ESG AND CORPORATE BAILOUTS

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1. INTRODUCTION

This project aims to understand whether and how perceptions about and salience of corporate ESG affect support for corporate bailouts and related policies. We do so by means of an experimental survey where we randomly vary the order of questions as well as the individual perceptions of ESG practices of large corporations (through original short animated videos).

2. DATA

We collect survey data on a sample of 6,000 individuals that is representative of the US working-age population. The survey contains three main sections:

(1) Socio-demographic questions on gender, age, income, ethnicity, education, employment, and political views.
(2) Perceptions about: (i) trust in government and corporations; (ii) corporate ESG policies such as executive compensation, board diversity, employee benefits, environmental protection, and political involvement; (iii) corporations obligations to shareholders vs stakeholders; (iv) impact of corporate bailouts on personal and general economic situation.
(3) Support for corporate bailouts (of large corporations and small businesses, respectively) and for different conditions that could be attached to the bailouts.

As explained below, the surveys also include videos. To check understanding of the videos, we introduce basic test questions during and after the videos. Respondents are required to answer correctly to continue the survey.

3. EXPERIMENTAL DESIGN

3.1. **Randomization.** We introduce two sources of treatment. First, we introduce a video (which varies depending on the control/treatment arm) that is shown after Section 1 of the survey. This treatment is aimed at randomly varying the respondents' perceptions. Second, we randomize the order in which the respondent is shown Section 2 and Section 3 of the survey. This treatment is aimed at varying the salience of the topic of corporate ESG (which could be affected by the simple asking of questions regarding ESG-related policies).

Specifically, we split the sample into 8 groups (N = sample size):

- **Control Pre** [N=1,000]: respondents see Section 2 *before* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders.
- **Control Post** [N=1,000]: respondents see Section 2 *after* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders.

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- **Econ Pre** [N=500]: respondents see Section 2 *before* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus a scene saying that economists think bailouts can help the economy.
- **Econ Post** [N=500]: respondents see Section 2 *after* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus a scene saying that economists think bailouts can help the economy.
- **ESG-Neg Pre** [N=1,000]: respondents see Section 2 *before* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus scenes providing examples of corporate ESG policies when corporations primarily care about shareholders.
- **ESG-Neg Post** [N=1,000]: respondents see Section 2 *after* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus scenes providing examples of corporate ESG policies when corporations primarily care about shareholders.
- **ESG-Pos Pre** [N=500]: respondents see Section 2 *before* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus scenes providing examples of corporate ESG policies when corporations care strongly about stakeholders.
- **ESG-Pos Post** [N=500]: respondents see Section 2 *after* Section 3, and the video explains key concepts such as corporate bailouts and shareholders vs stakeholders, plus scenes providing examples of corporate ESG policies when corporations care strongly about stakeholders.

The randomization is done by our research partner Dynata.

3.2. **Analysis.** Our main analysis of the experimental results will consist of running regressions of the form:

$$Y_i = \beta_0 + \beta_1 T_i + X_s^{'}\gamma + \epsilon_i$$

where Y_i is the given outcome variable for individual i measured in our survey, and T_i is an indicator equal to one if individual i received the treatment. X_s is a vector of control variables at the individual level such as socio-demographic status, and ϵ_i is the error term. Our specifications will focus on the impact of each treatments relative to control. The Pre and Post groups will be combined (under the assumption that asking questions does not raise salience) as well as used to estimate the impact of salience of ESG on our outcomes of interest. That is, we are interested in testing whether seeing Section 2 before Section 3 (making ESG salient) affects support for bailouts. Finally, we are interested in the correlation between perceptions about ESG practices and support for bailouts, as well as both reduced-form estimates of our treatment and the treatment effects measured in an IV framework where questions in Section 2 are used to estimate a first stage of our treatment (which we'll estimate for each question as well as combining the perceptions questions into a unique ESG perception score). Also, we will measure ESG perceptions in two ways: (i) using the first answer in the questionnaire about what individuals think corporations do (for each ESG perception question), (ii) using the difference between the first answer and the second answer (which asks respondents what they think corporations should do).

Our main outcomes are the survey questions in Section 3, namely support for bailouts of both large corporations and small businesses, and also for imposing soft vs strict conditions on the use of government money by the companies.

We are also interested in additional analyses aimed at estimating heterogeneous effects of our treatments. In particular, we plan to study differences across socio-demographic groups, with an emphasis on political views of individual respondents.

3.2.1. *Additional Surveys.* Conditional on funding availability, we hope to conduct follow-up surveys on a sub-sample of the respondents. These surveys would be conducted a few weeks after the first round of surveys, and they would be aimed at measuring whether our individual responses persist long-term. We may also plan additional surveys across countries if we are able to secure additional funding.