



Small Businesses & COVID-19: Supporting Firms at Risk of Failure

More than 400,000 U.S. small businesses are estimated to have failed since the start of the COVID-19 pandemic. Despite a range of approaches taken by the federal government to support firms through shutdowns—including loans, payroll support, and grants—hundreds of thousands of additional small businesses are at risk of failing. If the federal government does not develop a cohesive, robust policy solution to counter reduced consumer demand, the continued devastation of small businesses will slow the economic recovery, worsen labor market conditions, and weaken productivity growth for years to come.

POLICY PROPOSAL

Direct From Survival to Revival: How to Help Small Businesses through the COVID-19 Crisis

Steven Hamilton (The George Washington University)

COVID-19 poses an existential threat to small businesses, as many are financially fragile and not equipped to weather a prolonged period of substantially reduced revenues. In his paper, Hamilton argues that the main existing source of support, the Paycheck Protection Program (PPP) is not well suited to address what now looks to be a prolonged reduction in revenues. The author proposes that the government revise and expand the Employee Retention Credit to help cover small businesses' payroll costs, introduce a new Small Business Survival Credit to help cover their fixed costs, and significantly invest in the capabilities of the IRS so it may better support small businesses in future crises.

ECONOMIC ANALYSIS

10 Facts about COVID-19 and the American Economy

Lauren Bauer, Kristen Broady, Wendy Edelberg, and Jimmy O'Donnell (The Hamilton Project)

The COVID-19 pandemic has created enormous public health and economic challenges. In this economic analysis, the Hamilton Project authors assess the extent of economic damages by exploring the pandemic's effects on businesses, workers, and households. The authors also highlight the measures taken by Congress (e.g., PPP and expanded unemployment insurance) and discuss the importance of implementing additional measures including automatic stabilizers for future stimulus efforts.