We study the incidence of special interests in the allocation of loans through the Paycheck Protection Program (PPP).

We find that lobbying at the firm and industry levels helps businesses obtain larger PPP loans during the pandemic. Lobbying firms have experience in navigating administrative and policy complexity, which has consequences for the efficient allocation of government aid programs.

**Abstract**

The Politics of the Paycheck Protection Program

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**Motivation**

"The only industry that hasn’t been slowed down by the virus is the lobbying industry."

– Rep. Ro Khanna, California’s 17th congressional district

The COVID-19 outbreak triggered an unprecedented economic freeze that left millions of businesses in various industries in dire need of liquidity. The government aid response (PPP) was immediate and also unprecedented.

Did the funds flow to businesses where the needs were greatest?

We answer this question from the lens of special interest politics.

Our study complements a few recent studies documenting the (mis)allocation of PPP lending across the US economy:

- Granja et al. (2020) show that funds flowed to small private firms in areas that were less hard-hit by COVID-19.
- Duchin and Hackney (2020) find that politically important areas saw higher levels of PPP lending.
- Li and Strahan (2020) show that prior bank relationship helped smaller firms to access PPP funds.
- Balyuk et al. (2020) report that large and healthy firms that received funds eventually returned them after public backlash.

**Data Description**

Two main sources of data:

Small Business Administration (SBA): first two rounds ($669 billion)

- Number and amount of PPP loans disbursed
- Business characteristics

LobbyView:

- Lobbying status of the business and the amount of their lobbying spending
- Size of industry lobbying and size distribution of lobbying firms in an industry

**Results**

1. **Descriptive result #1:**

Lobbying firms are five to ten times larger than non-lobbying firms, while they also receive larger PPP loans: the mean loan amount is about $650,000 for non-lobbying firms compared to $1,550,000 for lobbying firms.

**Abstract**

Lobbying firms have experience in navigating administrative and policy complexity, which has consequences for the efficient allocation of government aid programs.

**Reference**