

US policy update: US business support measures and election update

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This US election cycle, GC team members in the Washington, DC and London offices are holding a series of conversations on the elections and wider US policy issues, and how each might impact investors and companies on both sides of the Atlantic. Below is a brief extract from the fourth conversation in the series, which began by analysing the \$2.2tr stimulus package signed into law by President Trump on March 27th, before broadening out to wider covid-19 related business support measures and their likely impacts on the US election campaigns. The speakers are [Erin Caddell](#) (Director, GC US) and [Joe Palombo](#) (Practice Lead, Global Investor Services). In the last two weeks, GC has been working closely with clients to help them understand and make use of various business support measures offered in the US, UK and EU. Please do get in touch if you would like more coverage on these areas. To access the full recording, email m.milne@global-counsel.co.uk

US stimulus package winners and losers

JP: Erin can you run us through the broad strokes of the stimulus package and the key winners and losers?

EC: At over \$2trn, this was the largest stimulus package in US history and there were a lot more winners than losers. It had four main elements: direct cash payments to individuals and expanded unemployment benefits; tax breaks to businesses; \$150bn to the healthcare system; and issuing loans, loan guarantees, and equity investments to companies - \$46bn to the airline industry and another \$800bn to businesses.

There were a couple of big losers. The cruise ship industry, perhaps because many are not US-based. And the oil and gas industry, which is reeling from the decline in oil prices, had several key asks for the bill - that the federal government buy oil, forbearance on royalty payments to land-owners, and worker safety exemptions. But none of these were given.

This is partly explained by Trump and his administration becoming more attracted to the upsides of consumers having low gas-prices. Last year's departure of Energy Secretary Rick Perry, a staunch industry supporter, will also have been important. Finally, as Trump's administration had previously done a lot for the sector by rolling back regulations, there will have been less goodwill for it in this crisis.

US stimulus package bottlenecks

- JP:** The package directs a tsunami of money toward SMEs and larger firms, but it sounds to me like there may be some practical constraints of actually getting that money out to those that need it most. Where do you see those constraints?
- EC:** On bottlenecks, the loans to be guaranteed by the Small Business Administration (SBA) must be issued by lenders designated by the SBA. For perspective, the programme's \$350bn is more than ten times what the SBA issued in loan guarantees last year. This is a huge ramp-up in issuance. So it's really important for companies and their owners and advisors to get organised quickly. Some of these SBA loan programmes will be up-and-running this week and next - you will need to, for instance, highlight the number of jobs you support in a given state where you apply for the loans. The entire point is to get the money into the economy quickly, so this is something that will move very quickly.
- JP:** On that point, SBA loans are issued through SBA-approved banks, many of which are small, local institutions. Clients need to think about moving quickly to apply for these funds, because the backlog at such banks could be quite significant, given the scale of the lending coming through the system very quickly.

Impact of business support measures on the election campaigns

- JP:** We're seeing one of the largest shifts of US government intervention in, and funding into, the economy that we've ever seen. How do you think this is going to impact the campaigns for November?
- EC:** This is another fascinating dynamic that the crisis has sparked. There has been a lot of handwringing among Democrats saying Biden needs to be more visible as Trump grabs the spotlight with daily press briefings and his pivot to taking covid-19 more seriously. But I'm more sanguine on this. This is a major crisis that would not be easy for anyone to deal with, much less an unconventional President and administration.
- And to your point about the Republicans out-flanking and out-lefting the left, Biden has spent the last 50 years living and breathing big government. So he has made, and when there is room he will again make, the argument that he is better equipped to handle a crisis like this - where big government is the solution and not, as Republicans have been arguing since Reagan, the problem.
- With the stimulus bills, the federal government will have expanded to its largest size relative to the size of the economy since WWII, and that's under a Republican President and Republican-controlled Senate. The government is going to be involved in the financial services and healthcare industries, and potentially owning stakes in the airline industry. It's

now a world of big government. Trump and Biden will have to grapple with this as they head back into the campaign, which may be fought virtually as much as in-person.

If you would like to be added to our invite list for the bi-weekly call, please email Matilda at m.milne@global-counsel.co.uk