SMALL BUSINESS SURVIVAL CAPABILITIES AND POLICY EFFECTIVENESS: EVIDENCE FROM OAKLAND

Discussion by:

Philip E. Strahan
Boston College
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

<table>
<thead>
<tr>
<th>Number of Workers</th>
<th>Successful PPP, Compared to non-applicants</th>
<th>Successful PPP, Compared to Unsuccessful applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Employers</td>
<td>1</td>
<td><strong>20.50%</strong></td>
</tr>
<tr>
<td>Micro-Businesses</td>
<td>3</td>
<td>5.23%</td>
</tr>
<tr>
<td>Enterprises</td>
<td>5</td>
<td>-1.87%</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>-11.51%</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td><strong>-21.14%</strong></td>
</tr>
</tbody>
</table>
PPP, Survival & Access to Banking

• Bank relationships are important (Granja et al; Li & Strahan)
  – More likely to apply for PPP
  – Given application, more like 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?