

NOVEMBER 15, 2022

Conference on Diversity, Equity and Inclusion in Economics, Finance, and Central Banking

Application or Approval: What Drives Racial Disparities in the Paycheck Protection Program?

Discussion by:

Rachel Marie Brooks Atkins

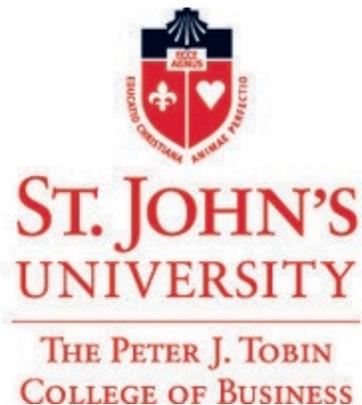
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ST. JOHN'S UNIVERSITY, NY



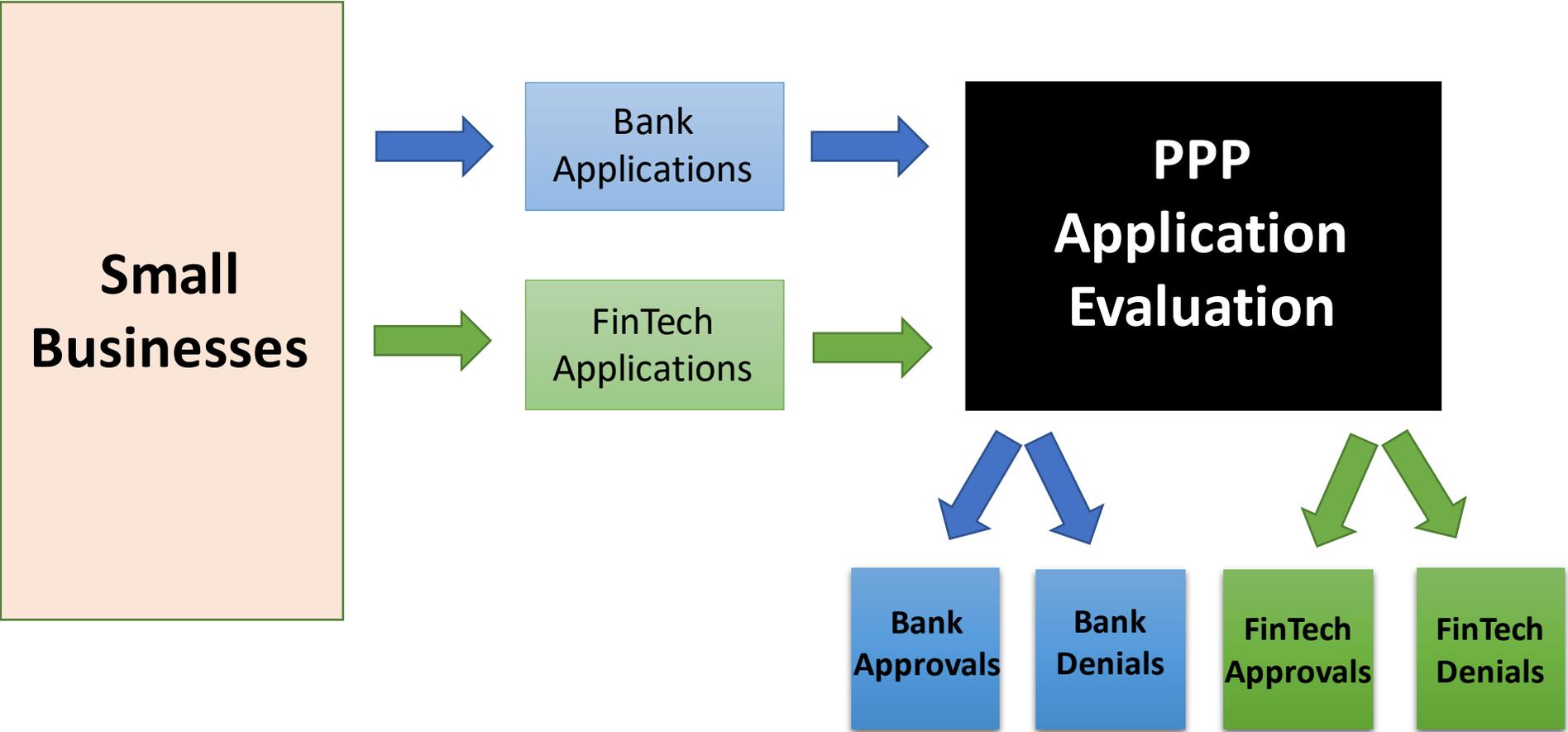
Discussion of Chernenko et al 2022

Applications or Approvals: What Drives Racial Disparities in the Paycheck Protection Program?

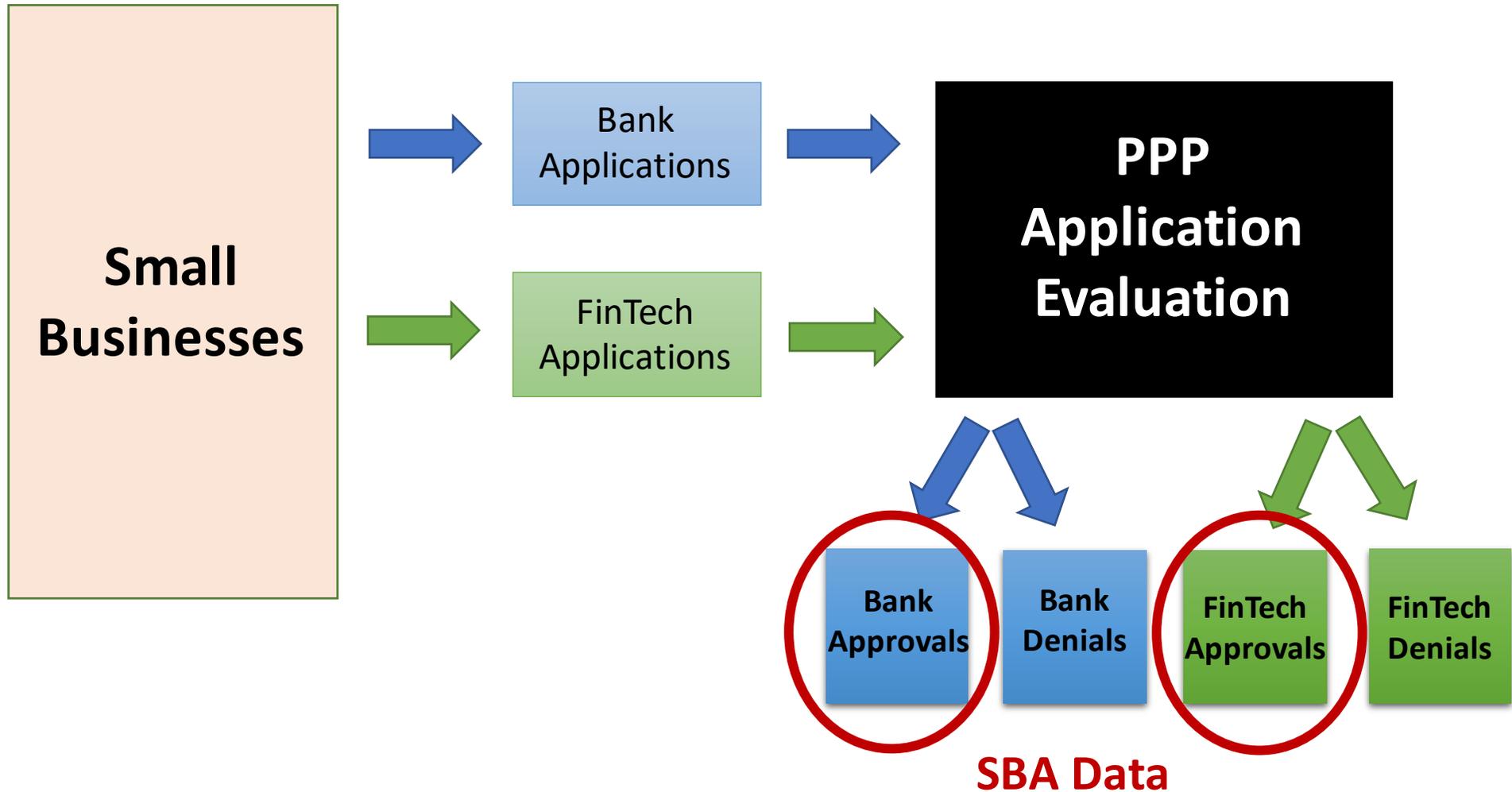
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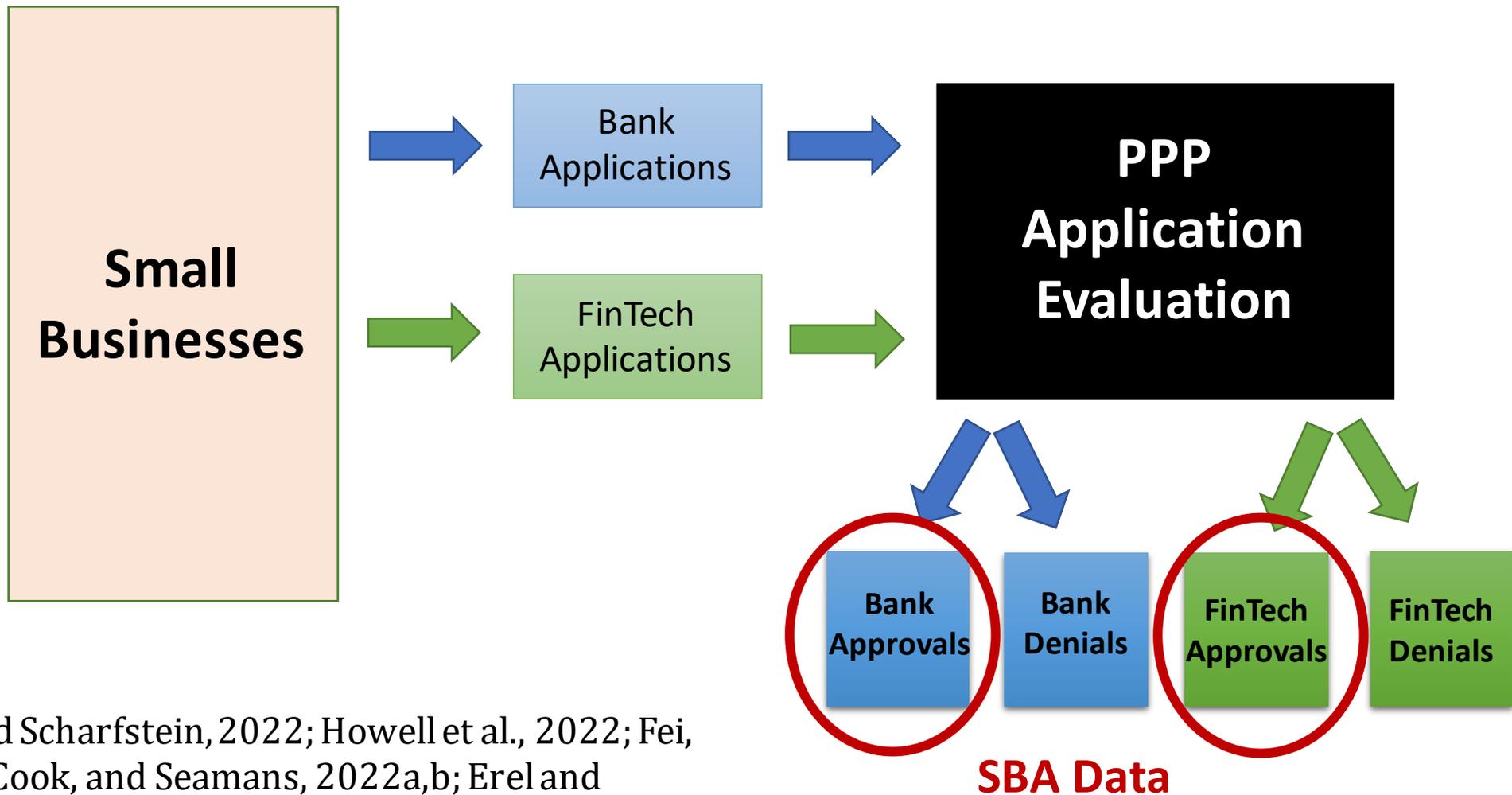
Racial Disparities in PPP Funding Allocation



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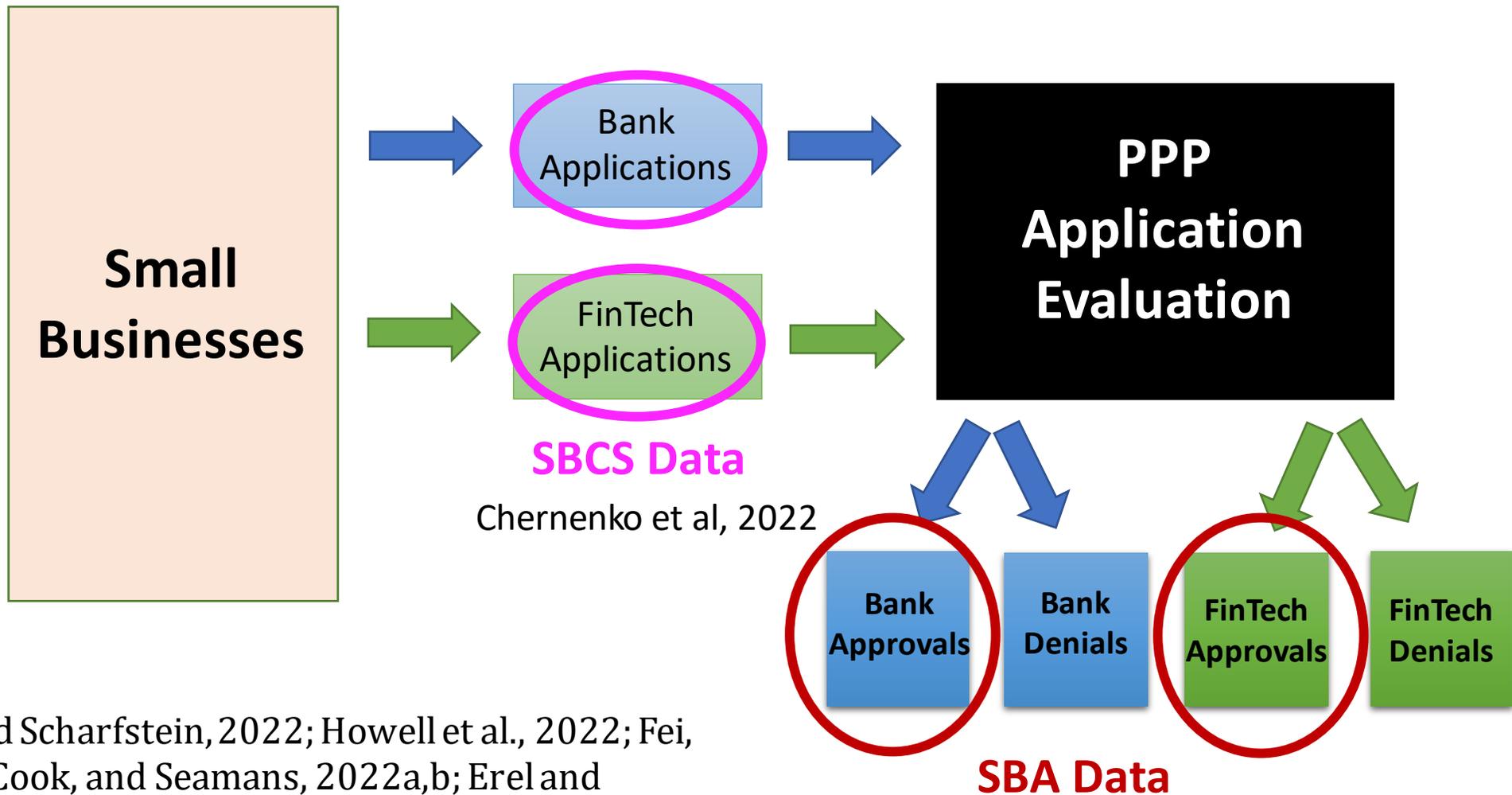


Racial Disparities in PPP Funding Allocation



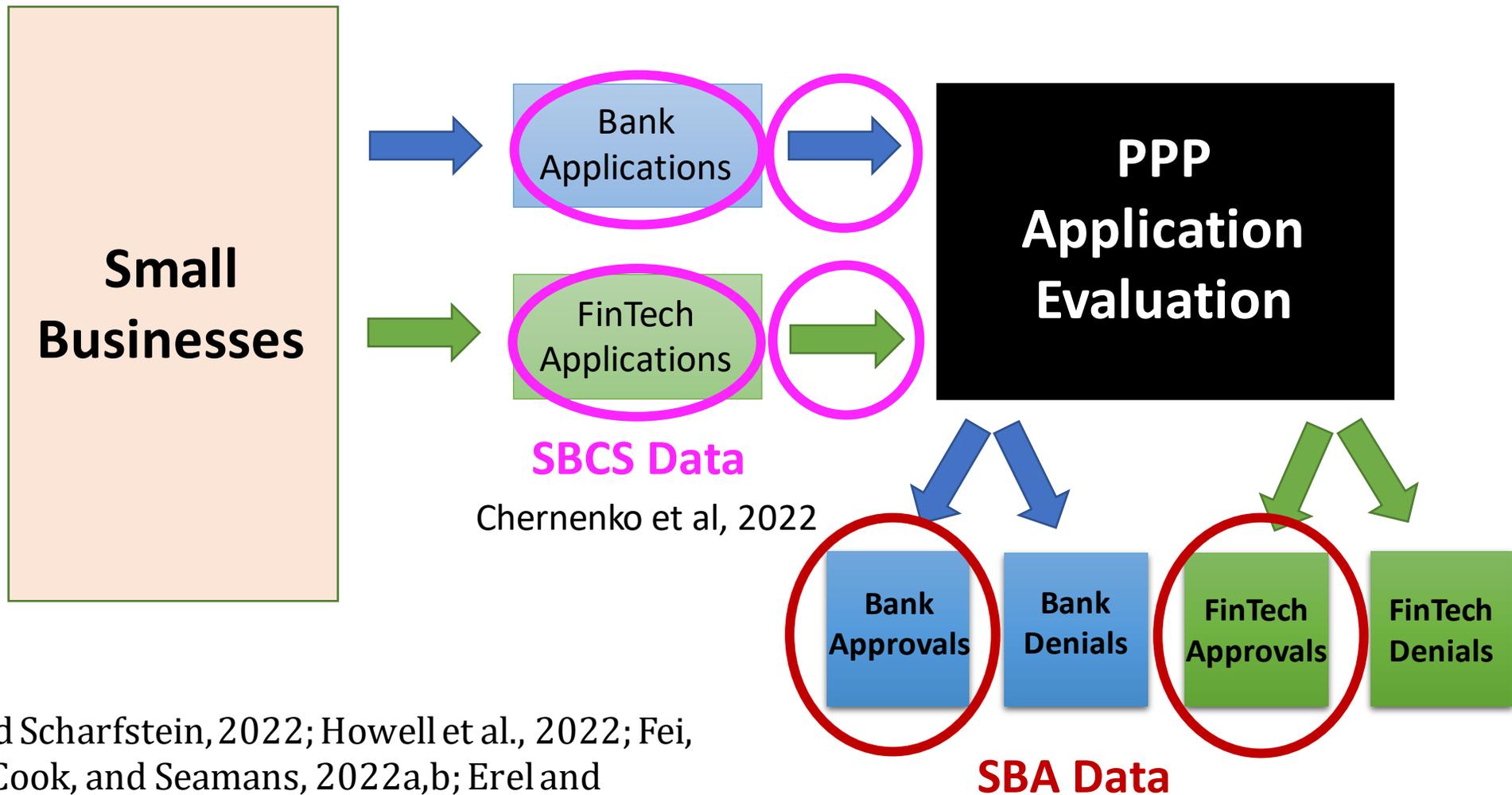
Chernenko and Scharfstein, 2022; Howell et al., 2022; Fei, 2022; Atkins, Cook, and Seamans, 2022a,b; Erel and Liebersohn, 2022; Wang and Zhang, 2020

Racial Disparities in PPP Funding Allocation



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Racial Disparities in PPP Funding Allocation



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Summary of Chernenko et al (2022)

- Question 1: Are there racial disparities in PPP loan applications and if so, does this explain racial differences in PPP loan allocation?
- Question 2: If there are racial differences in PPP loan approvals is that driven by approval discrimination or disparate impact of the onerous application process?
- Question 3: Are higher rates of PPP loans to Black-owned businesses driven by approval or selection?

Summary of Chernenko et al (2022)

- Question 1: Are there racial disparities in PPP loan applications and if so, does this explain racial differences in PPP loan allocation?
 - Answer 1: Racial differences in applications explain just over half of the disparity in allocation
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 - Answer 2: Yes
- Question 3: Are higher rates of PPP loans to Black-owned businesses driven by approval or selection?
 - Answer 3: Selection

Analytical Method

- Estimate linear probability models
- Produce estimates of racial differences in PPP loan allocation in line with Chernenko and Scharfstein, 2022 and Howell et al., 2022
- Utilize SBCS and Project Implicit data to:
 - Loan applicants and non-applicants
 - Factors preventing loan applications
 - Approvals & non-approvals
 - Observed characteristics (structural differences)
 - Explicit and implicit bias levels (zip code)
 - etc.

Discussion Points

1. Extending the analysis
2. Reframing for inclusion





Suggested Analysis Extensions

1. Disaggregate by gender
2. Isolate administrative burden of PPP by examining racial differences in non-PPP lending for Bank and Fintech
3. Examine resources that enable businesses to navigate administrative hurdles and racial differences in access to those resources



Reframing for Inclusion

Reframing: Narratives matter

'Black Panther' Director Ryan Coogler Mistaken for Bank Robber in Atlanta

"We deeply regret that this incident occurred," Bank of America said in a statement about the episode on Jan. 7. "It never should have happened, and we have apologized to Mr. Coogler."

 Give this article



Ryan Coogler, the director of "Black Panther," was briefly detained by the police at a bank branch in Atlanta in January after bank employees assumed he was trying to rob it. Danny Moloshok/Reuters

By [Johnny Diaz](#) and [Michael Levenson](#)

March 9, 2022

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REPORT Why Does Racial Inequality Persist?: Culture, Causation, and Responsibility

Glenn C. Loury

May 7, 2019

Race: Other; Other: Culture & Society

Racial Inequality: A Conceptual Framework

This puts what is a very sensitive issue rather starkly. Many vocal advocates for racial equality have been loath to consider the possibility that problematic patterns of behavior could be an important factor contributing to our persisting disadvantaged status. Some observers on the right of American politics, meanwhile, take the position that discrimination against blacks is no longer an important determinant of unequal social outcomes. I have long tried to chart a middle course—acknowledging antiblack biases that should be remedied while insisting on addressing and reversing the patterns of behavior that impede black people from seizing newly opened opportunities to prosper. I still see this as the most sensible position.

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Why Does Racial Inequality Persist?: Culture, Causation, and Responsibility

Glenn C. Loury

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Race: Other; Other: Culture & Society

Racial Inequality: A Conceptual Framework

The other is what I call the "development narrative," according to which it is essential to consider how a person comes to acquire those skills, traits, habits, and orientations that foster successful participation in American society. To the extent that African-American youngsters do not have the experiences, are not exposed to the influences, and do not benefit from the resources that foster and facilitate their human development, they fail to achieve their full human potential. This lack of development is what ultimately causes the persistent, stark racial disparities in income, wealth, education, family structure, and much else. (The charts and tables on this and the next several pages offer a glimpse of the magnitude of these disparities.)

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Why Does Racial Inequality Persist?: Culture, Causation, and Responsibility

Racial Inequality and the Cultural Framework

Over the past few years, notwithstanding the success of the movement, the stark racial inequality persists. Key to my thinking about the role played by discrimination and the patterns among blacks.

There are many vocal advocates for racial equality who consider the possibility that patterns of behavior could be a result of our persisting discrimination. Some observers on the other hand, meanwhile, take the position that the patterns against blacks are a result of unequal social outcomes. A chart a moment ago shows black biases that should be addressed. In addition, the patterns of behavior that impede blacks are a result of our oppression. I still see this as the most serious problem.

These patterns are cast as causal narratives. One must understand that racism and discrimination have done us wrong; we can't get on without it. We must continue to work on it as a society to move forward.

The other is what is essential to consider how a person comes to be that foster successful participation in American society. If youngsters do not have the experiences, are not exposed to the resources that foster and facilitate their human development, they fail to achieve their full human potential. This lack of development is what ultimately causes the persistent, stark racial disparities in income, wealth, education, family structure, and much else. (The charts and tables on this and the next several pages offer a glimpse of the magnitude of these disparities.)

Reframing: Who is the subject of the analysis



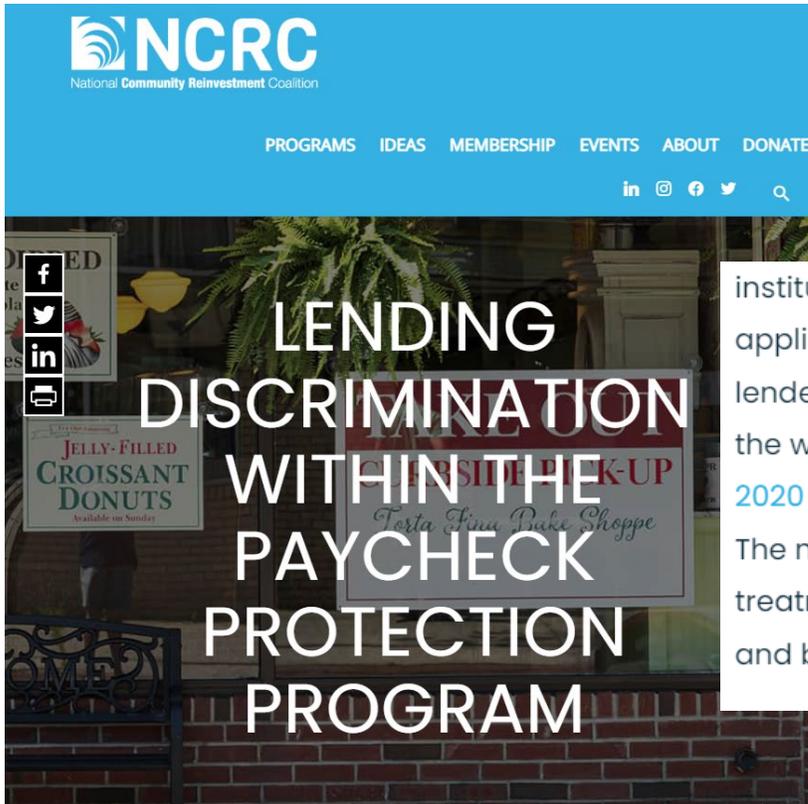
- Frame the analysis in terms of the party responsible for inclusion
 - Minoritized business owner?
 - Federal government program?
- Interrogate the inclusivity of our programs and institutions rather than scrutinize individual behavior
- Examine the advantages of some groups of dominant groups rather than the deficits of marginalized groups



Reframing: Don't bury the lede

- This paper illustrates how structural and systemic factors reproduce racial inequality
- This paper shows evidence of a relationship between explicit racial animus and racial inequality in resource allocation

Reframing: Contextualize with empirical support



institutions. This testing, where Black and White applicants with similar credit characteristics applied to a lender in the same time period, was a continuation of the work that we conducted in 2017, 2019 and earlier in 2020 related to discrimination in small business lending. The matched-pair testing provides insight into treatment between testers both across the marketplace and between individuals.

Our results indicate that the troubling disparities that our testing detected prior to the COVID-19 pandemic continued with implementation of PPP lending. **Our findings show that there were statistically significant disparities between the groups of testers** using the chi-square difference test across the marketplace. We found:

- A difference in levels of encouragement in applying for a loan.
- A difference in the products offered.
- A difference in the information provided by the bank representative.

Anneliese Lederer, Director of Fair Lending

Sara Oros, Program Coordinator, Fair Housing/Fair Lending

In collaboration with:

Dr. Sterling Bone, Professor of Marketing, Utah State University

Dr. Glenn Christensen, Associate Professor of Marketing, Brigham Young University

Dr. Jerome Williams, Distinguished Professor and Prudential Chair in Business,

Rutgers University

Thank You!

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