Comments on Taken by Storm

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Introduction & Recapitulation

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- Authors examine constraints on service industries by exploiting natural experiment and great data
- Endeavor to explain variation in exit-rates within firms of equivalent size by considering branches' physical proximity to banks
- Results support the idea that small – especially sole-proprietorships – more vulnerable to catastrophes, and this vulnerability increases with distance from banks

Concerns: Geographic Variation

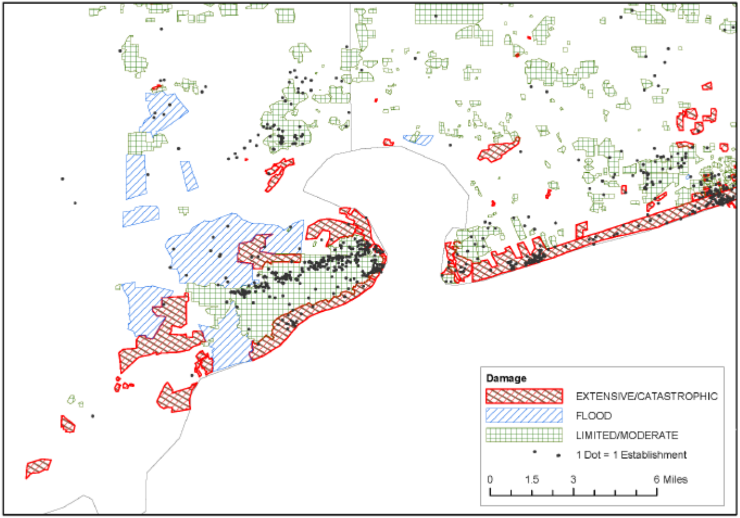

Figure 3. Damage Area Closeup: Harrison and Hancock Counties, MS

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- One possible way to explore if relevant would be to use distance from beach

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- Is this a monitoring story a la Lafontaine & Kalnins (*mimeo*)? Is that reasonable?

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- Given statements about how entry rates have not returned to pre-Katrina pace, how fair to state that demand recovered?
- What if differential exit rates reflect small firms' greater flexibility in responding to changing situations?
- If we do accept the idea of substantial differences in exit due to financing constraints, is there a policy implication?