Equal Opportunity for All? The Long Tail for Crowdfunding: Evidence from Kickstarter




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Crowdfunding platforms are believed to create a more equal-opportunity environment for fundraising by removing entrance barriers found in traditional entrepreneurial markets. We investigate whether, in creating more equal opportunities for entrepreneurs to enter the market, crowdfunding platforms also create a more equal distribution of funds across ventures. To this end, we utilize a natural experiment in the form of a policy change on Kickstarter.com that expanded market access. Our platform-level analysisshows that this shift concentrated.more funds and backers in a smaller number of head-offers (a superstar effect). Using individual backer-level analysis, we find that these changes in demand distribution are likely to have resulted from changes in investors’ investment behavior, beyond changes in the composition of the demand side (that is, changes in the types of investors entering the market). Backers increasingly relied on campaign quality signals, mirroring behavior in uncertain financial markets. Overall, our findings suggest that efforts to level the playing field in crowdfunding platforms can ultimately result in a less equitable distribution of funds across market participants, and drive investors to focus their investments on a smaller set of ”safer” campaigns.

Inclusion of Soft Information in Financial Statements

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The financial statements that public firms publish quarterly and annually primarily include historical information, which external auditors can verify with a relatively high level of certainty (”hard information”). In recent years, there has been growing demand from capital market investors to also incorporate information based on management’s assessments and forecasts about the firm’s future performance, even if such information is more challenging to verify objectively (”soft information”). This article briefly reviews the development of the classical accounting perspective, which traditionally opposes the inclusion of soft information in financial statements and examines a recent economic argument that sheds light on how this approach may enhance the overall information available in the capital market. The argument, based on Versano (2021), suggests that leaving the discretion regarding the disclosure of soft information to firms, rather than imposing a general requirement to disclose it in financial statements, allows investors to learn not only from the content of the disclosed information but also from the firms’very decision to disclose or withhold it.