



The Role of Government: A Small Business Perspective

A report by:



Business Education Fund

In partnership with:



Executive Summary

Small business owners want effective, equitable government support for a thriving small business sector. This fact defies much of the conventional wisdom – and conservative rhetoric – about small business, but it is consistent with the preferences and day-to-day reality of real small business owners across geography, race, gender, and even political affiliation. These preferences are made clear in a Main Street Alliance-commissioned poll of 600 small business owners conducted in September 2020. This poll found that:

- By a two-thirds (67 percent) majority, small business owners overwhelmingly believe in government responsibility for protecting Main Street.
- This preference runs across race, gender, age, party identification, region of the country, business size, and industry/sector.
- Small business owners seek government assistance regardless of their attitude toward government versus personal responsibility.
- Beyond favoring government intervention in moments of crisis, small business owners support sustained government involvement in the economy. For instance, a majority of small business owners support public banking and investment in child care infrastructure.
- Across issues, support for government action on behalf of Main Street runs particularly high among Black business owners, regardless of gender, and Latina business owners.

While these poll findings show a preference for government support, they also raise questions about what it will take to close the gap between the needs of small businesses – and their communities – and government action.

To further explore the relationship between government and small business, in February and early March, MSA conducted eight key informant interviews with small business leaders across the country. These conversations covered interviewees' experiences with Covid relief and their observations on government support for very small business owners and a thriving, equitable small business sector. The interviews identified the following themes:

- Small business owners believe government support for small businesses is important and that government should do more to make assistance effective and equitable. When small businesses were able to access Covid relief, they found it helpful.
- Covid revealed the lack of public infrastructure for protecting small businesses and the systemic disinvestment in BIPOC-owned businesses and very small businesses overall.
- Covid was a turning point for many small business owners – one marked by outrage, anger, and action.
- The crisis is not over – there is still a need for relief now – as well as a need for significant long-term reinvestment in small business that only government can provide.

Entrepreneurship is heralded as a path to opportunity. Yet it is only through government efforts to create a more equal economy – with a specific commitment to dismantling systemic racism – that entrepreneurship can contribute to generational wealth, financial security, and prosperous local economies. That is, only government can make the public investments

at scale and set the market rules necessary to sustain a thriving small business economy. These investments cannot be left to philanthropy, which does not have the resources and policy tools to generalize benefits, nor to the market as currently structured. Moreover, for effective delivery of the scale of relief necessary, it must be done through an open, democratic process -- one only government can provide.

The work of Covid relief and recovery is far from over.¹ We must continue that work while laying the foundation for post-Covid resilience and a just, equitable small business economy. Based on the findings of this report we make the following recommendations:

Invest in the public infrastructure to sustain a vibrant small business economy, including:

- Mechanisms for making capital available reliably, equitably, and efficiently to the entrepreneurs who need funding the most;
- Capacities for proactive and regular communication and dialogue with small business owners;
- Resources for supporting small businesses with key functions (such as accounting) through trusted professionals, thereby helping level the playing field for BIPOC-owned businesses, rural businesses, women-owned businesses, and immigrant-owned businesses; and,
- Strategies for placing small business at the center of economic development, with an emphasis on high-road jobs and community wealth-building in BIPOC communities.

Design this infrastructure in collaboration with very small business owners, particularly BIPOC business owners.



MOVING FROM RECOMMENDATION TO ACTION

Additionally, to help make these recommendations actionable, we have identified the following areas as needing further research:

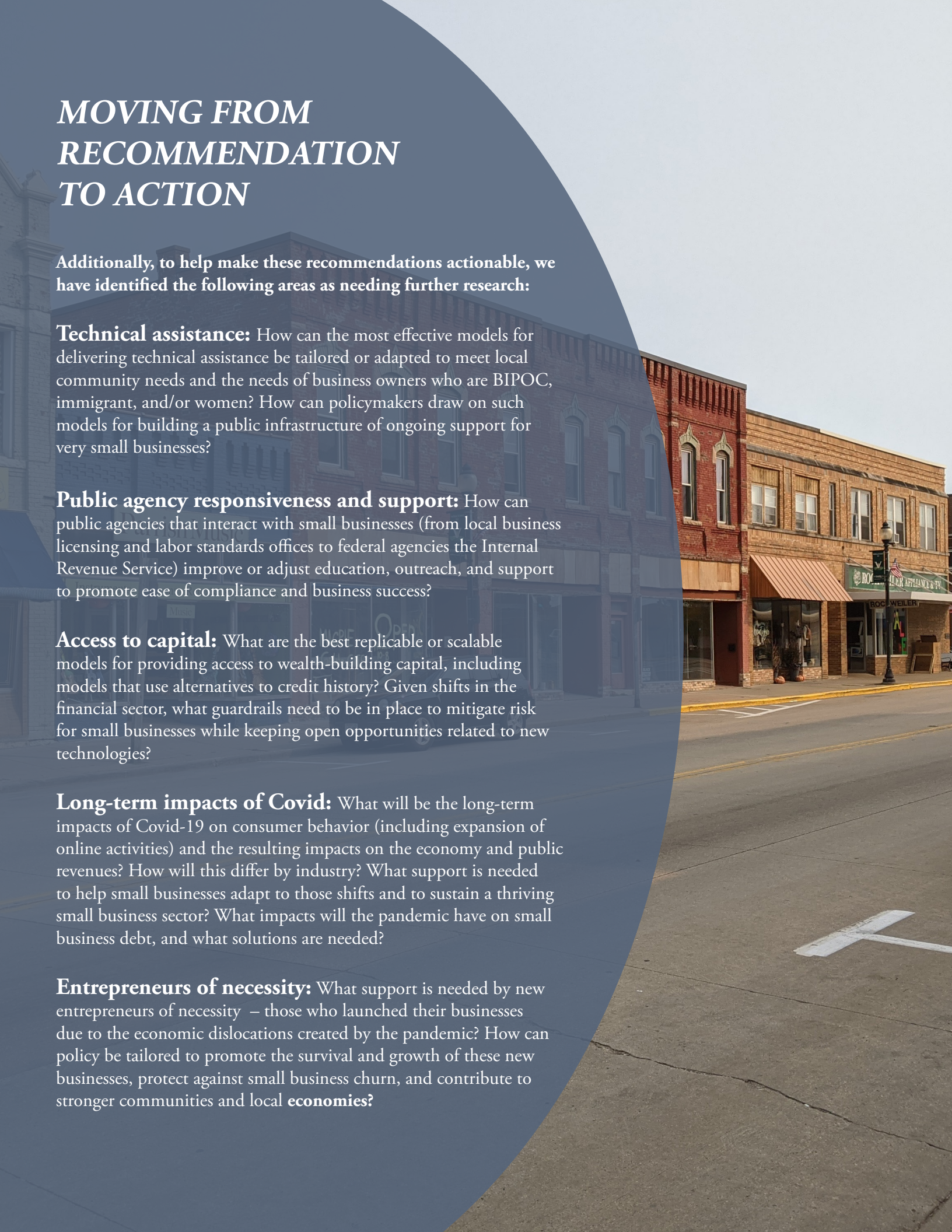
Technical assistance: How can the most effective models for delivering technical assistance be tailored or adapted to meet local community needs and the needs of business owners who are BIPOC, immigrant, and/or women? How can policymakers draw on such models for building a public infrastructure of ongoing support for very small businesses?

Public agency responsiveness and support: How can public agencies that interact with small businesses (from local business licensing and labor standards offices to federal agencies the Internal Revenue Service) improve or adjust education, outreach, and support to promote ease of compliance and business success?

Access to capital: What are the best replicable or scalable models for providing access to wealth-building capital, including models that use alternatives to credit history? Given shifts in the financial sector, what guardrails need to be in place to mitigate risk for small businesses while keeping open opportunities related to new technologies?

Long-term impacts of Covid: What will be the long-term impacts of Covid-19 on consumer behavior (including expansion of online activities) and the resulting impacts on the economy and public revenues? How will this differ by industry? What support is needed to help small businesses adapt to those shifts and to sustain a thriving small business sector? What impacts will the pandemic have on small business debt, and what solutions are needed?

Entrepreneurs of necessity: What support is needed by new entrepreneurs of necessity – those who launched their businesses due to the economic dislocations created by the pandemic? How can policy be tailored to promote the survival and growth of these new businesses, protect against small business churn, and contribute to stronger communities and local **economies**?



Background

COVID'S TOLL ON SMALL BUSINESS

From the onset of the pandemic, the Covid crisis put small business owners at the center of some of the country's most heated political and policy debates, such as debates about the impacts of public health restrictions and when and how to "reopen" the economy.

These debates pointed to broader questions about the role of government and its relationship to business. To what extent, and how, should government intervene in economic activities when broad social concerns are at stake? What responsibility does government have to limit corporate power and create the conditions for small businesses to thrive? What is the relationship between community wellbeing (and health) and small business success, and what are the policy implications of this relationship? And, not least, how should a commitment to racial and gender justice and more equitable distribution of resources and power shape the answers to these questions?

For small business owners weathering a historic crisis, these questions have not been academic or abstract. As customers withdrew from public spaces and governments adopted public health restrictions, the pandemic unleashed an extinction-level event for many of the country's 30 million small businesses. It quickly became apparent that many would be wiped out without government aid. (Between February and April, 22 percent of business owners stopped operations, including 41 percent of Black business owners and 32 percent of Latinx business owners.²)

In late March 2020, Congress passed the CARES Act. Though the Paycheck Protection Program (PPP) and other programs have helped many

small businesses survive, the inadequacy of the PPP as initially designed has been extensively documented.³ In particular, the PPP's reliance on the private banking sector compounded the two-tiered system of small business financing that favors larger, wealthier, and whiter businesses over the Black-owned, brown-owned, and micro-businesses that are among the most dynamic in our economy.⁴ In contrast to support for large corporations, which are well-served by the Treasury Department and Federal Reserve, no public infrastructure was in place to quickly and equitably deliver financial and other assistance to small businesses.⁵

As the pandemic became politicized, and as data emerged on racial disparities in Covid-related illness and death,⁶ conservative activists and politicians launched "reopen" protests, holding up small business as a victim of public health measures,⁷ and suggesting a false choice between health and the economy. But small business owners were hardly unanimous in opposition to public health restrictions. Many were concerned about reopening or scaling up too quickly; they wanted to save their businesses but also wanted to keep themselves, their employees, and their customers safe.⁸ However, the debates around coronavirus restrictions took on familiar contours, with conservative rhetoric echoing a longstanding strategy to use small business as cover for an anti-government, anti-civil rights, pro-corporate agenda that hurts real small business owners.

Under the Trump Administration and McConnell Senate, the federal government largely withdrew from combating the health and economic effects of the pandemic,⁹ leaving state officials, local officials, and small businesses to fend for themselves with grossly inadequate resources. The push to lift public health measures and the denial of ongoing federal aid placed small business owners and workers alike in a bind: operate your business/go back to work and manage the risks on your own – or face financial ruin.¹⁰ And, though the vaccination process is showing promising results, as of mid-March the pandemic continues, with new strains and variants continuing to emerge.¹¹

The losses are staggering. Many small business owners have used personal savings, individual credit cards, or other assets, including homes, to try to save their establishments.¹² The destruction of businesses hurts the communities that count on them for jobs, local economic activity, and community life. The cascading effects will include more unequal distribution of wealth and more obstacles to capital in communities of color. Meanwhile, many of the country's largest corporations have increased in size and profitability not despite the pandemic but because of it.¹³

It is important to note that the number of small firms alone cannot provide the measure of a vibrant or racially equitable small business economy – one in which entrepreneurship is available as a choice, but not presented as an alternative to a strong safety net, quality employment, or public investments. In fact, alongside widespread closures, business creation has surged during Covid, prompting press attention, talk of a “startup boom,” and even reference to “creative destruction.”¹⁴ Yet, according to new research, in 2020 the percentage of new entrepreneurs starting businesses out of choice (the “opportunity share”) rather than as a response to unemployment (“necessity entrepreneurs”) is down dramatically, with Asian and Black new entrepreneurs experiencing the largest drops in opportunity share.¹⁵ “The sharp

decrease in the opportunity share in 2020 reflects the massive economic losses during the pandemic,”¹⁶ write researchers Robert Fairlie and Sameeksha Desai, who note that the increase in business activity combined with the plunge in opportunity share “indicat[es] that many of these transitions were undertaken by people with few other options for economic engagement.”¹⁷ Questions remain about how many of these businesses will survive and, if so, whether they will be able to grow.

Over the past year, Main Street Alliance has worked with business owners around the country to alert policymakers and the public to their needs, identify gaps in Covid relief, and recommend solutions. Congress and federal agencies, hearing feedback from MSA leaders and others, have made important improvements in small business relief programs since the late summer and fall and have adopted additional aid programs.¹⁸ Moreover, the scale of devastation would have been much greater without historic federal intervention, and the American Rescue Plan, as passed and enacted, will likely go a long way toward reducing poverty and shoring up the economy.¹⁹ It is indisputable that many small businesses, including MSA members,²⁰ owe their continued existence to government support as they weathered – and continue to weather – the pandemic.

Yet, Covid relief programs for small businesses were built on an uneven, unequal foundation reflecting historic and ongoing choices about whose interests government should serve. Developing a small business economy characterized by racial and economic equity – one that properly values small enterprises and the people and communities that give rise to them – will require deliberate work on the part of policymakers, public agencies, advocates, funders, and small business owners themselves. This report is intended as a contribution to that effort.

Methodology

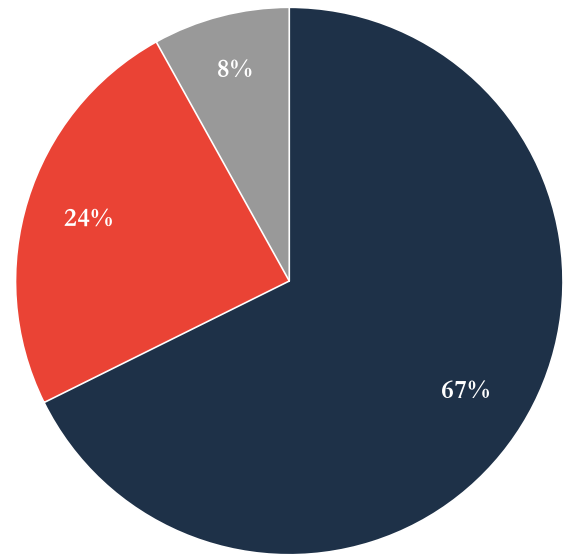
This report is based on two sources: a 600-respondent national poll and open-ended key informant interviews with small business owners.

The poll was commissioned by Main Street Alliance and conducted by Lake Research Partners from August 31 to September 16, 2020. The poll reached 600 small business owners with oversamples of 100 Black small business owners and 100 Latinx or Asian American or Pacific Islander small business owners. The base sample was weighted by gender, region, age, race, and number of employees prior to the COVID-19 pandemic. The sample of Black small business owners was weighted by gender and age. The sample of Latinx and Asian American Pacific Islander small business owners was weighted by gender, region, race, and number of employees prior to the COVID-19 pandemic. The margin of error is +/- 4.0.

The key informant interviews consist of eight one-hour, open-ended conversations with small business owners, covering their experiences with Covid relief and other government programs, their thoughts on the poll findings, and their perspectives on the relationship between government and small business. Five interviewees identify as male and three as female. One identifies as Native, one as Asian, two as white, two as Hispanic/Latinx, and three as Black. Interviewees are from the South Atlantic, Mid-Atlantic, Midwest, South Central, and Northwest. All but one was a very small business (50 employees or fewer). The businesses included retail, tech, specialty and professional services, events, and restaurants. Two interviewees work extensively with other small businesses, and, in response to Covid, one formed a local small business coalition and one a network of Black business owners. The interviews were conducted in February and early March 2021, before the passage of the American Rescue Plan.



Poll Findings



- Role for government
- Personal responsibility
- Not sure

Small business owners overwhelmingly support government responsibility for protecting Main Street.

Two-thirds of small business owners (67 percent) say government should get involved by providing relief to small businesses, compared to only 24 percent who say it's each person's responsibility to take care of their own business.

The preference for government responsibility runs across race, gender, age, party identification, region, business size, and industry/sector.

Black men (85 percent) and Latinas (79 percent) were the most likely to choose government responsibility, followed by Black women (73 percent), white men (67 percent), and Latinos and white women (66 percent). Sixty-two percent of rural business owners chose government responsibility, compared to 65 percent of suburban and 73 percent of urban respondents. Majorities held across regions, from 60 percent in the Midwest to 72 percent in the West. Even 56 percent of strong Republicans choose government responsibility over personal responsibility.

Small business owners seek government assistance regardless of their attitude toward government.

Small business owners who chose personal responsibility over government responsibility reported applying for relief programs at similar rates: PPP (34 percent compared to 35 percent), Economic Injury Disaster Loan (17 percent compared to 20 percent), and the Employee Retention Tax Credit (17 percent compared to 11 percent).

A majority of small business owners believe the federal government provided more help to large corporations than to small business in the CARES Act.

Fifty-four percent of respondents believe the CARES Act financial assistance was more helpful to large corporations than to small businesses, compared to 27 percent who believe small businesses were helped more. Across race and party identification, respondents were more likely to believe large corporations benefited more from the CARES Act than small businesses did, with Asian American (70 percent) and Black respondents (61 percent) most likely to agree.



Small business owners overwhelmingly support rental relief to avoid mass evictions for both commercial and residential tenants.

Almost 8 in 10 small business owners (77 percent) favor legislation to provide relief to landlords that could be passed on to tenants. For both residential and commercial rental relief, this support runs across racial groups, from 85 and 81 percent support, respectively, among Black respondents to 70 and 73 percent support among Asian respondents. Again, support for such a measure is strong among both personal responsibility (64 percent support and higher for both measures) and government responsibility respondents (more than 80 percent support).

Across race, party identification, and region, respondents support creating a public bank by a 20-point margin.

Small business owners support ongoing government involvement in the economy.

Small business owners are open to the creation of a public bank, with 55 percent of respondents expressing support, 25 percent unsure, and 21 percent opposing. Across race, party identification, and region, respondents support creating a public bank by at least a 20-point margin, with support strongest among Black respondents (76 percent). Notably, 43 percent of business owners who favor personal responsibility would support a public bank, while just 34 percent oppose.

Additionally, 58 percent of respondents say they are more likely to support a candidate who supports federal investments in accessible and affordable childcare, including 88 percent of Black men, 75 percent of Black women, 67 percent of Latino/as, 56 percent of white men, and 51 percent of white women.

Discussion

This section of the report builds on the poll findings from 2020, with in-depth exploration of small business owners' experiences with and perspectives on government almost one year into the Covid pandemic.

In these open-ended conversations, we asked small business owners to share their impressions of the poll results, relate how their experiences with Covid relief had shaped their views on government, identify ways in which government programs had succeeded or failed them and other small business owners, and what it would take to close the gap between the needs of small businesses and government action.

These conversations surfaced a number of themes with implications for how government at all levels can – and should – reinvest in a vibrant, equitable small business sector. Where possible, we have included direct quotations from interviewees.

Small business owners believe government support for small businesses is important and government should do more to make assistance effective and equitable.

Small businesses believe government can and should support small businesses. When they received Covid assistance, they found it helpful. For small business owners who did not receive Covid relief – or did not receive enough – this is not necessarily a story of government failure but of government priorities.

Range of experiences with Covid relief programs:

The experience with Covid programs varied widely among our interviewees. The white owner of a large restaurant credited the PPP with their business' survival. Another business owner, also white, reported receiving both EIDL and two rounds of PPP funding, with forgiveness expected for both, allowing the business to bring back two employees. "I think what they've done with Covid is very helpful," this interviewee said. "It's been very helpful for me."

By contrast, one business owner applied for the PPP but managed to receive only a county grant, and two others reported being initially rejected for the PPP or opting for local funding that conflicted with the PPP. One other interviewee commented that the EIDL program was easier than the PPP because it did not use banks as a middleman. These interviewees all observed numerous obstacles to PPP funding for very small businesses, from the reliance on banks to documentation requirements.

Three interviewees noted and appreciated improvements in the Covid relief programs, including refocusing on very small businesses and providing more clarity on requirements.

Belief that government should support small business:

Though often frustrated with Covid relief programs, none of our interviewees said government should adopt a hands-off approach. Rather, they want government to proactively support small business, through everything from equitable procurement to economic development strategies to more vigorous antitrust enforcement.

As a business owner who helped form a local small business coalition in response to Covid explained, "We needed government to do its job – provide basic bottom-line capacity for us to exist. We needed



...The fact is that many of us work for years without making real money. Or our income can be inconsistent or unpredictable. Often people assume we think like large businesses, but we aren't large businesses. What we need is different."

government to save us." Only one interviewee was surprised at the poll results showing high support for government involvement – and only in reference to the public bank – given, this interviewee observed, many business owners' trepidation over CARES Act funds (e.g., concerns over forgiveness and the possibility of being audited). And one, when asked about government support, raised enforced mask mandates as an important intervention to protect business owners and employees, commenting, "The people that were against it had the loudest voice."

"On the question of government support," another interviewee said, "I think the political climate has become very disconnected from reality. Many people believe that business owners are all politically conservative because of the tax code. But the fact is that many of us work for years without making real money. Or our income can be inconsistent or unpredictable. Often people assume we think like large businesses, but we aren't large businesses. What we need is different."

This business owner added, "I would love to see more conversations about the reality of small business economics instead of the acceptance of policy based on trickle-down principles."

Systemic racism:

All interviewees, across race, commented on or acknowledged either systemic racism or systemic barriers to government support for BIPOC business owners. "This is the largest transfer of wealth in our generation," said a BIPOC interviewee. "First it was

tax cuts for the rich, then it was the Covid relief they gave out. None of that was for us. And that's why we're closing at record numbers."

Business owners who oppose government assistance seeking government assistance. This poll finding, in particular, elicited a range of responses among our interviewees, from "it's there and they're smart enough to take it" to "if you don't believe the government should be involved in what business is doing, don't take government support."

One interviewee put it this way: "If you're drowning, you're not going to worry about how the parks department is budgeting lifeguards, you want the lifeguards. When you ask how people feel, it's one thing, but in reality 100 percent of business owners are relieved to get support."

Connecting other government programs to small business success:

In addition to programs specifically for small business, interviewees raised the importance of other public investments, such as schools, Medicaid, the post office, and unemployment insurance. "Health care, rent support, everything – it's all connected to the survival of business," said one interviewee, later adding, "If you don't have good transit, if you can't get people places, how is the city going to work?" Moreover, most of the business owners we spoke with believe small businesses tend to be more familiar with, connected to, and/or concerned for their respective communities than are large corporations.

Health care, rent support, everything – it's all connected to the survival of business."

Covid revealed the lack of public infrastructure for protecting small businesses and showed the disinvestment in BIPOC-owned businesses and very small businesses.

Covid relief saved many small businesses, but the response overall showed that the U.S. lacks infrastructure for fostering a thriving, equitable small business economy – much less a small business economy that builds long-denied generational wealth in Black and Brown communities.

Systematic and longstanding disinvestment in BIPOC-owned businesses:

The small business owners interviewed for this report see the devastation caused by the pandemic as a symptom of longstanding disinvestment in small businesses, particularly in communities of color. As one interviewee put it, “We didn’t make the right choices as a society before and during the pandemic when it comes to supporting small business. Now we have this monster called Covid we can blame. If the hurricane blows your house down, you blame the hurricane. But what did you expect if the people who built your house put it together with bubble gum and tape? Other houses in other places have survived.”

Lack of quality data collection and comprehensive understanding of small businesses in their communities, to the exclusion of businesses owned by people of color:

One interviewee reported that city officials did not have a complete, up-to-date list of small businesses, and two interviewees reported that their cities had no demographic information sufficient to tailor support or ensure adequate outreach to make programs and

government contracts available to minority-owned small businesses. One said the city had begun compiling information only in response to federal requirements related to Covid aid, “in the midst of a challenging environment.”

Resources, outreach, and technical assistance to make programs user-friendly:

“Most of us don’t have half the information they’re asking for,” said one interviewee. “We struggle so much as BIPOC small businesses.” This comment was echoed by most other interviewees who noted that Covid relief applications were not user-friendly and required documentation business owners did not have. “If you were not a chain who can afford a team of accountants, you’re sort of screwed,” said one interviewee. “We saw in real time the effects of this. Ruth’s Chris and Shake Shack were able to get this money so fast.”

One interviewee, who had helped other small businesses with financial modeling to see if PPP or EIDL would be a better fit for their firms, said government should “fund PPP and ERTC with the recognition that we also need to fund the mechanisms to educate people” about those programs. This interviewee was aware of organizations in their state doing good economic development and small business support work that needed more resources. Our interviews suggest that details, local conditions, and intentionality matter here: two interviewees noted that, in their locations, nonprofit or private agencies that received public funds to support small businesses were not in fact providing those services.

The need for technical assistance predates Covid – and the lack of support systems is what locked so many small businesses out of programs. Interviewees identified the need for help with a range of accounting, planning, financial literacy and modeling, and tax issues and access to technology and reliable broadband (in both rural and urban areas), including the training and support to use that technology.

McDonald's, Subway and other franchises got \$15.6 billion in small-business funds

New data shows thousands of Subway, McDonald's and other franchises received PPP funds despite chain affiliations

One interviewee noted that the CARES Act included some funding for Small Business Development Centers (SBDCs) “but it was very much up to them to figure this out.” This interviewee said, “I have seen SBDCs do really good work. The problem is there are 900.” For examples of strong SBDCs, the interviewee pointed to ones that partner with community or local colleges so “there is more educational content they bring to the table.”

Inadequate mechanisms for connecting people to capital and other support:

Consistent with reporting on the PPP, the majority of interviewees discussed challenges with private banks, with one business owner saying, “These government dollars are being determined by a bank that has no history of lending in the Black community... It puts you right back into the same boat.” Overall, interviewees interacted with a range of local, county, and federal programs – including one who helped create a local program – and all discussed gaps in those programs, such as gaps harming minority business owners, business owners with limited English proficiency, and sole proprietors or owners of very small businesses.

“These government dollars are being determined by a bank that has no history of lending in the Black community...It puts you right back into the same boat.”

“We need to figure out how to implement systems that allow the government to deliver aid and assistance in a better way,” said one interviewee. “It’s not that this stuff doesn’t exist.” But, this interviewee noted, government also needs to invest in bringing its own technology up-to-date to overcome “all this technical debt that prevents them from rolling out aid.”

“Shiny object” programs:

Two interviewees discussed shortfalls in programs designed without real collaboration from the small business owners the programs are intended to serve. “The problem with these programs is that we as people have shiny object syndrome. We don’t bother to look at the way something is written,” one interviewee said, describing a local low-interest loan program. “In order to obtain that you have to get a loan from a bank first,” the interviewee explained. “What is the one thing most BIPOC businesses don’t have? Ninety-five percent of us are not bankable. So how does the program help me?”

Another interviewee made a similar observation about a lending program in their city. “Here they’ve launched a microloan program that’s supposed to be kickstarter,” the interviewee said. “That’s supposed to help you get another loan from the bank.” However, the program has no official bank partner, the interviewee explained, so entrepreneurs that enter the program receive no information about which banks are participating, or what their criteria are, and receive no assurance they will qualify for a loan if they go through the program.

Closed doors on government contracts:

Two business owners raised concerns with local and state government procurement processes. One said that their city lacks any enforceable standards or processes for making city contracts available to minority-owned businesses. “All they have to do is check a box that they’ve made an effort: ‘We’ve tried. We don’t know where to look,’” the interviewee said. “That qualifies as their effort that they’ve tried to find minority-owned businesses.”

The second interviewee reports getting more business from New York City than from the city or state where their business is located. Work that the business once did for state agencies is now handled by businesses operating in the prison system. “I can’t compete with slave labor,” the interviewee says. “They pay them \$.25/hour. You do the math. I start my people at \$12.00. For each of my employees they have four people. Especially because they have a no work, no pay policy. If you don’t work, you stay in your cell.”

“It’s not all about the money. Yes, money is good. But what a lot of us are building is generational wealth where we don’t have to ask for money,” the business owner said. “Instead, why can’t we do work for the city that we live in?”

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Covid was a turning point for many small business owners – one marked by outrage, anger, and action.

The fact that large corporations have profited while small business struggled during the pandemic sparked outrage among a number of our interviewees. The pandemic prompted some to engage in new ways to help save businesses in their community or industry. For some, the experience deepened frustration, anger, and/or distrust. One said the government response to Covid made them hopeful.

Prioritizing big businesses:

Multiple interviewees expressed anger that large businesses had collected PPP funds while CEOs took large salaries or while companies laid people off. Looking beyond Covid, three raised concerns about state and local economic development programs that focus on attracting large corporations with tax breaks or where policymakers listen to large corporations and not small businesses.

Disrespect and distrust:

“There is an overwhelming sense of distrust between Black-owned businesses and the city,” one interviewee observed. “The distrust has kept our Black business owners from reaching out and engaging. Covid brought that to the forefront.” Another interviewee reported feeling used as a campaign prop by politicians. A third interviewee, describing a meeting with a state economic development official, said, “His entire demeanor made me really angry... It’s like he wanted [the meeting] to be over as soon as possible.” The interviewee described this official as dismissive of their concerns, their experiences, and their expertise on the issues they were raising.

“One of the things Covid exposed was how much they ignore real small business, BIPOC businesses

and people, and sugarcoat and screw us over,” the business owner said, later adding, “It’s the reason why I’m tired. Covid wasn’t the reason. It was the final straw for a lot of us that are just fed up. Right now we’re like, for the people who can’t see what’s going on, ‘F--k you and f--k you.’”

A spur to action:

Some interviewees explained that Covid had prompted them to take action in their communities in ways they had not done previously. “By sticking my neck out politically, it’s come back to me in a positive way,” said a white business owner who began to organize with others in their industry. “For me, the pandemic has highlighted that speaking out for my needs and can also help others in similar situations.”

One interviewee started a networking group for Black business owners that shares resources, information, and connections, saying, “You see the positivity and optimism from that.” This business owner is now developing a model for county and city minority business enterprise programs to help businesses bid for local and state government contracts and to provide resources for those businesses to scale up.

Another interviewee said they and other business owners launched a new local small business coalition that created a program using private funds for grants and public funds for loans. “We were losing a business or two a week,” the business owner said. “I couldn’t just sit back and watch that.” The group had to apply public pressure to get city officials interested in the model,” but, the business owner explained, “When there were some flaws in the rollout, we pointed those out, and they listened. We saved a lot of businesses.”

It’s made me hopeful... [T]here’s been so much talk about how important small business is to the economy. They were saying that before but they didn’t walk the talk.”

A call for more momentum:

Of the Covid response, one interviewee – who received Covid relief – said, “It’s made me hopeful. It’s made me feel like maybe they get it because there’s been so much talk about how important small business is to the economy. They were saying that before but they didn’t walk the talk.” This interviewee asks, “Can we keep this momentum going, can we now make some changes, like with capital access, making it easier for us to borrow?”

The crisis is not over – there is still a need for relief now, and a need for long-term reinvestment in small business that only government can provide.

Small businesses are still struggling to get their bearings or stay afloat, and the pandemic continues to hurt businesses. Small business owners are thinking about what it will take to make it through Covid and what it will take to rebuild a stronger, more equitable small business sector.

Small businesses are still fighting to survive Covid – and to effectively make the transition to a post-Covid landscape:

With the pandemic continuing, restaurants are not operating at capacity, and one restaurant owner said the business has fallen behind on rent and faces eviction. Another restaurant owner said, “Anyone who looks at us would say, ‘You’re in a great situation.’ But for the world to go upside down, and the economy to shut down – from that perspective we look like a three-year startup. We have a tremendous amount of debt.”

The owner of an events-oriented business says they shifted activities and have scaled back; another events business owner reports plans to sell their business and reposition within the industry. And one interviewee who works extensively with other small businesses made an observation reminding us that closure rates are just one measure of the impact of Covid. “Covid has affected business in such a big way,” the interviewee said. “Businesses that used to employ three family members now can employ just one.”

Looking at the ongoing challenges, interviewees suggested commercial rent relief, support for businesses to reinvigorate or pivot, and targeted assistance for restaurants. (Some grant assistance for restaurants has since been adopted in the American Rescue Plan.) Additionally, our interviews indicate that small business owners believe the landscape has shifted – particularly with so much business going online. One interviewee suggested partnerships with incubators, accelerators, and universities given what we have learned about what it takes to execute enormous business model shifts.

Government needs to be more proactive in conducting meaningful outreach, dialogue, and collaboration:

Small business owners want to be heard and want to be involved in designing the programs that are supposed to benefit them. “They’re telling us what

they think we need. Or what they want us to have,” one interviewee said. Collaborating in program design with business owners from the outset is key to addressing “shiny object syndrome.”

The small business owners we talked to also emphasized the importance of proactive outreach – government agencies should not wait for businesses to come to them. “People don’t know the SBA does free mentoring,” one interviewee said. “SBA needs to take responsibility. You have to do outreach. If they don’t have a list, they need to go out and [create it] and do face-to-face events, some virtual events, and marketing in front of audiences, partnering with groups like any other organization would do.”

Government must build trust through action and community connections:

“We’re done with the talking,” said one business owner. “To build trust, come talk to us, figure out what we need, and make stuff happen, and we will support you.” This business owner also said, “It would be nice to have people that work in the city and state to be from the communities they’re supposed to serve. Because the way you do that, that’s how you build trust.” Another explained, “You build trust by being consistent. The city can say, yes, we’ve created this initiative, we have heard the feedback. We have implemented this initiative that works for our city.”

Indeed, observing that public officials had listened to them and responded to concerns – either by providing direct assistance or by adjusting programs – mattered for the two interviewees (one white and one Black) who reported this experience.

Structures of support that small businesses need:

In addition to the above, interviewees raised a range of ideas and questions related to how government could build structures of support for small businesses. Many of these focused on providing intensive

technical assistance, with one interviewee remarking that when technical assistance is provided alongside loans the default rate goes down. The following are some examples of the suggestions raised by interviewees:

- “As for SCORE, which is a nonprofit, there are very few offices. Why don’t we have government agencies like SCORE?” This interviewee proposed creating a “support system” that, at no cost, “strengthens businesses from within” (such as helping businesses obtain licenses, select the correct business structure, and get their books in order).
- One business owner proposes a minority business enterprise program that is guided by a disparities study, sets clear benchmarks and timelines for awarding city or state contracts, provides educational opportunities for businesses to become certified as minority-owned businesses, and provides ongoing educational opportunities.
- “A major thing I can concretely advocate for is health care,” said a restaurant owner who supports expansion of public health programs in their state. “This year, our insurance went up by 30 percent, so we changed carriers to bring the increase down to 10 percent with higher deductibles. But it’s like this every year. It’s a tremendous burden for the employer and unfair to the employee to give other people so much over their health care decisions.”
- “There needs to be a new recategorization of small business owners so there can be a more equitable distribution of funds and assistance,” one interviewee said, raising the importance of targeting support to microbusinesses with 50 or fewer employees. This business owner also recommended finding alternatives to credit scores, saying, “If you have an idea, a business

plan, then you should be able to get the money.”

Prioritize small business over large corporations in economic development strategies:

Three interviewees raised the importance of refocusing economic development strategies away from attracting (or prioritizing the interests of) large corporations and toward generation of and support for local small businesses, the source of job growth.

“Sure, let the state and county focus on trying to woo big large manufacturers,” one interviewee said, “but if you really want to help smaller and rural communities all over [the state], you help them foster and create an environment where startups and other small businesses can thrive.” This business owner recommended investing in accelerators and incubators, and also mentioned a “venture catalyst” model that sends staff into communities for intensive economic development work focused on supporting startups and other small businesses.

Collect high-quality, transparent data that can drive policymaking and public programs:

“I am not a fan of public-private partnerships,” said one interviewee, raising transparency and accountability concerns – and also noting that the economic development office did not track demographic data. “You can ask for information and they will drag it out.” The business owner said programs should be managed by public officials, not a private entity. (Also, see above proposal for a minority business enterprise program focused on procurement and guided by a publicly released disparities study with clear benchmarks and timelines.)



Conclusion and Recommendations

Small business owners want effective, equitable, and active government support for a thriving small business sector. Though this preference may run counter to conventional wisdom, it reflects the priorities and day-to-day reality of real small business owners across geography, race, gender, and even political affiliation.

This is true of the eight small business owners who spoke in depth with Main Street Alliance about their experiences with Covid relief, their perspectives on government, and their ideas for what it will take to close the gap between small business needs and government action.

Entrepreneurship is heralded as a path to opportunity. Yet it is only through government efforts to create a more equal economy, focusing on racial justice, that entrepreneurship can contribute to generational wealth, financial security, and prosperous local economies. The work of Covid relief and recovery is far from over. We must continue that work while laying the foundation for post-Covid resilience and a just, equitable small business economy.

Invest in the public infrastructure to sustain a vibrant small business economy, including:

- Mechanisms for making capital available reliably, equitably, and efficiently to the entrepreneurs who need funding the most;
- Capacities for proactive and regular communication and dialogue with small business owners;
- Resources for supporting small businesses with key functions (such as accounting) through trusted professionals, thereby helping

level the playing field for BIPOC-owned businesses, women-owned businesses, rural businesses, and immigrant-owned businesses; and,

- Strategies for placing small business at the center of economic development, with an emphasis on high-road jobs and community wealth-building in BIPOC communities.

Design this infrastructure in collaboration with very small business owners, particularly BIPOC business owners.

Additionally, to help make these recommendations actionable, we have identified the following areas as needing further research:

- **Technical assistance:** How can the most effective models for delivering technical assistance be tailored or adapted to meet local community needs and the needs of business owners who are BIPOC, immigrant, and/or women? How can policymakers draw on such models for building a public infrastructure of ongoing support for very small businesses?
- **Public agency responsiveness and support:** How can public agencies that interact with small businesses (from local business licensing and labor standards offices to federal agencies the Internal Revenue Service) improve or adjust education, outreach, and support to promote ease of compliance and business success?
- **Access to capital:** What are the best replicable or scalable models for providing access to wealth-building capital, including models that use alternatives to credit history? Given shifts in the financial sector, what guardrails need to be in place to mitigate risk for small businesses while keeping

open opportunities related to new technologies?

- **Long-term impacts of Covid:** What will be the long-term impacts of Covid-19 on consumer behavior (including expansion of online activities) and the resulting impacts on the economy and public revenues? How will this differ by industry? What support is needed to help small businesses adapt to those shifts and to sustain a thriving small business sector? What impacts will the pandemic have on small business debt, and what solutions are needed?
- **Entrepreneurs of necessity:** What support is needed by new entrepreneurs of necessity – those who launched their businesses due to the economic dislocations created by the pandemic? How can policy be tailored to promote the survival and growth of these new businesses, protect against small business churn, and contribute to stronger communities and local economies?

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