

**SMALL BUSINESS SURVIVAL
CAPABILITIES AND POLICY
EFFECTIVENESS:
EVIDENCE FROM OAKLAND**

Discussion by:

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Research Questions

- What makes small firms resilient to shocks?
 - Revenue stability
 - Labor flexibility
 - Everything else (“committed costs”)
- How effective were CARES Act programs?
 - Payroll Protection Program (PPP)
 - Pandemic Unemployment Assistance (PUA)

Main results

- Revenues & Foot-traffic fell more at non-employers & larger employer firms
- Employment fell less at the smallest firms
- Larger firms more likely to expect future closure
- PPP lending program helpful to smallest firms

Overall Assessment

- Very important topic
- Oakland survey data are unique:
 - Information on firm's survival expectations
 - Information on application as well as success in using CARES Act monies
- Some questions about interpretation
- Some suggestions about additional analysis

Revenues & Size

- Paper needs more discussion & interpretation
 - Non-employers and large employers face largest declines.
 - Why? What do they have in common?
 - “microbusinesses seem to be endowed with the ability to ward off 14% of the shock relative to enterprises”
 - Is this general or COVID-specific?

Labor Flexibility & Size

- Are small firms really less flexible?
- Is the relationship monotonic?
 - Practical suggestion: use size-bins (rather than log-workers)
- Are small-firms more loyal to their employees?
- Are smaller firms more likely to be family-run?

Committed Costs

- Paper associates residual expectation of closure with ‘committed costs’
 - Larger firms, more capital/debt, thus more vulnerable to shocks
- What is the role of age?
 - Old, small, family-run business most likely to stay no matter what

Assessing the CARES Act (PPP)?

- Paper has data on firm expectations of short- and medium-run survival
- Very large **positive** effect on expected survival of smallest firms

PPP & Survival

Implications of Regressions

Increase in Medium-Term Survival
Expectation

	Number of Workers	Successful PPP, Compared to non- applicants	Successful PPP, Compared to Unsuccessful applicants
Non-Employers	1	20.50%	47.30%
Micro- Businesses	3	5.23%	32.03%
	5	-1.87%	24.93%
Enterprises	10	-11.51%	15.29%
	20	-21.14%	5.66%

PPP, Survival & Access to Banking

- Bank relationships are important (Granja et al; Li & Strahan)
 - More likely to apply for PPP
 - Given application, more likely to succeed
 - And, more likely to get PPP in the first round
- Small, community banks more likely to supply PPP loans
- Can we separate effect of PPP from effect of access to banks?

Conclusion

- Very important set of questions
 - Who survives COVID?
 - What is the role of government programs?
- Novel data
 - Expectations of firms
- Wish list
 - Firm age?
 - Role of family control?
 - Access to banks & CDFIs?