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VENTURE FUNDING, SOCIAL MOVEMENTS, AND RACE

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Minimum Viable Signal: Venture Funding, Social Movements, and Race
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ABSTRACT

How do venture capital investors react to social movements, including those that relate to historical underrepresentation in funding? We use image and name algorithms combined with clerical review to classify race for 150,000 founders and 30,000 investors. These data allow us to assess the impact of George Floyd's murder on VC funding of Black entrepreneurs and identify which VCs were most responsive. Although VCs responded swiftly, investment in Black-founded startups reverted to prior levels within two years. This temporary reaction was concentrated among those who had never previously invested in any Black entrepreneur. Moreover, the investors who responded were less likely to invest in more than one Black-founded startup and were less inclined to engage deeply by taking a board seat. Finally, it appears that the best Black entrepreneurs may have anticipated this "token" response, as they did not match with investors who had no experience funding Black startups.

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The [venture capital] industry is full of a bunch of bullshit diversity theater.
–Elliott Robinson, Bessemer Venture Partners

1 Introduction

Entrepreneurship is widely seen as a vehicle for economic growth, innovation, and social mobility (Gennaioli et al. 2013; Quadrini 2000). High-growth startups are disproportionately backed by venture capital (VC) investors, accounting for more than half of IPOs and 90% of R&D spending (Haltiwanger, Jarmin, and Miranda 2013; Kortum and Lerner 2001; Puri and Zarutskie 2012). Yet only 0.5% of all startups obtain VC funding. Therefore, the question of how VCs determine which startups to invest in has attracted frequent attention from economists and organizational scholars.

An extensive stream of literature focuses on the characteristics of the venture, including business plan (Jang and Kaplan 2023; Kaplan and Strömberg 2001) and founding team (Bernstein, Korteweg, and Laws 2017; Gompers et al. 2020). Another stream investigates the role of similarity between investors and entrepreneurs, including geographic proximity (Bernstein, Giroud, and Townsend 2016; Sorenson and Stuart 2001), professional networks (Garfinkel et al. 2021; Hochberg, Ljungqvist, and Lu 2007), and gender homophily (Ewens and Townsend 2020; Hebert 2020).

Less attention has been paid to factors unrelated to either the venture or the investors, aside from macroeconomic conditions (Cumming and Dai 2010; Gompers et al. 2008). In particular, the potential role of social movements in directing the flow of capital into startups is almost entirely unexplored. It might seem that VC decision-making would be insulated from such factors, as VCs do not invest their own funds but act on behalf of limited partners to whom they owe a fiduciary duty. At the same time, venture investing is *interdependent*, requiring VCs to maintain strong relationships with multiple stakeholders. VCs need to attract and compete for high-quality entrepreneurs, who may avoid investors perceived as insensitive to social movements. Thus, VCs may feel pressure to demonstrate awareness of and engagement with social movements, even when these movements do not directly target the venture capital industry.

In one of the only papers on this topic, Calder-Wang, Gompers, and Sweeney 2021 report increased hiring of female partners at VC firms in the wake of the *Ellen Pao v. Kleiner Perkins* sexual discrimination case. Although the authors speculate that VCs may have hired women "to satisfy

external pressure," the exogenous event in their study directly focused on issues within the venture capital industry itself. By contrast, we explore the potential impact of broader social movements that do not directly target entrepreneurs or investors. Our prior is informed by organizational research, which reports that social movements affect firm behavior not only when firms are targeted directly (King 2008; McDonnell, King, and Soule 2015) but also when the social movement might appear unrelated to the firm (Yue, Rao, and Ingram 2013).

Our approach to examining the impact of social movements on VC investment focuses on the aftermath of the murder of George Floyd in May 2020. This tragic episode of police brutality provoked nationwide protests and organized demonstrations. The ensuing Black Lives Matter (BLM) movement led to voluntary withdrawals of racially insensitive products in industries from media to consumer goods. Although this event, unlike the Ellen Pao lawsuit, did not directly address entrepreneurship, many venture capital investors tweeted their support for BLM and signed petitions in support of Black entrepreneurs. However, it is unclear whether the reaction by VCs extended beyond these public pronouncements (King and Soule 2007)—or for how long. This leads to several key questions: Did VC investors respond to the BLM movement? If so, which investors responded and what was the nature of their response? Was their response sustained and substantive, or did it represent tokenism designed primarily to address reputational threat?

Assessing whether and how VCs responded to the ensuing social movement by investing in Black entrepreneurs is challenging, given the lack of data on the race of founders. We create a new database capturing the founder race for U.S.-based startups tracked by PitchBook from 2000-2023, coupling image classification algorithms with clerical review of over 150,000 algorithmic assignments. We find that VCs responded rapidly to the BLM movement, as evidenced by a marked increase in the number and value of new investments in Black-founded startups in the subsequent four quarters. A given investor was 36% more likely to invest in a Black-founded startup in the year after George Floyd, and the share of dollars to Black entrepreneurs grew by 43%. Although the event was contemporaneous with the onset of COVID-19, if pandemic-related changes in venture investing were driving our results, we would expect similar increases in funding for other minority-owned startups that faced comparable COVID-related challenges. However, investments in Hispanic-founded startups showed no such increase, and there was also no similar increase following the Omicron variant.

We consider two potential explanations for the response. One possibility is that the heightened

awareness of racial issues in the wake of George Floyd (GF) led investors to address failure in the market for Black entrepreneurs. Perhaps the demand for products and services from Black-founded companies increased, driving investor interest. Even absent changes in consumer demand, Black entrepreneurs may have felt emboldened to approach investors, who in turn had a newfound interest in Black-led startups that may have escaped their attention due to a lack of overlapping professional or social networks (Cook, Marx, and Yimfor 2022). In this view, the GF event should yield a substantial and sustained increase in venture funding for Black entrepreneurs.

A competing explanation is that investors' response in the wake of GF reflects "tokenism." That is, investors were motivated more by a desire to address the reputational threat resulting from the social movement than by a sustained commitment to addressing longstanding issues of underrepresentation. In this view, the response would be primarily among investors who arguably were more vulnerable to charges of indifference to racial issues, such as VCs who had not previously invested in Black-founded startups. Indeed, our analysis shows that investors who likely faced higher reputational threat were more likely to respond—namely, VCs who had not previously invested in any Black-founded startups. Tokenism is moreover evident in both the *duration* and *depth* of investor involvement with Black startups. Regarding duration, although the response from the investment community was swift, with a swell of deals in both existing and new Black-founded startups, the upward trajectory had reverted to prior levels within two years. Regarding depth, those who responded by investing in their first-ever Black startup were typically "one and done," not funding multiple Black entrepreneurs. Moreover, these investors were about 15% less likely to serve on the board of directors, which would entail spending time to monitor the startup.

The reaction of Black entrepreneurs also appears consistent with tokenism. Unlike the purchase of public-market securities, which is largely unilateral, investors must convince entrepreneurs to do a deal. Although we do not observe multiple venture offers to an entrepreneur as in (Hsu 2004), we note that investors with no prior investments in Black entrepreneurs were much less likely to close deals with the best Black entrepreneurs. This holds when distinguishing startups founded by serial entrepreneurs, or startups that already have a patent when they were formed.

2 Theory

At least since Gorman and Sahlman 1989, scholars have sought to understand factors influencing how venture capitalists select startups (Kaplan and Strömberg 2001). Several studies focus on characteristics of the venture itself, including the business plan and the founding team. Investors respond strongly to information regarding founder profiles (Bernstein, Korteweg, and Laws 2017; Esen, Dahl, and Sorenson 2023), including whether they have previous entrepreneurial experience (Gompers et al. 2010). In addition to past founding experience, the ability of founders to recruit executives through their personal social networks and the level of education of the founders are positively associated with valuation (Hsu 2007). Others see founders as replaceable (Ewens and Marx 2018), with most IPO-bound firms' original business plans enduring (Gompers et al. 2020), thus requiring investors to discern the potential of the idea (Scott, Shu, and Lubynsky 2020).

Aside from characteristics of the startup, researchers have explored the role of investor/entrepreneur ties (Hochberg, Ljungqvist, and Lu 2007; Sorenson and Stuart 2008; Wang 2016). Gompers et al. 2020 report that over two-thirds of deals are sourced from the investor's networks (Fried and Hisrich 1994). Moreover, prior studies show the role of social similarity between VC investors and entrepreneurs, including that VCs prefer to invest locally (Bernstein, Giroud, and Townsend 2016; Cumming and Dai 2010; Sorenson and Stuart 2001). Such biases may stem from geographic proximity (Coval and Moskowitz 2001; Parwada 2008) and a sense of familiarity with the local market (Huberman 2001), coupled with the ease of monitoring the portfolio company via board-meeting attendance and informal visits. Investors are also more likely to invest in founders with similar demographics, including gender (Ewens and Townsend 2020), ethnicity (Cook, Marx, and Yimfor 2022; Hegde and Tumlinson 2014) and social hierarchy (Claes and Vissa 2020).

Further, the decisions of investors are influenced by their external environment. Macroeconomic and geopolitical factors play a role in shaping VC investment activity (Gompers and Lerner 1999; Ning, Wang, and Yu 2015). The strength of public markets impacts both the selection of investors and the types of startups they target (Gompers et al. 2008). Government funding can act as a catalyst for private VC investment through its screening and certification functions (Guerini and Quas 2016). Little work, however, has focused on the role of *social movements* in venture capital.

On the one hand, it might seem that VCs are rational actors with fiduciary obligations to

their limited partners and are therefore unlikely to be influenced by societal trends. On the other, the same might be said of geographic or other biases that possibly exclude otherwise-promising investment targets. In the following section, we explore reasons why there nonetheless might be reason to believe that venture investors take societal trends into account.

2.1 Social movements and VC funding decisions

Research on organizations has demonstrated that social movements can significantly influence corporate behavior and drive change, particularly in organizations that are directly targeted or align with the targeted industry or geographic location (Briscoe and Gupta 2016; McDonnell, King, and Soule 2015; Yue, Rao, and Ingram 2013). For instance, social movements against sexual abuse and harassment increased workplace gender diversity (Luo and Zhang 2022). Similarly, social movements can influence firms' philanthropic activities (Luo, Zhang, and Marquis 2016) and encourage prosocial behavior (McDonnell and King 2013).

Social movements can influence organizational behavior through various channels. One view is that social movements raise public awareness among consumers, transforming business sectors and creating entrepreneurial opportunities (Hiatt, Sine, and Tolbert 2009; Wu and Liu 2023). The social movement that ensued in the wake of George Floyd's murder might well have drawn attention to the products and services of, or markets uniquely served by, Black entrepreneurs. Investors may therefore respond to a social movement given a newfound belief that Black entrepreneurs represented a reassessment of the market opportunity. Heightened attention could lead to increased backing from consumers, suppliers, and talented individuals eager to align with Black startups, boosting their competitiveness and expanding their resource base (Luo and Zhang 2022). For instance, consumers might be more inclined to purchase products from Black startups as a show of support, suppliers may seek closer collaborations with these enterprises, and skilled individuals may be drawn to join teams led by Black founders. Consequently, the response of investors to the social movement might reflect newfound economic opportunities. If the response to George Floyd were explained by this logic, we would expect a sustained increase in funding Black startups.

An alternative view, put forth by the organizational literature, social movements influence behavior is by exposing firms to reputational threat (Luo, Zhang, and Marquis 2016). Social movements frequently leverage public platforms, including media, to castigate their targets and challenge

them to adhere to societal norms. This puts at riskorganizational reputation, a crucial intangible asset (Deephouse and Carter 2005; King 2008), leading to subsequent risk and penalties (Vasi and King 2012). Reputational threats from social movements can result in other significant consequences. Challenges from social activists can diminish politicians' willingness to associate with targeted firms, impairing these firms' capacity to influence political stakeholders (McDonnell and Werner 2016). Although VCs may not directly engage with politicians, limited partners such as state pension systems may be accountable to political appointees (Barber 2006). Failure to respond could lead to the loss of support from some limited partners, jeopardizing their ability to raise funds in the future. As important, failing to engage with social movements might cost the investor potential deals. The entrepreneurial financing process is inherently *interdependent*. Unlike when purchasing public securities, VCs do not act unilaterally; rather, they depend crucially on the cooperation of external actors. If the focal organization is perceived as insensitive to a social issue, its ability to make deals may be hampered by entrepreneurs' negative perceptions of the VC firm.

If the investor response to a social movement is better explained by reputational threat than a reassessment of market opportunities, it is less clear that the response will be sustained. Instead, investors might only invest to the degree necessary to address the reputational threat, sending a "minimum viable signal." Such token efforts might be limited in both *duration* and *depth*, doing as little as is needed and only for as long as seems necessary. Moreover, the response would be amplified among—or perhaps limited to—those investors feeling the greatest reputational threat. Finally, given the interdependent nature of entrepreneurial finance, the best Black entrepreneurs may be appropriately skeptical of those investors who could be guilty of tokenism.

2.2 (Lack of) diversity and heterogeneous response

Investor response to social movements is likely to be heterogeneous. Prior literature predicts that sympathy and subsequent action are more likely to arise within the affected group (Bai et al. 2023; Gorbatai, Younkin, and Burtch 2021; Luo and Zhang 2022), while out-group sympathy tends to be muted. If so, VCs with Black partners may more enthusiastically support Black entrepreneurs in the wake of a relevant social movement, possibly stemming from similar social identity and thus a higher desire to help each other overcome barriers (Greenberg and Mollick 2017; Hegde and Tumlinson 2014; Ody-Brasier and Fernandez-Mateo 2017).

On the other hand, studies of reputational threat predict that firms *poorly* aligned with the social movement may be the most responsive, especially when firms are not directly targeted by activists (Zhang, Briscoe, and DesJardine 2023). High-profile social events such as George Floyd's murder draw public attention to issues (Garcia and Ortega 2024; Tilcsik and Marquis 2013). Investors without a demonstrated commitment to racial diversity face heightened risks of reputational damage, as well as potential penalties from stakeholders demanding more inclusive practices. Thus, compared to investors that had a track record of funding Black startups, those without any investments in Black startups face higher reputational threat and will be more likely to react.

2.3 Tokenism, interdependence, and counterparty reluctance

If reputational threat underlies investor response, it is possible that investors may make only enough effort as they believe is required to diffuse the threat. Organizations often engage in symbolic response as opposed to constituting substantive action when facing external pressures (Meyer and Rowan 1977; Westphal and Zajac 2001) including public expressions of regret for past inaction and commitments to do more in the future (McDonnell and King 2013), and selective disclosure of relevant accomplishments (Marquis, Toffel, and Zhou 2016). Such methods are designed to avoid large investments and hedge against stakeholder backlash.

Even if organizations move beyond symbolism to invest actual resources, the question remains whether those actions have substantial duration and depth as opposed to representing tokenism. The literature on tokenism is inclusive not only of actions limited to rhetoric but also of the minimum level that qualifies as reaction. In corporate governance, appointing only one female member to the board sometimes represents tokenism instead of a sincere attempt to increase the diversity (Guldiken et al. 2019; Konrad, Kramer, and Erkut 2008). Firms stop appointing more minority board members when they meet the descriptive social norm (Chang et al. 2019) or certain standards (Apker et al. 2024). The count of actions taken is one measure of the depth of the reaction. Another measure of depth would be the nature of the appointment. If, for example, a company appointed a female board member but did not give her substantial responsibilities (such as serving on the Audit or other committees) one might question the sincerity of the response. One might also suspect tokenism if the response were of limited duration; for example, if the appointed female director served only one term and then was replaced by a male.

In our context, we define tokenism as making only *limited* efforts to invest in Black-founded startups to give the appearance of supporting racial equality. Correspondingly, tokenism may arise in several aspects. First, public pronouncements by investors who fail to follow through with actual investments would be purely symbolic. Second, from the duration side, supporting Black entrepreneurs for a short term but then reverting to prior inaction would suggest a token response. Third, from the perspective of depth, investing only in a single Black startup is a token effort without further follow-through. Also, investments that involve minimal time commitment on the part of the investor could indicate a reluctance to become deeply involved.

Venture capital transactions are fundamentally collaborative, necessitating mutual consent and cooperation between investors and entrepreneurs. Therefore, the reputation of investors may influence the likelihood that entrepreneurs will accept investment offers. Venture investors perform essential roles in startups' development (Pahnke, Katila, and Eisenhardt 2015; Wang, Pahnke, and McDonald 2022), providing "more than money", so founders entrepreneurs carefully evaluate potential investors (Hallen and Pahnke 2016), especially the lead investor on the deal. This scrutiny extends to evaluating the motivations behind an investor's involvement and their capacity for future support. Consequently, Black entrepreneurs may be cautious about aligning with investors who have no track record of investing in Black-founded businesses.

3 Background

We study the role of social movements and venture investing following May 25, 2020, when Minneapolis police officer Derek Chauvin placed his knee on the neck of George Floyd for 9.5 minutes. Nationwide protests erupted, reawakening conversations regarding the underrepresentation and misrepresentation of Blacks in myriad areas. An estimated 15 million to 26 million people participated in the 2020 BLM protests in the United States.[1] A two-block section of the street leading to the White House was renamed Black Lives Matter Plaza.[2]

Several industries reacted to the event. Multiple television shows were canceled, including COPS and LivePD, which disproportionately featured white police officers in pursuit of Black suspects.

1. https://www.usatoday.com/story/news/politics/2020/06/05/black-lives-matter-mural-painted-near-white-house-mayors-behest/3153364001/
2. https://www.nytimes.com/interactive/2020/07/03/us/george-floyd-protests-crowd-size.html

Moreover, the effect of this event was hardly limited to police brutality. Quaker Oats ceased sales of its 131-year-old Aunt Jemima's pancake syrup, announcing the company's recognition the character was "based on a racial stereotype."[3] Additionally, Yelp introduced a "Black-owned Business" label on its platform nationwide, supporting Black-founded firms and addressing increased consumer demand for such businesses (Aneja, Luca, and Reshef 2023). More broadly, firms responded by adjusting their hiring practices (Kirk and Rovira 2022; Mohliver and Raines 2024). Companies with significant racial diversity exposure also appointed more Black directors and established Diversity, Equity, and Inclusion (DEI) departments (Balakrishnan et al. 2023).

The social movement that arose in the wake of George Floyd's murder also extended to entrepreneurship. Although the underrepresentation of Blacks among high-potential startups had been highlighted previously, including a 2018 Forbes article "Founders And Venture Capital: Racism Is Costing Us Billions,"[4] pressure on startup investors was amplified. As just one example, Abner Mason, founder & CEO of SameSky Health, called for VCs to raise their percentage of investment dollars to Black-founded startups to the population percentage of 13%.[5]

Rhetorical reaction of investors was swift. Several immediately issued public statements regarding their intentions to do more for Black founders.[6] Angel investor Jason Lemkin tweeted "*I will try to meet/Zoom only with black founders in June.*"[7] ENIAC ventures established office hours dedicated to Black founders.[8] More than 300 venture firms became signatories to the *Diversity in Action* pledge circulated by the Institutional Limited Partners Association.[9]

Others went beyond public pronouncements by raising new venture funds. On June 3, SoftBank announced a $100 million "Opportunity Fund" targeted at underrepresented entrepreneurs.[10] Hours later,[11] Silicon-Valley based venture capital firm Andreessen Horowitz launched a $2.2 million "Talent X Opportunity Fund."[12] Bank of America helped the minority-focused Brown Venture

3. See https://abcnews.go.com/US/wireStory/correction-aunt-jemima-story-71323412.
4. https://www.forbes.com/sites/forbesnonprofitcouncil/2018/02/15/founders-and-venture-capital-racism-is-costing-us-billions/
5. https://bigthink.com/the-present/black-entrepreneurs-venture-capital.
6. https://medium.com/work-bench/how-were-going-to-do-more-an-imperfect-start-ef8d82deb40e
7. https://twitter.com/jasonlk/status/1267115963750572037?s=20
8. https://twitter.com/nihalmehta/status/1267255802273787905?s=20
9. https://ilpa.org/dei/ilpa_diversityinaction/ilpa_diversityinaction-signatories/
10. https://www.cnbc.com/2020/06/03/softbank-announces-100-million-fund-for-minority-owned-businesses.html
11. https://www.washingtonpost.com/technology/2020/06/10/racial-gap-vc-firms/
12. https://a16z.com/2020/06/03/talent-x-opportunity.

group to establish a new fund.[13] Elite accelerator TechStars introduced a new pre-venture fund to support minority founders with Amazon and Twitter as limited partners.[14]

These and other announcements were met with skepticism, including by investors who had long focused on underrepresented founders. For example, Arlan Hamilton of Backstage Capital tweeted: "*You can't jump out of the taxi at the end of the inclusion marathon and act like you've been running in it the whole time.*"[15] Journalists noted that Andreessen Horowitz's new fund for minority founders represented less than 0.2% of assets under management.[16] Abner Mason added, *"[O]nce the marching ends what will be different in America? As a Black business leader, this newfound desire to address America's original sin is a breath of fresh air in the midst of this pandemic. But I wonder how long this new zeal to change will last."* Mason's quote raises the possibility that the venture investment community engaged in tokenism designed to mollify critics, as opposed to the sort of substantive and sustained response to address longstanding inequities. In the following section, we evaluate the evidence to test this hypothesis.

4 Data and Empirical Specification

4.1 Data

The data in this study come from PitchBook which, from our comparisons, has the most extensive coverage of startups and investors in the post-2000 period. It covers startups' background information, rounds of funding, founding teams, and financial information. We begin with all companies in PitchBook as of May 05, 2024, that are headquartered in the U.S. and were formed between January 2000 and December 2023 (221,393 startups). Of these companies, we were able to identify at least one founder for 165,965 startups. We identify founders by the keywords "founder," "owner," or "founding" in their job titles. Given that our study relies on a classification of founders by race, we mainly use LinkedIn to collect pictures and biographical information. Of the 284,926 founders of interest (for the 165,965 companies), PitchBook had LinkedIn URLs for 244,077 founders. For

13. https://www.prnewswire.com/news-releases/brown-venture-group-announces-bank-of-americas-investment-in-inaugural-fund-301440887.html
14. https://www.techstars.com/newsroom/techstars-introduces-new-pre-seed-pre-accelerator-diverse-founders
15. https://twitter.com/ArlanWasHere/status/1267575467936067584
16. https://techcrunch.com/2020/06/03/andreessen-horowitz-launches-2-2m-fund-to-invest-in-underserved-founders/

founders without images on LinkedIn, we hired RAs to search Crunchbase, Twitter, Facebook, LinkedIn, startup websites, news articles, and other websites to find missing LinkedIn URLs and images for the founders, with instructions to make sure the founder's biographical information on these websites matched the work or education history of these founders from PitchBook, which we complement with the founder's characteristics from their LinkedIn profile to build our set of observables (see Cook, Marx, and Yimfor 2022 for additional details).

Pitchbook reports the gender of each founder but not race or ethnicity. Studies of the gender gap in entrepreneurship are more common because gender can be inferred with reasonable reliability from forenames (see Ewens and Townsend 2020; Guzman and Kacperczyk 2019; Hebert 2020); however, the same is not true for race. Therefore most studies of race and entrepreneurship have used administrative data or smaller-scale surveys (Blanchflower, Levine, and Zimmerman 2003; Chatterji and Seamans 2012; Fairlie, Robb, and Robinson 2022; Younkin and Kuppuswamy 2018). However, these tend to either focus away from high-potential startups or mix them with lower-potential ventures such as the self-employed or sole proprietorships.

We used an image-classification algorithm, along with clerical review, to construct a large-scale dataset of founder race among high-potential ventures in the U.S. We began by classifying founders based on images from online profiles, applying the *DeepFace* package developed by Serengil and Ozpinar 2020 to classify founder photos according to 2,622 machine-determined features. Skintone classification alone can lead to false-positive identification of Black founders, for example, because there is an over-representation of South-Asian founders with a dark skin tone. To minimize misclassification, we apply the algorithm of Ye et al. 2017 to distinguish dark-skinned Asians from Blacks, although this approach cannot avoid all errors. Moreover, light-skinned Blacks may be misclassified as white. Therefore, we manually reviewed every output of the image classifier (more than 150,000 photos) to ensure accuracy. For founders with ambiguous photos, we relied upon clues from LinkedIn profiles and second internet sources, including undergraduate institutions (country, Historically Black Colleges and Universities, languages spoken, affinity groups, etc. We identify the investor partner's race using the same procedure. After identifying each founder's race, we define the startup-level race indicator as follows. We label a startup as Black-founded (or Asian-or Hispanic-) if at least one of the founders is Black (Asian or Hispanic). We label a startup as white-founded only if all founders are white. Descriptive statistics are in Table A.1.

[INSERT TABLE A.1 ABOUT HERE.]

Our approach diverges from the Crunchbase Diversity Spotlight,[17] (Fan 2021; Koba 2020; Palmer and Weiss 2021; Tareque et al. 2021) as its crowdsourced nature raises questions regarding representativeness, given the lack of information on who chooses to report. The dataset effort most similar to ours is Åstebro, Rafih, and Serrano 2022, which classified 5,090 European ventures 2010-2020 that raised at least $1 million in funding as having had at least one non-white founder. Aside from geographic focus, there are key differences in methodology. First, we do not impose a material hurdle on funding raised. Second, as opposed to classifying a startup as having at least one founder who is not white, we classify the races of all founders involved with the startup.

4.2 Estimating equations

We analyze the response from both the startup and investor perspectives, focusing on four quarters before the George Floyd event in Q2 of 2020 (hereafter, "PreGF") and four quarters thereafter ("PostGF"). At the startup level, we conduct a difference-in-differences analysis of whether startups received funding in a given quarter. We define $FUNDED_{it}$ as whether startup i received venture funding in time t, where time is measured in quarters. $BlackFounded_i$ refers to whether at least one of the startup's founders is Black. $PostGF_t$ refers to whether the quarter occurs after the murder of George Floyd (i.e., Q2 2020 or later). We add the natural logarithm of the startup age as a time-variant control variable. x_i includes startup fixed effects fixed effects. y_t indicates quarter fixed effects. We define the error term by ϵ_{it} and cluster standard errors at the startup level. Our coefficient of interest is β, representing the interaction effect between $BlackFounded_i$ and $PostGF_t$. We use OLS to estimate the following specification:

$$FUNDED_{it} = \beta BlackFounded_i \times PostGF_t + \gamma ln(age)_{it} + x_i + y_t + \epsilon_{it} \quad (1)$$

We complement equation 1 with investor-level analysis. We define the share of investor j's new investments each quarter t in Black-founded startups as $BLACKSHARE_{jt}$. As in Equation 1,

17. Crunchbase announced its plans on 23 June 2020 in a blog post entitled "It's Time for Action: Introducing Diversity Spotlight" (https://about.crunchbase.com/blog/new-crunchbase-diversity-spotlight/). The post describes an initial number of partner organizations, including investors, who contributed information about their portfolio companies to Crunchbase. Others were invited to supply additional information at the following address https://support.crunchbase.com/hc/en-us/articles/360052835593.

$PostGF_t$ refers to whether the quarter occurs after the George Floyd event (i.e., Q2 2020 or later). Similarly, we add the natural logarithm of the investor age as a time-varying control variable. x_j includes investor fixed effects. Finally, we define the error term by ϵ_{jt} and cluster standard errors at the investor level. β is our coefficient of interest. Thus, our estimating equation is as follows:

$$BLACKSHARE_{jt} = \beta PostGF_t + \gamma ln(age)_{jt} + x_j + \epsilon_{jt}. \tag{2}$$

We also measure heterogeneity among investors. I_j indicates investor characteristics, including partner race and whether the investor had backed a Black-founded startup PreGF. When we explore heterogeneity among investors, we add quarter fixed effects, y_t. Our estimating equation becomes:

$$BLACKSHARE_{jt} = \beta I_j \times PostGF_t + \gamma ln(age)_{jt} + x_j + y_t + \epsilon_{jt}. \tag{3}$$

In exploring mechanisms, we move our analysis to the investor-deal level, estimating:

$$DV_{jdt} = \beta I_j \times PostGF_t + \gamma ln(age)_{jt} + \delta E_d + x_j + y_t + \epsilon_{jdt} \tag{4}$$

where d represents the deal. E_d represents deal characteristics, including whether the startup has a patent, whether one of the founders is a serial entrepreneur, and whether the investor is the lead on the deal. x_j indicates investor fixed effects and y_t refers to quarter fixed effects.

Appendix A defines all variables, and summary statistics are in Table 1.

[INSERT TABLE 1 ABOUT HERE.]

5 Results

We begin by assessing the PostGF response with a difference-in-differences analysis at the startup level, finding that Black-founded startups were more likely to receive follow-on investment postGF. However, this response was temporary, raising the possibility of tokenism. We then move to the investor level, finding the response was primarily among investors with no prior investments in Black entrepreneurs, and moreover limited in both the number of investments and the depth of engagement. Finally, we observe that the best Black founders may have anticipated these "token" efforts,

distancing themselves from investors who lacked a track record of supporting Black entrepreneurs.

5.1 Did George Floyd Impact Investments in Black-founded Startups?

We compare PostGF fundraising by Black-founded startups vs. others. The sample (N=38,842) consists of startups founded between 2015 and 2019. We then trace whether a startup raised funding in each quarter, applying the startup fixed effects to control for unobservable characteristics. We also include the quarter fixed effects to control for time trends. Table 2 estimates Equation 1. Column (1) omits quarter fixed effects, yielding a positive and statistically-significant estimated coefficient on the interaction of $I(Black)$ (having a Black founder) and $PostGF$. This result is preserved when adding quarterly fixed effects in column (2).[18]

Estimates in Columns (1) and (2) are economically meaningful. From Panel A of Table 1, the unconditional likelihood of fundraising in a quarter is 6.69% (approximately 0.07). Relative to this unconditional mean, Column (2) implies that Black startups were 21.8% (=1.457/6.69) more likely to raise a round of funding PostGF. From Table 1, the average amount of funding raised in a quarter is $647,000. Given that we find no difference in the size of deals raised by Black and non-Black startups PreGF vs. PostGF, this 21.8% higher likelihood of fundraising translates to approximately $564,000 (=0.218 × 647,000 × 4) more funding raised by Black startups PostGF. Columns (3-5) replace the control group of all startups without a Black founder, alternatively comparing Black-founded startups to Asian-, Hispanic-, and all-white-founder startups. Our estimates remain robust in column (6) when we employ Poisson estimation, dropping startups without variation in the dependent variable to alleviate the zero-inflation concern (Cohn, Liu, and Wardlaw 2022).[19]

[INSERT TABLE 2 ABOUT HERE.]

Figure 1 presents estimated coefficients and 95% confidence intervals from a quarterly event study comparing Black-founded startups to others. PreGF coefficients are close to zero and are not statistically significant, consistent with the parallel trends assumption. We observe a substantial

18. Appendix Table A.2 shows robustness to alternative definitions of Black-founded startups, including startups with all-Black founding teams (col. 1), having a Black CEO (col. 2), and the fraction of founders that are Black (col. 3). Column (4) repeats our primary definition from Section 4.1.

19. Lack of variation in the dependent variable could occur either because the startup raised capital in every period, or because it only raised capital PreGF. The economic interpretation of the coefficient on *PostGF* × *I(Black)* in this column is different, as the Poisson specification is nonlinear. The estimates here imply that Black startups are 22% (=exp(0.198)-1) more likely to fundraise in the quarters following George Floyd.

increase in Black-founded startups obtaining financing PostGF. However, some tapering in the fourth PostGF quarter raises the question of whether the response was sustained, to which we return below.

[INSERT FIGURE 1 ABOUT HERE.]

5.1.1 Contemporaneous onset of COVID-19

One threat to identification is the simultaneous onset of COVID-19, which shifted many meetings online and could increase funding for Black startups by reducing local bias (Han et al. 2021). If COVID were driving our results, we would expect an increase for other underrepresented founders, such as Hispanics or women. But Table 3 shows the PostGF effect was limited to Black-founded startups. Instead of interacting PostGF with having a Black founder as in Equation 1, we interact PostGF with Hispanic Founder (Column (1)), Asian Founder (Column (2)), all white Founders (Column (3)), and female founder (Column (4)). These placebo tests do not yield similar results for any other founder categories, reinforcing that the response was limited to Black startups. The only observable change is a drop in the likelihood of funding for startups with all-white founders.

[INSERT TABLE 3 ABOUT HERE.]

We further rule out that the pandemic might be driving our results by exploiting the arrival of the Omicron variant of COVID-19. First detected in December 2021, Omicron was a significant wave which led to a surge of COVID cases given its transmissibility.[20] If the pandemic were driving our results, we would expect a similar rise in funding of Black-founded startups following Omicron. But in Appendix Table A.3, we do not observe a post-Omicron effect. The evidence suggests that investors increased their investments in Black startups because of George Floyd and not the pandemic.

5.2 Does the investor response represent tokenism?

Having established that the investor community responded PostGF by increasing investments in Black-founded startups, we now turn whether this response reflected a fundamental reassessment

20. https://time.com/6148270/covid-19-pandemic-far-from-over/

of economic opportunity vs. addressing a reputational threat. As outlined above, we investigate the duration and depth of the response as well as which investors were more likely to respond.

5.2.1 Duration of investor response

We begin by assessing whether the response was sustained, as would be consistent with a fundamental reorientation by investors, vs. short-term. In Table 2, we limited our period of inquiry to four quarters before and after in order to assess whether the ensuing social movement precipitated a response, but in Figure 2, we extend the sample through the first quarter of 2024.

As is clear from Figure 2, investment in Black-founded startups reverted to prior levels by the summer of 2022, approximately two years PostGF. Investments in Black-founded startups drop even below PreGF levels after that. The recent downturn might be explained by the DEI backlash, such as the June 2023 U.S. Supreme Court decision that struck down the use of affirmative action in college admissions. This reversion to the mean, followed by a further drop in investment in Black-founded startups, provides additional evidence of tokenism.

5.2.2 Heterogeneous response by investor experience

If, as we argued earlier, the response was driven less so by a reassessment of economic opportunities and more by reputational threat, then we would expect certain subsets of investors to respond more. To do so, we move our analysis to the investor level. As before, we analyze the data quarterly. Not every investor makes an investment each quarter, so unlike our startup-level analysis the panel need not be balanced as we cannot divide by zero when an investor does not make investments in a given quarter. In most analyses, our dependent variable is the share of investments made by an investor in a given quarter to Black-founded startups. Because we include investor fixed effects, we restrict the sample to investors who made at least 3 investments in the PreGF era as well as at least 1 PostGF investment to ensure sufficient within-investor variation.

Table 4 shows the investor-level PostGF response. We do not include investor fixed effects in Column (1) but do in the remaining columns, as shown in Equation 2. In Column (2), on a baseline of 2.89 percentage points (Panel B of Table 1), the share of deals to Black-founded startups rose by 1.069 percentage points. This is an economically meaningful increase of 37% PostGF (=1.069/2.89). Column (3) replicates the result, replacing the share of deals with the share

of dollars. The estimated coefficient on PostGF in Column (3) is of similar magnitude and statistical significance as Column (2). Relative to the unconditional mean of 2.59 percentage points, the share of funding to Black startups rose by 43% (=1.101/2.59) PostGF. Column (4) of Table 4 verifies robustness to a dependent variable representing whether, conditional on investing, the investor funded at least one Black-founded startup that quarter. Overall, Table 4 reinforces our findings from Table 2.

[INSERT TABLE 4 ABOUT HERE.]

Having demonstrated an overall response at the investor level, we now compare the response based on investors' PreGF record on racial diversity in terms of both composition of their staff and also of their track record in funding Black startups. First, we examine the variation in quarterly deal shares to Black-founded startups PostGF across different racial groups of investors. If the reputational threat is driven primarily by underrepresentation at the partner level, we would expect VCs without Black partners, or perhaps VCs where all partners are white, to react. Appendix Table A.5 estimates Equation 3, using the racial composition of the investment firm's partners in each column. Although VCs with Black partners are much more likely to invest in Black founders overall, we fail to find differences in PostGF response by investor race.

Alternatively, it may be that the reputational threat derives less from the investor's employee base and moreso from their track record of investing in Black entrepreneurs. Specifically, we consider whether investors that had never previously invested in any Black-founded startups PreGF were more likely to respond. We refer to this group as *No prior investment*, which compose 68.2 percent of the sample and are not highly correlated with having an all-white VC partnership (r=-0.018). Appendix Table A.4 shows the determinants of prior investment in Black-founded startups.

If investors with no prior investments in Black-founded startups face higher reputational risk in the wake of the PostGF social movement, as argued above, we should see a stronger reaction from this group. Table 5 repeats the analysis of Table 4 with an indicator for $NoPriorInvestment$ interacted with $PostGF$. Indeed, investors with no prior investment in Black startups saw a PostGF increase of 7.4 percentage points in their share of quarterly deals to Black-founded startups (Column (3)). The results are consistent using the share of dollars to Black startups (Column (4)) or a dummy for funding any Black-founded startups (Column (5)). Appendix Figure A.1 shows the quarterly

change in the fraction of investments to Black startups. The x-axis represents quarters pre- and post George Floyd's death (Q2 2020). The y-axis shows coefficients from an interaction term between *NoPriorInvestment* and time (t).

[INSERT INSERT TABLE 5 AND APPENDIX FIGURE A.1 ABOUT HERE.]

Are the findings in Table 5 driven by mean reversion, where investors with no prior investment in Black startups are mechanically more likely to make such investments in the future because they start below the average rate of Black startup investment? This could arise if investment patterns tend to converge toward a population mean over time, regardless of any true change in investor behavior. We check whether investors with no prior investments in Black startups as of a randomly-selected point in time are more likely to invest in Black startups thereafter. In Appendix Table A.6, we use the second quarter of 2015 for illustration, but our results are broadly consistent for any quarter between 2000 and 2018. The unit of analysis is an investment firm quarter, from Q2 2014 to Q2 2016, covering four quarters before and after the pseudo-GF event in Q2 2015. The evidence is not consistent with a mean reversion channel driving the effects in Table 5.

That the PostGF response was especially strong among investors with no prior investment in Black-founded startups is consistent with reputational threat as a driver. However, this reaction could also be consistent with such investors having lacked Black entrepreneurs in their deal-flow networks (Cook, Marx, and Yimfor 2022) or not having previously appreciated the market potential of Black-founded startups. If so, this could represent a sincere effort to address a previous failure in the market for Black entrepreneurs. If not, the response could be an instance of tokenism on the part of investors facing reputational threat. We attempt to differentiate further between these mechanisms by exploring the depth of the PostGF response.

5.2.3 Depth of the response

Our first measure of the "depth" of the investor response is the number of investments made in Black-founded startups. As in the aforementioned example of a company adding a single female director to their board, an investor responding to reputational threat might limit their investment to a single Black-founded startup. In Table 6, we analyze the likelihood that investors with no prior Black-founded startups in their portfolios invest in (1) at least one Black-founded startup, (2)

exactly one, (3) two or more, and (4) three or more.[21] Compared to other investors, those without prior investments in Black-founded startups were more likely to invest in at least one Black-founded startup (Column (1)), particularly investing in exactly one (Column (2)). However, these investors were significantly less likely to invest in more than one (Column (3)) or more than two (Column (4)) Black-founded startups. Such behavior aligns with tokenism, indicating that investors with no prior experience funding Black entrepreneurs often adopted a "one-and-done" approach.

[INSERT TABLE 6 ABOUT HERE.]

Our second measure of depth is whether investors served on the Board of Directors. To do so, we move to the investor-deal level, estimating Equation 4 using all investor-deal pairs from 2010 to 2022. We extend the sample period to capture as much variation in deal-investor characteristics as possible so that we can compare the behavior of PreGF investors in Black startups to PostGF investors. Our dependent variable is whether an investor took a board seat after a funding round.

In Table 7, the interaction term $PostGF \times NoPriorInvestment \times I(Black)$ estimates the likelihood that first-time investors in Black entrepreneurs take a seat on the Board of Directors. In addition to comparing the likelihood that investors with no previous investments in Black startups take board seats in general to whether they take board seats following their investments in Black startups PostGF, this triple difference specification removes the potential trend of whether other investors that previously backed Black startups also take board seats following deals with Black startups, which has nothing to do with the murder of George Floyd.

Relative to other investors pre and post George Floyd, those with no prior investments in Black startups were less likely to take a board seat following their investments in Black startups (Column (1)). The results hold when we control for characteristics of both founders and investors (Columns (2) and (4)). Importantly, we control for whether the VC was the lead investor on the deal; although non-lead investors sometimes have board seats, this is a strong predictor of taking a board seat (see Columns (2) and (4)). Yet the estimated coefficient on the triple interaction is of rather similar magnitude when controlling for investor- and startup-level covariates.[22] From Panel C of Table 1, the unconditional mean likelihood of taking a board seat is 20%. The most conservative estimate

21. We extend our sample from Q2 2019 to Q4 2023 to cover a longer postGF period.
22. Results are also consistent if controlling for the round number of the deal, which may influence board seats.

(Column (3)) suggests that investors without PreGF investments in Black startups were 14.5% less likely to take board seats relative to other investors in Black startups (=0.029/0.2).

This pattern suggests engagement by first-time investors in Black entrepreneurs lacks depth, reflecting a lower commitment to the long-term development of these enterprises. If so, the lack of representation on boards of Black-founded startups by investors with no prior track record, coupled with their tendency to invest in only one (and not more than one) Black startup, reflects tokenism. Alternatively, it could also be that Black entrepreneurs are hesitant to give board seats to investors with no experience backing Black startups, a dynamic we explore next.

[INSERT TABLE 7 ABOUT HERE.]

5.3 Possible reluctance of Black entrepreneurs to accept "token" investments

Although investors increased investment in Black-founded startups in the PostGF period, the response was limited in duration and obtained primarily among investors facing reputational threat because they had never previously backed a Black entrepreneur. Moreover, first-time investors in Black startups typically did not invest in a second Black startup and were less likely to take a seat on the board of directors. Each of these findings points to tokenism in the PostGF response.

Given the interdependent nature of venture investment, Black entrepreneurs who sensed tokenism may have been reluctant to engage with investors who had never had a Black-founded startup in their portfolios. Although we cannot observe venture offers, we can analyze the *quality* of Black entrepreneurs and who they choose to do deals with, under the assumption that higher-quality entrepreneurs will have more potential deal offers to choose from. Table 8 analyzes the quality of Black founders attracted by lead investors on deals. We follow prior studies in assuming that investors place considerable weight on the quality of the founder (Gompers et al. 2006; Lerner and Nanda 2020). As it seems unlikely that investors would seek founders with weak observable characteristics, if a distinct group of investors did deals with founders with weak observable characteristics, one might infer that higher-quality founders were unwilling to engage with that group.

In analyzing this possibility, we focus on lead investors because they orchestrate the deal, have the most contact with the founder, and are those the founder will most carefully evaluate. Our

dependent variables in Table 8 are proxies for the quality of the founders. We measure quality in various ways, including whether the startup has a patent (Column (1)), the proportion of founders who previously worked at a startup either as a founder or an employee (Column (2)), the proportion of founders who were serial entrepreneurs (Column (3)), and the proportion of founders who previously founded a venture-backed startup (Column (4)).

All models have investor and quarter-fixed effects. Our estimated coefficient of interest is on the triple interaction term between PostGF, No prior investment, and the startup having a Black founder. Investors with no prior investment in Black entrepreneurs are less likely to close deals with higher-quality Black founders. (The one exception is Column (2), where we capture simply having worked at a startup (61% of the sample) as opposed to having actually founded a startup (17% of the sample).) This is likely due to investors highly valuing serial founders (Gompers et al. 2006; Nahata 2019), as opposed to having been hired by a young firm. These findings support our argument that investors who had not previously invested in Black-founded startups failed to attract Black entrepreneurs with the strongest track records.

[INSERT TABLE 8 ABOUT HERE.]

The reluctance of high-quality Black founders to accept investments from VCs with no prior investments in Black-founded startups may also reflect concerns about partnership diversity. We examine the average proportion of Black partners at investment firms PreGF and PostGF, split by whether the investor backed Black startups PreGF. As we see in Figure 3, investors with a history of investing in Black-founded startups had a significantly higher percentage of Black partners PreGF, and also increased the percentage of Black partners PostGF. By contrast, firms without previous investment in Black entrepreneurs showed only a marginal increase in partnership diversity. This could indicate either an unwillingness or an inability to hire more Black partners. Either way, the failure to diversify the partnership may diminish Black entrepreneurs' confidence in the sincerity of these investors' commitments and may make it harder to close deals with the best Black founders.

[INSERT FIGURE 3 ABOUT HERE.]

6 Discussion

The murder of George Floyd raised racial awareness broadly, including in entrepreneurial finance, where Black founders had long been underrepresented. This tragic event prompted a swift reaction from venture investors. However, the reaction was not sustained but reverted to prior levels within two years, dropping further thereafter. Moreover, the reaction was driven by investors with no prior investments in Black-founded startups, who likely faced higher reputational threat. These first-time investors in Black-founded startups were unlikely to invest in more than one Black-founded startup postGF and were also less likely to take seats on those companies' board of directors, suggesting a more arms'-length involvement. Taken together, these findings point to tokenism on the part of venture investors, which is further confirmed by an apparent reluctance of the best Black founders to consummate deals with VCs who had no Black startups in their portfolios.

We interpret our findings with caution. Although several instances of evidence point to tokenism in investors' response to the murder of George Floyd, it is difficult, if not impossible, to know underlying motivations. We consider PitchBook to be the most comprehensive database of high-potential startups available, but there is a possibility that it is incomplete, biasing our estimates. And despite having manually reviewed over 150,000 founder profiles, additional Black-founded startups may exist beyond those we were able to identify.

Despite these limitations, this study enriches our understanding of social movements and how venture investors make decisions regarding portfolio allocation. Previous research has concentrated on the direct evaluation of startups, such as founding team and business plan, as well as ties between startups and investors. We address this gap by examining the influence of social movements on VC investment. We demonstrate that social movements can bring to the forefront social issues pertinent to VC investors, compelling them to adjust their investment portfolios in response to societal demands for change. However, in the case of George Floyd, we find the response reflected tokenism. We refer to this as a *minimum viable signal:* limited actions that may have helped to address the reputational threat but which failed to institutionalize lasting change.[23]

Our study also contributes to the literature on social movements. Most work in this area has assessed the impact on targeted firms: those directly involved in business sectors or geographic areas

23. Our definition of tokenism (might not be purely symbolic, but limited efforts, such as the investment duration, number, and depth) bears some resemblance to *decoupling* in the institutional theory literature.

related to the movements (King 2008; McDonnell and King 2013). We expand on the understanding of *indirect* effects by examining the nationwide event of George Floyd's murder and the subsequent Black Lives Matter (BLM) protests. Although the BLM social movement initially focused on the public sector and the discrimination by government officials, it elevated the issues of racial discrimination and inequality to a broader societal level. Consequently, even though VC investors were not directly targeted by the BLM movement, the heightened awareness of Black underrepresentation in high-growth ventures raised concerns about their public image and reputational threats. Our findings document a substantive response from investors, particularly those with poor records on racial diversity issues, who faced increased pressure and potential risks.

Further, prior research has mainly focused on the motivations and actions of targeted organizations in response to social movements. However, in interdependent markets such as entrepreneurial finance, responding to a social movement does not simply involve unilateral action. Rather, a successful venture deal requires agreement and collaboration from the startup. That investors with no prior investments in Black-founded startups failed to strike deals with the best Black entrepreneurs points to a possible friction in responding to social movements with which one is poorly aligned. More generally, organizations trying to atone for past inaction may struggle to successfully respond when restorative actions depend critically on cooperation from counterparties who are hesitant to engage with those who lack a track record.

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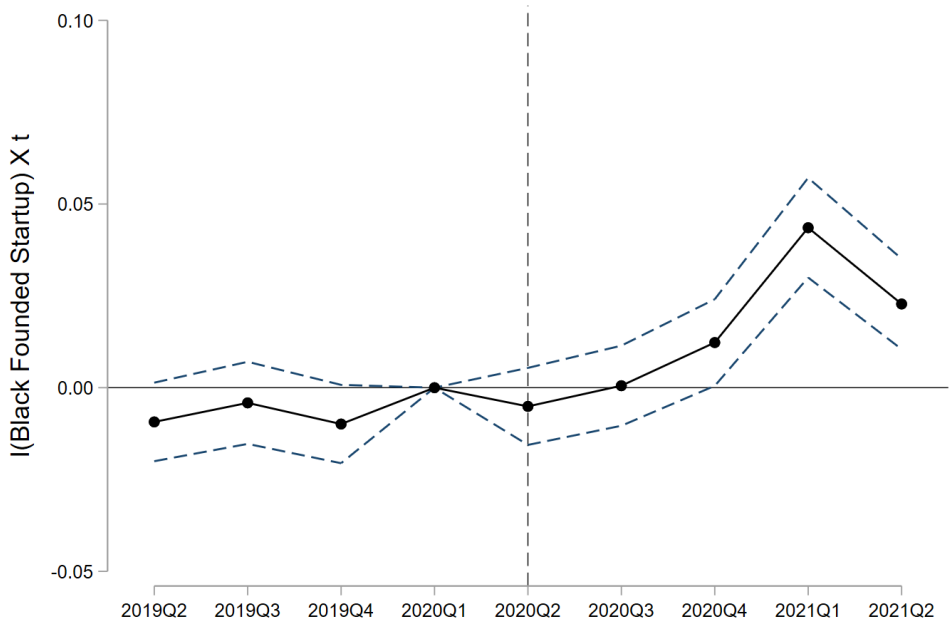
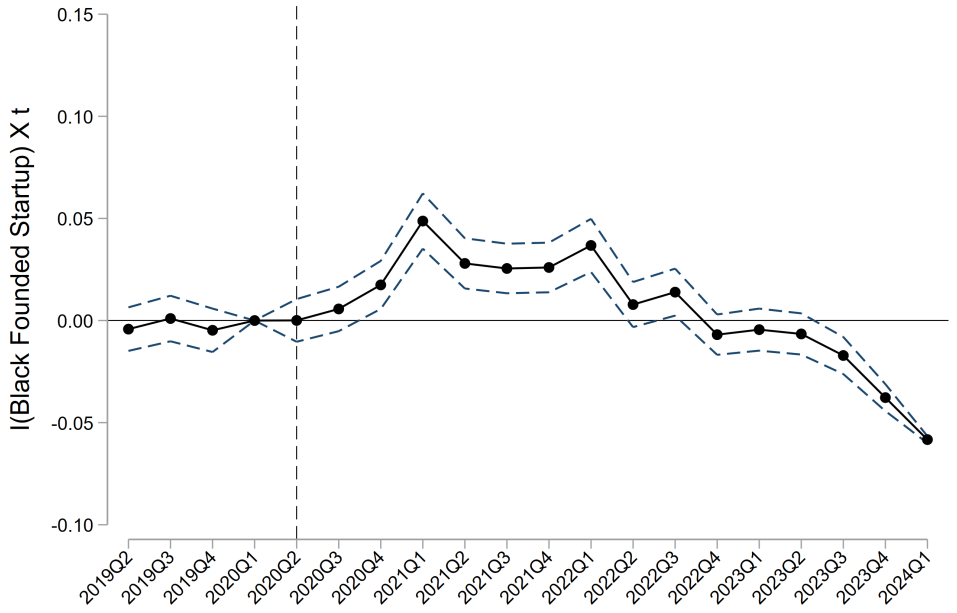
Figure 1: Impact of George Floyd's Murder on Fundraising for Black-founded Startups



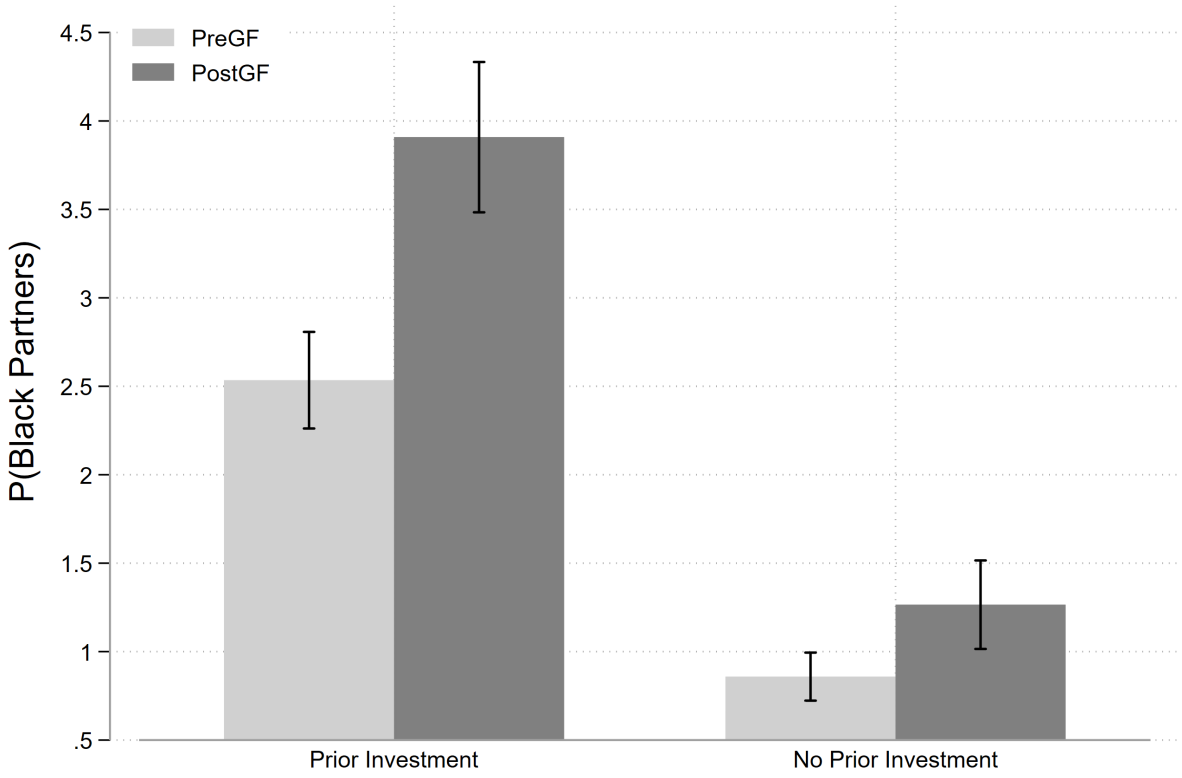
This figure presents estimates from a difference-in-differences regression of whether Black-founded startups were more likely to raise new funding rounds after George Floyd's murder. We regress an indicator for whether a startup raises a new round of funding in a quarter on an interaction term of I(Black) and quarter, with quarter and startup fixed effects. We use the first quarter of 2020 as the baseline. The sample comprises 38,842 U.S.-based startups tracked by Pitchbook that were founded between 2015 and 2021. The dependent variable is an indicator that equals one when a startup raises: Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). A startup is Black-founded if at least one of the founders is Black. See Section 4.1 for more details.

Figure 2: Impact of George Floyd's Murder on Fundraising for Black-founded Startups (Extended sample)



This figure presents estimates from a difference-in-differences regression of whether Black-founded startups were more likely to raise new funding rounds after George Floyd's murder. We regress an indicator for whether a startup raises a new round of funding in a quarter on an interaction term of I(Black) and quarter, with quarter and startup fixed effects. We use the first quarter of 2020 as the baseline. The sample comprises 41,697 U.S.-based startups tracked by Pitchbook that were founded between 2015 and the first quarter of 2024. The dependent variable is an indicator that equals one when a startup raises: Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). A startup is Black-founded if at least one of the founders is Black. See Section 4.1 for more details.

Figure 3: Proportion of Black Partners in Investment Firms by Investment Type



This figure shows the average proportion of partners that are Black at investment firms, split by whether the firms backed a Black-founded startup before George Floyd's murder (*Prior Invesment*) and whether the Black partner was hired before or after the event. The vertical lines represent 95% confidence intervals. Our sample is restricted to partners that participated in at least one deal or represented the investment firm in at least one director role on a startup's board between 2010-2021 (data ending in June).

Table 1: Summary Statistics

	Mean	Std	25%	50%	75%
Panel A. Startup-quarter level statistics, N = 259,055					
I(Raised funding in quarter)	0.07	0.25	0.0	0.00	0.00
$ Amount Raised in quarter (Millions)	0.65	9.36	0.00	0.00	0.00
PostGF	0.54	0.50	0.0	1.00	1.00
I(Black)	0.06	0.23	0.0	0.00	0.00
All Black	0.03	0.17	0.0	0.00	0.00
Black CEO	0.04	0.19	0.0	0.00	0.00
Prop(Black)	0.04	0.18	0.0	0.00	0.00
I(Asian)	0.24	0.42	0.0	0.00	0.00
I(Hispanic)	0.04	0.20	0.0	0.00	0.00
I(All white)	0.68	0.47	0.0	1.00	1.00
I(Female)	0.29	0.45	0.0	0.00	1.00
Startup Age (Years)	1.25	0.49	1.1	1.39	1.61
Panel B. Investor-quarter statistics, N = 14,058					
P(#Black Startups)	2.89	12.30	0.0	0.0	0.0
P($ Black Startups)	2.59	12.91	0.0	0.0	0.0
I(Funded Black startup)	0.09	0.29	0.0	0.0	0.0
Investor Age (Years)	13.24	16.68	5.0	8.0	15.0
PostGF	0.55	0.50	0.0	1.0	1.0
All white Partners	0.34	0.47	0.0	0.0	1.0
Any Asian Partner	0.26	0.44	0.0	0.0	1.0
Any Hispanic Partner	0.05	0.22	0.0	0.0	0.0
Any Black Partner	0.05	0.22	0.0	0.0	0.0
No Prior Investment	0.81	0.39	1.0	1.0	1.0
Venture Capital	0.72	0.45	0.0	1.0	1.0
Panel C. Deal-Investor statistics, N = 222,229					
PostGF	0.48	0.50	0.00	0.00	1.00
No Prior Investment	0.32	0.47	0.00	0.00	1.00
I(Black)	0.05	0.22	0.00	0.00	0.00
I(Took Board Seat)	0.20	0.40	0.00	0.00	0.00
Investor Age	13.56	17.68	4.00	8.00	16.00
Has Patent	0.03	0.16	0.00	0.00	1.00
P(Startup Experience)	0.61	0.38	0.33	0.67	1.00
P(Serial Founder)	0.17	0.29	0.00	0.00	0.33
P(Serial Founder VC-backed)	0.10	0.23	0.00	0.00	0.00
I(Is Lead Investor)	0.15	0.36	0.00	0.00	0.00

This table presents summary statistics for our three main samples. Panel A presents statistics at the startup-quarter level, Panel B presents statistics at the investor-quarter level, and Panel C presents statistics at the deal-investor level. For each variable, we report the mean, standard deviation, and the 25th, 50th (median), and 75th percentiles. *I(Black)*, *I(Asian)*, and *I(Hispanic)* are indicators for founder race/ethnicity and are not mutually exclusive. We provide detailed variable definitions in Appendix A.

Table 2: Impact of George Floyd's Murder on Fundraising for Black-founded Startups (*Panel unit: startup-quarter*)

Dependent Variable	I(Raised funding in quarter) X 100?					
	(1)	(2)	(3)	(4)	(5)	(6)
PostGF X I(Black)	1.475***	1.457***	1.313***	1.227**	1.547***	0.220***
	(0.401)	(0.400)	(0.439)	(0.624)	(0.407)	(0.060)
PostGF	-2.113***					
	(0.142)					
Ln(Startup Age Yrs)	5.560***	6.978***	6.755***	7.505***	6.414***	0.967***
	(0.297)	(0.452)	(0.891)	(1.518)	(0.572)	(0.067)
Observations	259,055	259,055	74,141	25,647	149,930	111,355
control group	all	all	Asian	Hispanic	all white	all
quarter FE	no	yes	yes	yes	yes	yes
startup FE	yes	yes	yes	yes	yes	yes
estimator	OLS	OLS	OLS	OLS	OLS	Poisson

In this table, we report the estimated effect of the murder of George Floyd on fundraising by Black-founded startups. The unit of analysis is a startup quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the event. The dependent variable indicates whether a startup raised funding in a given quarter. We define fundraising based on deals tagged by PitchBook as Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). Our sample comprises 38,842 U.S.-based startups tracked by PitchBook that were founded between 2015 and 2019 and were thus at risk of raising funding as of Q2 2021. All models contain startup fixed effects. Columns (3) to (5) use startups with founders of different racial groups as the control group. We discuss how we determine whether a startup has a Black, Hispanic, Asian, or White founder in Section 4.1. Column (6) uses Poisson regression as a robustness check to address zero-inflation concerns. Robust standard errors, clustered at the startup level, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 3: Impact of George Floyd's Murder on Fundraising for non-Black-founded Startups (*Panel unit: startup-quarter*).

Dependent Variable	I(Raised funding in quarter) X 100?			
	(1)	(2)	(3)	(4)
PostGF X I(Hispanic)	0.262			
	(0.484)			
PostGF X I(Asian)		0.134		
		(0.226)		
PostGF X I(all white)			-0.344*	
			(0.185)	
PostGF X I(Female)				-0.046
				(0.208)
Ln(Startup Age Yrs)	6.997***	6.996***	6.981***	6.998***
	(0.452)	(0.452)	(0.452)	(0.452)
Observations	259,055	259,055	259,055	259,055
quarter FE	yes	yes	yes	yes
startup FE	yes	yes	yes	yes

This table explores whether George Floyd's murder had an impact on fundraising by non-Black founders. The unit of analysis is a startup quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the event. The dependent variable indicates whether a startup raised funding in a given quarter. We define fundraising based on deals tagged by PitchBook as Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). Our sample comprises 38,842 U.S.-based startups tracked by PitchBook that were founded between 2015 and 2019 and were thus at risk of raising funding as of Q2 2021. All models contain startup fixed effects. Columns (3) to (5) use startups with founders of different racial groups as the control group. We discuss how we determine whether a startup has a Hispanic, Asian, White, or Female founder in Section 4.1. Column (6) uses Poisson regression as a robustness check to address zero-inflation concerns. Robust standard errors, clustered at the startup level, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 4: Impact of George Floyd's Murder on Investments in Black-Founded Startups (*Panel unit: investor-quarter*)

Dependent Variable	Percent quarterly deals to Black-founded startups		Percent of quarterly $ to Black-founded startups	I(Funded any Black-founded startups) X 100
	(1)	(2)	(3)	(4)
PostGF	0.880***	1.069***	1.101***	3.221***
	(0.184)	(0.225)	(0.246)	(0.587)
Ln(Investor Age)	-0.644***	-1.534	-1.436	-0.339
	(0.143)	(0.938)	(0.914)	(2.175)
Observations	14,058	14,058	14,058	14,058
investor FE	no	yes	yes	yes
headquarters FE	yes	no	no	no

In this table, we report estimates of the effect of George Floyd's murder on investments in Black-founded startups. The unit of analysis is an investment firm quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the George Floyd event. We also restrict to sample only to the 2,282 investors who had at least 3 investments prior to May 2020 (when George Floyd was murdered) and at least 1 investment thereafter. We describe how we construct all the dependent variables in Appendix A, and how we determine whether a startup has a Black founder in Section 4.1. Robust standard errors, clustered by the investment firm, are in parentheses.$^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 5: Impact of George Floyd's Murder on Investments in Black-Founded Startups by Investor Experience (*Panel unit: investor-quarter*)

Dependent Variable	Share of quarterly deals to Black-founded startups			Share of quarterly $ to Black-founded startups	I(Funded any Black-founded startups) X 100
	(1)	(2)	(3)	(4)	(5)
PostGF X No Prior Investment	7.772***	7.407***	7.383***	6.282***	17.948***
	(0.632)	(0.627)	(0.626)	(0.735)	(1.534)
PostGF	-5.425***	-4.913***			
	(0.612)	(0.593)			
No Prior Investment	-12.857***				
	(0.623)				
Ln(Investor Age)	-0.429***	-1.218	-2.275**	-2.360**	-6.145**
	(0.115)	(0.878)	(1.096)	(1.088)	(2.544)
Observations	14,058	14,058	14,058	14,058	14,058
investor FE	no	yes	yes	yes	yes
headquarters FE	yes	no	no	no	no
quarter FE	no	no	yes	yes	yes

In this table, we report estimates of whether the findings in Table 4 are driven by the investor's pre-George Floyd lack of experience funding Black-founded startups, *No Prior Investment*. The unit of analysis is an investment firm quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the George Floyd event. We also restrict to sample only to the 2,282 investors who had at least 3 investments prior to May 2020 (when George Floyd was murdered) and at least 1 investment thereafter. We describe how we construct all the dependent variables in Appendix A, and how we determine whether a startup has a Black founder in Section 4.1. Robust standard errors, clustered by the investment firm, are in parentheses.$^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 6: Impact of George Floyd's Murder on the Number of Investments in Black-Founded Startups (*Panel unit: investor-quarter*)

Dependent Variable	At least one	Exactly One	Two or more	Three or more
	(1)	(2)	(3)	(4)
PostGF X No Prior Investment	0.108***	0.340***	-0.232***	-0.248***
	(0.012)	(0.017)	(0.016)	(0.015)
Ln(Investor Age)	0.119***	0.020	0.099***	0.023
	(0.033)	(0.035)	(0.031)	(0.027)
Observations	25591	25591	25591	25591
investor FE	yes	yes	yes	yes
quarter FE	yes	yes	yes	yes

In this table, we estimate the effect of an investor's lack of experience funding Black-founded startups before George Floyd's death, *No Prior Investment*, on the number of subsequent investments in Black-founded startups. The unit of analysis is an investment firm-quarter from Q2 2019 to Q4 2023. We restrict the sample to the 2,282 investors who had made at least 3 investments prior to May 2020 (the time of George Floyd's death) and at least one investment thereafter. Appendix A details the construction of all dependent variables, while Section 4.1 explains how we identify Black-founded startups. Although the sample begins in Q2 2019, we track the cumulative number of investments each investor has made in Black-founded startups since 2000. *At least One* is an indicator for having made at least one investment in a Black-founded startup. *Exactly One* indicates investors who had made at least one such investment by Q4 2023. *Two or More* indicates two or more investments, and *Three or More* indicates at least three investments. Robust standard errors, clustered by the investment firm, are in parentheses.$^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 7: Impact of George Floyd's Murder on the Likelihood of Taking a Board Seat by Investor Experience (*Panel unit: deal-investor*)

Dependent variable	I(Took Board Seat)			
	(1)	(2)	(3)	(4)
PostGF X No prior Investment X I(Black)	-0.038***	-0.047***	-0.027**	-0.032***
	(0.013)	(0.012)	(0.011)	(0.011)
PostGF X No prior Investment	0.005	-0.010	-0.007	-0.014**
	(0.009)	(0.008)	(0.006)	(0.006)
PostGF X I(Black)	0.023**	0.022**	0.004	0.004
	(0.009)	(0.009)	(0.008)	(0.008)
I(Black)	-0.050***	-0.031***	-0.014**	-0.011*
	(0.009)	(0.007)	(0.006)	(0.006)
No prior Investment	-0.010	0.008		
	(0.013)	(0.011)		
Has Patent		0.042***		0.026***
		(0.004)		(0.003)
P(Serial Founder)		-0.001		-0.017***
		(0.007)		(0.005)
Ln(Investor Age)		0.054***		0.036***
		(0.005)		(0.006)
I(Is Lead Investor)		0.297***		0.167***
		(0.008)		(0.006)
Observations	222,229	222,229	222,229	222,229
quarter FE	yes	yes	yes	yes
deal type FE	yes	yes	yes	yes
investor FE	no	no	yes	yes

In this table, we report the estimated effect of investor's pre-George Floyd lack of experience funding Black-founded startups (*No Prior Investment*) on the likelihood the investor takes a board seat, *I(Took Board Seat)*, after funding a Black startup before and following the George Floyd event. The unit of analysis is a deal-investor pair, for deals between 2010 and 2022. We extend the sample period to capture as much variation in deal-investor characteristics as possible. Note that *No prior Investment X I(Black)* is absorbed the the triple interaction *No prior Investment X I(Black) X PostGF*. We define the dependent and independent variables in Appendix A, and whether a startup has a Black founder in section 4.1. Robust standard errors, clustered by the investment firm, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table 8: Impact of George Floyd's Murder on the Quality of Funded Black Startups by Investor Experience (*Panel unit: deal-lead investor*)

Dependent variable	Has Patent	Proportion Startup experience	Proportion Serial founder	Proportion Serial founder VC-backed
	(1)	(2)	(3)	(4)
PostGF X No Prior Investment X I(Black)	-0.025*	-0.038	-0.043**	-0.040***
	(0.013)	(0.039)	(0.019)	(0.012)
PostGF X No Prior Investment	0.001	0.030**	0.006	0.012
	(0.005)	(0.012)	(0.010)	(0.008)
PostGF X I(Black)	-0.003	-0.025	-0.021	0.016
	(0.011)	(0.023)	(0.014)	(0.010)
I(Black)	0.001	-0.005	-0.017*	-0.007
	(0.006)	(0.014)	(0.009)	(0.008)
Ln(Investor Age)	0.006	0.007	0.017**	0.028***
	(0.004)	(0.011)	(0.008)	(0.007)
Observations	32,514	32,514	32,514	32,514
investor FE	yes	yes	yes	yes
quarter FE	yes	yes	yes	yes
investors	lead	lead	lead	lead

In this table, we report the estimated effect of investor's pre-George Floyd lack of experience funding Black-founded startups (*No Prior Investment*) on the quality of Black startups the investor funded post George Floyd, using various proxies for quality. The unit of analysis is a deal-lead investor pair, for deals between 2010 and 2022. We extend the sample period to capture as much variation in startup-founder characteristics as possible. Note that *No prior Investment X I(Black)* is absorbed the the triple interaction *No prior Investment X I(Black) X PostGF*. We define the dependent and independent variables in Appendix A, and whether a startup has a Black founder in Section 4.1. Robust standard errors, clustered by the investment firm, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Minimum Viable Signal: Venture Funding, Social Movements, and Race

Internet Appendix

Appendix Table of Contents

This Internet Appendix contains supplementary discussions and analyses, which we organize as follows:

A Variable Definitions

A.1 Startup level

1. **I(Raised funding in quarter):** For startups formed between 2015 and 2020, this variable is an indicator that equals one if they raise a round of funding PitchBook classifies as Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual) in a given quarter.
2. **PostGF:** An indicator that equals one for quarters after the second quarter of 2020.
3. **PostOmicron:** An indicator that equals one for quarters after the fourth quarter of 2021.
4. **I(Black):** An indicator that equals one when at least one of the startup founders is Black.
5. **All Black:** An indicator that equals one if all the founders at the startup are Black, where we tag founders by race using their images.
6. **Black CEO:** An indicator that equals one if the startup CEO is Black, where we tag founders by race using their images.
7. **Prop(Black):** The fraction of Black founders at the startup, where we tag founders by race by combining image classification with clerical review.
8. **I(Asian):** An indicator that equals one when at least one of the startup founders is Asian.
9. **I(Hispanic):** An indicator that equals one when at least one of the startup founders is Hispanic.
10. **I(All white):** An indicator that equals one when all the startup founders are white.
11. **I(Female):** An indicator that equals one when at least one of the startup founders is female.
12. **Ln(Startup Age Yrs):** The log of the number of years between the current year and the year the startup was formed.

A.2 Investor level

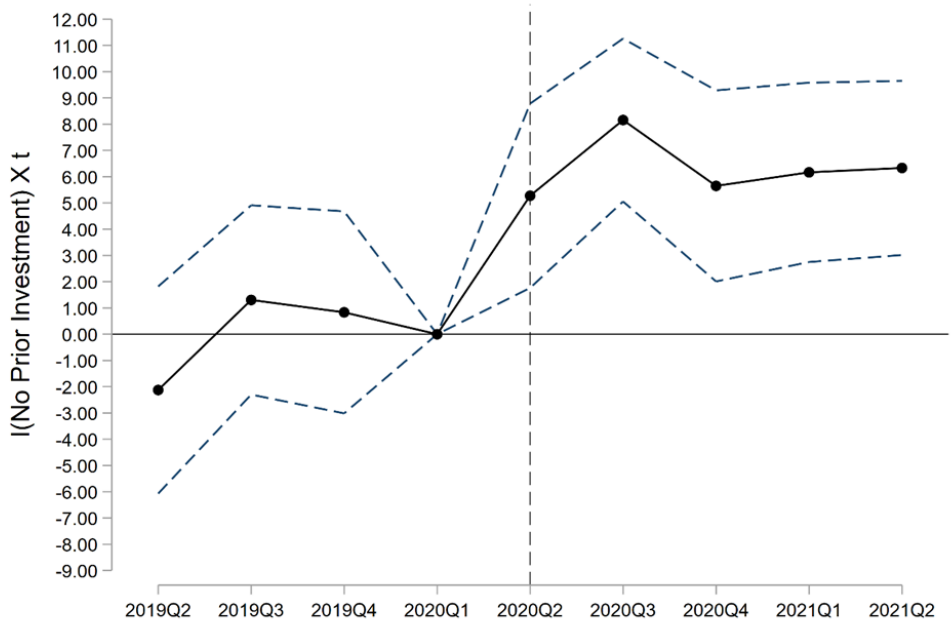
1. **P(# Black Startups):** Proportion of investments in a quarter that went to a startup where at least one of the founders is Black.
2. **P($ Black Startups):** Proportion of investment amount deployed in a quarter going to startups where at least one of the founders is Black.
3. **I(Funded Black Startup):** An indicator that equals one when the investor funded a startup with at least one Black founder in a given quarter.
4. **Ln(Investor Age):** The log of the number of years between the current year and the year the investment firm was formed.
5. **I(All white):** An indicator that equals one if all the partners, managing directors, or founders at the investment firm are white. For a partner to be classified as being part of the investment firm, they must have been the lead partner on at least one deal or sat on the board of at least one startup. We use the earliest deal date of the partner as a lead investor on a deal or a board member as their start date in senior management, and their latest deal date or their latest board seat as their last date on the deal.

6. **Any Asian Partner:** An indicator that equals one if any of the active partners at the investment firm are Asian.
7. **Any Hispanic Partner:** An indicator that equals one if any of the active partners at the investment firm are Hispanic.
8. **Any Black Partner:** An indicator that equals one if any of the active partners at the investment firm are Black.
9. **No Prior Investment:** An indicator that equals one for investors that had never backed a Black-founded startup before the second quarter of 2020.
10. **Venture Capital:** An indicator that equals one when PitchBook classifies the investment firm as a venture capital firm.
11. **Signed Diversity Pledge:** An indicator that equals one when the Institutional Limited Partners Association diversity pledge. The list of signatories is available here.
12. **Corporate Venture Capital:** An indicator that equals one when PitchBook classifies the investment firm as corporate venture capital.
13. **Buyout:** An indicator that equals one when PitchBook classifies the investment firm as a buyout firm.
14. **Ln(Total Investments):** The log total investments the investment firm has made.
15. **P(Successful Exits):** The proportion of investments made by the investment firm that resulted in an acquisition or an initial public offering (IPO).
16. **Ln(Median Round Amount):** The log median amount of funding deployed by the investment firm in a funding round.
17. **Ln(Investor Age):** The log number of years since the investment firm was formed.

A.3 Deal-Investor level

1. **I(Took Board Seat):** An indicator that equals one if the investor took a board seat of the investing startup.
2. **Has Patent:** An indicator for startups that applied for at least one utility patent years in the five years preceding (and including) the year of company formation, according to the USPTO.
3. **P(Startup Experience):** An indicator that equals one if the founder worked at a venture-backed startup in the years before they started the current startup as a non-founder employee.
4. **P(Serial Founder):** An indicator that equals one if the founder started another startup in the years before they started the current startup.
5. **P(Serial Founder VC-backed):** An indicator that equals one if the founder started another startup in the years before they started the current startup and their previous startup raised at least one round of VC funding according to PitchBook.
6. **I(Is Lead Investor):** An indicator that equals one if the investor is a lead investor in the deal.

Figure A.1: Impact of George Floyd's Murder on Share of Investment to Black-founded Startups, by Prior Investment



This figure presents estimates from a difference-in-differences regression of whether investors who had not previously invested in Black-founded startups were more likely to invest in them after George Floyd's murder. We regress the share of quarterly dollars invested in Black-founded startups on an interaction term of *No Prior Investment* and quarter, with quarter and investor fixed effects. We use Q2 2019 as the baseline. The sample comprises investors who had at least three investments prior to May 2020 and at least one investment thereafter. The dependent variable is the share of venture dollars invested that went to Black-founded startups. A startup is Black-founded if at least one of the founders is Black. See Section 4.1 for more details.

Table A.1: Founder Race and Gender Relative to Population

	PitchBook Sample proportion	*U.S. Population proportion*	*PitchBook Sample to U.S. Population proportion*
Black-founded	*5.78%*	*13.7%*	*42.19%*
Hispanic-founded	*4.28%*	*19.5%*	*21.94%*
Asian-founded	*23.63%*	*6.4%*	*369.22%*
(entirely) white-founded	*68.21%*	*58.4%*	*88.41%*
Female-founded	*28.58%*	*50.5%*	*56.60%*

This table compares different racial and gender groups in startups and the US population. Column 1 is based on the univariate statistics on 38,842 (295,407 startup quarters) U.S.-based startups tracked by PitchBook that were founded between 2015 and 2019. *Black-founded* (or Asian, Hispanic, or Female) is an indicator that equals one when at least one founder is Black. See section 4.1 for more details. Data on female founders comes from PitchBook. Population figures in column 2 are based on the 2020 U.S. Census Bureau. The statistics are similar if only considering the U.S. labor force population.

Table A.2: Does the Impact of George Floyd's Murder on Fundraising by Black-Founded Startups depend on How we Define Black-Founded? (*Panel unit: startup-quarter*)

Dependent Variable	I(Raised funding in quarter) X 100?)			
	(1)	(2)	(3)	(4)
PostGF X All Black	1.602***			
	(0.504)			
PostGF X Black CEO		1.872***		
		(0.495)		
PostGF X Prop(Black)			1.918***	
			(0.481)	
PostGF X I(Black)				1.457***
				(0.400)
Ln(Startup Age Yrs)	6.982***	6.976***	6.975***	6.978***
	(0.452)	(0.452)	(0.452)	(0.452)
Observations	259,055	259,055	259,055	259,055
quarter FE	yes	yes	yes	yes
startup FE	yes	yes	yes	yes

In this table, we test whether the effects in Table 2 depend on how we define Black-founded startups. In Column (1), we define Black founded as having all Black founders; in Column (2), as having a Black CEO; in Column (3), as the fraction of founders that are Black, and in Column (4), as an indicator that equals one when at least one founder is Black, our main definition. The unit of analysis is a startup quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the George Floyd event. The dependent variable indicates whether a startup raised funding in a given quarter. We define fundraising based on deals tagged by PitchBook as Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). Our sample comprises 38,842 U.S.-based startups tracked by PitchBook that were founded between 2015 and 2019 and were thus at risk of raising funding as of Q2 2021. Robust standard errors, clustered at the startup level, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table A.3: Is the Impact of George Floyd's Murder on Fundraising for Black-Founded Startups a Covid-19 effect? (*Panel unit: startup-quarter*)

Dependent Variable	I(Raised funding in quarter) X 100?			
	(1)	(2)	(3)	(4)
PostGF X I(Black)	1.457***	1.391***		
	(0.400)	(0.516)		
PostOmicron X I(Black)			-0.701	0.333
			(0.441)	(0.566)
Ln(Startup Age Yrs)	6.978***	4.563***	-1.407	-6.727***
	(0.452)	(0.675)	(1.138)	(2.196)
Observations	259,055	196,863	230,984	177,976
Event Time	[-4,4]	[-2,4]	[-4,4]	[-2,4]
quarter FE	yes	yes	yes	yes
startup FE	yes	yes	yes	yes

This table tests whether the effects in Table 2 are contaminated by the COVID-19 pandemic. The unit of analysis is a startup quarter. In Columns (1) and (2), *Event Time* is the number of quarters before and following George Floyd's murder in Q2 2020. In Columns (3) and (4), it is the number of quarters before and following the spread of the Omicron variant in Q4 2021. *PostOmicron* is an indicator that is equal to one for 54% of observations in Column (3) and 70% of observations in Column (4). The dependent variable indicates whether a startup raised funding in a given quarter. We define fundraising based on deals tagged by PitchBook as Early Stage VC, Later Stage VC, Seed Round, Accelerator/Incubator, and Angel (individual). Our sample comprises 38,842 U.S.-based startups tracked by PitchBook that were founded between 2015 and 2019 and were thus at risk of raising funding as of Q2 2021. We discuss how we determine whether a startup has a Black founder in Section 4.1. Robust standard errors, clustered at the startup level, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table A.4: Characteristics of Investors Backing Black Founders Pre George Floyd (*Analysis unit: investor*)

Dependent Variable	I(Funded any Black-founded startups) X 100			
	(1)	(2)	(3)	(4)
I(Black)	36.427***	31.787***	28.459***	27.243***
	(3.167)	(3.224)	(2.929)	(2.991)
I(Hispanic)		6.948***		2.843
		(2.357)		(2.247)
I(Asian)		8.158***		2.814**
		(1.291)		(1.244)
I(Female)		16.163***		10.562***
		(1.265)		(1.220)
I(All White)		2.494**		2.846***
		(0.999)		(0.967)
Signed Diversity Pledge			-7.266*	-8.606**
			(4.176)	(4.100)
Corporate Venture Capital			-0.352	-1.526
			(2.313)	(2.295)
Venture Capital			-0.106	0.019
			(1.113)	(1.103)
Buyout			-10.309***	-9.460***
			(1.335)	(1.324)
Ln(Total Investments)			8.833***	7.934***
			(0.343)	(0.352)
P(Successful Exits)			-2.946*	-2.790*
			(1.565)	(1.558)
Ln(Median Round Amount)			-2.932***	-2.801***
			(0.291)	(0.290)
Ln(Investor Age)			-3.531***	-3.512***
			(0.514)	(0.508)
Observations	7,573	7,573	7,573	7,573

This table presents regression estimates of the likelihood that an investor backs a startup with at least one Black founder before George Floyd's murder. The unit of analysis is an investor, where we include investors that backed at least one startup between 2015 and 2019. The dependent variable is an indicator for whether the investor ever backed a startup with at least one Black founder. We define all independent variables in section A. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table A.5: Does the Impact of George Floyd's Murder on Investments in Black-Founded Startups depend on Investor Race? (*Panel unit: investor-quarter*)

Dependent Variable	Share of quarterly deals to Black-founded startups					
	(1)	(2)	(3)	(4)	(5)	(6)
PostGF X All White partners	-0.171	-0.098				-0.185
	(0.443)	(0.445)				(0.488)
PostGF	1.119***					
	(0.235)					
PostGF X Any Asian partner			0.046			0.010
			(0.341)			(0.378)
PostGF X Any Hispanic partner				-1.119*		-1.184*
				(0.678)		(0.687)
PostGF X Any Black partner					-0.011	-0.007
					(1.154)	(1.152)
Ln(Investor Age)	-1.494	-2.757**	-2.784**	-2.784**	-2.794**	-2.712**
	(0.943)	(1.215)	(1.204)	(1.200)	(1.205)	(1.206)
Observations	14,058	14,058	14,058	14,058	14,058	14,058
investor FE	yes	yes	yes	yes	yes	yes
quarter FE	no	yes	yes	yes	yes	yes

This table explores whether the effects in Table 4, on the share of investments in Black startups following George Floyd, vary by the race of the partners at the investment firm. The unit of analysis is an investment firm quarter, from 2019 Q2 to 2021 Q2, covering four quarters before and after the George Floyd event. We also restrict to sample only to the 2,282 investors who had at least 3 investments prior to May 2020 (when George Floyd was murdered) and at least 1 investment thereafter. We describe how we construct all the dependent variables in section A, and how we determine whether a startup has a Black founder in section 4.1. Robust standard errors, clustered by the investment firm, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Table A.6: Impact of Pseudo George Floyd's Murder on Investments in Black-Founded Startups by Investor Experience (*Panel unit: investor-quarter*)

Dependent Variable	Share of quarterly deals to Black-founded startups			Share of quarterly $ to Black-founded startups	I(Funded any Black-founded startups) X 100
	(1)	(2)	(3)	(4)	(5)
PostGF X No Prior Investment	-0.110	-0.089	-0.098	-0.034	-0.741*
	(0.117)	(0.110)	(0.109)	(0.102)	(0.379)
PostGF	0.322***	0.147*			
	(0.095)	(0.087)			
No Prior Investment	0.052				
	(0.048)				
Ln(Investor Age)	-0.024	0.786***	0.439	0.124	0.600
	(0.032)	(0.267)	(0.323)	(0.229)	(0.823)
Observations	10,622	10,622	10,622	10,622	10,622
investor FE	no	yes	yes	yes	yes
headquarters FE	yes	no	no	no	no
quarter FE	no	no	yes	yes	yes

In this table, we report estimates of whether the findings in Table 5 are driven by mean reversion. We test whether investors with no prior investments in Black startups (*No Prior Investment* = 1) are more likely to invest in Black startups if they have not made an investment by a random point in time. The unit of analysis is an investment firm quarter, from Q2 2014 to Q2 2016, covering four quarters before and after the pseudo George Floyd event in Q2 2015. We define *No Prior Investment* as an indicator equal to one if the investor had not invested in any Black-founded startups before Q1 2015, and zero otherwise. Appendix A describes how we construct all the dependent variables, and Section 4.1 details how we determine whether a startup has a Black founder. Robust standard errors, clustered by the investment firm, are in parentheses. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.