

Discussion of:
“ Credit Cards, Race, and Entrepreneurship ”
by

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Main points

- While anecdotes suggested that credit card play an important role in financing firm entry, we know little about how credit card is different from other mechanism and whether there is a different impact of credit card deregulation on entrepreneurial entry for difference races.
- This paper answers two questions:
 - o How the different state credit card usury laws affect self employment transition rates of black versus white?
 - o Why bank branching deregulation does not have a similarly different impacts on black versus white entrepreneurs?
- The empirical results suggest that removing the liquidity constraint by lifting credit card interest cap have a larger impact on black entrepreneurs than on white entrepreneurs to obtain capital to start businesses. And the reason is the discrimination faced by black entrepreneurs in getting bank loans.

The natural experiment

- Regulatory shock: 14 states lifted credit card interest rate caps after the U.S. Supreme Court's 1978 Marquette decision in order to attract and retain banks
- Add a third dimension of difference by interacting post state law changes with black for nolimit states—Essentially dif-in-dif-in-dif

Robustness checks

- Results on race holds when controlling for interactions of nolimit with other demographics.
- Credit card deregulation has a larger effect on entry into industries with low starting capital than industry with high starting capital.
- Results on race holds controlling for bank branching deregulation, which does not differentiate black and white like credit card deregulation does.

Questions

- How is the nolimit variable defined?
- Does white include Hispanic white or other minorities?
- Does the result underestimate the difference among states given that the analysis did not consider the interstate impact?
- How about the robustness checks for nolimit state only?
- What exactly distinguish the experience of a black individual applying for credit card, versus going to a local bank and apply for a loan?

Broader implications

- Recent recession and credit card regulatory reform
- How the situation has changed since the 1980s? How the results can be applied today?