bigger processing fees.

Sections of corporate media, prominent Democrats and even Trump are feigning shock and dismay over the funneling of “small business” loans to big corporations and the banks. On Tuesday, Trump, for fairly obvious political reasons, singled out Harvard University, which received bailout money under a different part of the CARES Act, and demanded that it return its loan.

These statements are utterly fraudulent. One is reminded of Captain Renault's shock at discovering that gambling was taking place at Rick's Casino in the film *Casablanca*.

As the media and both parties were well aware, restaurant and hotel chains, hedge funds and other corporate interests carried out intensive lobbying of their political servants in Congress

prior to the passage of the CARES Act. One result was the insertion of a loophole allowing restaurant and hotel chains to evade the much trumpeted provision restricting the PPP loans to businesses with fewer than 500 employees. The bill that was passed on a fully bipartisan basis allows restaurant and hotel chains to receive loans so long as none of their individual units has more than 500 workers.

There is nothing in the measure renewing the PPP passed by the Senate on Wednesday that addresses this free pass for the chains.

Moreover, the law is written so as to facilitate self-dealing and corruption. There is not even a requirement that the federal Small Business Administration (SBA), which oversees the PPP, disclose to the public or to Congress the recipients of the loans.

Even if more small businesses eventually receive money from the program, the jobs of millions of workers will not be preserved, since the loans are designed to cover payroll for only eight weeks. The public health crisis and the economic disaster will last far longer. With no serious aid to the 22 million who have already lost their jobs and the millions more who will follow in the coming days and weeks, thousands of restaurants and other small businesses will go bankrupt and permanently shut their doors.

The response of the ruling classes in the US and around the world to the coronavirus outbreak has demonstrated the utter failure of the capitalist system. In every country, countless thousands of lives are being sacrificed to the insatiable drive of a tiny financial aristocracy for personal wealth, whatever the cost in death and human suffering.

The ruling classes are focused on devising ways to profit off of the pandemic. The absurdly named “Paycheck Protection Program”—an example of Orwellian Newspeak—is a case in point.

But the oligarchs, like the *ancien regimes* of old, are digging their own graves. Mass anger and opposition is growing by leaps and bounds. Strikes and protests by workers are taking place on virtually every continent. It is this international movement, made conscious of its revolutionary aims and tasks, that offers the way out for humanity from the nightmare of pandemics, poverty and war.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact