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THE POLITICAL ECONOMY OF ANTI-BRIBERY ENFORCEMENT

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ABSTRACT

This paper documents novel evidence on the influence of political incentives in the regulatory enforcement of foreign bribery. Using exogenous variation in the timing and geographic location of U.S. Congressional elections, we find that the probability of a Foreign Corrupt Practices Act (FCPA) enforcement action against foreign firms located in the Senator's jurisdiction increases significantly pre-election, spiking 23%, with zero equivalent move for equivalently global (but domestic-headquartered) firms in the Senator's jurisdiction. Using hand-collected case-level data from the U.S. SEC and DOJ, we also observe larger discretion in regions where foreign firms are larger global competitors of in-state firms, operate in locally important industries, and when Senators serve as the Chairman of the Senate Judiciary Committee (which oversees the DOJ). Anti-bribery enforcement has electoral implications, leading to spikes in media coverage of the FCPA enforcement coupled with greater vote shares for the Senator. Moreover, the cases pushed through against these foreign firms just prior to elections appear to be weaker cases. The enforcements result in real effects, as in response to strategic timing in enforcement, firms reallocate business segments and sales.

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A central role of economic regulation surrounds the creation and enforcement of a level playing field in which businesses can operate. However, political incentives can – and often do - seep into the enforcement of these regulations. Critically, to what extent they do can often determine both the breadth and ultimate efficacy of a law or regulation for its intended purpose. In this paper we provide new evidence on substantive political influence in the context of global anti-bribery regulation, which is an area becoming increasingly central as trade and production chains become more globally integrated. Thus, while the political economy literature thus far has generally focused on legislation that can influence domestic markets and studying the role of politics in regulatory actions in this context,[1] we view this paper as an important addition exploring political influence in the growing international regulatory environment.

From a capital-weighted, and motivating-trend perspective, as global markets have become increasingly integrated – with S&P 500 firms in aggregate realizing nearly 50% of their sales overseas (Standard & Poor's (2019)) – the need to keep a level playing field in foreign markets has become an increasingly critical component of the competitive landscape for all firms. Thus, in this paper, we explore – and provide novel evidence – in this environment on how political incentives can influence the process and outcomes associated with regulatory enforcement in this global setting. We utilize the setting of foreign bribery enforcement. In particular, through the Foreign Corrupt Practices Act (FCPA) of 1977, the U.S. government passed legislation in an attempt to tamp-down on the then common occurrences of bribery of foreign officials, and to restore public confidence in the integrity of the U.S. business system abroad. Since its enactment, FCPA-related enforcement has generated a substantial surge in broader enforcement and became a priority for U.S. law enforcement agencies (and source of revenues), conceivably to give confidence to U.S. firms of this level-playing field across their increasingly expansive global competitive space.[2]

[1] For instance, streams of this literature have explored domestic government bailouts (e.g., Brown and Dinç, 2005; Faccio et al., 2006; Duchin and Sosyura, 2012; Leverty and Grace, 2018), along with domestic financial regulation (Kroszner and Stratmann, 1998; Liu and Ngo, 2014; Akey et al., 2021).

[2] In terms of the difference in the function of enforcement agencies, the SEC takes enforcement actions and brings civil penalties, while the DOJ is responsible for civil suits and all criminal prosecutions. However, both the SEC and DOJ often enforce through joint investigations and settlement negotiations. In terms of magnitude, FCPA violation penalty revenue has generated upwards of 50% of the total penalties of the *entire* DOJ Criminal Division in years, and in 2020 set another record high (Department of Justice (2021)).

We find that although it was enacted to level the playing field, the law itself remained open to political influence that could tip the scales of enforcement in favor of some firms, and to the detriment of others. Moreover, we find evidence consistent with precisely this occurring – certain politicians appearing to strategically exert their influence over the process to benefit their own and their constituent firms' interests at the detriment of outside agents.

The scope for political influence within the FCPA stems from its structural focus, in that it is challenging to extend both the detection and enforcement of anti-bribery laws to extra-territorial jurisdictions against companies. As such, the FCPA's enforcement has discretionary components in both: i.) who to target in enforcement actions, and ii) the timing of enforcement. Regarding (i), we find strong and robust evidence that foreign firms are targeted significantly more intensively in states directly before a Senator's election in those states. The targeting is concentrated in closer elections, in the most salient industries in the Senators' states, causes a significant spike in public media attention and increase in vote-share, and is utilized most intensively by those Senators closest to the enforcement action authorities.

With regards to enforcement timing, there is a substantial gap between corruption activity and enforcement of on average 8 years. Further, exact timing is idiosyncratic – varying between immediate action and enforcement following the alleged bribery, up to over 25 years following alleged infraction. Figure 1 depicts the distribution of this time lag across the universe between bribery activities and enforcement actions. Comparing again the U.S. and foreign firm, 5% of enforcement actions (26 cases) against U.S. firms occur within five years after the initial bribery, while for foreign companies solely 1% of enforcement actions (7 cases) occur within five years. The built-in delays in enforcement thus further the FCPA's potential use as a discretionary tool, enlarging the pool to choose from with regard to targeting firms.

Stepping back, to better understand the setting, all domestic firms with foreign operations *along with* all foreign firms having any operations in the U.S. are subject to the FCPA statutes and enforcement in each country in which they operate. Given this wide range and breadth, it is not unreasonable that full enforcement can quickly become infeasible. While the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) are in charge of enforcement, they have limited resources relative to the increasingly

global activities of domestic and foreign firms (along with receiving varied levels of cooperation from foreign governments), and thus enforcement almost surely requires some element of discretion and targeting. It then follows that these enforcement agencies will have to selectively choose targets in the cross-section and time-series to begin enforcement inquiries upon – build the given case (which we show empirically typically takes years), and then decide if (and importantly *when*) to take and announce formal enforcement action against a given firm. This introduces considerable discretion in anti-bribery enforcement for U.S. regulators open to political influence, the outcome of which we explore in this paper.

We find widespread evidence consistent with the tool which was meant to *level* the playing field for business-environment fairness having been used for political influence, thus in part leading to the opposite occurring. Namely, that FCPA enforcement actions are related in geography, time, and usage with political motives, tipping the scales in ways that appear incentive-aligned along these dimensions. In particular: i.) spikes in FCPA enforcement are concentrated in foreign headquartered (as opposed to domestic headquartered) firms prior to important elections in those states; ii.) the spikes in enforcement occur specifically at those firms that compete most intensely with domestic firms; iii.) the enforcement is muted for foreign firms in dominant industries in the important election state given local constituent interests; iv.) the enforcement results in large and significant coverage spikes in the public media, and ultimately to significant jumps in votes received; and v.) the Senator's ascension to the judiciary committee chair increases their political influence over the enforcement agencies. Moreover, the cases chosen to be brought against foreign firms appear to be weaker all-around cases. For example, they have: fewer scopes of bribery, are more likely to never reach court proceedings, more likely to end in plea-agreements, and end in significantly lower sanctions.

To establish empirical identification, we utilize cross-sectional and time-series variation in political incentives. In particular, we examine U.S. Congressional Senate elections – which have schedules that are pre-determined, known years in advance,[3] and are exogenous

[3] With the exception of special elections. These are infrequent (for instance, occurring because of deaths while in office), and our results are unaffected by excluding these unexpected (within-term) events.

from a timing and location perspective.[4] They are staggered spatially and in time – with one third of the Senate seats brought up for re-election of 6-year terms every even-numbered year. Moreover, unlike presidential elections, there is substantial cross-state variation in the timing of treated and untreated states in each election cycle. This allows us to exploit this exogenous variation in Senate election timing and locations to explore the extent to which political influence impacts the enforcement of the law.

Our sample consists of 8,677 global publicly listed companies with subsidiaries both in the U.S. and in foreign countries from 1985-2017. To study whether political incentives influence the enforcement action of regulators, we use detailed subsidiary-level data of U.S. and foreign companies and link the location of subsidiaries to the state electoral cycles. There is strong evidence that election cycles affect regulators' enforcement actions. Our results suggest that regulators do not respond equally to all firms, instead responding primarily to foreign firms. We find that the probability of a regulatory enforcement increases by 23% (t=3.04) in the year leading up to an election for foreign companies. In sharp contrast, we do not observe any increase in regulatory actions against U.S. firms in the same pre-election years, nor of firms in the non-election states.

Exploring the actions taken against foreign firms pre-election and the incentives of politicians in more depth, we provide additional evidence of a relation with local constituent interests. Enforcement actions are focused significantly more on foreign firms associated with less job creation in the Senators' states. Moreover, even within these sets of firms, the targets tend to be those that do not have a large economic footprint in elected officials' specific jurisdiction. These therefore represent actions that are less likely to negatively impact or upset voting constituents.

Moreover, in exploring potential underlying mechanisms behind these empirical patterns, we find additional evidence consistent with economic incentives. First, we find that enforcement action investigations are followed by spikes in public media coverage of the FCPA action. Further, enforcements are significantly related to the level of foreign competition and the exposure of the given firm to a global supply-network in the year leading up to elections. Foreign companies have a higher probability of being targeted if they

[4] While aggregate political incentives have clearly been present throughout history, one component of aggregate variation that is consistent with the rise in actions we observe is the increasing importance of international trade and presence over time (World Bank (2020)).

compete more intensely with U.S. companies or have stronger economic links with foreign-supply chain networks (as opposed to integrating with U.S. based-networks). Our results further show that again the effect of foreign competition on enforcement is stronger for out-of-state firms that do not have a large economic footprint in their jurisdiction. Therefore, the targeting actions appear to trade off the gains and the costs associated with enforcement in the years leading up to elections.

We further examine the electoral implications associated with the enforcement actions. Our results indicate an additional enforcement against foreign firms led to a 2.2% increase in the incumbent party's votes relative to the mean. Again, we find that the spike of media attention covering the FCPA enforcement action, and vote increase, is particularly large when foreign and U.S. firms are competitor firms. To investigate the role of congressional control in the regulatory enforcement, we examine the effect of Senators who can directly influence the regulatory agencies. Specifically, Senators serving on the Judiciary Committee have active oversight and control of the Department of Justice. We find that foreign companies with operations in states whose senator is appointed chair of the Judiciary Committee experience a 20 percent increase in the probability of enforcement pre-election – and that these cases are specifically brought by the Department of Justice.

Turning to the targeted cases themselves, we find evidence that the cases brought against foreign firms pre-election appear to be weaker overall cases. For example, they are significantly less likely to ever make it to court proceedings. In addition, they are significantly more likely to end in plea-agreements for the accused firm. They are also associated with a significantly lower sanction-to-bribe ratio of dollars collected (e.g., the amount of "sanctions" for each dollar of alleged bribery), and involve significantly fewer forms of bribery than in other cases (e.g., money, automobiles, real-estate, vacations, etc.).

Lastly, we document how firms broadly respond to FCPA regulatory enforcement actions brought against. We find that all firms – domestic and foreign – display a number of distinct changes from pre to post, following the targeted FCPA enforcement. In particular, firms significantly reduce exposure to those countries who rank most highly on a Global Corruption Score Index. They do so in terms of both: i.) the extensive margin through reductions in the actual number of physical segments domiciled and operating in perceived corrupt countries, along with ii.) the intensive margin through reductions in the percentage

of their total global sales to those countries. In a cross-country comparison in terms of both segments and sales, we find that firms from nations perceived as *least* corrupt appear most sensitive to the FCPA actions. This is consistent with anecdotal accounts that partner-governments of these nations have worked most closely with their U.S. analog agencies to enforce the FCPA and mirror trade laws and agreements across nations. This suggests changes in firm actual production and sales behavior, and thus these FCPA enforcement actions having real impacts in firm operational decisions.

Our paper contributes to the literature on the role of political influence on the decision of regulatory agencies or legislative voting behavior (Kroszner and Strahan, 1996; Mian, Sufi, and Trebbi, 2010; Cohen and Malloy, 2014). A number of papers document the political economy of banking regulation and deregulation (Benmelech and Moskowitz, 2010; Liu and Ngo, 2014; Kroszner and Stratmann, 1998; Kroszner and Strahan, 1999; Agarwal et al., 2014; Lambert, 2018; Akey, Heimer, and Lewellen, 2021). The paper also supports the literature on the political influence on broader regulatory enforcement related to corporate misconduct, antitrust and trade (Weingast and Moran, 1983; Correia, 2014; Baker, Frydman, and Hilt, 2018; Mehta and Zhao, 2020; Mehta, Srinivasan, and Zhao, 2020). Similarly, as Yu and Yu (2011), we provide empirical evidence on how political motives might subtly shape regulatory decisions and the mechanisms that lead to discretionary enforcement.

This paper also contributes to the literature on the economic impacts of corruption (e.g., Shleifer and Vishny, 1993, 1994; Acemoglu and Verdier, 2000), and how regulatory enforcement shapes corrupt behavior (Fisman and Miguel, 2007). The economics of crime research (Becker (1968)) emphasizes the assumption that agents respond to the costs and benefits of committing crime, which determines the optimal amount of enforcement. Recent strands of this empirical research have focused on micro-data to study the impact of anti-bribery enforcement activity on economic outcomes and resource allocation. Zeume (2017) examines changes in UK firms' values around the passage of the UK Bribery Act and finds that the prospect of higher penalties decreased the firm values of UK firms. Goldman and Zeume (2021) show that unpunished firms benefit from anti-bribery enforcement, which is associated with increases in revenue and productivity. Karpoff, Lee, and Martin (2017) use foreign bribery-related enforcement actions initiated under the FCPA to examine firms' incentives to pay bribes and their costs. We build on this literature providing novel evidence

of political incentives impacting the enforcement of the world's, earliest, largest and most expansive regulation on global firm activities and conduct (the FCPA).

I. Origins of the FCPA, Political Influence and a Case Study

A. Foreign Corruption Practices Act of 1977 and Controversial Implementation

As with most new laws, the FCPA was not formulated without precipitation – specific events and policy considerations motivated Congress to enact it. Discovery of a foreign corporate payments problem in the mid-1970s resulted from the Office of the Watergate Special Prosecutor, including investigations by the Securities and Exchange Commission. One notable case was Lockheed Corporation. The defense contractor received a $250 million government loan to avoid bankruptcy and spent over $100 million of those funds on bribes to various government officials. Brewster and Buell (2017) document that the statute was also in part a response to the national security concerns in the 1970s Cold War era between political worldwide regimes.

Since the passage of the 1977 Act, there have been concerns regarding its adverse impact on U.S. businesses abroad. In theory, the FCPA could place U.S. businesses at a comparative disadvantage. This is because even though the FCPA allows enforcement against domestic and foreign-domiciled firms, the enforcement of these actions often relies on cooperation of the foreign jurisdictions. Thus, despite the fact that the FCPA provides prosecutors with significant extraterritorial jurisdiction, international cooperation is an element. This goes from the sharing of internal corporate records during the initial stages of investigation through to the end-enforcement in certain instances. In practice, prior to 2000, foreign governments regularly did refuse to impose civil or criminal rules against their domestic firms. This fueled deepened concern from American businesses about their relative disadvantage in foreign markets, as the FCPA might only be effectively and unevenly enforced against U.S. corporations. Figure 2 illustrates, to this end, the limited number of enforcement actions against foreign companies prior to 2000.

In response to these criticisms, the U.S. Congress directed the Executive Branch to seek a level playing field by encouraging trading partners to adopt similar anti-bribery policies. These efforts ultimately lead to the creation of the Organization for Economic Cooperation

and Development Convention on Combating Bribery (the "OECD Convention").[5] On July 31, 1998, the Senate passed S. 2375 – The International Anti-Bribery and Fair Competition Act of 1998 - by unanimous consent. The new legislation criminalized the bribery of foreign public officials, required business accounting transparency, and promoted cooperation in the international investigation and enforcement of anti-bribery laws.[6] It further called on *all* parties to assert territorial jurisdiction broadly by expanding the extraterritorial scope of the FCPA through international cooperation in a wider range of cases.

In terms of its enforcement, while the law was passed in 1977, recent years has seen a marked rise in enforcement, from five actions in 2004 to 74 in 2010. According to the Stanford Law School Foreign Corrupt Practices Act Clearinghouse (FCPAC), the total sanction payments for FCPA violations were $14 billion in 2016-2019, which constituted 48 times that in the years 2004-2007. Moreover, this represents a substantial percentage of all criminal fines collected by the DOJ, upwards of 50% of all revenues in certain years (Department of Justice (2021)), setting a record high again in 2020. Panel A of Table 1 shows the ten largest settlements, including a $3.5 billion fine against Odebrecht S.A., a global construction conglomerate based in Brazil. Goldman Sachs Group Inc. paid a $2.6 billion fine and admitted wrongdoing to end a bribery probe originating in Southeast Asia. Together, the 1MDB scandal cost the firm more than $5 billion to resolve, about two-thirds of the firm's annual profits. Airbus agreed a record $4 billion settlement with France, Britain and the United States (DOJ's $2.09 billion penalty) to avoid criminal prosecution with a corporate plea bargain. But it would be barred from public contracts in the United States and the European Union – a substantive blow to a major defense and space supplier.

Panel A of table 1 also lists the 10 cases that were subject to the longest delays in enforcement between alleged bribery and enforcement, including: Alcoa World Alumina LLC, Total, S.A., Marubeni Corporation, JGC Corporation, Tyson Foods, Inc., Rolls-Royce PLC,

[5] The Passage of the OECD Convention paralleled a series of corruption scandals in European in 1995 and 1996. The corruption allegations in Germany, France, and the United Kingdom changed national politics and combating corruption became major electoral issues.

[6] The OECD Convention calls on all parties to make it a criminal offense "for any person intentionally to offer, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business."

Technip FMC plc, Kellogg Brown & Root LLC, Teva Pharmaceutical Industries Ltd., and Alstom S.A.

B. Anecdotal Evidence on Political Influence

There are a number of pieces of anecdotal evidence surrounding the importance- and potential for political influence - with respect to FCPA-enforcement in addition to the full-sample evidence that we provide. For instance, in the hearing before the Subcommittee on Crime and Drugs of the Committee on Judiciary United States Senate on Nov 30, 2010, Senator Specter commented on the Siemens's case and FCPA enforcement more broadly: "I have been concerned about law enforcement for a long time and have had some experience in the field and am convinced that the only impact on matters of this sort is a jail sentence. Oversight is a major function of Congress. Oversight of the criminal law is a major function of the Judiciary Committee."

Greg Andres, Deputy Assistant Attorney General, Criminal Division, U.S. Department of Justice, testifying on June 14, 2011, commented: "The Department also takes seriously our obligation to provide *guidance* in this area. Our goal is not simply to prosecute FCPA violations, but also to prevent corruption at home and abroad and promote a level playing field in business transactions." Senator Klobuchar, concerned about the competitiveness of local firms globally, "Again, I have heard from a *number of businesses in my State* – and this was not an organized discussion, this is over a year of people bringing up what is making it difficult for them to export, when all we want to do is create jobs in this country". In addition, in the hearing before the Subcommittee on Crime, Terrorism, and Homeland Security of the Judiciary House of Representatives on June 14, 2011, Chairman Sensenbrenner emphasized the potential impact of FCPA on job creation, "As a part of its oversight functions over the Justice Department and the criminal laws of the United States, this Committee is well suited to examine the impact of the FCPA and to ask *hard* questions about whether the act is succeeding in its mission or is needlessly hurting American job creation. I look forward to hearing more about this issue and thank all of our witnesses for participating in today's hearing."

Furthermore, as mentioned, FCPA fines represent a meaningful revenue source for the DOJ, making up half of all DOJ Criminal Division penalties in fiscal year 2010, and as

mentioned, growing over time setting another new record in 2020. Businesses that are trying to comply with the FCPA assert that the law is being enforced in a vague and impenetrable manner. Because the risks of prosecution are so great, with billion-dollar fines and possible prison sentences, companies would rather settle with the Justice Department than to go to court. Motivated politicians clearly have both oversight, and discretion in this oversight.[7]

C. The United States of America v. Total, S.A. Case

To give a concrete example of an enforcement action from our sample, we take a case from the oil and gas industry, *United States of America v. Total, S.A.*, brought by the DOJ and SEC. Total, S.A. ("Total") is a French corporation engaging in the business of exploring for and developing oil and gas resources around the world. Total owned and operated a number of subsidiaries, with its central U.S. base of operations located in Texas. On May 29, 2013, the DOJ filed a case against Total alleging conspiracy to violate the anti-bribery provisions of the FCPA, along with violation of internal control provisions of the FCPA. According to the district court filings, Total accepted responsibility for the conduct alleged in the suit and agreed to pay a criminal fine of $245.2 million to implement enhanced anti-corruption compliance policies and procedures, and to hire an independent monitor for a period of three years.

The court filings indicate that: "From May 1995 to November 2004, Total and its co-conspirators, participated in a scheme to pay approximately $60 million in unlawful payments to intermediaries designated by an Iranian official. The Iranian official was the Chairman of an Iranian engineering company owned by the Government of Iran. The purpose of the payments was to induce the Iranian Official to use his influence to assist Total in obtaining and retaining over $1 billion of business related to the Sirri A and E and South Pars oil and gas field development projects."

Exxon Mobil Corporation, one of the world's six largest publicly traded oil and gas companies, is an American multinational oil and gas corporation that also happens to be headquartered in Texas (Irving, Texas). Exxon Mobil competes with Total in numerous markets and aspects of the oil, natural gas, and energy procurement and production. Moreover, the 2014 United States Senate election in Texas was held in November 2014, with

[7] Further anecdotal evidence is shown in Appendix B.

incumbent Republican Senator John Cornyn (also a member of the Senate Judiciary Committee) running for re-election to a third term, eventually winning Senate re-election. The enforcement action against Total was brought in 2013, coupled with an explosion of media coverage, preceding the Senate election in Texas. In what follows, we find evidence consistent with this pattern across the universe of all FCPA violation enforcement actions taken from 1985-2017.

II. Data, Summary Statistics, and Broad Patterns around U.S. Senate Elections

A. Data Sources

We hand-collect case-level data from the United States Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) on anti-bribery investigations and enforcements from 1985 through 2017. We analyze settlement agreements and other litigation-related documents that are published on the SEC and DOJ websites, coupled with court documents from the Public Access to Court Electronic Records (PACER) site. We further augment the enforcement actions, investigations, and entities information with data from the Foreign Corrupt Practices Act Clearinghouse (FCPAC) and verify information from the SEC, press releases, news articles, and other publicly available sources. Our case-level data on enforcement covers 589 cases that involve corruption activities in more than 70 countries.

The election data cover state-level U.S. Senate elections from the MIT Election Data and Science Lab (MEDSL). This data includes every Senate election held between 1985 and 2017. Each Senator is elected to serve a standard six year-term (barring special elections and appointments), where the terms are staggered and approximately one-third of the seats are up for election every two years in the 100 seat chamber of the Senate. The election data includes information on: party affiliation, election outcomes, and vote margins. We also obtain party affiliation and committee assignments of senators from the dataset of Charles Stewart III and Jonathan Woon, Congressional Committee Assignments, 103rd to 115th Congresses, 1993-2017 (Stewart and Woon (2017)). To capture the influence of senators, we examine the specific role of judiciary chairs for laws and hearings related to enforcement actions.

Our firm-level dataset covers all publicly traded multinational firms listed on the three major U.S. equity exchanges – NYSE, NASDAQ, and AMEX – covering both foreign and U.S. firms listed along with foreign publicly traded firms. We obtain accounting data on our global sample of firms from COMPUSTAT North America and Global. To focus on multinational corporations with similar global operations for comparison, we retain U.S. companies doing business abroad with at least one foreign subsidiary and foreign firms who operate in the U.S. with at least one subsidiary from the Bureau van Dijk-Orbis Database (BVD) subsidiary-level data. For U.S. multinational corporations, we match the state-level electoral cycles with their U.S. headquarters location. For foreign firms that have multiple subsidiaries in the U.S., we identify their most active state of operation with the largest number of subsidiaries and match with the electoral cycles in this state. The U.S. subsidiary location of foreign firms allows us to utilize disaggregated geographic information to study the effect of variation in state-level elections on enforcement outcomes. [8] State macroeconomic data on GDP, employment, and population are sourced from the United States Census Bureau of Economic Analysis (BEA) and the United States Bureau of Labor Statistics (BLS).

In addition, Regulation SFAS No. 14 and 131 require firms to report information on operating segments in interim financial reports issued to shareholders. Firms are required to disclose financial information on any industry segment that constitutes more than 10% of consolidated yearly sales, asset, or profits and to identify any major customer representing more than 10% of the firms' total reported sales.[9] We augment this data using FactSet-Revere Data to capture global economic linkages based on supply-chain relationships.

B. Summary Statistics and Patterns around U.S. Senate Elections

Figure 2 shows the number of enforcement actions over time – the blue and red bars plot the number of enforcement actions against U.S. and foreign firms respectively. Prior to

[8] Our main analysis focuses on state-level information of foreign public firms with subsidiaries in the U.S. We also use county-level data associated with firms' main operations to construct alternative measures of locations in the robustness tests.

[9] SFAS 131, which superseded SFAS 14 *Financial Reporting for Segments of a Business Enterprise,* became effective for fiscal years beginning after December 15, 1997. SFAS 131 permits firms to disclose country-level geographic segment disclosures after the implementation of SFAS 131. SFAS 131 increased the number of reported segments and provided more disaggregated information in the post–SFAS 131 period.

the OECD Convention initiated in 1998, the regulatory agencies centrally targeted U.S. companies in most years. The increasing number of enforcements following the OECD Convention provides suggestive evidence that indeed the SEC and DOJ did initiate increased enforcement following international cooperation and compliance through the establishment of the OECD Convention.

Figure 3 then plots the number of anti-bribery enforcement actions around the nearest election date in U.S. states where either U.S. and foreign firms are headquartered or where their main business is located. The lighter bars show the number of enforcements in the twelve-months leading up to a Senate election, and the darker bars indicate the number of cases in the year following a Senate election, in 3-month increments. Panel A shows the number of enforcement actions taken against U.S. companies, while Panel B shows this identical targeting statistic for foreign companies.

Panel A shows no significant change in enforcement actions either leading up to, or following, a Senate election. Panel B shows a sharply contrasting pattern for foreign firms. Namely, cases against foreign firms spike in the 3 months just preceding a Senate election in that foreign firms' main operating state. In the years leading up to Senate elections, the number of enforcement actions in aggregate brought by regulators jumps from the six months (regulators filed 49 cases) to three months prior to the election (101 cases). This over 100% jump in cases is statistically significant at the 1 percent level. In the twelve months after elections, the number of enforcement actions drops back down to the average of 43 cases. Again, from Panel A, no similar pattern is observed in the enforcement actions against the equivalent set of U.S. multinational firms.

Panel A of Table 1 lists the largest 10 monetary sanctions, along with the dominance of foreign firms on this list (only Goldman Sachs is U.S. headquartered). Panel B then shows the cases across industrial sectors, where the top 3 sectors include Manufacturing, Natural Resource Extraction, and Finance. Panel C lists the number of enforcement actions ranked by country in which the alleged corruption occurred for the top 50 countries. A first observation is that regulatory enforcement actions against bribery are brought in regions across the globe. In Appendix Table A1, we document a similar list, but instead ranking by the headquarters of the alleged bribing *firm* in question, irrespective of where the action took place. So in the case of Total SA from Section I, for instance, the "Country of Alleged Bribing

Activity," listed in Table 1 would be Iran, while the "Headquarters Country of Firm Alleged to Be Bribing," listed in Table A1, would be France. Further, in both Tables 1 and A1, we list country-level Corruption Index Scores taken from Transparency International. We transform the index to a Corruption Score of 0-10, where a higher score (e.g. closer to 10) denotes more perceived corruption, and lower score the opposite.

From Table A1, a significant number of cases involve firms headquartered from developed countries with relatively low level of corruption score. This challenges the traditional view that the FCPA enforcement simply target firms from perceived corrupt countries.

Table 2 reports summary statistics for our sample of U.S. and foreign firms. The dependent variable in our analysis is the fraction of firm-year observations that are subject to anti-bribery enforcement. Given that Senate elections are staggered and approximately one-third of the seats are up for election every two years, our sample average of *Pre-election* indicates that roughly 35 percent of the firm-year observations are headquartered in states up for elections in any given year. Our competition and foreign network exposure capture the ratio of foreign supplier chain relationships (including suppliers, customers, or competitors) to the total number of network linkages.[10]

III. Empirical Results

A. Methodology

In this section, we explore time-series and cross-sectional congressional influence associated with FCPA enforcements actions. Essentially, we are attempting to more formally test the initial patterns observed in Figure 3. To do so, we use a difference-in-difference estimator to compare the enforcement outcome in treated states and control states. Specifically, we compare the probability of enforcement in states with an upcoming Senate election (the treatment group) with the probability of enforcement in states without an upcoming election (the control group), for both U.S. and foreign firms.

The advantage of our identification, as previously mentioned, is that Senate elections, unlike presidential elections, occur in different states and years over time in predetermined

[10] Besides the intensive margin, our results are robust to the extensive margin of network-size, i.e., whether a firm has any foreign suppliers, customers, or competitors, which we discuss in detail on the measure in later sections.

fashion, being predictable years in advance, and only treat a specific subsample of states in any election cycle. Therefore, elections in each state can be considered as independent testing samples for the effect of political incentives on enforcement actions for that specific state facing election (and not others who are not), which then changes every two-year period, predictably. The substantial cross-state-and-time variation allow us to then explore political incentives associated with the enforcement actions. Moreover, the substantial average delays in enforcement as shown in Figure 1 and Table 1 alleviate the concern that elections drive changes in firm performance, which coincides with changes in foreign corruption activities, themselves.

We estimate the following model:

(1) $$Target_{cist} = \delta_1 PreElection_{cist} + X'_{cist}\beta + \theta_c + \theta_s + \theta_i + \theta_t + \epsilon_{cist}$$

where *c* indexes country in which a firm's headquarter is located, *s* indexes the state in which a firm's main operation is located in the U.S., *i* indexes firms, and *t* indexes years. $PreElection_{cist}$ is an indicator that equals one if firm *i*'s accounting year *t* is one year before the election in state *s*, or in the case of enforcement the enforcement occurs one year prior to the election. X_{cist} is a vector of time-varying firm-level characteristics (firm size, leverage, cash ratio, ROA, sales growth) and state-level controls (the logarithm of state population, logarithm of state GDP, and state employment rate).

To address concerns regarding country- and state-level unobserved characteristics, including even fine time-invariant attributes of firms, we include a series of fixed effects. $\theta_c, \theta_s, \theta_i$, and θ_t thus represent country, state, firm, and year fixed effects to control for unobserved, time-varying differences across headquarter countries, states, and firms. The unit of observation in these regressions is the firm-state-country-year. All standard errors are clustered at the firm level.

In the following analysis, we estimate the pre-election effect δ_1 and compare the differences in anti-bribery enforcement between the sample of U.S. and foreign firms. Our multiple treatment events result across time and states in 575 separate Senate elections in 50 states over 32 years. A key identification assumption in the diff-in-diff estimation in Equation (1) is that treated and control firms share parallel trends. This parallel trend is observed in Figure 3 – in the lead-up comparing U.S. and foreign firms. Moreover, in subsequent analyses

we run a number of placebo-effect specifications to show the unique importance of the election period.

B. Baseline Results

We explore the impact of political incentives on anti-bribery enforcement in the year leading up to elections. Table 3 presents the linear probability regression estimates of the effect of senate election cycles on anti-bribery enforcements. Columns 1 to 3 present results with *Target* as the dependent variable, which captures the likelihood of enforcement for U.S. and foreign firms. We include country, state, industry, and year fixed effects in Column 1. The second regression (Column 2) adds firm-level controls (size, leverage, cash ratio, ROA, sales growth) and state-level variables (logarithm of GDP, employment rate, and logarithm of population). Column 3 then estimates the same regression specification, but with finer firm fixed-effects, which subsume country-, state-, and industry-fixed effects (as we have essentially no firms that are switching countries, states, or industries over our sample). $PreElection$ has an insignificant effect on the probability of enforcement in the year leading up to senate elections when foreign and U.S. firms are pooled and included together, as report in Columns 1-3.

However, this masks the stark contrast in enforcement behavior taken against foreign vs. U.S. firms found when splitting across the two types of firms in Columns 4-11. To begin, in Columns 4-6 we run these identical specifications separated out solely for the sub-sample of firms headquartered in the United States. From Columns 4-6, we see no evidence of an increase in enforcement actions. In fact, the point-estimate of the effect is even negative, though not statistically significantly so.

Columns 8-10, however, show a sharply different pattern for foreign firms as targets of FCPA violation actions. Foreign firms are targeted significantly more often pre-election. The positive and significant coefficient on $PreElection$ is statistically significant at the 1 percent level across all specifications. The magnitude of the effect is also economically meaningful: the coefficient on *Pre-election* of 0.0014 in column 10 (including firm-fixed effects), implies that the probability of enforcement increases by 23% for a foreign firm in the year leading up to an election (t=3.04) in that foreign firm's U.S. operational headquarters location. Moreover, the enforcement gap between U.S. and foreign firms in pre-election years is

consistent with politicians and regulators exercising some discretion in timing – as normally the majority of actions (58%) are against domestic firms. Examining the coefficient on *Pre-election* across specifications, the inclusion of state- and even fine firm-level controls and fixed-effects do not materially change the magnitude, bolstering the specification set-up and notion that elections – which again are predetermined and predictable in time and location – are in fact exogenously pre-determined events, and unlikely to be correlated with firm and state characteristics.

Next, we explore the robustness tests of the result for the latest portion of the sample period, from 2006-2017.[11] This is critical as both: i.) most of the enforcement actions against foreign firms empirically take place only after the OECD is established and in this later time period; and ii.) we want to ensure that the result is not simply an artifact of past enforcement tendencies (not present in the current political times), nor driven by a mis-match in timing before relative U.S. and foreign enforcement decisions. To begin, Panel B of Table A1 shows the distribution of firms in election years versus non-election years and U.S. and foreign companies. In particular, all states have balanced 4 elections during this later period (except for West Virginia). This implies that the increases in enforcement likelihood is unlikely to be driven by the clustering of elections in certain states over the period of increased foreign enforcement. In addition, the number of foreign and U.S. companies remain stable over time, which suggests that the enforcements are unlikely to be driven by structural changes in business dynamics.

Moreover, turning to the formal regression framework, we estimate our main regression specification separately solely on this later time period in Columns 7 and 11 of Table 3. Consistent with the main sample analysis, from Column 7, the estimate for U.S. firms is negative in point estimate and insignificant. In contrast, from Column 11, the economic magnitude is even larger in point estimate for the sample 2006-2017 most recent period. The probability of enforcement increases by 46% in the year leading up to an election for foreign companies, roughly double that of the full sample. These results provide support and timeliness to the findings, along with assuaging the concern that the increases in enforcement are due to an aggregate trend over time in the reallocation of foreign firms in the U.S.

[11] We thank Stefan Zeume for the helpful suggestions on the balance of elections in the later period.

C. Corroborating Evidence on Strategic Timing

C.1 Media Spikes Surrounding Enforcement Action Announcements

Our main results suggest the impact of political motives on regulatory agencies over the electoral cycles. We further explore the granular nature of timing of enforcement to better understand the mechanisms through which these actions might transmit to local constitutes. In particular, we first examine the potential role of public media. Specifically, we search the number of *Wall Street Journal* articles related to keywords surrounding "FCPA enforcements". Panels A and B of Figure 4 show the media coverage on enforcement actions against U.S. and foreign companies, respectively. The amount of news spikes sharply and correspondingly in the quarter of enforcement for both U.S. and foreign firms. This is comforting with regard to the FCPA violation in that it suggests: i.) that the FCPA violation itself is not "leaked" or anticipated in any for U.S. or foreign firm, ii.) that the FCPA violation represents something sufficiently material to the firms that news outlets sharply increase coverage on its announcement, and iii.) perhaps most importantly, (i) and (ii) show no differential and are both equivalently true for both U.S. and foreign firms.

We additionally investigate how media coverage changes with enforcement actions in a regression framework. Table A2 shows that the estimates are positive and statically significant for both U.S. and foreign companies in the enforcement event quarter. Furthermore, we observe no media attention spike of similar magnitude in the period prior to and following the event.

C.2 Placebo Tests on Timing and Location

We further conduct placebo tests on Senate election dates to investigate whether unobservable state-level characteristics can explain the enforcement patterns we document. Namely, we conduct placebo tests on Senate election timing and location by randomly assigning across time and state Senate elections with their corresponding probability of 1/3. The results of these placebo tests are shown in Appendix Table A3. The predicted probabilities are insignificant for the full sample of both U.S. and foreign companies (Column 3). And while the coefficient on U.S. firms is nearly identical from Table A3 Column 6 (-0.0007) vs. -0.0006 in Table 3 – the coefficient for foreign firms drops from the original

highly significant 0.0014 in Table 3, to a statistically insignificant (-0.0003) for these placebo tests (Column 9 of Appendix Table A3).

C.3 Tests Equating Firm Global Network Exposures Between Foreign and U.S. Firms

Even given the baseline results above, one might be concerned that we are simply capturing different types of firms in "U.S." vs. "foreign" firms. Perhaps the foreign firms we are measuring are simply operating in different markets (and appearing to be riskier and more corrupt, etc.) than the U.S. global firms that happen to show up in this sample. In order to explore this in more depth, we focus on a sub-sample of firms for which we compare U.S. and foreign companies with similar global segment exposures. In particular, we focus on multinational firms that operate in similar foreign markets and thus might be expected to be to subject to identical exposures, bribery-intensity environments, geographic shocks, etc. In order to do this, for each U.S. firm, we match their foreign subsidiaries with the subsidiaries of foreign companies that operate in the same industry and location with the closest number and identity of subsidiaries. Effectively, our analysis compares subsidiaries in the same foreign country and 4-digit SIC code industry that belongs to parent firms catering to similar foreign market segments.

Table A4 shows that matching U.S. and foreign firms with similar geographic exposure has little impact on the inference of our results. In fact, the point estimate is again even larger in estimated economic impact in this more finely matched sub-sample. For instance, the coefficient on *Pre-election* in Column 6 of Table A4 indicates that the probability of enforcement increases by 33 percent relative to the average probability of targeting foreign firm of 3.13% in this sub-sample. The unconditional probability is higher in this sub-sample given the conditioning on firms with larger geographic exposures, and yet we still find the magnitude of the relative economic effect being equivalently large and significant.

Stepping back, the sum of the results in Section III suggest a role of political influence - potentially substantive - in the observed FCPA enforcement against U.S. and foreign firms. Moreover, this is unlikely to be driven by an endogenous timing of elections or differences in firms' relative global networks, has been getting stronger over time, and is transmitted – at least in part – through media coverage.

IV. Where are FCPA Enforcement Actions Against Foreign Firms Concentrated?

In this section, we further explore the cross-section and time series of the spikes we observe in FCPA enforcement actions against foreign firms to further uncover potential mechanisms that might be driving the empirical patterns we document.

A. Locally Important Industries and Enforcement

If individual political motivations are driving the enforcement spikes we observe, one might expect to see fewer actions brought against industries that are especially important for Senators' own state's interests. In order to explore this, we create a measure, *Local Concentration*, measured as the fraction of establishments operating in industry *j* in state *s*. In the analysis, we interact the election cycles with this local economic importance of the given industry.

Panel A of Table 4 presents the results. Across specifications, *Local Concentration* itself is largely negative and often significant, consistent with politicians being less likely to spur enforcement actions against important industries in their states. Moreover, the interaction term between *Pre-election X Local Concentration* is negative, and significant amongst foreign firms, suggesting that politicians might be more reluctant to bring actions against key industries in their states directly before an upcoming election, even amongst foreign firm targets.

In further examining the variation across foreign-firm targeting, we turn to the intensity of foreign firms' operations in the U.S. vs. their total global presence. One might expect that if foreign firms' operations are largely concentrated on the U.S. market (for instance, certain firms sell upwards of 75% of total sales in the U.S.), then these firms are perhaps more interested and incentivized to invest in their image and brand in their U.S. operations, and at the very least more concerned about potential negative shocks to this demand. In order to capture this, we create a variable *U.S. segment share*, which measures the fraction of foreign firms' segment sales in the U.S. relative to their total sales globally.

Columns 1 and 2 of Panel B of Table 4 then explore the pattern on Foreign Firm Targeting with respect to U.S. market concentration in further detail. Interestingly, the coefficient on the main effect of *U.S. segment share* is positive – as perhaps the foreign firms become more entrenched in the U.S., they become easier to collect data upon, monitor, police,

etc. However, the interaction term between *U.S. segment share X Pre-Election* all but zeros out the strategic timing in targeting of the foreign firms. The interaction term suggests that as a foreign firm "becomes" a U.S. firm in presence by its U.S. segment share converging to one, it zeros out any strategic targeting of that firm pre-election.

B. Competition with Foreign vs. U.S. Competitors and Targeting

We next move on to exploring the economic linkages between U.S. and foreign firms operating in a given Senator's state at the time of the election. In particular, we explore the level of competition among the foreign and U.S. firms. One might expect political motivations to be particularly strong against rivals to firms domiciled in Senators' states (thus plausibly benefitting local firms and their employees more). Moreover, this incentive should be especially strong when the Senator is able to target a foreign competing firm that has little to no presence in their state, as this will lead to potential damages being minimized.

To explore the role of economic linkages, we use the entire global networks among suppliers, customers, and competitors using FactSet-Revere data. Different from the Compustat segment data, Factset-Revere covers global companies and identifies their comprehensive geographic revenue exposures from April 2003 onward. In the following analysis, we study whether enforcement actions are sensitive to network exposures around election cycles. Given the interdependence among suppliers, customers, and competitors, the probability of investigation would not only depend on regions in which a firm is operating but also its economic linkages with U.S. firms. In particular, we examine enforcement actions against foreign firms that are *full* competitors to U.S. firms - competing with U.S. firms on a global scale - which would constitute a larger threat to the local firms by losing their global competitive advantage.

Figure 5 illustrates an example of a global supply-chain network used in the analysis of foreign versus domestic interests. In this figure, Chevron Corporation and Total S.A. operate in the same industry (oil and gas), where Chevron Corporation is a U.S. company with headquarters located in California and Total S.A. is a French company with major U.S. operations located in Texas. Chevron Corporation has both Toyota Electric Power Co. Holdings Inc. (a Japanese Company with major operations in California) and BP (a British company with major operations in Texas) in its production network. Total S.A. has

ExxonMobil (a U.S. Company headquartered in Texas) and Tesla (a U.S. company headquartered in California) in its production network.

We examine whether foreign firms are targeted to an even greater extent when their entire supply-chain network and stakeholders (e.g., customers, suppliers, JV partners, etc.) are located more outside of the U.S. as opposed to being more concentrated in the U.S. Much like Table 4, one might expect the potential costs of targeting foreign firms would be attenuated if it has less direct and collateral damage domestically.

To this end, Table 5 shows results using *Foreign Network*, which measures the percentage of a foreign firm's supply chains occurring outside of the U.S. relative to its total network exposure. From Columns 3 and 4 of Table 5, the close to 0 and insignificant results on the interaction terms for U.S. companies indicate that U.S.-based companies do not experience increases in enforcement irrespective of their share of suppliers or customers which occur outside of the U.S. In contrast, from Columns 5 and 6, the positive and significant interaction term on *Pre-election* × *Foreign Network* for foreign firms suggest that foreign firms face a higher probability of enforcement if they have a larger share of their networks located outside – and opposed to within – the United States.

In Table 6, we then move on to further investigate the dynamics foreign competition for the sensitivity of enforcement actions. In particular, we estimate:

$$(2) \quad Target_{cist} = \delta_1 Preelection_{cist} + \delta_2 Foreign\ Competitor_{it} + \delta_3 Preelection_{cist} \times Foreign\ Competitor_{it} + X'_{cist}\beta + \theta_c + \theta_s + \theta_i + \theta_t + \epsilon_{cist}$$

We define $Foreign\ Competitor_{it}$ at the firm level as the fraction of company $j \neq i$ headquartered in other countries $d \neq c$ that compete with company i within its production network. In this specification, we exploit the time-series variation in foreign competition on enforcement across election cycles. This approach controls for self-selection of firms in foreign businesses and its exposure to other foreign competing firms, as well as any fixed firm-specific unobservables.

Table 6 then shows the effect of this foreign competition on the probability of enforcement in the year leading up to elections. In these specifications, we control for year-, country-, state-, industry-, and firm fixed-effects where indicated to isolate confounding

effects due to common regional trends. As in previous tests, while U.S. firms are not targeted, nor see any differential targeting based on competitive landscape, a contrasting pattern is seen with respect to foreign firm targeting.

In particular, from Column 6, the coefficient on *Pre-election X ForeignCompetitor* is positive and significant (0.0127, t=2.31) indicating that foreign firms are targeted significantly more often when they have a higher concentration of foreign competitors. The point estimate implies that going from the 25th percentile to the 75th percentile of the sample distribution of the share of foreign competitors (i.e., from 0 to 0.167) magnifies the positive effect of pre-election on enforcement by 24%.[12]

However, this again masks interesting variation surrounding the *identity* of that variation for the observed targeting of these firms. In particular, Columns 7 and 8 disaggregate the nature of the "Foreign Competition" of the foreign firm's competitors into whether they are largely U.S. firms (e.g., ExxonMobil) vs. other foreign firms (e.g., Royal Dutch Shell PLC). One might expect the political motivation (and potential payoff) of targeting to be higher in the instances in which the foreign firm was competing more intensely with domestic competitors. From Columns 7 and 8 of Table 6, consistent with this, the effect is largely driven by instances in which the competitors of the foreign firm are U.S. domiciled.

In a similar vein, in Appendix Table A5, we test whether the presence of foreign competitors with operations also located in the foreign firm's state impact its targeting (in a symmetric manner as do U.S. competitors). Consistent with the dynamics of targeting seen in Tables 4-7, politicians seem nearly insensitive to competition when it comes from other foreign competitor firms.

C. Electoral Outcomes and Targeting

An important piece of a Senator's incentive to use FCPA targeting likely surrounds the Senator's (at least perceived) notion of the extent to which the targeting confers benefits. One central benefit that might then be conferred is an increased vote-share in the immiment election before which the targeting activity appears to be concentrated. As a plausible

[12] In recently issued FCPA guidance, the DOJ and SEC jointly reaffirmed their position that U.S.- and foreign-based issuers, and U.S. citizens, nationals, residents, and entities, can be subject to territorial jurisdiction for any use of interstate commerce in furtherance of a corrupt payment to a foreign official, see https://www.justice.gov/criminal-fraud/fcpa-guidance.

mechanism for the conveyance of the targeting activity, we already see from both Figure 4 and Table A2 a significant spike in popular media coverage at the time of FCPA enforcement announcement pre-election. We then test for the impact of these enforcements on the vote-share received by the Senator in the election itself.

The results are shown in Table 7. From Table 7, using detailed Senate election data on voting records, we find evidence that Senators do experience a significant bump in electoral support on average following pre-election enforcement actions against foreign firms. From Column 2, the estimate indicates that an additional enforcement action against foreign firms led to a 2.2% increase (t=2.16) in the incumbent party's votes relative to the mean – statistically significant and economically meaningful – while no statistically reliable effect was seen following the same against U.S. firms. Moreover, in Columns 3 and 4 we then further explore electoral dynamics surrounding anti-bribery enforcements depending on the intensity of competition across firms. We again see evidence in line with previously documented results. The impact of enforcement activity is again most concentrated when foreign firms compete directly and more intensely with U.S. firms (with this not being the case for U.S. firms). The coefficient in Column 4 suggests that when increasing the intensity of competition with U.S. firms from the 25th to 75th percentile, electoral votes following an enforcement action increase on average by 2.6% (t=3.61) following the targeting against foreign firms, and resultant spike in media coverage.

D. Mechanism surrounding Congressional Influence of Enforcement

We have found a pattern of consistent evidence of Senators exerting strategic political influence over the FCPA enforcement process, along with potential benefits they may receive from doing so. In this section we explore in more depth how these politicians might exert that influence. In particular, the Senate's Judiciary Committee is responsible for the direct oversight of the Department of Justice – one of the two agencies tasked with enforcing the Foreign Corrupt Practices Act. We therefore test whether ascension to a position of power within this Committee helps to shape the regulatory enforcement we document.? Specifically, we investigate the heterogeneous effects of the ascension to a Judiciary Committee chair

(Cohen et al., 2011) in states with upcoming Senate elections in Table 8.[13] Column 3 of Table 8 shows a positive relationship between Judiciary Committee chair shocks and the likelihood of enforcement. Foreign firms with operations in states whose Senator is appointed Chair of the Judiciary Committee experience a 20 percent increase in the probability of enforcement pre-election.

As a placebo test to further explore the mechanism surrounding the influence of politicians, in Appendix Table A6, we consider the ascension of Senators to other powerful Committee Chair positions, but positions *not* having the DOJ or SEC in their purview. If the results are mainly driven by the Judiciary Committee oversight, one might expect a weaker relation between these other Senate committees and the probability of enforcement. This is precisely what is seen in Appendix Table A6, with no other committee showing the same positive and significant impact on enforcement actions surrounding elections.

E. Enforcement by the DOJ vs. the SEC

Related to the above, Appendix Table A7 explores more deeply the identity of the agency that brought each individual FCPA enforcement action. In particular, FCPA enforcement actions are brought by either (or both) of the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). Given the Judiciary Committee's oversight of the DOJ, and the results in Table 8, one might expect that if the mechanism was working through the Senator's political influence, the pre-election enforcement action spike against foreign firms may be weighted more toward cases brought by the DOJ. This is precisely what is seen in Appendix Table A7. Columns 3 and 4 of Appendix Table A7 show that a pre-election spike in foreign firm targeting is occurring at the DOJ in particular. Appendix Table A8 provides confirmatory evidence of this, in that the location of SEC regional offices – either close to, or relatively far from – the firm being targeted, has no impact on the pre-election spike in cases brought against foreign firms.

F. What Types of Cases are Brought Against Foreign Firms Pre-election?

[13] The list of the judiciary Senate committees is from Edwards and Stewart (2006). Seniority shocks begin in the year of appointment and are applied for 6 years (the length of a Senate term).

We next turn to examining the individual case attributes of the enforcement action cases brought directly pre-election. Again, if the mechanism were working through political influence – and the rushed timing this implied in terms of the increased incremental benefit pre-election - FCPA cases brought against foreign firms in pre-election might be expected to bear different markers reflecting this rushed constrained-optimization. In particular, given the years (and even decades in some instances from Figure 1) that it appears to take to develop, build, and bring cases against firms, these acute-in-time political motivations would result in having to run a constrained-maximization of enforcement choice and timing to acutely those cases that fit the geography-time-motivated incentives at the precise pre-election timing of the Senator. Given this constrained maximization, we might then expect to see these cases being brought pre-election being on average somewhat weaker.

We explore exactly these comparisons in Figure 6. Namely, Figure 6 plots the difference-in-difference of multiple characteristics comparing: i.) the percentage difference of (foreign vs. U.S.) cases on the given case characteristic; and ii.) comparing that difference during election and non-election years. From Figure 6, cases brought against foreign firms in pre-election bear a number of markers of being weaker cases. First, they are significantly less likely to ever make it to court proceedings. In addition, they are significantly more likely to end in plea-agreements for the accused firm. Moreover, they are associated with significantly lower sanction-to-bribe ratio of dollars collected (e.g., the amount of "sanctions" for each dollar of alleged bribery). Lastly, they involve significantly fewer forms of bribery than in other cases (e.g., money, automobiles, real-estate, vacations, etc.).

G. Placebo Test: Timing of Initiating an Initial Investigation vs, an FCPA Enforcement Action

The results documented thus far have been focused on cases that have progressed to FCPA anti-bribery enforcement actions. Prior to enforcement actions, however, the DOJ and SEC first monitor potential corruption activities and develop cases based on this monitoring. Importantly, many of these investigations never develop into enforcement actions. Moreover, they can often take a significant amount of time to develop and unfold, and their existence is not made public until an action is taken (or decided definitively to not be taken). Thus, prompting an *initiation* of an investigation is not a strategically sensible political tool to use pre-election, as the outcome will be realized often years after the election

has already taken place (and at an uncertain point in the future with an uncertain outcome). In contrast, influencing the prompting of an enforcement *action* results in an immediate public signal, and an immediate realization of potential political pay-off.

Thus, these investigation initiations present a nice placebo setting in that they are a necessary aspect of the identical FCPA enforcement chain process (an action cannot be taken without first initiating the investigation itself), and yet they are stripped of the same political motivations as we document with the announcement itself. Given this, we collect and explore the timing of these in Appendix Table A9. Appendix Table A9 shows zero evidence of strategic timing of pre-election targeting of initiations, either in U.S. or foreign firms, consistent with the attenuated political motivation in these cases.

V. Real Effects on Firm Behavior Associated with FCPA Enforcement Actions

We lastly turn to exploring the real responses of firms who are targeted by Foreign Corrupt Practices Act violation enforcement actions in order to examine how firms might change operations before and after enforcement actions are undertaken. We explore these potential firm behavior changes in Table 9- Table 11.

To begin, Table 9 documents that all firms – both domestic *and* foreign – display distinct changes in their sales-exposure to perceived "corrupt" countries from pre-to-post following FCPA enforcement. In particular, firms significantly pull back on firm operations in perceived corrupt countries (using the same Global Corruption Score Index as in Table 1). Our corruption exposure at firm level is constructed as $Corruption\ exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,c,t}}{Num\ segments_{i,t}}$, where *Corruption Score* equals 10 minus the *Corruption Perceptions Index* obtained from the Transparency International from 1998 to 2019. A higher corruption score indicates more perceived corruption.

The results in Table 9 indicate global firms' segment reallocation in terms of both: i.) the percentage of their global segments domiciled in more corrupt countries (Columns 1-4), and ii.) by an explicit reduction in the *number* of global segments located in top 50 or top 100 countries perceived as more corrupt (Columns 5-8). In analogous regression specifications, Table 10 then provides corroborating evidence of this change in real behavior on the

dimension of a reduction in firm-level sales consummated in these countries perceived as more corrupt post-enforcement actions.

Table 11 then explores this pattern further, and in particular which countries' firms exhibit the largest real changes and shifts in underlying global firm operations following FCPA enforcement actions. The results in Table 11 suggest that it is firms from those nations scoring the lowest on perceived corruption (e.g., Denmark and Sweden) that appear most responsive to the FCPA actions. This is consistent with anecdotal accounts that partner-governments of these nations have worked more closely with U.S. analog agencies to enforce the FCPA and mirror trade laws and agreements across nations.

In sum, the empirical patterns on reallocation of business segments and sales following FCPA enforcement actions suggest that the FCPA enforcement action choices can have substantial impacts on the real global activities of firms, along with resulting potential implications for global trade and supply-chains more broadly.

VI. Conclusion

This paper documents novel evidence on political incentives permeating – and having a substantive impact - on global anti-bribery enforcement. We use case-level data from the DOJ and SEC and augmented with subsidiary data of global firms to provide empirical evidence that FCPA violation enforcement actions pursued show significant variation in-line with political influence and motivation. This is in direct contrast to the base motivation for the landmark law – being initiated to *level* the playing field and promote increasing international global commerce and trade. However, we show that the nature of FCPA violation enforcement builds in discretionary components in both who to enforce against, and when to enforce the violation – discretion that appears to be utilized. Using the geographic and time-series-spread in U.S. Senate elections as identification, we find that enforcement actions against foreign firms spike over 20% in the year leading up to exogenously pre-determined elections, with no similar pattern for U.S. domiciled firms.

We find that the spikes in enforcement are significantly larger when foreign firms compete more closely with firms in the U.S. Senator's home state, along with when the given foreign firm has little to no presence in the home state itself (to minimize collateral damage). More broadly, they generate significant public media spikes followed by a bump in vote-share

received, along with the cases put forward pre-election against foreign firms appearing to be significantly weaker cases, on average. Further, the more of the foreign firm's production network that is located abroad, the more likely it is to be targeted. We find no evidence that placebo election years or states have any similar patterns, nor do other aspects of FCPA enforcement less clearly tied to direct and immediate political benefit.

Stepping back, the Foreign Corrupt Practices Act serves as a powerful initial laboratory and setting to explore the potential trade-off and influence of political incentives in the growing global regulatory setting, given its primal position as the most well-established and widely enforced global regulation of its kind. Further, given the foundational importance the FCPA has played as a template for level-playing field international regulation and cooperation, shining a light on weaknesses to its current implementation is critical in improving and strengthening agreements moving forward. In doing so, we can move toward a more efficient implementation of global trade regulation, better stripping away political incentives and influence. This has the potential to embolden and enable all firms' investment in global trade, increasing the efficiency of, and outcomes associated with, integration.

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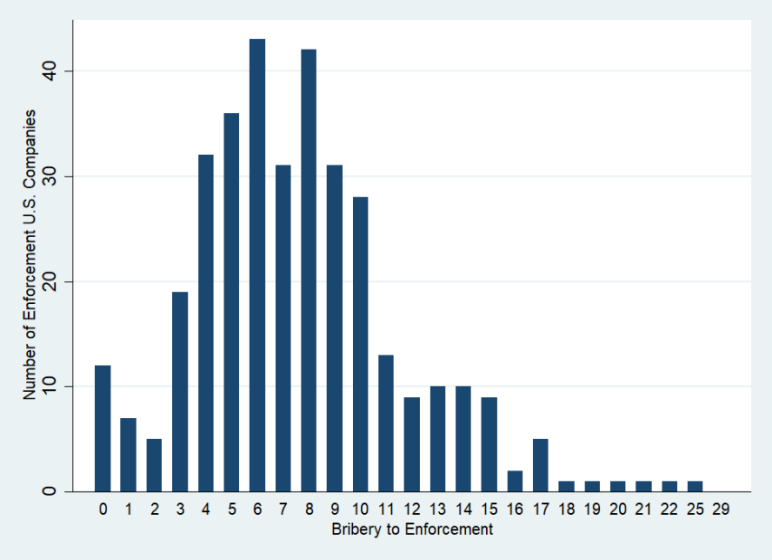
Panel A: The Duration of Bribery to Enforcement for U.S. companies



Panel B: The Duration of Bribery to Enforcement for foreign companies

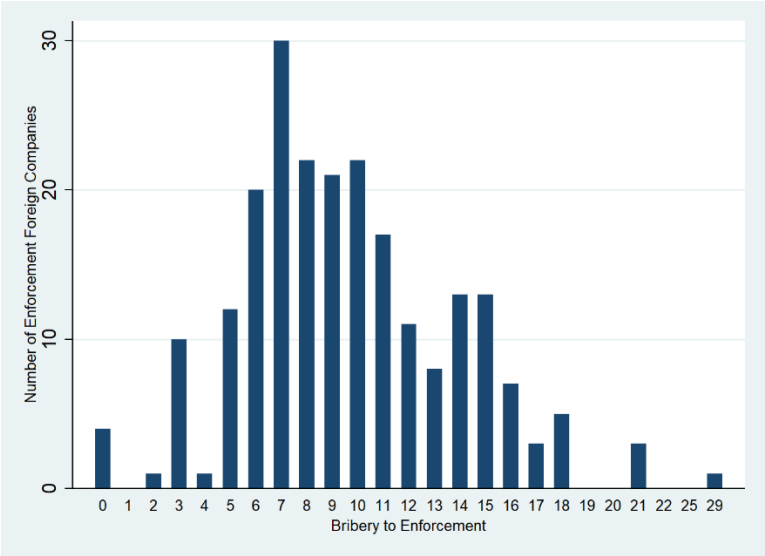


Figure 1: The time lag between bribery actions and anti-bribery enforcements. These graphs plot the number of anti-bribery enforcement and the number of years between bribery actions initially occurred and enforcement actions. Panel A shows the number of enforcement actions against U.S. companies and Panel B presents the number of enforcement actions against foreign companies.

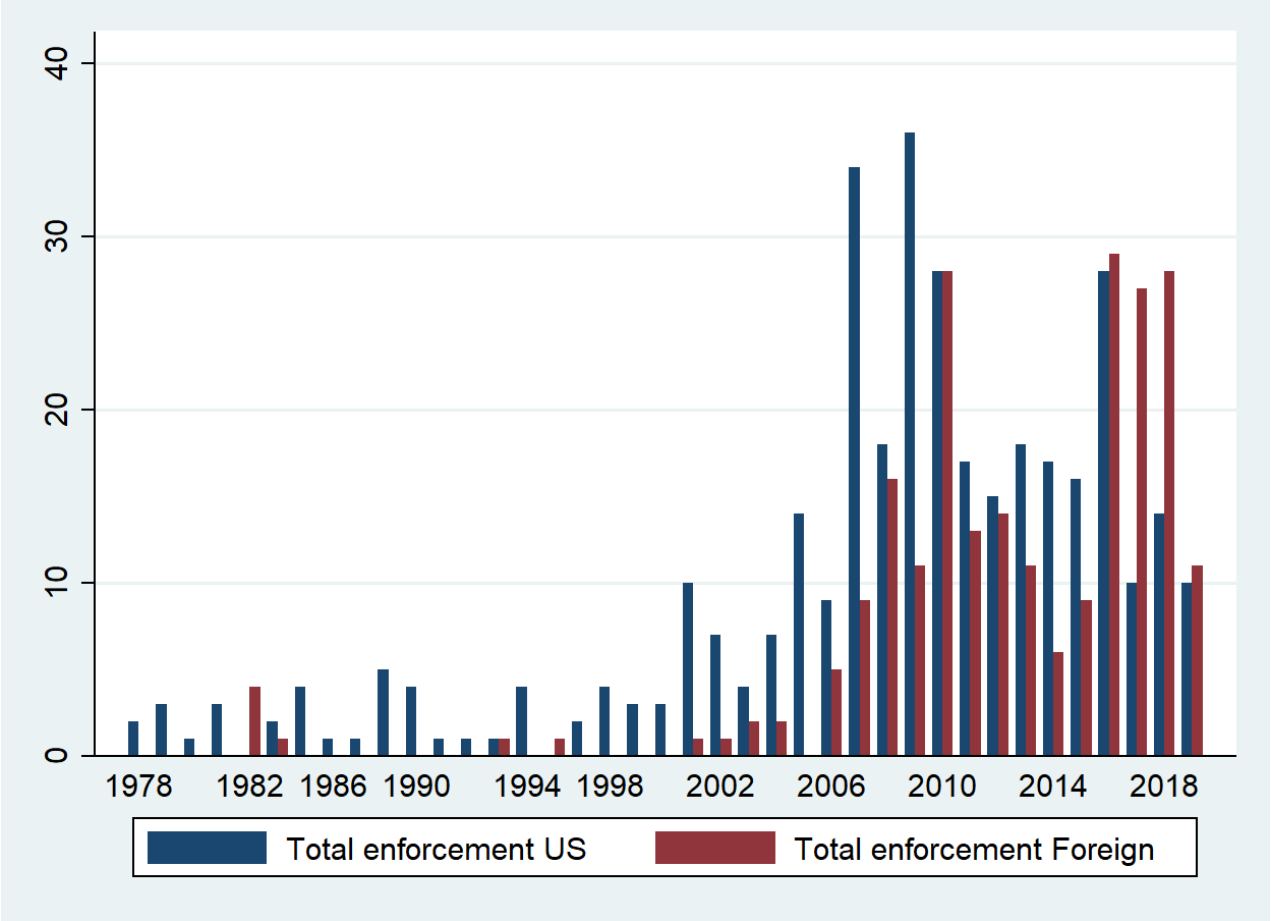
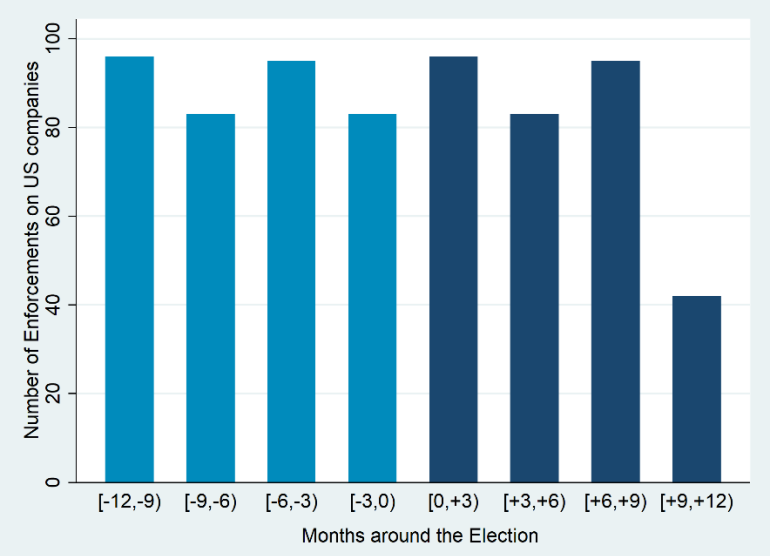


Figure 2. Number of anti-bribery enforcement cases. This figure shows the number of anti-bribery enforcement actions initiated by both the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in each year between 1978 and 2017.

Panel A: Enforcement against U.S. companies



Panel B: Enforcement against foreign companies

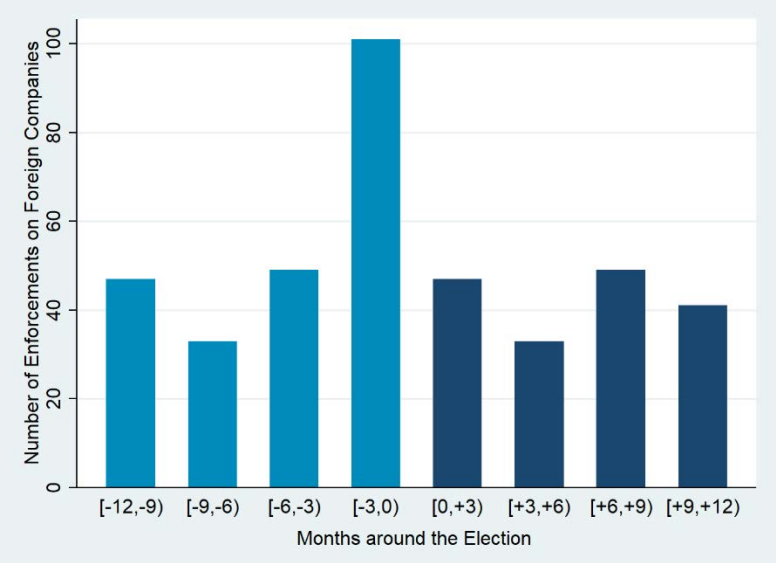
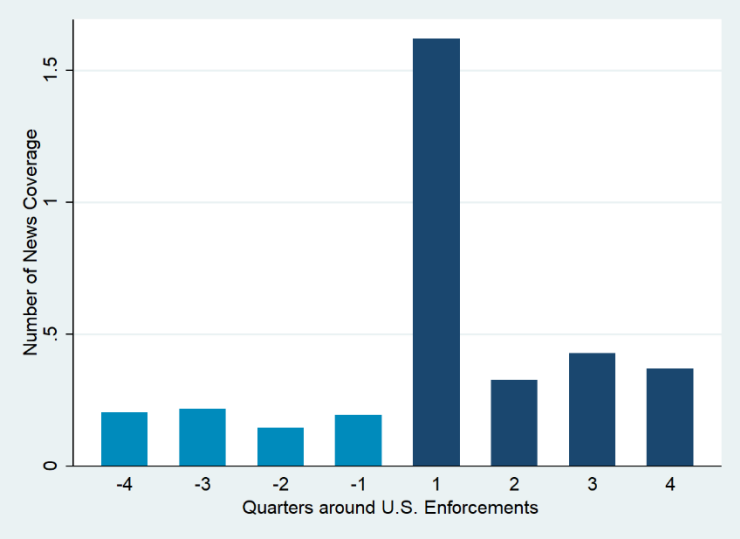


Figure 3: Electoral cycle and anti-bribery enforcements. These figures plot the number of anti-bribery enforcement actions around the nearest election date in U.S. states where firms are headquartered or main business is located from 1978 to 2017. Panel A shows the number of enforcement actions against U.S. companies and Panel B presents the number of enforcement cations against foreign companies. The lighter bars show the number of enforcements in twelve-month increments leading up to a Senate election, and the darker bars indicate the number of cases after a Senate election.

Panel A: Media Coverage of Enforcement on U.S. companies



Panel B: Media Coverage of Enforcement on foreign companies

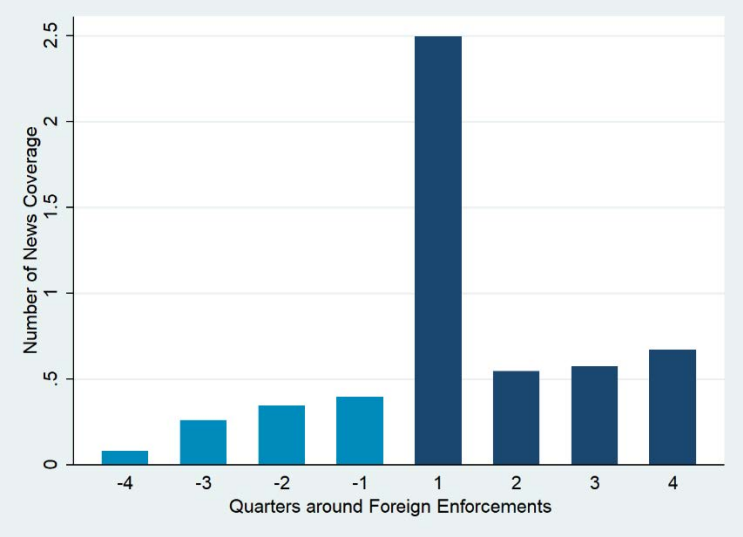


Figure 4: Anti-bribery enforcements and media coverage. These figures plot the number of media coverage around anti-bribery enforcement actions. Panel A shows the number of Wall Street Journal articles on FCPA enforcement actions against U.S. companies and Panel B presents the number of Wall Street Journal articles on FCPA enforcement cations against foreign companies. The lighter bars show the number of articles in four quarters prior to enforcements, and the darker bars indicate the number of news coverage four quarters after.

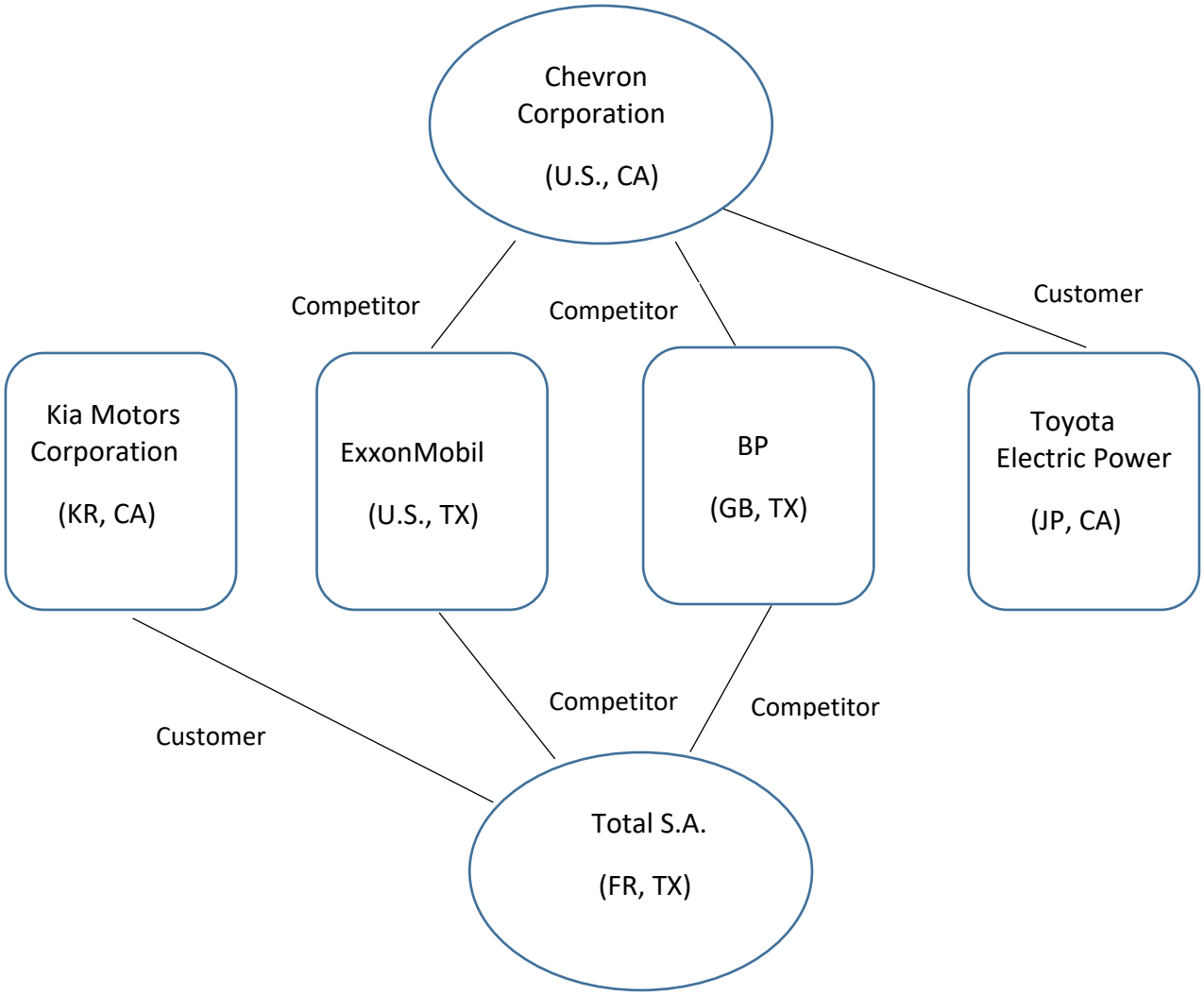
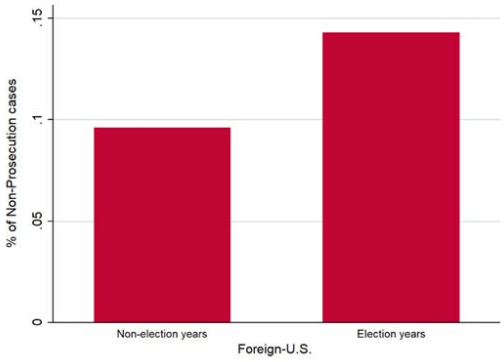
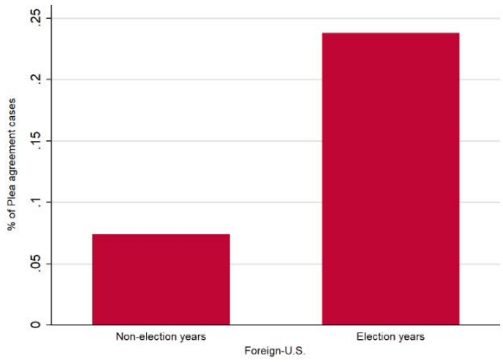


Figure 5. An illustration of global networks. This figure illustrates the global supply-chain networks used in the analysis of foreign versus domestic interests. Below firm names are listed their (Country of HQ, U.S. State HQ). In this figure, Chevron Corporation and Total S.A. operate in the same industry, where Chevron Corporation is a U.S. company with headquarter located in California and Total S.A. is a French company with major operations located in Texas. Chevron Corporation has Toyota Electric Power Co. Holdings Inc. (a Japanese Company with major operations in California) as its customer and BP as its competitors (a British company with major operations in Texas) within its production networks. Total S.A. has Kia Motors Corporation (a Korean company headquartered in California) as its customer and ExxonMobil as its competitors (a U.S. Company headquartered in Texas).

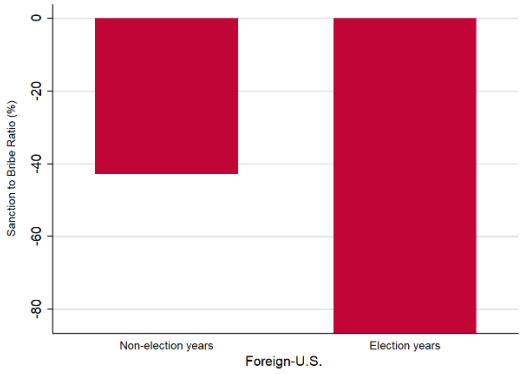
Panel A: Cases never reaching court



Panel B: Plea agreement cases



Panel C: Sanction to bribe ratio



Panel D: Forms of bribery payment

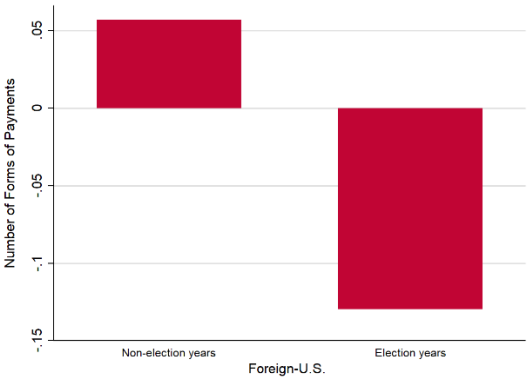


Figure 6: Case resolution outcomes – Proxies for Weaker Cases. Panel A plots the difference-in-differences in the fraction of cases that never reach the level of being considered in court; being resolved in non-prosecutions between foreign and U.S. companies. The figure shows the difference between (Foreign-U.S.) percentages of these types of cases in election years vs. non-election years. Panel B shows the parallel difference in the fraction of cases resolved in plea agreements between (Foreign - U.S.) companies and between election years and non-election years. Panel C shows the average sanction to bribe ratio, Panel D shows the average number of payment forms (e.g., cash, non-cash gifts, travel, lodging, electronics, computer equipment, clothing, accessories etc.).

Table 1
Enforcements by Bribery Occurred Countries and Industries

Panel A illustrates the top 10 largest monetary sanctions and the top 10 longest delays (from bribery to enforcement) by DOJ ranked by the Stanford Law School Foreign Corrupt Practices Act Clearinghouse (FCPAC). Panel B and Panel C shows the number of enforcement actions and the number of listed firms involved in bribery over the sample period (1978 to 2019) based on country where bribery was alleged to occur. *Corruption Perceptions Index* is obtained from the Transparency International from 1998 to 2019 and calculated using different data sources from different institutions that capture perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0-100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (prior to 2012, it has a scale of 0-10). In all analysis, we transform the index to a *corruption score* of 0-10 for interpretation, where a higher score denotes more corruption. Panel B provides the distribution across industries, and Panel C shows the number of cases and the number of firms targeted across countries

Panel A: Largest U.S. Monetary Sanctions and Longest Investigations by DOJ

Largest Monetary Sanctions	Monetary Sanctions ($)	Longest DOJ Investigations	Years
Odebrecht S.A.	3,557,626,137	Alcoa World Alumina LLC	25
The Goldman Sachs Group, Inc.	2,617,088,000	Total S.A.	18
Airbus SE	2,091,978,881	Marubeni Corporation	18
Petroleo Brasileiro S.A. - Petrobras	1,786,673,797	JGC Corporation	17
Telefonaktiebolaget LM Ericsson	1,060,570,832	Tyson Foods, Inc.	17
Telia Company AB	965,604,372	Rolls-Royce PLC	16
Mobile Telesystems	850,000,400	Technip FMC plc	16
Siemens Aktiengesellschaft	800,002,000	Kellogg Brown & Root LLC	15
VimpelCom Ltd	795,326,798	Teva Pharmaceutical Industries Ltd.	15
Alstom S.A.	772,291,200	Alstom S.A.	15

Panel B: Enforcement by Targeted Industry

Targeted Industry	NAICS2	Total number of cases	Total number of firms
Manufacturing	31-33	229	110
Mining, Quarrying, and Oil and Gas Extraction	21	60	21
Finance and Insurance	52	29	13
Professional, Scientific, and Technical Services	54	19	10
Information	51	19	7
Wholesale Trade	42	15	7
Transportation and Warehousing	48-49	14	7
Construction	23	10	3
Agriculture, Forestry, Fishing and Hunting	11	8	3
Health Care and Social Assistance	62	5	2

Panel C: Enforcement by Country in which Alleged Corruption Occurred

Country ISO	Country	Enforcement case ranking	Total number of cases	Total number of firms	Corruption score
CHN	China	1	95	53	6.1
NER	Nigeria	2	65	29	7.4
IRQ	Iraq	3	46	22	8.5
VEN	Venezuela	4	45	10	8.0
MEX	Mexico	5	43	19	6.6
BRA	Brazil	6	38	21	6.0
IDN	Indonesia	7	36	18	6.8
RUS	Russia	8	32	15	7.7
SAU	Saudi Arabia	9	25	13	5.6
ARG	Argentina	10	25	13	7.0
KAZ	Kazakhstan	11	23	13	7.1
THA	Thailand	12	22	9	6.2
AGO	Angola	13	19	12	7.7
GAB	Gabon	14	19	4	7.2
PAN	Panama	15	14	3	6.2
EGY	Egypt	16	14	8	7.1
KOR	Korea, South	17	14	6	4.6
ECU	Ecuador	18	13	4	7.7
ARE	United Arab Emirates	19	12	6	3.2
LBY	Libya	20	12	6	8.3
VNM	Vietnam	21	12	7	6.7
GNQ	Equatorial Guinea	22	11	7	8.1
COD	Democratic Republic of Congo	23	11	6	7.8
UZB	Uzbekistan	24	11	6	8.4
POL	Poland	25	10	8	4.5
GRC	Greece	26	10	7	6.6
CRI	Costa Rica	27	10	4	5.2
AZE	Azerbaijan	28	10	6	7.8
BGD	Bangladesh	29	10	7	7.3
TWN	Taiwan	30	9	4	4.4
TUR	Turkey	31	8	4	5.9
COL	Colombia	32	8	4	6.2
PHL	Philippines	33	8	4	7.7
SEN	Senegal	34	7	2	6.7
HTI	Haiti	35	7	2	7.8
KWT	Kuwait	36	7	5	5.1
MYS	Malaysia	37	7	3	5.6
HND	Honduras	38	7	2	7.6
UKR	Ukraine	39	6	3	7.1
IRN	Iran	40	6	4	7.5
GHA	Ghana	41	6	4	5.7

HRV	Croatia	42	6	3	5.4
TCD	Chad	43	6	2	8.0
MNE	Montenegro	44	6	3	5.5
RWA	Rwanda	45	5	1	7.2
MOZ	Mozambique	46	5	4	7.3
PAK	Pakistan	47	5	4	7.3
KGZ	Kyrgyzstan	48	5	2	8.0
BEN	Benin	49	5	2	7.1
MRT	Mauritania	50	4	3	7.3

Table 2
Descriptive Statistics

This table presents the summary statistics of targeted and non-targeted firms. The sample includes Compustat North America and Global listed firms with subsidiary information from Bureau van Dijk Orbis Database across all countries. Target indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period from 1985 to 2017. Target Foreign equals one if a foreign firm that was subject to anti-bribery enforcement during the sample period and equals zero otherwise. Pre-election is a dummy variable that equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. State GDP is the logarithm of gross domestic product by state in thousands of dollars). Employment rate is the state-level employment rate from Bureau of Economic Analysis. Panel B presents the case-level characteristics during election and non-election years and between U.S. and foreign firms.

Firm-level annual variables, years 1985-2017, firms = 8,677

	Mean	Median	Standard Deviation	Obs.
Target	0.015	0.000	0.121	137,844
Target U.S.	0.009	0.000	0.095	137,844
Target Foreign	0.006	0.000	0.076	137,844
Pre-election	0.350	0.000	0.477	137,844
Size	7.101	6.833	3.169	137,844
Leverage	0.543	0.543	0.242	137,844
Cash	0.156	0.101	0.166	137,844
ROA	0.086	0.099	0.153	137,844
Sales Growth	0.216	0.125	0.561	137,844
Powerful Committee	0.395	0.000	0.489	124,288
Senior Committee	0.203	0.000	0.402	124,288
Local Concentration	0.036	0.022	0.031	141,495
U.S. exposure	0.933	1.000	0.250	62,150
U.S. segment share	19.581	19.815	2.615	55,995
ForeignCompetitor	0.117	0.000	0.204	55,065
U.S. Competitor	0.022	0.000	0.094	55,065
Non-U.S. Competitor	0.095	0.000	0.166	55,065
Foreign Network	0.239	0.000	0.391	55,065
Corruption exposure	4.206	4.652	1.272	62,142
Log (# segments in top 50 perceived corrupt countries)	1.699	2.079	1.480	62,142
Log (# segments in top 100 perceived corrupt countries)	2.237	2.944	1.769	62,142
Log (segment sales in top 50 perceived corrupt countries)	10.926	14.772	8.931	62,142
Log (segment sales in top 100 perceived corrupt countries)	12.771	16.825	9.485	62,142

Table 3
Senate Elections and Anti-bribery Enforcement

This table presents regression analysis of anti-bribery enforcements on Senate elections for the years 1985 to 2017. The independent variable *Pre-election* is an indicator that equals one if a firm *i* 's accounting year *t* is one year before the election in state *s*, or in the case of enforcement the enforcement occurs one year prior to the election. *Target* equals one if firm *i* is subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement year *t*, and equals zero otherwise. *Target Foreign* equals one if there is a regulatory enforcement on foreign firm *i* in year *t*, and equals zero otherwise. Firm-level controls include size (the log of assets), leverage (the sum of long-term debt plus current debt divided by total assets), cash (cash divided by total assets), ROA (operating income divided by total assets), sales growth (three-year average of annual growth in sales in U.S. dollars). State-level control *State GDP* is the logarithm of gross domestic product by state in thousands of dollars). *State Employment Rate* is the state-level employment rate from Bureau of Economic Analysis. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Target			Target US				Target Foreign			
	1985-2017			1985-2017			2006-2017	1985-2017			2006-2017
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Pre-election	0.0006	0.0008	0.0007	-0.0005	-0.0005	-0.0006	-0.0011	0.0011***	0.0013***	0.0014***	0.0028***
	(0.0006)	(0.0006)	(0.0007)	(0.0005)	(0.0005)	(0.0005)	(0.0010)	(0.0004)	(0.0004)	(0.0004)	(0.0010)
Size		0.0077***	0.0001		0.0045***	0.0012	-0.0001		0.0031***	-0.0011	-0.0010
		(0.0008)	(0.0013)		(0.0007)	(0.0008)	(0.0006)		(0.0005)	(0.0011)	(0.0010)
Leverage		0.0085	0.0080		0.0024	0.0089	-0.0038		0.0061	-0.0008	-0.0021
		(0.0065)	(0.0069)		(0.0044)	(0.0061)	(0.0041)		(0.0052)	(0.0031)	(0.0045)
Cash		0.0088	0.0149**		0.0011	0.0196***	0.0051		0.0077**	-0.0047	-0.0051
		(0.0056)	(0.0059)		(0.0044)	(0.0047)	(0.0045)		(0.0036)	(0.0036)	(0.0042)
ROA		-0.0183***	-0.0005		-0.0042	-0.0021	-0.0002		-0.0140***	0.0016	-0.0037
		(0.0052)	(0.0058)		(0.0035)	(0.0044)	(0.0030)		(0.0041)	(0.0039)	(0.0043)
Sales Growth		-0.0051***	-0.0004		-0.0037***	-0.0007	-0.0004		-0.0014***	0.0003	0.0003
		(0.0008)	(0.0011)		(0.0008)	(0.0008)	(0.0005)		(0.0004)	(0.0009)	(0.0008)
Employment Rate		0.3162**	0.3975**		0.1122	0.1415	0.1783		0.2040**	0.2560*	0.4010**
		(0.1236)	(0.1603)		(0.0726)	(0.0921)	(0.1224)		(0.0999)	(0.1346)	(0.1627)
Log(Population)		0.1256***	0.1576***		0.0527*	0.0633	0.0946		0.0729**	0.0943**	0.1401**
		(0.0430)	(0.0567)		(0.0314)	(0.0419)	(0.0655)		(0.0289)	(0.0393)	(0.0704)
Log(GDP)		-0.0623*	-0.0808*		-0.0102	-0.0087	-0.0253		-0.0521*	-0.0721**	-0.1290**
		(0.0341)	(0.0436)		(0.0204)	(0.0259)	(0.0257)		(0.0277)	(0.0360)	(0.0585)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Subsumed	Yes	Yes	Subsumed	Subsumed
Firm FE	No	No	Yes	No	No	Yes	Yes	No	No	Yes	Yes
Observations	137,844	137,844	137,840	137,844	137,844	137,840	74,230	137,844	137,844	137,840	74,230
R-squared	0.1490	0.1635	0.4682	0.1206	0.1292	0.4703	0.7361	0.1431	0.1497	0.4276	0.6634

Table 4
Constituent Interests
Panel A: Locally Important Industries

This table presents regressions of enforcement on locally important industries. The independent variable *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target Foreign* equals one if a foreign firm that was subject to anti-bribery enforcement during the sample period and equals zero otherwise. We identify *Local Concentration* as the fraction of establishments that operate in industry *j* in state *s*. *Log(GDP)* is the logarithm of gross domestic product by state in thousands of dollars). In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Target			Target US			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0007	0.0034***	0.0034***	0.0002	0.0001	0.0002	0.0028***	0.0033***	0.0032***
	(0.0008)	(0.0012)	(0.0012)	(0.0009)	(0.0009)	(0.0008)	(0.0007)	(0.0009)	(0.0009)
Local concentration	-0.1384***	-0.2084	-0.4017**	-0.1195**	-0.2921**	-0.1820	-0.0639**	0.0837	-0.2197**
	(0.0428)	(0.1278)	(0.1655)	(0.0551)	(0.1163)	(0.1219)	(0.0269)	(0.0897)	(0.0976)
Pre-election × Local concentration	-0.0195**	-0.0283**	-0.0217	-0.0067	-0.0037	-0.0050	-0.0182**	-0.0247***	-0.0167*
	(0.0099)	(0.0133)	(0.0136)	(0.0122)	(0.0104)	(0.0097)	(0.0087)	(0.0084)	(0.0097)
Firm and state controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	141,495	91,555	91,474	91,555	91,555	91,474	91,555	91,555	91,474
R-squared	0.0357	0.2120	0.6047	0.0269	0.1641	0.6180	0.0768	0.2018	0.5550

Panel B: Foreign Companies' Exposure the U.S.

This table presents regressions of enforcement related to the presence of foreign firms' in the U.S. Pre-election equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. U.S. segment share measures the fraction of foreign firms' segment sales in the U.S. relative to their total sales globally. Target U.S. equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. Target Foreign equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	The sales of foreign firm business in the U.S.	
	Target Foreign	
outcome	(1)	(2)
Pre-election	0.0021***	0.0019***
	(0.0006)	(0.0007)
U.S. segment share	0.0207***	0.0143**
	(0.0061)	(0.0060)
Pre-election*U.S. segment share	-0.0022**	-0.0021**
	(0.0009)	(0.0010)
Firm and state controls	Yes	Yes
Year FE	Yes	Yes
Country, state, industry FE	Yes	Subsumed
Firm FE	No	Yes
Observations	57,995	57,858
R-squared	0.0828	0.5168

Table 5
Foreign Supply Chain Network and Enforcement

This table tests the impact of the extent of foreign (vs. domestic) operations and enforcement activity. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. We use FactSet Revere to identify network connectedness of customer-supplier relationships in global supply chains. *Foreign Network* is the share of a company's supply-chain network with headquarters in other countries. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Target		Target U.S.		Target Foreign	
outcome	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0021	0.0007	0.0009	-0.0002	0.0012	0.0009
	(0.0023)	(0.0020)	(0.0021)	(0.0018)	(0.0010)	(0.0009)
Foreign Network	0.0031	-0.0100	-0.0069	-0.0024	0.0100***	-0.0076***
	(0.0062)	(0.0067)	(0.0057)	(0.0063)	(0.0038)	(0.0026)
Pre-election × Foreign Network	0.0114***	0.0144***	0.0008	-0.0002	0.0106***	0.0146***
	(0.0043)	(0.0043)	(0.0022)	(0.0016)	(0.0038)	(0.0040)
Firm and state controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes
Observations	39,841	39,363	39,841	39,363	39,841	39,363
R-squared	0.3126	0.6712	0.2686	0.6681	0.2757	0.6302

Table 6
Foreign Competition and Enforcement

This table presents regressions of enforcement related to the level of foreign competition. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Foreign Competitor* is the share of a company's competitors that are headquartered in other countries. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

outcome	Target		Target U.S.		Target Foreign			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pre-election	0.0043*	0.0029	0.0015	0.0001	0.0027**	0.0028***	0.0036***	0.0035***
	(0.0022)	(0.0019)	(0.0020)	(0.0016)	(0.0011)	(0.0010)	(0.0012)	(0.0012)
Foreign Competitor	0.0321**	-0.0122	-0.0099	-0.0096	0.0420***	-0.0026		
	(0.0143)	(0.0226)	(0.0093)	(0.0125)	(0.0131)	(0.0175)		
Pre-election × ForeignCompetitor	0.0046	0.0097	-0.0040	-0.0030	0.0085	0.0127**		
	(0.0073)	(0.0061)	(0.0037)	(0.0028)	(0.0063)	(0.0055)		
U.S. Competitor							-0.0665	
							(0.0758)	
Pre-election × U.S. Competitor							0.0361**	
							(0.0168)	
Non-U.S. Competitor								0.0115
								(0.0122)
Pre-election × Non-U.S. Competitor								0.0084
								(0.0053)
State and firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes	Yes	Yes
Observations	39,841	39,363	39,841	39,363	39,841	39,363	39,363	39,363
R-squared	0.3134	0.6711	0.2687	0.6682	0.2792	0.6298	0.6302	0.6298

Table 7
Electoral Outcomes of Enforcement

This table reports panel regressions of the enforcement actions on election outcomes. *Log(votes)* is the logarithm of the number of votes that the incumbent parties receive. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *U.S. Competitor* is the share of a company's competitors that are headquartered in the U.S.

	Log(votes)			
	(1)	(2)	(3)	(4)
Target U.S.	0.1342		0.0060	
	(0.1293)		(0.0786)	
Target Foreign		0.3039**		-0.1912*
		(0.1407)		(0.1041)
U.S. Competitor			4.3073***	3.0604***
			(1.2153)	(1.1417)
Target U.S.*U.S. Competitor			-3.6295	
			(3.1549)	
Target Foreign*U.S. Competitor				13.3016***
				(3.6827)
State FE	Yes	Yes	Yes	Yes
Observations	795	795	327	327
R-squared	0.6204	0.6222	0.9429	0.9465

Table 8
Judiciary Committees and Enforcement

This table reports panel regressions of the probability of enforcement on election cycles and the presence of powerful chairman. The Senate judiciary chair is from Edwards and Stewart (2006). Seniority shocks begin in the year of appointment and are applied for 6 years. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Foreign Competitor* is the share of a company's competitors that are headquartered in other countries. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise.

	Target	Target US	Target Foreign
outcome	(1)	(2)	(3)
Pre-election	-0.0001	-0.0013*	0.0012*
	(0.0010)	(0.0007)	(0.0006)
Judiciary Chair	0.0038***	0.0020***	0.0018***
	(0.0005)	(0.0004)	(0.0003)
Pre-election × Judiciary Chair	0.0023**	0.0011	0.0012**
	(0.0009)	(0.0007)	(0.0006)
State and firm controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country, state, industry FE	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes
Observations	124,276	124,276	124,276
R-squared	0.5121	0.5318	0.4478

Table 9
Changes in Corruption Exposure Following Enforcement

This table shows changes in firms' corruption exposure and the number of segments in countries with high corruption perception after anti-bribery enforcements. In columns 1-4, the dependent variable corruption exposure at firm level is constructed as $Corruption\ exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,c,t}}{Num\ segments_{i,t}}$, where *Corruption Score* equals 10 minus the *Corruption Perceptions Index* obtained from the Transparency International from 1998 to 2019. A higher corruption score indicates more perceived corruption. $Segment_{i,c}$ denotes whether a firm *i* has segment operating in country *c* in year *t* , and $Num\ segments_{i,t}$ denotes the total number of segments for firm *i* in year *t*. The corruption exposure measure increases in the perceived corruption across segments. The dependent variables *Log (# segments in top 50)* in columns 5 and 7 and *Log (# segments in top 100)* in columns 6 and 8 equal the logarithm of the number of segments operating in top 50 and top 100 most perceived countries according to Transparency International. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise.

Dependent variable	Corruption exposure				Log (# segments in top 50)	Log (# segments in top 100)	Log (# segments in top 50)	Log (# segments in top 100)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target US	-0.6630***	-0.1819*			-0.1286***	-0.1761***		
	(0.2065)	(0.0989)			(0.0242)	(0.0297)		
Target Foreign			-1.8111***	-0.2451**			-0.2009***	-0.2603***
			(0.3070)	(0.1065)			(0.0292)	(0.0358)
State, firm and segment controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Subsumed	Yes	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Observations	62,139	62,059	62,139	62,059	62,059	62,059	62,059	62,059
R-squared	0.6509	0.9096	0.6560	0.9096	0.9603	0.9581	0.9603	0.9581

Table 10
Changes in Segment Sales after Enforcement

This table shows changes in firms' segment sales in countries with high corruption perception after anti-bribery enforcements. The dependent variables *Log (segment sales in top 50)* and *Log (segment sales in top 100)* equal the logarithm of the segment sales in top 50 and top 100 most perceived countries according to Transparency International. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. We also include the logarithm of the total sales in all segments and fixed effects as indicated.

Dependent variable	Log (segment sales in top 50)		Log (segment sales in top 100)		Log (segment sales in top 50)		Log (segment sales in top 100)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target US	-1.9509***	-0.3184*	-1.6151***	-0.4918**				
	(0.1460)	(0.1796)	(0.1738)	(0.1936)				
Target Foreign					-1.2968***	-0.2584	-1.8017***	-0.5318**
					(0.1990)	(0.2194)	(0.2367)	(0.2365)
State, firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes	No	Yes
Observations	60,072	59,989	60,072	59,989	60,072	59,989	60,072	59,989
R-squared	0.8932	0.9391	0.8643	0.9365	0.8930	0.9391	0.8642	0.9365

Table 11

Which Country's Firms Reduce Corruption Exposure the most following Enforcement?

This table shows the heterogeneous effect across home country corruption norms and the changes in the number of segments in countries with high corruption perception after anti-bribery enforcements. Home High Corrupt equal one if a firm is headquartered in a country with perceived corruption score above the mean, and equals zero otherwise. In columns 1 and 2, the dependent variable corruption exposure at firm level is constructed as $Corruption\ exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,c,t}}{Num\ segments_{i,t}}$, where *Corruption Score* equals 10 minus the *Corruption Perceptions Index* obtained from the Transparency International from 1998 to 2019. A higher corruption score indicates more perceived corruption. $Segment_{i,c}$ denotes whether a firm *i* has segment operating in country *c* in year *t* , and $Num\ segments_{i,t}$ denotes the total number of segments for firm *i* in year *t*. The corruption exposure measure increases in the perceived corruption across segments. The dependent variables *Log (# segments in top 50)* in columns 3 and 4 and *Log (# segments in top 100)* in columns 5 and 6 equal the logarithm of the number of segments operating in top 50 and top 100 most perceived countries according to Transparency International. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise.

Dependent variable	Corruption exposure		Log (# segments in top 50)		Log (# segments in top 100)	
	(1)	(2)	(3)	(4)	(5)	(6)
Post-Targeting	-1.7573***	-1.8071***	-2.1135***	-2.1803***	-2.4740***	-2.5734***
	(0.0603)	(0.0584)	(0.0527)	(0.0521)	(0.0646)	(0.0636)
Home High Corrupt	0.2057***	0.0858***	0.0245***	0.0232***	0.0361***	0.0377***
	(0.0078)	(0.0101)	(0.0068)	(0.0090)	(0.0084)	(0.0109)
Post-Targeting × Home High Corrupt	0.6759***	0.6867***	0.7469***	0.7624***	0.9253***	0.9200***
	(0.1277)	(0.1255)	(0.1116)	(0.1120)	(0.1369)	(0.1367)
Year, state, industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	No	Yes	No	Yes	No	Yes
Observations	62,072	62,072	62,072	62,072	62,072	62,072
R-squared	0.6278	0.6560	0.7902	0.7977	0.7789	0.7892

Internet Appendix
Table A1
Summary Statistics of Enforcements

This table provides the number of enforcement actions and the number of listed firms involved in bribery over the sample period (1978 to 2019) based on firm headquarter country. *Corruption Perceptions Index* is obtained from the Transparency International from 1998 to 2019 which captures perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0-100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (prior to 2012, it has a scale of 0-10). In all analysis, we transform the index to a corruption score of 0-10 for interpretation, where a higher score denotes more corruption. Panel A shows the number of cases and the number of firms by headquarter country, Panel B shows the distribution of firms across states and elections, and Panel C provides the summary statistics for case characteristics.

Panel A: Enforcements by Headquarters Country of Firm Alleged to be Bribing

Country	Total number of cases	Total number of firms	Corruption score
United States	254	126	2.529
France	21	7	2.865
United Kingdom	18	9	1.737
Germany	17	8	2.108
Venezuela	17	2	7.446
Switzerland	15	4	1.111
Japan	11	6	2.803
Netherlands	11	4	1.475
Ireland	7	3	1.965
Brazil	7	3	6.136
Chile	6	2	2.879
Canada	5	3	1.334
Mexico	5	1	6.627
Sweden	5	2	0.885
Hungary	4	1	4.957
Taiwan	4	1	2.500
Israel	3	1	3.604
Russian Federation	3	1	7.477
Singapore	3	1	0.976
Norway	2	1	1.316
Bermuda	2	1	1.285
Hong Kong	2	1	2.108
Luxembourg	2	1	1.589
Denmark	2	1	0.615
Italy	2	2	5.322
Australia	1	1	1.531
Cayman Islands	1	1	2.718
Portugal	1	1	2.108
Belgium	1	1	2.905
China	1	1	6.386
Spain	1	1	3.554
Bangladesh	1	1	2.108
Total	435	199	2.967

Panel B: Distribution of firms in election years versus non-election years and U.S. and foreign companies

State	Non-election years	Election years	U.S. firms		Foreign firms	
			Non-election	Election	Non-election	Election
AK	8	4	2	2	2	2
AL	8	4	19	20	18	19
AR	8	4	17	17	3	3
AZ	8	4	38	38	32	33
CA	8	4	413	402	584	612
CO	8	4	75	75	34	33
CT	8	4	67	66	34	36
DE	7	5	11	11	0	0
FL	8	4	120	112	136	140
GA	8	4	86	89	83	83
HI	7	5	10	10	24	25
IA	8	4	18	18	12	12
ID	8	4	6	6	1	1
IL	8	4	127	128	136	138
IN	8	4	46	43	33	34
KS	8	4	18	18	6	6
KY	8	4	26	26	40	40
LA	8	4	20	20	5	5
MA	8	4	147	143	88	86
MD	8	4	45	45	52	54
ME	8	4	6	6	7	7
MI	8	4	60	57	89	87
MN	8	4	77	76	39	38
MO	8	4	52	50	22	22
MS	8	4	8	8	6	6
MT	8	4	3	3	7	7
NC	8	4	63	64	70	70
ND	8	4	3	2	3	3
NE	8	4	14	13	8	8
NH	8	4	8	8	14	15
NJ	8	4	113	112	193	192
NM	8	4	1	1	17	16
NV	8	4	23	24	17	18
NY	8	4	262	260	410	418
OH	8	4	110	109	101	103
OK	8	4	31	30	19	18
OR	8	4	30	31	37	38
PA	8	4	132	128	119	125
RI	8	4	10	10	5	5
SC	8	4	16	15	35	35
SD	8	4	6	6	4	5
TN	8	4	40	39	53	54
TX	8	4	320	318	398	399
UT	8	4	21	20	19	20
VA	8	4	86	86	77	77
VT	8	4	4	3	18	18
WA	8	4	53	54	99	100
WI	8	4	44	44	60	62
WV	7	5	8	8	13	13
WY	8	4	1	1	10	10

Panel C: Case characteristics in election years versus non-election years and between U.S. and foreign companies										
	U.S. companies					Foreign companies				
	Election years		Non-election years			Election years		Non-election years		
	Mean	SD	Mean	SD	Diff (p-val)	Mean	SD	Mean	SD	Diff (p-val)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Plea agreements	0.119	0.328	0.200	0.402	-0.081 (0.248)	0.357	0.485	0.274	0.449	0.083 (0.355)
Non-prosecutions	0.190	0.397	0.219	0.416	-0.029 (0.704)	0.333	0.477	0.315	0.468	0.018 (0.842)
Timing (bribery to enforcements)	7.714	2.916	8.895	3.990	-1.181* (0.084)	10.171	5.039	10.597	3.967	-0.426 (0.620)
Timing (bribery to investigations)	4.676	2.539	6.625	5.571	-1.949** (0.042)	8.146	8.676	7.958	5.663	0.189 (0.889)

Table A2
Enforcement and Media Coverage

This table tests the effect of FCPA enforcement actions on media coverage across U.S. and foreign firms. *Enforcement event* equals one for the quarter when the enforcement occurs, *Pre 1 and 2 quarter* indicate one and two quarters prior to the enforcement respectively. *Post 1 and 2 quarter* indicate the 1 and 2 quarters after the enforcement actions respectively. *Media coverage* equals the total number of *Wall Street Journal* articles related to FCPA enforcement actions. *Media coverage U.S. and foreign* capture the number of *Wall Street Journal articles* on FCPA enforcement cations against U.S and foreign companies respectively.

	Media coverage		Media coverage U.S.		Media coverage Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre 2 quarter	0.0398	0.0870	-0.0540	-0.0591	0.2523	0.2475
	(0.0848)	(0.1044)	(0.0756)	(0.0732)	(0.2269)	(0.2281)
Pre 1 quarter	0.0758	0.0950	-0.0412	-0.0461	0.2907	0.2828
	(0.1295)	(0.1386)	(0.0985)	(0.0979)	(0.3160)	(0.3184)
Enforcement event	1.7613***	1.7281***	1.4184***	1.4098***	2.1637**	2.1545**
	(0.5187)	(0.5020)	(0.3923)	(0.3911)	(1.0525)	(1.0548)
Post 1 quarter	0.1945*	0.1245	0.1685**	0.1496**	0.1216	0.1159
	(0.1049)	(0.0824)	(0.0762)	(0.0708)	(0.1936)	(0.1946)
Post 2 quarter	0.2177*	0.1370	0.2434	0.2320	0.0576	0.0558
	(0.1166)	(0.1057)	(0.1719)	(0.1695)	(0.1378)	(0.1372)
Firm and state controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes	No	Yes
Observations	1,975	1,975	1,135	1,135	840	840
R-squared	0.3439	0.3674	0.3864	0.3985	0.3813	0.3818

Table A3

Placebo Tests of Election Timing and Location

This table presents placebo test of the main specification of Table 3. We randomly assign Senate elections across time and states with corresponding probability of 1/3. This reflects the U.S. Senate election term: Senators serve terms of six years each and the terms are staggered so that approximately one-third of the seats are up for election every two years.

	Target			Target U.S.			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Placebo Election	-0.0020***	-0.0012*	-0.0010	-0.0011**	-0.0007*	-0.0007	-0.0009*	-0.0004	-0.0003
	(0.0007)	(0.0006)	(0.0007)	(0.0005)	(0.0004)	(0.0005)	(0.0005)	(0.0004)	(0.0005)
Size		0.0076***	0.0001		0.0045***	0.0012		0.0032***	-0.0012
		(0.0008)	(0.0013)		(0.0007)	(0.0007)		(0.0005)	(0.0011)
Leverage		0.0083	0.0073		0.0023	0.0085		0.0061	-0.0013
		(0.0065)	(0.0069)		(0.0044)	(0.0060)		(0.0052)	(0.0031)
Cash		0.0087	0.0140**		0.0012	0.0190***		0.0075**	-0.0050
		(0.0056)	(0.0058)		(0.0044)	(0.0047)		(0.0036)	(0.0036)
ROA		-0.0183***	-0.0002		-0.0040	-0.0019		-0.0142***	0.0017
		(0.0053)	(0.0058)		(0.0036)	(0.0044)		(0.0041)	(0.0039)
Sales Growth		-0.0050***	-0.0003		-0.0036***	-0.0007		-0.0014***	0.0004
		(0.0008)	(0.0011)		(0.0008)	(0.0008)		(0.0004)	(0.0009)
State-level controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
State FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	134,558	134,558	134,536	134,558	134,558	134,536	134,558	134,558	134,536
R-squared	0.1505	0.1649	0.4725	0.1233	0.1317	0.4766	0.1431	0.1497	0.4280

Table A4
U.S. and Foreign Companies with Similar Geographic Exposure

This table tests the sensitivity of anti-bribery enforcement to U.S. elections by comparing U.S. and foreign firms with similar geographic exposure in foreign market. For each U.S. firm, we match their foreign subsidiaries with the subsidiaries of foreign companies that operate in the same industry and have the closest number of subsidiaries. Beyond the firm characteristics at headquarters, the analysis compares U.S. and foreign companies that are exposed to the same election shocks in the U.S. and cater to similar foreign market segments. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise.

outcome	Target		Target U.S.		Target Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0087*	0.0087*	-0.0015	-0.0016	0.0102**	0.0103**
	(0.0047)	(0.0046)	(0.0012)	(0.0011)	(0.0045)	(0.0044)
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
State FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes
Observations	51,491	51,491	51,491	51,491	51,491	51,491
R-squared	0.3383	0.4430	0.1354	0.3615	0.3187	0.4003

Table A5
The Role of Foreign In-state Competition

This table presents regression of enforcement on constituent interests and election cycles. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *State* is the share of a company's supply-chain networks that are located in the same state. *Foreign In-state Competitor* is the share of a firm's competitors that are operated within the same states. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

outcome	Target		Target US		Target Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0051**	0.0039*	0.0012	0.0000	0.0038***	0.0039***
	(0.0023)	(0.0021)	(0.0019)	(0.0016)	(0.0013)	(0.0014)
Foreign In-state Competitor	0.0177	-0.1368	-0.0105	-0.0404	0.0282	-0.0964
	(0.0614)	(0.1100)	(0.0317)	(0.0396)	(0.0583)	(0.0872)
Pre-election × Foreign In-state Competitor	-0.0141	0.0126	-0.0110	-0.0175	-0.0031	0.0302
	(0.0266)	(0.0254)	(0.0127)	(0.0111)	(0.0253)	(0.0218)
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
State FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	39,841	39,363	39,841	39,363	39,841	39,363
R-squared	0.3124	0.6716	0.2685	0.6682	0.2748	0.6303

Table A6
Other Congressional Committees

This table reports regression of U.S. and foreign enforcement on pre-election and other Senate Committee chairs than the Judiciary. Following Edward and Stewart (2006), we focus some of the most influential committee chairs: Appropriations, Foreign Relations, Budget, and Commerce. *Target U.S.* and *foreign* equals one if a U.S. firm was subject to anti-bribery enforcement against U.S. and foreign firms respectively. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Target U.S.					Target Foreign				
outcome	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Pre-election	-0.0008	-0.0008	-0.0008	-0.0008	-0.0009	0.0018***	0.0018***	0.0018***	0.0019***	0.0017***
	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)
Appropriations Chair	-0.0065*					-0.0017				
	(0.0034)					(0.0030)				
Pre-election × Appr. Chair	0.0002					-0.0015				
	(0.0054)					(0.0048)				
Budget Chair		-0.0091***					0.0003			
		(0.0030)					(0.0027)			
Pre-election × Budget Chair		0.0040					-0.0005			
		(0.0051)					(0.0045)			
Commerce Chair			0.0059*					0.0050*		
			(0.0032)					(0.0029)		
Pre-election × Commerce Chair			-0.0003					0.0000		
			(0.0052)					(0.0046)		
Foreign Relations Chair				-0.0085***					0.0005	
				(0.0016)					(0.0014)	
Pre-election × Foreign Chair				-0.0002					-0.0061**	
				(0.0029)					(0.0026)	
Firm & state controls, year, Country, state, industry, Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	124,276	124,276	124,276	124,276	124,276	124,276	124,276	124,276	124,276	124,276
R-squared	0.5317	0.5317	0.5317	0.5318	0.5318	0.4476	0.4476	0.4477	0.4477	0.4478

Table A7
DOJ versus SEC Enforcement

This table presents regressions of enforcement related to the regulatory agencies DOJ versus SEC. Pre-election equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. DOJ is an indicator variable that equals one if a firm was subject to enforcement by the U.S. Department of Justice (DOJ), and equals zero if the enforcement action was undertaken by the Securities and Exchange Commission (SEC) during the sample period. Target U.S. equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. Target Foreign equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	DOJ vs. SEC Enforcements			
	Target U.S.		Target Foreign	
outcome	(1)	(2)	(3)	(4)
Pre-election	-0.0086	-0.0078	0.0173***	0.0180***
	(0.0086)	(0.0087)	(0.0057)	(0.0057)
DOJ	0.0261	0.0307*	-0.0149*	-0.0138
	(0.0182)	(0.0177)	(0.0089)	(0.0095)
Pre-election*DOJ	-0.0086*	-0.0085*	0.0103**	0.0097**
	(0.0050)	(0.0050)	(0.0045)	(0.0046)
Firm controls	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Observations	8,361	8,361	8,361	8,361
R-squared	0.5107	0.5539	0.5002	0.5191

Table A8
SEC Regional Offices

This table presents regressions of enforcement related to the presence of SEC local offices. Pre-election equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. SEC offices is an indicator variable that equals one if a firm was domiciled in a state with the presence of the Securities and Exchange Commission (SEC) regional offices (GA, MA, IL, CO, TX, CA, FL, NY, PA, UT). Target U.S. equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. Target Foreign equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	SEC regional offices			
	Target U.S.		Target Foreign	
outcome	(1)	(2)	(3)	(4)
Pre-election	-0.0009	-0.0008	0.0009**	0.0012**
	(0.0006)	(0.0005)	(0.0004)	(0.0005)
SEC offices	0.0002	-0.1877*	0.0002	-0.0390
	(0.0036)	(0.1027)	(0.0017)	(0.0357)
Pre-election*SEC offices	0.0006	0.0003	0.0000	0.0003
	(0.0005)	(0.0005)	(0.0006)	(0.0005)
	(0.0008)	(0.0008)	(0.0004)	(0.0009)
Firm controls	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Observations	137,844	137,840	137,844	137,840
R-squared	0.1250	0.4647	0.1470	0.4253

Table A9
SEC and DOJ Investigations and Electoral Cycles

This table conducts placebo tests using SEC and DOJ initiated and conducted investigations (not FCPA violations) as a placebo outcome variable. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Investigate* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) investigations during the sample period. *Investigate U.S.* equals one if a U.S. firm was subject to anti-bribery investigations during the sample period and equals zero otherwise. *Investigate Foreign* equals one if a foreign firm was subject to anti-bribery investigations during the sample period and equals zero otherwise. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Investigation Initiation			Investigation Initiation U.S.			Investigation Initiation Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0003	0.0006	0.0008	0.0004	0.0004	-0.0006	-0.0000	0.0002	0.0005
	(0.0007)	(0.0008)	(0.0008)	(0.0004)	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0006)
Size		0.0127***	0.0034*		0.0059***	0.0012		0.0068***	0.0011
		(0.0011)	(0.0019)		(0.0009)	(0.0008)		(0.0008)	(0.0016)
Leverage		0.0123*	0.0239***		0.0078	0.0089		0.0045	0.0070
		(0.0069)	(0.0079)		(0.0052)	(0.0061)		(0.0050)	(0.0043)
Cash		0.0109	0.0247***		0.0030	0.0196***		0.0079	0.0002
		(0.0073)	(0.0091)		(0.0054)	(0.0047)		(0.0051)	(0.0064)
ROA		-0.0158**	0.0017		-0.0012	-0.0021		-0.0146***	0.0008
		(0.0071)	(0.0076)		(0.0048)	(0.0044)		(0.0055)	(0.0046)
Sales Growth		-0.0085***	-0.0022		-0.0047***	-0.0007		-0.0037***	-0.0003
		(0.0012)	(0.0015)		(0.0009)	(0.0008)		(0.0008)	(0.0011)
State controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	137,844	137,844	137,840	137,844	137,844	137,840	137,844	137,844	137,840
R-squared	0.1561	0.1814	0.5160	0.1275	0.1392	0.4703	0.1334	0.1471	0.4942

Appendix B: Anecdotal accounts of desire and ability to influence enforcement

In the hearing before the subcommittee on crime, terrorism, and homeland security of the committee on the judiciary house of representatives one hundred twelfth congress, the Senate Judiciary Committee testified as follows:

- James Sensenbrenner, Jr., a Representative in Congress from the State of Wisconsin, and Chairman of Subcommittee on Crime, Terrorism, and Homeland Security asserted that "As a part of its oversight functions over the Justice Department and the criminal laws of the United States, this Committee is well suited to examine the impact of the FCPA and to ask hard questions about whether the act is succeeding in its mission or is needlessly hurting American job creation." He also cited that, "The Wall Street Journal (Jan 24, 2011) pointed out that FCPA fines made up half of all DOJ Criminal Division penalties in fiscal year 2010. This is a considerable windfall for the Federal Government."[1]
- Chairman Sensenbrenner further emphasized the vague in interpretation of the law that "Significant concerns about the FCPA and its enforcement by the Justice Department are being expressed by the business community, and business is already in trouble. Under the Obama Administration, America is suffering through a severe and prolonged economic downturn. Businesses that are trying to comply with the FCPA assert that the law is being enforced in a vague and impenetrable manner. Because the risks of prosecution are so great, with million-dollar fines and possible prison sentences, companies would rather settle with the Justice Department than go to court."
- The uncertainty may lead to discretions that "The result is a shortage of court decisions determining the limits of the law. Companies must then analyze cases prosecuted by the Justice Department and the settlements reached to determine how to do business in foreign markets. The business community complains that the absence of case law interpreting the breadth and scope of the FCPA inflates the Department's prosecutorial discretion and confounds industries' ability to conform to the law."

[1] The Wall Street Journal, Jan 24, 2011, FCPA Fines Made Up Half Of All DOJ Criminal Division Penalties In Fiscal 2010, https://www.wsj.com/articles/BL-CCB-3241.

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

WASHINGTON—The U.S. Senate Judiciary Committee on Thursday advanced bipartisan legislation introduced by U.S. Sens. John Cornyn, R-Texas, and Patrick Leahy, D-Vt., to crack down on public corruption, provide additional resources to investigators and prosecutors, and toughen penalties for public corruption offenses. The Public Corruption Prosecution Improvements Act, S.1946, now moves to the full Senate for consideration. Sen. Cornyn is a member of the Judiciary Committee and Vice Chairman of the Ethics Committee. "Public corruption is not a Republican or Democratic problem. It's not just in Washington, D.C. either. It is a problem in statehouses and city halls across this country," Sen. Cornyn said. "This legislation strengthens our efforts to combat public corruption by making substantive reforms to public corruption laws, and by giving prosecutors new tools to use in their battle against corrupt officials. We must restore integrity and Americans' trust in their government. This legislation sends a strong message and demonstrates just how serious we are about stamping out this problem." The Public Corruption Prosecution Improvements Act strengthens the enforcement of U.S. federal laws for public corruption offenses by increasing the maximum punishments on several offenses, including theft and embezzlement of federal funds, bribery, and a number of corrupt campaign contribution practices. Also, a total of $100 million will go to the Department of Justice and the Offices of Inspectors General for combating public corruption. The bipartisan legislation will do the following:

- Toughen the prohibition against bribery in connection with programs receiving federal financial assistance;
- Increase maximum penalties for theft of government property, bribery and other public corruption offenses;
- Include certain government theft and bribery offenses as predicates for racketeering prosecutions and wiretaps;
- Revise the definition of "official act" for purposes of public corruption prosecutions;
- Establish a six-year limitation period for the prosecution of certain public corruption crime relating to bribery, theft of government property, mail fraud, and racketeering; and
- Revise prohibitions against mail and wire fraud to include the taking of any other thing of value (in addition to money or property) in the commission of such crimes.

Sen. Cornyn serves on the Armed Services, Judiciary and Budget Committees. In addition, he is Vice Chairman of the Senate Select Committee on Ethics. He serves as the top Republican on the Judiciary Committee's Immigration, Border Security and Refugees subcommittee and the Armed Services Committee's Airland subcommittee.

Figure B1. U.S. Senate Judiciary Committee John Cornyn and the Public Corruption Prosecution Improvement Act, S.1948.
Source: https://www.cornyn.senate.gov/content/cornyn-bill-crack-down-public-corruption-passes-judiciary-committee

Blumenthal Asks Top Federal Prosecutor for Guidance on Trump Organization's Potential Violation of the Foreign Corrupt Practices Act

Friday, March 24, 2017

Anti-bribery legislation was passed during the Watergate investigation to protect against illegal influence by foreign officials

[WASHINGTON, D.C.] – In light of President Trump's continuing refusal to divest himself from his vast business entanglements – even as the Trump Organization pursues activities abroad – U.S. Senator Richard Blumenthal (D-CT) sought input today from top federal prosecutors regarding whether or not those actions could indicate a violation of the Foreign Corrupt Practices Act (FCPA).

"In simple terms, the FCPA prohibits American business officials from engaging in bribery or offering illicit payments to foreign officials to get their way: they must play by the rules of the country in which they are conducting business or pay a steep price," Blumenthal wrote.

Today, Blumenthal wrote the Acting U.S. Attorney for the Southern District of New York, Joon Kim, and the Chief of the Fraud Section at the Department of Justice, Andrew Weissmann, seeking legal guidance on whether President Trump and his family's continuing relationship with the Trump Organization may have given rise to a violation of the FCPA.

Figure B2. Senator Blumenthal asked U.S. Attorney for the Southern District of New York and the Chief of the Fraud Section at the Department of Justice regarding Trump Organization's potential violation of the FCPA.
Source: https://www.blumenthal.senate.gov/newsroom/press/release/blumenthal-asks-top-federal-prosecutor-for-guidance-on-trump-organizations-potential-violation-of-the-foreign-corrupt-practices-act

Trump called global anti-bribery law 'horrible.' His administration is pursuing fewer new investigations.

Renae Merle

For years, President Trump has criticized a more than 40-year-old law banning companies from bribing foreign officials to win business.

In 2012, he told CNBC that the Foreign Corrupt Practices Act was a "horrible law." In a 2017 Oval Office meeting, Trump ordered his then-Secretary of State Rex Tillerson to do away with it.

"It's just so unfair that American companies aren't allowed to pay bribes to get business overseas," Trump said, according to "A Very Stable Genius," a book by Washington Post reporters Philip Rucker and Carol D. Leonnig that published in January.

White House economic adviser Larry Kudlow said recently that the Trump administration is "looking at" making changes to the global anti-bribery law.

The Foreign Corrupt Practices Act was largely dormant for decades after its passage in 1977, with very few prosecutions until President George W. Bush began using the anti-bribery statute to propel the country's moral authority across the globe, legal experts say. It led to a global shift in attitudes about bribery, with the United States as the leading voice, said Andy Spalding, a professor at the University of Richmond School of Law and a senior editor of the FCPA Blog.

"A Republican administration dusted off the law and gave it some teeth," Spalding said.

But the law has been criticized by those who say it gives foreign competitors an advantage.

In a 2011 paper, Jay Clayton, now chairman of the Securities and Exchange Commission, said the United States' anti-bribery policies were "causing lasting harm to the competitiveness of U.S. regulated companies and the U.S. capital markets." Trump nominated Clayton to chair the SEC in 2017.

The Trump administration also appears to be more focused on prosecuting foreign companies accused of bribery, Savelle said. Over the past decade, U.S.-based firms have been the target of twice as many FCPA-related sanctions as foreign ones, according to the Stanford data. But among the ongoing cases, the breakdown is nearly even split, she said. (Friday's Airbus case adds to the total of foreign companies targeted by DOJ.)

"It may be an intentional effort to level the playing field by going after more foreign companies," Savelle said.

Figure B3. The Trump Administration's skepticism about the FCPA and the low number of enforcement cases.
Source: https://www.washingtonpost.com/business/2020/01/31/trump-fcpa/

Senators Introduce Combating Global Corruption Act of 2017

April 28, 2017

FCPA Update Anti-Corruption FCPA Bribery Fraud

Senator Ben Cardin and Republican co-sponsors recently introduced a bill titled the "Combating Global Corruption Act of 2017," which seeks "to identify and combat corruption in countries, to establish a tiered system of countries with respect to levels of corruption by their governments and their efforts to combat such corruption, and to assess United States assistance to designated countries in order to advance anti-corruption efforts in those countries and better serve United States taxpayers."

This bill, if enacted, would require the Secretary of State to publish annual rankings of foreign countries split up into three tiers that depend on whether those countries' governments comply with "minimum standards for the elimination of corruption." The introduced bill defines corruption as "the exercise of public power for private gain, including by bribery, nepotism, fraud, or embezzlement."

Figure B4. The Republican Senator Ben Cardin's active role in FCPA enforcement globally. Source: https://buckleyfirm.com/blog/2017-04-28/senators-introduce-combating-global-corruption-act-2017