**Objective**

1. Replicate main finding from observational data: Compared to those in a gender-neutral and fraud-free context, investors exposed to the Holmes fraud story (female fraud) negatively update their beliefs about and reduce investment in a female-led compared to a male startup.
2. Mechanism: What characteristics about the startup and its founder are most associated/chosen by investors who update?

**Setup**

* Shock: Respondent gets Holmes story (treatment) or a neutral story (control—this is free of either gender or fraud).
* Startup: Respondent is then shown a female or a male startup. Two startups are solo-founded and otherwise identical.

**Survey design**

**Intro:** You are an investor who has $10 available for investment.

If you decide to invest in a startup, your investment can yield good returns if the startup exits (IPO or buy-out) after 5 years. But you also face the risk of default when the startup fails (bankruptcy) after this time window.

You also have the option to invest your money in a hedge fund which promises a return of XX% after 5 years (benchmark).

In this survey, you are given a piece of news (block 1) and are then asked to evaluate the prospect of a startup which seeks investment and to decide on an investment amount (block 2). In the last section, you are asked to reflect on your decision (block 3).

**Block 1**: Randomly shows a story

* Hot startup Theranos founded by the lauded Elizabeth Holmes is accused of fraud
* Neutral option 1: FOMC decided to keep the interest rate unchanged
* Neutral option 2: The unemployment rate has been rising in the past few months
* Neutral option 3: As Carbon Dioxide Levels Rise, Plants' Nutrient Content Declines
* Neutral option 4: to find out in lit

**Block 2**: Randomly shows a startup and asks respondent to evaluate success and failure probabilities and decide on investment amount.

This is a startup that seeks investment. Below is the information this startup presents to you.

*February is a startup founded by…. (Or my name is….?) February’s product revolutionizes….*

Your tasks are

1. Evaluating the success and failure probabilities of this startup based on the provided information.

2. Deciding on an amount of money to invest in this startup.

**Help:** To guide your investment decision, we provide a calculator that shows the expected return of your investment after 5 years based on your evaluated success and failure probabilities of the startup following the formula

Expected return = success\*promised – failure\*100%.

The promised return rate is given to you by the startup in its description.

**Block 3:**

Along each dimension below, which factor(s) do you believe are important when evaluating the prospect of a startup? (can also be Likert rating)

**Startup**

a. Industry

b. Location

c. Product

d. Traction

e. Maturity

**Founder**

a. Education

b. Experience

c. Innovativeness

d. Leadership

e. Ethic/honesty

**Current investors…**

**Data and estimation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Respond./Obs | Story *s* | Startup *i* | Inv | 1(Honesty) |
| 1 | neutral | m |  |  |
| 2 | neutral | f |  |  |
| 3 | holmes | m |  |  |
| 4 | holmes | f |  |  |

Inv\_i,s = b0 + b1\*holmes\_s + b2\*female\_i + b3\*holmes\*female\_i,s + e.

* b0 is the average investment in the male startup from respondents getting neutral story.
* b1 is the holmes spillover effect for the male startup.
* b2 is the baseline gender difference in the investment in male and female startup, i.e. when respondents are not exposed to holmes news.
* b3 is the holmes spillover differential effect for the female startup.

To think about:

* Control story can also be a gender-neutral fraud or a male-fraud story.
* Startups should include a gender-neutral one?
* Available fund: 10 or e.g. 1 million etc. 🡪 lit
* Startup information framing and benchmark option.