THE BROOKINGS INSTITUTION

WEBINAR

SMALL BUSINESSES AND COVID-19: SUPPORTING FIRMS AT RISK OF FAILURE

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Framing Remarks:

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Roundtable Discussion:

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P R O C E E D I N G S

MS. EDELBERG: Welcome to The Hamilton Project event on Small Businesses and Supporting Firms and the Risk of Failure. I'm Wendy Edelberg, Director of The Hamilton Project, and I'm very excited for the event that we have for you today. It's part of a series of events where we have explored how the COVID recession will affect the economy both in the near term and in the longer term as well as policies that would be helpful to mitigate some of those negative economic effects. You can go to our website to see materials about these past events. For example, we have an essay about how the recession is affecting the labor market, other aspects of the economy, how it's having a disparate impact on people of color. You can also see the proposal that we published today on small businesses, policies to help small businesses by Steve Hamilton from George Washington University. Shortly, we will be welcoming Senator Cardin. Senator Cardin is the Ranking Member on the Senate Committee on Small Business and Entrepreneurship. He will be offering some framing remarks and then I will be able to ask him some questions both from us and from you. And then we'll have a panel where Steve Hamilton will present his proposal and we're hear from other experts from inside the trenches and offering a critical view about different kinds of proposals to help small businesses with help firms incentives.

By the end of the event, you will learn about how small businesses are essential to the economic recovery and you'll learn about the worrying landscape that they currently face and about pros and cons for different policies to help those firms. Thank you to everyone who have submitted questions so far. We will continue to take your questions throughout the webcast so you can email us at info@hamiltonproject.org or send us a tweet to our account at hamiltonproj. We will also give live tweeting the event with the hashtag #covideconomy. I will be going through just a few slides to give some highlights about how the economy is doing. These are taken from a document that we published today an The Hamilton Project's website that offer 10 facts that summarize how the business sector is doing, how the labor market is doing, and how the household sector is doing. Now I'm going to attempt to share my screen to show you my slides.

All right, so let's start by comparing this recession to previous recessions. There are 11.5 million fewer people who are employed right now relative to what we saw in February. This purple line is our current reality. Look at the severity and speed of the shock to the labor market in comparison to past recessions. At first, employment contracted by 14 percent. That's more than double the worse of the contraction following The Great Recession. That's the blue line. The purple line is climbing back. Partial recovery is what we've seen as some economic activity has resumed. But here's what to expect, this one more from a recession caused by the onset of a pandemic to a slowdown characterized by millions of permanently lost jobs and that means the speed of the recovering starts looking more like a slow painful path coming out of recent recessions. So what does this mean for retailers? What does it mean for consumer spending? Well, the news has been surprising in some ways. The effects on certain parts of consumer spending are different from previous recessions. So once again, the purple line represents our current situation and shows how things have fared relative to past recoveries. As you can see, overall retail sales have rebounded but that's because spending has been relatively strong on goods. Spending at restaurants and spending on services are still down. So what does that show? It means that the pain felt by businesses is not evenly felt. Not surprisingly, the waters are roughest for small businesses.

Let's take a look at the numbers on how small businesses have been hit and are still being hit. This is an illustration of different sectors and how their revenues are faring. The pale green line represents revenue in the leisure and hospitality sector. Compared to the average daily revenue in January, revenue as of August 9th was down nearly 50 percent for them. The purple line is the education and health services sector. It was hit by nearly 20 percent. And the top line, the blue line, that's the retail and transportation sector. It's showing a relatively small drop of 15 percent. So summing up, the black line shows the average of all small business revenue. It has fallen by nearly 20 percent. Lastly, you'll notice something disconcerting. Some of the sectors have begun to see revenue declines again in recent weeks. And then what some would say is inevitable, the decline in business revenue has caused many firms to become insolvent. In fact, Steve Hamilton our author of the proposal today, estimates that nearly 420,000 small businesses failed between March and July. That is the number of failures typically seen in an entire year. Nevertheless, only Chapter 11 bankruptcies in which a plan for reorganization is negotiated have been higher than last year. They're represented by the purple bars here. Although larger firms can benefit from entering Chapter 11 bankruptcy in order to reorganize their operations, many smaller businesses seem to have opted for outright closures instead of taking the time and the money to go through Chapter 7, which is represented here by the blue bars. So Chapter 7 bankruptcies in which the assets of the firm are simply sold off to pay the bills, those decreased sharply from the same time last year and remained below their 2019 levels through August.

Finally, Chapter 13 bankruptcies for people to enter repayment plans with their creditors have been way down. They're represented by the green bars. Surely, some of the decline in Chapter 7 and Chapter 13 bankruptcies stems from court closures and other logistical challenges created by the pandemic. What we don't know is what will happen to bankruptcies in coming months and we and many others will be watching this closely. Of course, for those businesses that haven't failed or haven't declared bankruptcy, the picture is not good. Many firms reacted to the COVID-19 pandemic by reducing their operations. In fact, aggregate hours are down almost a third from pre-pandemic levels. That decline is not due to reduced hours worked per week. It is due to layoffs and shutdowns. In this chart, layoffs are represented by the blue bars and shutdowns by the green. As a sign of the continued distress of firms, roughly 20 percent of firms are fully but hopefully only just temporarily closed. And survey evidence shows that as of early September, nearly 90 percent of small businesses in operation that laid off employees haven't hired back any of these workers yet. Reopening businesses and businesses bringing back laid off workers will be critical to the recovery. Indeed, most employment -- post-April employment gains came mostly from reopening businesses.

So Congress did a lot to support businesses in March, but that support was temporary, and it was not sufficient to keep businesses viable through these months and Congress needs to do more to support small businesses and the recovery going forward. And now I am delighted and honored to offer the floor over to Senator Cardin who will offer some framing remarks. Senator, the floor is yours.

SENATOR CARDIN: Wendy, thank you very much. I certainly agree with your last comments. The CARES Act was very, very important to pass by an overwhelming bipartisan vote by the U.S. Congress. It provided meaningful help to all segments of our economy and to deal with the pandemic itself. And as you look at that first couple of charts you showed, you see these sharp reversals of -- of the declines. The CARES Act played a major role in making that a reality. But you're also correct, it was the measure past in March when we thought the pandemic would be back to some degree of normalcy certainly by now and we're not anywhere near where we thought we would be when we guessed the bill in March and Congress needs to do more.

So let me just back up and thank The Hamilton Project and Brookings for what you're doing. The panel that follows is really a group of experts and the proposals are ones that I -- I really look forward to -- to reviewing. Just give you a little bit about my own personal background. I was elected to the Senate starting in 2007 when the majority leader at that time the Democrats were in the majority. He asked what committees I wanted to serve on. I think he was surprised to find out that one of the committees I put down was the Small Business Committee. I chose to serve on that committee because I recognized in Maryland and throughout our nation, small businesses are the growth engine. That's where you get innovation. And in my family, I've had my grandparents started a small business and became a big business, but that's how it is. I mean you figure out a better way to do things and you -- you get job growth and you -- you help our economy and you help all.

But one thing about small businesses that we've learned from every recession is they're not as resilient as larger companies. They don't have the deep pockets and they are much more vulnerable to being out of business during the recession. We also have learned in recent years when we've had a tight labor market that retention and recruitment of employees is very difficult for small businesses in the labor market. And that was one of the thoughts behind the PPP Program, which we're going to get to in one second, but the work of the Small Business Committee that I serve on has always been since I've been in the United States Senate, a bipartisan committee. So when we start -- started to see the pandemic reach our shores, Senator Rubio, a Republican from Florida and myself, a Democrat from Maryland, the Chairman and Ranking Member, we got together and started working on proposals that would help small businesses get through this pandemic. And during those early discussions, we talked about neutrals to the Small Business Administration to be used during this pandemic.

It increased the PPP Program. It included the EIDL Program. It included some other issues, but my point is that we had already worked on these proposals by the time the leadership got around to putting together a bill. So we were well ahead of their curve and as a result, we were able to get robust bills and lots of funds available to help small businesses. The very first effort pass was before the CARES Act when we passed legislation making businesses eligible for the Economic Injury Disaster Loan. The EIDL loan as a result of the pandemic, normally the EIDL disaster loans are for natural disasters, hurricanes, tornadoes, fires. We made it available by Congress for a pandemic so that those funds were available early in the EIDL program, and I'm going to talk about that a little bit later, is a very important program based upon need. So it does help, and it's got a -- it helps you with working capital. But we created a new program, the Paycheck Protection Program, PPP. Our effort was to get money out quickly to cover eight weeks of payroll, to cover some other expenses so that small businesses could keep their workforce in place to get through this pandemic, which we thought would be about eight weeks, and then everything would be rosey, everybody would be happy, the workforce would be there and you didn't have to use unemployment insurance. It was a win, win, win situation. Well, we were successful in getting money out quickly and we're very pleased about that. The program for the very first time provided help through the Small Business Program 7A Loan for nonprofits, because we recognize nonprofits were in desperate need as well and we provided help up to 10 million dollars. And as you know, we came back and modified the program to provide additional flexibility so the monies could be spent over a 24-week period rather than an 8-week period.

The allocation between payroll and other expenses was determined by Treasury, but we changed that when we came back and updated the program so that we gave greater flexibility for other expenses to be paid under the PPP Program. But we were -- we also had separate rules for the hospitality industry since we knew the hospitality industry at that time, we realized there were the ones that were the large industry of small businesses that were being hurt probably the most. But we did more, and we put right away originally 349 billion dollars into this new program. That's a big hunk of change. It wasn't enough so we added another 310 billion dollars to the program, and we did something with allocations, and I'm going to get to that in one moment. The program worked; 5.2 million small businesses took advantage of the PPP Program. Up to 3500, 5500 lenders, 525 billion dollars was loaned out. Average size of the loan was about 100 thousand dollars.

But we also changed the Economic Injury and Disaster Loan Program, the EIDL Program by providing for the first time a grant. And let me make this clear, the PPP Program were 7A loans by banks, commercial institutions. They are loans that are completely forgivable if you spend the money the way you're supposed to, but it's done through commercial lending. The EIDL Program are direct loans by the SBA. So we control that, and we can get into communities that are difficult to serve through traditional banking outlets. So we modified the EIDL Program to provide a 10,000 dollar grant cash, not a loan, upfront money because smaller small businesses are afraid of loans. They don’t know if they can pay them back. So we developed a grant program up to 10,000 dollars with the requirement that the money get out within three days because we wanted to that money out quickly. And that program worked very, very well, although the average loan, the average grant was between 4 and 5,000 dollars, not with Congress that attended.

Then we had a Loan Forgiveness Program for existing loans under the SBA, so you get six months of loan forgiveness, and that helped those who had existing loans that had difficulty to pay them back. And then I, along with Senator Wyden had introduced a legislation under the Senate Finance Committee that would provide for employee retention tax credits so that we offered a tax incentive to keep people employed for small businesses or to bring employers -- employees back to larger companies. More flexibility for smaller companies giving a tax credit of up to 50 percent of the wages you pay of up to 10,000 dollars. That was the -- the menu that we passed last March, and it worked very well. What are the lessons learned? Well, we did learn under the PPP Program that unless we do special things, the underserved, underbanked community's not going to do as well and there are many reasons for that. The natural tendency of banks to want to do business with those who they already know and that banks tend to want to make larger loans than smaller loans, and the larger loans are not in the underserved communities. It's the larger than small businesses, they're more established than the small businesses.

We also knew we had to do something about that. So when we returned to replenish the funds, we allocated a certain amount of the new funds to mission lenders, to those that are serving the underserved community. We also were extremely disappointed by the lack of transparency by the Small Business Administration, and that's not just a Democratic senator telling you that. The Inspector General said the same thing. (inaudible) said the same thing. Marco Rubio said the same thing. So we were very disappointed we didn't get the material out quick enough so that we could analyze and know where we wanted to go next. And as I said before, we have now conceded that we need a second round, that one round of PPP was not enough. That's not again just a Democratic senator saying that. That's also Marco Rubio and that's also Steve Mnuchin, Secretary of the Treasury. We all agree that we need a -- a second round. So what do we want to do in the second round? Well, I can tell you. As we did previous to the putting together the CARES Act, Senator Rubio and I have been working very closely together. We're ready. As soon as our leadership gives us a green light that we're going to have a bill, we'll agree on a bill. We haven't agreed on all the things yet. I made that clear. But I think we can put this together pretty quickly.

We have money left over from the first round, about 133 billion dollars, so we have some money to work with, but we believe that a second round, particularly a PPP needs to be limited to those businesses that really need it. So both Senator Rubio and I believe there needs to be a revenue test, whether it's 30 percent or 50 percent and to look at your charts. Wendy, I tell you, you see that the 30 percent seems to be a number that can work to get to those businesses that really need the help on the second round. Senator Rubio believes we should cut it off at businesses 300 employees and smaller. I can tell you that I would like to see us provide additional help for the smaller small businesses. A legislation I authored provides a set aside for those small businesses 10 and under because they're the ones who really need help. So we want to go to the smaller of the small businesses and we want to go to those who -- who really need it under the PPP Program. But we also want as part of this to deal with the capacity building within the minority communities within the other bank communities. So there's a bill that I introduced with Senator Cantwell, Schumer, Booker, Cortez Masto, and Harris, Minority Business Resiliency Act that would qualify the Minority Business Development Agency, which is by executive order today, we want to make it statutory and to provide partnerships with HBCUs to help minority communities. We also would like to see funds go into CDFIs to build up their capacity to loan in underserved communities so that we don't have the same problem on the second round we had on the first round.

In the first round, the money did not get out quickly to the minority communities and the loans weren't as large. We want to make sure that we correct that when we go into the second round. But there's another part of this we need to deal with and that is the EIDL Program. The EIDL Program was intended to give loans up to 2 million dollars for 30 years, low interest with no payments for the first two years. The administration, SBA, administered by limiting the amount of the EIDL loan to 150,000 dollars. We don't think that's right. We think that should have been higher loans. They don't have the capacity now. We need to replenish that program. The EIDL Program by definition goes to those businesses that need it. You have to show -- show need as part of getting this loan and its long-term loans gets you working capital where the PPP Program is more for just current expenses. So we think the EIDL Program works very well with the PPP Program and we need to make sure that in the next round we replenish the EIDL funds.

We also need to replenish the funds for the EIDL grants. And on the grants side, we think the loan

-- the grant should have been much higher than what the SBA did. They did about a thousand per employee. We think it should have been for some companies that are small, they should have been able to get the full 10,000 dollar grant. We also want to improve the tax credit, the Employees Retention Tax Credit and in the Heroes Act, which was passed by the House, they'd make it 80 percent up to 15,000 dollars on the credit side and also make it clear, which is not true under the CARES Act, that a small business that takes advantage of the PPP Program or EIDL Program or both can still take advantage of the Employees Retention Credit, which is not the case today.

So, that's -- that's where we are as far as trying to get this moving. It's not in our hands. If it was in Senator Rubio and my hands, we would have this passed well before now. We know that there's negotiations taking place, which deal with state and local government, deals with unemployment insurance, deals with frontline workers, deals with out schools, deal with the -- the healthcare issues. And I must tell you, that's important to small business. Make no mistake about it. State and local governments don't have capacity. It's going to hurt small businesses. A lot of our programs to support small businesses is done through the support of local government, so we need to have those programs in place as well. My hope is that we can get something moving. I would like to tell you next week, let's hope that's the case. We cannot wait until after the elections. Too many small businesses will have folded by then and your chart will reflect that.

I can tell you, we're ready to act. We're open to suggestions and we will continue, Senator Rubio and I, continue to work on behalf of small businesses in a bipartisan manner. Thank you, Wendy.

MS. EDELBERG: That was terrific. Thank you, Senator. That was -- that was wide-ranging and incredibly informative. You talked about negotiations in areas of disagreement between you and Senator Rubio. But then you also talked about it sounded like with a level of optimism about maybe something happening for small businesses within the next few weeks. Can you talk a little bit about where you see the sticking points or something happening on the small businesses in the near term?

SENATOR CARDIN: Thank you, Wendy. Senator Rubio and I are not in agreement on all points. I can tell you with a great deal of confidence that once we understand the resources that are available and we have a bill that we can work with, that is the overall bill has been put into -- out there that we're going to pass the bill, we'll work out our disagreements within a matter of minutes. We don't even need a whole day. We'll work out our differences because we've had open discussions and we're not far apart. The most important point is additional resources going into EIDL. We need those funds and we have to figure out how much resources are available for the PPP Program and EIDL and have a fair adjustment. This is not a partisan issue. Senator Cornyn and Rosen have introduced legislation to provide I think about 150 billion dollars more for the EIDL Program, so there's a bipartisan effort to do this and you've heard from your Republican members of our committee. It's important. So they're the issues we really need to -- to iron out. But we'll iron those out.

I’m not as optimistic that we’ll get our leadership together on COVID -- the next COVID round. State and local government, they’re very far apart about, there’s a liability issue that they’re very far apart on. Unemployment insurance, they’re still very far apart on. So there’s -- many of the parts are not in the same position as small businesses. There really is a will -- not a willingness, there is a real desire by the Democrats and the Republicans to do a second round to help small businesses.

MS. EDELBERG: So you mentioned the Employer Retention Tax Credit, which is actually an essential part actually of the proposal that Steven Hamilton wrote for the -- for The Hamilton Project that we released today. That of course, would be implemented by the Internal Revenue Service. Do you have views on whether or not the IRS has the resources to -- to implement this and other kinds of help that we are looking to them for to support small businesses?

SENATOR CARDIN: Well, I’m going to be careful the way I say this. I -- I don't think Congress has been as kind to the IRS as we should have been. We've given them a lot more work to be done. The 2017 tax bill was not an easy bill to administer. We had past taxpayer Bill of Rights as we should to protect taxpayers, which requires additional work on behalf of the IRS. So, you know, Congress passes these bills and assumes that the IRS can get all the work done and we don't give them the resources or the time necessarily to get it done right. So Senator Cornyn and I have been bipartisan champions for making sure the IRS gets the tools they need to carry out our laws. You know, sometimes it's not easy to go back to our constituents and say we're giving more money to the people are collecting your taxes, but we have to make sure that they have the resources to carry out these laws. Yes, I think they have the competency and the resources to carry out, but the retention credit and the changes that we're looking at, but we had to give them also additional resources to be able to carry out these additional administrative responsibilities.

MS. EDELBERG: So we only have a few more minutes and I have a great many questions from our audience. We’re very excited to have the opportunity to hear from you and ask you some questions. What -- so I’m going to try to sneak in two more questions in our next few minutes. So one is, do closed businesses need a different kind of support than businesses that are open but facing substantially reduced revenues?

SENATOR CARDIN: Yes, absolutely. That’s a great question and that exactly what we’re trying to do is -- is have -- again, the idea of CARES was we were right at the beginning of a pandemic. We knew businesses had virtually no revenues. We wanted to keep them open and we wanted to get the money out quickly. We knew that some businesses would get the money and probably didn't need it, but we didn't want to have to get so much paperwork that by time you filled out the paperwork your businesses is closed. So we erred on the side of getting money out quickly and I think the program was very successful. I think we did it right. On the second round, we’re not going to do it that way. We’re going to target it to the businesses that really need it. So under the PPP Program, there’s going to be a revenue test. You may not have to be closed, but you're going to have to have a substantial loss of revenue in order to qualify for that second round. But the EIDL Program is based upon need, so we can craft the EIDL Program loans. These are 30-year low-interest loans to prioritize those businesses that are otherwise shuddered because they don't have the resources to keep the lights on literally. So yes, we can do that, and we intend to do that. That's why I keep on mentioning EIDL in addition to a second round of PPP. We need both of those programs funded and functioning.

And the last part I would say, we want to get into the underserved minority communities because we know there are the most vulnerable and yes, they have a lot of shuddered businesses there so we want to beef up the resource partners, the minority businesses development agencies, the -- the women's business centers. These -- these resource partners who can help us in the community get information out so that particularly small businesses, really small businesses that don't even know about all the opportunities know that they can reopen and how they can get help to reopen.

MS. EDELBERG: That was super, and in fact covered my next question. So we can -- we can give our hearty thanks to you. Thank you very much, Senator Cardin, for those really insightful remarks and I am now going to pass the baton to The Hamilton Project's very own Roger Altman, who will be moderating the next panel.

MR. ALTMAN: Thank you, Wendy, and let me thank Senator Cardin again for joining us today and for the trenchant remarks he made. We very much appreciate it, Senator. I'm just going to make a few comments by way of introducing our panel and the discussion which follows. And I'd like to make four points. Steve Hamilton, and thank you very much in advance, Steve, has presented a very good paper together with three quite provocative recommendations. My first point is, I think the dimensions of this crisis may be -- and that -- I mean by that the small business crisis and the rate of failures among small business may be greater than Steve's paper implies and even in the discussion we just had implies. In New York City alone, the New York City Partnership, which is a very well respected group from the business sector which advises the state and the city on New York City, has projected that as many as 120,000 businesses in the five boroughs of New York City alone, may close. And Steve's talking about 420,000 in the country as a whole, if the New York City is correct, Steve's figure is probably understated.

Secondly, I think it's understandable the comments that Senator Cardin made about the PPP Program. He had a lot to do with it. Steve's paper proposes that we not extend it further, so we'd like to get into that discussion and I would just say that the PPP Program did save a lot of jobs. There were 2.3 million jobs initially estimated as having been saved, but at the same time it was quite flawed, and I think we'll talk about that, those flaws during the panel discussion.

Thirdly, it's fine to talk a lot about how to refinance small business and take closed businesses and reopen them, but remember, these businesses have to have customers, and if anybody listening here owns a small business, whatever financing may be available to you or not doesn't solve the problem of having insufficient customers and insufficient revenue. And so if you think that your revenue will be so below historical levels or way below historical levels for some time, it's difficult for financing to solve that. So let's keep that in mind.

And finally, there have been a lot of analogies used as to the impact of the pandemic on small business and on the economy as a whole. I'm sure everybody's heard analogies about natural disasters and how as Steve's paper talks about this, how following a national disaster businesses are in the -- in the affected areas are severely affected, but then they bounce back very quickly. But there's not much evidence in my view that the pandemic is analogous to a natural disaster. We are six or seven months into it now and we can all see that the economy remains, as Wendy said, way below pre-COVID levels, 11.5 million Americans who had just in February don't have them now, and so forth. So I myself find that analogy, the natural disaster analogy and programs that are natural disaster oriented programs, to be rather a tortured one. So we'll get into that.

So let's go to the panel. As I said, Steve Hamilton has -- has written this very good paper, which we released today, and Steve is an Assistant Professor of Economics at George Washington. We're very pleased to have Glenn Hubbard who's so well equipped to talk about this both between his government experience and his Columbia Business School history. Glenn was Dean of Columbia Business School for some time and very successfully so. Tom Sullivan, who runs Small Business Policy at the U.S. Chamber of Commerce, and Luz Urrutia, who is CEO of The Opportunity Fund. So let me begin by turning to Steve and asking Steve if you would please, and by the way, Steve is joining us from Australia where it's about 4:30 in the morning, so thank you especially for that. But let me just ask Steve to summarize his paper and in particular, the proposals you've made, Steve.

MR. HAMILTON: Good day, Roger. Thanks so much for your remarks. I, you know, I've been thinking about small business very, very intensively for six months since starting this -- this project and since COVID-19 began. And as I was writing the proposal, the -- the thing that was striking was how quickly things changed, right? So things were changing as I was writing and in fact, my policy prescription that I was thinking of devising changed as I was writing. Right? So I think we, when we -- when we're devising support for small businesses, we need to be very mindful that as conditions on the ground change, the policies that are appropriate for those conditions must also change. So I think I was -- I was a strong supporter of the PPP back in -- back in March, I think it was. You know, it wasn't perfect, but it was a principle I think, the right kind of package to give very generous support to businesses for a very short shot lockdown to give us time to get the pandemic under control. And that's what happened in a lot of countries. In a lot of countries we suppressed the virus and -- and I can tell you in Australia for the past few months in most places, I would have been living without any -- without any restrictions. The problem is in the U.S. we didn't do that. We -- this whole -- businesses opened after -- after a couple of months and they entered in an environment that was very hostile and very unseen. And -- and we've seen really, really dramatic effects on those businesses as a result. So you know, as -- as

Wendy showed in her diagram earlier, small business revenues have plateaued significantly below their pre-crisis level. And I don't think we can expect that to end anytime soon. So I think if we -- if we're thinking that this -- this period of subdued revenue is going to be a longer -- a longer period than we anticipated, then I think we have to pivot and ask for a wave from an extremely generous short-term support mechanism to a -- a slightly less generous than a targeted, but much longer term support mechanism.

And so in the -- in the paper I propose a -- a scheme of that nature. So what is the proposal? The proposal is a significant increase in something called the Employer Retention Credit, which provides 80 percent salary support up to 15,000 dollars per quarter. So that would give a massive boost to -- to small businesses, right? To -- to almost cover their payroll, not completely, but -- but 80 percent up to a cap. So that -- that favors medium to low income earners and -- and -- and I think would be a huge support. The second part of the proposal is -- is -- is recognizing something very, very important that we learned from the

PPD and that a lot of small businesses have complained about. And that's that support for payroll is not enough. So if a business is closed, they're not paying their workers, but they've still got to pay the rent. Right? Even if a business is open, businesses in this environment face significant increase in their cost base, right, because they have to invest in mitigation measures to COVID-19 and -- and also to other things. And a lot of their -- and -- and a lot of businesses can do a lot to reduce their variable costs, but ultimately, they'll be this fixed cost base that they can't avoid. So we can't just help with payroll. We need to help in a more flexible way. So I propose in addition to the Employee Retention Credit, something called the Small Business Survival Credit, which would give small businesses additional 5000 dollars per worker for the first 10 workers to cover fixed costs like rent, interest, utilities, and COVID mitigation costs.

And what that in effect would do is provide a massive incentive to hire employees of -- for businesses with fewer than 10 employees. So if you're a businesses and you have fewer than 10 employees, you're going to get a very large tax credit for each employee that you have on the books. And -- and -- and that gives you a really strong incentive to keep those employees on the books, but also to hire new ones. Now if you have, if you're idled, if you're closed, you'll still get some support, right, to cover those fixed costs. Overall, this package you know, radically favors smaller businesses, right? Businesses with fewer than 10 workers, the 80 percent of American businesses with fewer than 10 workers. And it's much better targeted to say businesses with at least 30 percent revenue loss. So you know, you put all of that packaged together and what we can do is by targeting the support and making it a little less generous but designing it in a way that better matches those needs, you end up being able to fund a package for roughly nine months that costs a similar amount to what the PPP cost over two months. Right? So to me, pivoting to that -- that -- that new design is going to be a kind of critical thing for the next -- in the next few months.

MR. ALTMAN: Steve, talk for a moment if you would about the third part of your proposal, which your

-- your -- your proposal which concerns the IRS.

MR. HAMILTON: Yes. So, so this is -- I mean I'm a tax economist, to I think about the IRS more than most people. (laughter) Not just once a year. So I would say a significant point here is that in all across the world, governments gave support to small businesses and support to wages. Everywhere in the world they provided it through the tax authority. In America, we provided it through the banks. And there is a huge volume of research showing that funneling the money through the banks was involved with sort of frictions and -- and -- and -- and limits to who got the money and when. Right? It -- It favored existing banking relationships. It favored you know, it disfavored disadvantaged areas and so on. So you know, providing that it went through the banks made the money go out fast, but it -- it -- it made the scheme kind of really quite imperfect in -- in -- in the distribution. So ideally a scheme would have given money to the -- the IRS, right, to provide that funding. Now, it didn't. And it's hard to -- it's hard to sort of get around the fact that that's really because to roll out a program like the PPP in -- in the time it took to roll out the PPP, the IRS just would not been -- been capable of doing that at the scale necessary you know, half a trillion dollars of support. So you know, moving forward, I -- I really think a priority for the -- for the government needs to be getting away from this silly you know, starve the beast mentality of -- of this sort of anti-IRS posture, and to be realistic and say, to have a -- a -- you know a modern prosperous country, we need a tax authority that can support us. We need to give it the funds we need so that in future crises, the IRS can deliver this funding to all in a -- in a -- sort of in a fast way.

MR. ALTMAN: Steve, let me also ask you this and then I'm going to turn to the other panelists. Senator Cardin said that while he and Senator Rubio concerning the small businesses provisions of a -- of a further COVID relief bill are pretty close together substantively, the leadership is not yet -- is not yet closing the gap.

MR. HAMILTON: Right.

MR. ALTMAN: Many people think that they won't successfully do that and there really will not be further economic relief bill, either before the lame duck session of the Congress, assuming there is no lame duck session, or maybe even more likely until a new administration takes office, either a second term for the current administration or obviously Biden administration. So if there is not another relief bill until say, February, would that affect your proposals at all, and how would you feel about Senator Cardin's point where he obviously favors a -- a -- in effect, a third iteration of the PPP Program?

MR. HAMILTON: Right. So I -- I think it's very clear that if we have to wait until January, an extremely large number of small businesses will file. There is no getting around that, in the hundreds of thousands. Already as -- as Wendy pointed out before, we see that starting to turn, right? We see revenues starting to come back down. We see permanent closures start to accelerate. So businesses have been coasting on their PPP funds. They've run out. We can't last until January. So that would be catastrophic frankly. If we had to last, I -- I would still support even in

January providing targeted support in the manner in which I propose to do. So I think for the first six months of next year, businesses are still going to need support for ones that are around, and so I would still favor doing that.

Now look, it's hard for me to say -- it's hard for me to sort of comment on the -- the Congress, but the -- the problem we see is that we agree on some parts of the bill but not others. Right? So we have these disagreements in some areas and -- and agreement in others and this unwillingness to decouple these items from one another. I -- I think it's really staggering and -- and as I -- as I mentioned in the -- in the paper, millions of small business owners are looking on thinking, well your quibbles have nothing to do with me, you agreed on helping me. Let's put that aside and let's -- let's deliver what we can. So I would really implore the Congress to -- to sort of put aside the -- the items of disagreement and at least pass the things that they -- they can agree on.

MR. ALTMAN: Okay, I'm going to turn the question to Glenn Hubbard, and Glenn really, as I said in -- in mentioning the panel initially, is so well positioned to comment on this and so Glenn, I have a two-part question. First part is, what’s your own assessment of the effectiveness of the federal response so far as it relates to small business? And secondly, can you give us your reactions to Steve’s proposals and any ideas you yourself have as to how you would sculpt this if you were in charge?

MR. HUBBARD: Sure. Thanks, Roger, and thanks Steve for really an excellent paper. It’s a hard question because normally if you ask economists would you give direct support to small business, you’d get some skepticism. Normally, we would say well fight the virus, get macro policy right, and those clearly are the two first steps to do, as Steve acknowledges as well in his paper. But I do think there’s a strong case for direct aid and I do think that Congress got a lot right in the CARES Act, even though it went very fast and I might have done it a bit differently. You know, I’ll come to that. I mean by in large we shouldn’t be too critical given the speed. In fact, compared to the financial crisis where both the Congress and the fed were a bit slow on the uptake, that was not the case here. So I think we should -- should look at that.

The PPP is a bold experiment and as I'll come back to, so too is the idea of a main street lending facility that's more -- that's more inchoate. The hard part is what's the goal. Normally when we talk about intervention in a recession, we're talking about things like multipliers, huge marginal. This is not a stimulus the way economists normally talk about it. The original goal of PPP was as has already been said, freezeframing if you will, the economy until the virus improved in March. That was a reasonable outlook, perhaps -- perhaps less so now. And the reason for that aid is really from an economic perspective worker-firm matches that are very important. We do care about existing business. That's not that case that some economists seem to believe that we don't care if some businesses fail, other businesses come, who cares. That's not the way I see it. There are very valuable worker-firm matches. The one caution I would say to that point given some of the present remarks is while very small businesses are the majority of businesses and they probably are the majority of the political concern about small business, the worker-firm match is actually more valuable in the larger small businesses. I wouldn’t throw them under a bus of aid, but that may be just one -- one person’s view. So I think the Congress was right not to worry too much early on about huge marginal. It just threw a lot of money at an important problem. But we’re at a different, we’re at a different point now.

But what do small businesses need? What do they need when CARES happened and what do they need now, Roger? I think it’s equity. Basically, you can go through a lot of economics, but it’s pretty simple. They had a huge hit to their collateral lines of the net worth and their cash flows. They needed equity, not debt. Now the grant structure of PPP made that possible. It is also possible to take the main street lending facility and change the terms, and others have tried to propose that to them to make it mimic equity even though it facially looks like a debt, a debt contract. A second thing that’s already come up in Steve’s remarks too, is what was needed was a revenue replacement program. We really shouldn’t be so focused on micromanaging payroll. I thought that was a bit of a design mistake. I think the Treasury and the SBA made it worse. The Congress then came back and made it better, but I think we need that kind of -- that kind of flexibility. And the reason to intervene like that, I think in service sector businesses like this, this has lost demand for a long period of time. It's not like a durable goods seller if he or she doesn't sell today, it sells tomorrow. That's not the case for a restaurant or a service sector -- service sector business.

As Steve notes, many countries pursued another way. That other way makes perfect sense of basically using a tax authority to deliver a wage subsidy for a variety of reasons most of which are just boring administrative reasons. We couldn't do that. It wasn't that it's some theoretical difficulty and I agree with Steve that we definitely need to -- need to fix that. In the current environment, I think there are two questions. I'll wrap up. One is did the PPP succeed? It really depends of course on what you think its goals were, but if you thought its goals were trying to improve the financial position of small businesses and employment, I think the evidence that we have on survival from (inaudible) and others, David (inaudible) work with others on payroll employment, The Brookings paper I have coming out next week with Mike Strain on Financial Viability and Employment, all suggest very substantial effects. I don't think it’s appropriate in those data that measure cost per job for two reasons. One, the whole point of the PPP wasn’t, at least in theory, wasn’t about employment. And second, you’d have to net out UI anyways, so those are -- those are odd calculations.

In terms of going forward where I would like to see a lot of the tension is the Employee Retention Credit that Steve mentioned. The IRS investments I think are also very good. The two others I would put quickly on the table are one, to get the main street lending facility right. I say that not just from an academic perspective. There’s a bunch of money sitting there. The Congress gave the fed 454 billion dollars of capital and the fed is still sitting on almost all of it. That program is not well designed. It’s not designed even for somebody who want to lend or want to borrow, but that’s fixable. The second is the short type compensation programs. But on the books, 26 states I believe, maybe I have the number wrong, something like that, use it. That is something that is quickly scalable. So very interesting paper from Steve. I do think we need to pivot now. We think about the problem, but as Senator Cardin said, it’s still very much with us so we’ve got to get in line.

MR. ALTMAN: Thank you, Glenn. I’m going to come back to one or two things you said but let me turn to Tom. And Tom, my question is, if in fact the Congress is unable to agree on another economic relief bill and we are looking at early next year at best, what’s your assessment of what the effects of that interval will be on small business failures and what’s your -- what do you think the chances are that a small business piece of legislation could be detached from the other issues that are so difficult to resolve between the leadership and separately passed?

MR. SULLIVAN: Thank you, Roger. And -- and first of all, let me thank Brookings for including me in this discussion. Going back to Senator Cardin’s comments, you know the only critique I would give would be loudly cheering from my observations of what the Senator said. Everything that he laid out are things that the U.S. Chamber of Commerce believes in and wants to happen and quite frankly, from a small business perspective, are optimistic that it will happen. The U.S. Chamber of Commerce represents about 3 million businesses, and what some folks don't know, that includes the partnerships we have with close to 2000 local and state Chambers of Commerce. About 96 percent of our membership have fewer than 100 employees, 75 percent of our membership have fewer than 10 employees. And in answering your first question Roger, about what's -- what's my prediction of what happens if Congress is not able to come together, I'll just quote from Steve's paper, and that is, it is, "It would be catastrophic for small business". I mean I think Steve laid out a very good baseline from which he makes certain recommendations. And that baseline is terrifying. I mean, what we've seen in our surveys, and we have a partnership with MetLife on surveying small businesses, we actually see it's good news bought bad news. I'll pretend to be an economist here (laughter) so that -- the good news is that small businesses are very bullish on 2021 shouldn't surprise any of us who have been following small businesses. Generally, very optimistic. The difference right now is that optimism is pushed out and what we've seen over the last six months is that, that optimism has been pushed further and further out. At first it was four to six weeks, then four to six months. Now that bullishness is into -- well into 2021. Now, the bad news is when we ask small businesses, how are you doing right now? They're at 14 percentage points lower than they were at this time last year. And Steve and others have mentioned already that, and I'm sure Luz will get into it in a moment --

MR. HAMILTON: 14 percentage points of what?

MR. SULLIVAN: Oh, so what we do is we ask small businesses ranging you know from a percentage score of 0 to 100 percent, how -- how satisfied are you with your current cashflow situation? 55 percent say that they are comfortable with -- with their current cashflow situation, which actually doesn't seem like a bad number. However, when you compare it to this time last year, that's 14 percentage points lower than it was. So those are the percentages that I'm -- that I'm talking about. But when we look at that baseline that Steve lays out in the paper, it is even more catastrophic for Black-owned businesses and minority-owned small businesses. You see 66 percent of minority-owned businesses saying we're done for good. And that is just -- I mean you're thinking of 6 out of every 10 business that you walk past in an urban setting being closed for good, I think catastrophic is the appropriate term.

Without going too far into the -- the catastrophic kind of nature in this, I'd -- I'd like to end by answering your second question, and also end with brining in some of the optimism that I get from representing small business. I mean I'm -- I'm lucky to be able to talk to small businesses every day. And even though this is a terrible, terrible time for them, they still have that optimism. And when they read or hear or talk with their senators and their congressmen, they are hugely frustrated that the pieces in the House and Speaker Pelosi's legislation and in what was called the

Skinny Package in the Senate that was promoted by Chairman Marco Rubio, they're identical and this gets at your point about why can't we detach those pieces of agreement and simply bring them together? And I think that more and more of the voting public are cluing into that and that pressure will build for them to pass a stimulus on those areas of agreement before the election. So I'm optimistic. I would have pegged the chances of that happening at about 40 percent yesterday, but then the President expressed his frustration with what I just outlined, so I think we're now up to close to a 50 percent likelihood of that happening.

MR. ALTMAN: I hope it goes north from there.

MR. SULLIVAN: It should.

MR. ALTMAN: Okay, let me turn to Luz. Luz, you heard Glenn Hubbard say that he thought the right form of assistance going forward for small business, especially micro business, was equity. I wonder if you would comment on that and -- and also more broadly whether you think there's any role or what that role might be if there is one for private capital in this whole solution going forward thinking of various types of private-public partnerships.

MS. URRUTIA: Thank you all very much for having me today as part of this great event. You know, I think on your first question, Roger, you know at some point as the economy recovers, there should be a transition from you know, and I assume equity and grants sort of in one category for particularly for the smallest most vulnerable businesses. So you know, for many businesses right now at this point, they are still too vulnerable and cannot take on debt, so I do agree that there is a portion, and let's remember right, not all businesses are created equal. Therefore, not all businesses are having the same challenges. Some are having significant challenges, many of them have closed, and there are others that are still opened and have pivoted and are doing okay. So I think this is not a one model, one size fits all, but I do in principle agree that equity and grants is what many small businesses need today.

You know, I -- it's -- it's been talked about it. There's a vast majority, right, of minority-owned small businesses that did not get access to PPP, which in argue was more like a grant, not a loan, but it was packed to payroll and it has been explained here you know, if you’re closed then you’re not paying employees. We support grants and equity to help level the playing field and help those businesses pivot and -- and reopen. Some businesses, however, and we’re seeing it out of our own you know, organization, can handle loans at very, very subsidized rates. But a majority of businesses today, I venture to say not many, can handle loans at market rates. So there is sort of a ladder of where they are right now, grants and equity, and potentially as they start to recover and things start to look better, then I think that is probably, you know, there’s more access to it and -- and more availability.

I want to go to the question or the point that you’ve asked for you know, partnership. I think we need to start by talking about what was the lay of the land in terms of capital before COVID? Right? We all know that there was an 87 billion dollar reported debt in capital for loans under 100,000 dollars. We also know that banks generally our supporting mainstream banks do not generally lend to these underserved businesses for a variety of reasons. The loan sizes are too small, the businesses are in industries that are perceived to be high risk, the profitability of the loans. So there are many reasons why banks are not directly lending. There were a number, and still are a number of alternative lenders online, Sintex (phonetic), merchant cash advances, some that are great actors, some that are terrible, terrible actors, that were serving the capital need of this community. What we're seeing is that you know, after COVID, banks are going to retrench. They're going to shut down further on their credit boxes. Some of these Sintex and online lenders are going to also retrench due to their own losses, capital structures. So the capital gap is going to be significantly larger than it was pre-COVID. So to meet this capital need, we believe that innovative public and part -- and private partnerships will really be critical to deploying capital to small businesses to help them rebuild and revive the mainstream economy.

As an example, there has been a number of funds, one on New York, one in Chicago. We have created in California an opportunity fund that has partnered with Silicon Valley philanthropists, CDFIs, community foundations, attorneys, banks, and the Calvert Foundation to launch the California Rebuilding Fund to raise 1 billion dollars for California small businesses to provide loans between 10,000 and 100,000 dollars. This is a public-private partnership aggregating funds from private philanthropic and public sector sources, and also leveraging an anchor commitment from my bank, which is the Estates Infrastructure Bank, to address the capital and advisory needs of these businesses as they reopen and -- and recover from -- from this crisis.

You know, this fund is great because it's designed to help CDFIs access the liquidity that we need to provide risk mitigation and support that is going to be required to --

MR. ALTMAN: Has the full 1 billion dollars been raised?

MS. URRUTIA: No. It has not been raised. We are in the process. We are expecting to launch a first launch with about 50 million, but you know, I think that when we talk about who needs to participate, this is not a one organization or one-stop shop. This is a combination of public and private sector and particularly, particularly the government participation in solving the problem. Whether it is providing low loss guarantees or first loss commitment, for lenders to feel good about opening their credit boxes about lending into the communities and providing the resources that CDFIs are going to need, because we're the ones that are going to be left to support these underserved minority immigrant people of color-owned businesses, and we need the liquidity and special purpose vehicles so that we can leverage our balance sheet and have more capital to lend. I'm very encouraged. I see for the first time an enormous amount of conversation and collaboration between members of the ecosystem that are frankly more robust than I've seen in my entire financial services career. So I think we're on the right path.

MR. ALTMAN: So let me take advantage of the really interesting point you made about this -- this proposed California fund to ask this, and I would invite any other panelists to jump in and answer this if they would like, but I'll ask you, Luz. If you were the governor of California and you thought that the federal

-- that the Congress would -- would not be able to agree an additional relief bill before next year, what would you try to do yourself at the state level and what do you think the State of California, which has a lot of pressure on it God knows right his minute, is capable of doing by itself? Because one of the obvious questions here is, what additional steps can states and local governments take in the absence of further federal action?

MS. URRUTIA: Yes, I mean I -- I believe that you know the State of California particularly with what iBank has done, you know has been incredibly generous and frankly you know within their limitations, right? So iBank has launched this, you know, loan guarantee program that is going to enable us to -- to raise 50 million dollars' worth of capital to put in a special purpose vehicle, and it's you know, up to 95 percent guaranteed by -- by the iBank. They've also deployed another 25 million dollars as a first loss reserve that's going to help us leverage another 150 plus million dollars' worth of capital. You know, as you mentioned, all states are in -- in a very difficult time right now. I think that you know, one state can't solve the problem for the situation that we're in. I think that you know, if Congress did their job, if you think about CDFIs, CDFIs didn't come into the situation strong either. In many cases, we're like our small businesses, right? But we're significantly important because we need to be able -- we understand the communities, we lend into the communities just like other minority depository institutions. And so we need to be able to have our capital and our leverage to be able to help businesses get out of this, right?

I think that Congress, you know when you look at what does the state do and what California has done has been terrific under the -- the leadership of the iBank, but also I think there needs to be other federal programs. You know, we're talking and have been talking about for a while approving 2 billion dollars in emergency funds to support the CDFI fund. You know, the CDFI fund also talking about setting aside a billion dollars to support you know CDFIs that need to provide loans to -- to small businesses. And then something that I think was very elegant that was done back with

The Great Recession was the state Small Business Credit Initiative, you know, which at the time helped to fund some of the best low loss reserve programs that states throughout the country still are utilizing to help lenders get more comfortable with providing credit to underserved communities.

You know, if you think about the leverage, every dollar that we get in federal funds, we can leverage 8 dollars in private sector capital to small businesses. These are incredible numbers that make total sense from a business case perspective, not to mention the business case from a, you know, the impact that it would have in small businesses to help preserve our neighborhoods, which we all have talked about are decimating as we speak.

MR. ALTMAN: Okay, I know Tom would like to jump in on this question of what the states and localities can do in the -- in the interim. Go ahead, Tom.

MR. SULLIVAN: Thank you, Roger. I actually just want to emphasize that even though Luz and you are talking about some of the innovation happening at state and local level, there is actually a federal role to play here, and that is the officials at SBA, the officials that oversee CDFIs at Treasury, the officials that oversee the Minority Business Development Agency at Department of Commerce, they can recognize what's going on in California. They can recognize what's going on at Maricopa County, Arizona, and then simply amplify the positive impact of these things. I'm the huge fan of competition. There is nothing wrong with another governor looking at what's happening in California and trying to create their own program, their own fund, their own investments. And one way to do that is to have the federal government acting as resource partners to simply highlight some of this innovation going on in the states.

MS. URRUTIA: I could not agree with you more, and you know, that's why we are constantly advocating for the Small Business Credit Initiative funding from the Federal Government or the CDFI fund because those are leverage points that provide capital to communities that need it the most.

MR. ALTMAN: All right, I'd like to turn this back to Steve and to Glenn and ask this question and maybe each of them could briefly comment on it because we’re getting down to the last few minutes. Steve, your paper points out that a number of other countries took the approach of revenue replacement. In other words, the federal assistance was designed to replace lost revenue rather than address payroll. My question is, in retrospect do you think that was a more effective approach? And secondly, would it have been possible just given the magnitudes for the United States to have taken that approach itself?

MR. HAMILTON: Yes, Roger, that’s a great point. So with Stan Veuger at the American Enterprise Institute, I -- I released a proposal in March to do exactly that, which was a -- a program like the PPP that -- but which replaced revenue. And I know Glenn at the same time had a proposal with Michael Strain at the American Enterprise Institute suggesting something very similar. So I feel like coming to independently (laughter) the same solution is probably a good sign. Businesses have -- it’s -- they don’t -- they don’t have enough money coming in. It’s not that their costs are too high, right? And the other problem is ultimately some businesses have high -- different cost structures, fixed costs, variable costs, high costs, you know, high margin, low margin. There's all sorts of businesses. Providing support for costs, it is a sort of imperfect fit. So what I tried to do with the proposal is to massively improve the flexibility of the cost coverage so that it -- it's closer to mimicking revenue replacement. Right? So allowing significant coverage for nonpayroll costs, tries to get closer to revenue replacement scheme. I think a revenue replacement scheme would have been more expensive, but the biggest barrier I think was -- was political. It needed to be tied to payroll in order to get a bunch of people to vote for it and support for it. And so I'm not sure I can you know, solve that problem with any number of policy proposals.

MR. ALTMAN: Glenn, would you weigh in?

MR. HUBBARD: Yes, I -- I would agree with what Steve said. I mean, Mike Strain and I estimated the costs of a revenue replacement program for 500 and fewer employees for a slightly longer period than PPP was originally designed, about a trillion dollars. Now that may sound off the charts high, but as PPP costs have grown and it’s a more restricted program, that sounds about right to me.

MR. ALTMAN: Well, PPP was about 700 billion even though they didn't spend quite all of it.

MR. HUBBARD: Correct. So that’s why I stated, a trillion didn’t seem off the mark. So I agree with Steve. The issue is politics, not economics. There was a day where numbers like 700 billion or a trillion took a program off the table. We’re not in that day, for better or for worse. So I think this was politics and it’s a shame, and I -- I think maybe people didn't really understand the extent of the payroll problem versus just general revenue replacement.

MR. ALTMAN: One follow up, and either, I’ll ask you, Glenn, but Steve may want to weight in as well. Do you think that the -- the PPP or for that matter, any variant of the PPP, would have been more effective if the cutoff on the size of business, 500 employees which was the PPD cutoff, had been a bit lower? I wonder myself whether if it had been half of that or two-thirds of that, that the -- whether the -- the -- the assistance would have been more targeted and therefore, more effective? But I’m not sure.

MR. HUBBARD: I think the honest answer is we don’t really know. Mike and I did find smaller employment effects for the larger end of the small business firms, but still improvements in their financial viability and to the extent that you think the worker-firm matches are valuable there, it still could be an issue. I -- they’re two issues of targeting I just want to comment on quickly. One is you know, be careful because in the fog of war, I don't know that you want to draw the line so finely. And then you know, they’re just general issues about revenue declines that I know are fascinating members of Congress in the current bill. I’m not so sure why if I’m a small businesses who’s managed to have my affairs to better than your small business, why I should be punished relative to you. I -- I struggle a little bit with that. I see what they’re trying to do, but it’s just wrong headed from an economic perspective. It may be great politics.

MR. ALTMAN: I think there’s a -- and -- and anybody else may want to weight in on this, I think there’s a tension or at least a theoretical tension between payroll retention and small business survival in the following sense. As has been said, this small business crisis has fallen disproportionately on minority-owned businesses and I think, and anybody want to correct me on this if I’m wrong, broadly businesses in low income communities. Some of those businesses are pretty indispensable to those communities. They -- they supply food. They supply certain other necessities. So it’s a -- it’s -- there’s that tension between, gee, here’s a -- a firm over here with 500 employees and I -- I’d like to enable them to retain most of their employees, but we know they’re going to survive. They’re going to survive just fine, versus a small minority-owned business or immigrant-owned business in a low income area without which the community would be devastated. So I -- I myself think that if this had been more -- a bit more targeted to -- to business survival, just -- just -- just moderately speaking because of course employment is terribly important, it might have been more effective. So Steve, if you want to comment on that before we wrap up?

MR. HAMILTON: Yes. Yes, so I agree. I mean, the 500 employee limit is arbitrary. It's just what the SBA or whoever defines a small business. So draw the line wherever, right. It's hard for me to know. I agree with Glenn. I -- I am -- I'm sympathetic to targeting on revenue losses though and I think you know, the PPP went to 72 percent of all businesses, which is extraordinary. You know, that's two months of payroll handed out to 72 percent of all businesses. So I think we're going to see in the aftermath that there will be a number of businesses who will have profited, you know, in the crisis compared to before. And the other problem is all of the money doesn't go out at once. So because the money was limited and because it was so widespread, the money was rationed, right? So not everyone got it straight away and I think a lot of businesses wouldn't have been able to wait several months to get the money for them. I agree with you. I think there hasn't been enough discussion of survival. I think really the picture of the proposal I -- I -- I present today is --

is business survival, right? Ultimately, to me we shouldn't care -- we should care about employment today, but even more we should care about employment over the next five years, which is going to depend significantly on firm survival. And a striking point is there was massive loss of firms or net in the global -- in the -- in The Great Recession, and it took over a decade to get back to the number of firms we had just prior to the crisis in 2008. So it's so much quicker to destroy businesses than it is to create them. And so I mean, again, an economist, it's pretty easy for us to see. We -- we got a -- we got to try and lean against this wave of -- of -- of catastrophe that's coming.

MR. ALTMAN: Well, I'm sorry to say that our time is -- has lapsed. I want to thank our four panelists, and I thought -- I thought they were outstanding, and I appreciate very much their participating including at 4 in the morning. And I want to thank Wendy and Christin and Melanie, and The Hamilton Project staff for again putting on really, quite a terrific event, and hats off to you. And again, thanks to everybody for participating. I hope everyone who tuned in to this really enjoyed it and onto the next one. Thank you very much.

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