

# Comments on Hong & Saito ('21 VoxEU + $\alpha$ )



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ProdTalks

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# Summary

## A) COVID-19 on firm exits in Japan

- Intensive >> Extensive margin
- Voluntary closure  $\uparrow$  & bankruptcy  $\downarrow$
- Cleansing effect has **NOT** been observed

$\Leftrightarrow$  An inspiring illustration

} VoxEU

## B) 2011 EQ & exit due to “shock propagation”

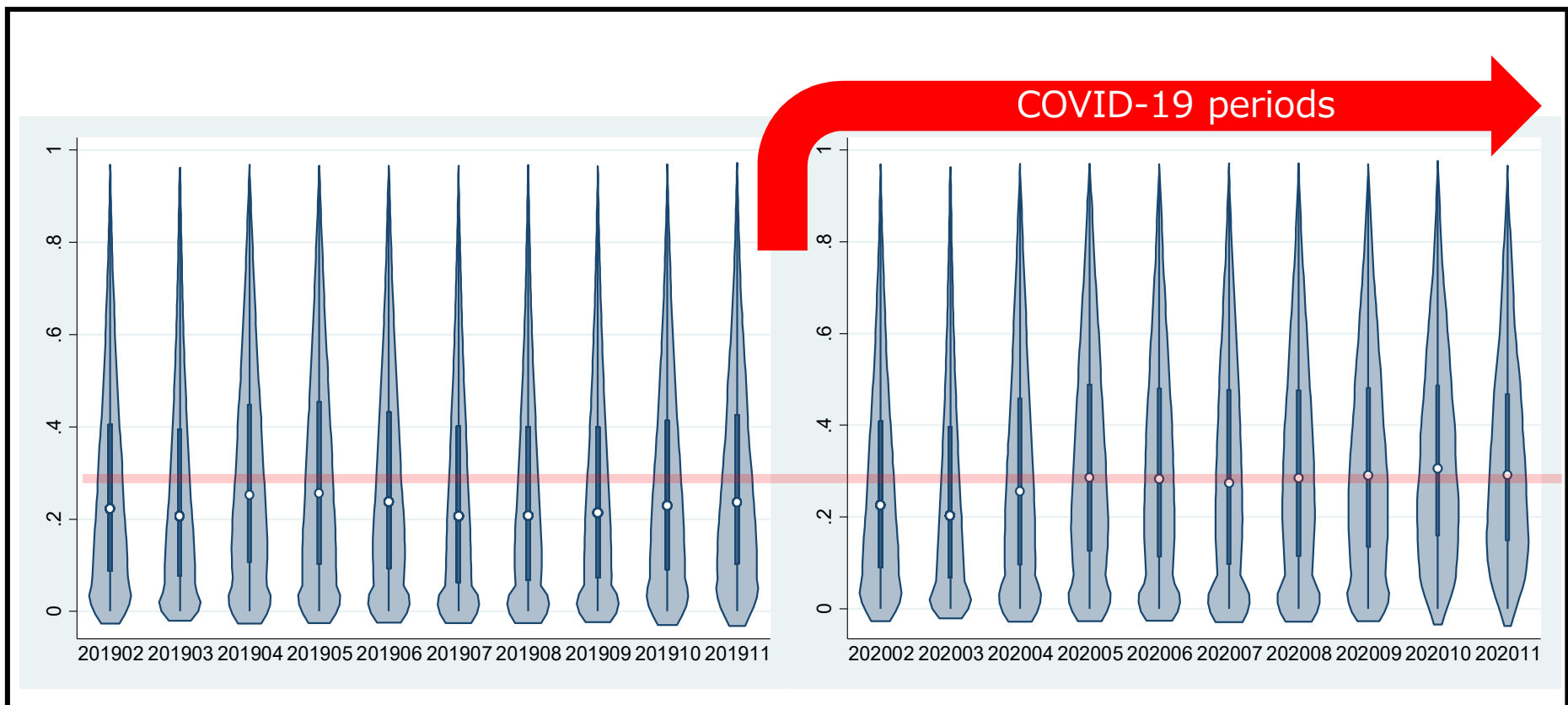
- Sudden death of healthy partners matter
- Intensive << Extensive margin
- #(partners)  $\downarrow$

$\Leftrightarrow$  Somewhat new facts ( $\neq$  Carvalho et al. '20 etc.)

} +  $\alpha$

# FYI: Bankruptcy ↓ ?

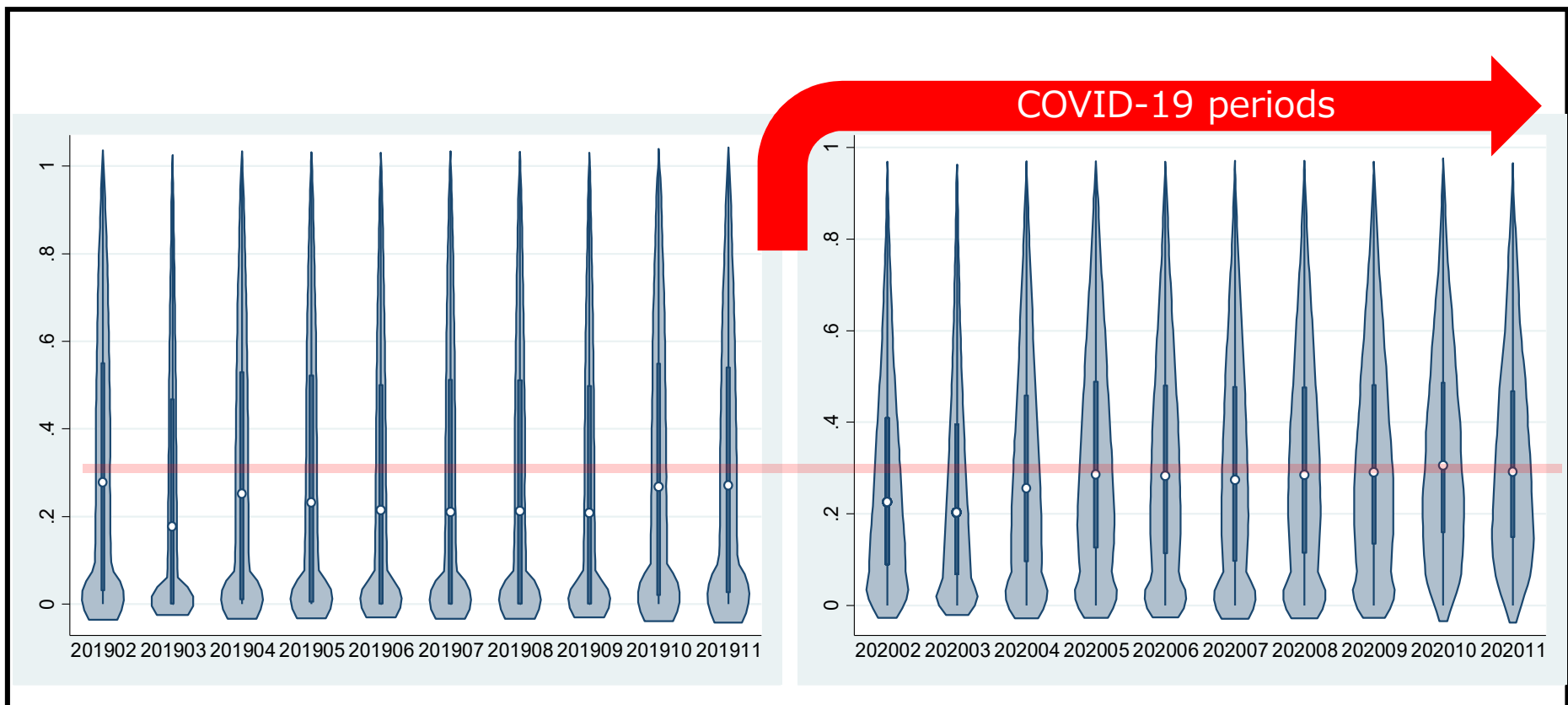
□ Background: Cash/Total Assets



Source: Miyakawa ('21 JEA Spring congress)

# FYI: Bankruptcy ↓ ?

□ Background: Borrowing/Total Assets



Source: Miyakawa ('21 JEA Spring congress)

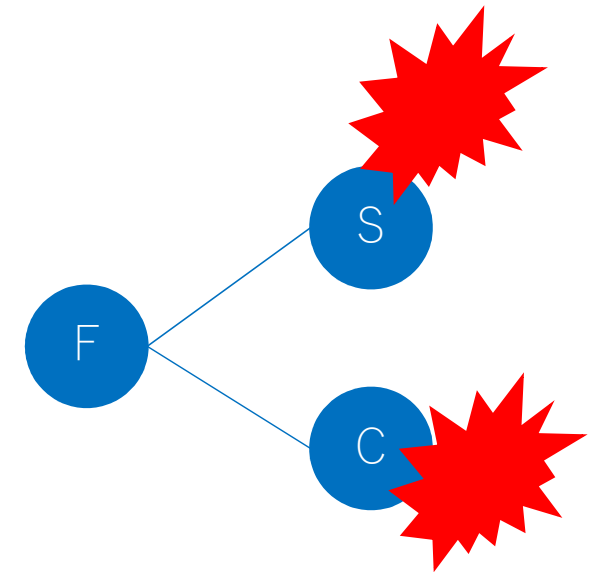
# Summary

## A) COVID-19 on firm exits in Japan

- Intensive >> Extensive margin
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An inspiring illustration



## B) '11 EQ & exit due to “shock propagation”

- Sudden death of healthy partners matter
- Intensive << Extensive margin
- #(partners)  $\downarrow$

$\Leftrightarrow$  New facts ( $\neq$  Carvalho et al. '20 for intensive)

} +  $\alpha$

# Comment for (A) : Cleansing effect

■ Confirmed in the latest data!

		201912 (mainly up to 201906)			
		def	vol	merged	survive
201812 alive	913,442	1,676	8,984	1,465	901,317
(around 201806)	100.00%	0.18%	0.98%	0.16%	98.67%
		202104 (mainly up to 202010)			
201912 alive	880,208	1,673	10,751	1,658	866,126
(around 201906)	100.00%	0.19%	1.22%	0.19%	98.40%

Source: Miyakawa ('21 JEA Spring congress)

# Comment for (A) : Cleansing effect

□ Confirmed in the latest data!

Sales growth (exitors - Survivors)		201912			
		default		vol	
		diff	std	diff	std
201812	alive	-0.065	0.006	-0.104	0.003
		202104			
		diff	std	diff	std
201912	alive	-0.059	0.006	-0.095	0.003

Source: Miyakawa ('21 JEA Spring congress)

# Comment for (A) : Cleansing effect

## ■ Need to consider current (& future) performance?

- Pre-COVID performance is enough to measure the effect?
- Temporary shock & permanent shock
- Can be examined around 2021/9...



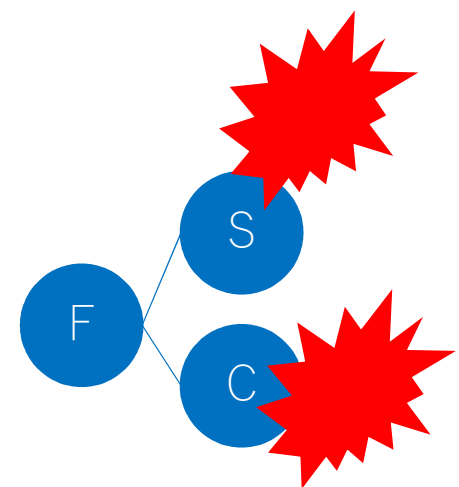
# Comment for (B) : IV?

## □ Was “F” unaffected by EQ?

- Directly: Violation of excluding restrictions
- Indirectly: Confounding factors, e. g., bank ([Hosono et al. '16](#))

## □ Pre-EQ links of “F” to healthy “S/C”?

- Possibly endogenous
- E.g., healthiness  $\propto$  weight ([Arata & Miyakawa '21](#))



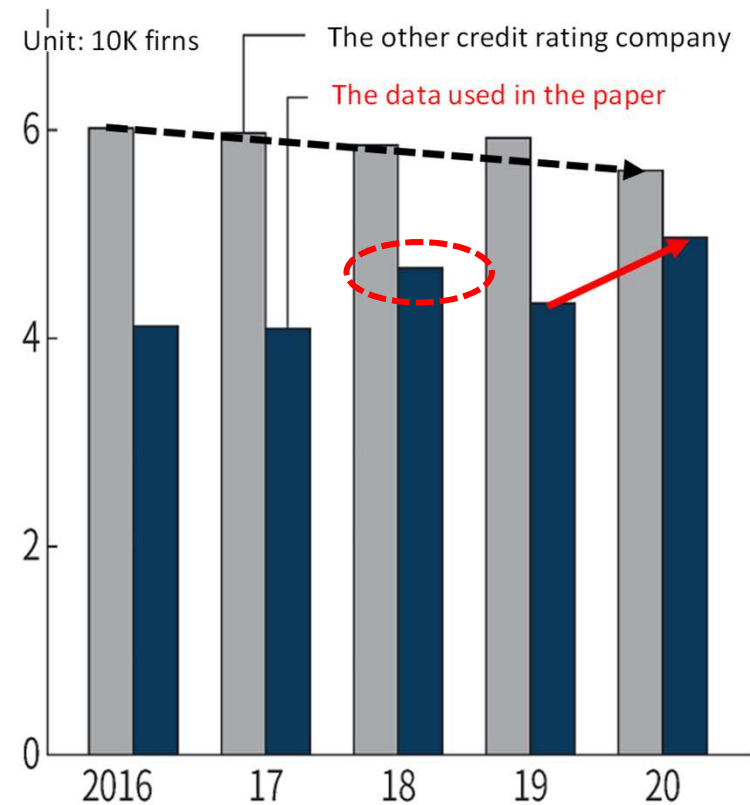
# Comment for (B) : Vs. (A)

- The ways Japanese firms respond to the shocks
  - (A): Intensive >> Extensive margin
  - (B): Intensive << Extensive margin
  - Order is opposite
  - How to reconcile?

# Comments for (A) & (B) : Vol

## ■ Not easy to measure voluntary closure...

- Annoying but important
- Crane et al. ('20 Fed)
  - Alternative data
- E.g., bank account data?
  - Highly granular data
  - UTEcon x Banks



Source: Nikkei Apr 5<sup>th</sup>, 2021

## <Contact information>

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