

Resilience in U.S. Firms: Evidence from the Covid-19 Pandemic

Omar Ahsan *

Abstract

In this paper, I exploit the Covid-19 pandemic and associated government restrictions as a natural experiment in order to study the resilience of businesses in the United States. I use a border-county identification strategy with data on government restrictions, employment and open small businesses, in order to assess the resilience of small businesses in the United States. In my main results, I find negative impacts of stay-at-home orders on the number of open small merchants. In particular, shutdowns of businesses accelerated 8 weeks after imposition of a stay-at-home order, suggesting that many businesses were only resilient enough to handle adverse conditions for 8 weeks. On average, a county with a stay-at-home order experienced an additional 1.51 percentage points loss in the number of open small businesses, relative to January 2020, 8 weeks later compared to a neighboring county that did not have a stay-at-home order. Firms were quicker to resort to layoffs. On average a county with an active stay at home order in a month experienced an additional 1.28 percentage point loss in employment, relative to January 2020, the following month compared to a neighbor that did not have a stay-at-home order the previous month. I also find that stay-at-home orders caused significant reductions in movement in both directions between neighboring counties.

*omar.ahsan@columbia.edu