

Save Our Economy: Protect Main Street Jobs & Businesses

Hundreds of thousands of small businesses shuttered by COVID-19 are at risk of closing for good in the coming weeks without direct subsidies. Very small businesses and those with historically limited access to capital are especially vulnerable. **With little or no revenue coming in, entire sectors of the small business economy face extinction.** Tens of millions of jobs are at stake – along with health care, sick leave, retirement, and other important benefits. The [last two weeks of March](#) saw an unprecedented ten million unemployment claims in just two weeks. Without more decisive action the nation could move into the summer with unemployment rates greater than or equal to the Great Depression peak.

Steps taken so far by Congress in the COVID I - III relief packages **are important but woefully inadequate.** Leading [economists](#) and analysts say that the stimulus package programs are too limited to avert this looming disaster. **While the current Paycheck Protection Program (PPP) has provided an important initial stopgap, it is fundamentally flawed. These limitations are not simply a matter of inadequate funding.**

- The SBA and bank lending system is inadequate to deliver the aid necessary to enable small businesses to bridge this crisis and keep their employees off the unemployment rolls. According to Federal data, less than half of small businesses have taken out a loan from a bank within the last five years, implying that the majority of small businesses do not have pre-existing relationships enabling easy take-up of a program based on bank loans.
- The PPP is loan based, which asks small businesses to take on additional debt liability in the midst of a terrifying period of economic and personal uncertainty. Regardless of promises of eventual loan forgiveness, this will be a significant barrier for many.

According to [Brookings Institution data](#), over a quarter of small businesses are at risk of immediate shutdown and over half are vulnerable to severe disruption or shutdown. The situation could not be more urgent. Women entrepreneurs and small business owners of color are particularly at risk. Black entrepreneurs launch their businesses with less capital than white entrepreneurs do, resulting in [Black-owned small businesses being smaller, less profitable, and more likely to close](#). Women business owners [raise smaller amounts of capital compared to men](#) overall and raise a smaller portion from external financing. We need programs that help address inequity in lending, not one that exacerbates this problem.

The current implementation difficulties with the PPP show that this route of stimulus is just a first step and not a solution. Main Street businesses need more assistance, easier access to that assistance, and less requirement to assume credit risk. As the crisis lengthens, small businesses will not take out loans for payroll or bring workers back if they may face a balloon payment that will later sink their business. In a recent survey of Main Street Alliance members,

overwhelmingly (76%), they say subsidies – not loans – will help them survive the pandemic.

Small businesses need an expansive subsidy program that builds off the PPP. The PPP must be seen as an intermediate approach pending transition to a strategy that can reach all affected small businesses in a more transparent and less bureaucratic manner. Without added and expansive federal action to preserve our small business economy, Main Street will wither, and Wall Street will seize an even greater share of our economy. To protect Main Street jobs, workers, and businesses while they hibernate and/or adapt to save lives during the pandemic, small businesses need a program with the following characteristics:

- **Direct subsidies – not loans – for all employers with 500 and fewer employees to retain or bring back their workers** at full wages and benefits and cover fixed costs, including rent, mortgages, utilities, insurance payments. (Most other industrialized countries including [Germany, Britain, and Denmark](#) have adopted this approach.)
- **A rapid, streamlined process** designed to provide subsidies for all impacted employers and independent contractors with minimal barriers to entry and no confusion or uncertainty.
- **Delivered through the US Treasury**, with resources directed to multiple agencies, including State and Local Governments, to ensure effective and universal take up especially among **communities of color and other disadvantaged groups**.
- **Subsidies convert to loans if misused.** Businesses should be required to maintain employment and wage levels and provide access to emergency paid sick time and leave as a condition for receipt of assistance, monitored through payroll tax receipts.
- **Rapid data collection** on all COVID relief small business programs regarding uptake and impact to target additional outreach and resources to failing sectors.
- **Safeguards against excess fees and predatory small business lending**, including a cap APR for small business loans, ban on confessions of judgement, limits on small business debt collection and a **moratorium on commercial evictions**.

Congress must act now on a payroll subsidy program that can and will reach all impacted small businesses with urgently needed relief.