Foreign MNCs' Utilization of Domestic Political Endowments Inherited from Cross-border M&A

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Abstract

Do foreign multinational corporations (MNCs) utilize the domestic political endowments inherited from cross-border mergers and acquisitions (M&A) and why? Little is known about the way in which foreign MNCs gain political influence outside their home countries. And yet, foreign MNCs that acquire or merge with politically active domestic firms may absorb host country- and firm-specific political influence mechanisms on day-one of entry. To test this idea, I assemble novel panel datasets of all American firms that went through an M&A while connected to an active Political Action Committee (PAC) or reported to lobby the U.S. government between 1997 and 2018. With these data, I demonstrate that the survival rates of connected PACs and lobbying relationships post-M&A are significantly higher for domestic firms with a new foreign owner, compared with those with a new American owner. In addition, newly foreign-owned firms tend to maintain – or even increase – the intensity of political activities post-M&A. Finally, following cross-border M&A, I observe a greater lobbying emphasis on issue areas of interest to foreign MNCs such as trade, intellectual property rights, and telecommunications. One implication of the study is that foreign MNCs may gain political leverage in other countries by acquiring politically active domestic firms.

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Introduction

Multinational corporations (MNCs) are known as 'global golaiths' of the 21st century.[1] Collectively, MNCs produce about one-third of global output, whereby 21% of global production takes place in their respective home countries and another 12% in host countries in which they invest.[2] Numerous studies attest to how MNCs are economically and politically influential in their home countries. Generally, MNCs are much larger and productive than domestic firms.[3] With their greater financial resources, MNCs actively engage in domestic politics and influence foreign policy of their home governments.[4] And yet, a common assumption made in the political economy literature has been that MNCs likely lose influence outside of their home countries. Partly, this assumption originates from studies theorizing MNCs as vulnerable against host country governments. Outside of their home countries, MNCs face challenges of complying to different laws, rules, and norms of doing business, and the risk of host governments reneging on initial promises made to the MNCs to attract them in the first place.[5]

However, a growing body of research suggests that MNCs adjust to new political environments and are capable of managing relationships with host country governments post-investment. This is particularly true in contexts where MNCs invest in developed democracies in which interest group mobilization is prevalent and channels of political influence are relatively abundant.[6] For instance, in the United States, firms actively engage in election campaigns and policy advocacy. In fact, foreign-connected and foreign-owned domestic firms can also participate in such political activities.[7] And yet, foreign MNCs may find it challenging to politically

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[1]Foley, Hines Jr. and Wessel (2021); Dunning and Lundan (2008).

[2]OECD (2018).

[3]Helpman, Melitz and Yeaple (2004); Helpman (2006); Yeaple (2009).

[4]Johns, Pelc and Wellhausen (2019); Huneeus and Kim (2018); Kim and Milner (2021); Drope and Hansen (2006).

[5]Wellhausen (2014); Jensen (2008); Vernon (1971).

[6]Malesky (2009), Kim and Milner (2021), Barry (2022), Lee and Stuckatz (2023).

[7]Mitchell, Hansen and Jepsen (1997); Hansen and Mitchell (2000); Lee (2023, 2022).

mobilize outside of their home countries because they lack U.S.-specific political endowments. What is often overlooked is that foreign MNCs may overcome such disadvantage and gain a political foothold in a host country at the very point of entry.

In this paper, I theorize that foreign MNCs may gain political access and influence in the United States through the political endowments they inherit from cross-border mergers and acquisitions (M&A). In fact, cross-border M&A is the dominant entry mode of foreign direct investment into the U.S., which occurs when foreign firms merge with or acquire domestic firms to grow synergy for the businesses involved and ultimately improve their market positions globally. When foreign firms have merged with or acquired domestic firms that are already politically active, they can absorb the political influence mechanisms – e.g., connected Political Action Committees (PACs) or pre-existing lobbying relations – of their acquired firms. These political endowments are not only specific to the host country but also tailored to the firm, making them particularly valuable to new foreign owners.

This leads to a theoretical expectation that the added benefits of inheriting domestic political endowments from an M&A is unique to foreign MNCs. If so, foreign acquirors, relative to domestic acquirors, may have a greater tendency to inherit and utilize the political influence mechanisms of their acquired firms.[8] Specifically, I expect that new foreign ownership of a domestic firm would be associated with a tendency to continue or even expand the pre-existing political influence mechanisms. For instance, I expect foreign-acquired firms' connected PACs to remain active post-M&A. I also expect foreign-acquired firms' lobbying activities to continue post-M&A. Meanwhile, the amount of PAC contributions made to federal candidates or the amount of lobbying spending may even increase among firms that become foreign-acquired. Finally, the lobbying patterns of these firms may change in ways prioritizing issue areas that

[8] Note that I am not focusing on the pre-M&A decision of potentially targeting a politically active domestic firm. Such analysis requires examining a different array of firm factors that lead to an M&A decision which is outside the scope of the current investigation. Rather, I focus on the post-M&A decision of whether to inherit and utilize the domestic political endowments of an acquired firm, provided that the acquired firm has a PAC/lobbying history. Once the latter is established, it may lead to the aforementioned possibility of potential political asset-seeking FDI.

are documented to be important for foreign MNCs.[9]

To test these ideas, I assembled novel panel datasets of all U.S.-based firms that engaged in either PAC or lobbying activities between 1997 to 2018. Among these firms, I further identified those that have gone through an M&A resulting in majority ownership change while they were politically active. The data were collected and merged across multiple sources including Zephyr M&A, the Federal Election Commission (FEC), Center for Responsive Politics, LobbyView (Kim, 2018), and Orbis. Ultimately, I traced the PAC activities of 251 firms that went through an M&A while their connected PACs were registered with the FEC; I also traced the lobbying activities of 566 firms that experienced ownership change within the years they have filed lobbying reports under the Lobbying Disclosure Act. In order to account for cases in which the same firm goes through multiple M&As, often experiencing both cross-border and domestic M&A, the intensity of political activities is compared across different ownership states within a firm – 'pre-M&A,' 'post-cross-border M&A', and 'post-domestic M&A.'

As expected, I find multiple pieces of evidence that cross-border M&A, relative to domestic M&A, is associated with a greater intensity of political activities post-M&A. For both PAC and lobbying activities, domestic firms acquired by a foreign MNC had a significantly greater likelihood to *continue* to be politically active post-M&A than those acquired by another domestic firm. Also, domestic firms with a new foreign acquiror had a tendency to maintain previous levels of campaign contributions and increase lobbying spending. However, those with a new domestic acquiror were likely to reduce campaign contributions but maintain lobbying spending. Also, following foreign acquisition, lobbying spending increased within-firms for issue codes including trade, tax, and those relating to industries where FDI is either highly concentrated or regulated in the United States. Collectively, the findings suggest that foreign MNCs may better position themselves in the U.S. political marketplace through the domestic political endowments they inherit from cross-border M&A.

This paper builds on latest research on the political influence of MNCs in the global econ-

[9] See Kim and Milner (2021) or Lee (2022) that identify trade, tariffs, copyright/patent/trademark, immigration as examples of issue areas that MNCs lobby more extensively than domestic firms.

omy.[10] The paper is also in line with studies highlighting how MNCs may politically benefit from fragmenting their operations across multiple jurisdictions.[11] In particular, one implication of this study is that MNCs may become more globally influential by strategic asset-seeking FDI where they intentionally acquire politically active firms outside of their home countries. In such scenario, the political environment of host countries and the political endowments of domestic firms may serve as location advantages for MNCs along with Ricardian-type natural resources or labor endowments.[12] Finally, this paper makes empirical contributions to understanding the heteroegeneity in corporate political activities.[13] The novel panel datasets used in this paper provide additional support to the idea that foreign ownership is an important determinant in understanding the likelihood and intensity of political activities in the United States.[14]

Added Political Benefits of Cross-border M&A

MNCs' Political Influence at Home and Beyond

The extent to which firms influence government policies is context-specific, depending on rules regulating the means of political influence in each country. However, within the context where firms can leverage election outcomes or policymaking directly or indirectly, large and multinational corporations are found to exert a lot of political influence (Johns, Pelc and Wellhausen, 2019; Hansen, Mitchell and Drope, 2005; Drope and Hansen, 2006; Huneeus and Kim, 2018). Partly, political clout is concentrated among these firms because it is costly to exert political influence. For instance, establishing an internal government relations unit, contracting out to commercial lobbyists, or making financial payments to policymakers all require substantial

[10]Kim and Milner (2021); Johns, Pelc and Wellhausen (2019); Huneeus and Kim (2018).

[11]Lee and Stuckatz (2023); Betz, Pond and Yin (2020); Thrall (2021).

[12]Calluzzo, Nathan Dong and Godsell (2017); Dunning (1980, 2001).

[13]Drope and Hansen (2006); Bombardini (2008); Osgood (2019); Kim (2017); Hillman, Keim and Schuler (2004); Lux, Crook and Woehr (2011).

[14]Mitchell, Hansen and Jepsen (1997); Hansen and Mitchell (2000); Lee (2023, 2022).

time, information, and money.

Besides having more resources to expend, and thus being able to select into the political marketplace, large MNCs tend to be interested in a more diverse set of policy issues (Kim and Milner, 2021; Lee, 2022). In particular, MNCs have been the main proponents of preferential trade agreements and bilateral investment treaties, in which they have tried to liberalize services and include provisions on investment protection and intellectual property rights enforcement (Dür, Baccini and Elsig, 2014; Blanchard and Matschke, 2015; Kim, 2015; Rodrik, 2018; Baccini, 2019; Osgood and Feng, 2018). Lately, with the growing discontent towards globalization, MNCs have mobilized to defend global economic integration through lobbying and campaign contributions, public hearings, and notice and comment (Zeng, Sebold and Lu, 2020; Lee and Osgood, 2019, 2021, 2022).

While many studies investigate the preferences and political activities of MNCs in their home countries, less is known about their political influence beyond national borders. And yet, a significant amount of MNCs' sales and production is generated outside of their home countries. For instance, the McKinsey Global Institute finds that the world's largest firms (top 1% of firms with annual revenue greater than $1 billion) generate more than 42% of their total sales from outside their home country (Manyika et al., 2018). This heavy reliance on global markets rationalize MNCs' needs for having some influence over other governments' policies. Notably, MNCs' bottom lines are directly impacted by other governments' policies on taxation, trade, foreign investment, immigration, exchange rates, intellectual property rights, foreign relations, and more.

Early research on the dynamics between MNCs and host country governments focused on the obsolescing bargain between the parties (Vernon, 1971). MNCs initially have an upper-hand as potential host governments compete against each other to attract investment into their counties. However, once investment decisions are made, host governments may expropriate MNCs' assets or renege on initial promises made to attract them in the first place. More recent studies find less support for obsolescing bargain, especially in developed democracies and among non-extractive industries (Jensen, 2008; Nose, 2014). Meanwhile, MNCs may rely on international institutions such as bilateral investment treaties to hold host governments accountable (Tobin and Rose-Ackerman, 2011; Fang and Owen, 2011; Allee and Peinhardt, 2011; Simmons, 2014; Kerner, 2009; Büthe and Milner, 2008). Increasingly, studies find that MNCs adapt to new political environments and manage their relationship with host governments even after the investment takes place (Malesky, 2009; Barry, 2022; Lee, 2022, 2023).

Cross-border M&A with Politically Active Domestic Firms in the United States

Foreign direct investment largely takes the form of either cross-border M&A or greenfield investment. In the former case, a foreign firm merges with a domestic firm as more or less equals, or acquires a domestic firm in a host country. In the latter case, a foreign firm builds a new plant or expands its business in a host country. Cross-border M&A has traditionally been the dominant form of FDI worldwide, but especially between advanced economies, since the early 1990s (Qiu and Wang, 2011). In fact, according to the U.S. Bureau of Economic Analysis, cross-border M&A accounted for an average of 96% of FDI expenditures from 2014 to 2018, using a definition of inward FDI as "when a foreign investor owns at least 10 percent of a U.S. business" (Bureau of Economic Analysis, 2019).

Interestingly, cross-border M&A may create added political benefits to foreign investors. For instance, Henisz (2000) famously suggests that partnering with host country firms can help foreign investors safeguard against political risk. This is because cross-border M&A raise the political costs of a host country government's opportunistic expropriation when their own domestic firms also get hurt in the process. In this paper, I argue that cross-border M&A with politically active domestic firms can present foreign investors with political benefits beyond raising the cost of expropriation. This argument builds on how foreign MNCs, through cross-border M&A, acquire an "operating local management familiar with the national market environment," and effectively, a "stock of valuable information" is transferred to the new owners (Caves, 1996; Nocke and Yeaple, 2007). Conventionally, these phrases have referred to the host country's economic environment. Applying this logic to the political marketplace of a host country, I theorize that foreign acquirors may inherit host country-specific political expertise and experience from politically active domestic firms.

In particular, corporate political activities are pervasive in the United States, and firms may equip themselves with multiple political influence mechanisms. For instance, under the Lobbying Disclosure Act of 1995 (LDA), firms reported to expend about $3.2 billion (87% of all lobbying spending) in 2021, making them by far the biggest spenders and most numerous lobbying interest group (Schlozman et al., 2015; Drutman, 2015). As studies find unregistered advocacy to be prevalent, even this number is a mere underestimate (Grose et al., 2022; LaPira, 2016; Thomas and LaPira, 2017). In addition, under the Federal Election Campaign Act of 1971 (FECA), firms can establish a connected PAC and raise voluntary campaign contributions from employees of their sponsoring firms. During the 2018 election cycle, corporate PACs spent over $419 million (40% of all PAC giving) to influence federal elections, making them the largest source of PAC giving.[15]

Moreover, foreign ownership does not ban domestic firms from political participation under the FECA and LDA.[16] Therefore, foreign acquirors may legally inherit the political influence mechanisms of the domestic firms that they absorb through cross-border M&A. Of course, foreign acquirors may choose not to inherit those political endowments of their acquired firms, or, elect to build political influence mechanisms on their own from scratch. However, it is worth highlighting several clear benefits of inheriting pre-existing political endowments of the domestic firms that foreign MNCs have acquired.

First, even if bestowed with the legal rights to engage in political activities in the United States, foreign MNCs may find it challenging to politically mobilize. Even for domestic firms that are naturally more familiar with the U.S. political marketplace, only a minority of the largest firms engage in political activities. For foreign MNCs, navigating through an unfamiliar political marketplace is particularly challenging without U.S.-specific political endowments.

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[15] `https://endcitizensunited.org/corporate-pac-faqs/`

[16] See Lee (2022) for a detailed account of foreign-connected lobbying under the LDA as opposed to the Foreign Agents Registration Act. Also see Lee (2023) for an explanation of the legality of foreign-connected PACs and their activities in the United States.

And yet, having inherited a connected PAC or the lobbying relationships of an acquired firm endows the new foreign owner with political expertise and experience in terms of interacting with the U.S. government in the 'American way.' Second, the acquired firm presumably has already built and maintained relationships with the best possible allies for itself, whether those relationships are built upon geographic ties or industry characteristics. Therefore, the political endowments inherited from the domestic firms are not only host country-specific but also tailored to the firms. Third, such valuable political endowments are redeemable at the point of entry into the host country. This way, the foreign MNCs' bargaining power against the host country government may not necessarily obsolete post-investment.

Utilization of Domestic Political Endowments Inherited from Cross-border M&A

One theoretical expectation of the aforementioned argument is that the added benefits of obtaining domestic political endowments from an M&A is likely unique to foreign acquirors. Domestic acquirors, as opposed to foreign acquirors, are familiar with the U.S. political environment. In fact, some of the domestic acquirors may already be politically active themselves, making the choice of absorbing additional political influence mechanisms from a newly acquired firm redundant or costly. Or, domestic acquirors that are not already politically active may have an aversion to political behavior, and thus, they may not want to absorb the political endowments of the newly acquired firm.

If so, I expect to observe foreign acquirors, relative to domestic acquires, to be more likely to inherit and utilize the political influence mechanisms of their acquired firms post-M&A. I analyze this expectation in several steps. First, I examine the probability that foreign (vs. domestic) acquirors maintain pre-existing connected PACs or lobbying relationships of an acquired firm post-M&A. Second, I examine overall changes in the intensity of political activities of foreign (vs. domestic) acquired firms post-M&A. Finally, I look for any indication of changes in acquired firms' issue focus by examining issue-specific lobbying spending post-cross-border (vs. post-domestic) M&A. In the below, I lay out a more nuanced set of expectations based on domestic laws on foreign campaign finance and lobbying.

Connected PACs post-M&A: The FECA categorically bans foreign participation from U.S. federal elections. As the only exception, domestic subsidiaries of foreign MNCs may sponsor a PAC just like other domestic firms (Savrin, 1987; Powell, 1996; Vega, 2010; Lee, 2023). Therefore, inheriting an active PAC through cross-border M&A provides foreign MNCs with a legal opportunity to engage in U.S. federal elections. Of course, there is always the possibility that a foreign MNC might acquire a domestic firm without a PAC or establish a subsidiary from scratch and later choose to have its subsidiary engage in federal elections. Nevertheless, inheriting a ready-made, firm-tailored PAC is an efficient and effective way for foreign MNCs to get embedded into the U.S. election process.

In the case of domestic M&A, however, the added benefits from inheriting an active PAC is less obvious. Especially, if the domestic acquiror already has a PAC of its own, inheriting another PAC may constrain the operations of the original PAC. Under the FEC rules, PACs of the parent firm and its subsidiary become 'automatically affiliated' and must share a single limit on the contributions they make to federal candidates and to other committees. Affiliated PACs must also share a single limit on the contributions they receive.[17] Since the marginal benefits of adding another PAC may not necessarily exceed the extra costs of operating multiple PACs, even a domestic acquiror that is interested in operating a connected PAC may have less incentives to inherit an extra PAC from an M&A.

For these reasons, I suspect that a new foreign acquiror, relative to a new domestic acquiror, is likely to have a greater tendency to inherit the connected PAC of its newly acquired firm. In terms of the amount of campaign contributions, the connected PACs of foreign-acquired firms, relative to the domestic-acquired firms, are more likely to maintain or even increase their spending. Generally, acquirors are larger and more financially resourceful than the acquired firms. Therefore, PACs that are now sponsored by new acquirors may even be able to solicit greater amount of contributions than prior to the M&A. Meanwhile, domestic acquirors are more likely than foreign acquirors to have pre-existing PACs of their own. On average, the

[17] 11 CFR §100.5(g)(3)(i). See FEC (2018) for an explanation on affiliated committees and their contribution limits.

greater chances of becoming an affiliated PAC may lead to reduced spending for domestic-acquired firms post-M&A.

Hypothesis 1 *Post-M&A, the survival rate of an acquired firm's connected PAC is likely to be higher when sponsored by a firm with a new foreign owner vs. another domestic owner.*

Hypothesis 2 *Compared with pre-M&A levels, the amount of campaign contributions made by an acquired firm's connected PAC may increase when sponsored by a new foreign owner (but not when sponsored by another domestic owner).*

Lobbying post-M&A: Unlike the FECA, foreign agents can lobby the U.S. government under the Foreign Agents Registration Act of 1938. However, recent studies highlight that foreign commercial lobbying, and most of foreign corporate lobbying occurs under the Lobbying Disclosure Act through the domestic subsidiaries of foreign MNCs (You, 2020; Lee, 2022). Therefore, inheriting the lobbying relations that an acquired firm has already established under the LDA can be very useful for foreign MNCs. Presumably, the in-house lobbyists or contract lobbyists that have previously represented the firm understand the firm's political needs the best and are well-suited to advance those agendas within the U.S. political system. Foreign MNCs may also find it prudent to have their own political agendas represented by the acquired firms' lobbyists rather than separately hiring new ones. Consequently, the acquired firms may even increase their lobbying expenses post-M&A, as they are now expected to represent interests of the foreign acquiror on top of their regular lobbying agendas.

Domestic acquirors may also benefit from inheriting the lobbying relationships that already exist with the acquired firm. However, because domestic acquirors have less incentives to consolidate the lobbying agendas of the subsidiary and parent firms, it is less likely that the acquired firms would increase lobbying expenses post-M&A.

Meanwhile, if foreign MNCs decide to utilize the acquired firms' lobbying relations, they may even redirect the lobbying focus of the acquired firms in ways that better serve their policy interests. For instance, MNCs are deeply integrated into global value chains and are heavily engaged in trade (Bernard et al., 2007; Yeaple, 2009). MNCs also account for at least 50% of

R&D spending worldwide and own intellectual property rights (IPRs) in a variety of important technologies (Keller, 2010; Zeile, 2014). Therefore, global IPRs protection and enforcement are an important strategic agenda for foreign MNCs. Meanwhile, MNCs' worldwide tax planning and deep global integration necessitate smooth cross-country and intra-firm capital transfers (Desai, Foley and Hines Jr., 2006, 2007). Finally, several industries (e.g., pharmaceutical, transportation, manufactured foods and drinks) tend to attract a concentrated level of FDI in the U.S., including some industries that are heavily regulated (e.g., telecommunications, defense). Lobbying spending increases are expected in these areas among foreign-acquired firms.

Hypothesis 3 *Post-M&A, lobbying activities of an acquired firm is more likely to continue when acquired by a new foreign owner vs. another domestic owner.*

Hypothesis 4a *Compared with pre-M&A levels, the amount of lobbying spending is likely to increase for an acquired firm with a new foreign owner vs. another domestic owner.*

Hypothesis 4b *Issue-specific lobbying spending by a foreign-acquired firm is likely to increase in areas critical to foreign MNCs.*

M&A Deals and Firm Political Activities Data

I assembled original panel datasets of all U.S.-based firms that either engaged in federal elections or federal lobbying from 1997 to 2018, and *also* went through at least one majority ownership change during the period they were politically active. These PAC panel and lobbying panel datasets are a product of multiple data sources which I have updated and modified for purposes of this paper. The first data source is Zephyr (Bureau van Dijk), from which I exported 114,500 completed (confirmed and assumed) acquisition and merger type deals targeting firms with primary addresses in the United States, resulting in a majority (50.01% or more) ownership change since 1998 to February 2020.[18] For each deal, I downloaded Bureau van Dijk firm

[18]The data were collected on February 16th, 2020. Cases were further reduced through the process of verifying assumed cases – only the confirmed cases were considered for the paper. I also dropped M&A deals that resulted

IDs (BvD IDs) of the target and acquiror firms, and the BvD IDs of their global ultimate owners (GUOs). I also downloaded the country codes of these GUOs along with information on their operating revenues, and deal specific information such as completion date and value.

I categorized all M&A deals as either cross-border or domestic based on country codes of the GUO of the acquiror and target firms. Specifically, an M&A case is considered to be cross-border when an *ultimately foreign* acquiror acquires an *ultimately domestic* target. So when a U.S.-based firm merges with or is acquired by another U.S.-based firm, the case would be considered as domestic M&A only if the acquiror is majority U.S.-owned. If the acquiror is majority foreign-owned, the case would be considered as cross-border. Note that many firms experienced more than one M&A deal throughout the period. Therefore, I created a categorical variable distinguishing the ownership status of each acquired firm – 'pre-M&A,' 'post-domestic M&A,' and 'post-cross-border M&A' – in a certain election cycle, for the PAC panel data, and year, for the lobbying panel data.

For information on corporate engagement in federal elections, I first downloaded all available (from 1979-1980 to 2019-2020) committee master files from the FEC website. From the bulk data, I assembled a dataset with unique committee identifiers, committee names, their connected organizations, street addresses of these connected organizations, and the first and last election cycles that the committees were registered with the FEC for all 'corporate' type Political Action Committees. Then, using the street addresses and names of the identified connected organizations, I individually matched each corporate PAC with an unique BvD ID of its sponsoring firm. These identifiers were used to merge the PAC information with the M&A data and to collect other firm information such as industry code and state from Orbis.

In total, 384 domestic firms experienced at least one majority ownership change since 1998 and reported to have an active connected PAC between the 1998 and 2018 election cycles. In this paper, I define PACs to be active during the period they register with the FEC. Among the 384 firms, 251 (178 mainly domestic-acquired and 73 mainly foreign-acquired) of them

in rebranding or restructuring such as records of name change, privatization, or going public, etc.

completed an M&A deal when they actually had an active connected PAC.[19] I am mainly interested in these 251 firms because they provide a unique window to observe any changes in their PAC activities post-M&A. In order to create a PAC panel dataset, I scraped the Center for Responsive Politics (OpenSecrets) website to obtain the total dollar amount of campaign contributions made by the connected PACs of these firms to U.S. federal candidates between the 1998 and 2018 election cycles.

Finally, I collected information on corporate lobbying. I downloaded all federal lobbying reports filed on behalf of corporate clients from 1999 to 2017 using the application programming interface of LobbyView (Kim, 2018). I queried data in a way that disaggregates information in each lobbying report by the client name, LobbyView-matched BvD ID, report type, registrant name, year, reported lobbying income or expenses, and issue codes reflecting the general issue areas upon which the registrant engaged in lobbying.[20] To estimate issue-specific lobbying spending, I have divided the total lobbying spending in each report by the number of general issue codes indicated in that report. After manually updating LobbyView's BvD IDs based on registration reports, I merged the M&A data above with the lobbying data and also firm information from Orbis.

In total, 1124 domestic firms lobbied the federal government at some point between 1999 and 2017 and also experienced at least one M&A deal since 1998. Among these firms, I focus

[19]Note that a domestic firm may have sponsored a PAC but terminated its activity prior to the M&A deal. These cases are not relevant to this study since I focus on political activities preceding and subsequent to an M&A.

[20]In each lobbying report, registrants disclose the dollar amount of income or expenses relating to lobbying activities for the relevant reporting period only if the amount is greater than a certain threshold. This threshold was $10,000 prior to 2008 and $5,000 from 2008 on. For lobbying spending below these values, registrants simply mark a box indicating that the income/expense is less than those values. For the empirical analyses of this paper, I imputed the middle value of $5,000 and $2,500 for missing values when a lobbying report was filed but without lobbying amounts (unless they are a report type that does not require amount reporting such as Registration or Registration Amendment). In Appendix Tables C5 and C6, I replicate the main analyses (Table 3) by imputing the maximum threshold values of $10,000 or $5,000 and a non-zero minimum value of $1 instead. The results are largely identical across the different imputations.

Table 1: Summary of the data generation process

	Step result	Total result
M&A Deals Data (Source: Zephyr)		
1. Deal type: Acquisition, Merger (1998-Feb 2020)	735,667	735,667
2. Current deal Status: Completed (confirmed and assumed)	1,714,067	584,077
3. Country of target: USA (primary address)	402,726	114,500
Firm Political Activities Data (Sources: FEC, OpenSecrets, LobbyView)		
4. Firm's connected PAC is active (1998-2018 election cycles)		
5. Firm files lobbying reports (1999-2017)		
PAC Panel: 1998-2018 election cycles		
Firm goes through M&A while connected PAC is active (1. and 2. and 3. happen while 4.)		**251 firms**
◦ Domestic		178
◦ Cross-border		73
Lobby Panel: 1999-2017		
Firm goes through M&A while filing lobbying reports (1. and 2. and 3. happen while 5.)		**566 firms**
◦ Domestic		399
◦ Cross-border		167

on the 566 (399 mainly domestic-acquired and 167 mainly foreign-acquired) firms that have experienced ownership change between the first and last years of filing a lobbying report. For these firms, I aggregated the report-level lobbying spending up to the year-level to create a lobbying panel dataset. In Table 1, I summarize the aforementioned data generation process.

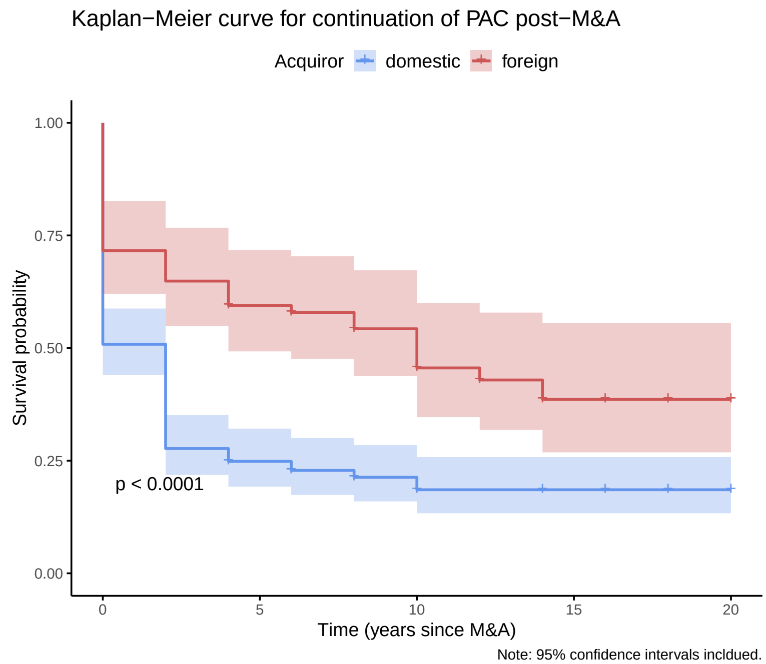
Post-M&A Utilization of Domestic Political Endowments

In the following, I present multiple pieces of evidence suggesting that foreign MNCs actively utilize the political influence mechanisms that they inherit from cross-border M&A. I first describe foreign and domestic acquirors' utilization of their acquired firms' connected PAC activities and then their lobbying relations. I focus on changes in political activities of the acquired firms preceding and subsequent to an M&A.

Post-M&A PAC Activities

Earlier I have posited that inheriting an active connected PAC is particularly useful for foreign MNCs. Here I examine whether foreign acquirors, relative to domestic acquirors, actually have a greater tendency to inherit the connected PACs of their acquired firms. In Figure 1, I present

Figure 1: Connected PAC survival



a survival plot (Kaplan-Meier curve) that illustrates the likelihood that an acquired firm's PAC survives up to and including time t, which is the number of years of existence post-M&A. Note that the time unit used for the underlying PAC panel data is in 2-year election cycles. Out of the 251 firms of interest, 108 terminate (60% survival) their previous PAC activities in the election cycle that an M&A takes place.[21] And yet, there is a notable difference between cross-border and domestic M&A cases. For instance, the initial survival rate of a PAC sponsored by a firm acquired by another domestic firm is about 50% (44-59%, 95% confidence interval). Meanwhile, about 75% (62-83%, 95% confidence interval) of the firms acquired by a foreign MNC continues their PAC activities post-M&A. This difference between foreign and domestic acquirors is not only significant at the time of acquisition, but also persists over time. In other words, compared with domestic M&A cases, foreign MNCs show a notably high tendency for inheriting and maintaining their acquired firms' PACs.[22]

[21]In the PAC panel data, the average year that an M&A took place was 2008 for both cross-border and domestic cases. This average year was not significantly different between the groups.

[22]Among the PACs that continue to be active, there was no significant difference between the two groups in terms of the chance of rehiring at least one of its previous PAC treasurers.

Next, I analyze changes in the intensity of PAC activities among the 251 firms that went through majority ownership change while having an active connected PAC. Specifically, in Table 2, I present ordinary least square regression models where the logged dollar amount of campaign contributions for each PAC-election cycle pair is regressed on three possible ownership states of a sponsoring firm: pre-M&A, post-domestic M&A, and post-cross-border M&A. In this analysis, the post-M&A state begins with the very election cycle under which the M&A year falls under.[23] The PAC-election cycle pairs included in the 'all PACs' analyses in models 1 and 2 include 262 corporate PACs sponsored by 251 unique firms. However, as shown in the previous analysis, many of the connected PACs get terminated during the M&A process. Therefore, I separately test changes in campaign contributions among a subgroup of 153 connected PACs sponsored by 143 firms that continued to remain active post-M&A. Results for this subgroup of 'continuing PACs' are presented in models 3 and 4.

Models 1 and 3, including firm fixed effects, demonstrate any amount of changes in campaign contributions within PACs sponsored by the very same firm. These within-firm models provide the strongest test for understanding the role of ownership change, while already controlling for individual firm characteristics that attribute to the chances of going through an M&A and continuing political activities. As shown, a post-domestic M&A state of a sponsoring firm is associated with significantly lower levels of campaign contributions for all and continuing PACs. In contrast, there is no significant difference between the pre-M&A and post-cross-border M&A states of a firm. This suggests that foreign acquirors, unlike domestic acquirors, are likely to *maintain* previous intensities of their inherited PACs' activities.[24] Moreover, the difference between the post-domestic M&A and post-cross-border M&A states of a

[23]Note that I find similar results if I code the post-M&A starting from the election cycle following that in which the M&A year falls under. See Appendix Table B1 for the results.

[24]Using the raw dollar amount of campaign contributions as the dependent variable (instead of its logged version), I find that the same firm increases about $22,700-28,500 on average post-cross-border M&A. See Appendix Table B2.

Table 2: Intensity of PAC activities

	logged campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−2.06***	−2.03***	−2.15***	−1.27*
	(0.25)	(0.39)	(0.32)	(0.49)
post-cross-border M&A	−0.41	−1.49**	−0.29	−1.20*
	(0.27)	(0.52)	(0.30)	(0.60)
Num.Obs.	1635	688	1139	484
R2	0.543	0.463	0.500	0.512
R2 Adj.	0.460	0.383	0.428	0.422
RMSE	2.56	2.73	2.73	2.69
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 cycles)†		✓		✓

Robust SEs in parentheses. $+$ $p < 0.1$, $*$ $p < 0.05$, $**$ $p < 0.01$, $***$ $p < 0.001$
Reference group is the pre-M&A state.
† Main results do not change with the use of a longer lagged dependent variable.

firm is significant (Appendix Table B3).[25] As a robustness check, I run a linear mixed effects model with an interaction term between a post-M&A and cross-border M&A indicator variable (Appendix Table B4).[26] Similar to Table 2, I find post-M&A to be associated with less campaign contributions, while the impact is moderated for cross-border types (positive interaction term).

Models 2 and 4 capture the general correlation between the level of campaign contributions and the three ownership states, controlling for some characteristics of the acquired firm and the M&A deal. For instance, I include fixed effects for the 3-digit NAICS industry code and location (state of incorporation) of the acquired firm. Also, to control for the attractiveness of

[25]When using post-domestic M&A as the reference group instead, the post-cross-border M&A variables are again positive and significant for Models 1 and 3.

[26]Because the same firm can go through multiple M&A, for the main text I present a panel model emphasizing differences within a firm across the pre-M&A, post-domestic and post-cross-border M&A states. Since the pre-M&A state is always domestic, in Appendix Table B4, I use an indicator 'cross-border' assigned as 1 for cases where the majority of the post-M&A state is foreign-owned rather than domestic-owned.

the acquired firm and the financial resources of the acquiror, I include logged deal values and the revenue of the new GUO. Election cycle fixed effects are included to account for any temporal trends affecting the intensity of PAC giving over time. Also a lagged dependent variable is included to account for the acquired firm's history of PAC contributions. The number of observations in these models drop substantially due to missing values for the deal covariates, and thus the results should be interpreted with caution. In models 2 and 4, both the post-cross-border and post-domestic M&A states have a negative association with PAC intensity, although the relationship is smaller and weaker for the cross-border M&A state.

Overall, foreign acquirors, relative to domestic acquirors, tend to have a greater tendency to inherit the connected PAC of their acquired firms. In addition, the connected PACs inherited by foreign acquirors have a tendency to engage in federal elections as intensely as before the ownership change. Meanwhile, when a domestic firm with a connected PAC is acquired by another domestic firm, there is a significantly higher chance that the PAC will be terminated, and the intensity of political engagement is likely to be reduced significantly. Importantly, these differences are not driven by the multinationality of foreign acquirors. In fact, most of the acquirors in the sample are multinational corporations, either domestic or foreign. Only 39 acquirors did not have any subsidiaries abroad, and dropping those cases did not change the main results.[27]

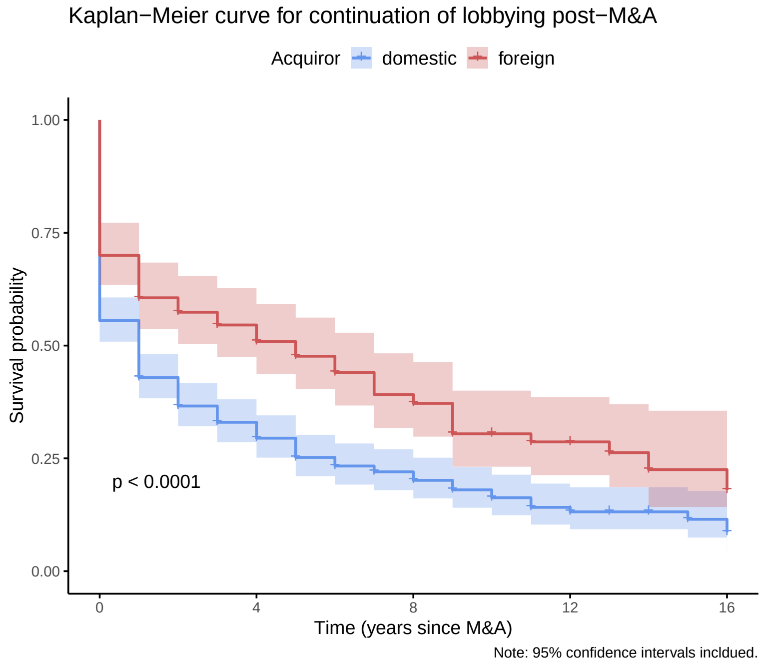
Post-M&A Lobbying Activities

In the following, I examine how foreign and domestic acquirors utilize the lobbying relations of their newly acquired firms. I again begin with the probability of continuing to lobby post-M&A. Figure 2 illustrates the lobbying survival rates of firms that go through a cross-border or domestic M&A. Similar to the case with campaign finance, many acquired firms discontinue their previous lobbying activities in the year that the M&A takes place.[28] And yet, there is

[27]See Appendix Table B5.

[28]In the lobbying panel data, the average year that an M&A took place was 2009 for both cross-border and domestic cases. This average year was not significantly different between the groups.

Figure 2: Lobbying survival



a significant difference between the probability of continuing to lobby between cross-border and domestic M&A cases. The initial lobbying survival rate for firms acquired by another domestic firm is about 56% (51-61%, 95% confidence intervals). Those acquired by a foreign MNC is likely to continue in about 70% (63-77%, 95% confidence intervals) of cases. This greater likelihood to continue to lobby among foreign-acquired firms persists over the years.[29]

Does foreign ownership influence the lobbying spending of acquired firms? Here, I use the panel data on the 566 firms that have gone through an M&A resulting in a majority ownership change during the period they engaged in lobbying activities between 1999 to 2017.[30] Since many firms discontinue their lobbying activities shortly after the ownership change, I separately treat 339 firms that continue to lobby post-M&A for at least one year as 'continuing firms.' Table 3 presents ordinary least square regression models where the logged dollar amount of lobbying spending for each firm-year pair is regressed on the three ownership states of an

[29]Among the acquired firms that continue to lobby, there was no significant difference between the two groups in terms of the chance of rehiring at least one of its previous in-house or external lobbyists.

[30]I consider a firm to be engaged in lobbying activities starting from the first year that a lobbying report is filed on behalf of the client until the last year a lobbying report is filed on behalf of the same client.

Table 3: Intensity of lobbying activities

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−0.01	−0.90***	0.08	−1.30***
	(0.10)	(0.15)	(0.12)	(0.19)
post-cross-border M&A	0.36*	−0.09	0.37*	−0.51*
	(0.14)	(0.18)	(0.15)	(0.20)
Num.Obs.	5808	2516	4112	1630
R2	0.519	0.431	0.527	0.503
R2 Adj.	0.467	0.406	0.484	0.471
RMSE	2.47	2.70	2.52	2.43
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)†		✓		✓

Robust SEs in parentheses. + $p < 0.1$, ∗ $p < 0.05$, ∗∗ $p < 0.01$, ∗∗∗ $p < 0.001$
Reference group is the pre-M&A state.
† Main results do not change with the use of a longer lagged dependent variable.

acquired firm.[31] Again, models 1 and 3 include firm fixed effects to capture changes in lobbying spending within the same firm. Models 2 and 4 test the correlation between lobbying spending and the three ownership states after including M&A deal covariates and fixed effects as before. Note that the number of observations is again substantially reduced for models 2 and 4 due to missing values and the results should be interpreted with caution.

The within-firm models show that an acquired firm tends to increase its lobbying spending when acquired by a foreign acquiror. Across models 1 and 3, a foreign acquisition of a domestic firm is associated with a 43-45% increase in annual lobbying spending compared with pre-M&A levels. However, domestic M&A is not associated with increased lobbying spending. In model 2, the post-cross-border M&A state of a firm has no significant association with lobbying spending change after accounting for characteristics of the acquired firm and M&A deal. In

[31]The model presented in the main text counts the very year that an M&A happened as a post-M&A state. Appendix Table C1 uses an alternative ownership measure that considers post-M&A starting from one year after the M&A happened.

contrast, the post-domestic M&A state has a significant negative association with lobbying spending. Both domestic and post-cross border M&A states are associated with less lobbying spending in model 4 but more substantially for the post-domestic state. The difference between post-domestic and post-cross-border M&A states of a firm is significant in models 1, 2, and 4 (Appendix Table C2). Providing more strength to the within-firm models of 1 and 3, I find a positive and significant interaction between a post-M&A and cross-border indicator variable using a linear mixed effects model (Appendix Table C3). Similar to the case of campaign finance, the results are not driven by the multinationality of foreign acquirors. Most firms in the lobbying panel data were acquired by an MNC, and dropping purely domestic acquirors from the analysis does not change the main results.[32]

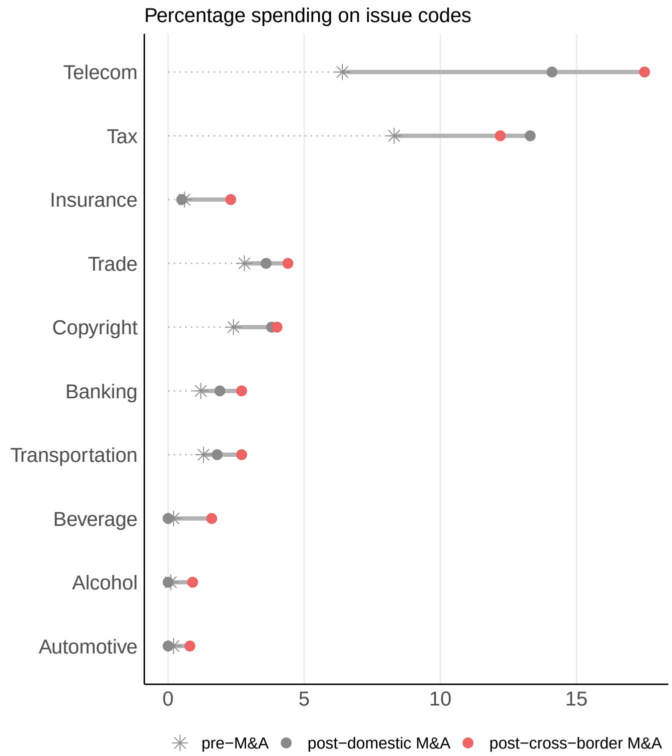
Does the lobbying content of an acquired firm change from pre-M&A to post-M&A? Is there any difference between cross-border and domestic M&A cases? To answer these questions, I examine 21,868 entries of disaggregated lobbying data on how much each firm spent on a unique general issue code in a year.[33] Using the same ownership categories of pre-M&A, post-domestic M&A, and cross-border-M&A, I first aggregated the amount of lobbying spending associated with firms' ownership states. Then, for each ownership state, I calculated the total amount of lobbying spending on each of the 79 LDA issue codes. The proportion of issue-specific lobbying spending over the total spending in each ownership state provides a comparable measure of lobbying weight across issue codes by ownership state.

For instance, Figure 3 presents the top 10 issue codes in which the *percentage spending* difference is largest between the pre-M&A and post-cross-border M&A states. Specifically, the dumbell figure for each issue code indicates the percentage spending by all firms pre-M&A (depicted by a gray star), the percentage spending by all firms post-domestic M&A (depicted by a gray circle), and the percentage spending of all firms post-cross-border M&A (depicted by a red circle). The length of the dumbells indicates differences in the lobbying emphasis on

[32] 88 acquirors were purely domestic. See Appendix Table C4 for the results.

[33] These data are created by aggregating 92,408 itemized reports of clients' name, year, name of registrant, report type, and issue codes.

Figure 3: Top 10 issue codes with increased percentage spending post-cross-border M&A



specific issue codes across the three states. Not surprisingly, percentage spending increases are observed in issue codes representing industries in which foreign direct investment into the U.S. is concentrated and regulated. For instance, a substantial percentage spending increase is observed in telecommunications, insurance, banking, transportation, automotive, beverage, and alcohol.[34] Also, general issue codes affecting the operations and profitability of foreign MNCs, such as trade, copyright/patent/trademark, and tax experienced percentage spending

[34]According to BEA statistics (Foreign Direct Investment in the United States: Positions by Detailed Industry of U.S. Affiliate, 2008–2019), about 40% of all FDIUS in the information sector is made in telecommunications industries (under 3-digit NAICS code of 517). Meanwhile, insurance and banking together (codes 522 and 524) consist about 12% of all FDIUS across all industries. The transportation equipment sector including motor vehicles (code 336) consist more than 10% of all manufacturing FDIUS. Beverage and alcohol are headed under both manufacturing and retail industries (codes 312, 424, 445) and consist about 3% of all FDIUS. Meanwhile, based on Quantgov data, the above 3-digit NAICS industries are all considered to be highly regulated (insurance ranking 9th and telecommunications ranking 19th among those with the greatest amount of industry regulations among 93 of 3-digit industries.

Table 4: Intensity of issue-specific lobbying

	logged lobbying spending									
	TEC	TAX	INS	TRD	CPT	BAN	TRA	BEV	ALC	AUT
post-domestic M&A	1.01*	0.39+	0.05	−0.96*	0.06	−1.26+	−0.06	−2.21	−0.69	1.77
	(0.43)	(0.22)	(0.52)	(0.48)	(0.70)	(0.69)	(0.40)	(1.89)	(0.43)	(2.08)
post-cross-border M&A	1.05*	0.60+	0.13	1.04*	0.64	−1.48	1.44**	0.76***	1.49+	1.24
	(0.52)	(0.31)	(0.43)	(0.45)	(0.45)	(0.97)	(0.48)	(0.19)	(0.75)	(1.14)
Num.Obs.	545	1538	236	850	478	296	663	60	58	68
R2	0.634	0.577	0.718	0.611	0.630	0.608	0.588	0.731	0.934	0.546
R2 Adj.	0.548	0.502	0.626	0.508	0.529	0.450	0.478	0.655	0.901	0.367
Firm FEs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Robust SEs in parentheses. + $p< 0.1$, $* \; p< 0.05$, $** \; p< 0.01$, $*** \; p< 0.001$
Reference group is the pre-M&A state.
Lobbying issue codes in the order of those listed in Figure 3.

increases.[35]

In Table 4, I estimate within-firm changes in logged lobbying spending regarding the ten issue codes identified in Figure 3. As shown, except for a few issue codes showing no significant differences from the pre-M&A state, significant increases are observed for the post-cross-border M&A state with regards to telecommunications, tax, trade, transportation, beverage, and alcohol. Notably, a significant spending increase is observed for trade in the post-cross-border M&A state while a significant spending decrease is observed in the post-domestic M&A state. The results suggest that the lobbying focus of an acquired firm not only *changes* as a result of an M&A, but *diverges* based on whether the acquiror is foreign or domestic. Future research should identify underlying conditions that predict the degree of such differences by issue type. In the meantime, findings here suggest that the nature of ownership of a domestic firm indeed has an impact on its political agendas.

[35] Although not shown in Figure 3, percentage lobbying spending increases were also observed among issue codes like immigration and miscellaneous tariff bills.

Discussion

So far, this paper has focused on the question of whether foreign acquirors, relative to domestic acquirors, are more likely to utilize the political influence mechanisms of their acquired firms post-M&A. To this end, I have examined changes in the acquired firms' PAC and lobbying activities post-M&A, provided that those firms already have a PAC/lobbying history. In this final section, I examine whether foreign acquirors, relative to domestic acquirors, have a systematic tendency to acquire firms based on their political history in the first place. This additional analysis is valuable for a couple of reasons. First, if cross-border M&A deals are systematically associated with domestic firms with richer political activities prior to the M&A, this may raise the potential for endogeneity. In other words, the main findings presented above may be an artifact of foreign-acquired firms being the more politically active ones prior to ownership change.[36] Also, this may provide clues to whether inheriting domestic political endowments may even be driving cross-border M&A decisions in a systematic way.

For this, I examine all M&A deals completed between 1999 and 2016 (77,897 total), so that an M&A might occur during the period in which the paper investigates corporate political activities. After classifying all deals as either domestic or cross-border, I first test whether cross-border deals are systematically associated with a domestic firm with a history of PAC or lobbying activity. Specifically, I use a conditional logistic regression model to test the relationship between the type of M&A (cross-border vs. domestic) and a binary indicator of whether the acquired firm has a history of political activity by the deal completion year. The results are summarized in Table 5. Models 1 and 2 focus on the PAC history of an acquired firm in each deal while models 3 and 4 focus on the lobbying history. In models 2 and 4, I add controls

[36]Note that the panel analyses in the main text with firm FEs are insulated from this possibility. Since any change is observed within a firm, a positive association between a post-cross-border M&A state and political activities requires an average increase in political activities compared with the pre-M&A stage, even if it were the case that average pre-M&A levels are generally higher for foreign-acquired (vs. domestic-acquired) firms.

Table 5: Coss-border mergers and acquisitions and PAC/lobbying history of acquired firm

	PAC/lobbying history of acquired firm			
	binary indicator of PAC history		binary indicator of lobbying history	
	Model 1	Model 2	Model 3	Model 4
cross-border M&A	−0.26	−0.37	−0.38*	−0.50*
	(0.23)	(0.29)	(0.17)	(0.22)
industry regulations (log)		0.09*		0.08*
		(0.05)		(0.04)
deal value (log)		0.79***		0.77***
		(0.04)		(0.03)
Num.Obs.	77 897	20 335	77 897	20 335
RMSE	0.05	0.08	0.07	0.11
Deal completion year strata	✓	✓	✓	✓

Robust SEs in parentheses. + $p< 0.1$, * $p< 0.05$, ** $p< 0.01$, *** $p< 0.001$

for the deal value and level of industry regulations.[37] Overall, cross-border M&A deals are not associated with acquired firms with a greater chance of having a political history. In fact, cross-border M&A deals have a significant and negative association with the chance that the acquired firms have a history of lobbying.

I also run an ordinary least square regression to test the relationship between the type of M&A and the intensity of PAC/lobbying history. The results are summarized in Table 6. For models 1 and 2, I now use the average annual amount of logged PAC contributions up to the deal completion year as the dependent variable. For models 3 and 4, I use the average amount of logged lobbying spending. Similar to above, I add additional control variables in models 2 and 4. Again, cross-border M&A has either an insignificant or a negative association (in 3 out of 4 models) with the past PAC/lobbying intensities of an acquired firm.

Finally, descriptive statistics regarding PAC donations and lobbying intensities pre-M&A and post-M&A corroborate findings in Tables 5 and 6. For instance, in Appendix Figures A1 and A2, I use box plots to show that there was no significant differences in both the PAC and lobbying activities of the acquired firms by type of M&A, up to the deal completion period.

[37]This quantitative industry regulation measure is adopted from Quantgov's RegData United States 4.0 and is matched with the acquired firm's 6-digit NAICS code.

Table 6: Coss-border mergers and acquisitions and past PAC/lobbying intensity of acquired firm

	past PAC/lobbying intensity of acquired firm			
	avg. log PAC spending per cycle		avg. log lobbying spending per year	
	Model 1	Model 2	Model 3	Model 4
cross-border M&A	−0.007	−0.02*	−0.02**	−0.07***
	(0.004)	(0.01)	(0.007)	(0.02)
industry regulations (log)		0.007*		0.02**
		(0.003)		(0.007)
deal value (log)		0.05***		0.13***
		(0.005)		(0.009)
Num.Obs.	77 897	20 335	77 897	20 335
R2	0.0003	0.022	0.0008	0.047
R2 Adj.	0.000 05	0.021	0.0006	0.046
RMSE	0.46	0.74	0.87	1.37
Deal completion year FE	✓	✓	✓	✓

Robust SEs in parentheses. + $p < 0.1$, $* p < 0.05$, $** p < 0.01$, $*** p < 0.001$

Any significant differences in the political activities between the different types of M&A occur *only after* the deals were completed and a new leadership has emerged respectively.

Therefore, the descriptive findings and regression analyses collectively suggest that cross-border M&A deals are *not* positively associated with an acquired firm's political resume. Effectively, this rules out the possibility that the higher retention rate and utilization of the connected PACs and lobbying relations by foreign acquirors, relative to their domestic counterparts, is a mere artifact of acquiring more politically active dometic firms in the first place. Rather, foreign acquirors have a unique tendency to inherit and better utilize the domestic political endowments of an acquired firm after the investment happens. Finally, findings here provide little support to the idea that absorbing domestic political endowments might be a driving force behind cross-border M&A in a systematic way.[38]

[38]Note that Tables 5 and 6 merely test the correlation between the political histories of acquired firms and the type of actual M&A deals completed during the investigation period. A formal test on whether political endowments drive an acquiror's cross-border M&A decision requires controlling for, among others, the acquiror's financial valuation of the potential target and expected synergies from the deal. Such valuation, in turn, may be based on the intellectual property, human capital, market position, etc. of a potential target firm. These measures are not

Conclusion

MNCs are among the most powerful interest groups worldwide. They actively engage in the politics of home countries and manage to achieve favorable policies that help them grow larger globally (Johns, Pelc and Wellhausen, 2019; Huneeus and Kim, 2018). However, less is known about how these firms manage to become politically influential outside of their home countries. And yet, considering their dependencies on global markets for sales and production, maintaining influence outside their homes is essential for MNCs' success. In particular, MNCs have strong incentives to have some leverage over their host governments. This is because MNCs' existing and future investments depend on the whims of their host governments. The dominant literature on foreign MNCs and host government relations characterize MNCs as vulnerable against host governments post-investment (Jensen, 2008; Vernon, 1971).

In this paper, I theorize that MNCs may not necessarily have a lower hand in their relationship with host governments when they have acquired politically active domestic firms. For instance, a foreign MNC may merge with or acquire a domestic firm that already has a connected PAC or is engaged in lobbying activities in the United States. Following the investment, whenever a foreign MNC chooses to inherit such domestic political influence mechanisms, host country-specific and firm-tailored political expertise and experience of the acquired firm is transferred to the new owner. These added benefits of cross-border M&A helps foreign MNCs oversee their U.S. operations while being equipped to manage host country government relations as they see fit.

Multiple pieces of evidence suggest that foreign acquirors, relative to domestic acquirors, have a greater tendency to actually inherit and utilize the domestic political endowments of

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available to the author while examining strategic investment decisions of a firm is beyond the scope of this paper. Meanwhile, it is worth mentioning that Calluzzo, Nathan Dong and Godsell (2017) finds that sovereign wealth funds (SWF) are attracted to domestic firms engaged in PAC activities and that PAC spending tends to increase after SWF investment. Such finding suggests that, in general, foreign *government* investment in the U.S. may be more politically motivated than foreign *private* investment.

an acquired firm. While in many cases, a change in majority ownership led to the termination of political activities of an acquired firm, cross-border M&A cases, relative to domestic M&A cases, were associated with a significantly higher rate of survival of both connected PACs and lobbying activities. Also, using novel panel datasets of PAC and lobbying activities, I find that the post-cross-border M&A state of a domestic firm is uniquely associated with maintaining if not increasing the intensity of previous political activities. Finally, I show that the lobbying focus of an acquired firm is likely to change post-M&A. Post-cross-border M&A, the lobbying focus of an acquired firm tends to shift in ways serving key policy interests of foreign MNCs in the United States.

Importantly, findings here are not driven by systematic differences in the acquired firms' history of political activities. Therefore, differences in the political activities of acquired firms post-M&A can be attributed to foreign vs. domestic acquirors' willingness to inherit and utilize host country-specific and firm-tailored domestic political influence mechanisms from the M&A. The results have a couple of broader implications that may provide avenues for future research. First, given how foreign acquirors actually embed themselves in the U.S. political system through their acquired firms, the domestic political endowments of firms may provide a strategic location advantage for foreign MNCs to expand their influence globally (Dunning, 1980, 2001). Second, the added benefits of acquiring politically active domestic firms are not necessarily confined to inheriting legal means of political influence in developed democracies. For instance, inheriting personal connections to political decision makers, as long as they are host country-specific and firm-tailored, may also be valuable additions from cross-border M&A.

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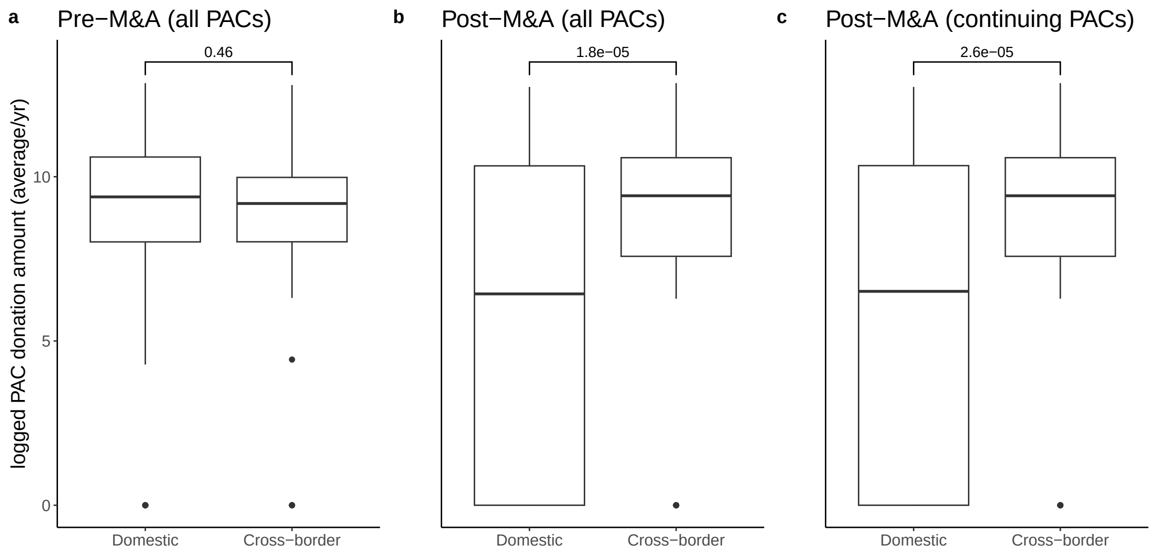
Appendix (For Online Publication)

Contents

A Descriptive Statistics

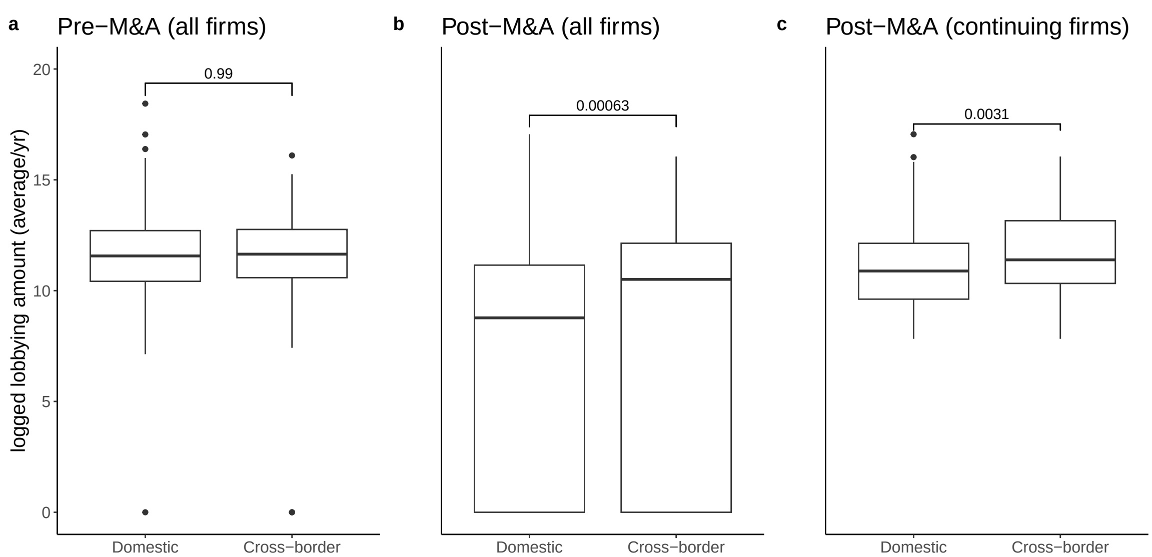
I lay out some descriptive statistics regarding the firms featured in this study. These are U.S.-based firms that engaged in either PAC or lobbying activities at the point of an M&A deal that resulted in a majority ownership change between 1999 and 2016.

Figure A1: PAC donation intensity pre- vs. post-M&A by acquiror type (N=251)



Notes: P-values of t.tests included for box-plots.

Figure A2: Lobbying intensity pre- vs. post-M&A by acquiror type (N=566)



Notes: P-values of t.tests included for box-plots.

Figure A3: Characteristics of acquired firms with active PACs (N=251)

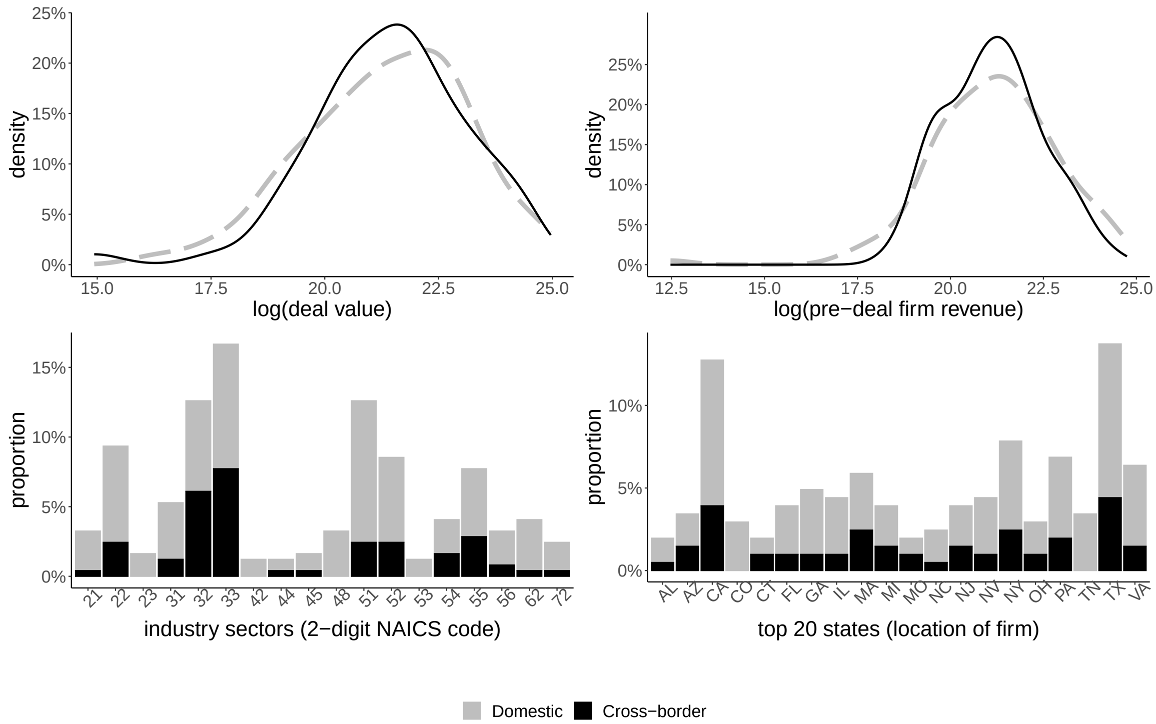


Figure A4: Characteristics of acquired firms engaged in lobbying (N=566)

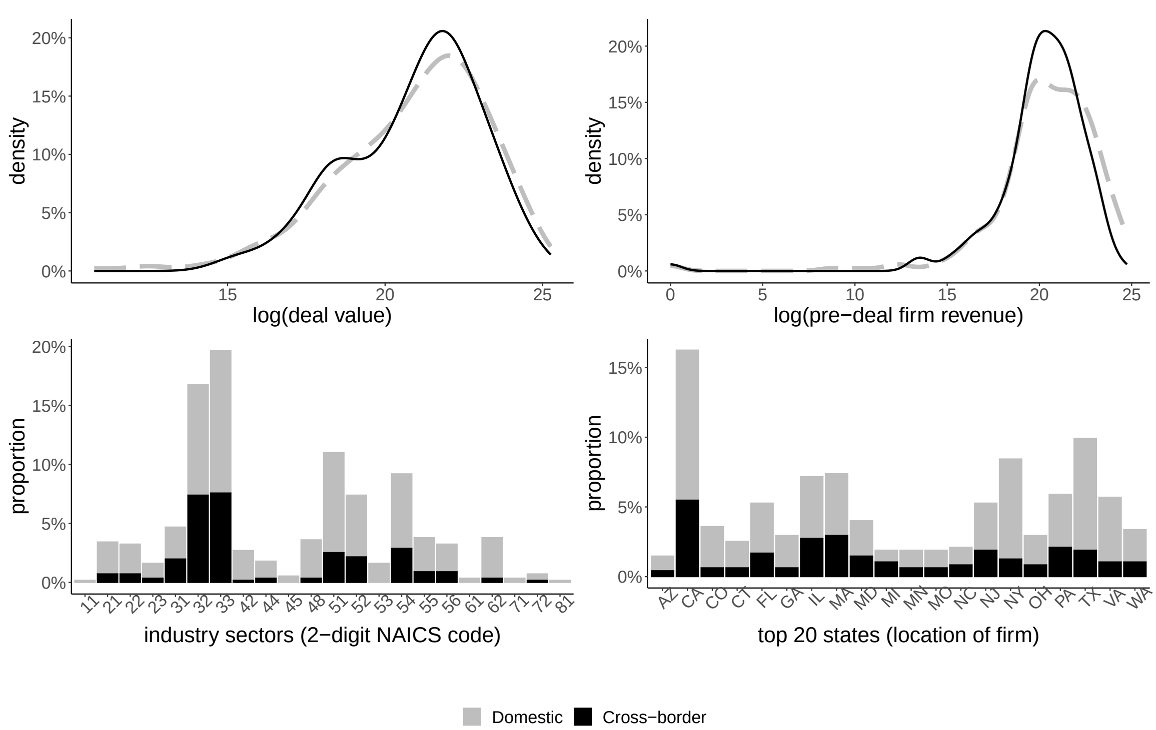


Table B1: Intensity of PAC activities: Alternative measure of ownership status

	logged campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−2.83***	−1.71***	−2.85***	−2.02***
	(0.35)	(0.49)	(0.35)	(0.49)
post-cross-border M&A	−0.39	−1.05*	−0.39	−1.19*
	(0.31)	(0.53)	(0.30)	(0.58)
Num.Obs.	1635	995	1139	644
R2	0.550	0.329	0.523	0.400
R2 Adj.	0.468	0.258	0.453	0.318
RMSE	2.54	3.01	2.67	2.95
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 cycles)		✓		✓

Robust SEs in parentheses. + $p < 0.1$, $* \ p < 0.05$, $** \ p < 0.01$, $* * * \ p < 0.001$

B Additional Campaign Finance Models

Table B2: Intensity of PAC activities: Non-logged amounts

	total campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−9643.31	−35 838.58**	−3987.98	−33 250.05+
	(7166.49)	(12 337.44)	(9338.29)	(18 446.73)
post-cross-border M&A	22 743.85**	−13 465.35	28 456.01**	−3228.94
	(8633.56)	(13 669.75)	(9831.34)	(20 761.49)
Num.Obs.	1635	688	1139	484
R2	0.635	0.667	0.615	0.695
R2 Adj.	0.569	0.618	0.559	0.639
RMSE	86 769.12	94 263.52	98 115.41	102 671.65
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 cycles)		✓		✓

Robust SEs in parentheses. + $p< 0.1$, $*$ $p< 0.05$, $**$ $p< 0.01$, $***$ $p< 0.001$

Table B3: Intensity of PAC activities: Alternative reference group

	logged campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
pre-M&A	2.06***	2.03***	2.15***	1.27*
	(0.25)	(0.39)	(0.32)	(0.49)
post-cross-border M&A	1.65***	0.54	1.86***	0.07
	(0.37)	(0.54)	(0.44)	(0.64)
Num.Obs.	1635	688	1139	484
R2	0.543	0.463	0.500	0.512
R2 Adj.	0.460	0.383	0.428	0.422
RMSE	2.56	2.73	2.73	2.69
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 cycles)		✓		✓

Robust SEs in parentheses. + $p< 0.1$, $*$ $p< 0.05$, $**$ $p< 0.01$, $***$ $p< 0.001$
Reference group is the post-domestic M&A state.

Table B4: Intensity of PAC activities: Interaction model

	logged campaign contributions	
	all PACs	**continuing PACs**
	Model 1	Model 2
post-M&A	-1.96^{***}	-1.93^{***}
	(0.19)	(0.25)
cross-border	-0.48	-0.42
	(0.43)	(0.54)
post-M&A:cross-border	1.42^{***}	1.44^{***}
	(0.33)	(0.40)
Num.Obs.	1635	1139
RMSE	2.61	2.77
Firm REs	✓	✓

$+$ $p < 0.1$, $*$ $p < 0.05$, $**$ $p < 0.01$, $***$ $p < 0.001$

Table B5: Intensity of PAC activities: MNC acquirors only

	logged campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	-2.40^{***}	-2.67^{***}	-2.57^{***}	-2.25^{***}
	(0.29)	(0.43)	(0.36)	(0.54)
post-cross-border M&A	-0.42	-1.77^{***}	-0.31	-1.40^{*}
	(0.27)	(0.52)	(0.30)	(0.62)
Num.Obs.	1368	610	962	442
R2	0.542	0.497	0.498	0.542
R2 Adj.	0.459	0.418	0.425	0.455
RMSE	2.56	2.65	2.71	2.58
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 cycles)		✓		✓

Robust SEs in parentheses. $+$ $p < 0.1$, $*$ $p < 0.05$, $**$ $p < 0.01$, $***$ $p < 0.001$

Table C1: Intensity of lobbying activities: Alternative measure of ownership status

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	-0.02	-1.10^{***}	0.02	-1.38^{***}
	(0.12)	(0.18)	(0.12)	(0.20)
post-cross-border M&A	0.32^{*}	-0.30	0.32^{*}	-0.63^{**}
	(0.16)	(0.19)	(0.16)	(0.21)
Num.Obs.	5808	2516	4112	1630
R2	0.519	0.432	0.526	0.504
R2 Adj.	0.467	0.407	0.484	0.472
RMSE	2.47	2.70	2.52	2.43
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

Robust SEs in parentheses. $+$ p$<$ 0.1, $*$ p$<$ 0.05, $**$ p$<$ 0.01, $***$ p$<$ 0.001

C Additional Lobbying Models

Table C2: Intensity of lobbying activities: Alternative reference group

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
pre-M&A	0.01	0.90***	−0.08	1.30***
	(0.10)	(0.15)	(0.12)	(0.19)
post-cross-border M&A	0.37*	0.81***	0.29	0.79***
	(0.17)	(0.18)	(0.19)	(0.20)
Num.Obs.	5808	2516	4112	1630
R2	0.519	0.431	0.527	0.503
R2 Adj.	0.467	0.406	0.484	0.471
RMSE	2.47	2.70	2.52	2.43
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

Robust SEs in parentheses. $+$ p$<$ 0.1, $*$ p$<$ 0.05, $**$ p$<$ 0.01, $***$ p$<$ 0.001
Reference group is the post-domestic M&A state.

Table C3: Intensity of lobbying activities: Interaction model

	logged lobbying spending	
	all firms	**continuing firms**
	Model 1	Model 2
post-M&A	−0.12	−0.01
	(0.10)	(0.12)
cross-border	−0.29	−0.04
	(0.23)	(0.31)
post-M&A:cross-border	0.51**	0.41*
	(0.18)	(0.20)
Num.Obs.	5808	4112
RMSE	2.48	2.53
Firm REs	✓	✓

$+$ p$<$ 0.1, $*$ p$<$ 0.05, $**$ p$<$ 0.01, $***$ p$<$ 0.001

Table C4: Intensity of lobbying activities: MNC acquirors only

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−0.10	−0.96***	−0.03	−1.40***
	(0.11)	(0.16)	(0.14)	(0.19)
post-cross-border M&A	0.36*	−0.11	0.37*	−0.56**
	(0.14)	(0.18)	(0.15)	(0.21)
Num.Obs.	4913	2369	3445	1522
R2	0.523	0.438	0.530	0.519
R2 Adj.	0.472	0.412	0.488	0.486
RMSE	2.47	2.72	2.51	2.42
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

Robust SEs in parentheses. + p< 0.1, ∗ p< 0.05, ∗∗ p< 0.01, ∗ ∗ ∗ p< 0.001

Table C5: Intensity of lobbying activities: Imputing max values ($10,000, $5,000) for lobbying reports without value

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	0.04	−0.82***	0.12	−1.23***
	(0.10)	(0.15)	(0.12)	(0.18)
post-cross-border M&A	0.37**	−0.02	0.38*	−0.44*
	(0.14)	(0.18)	(0.15)	(0.20)
Num.Obs.	5808	2516	4112	1630
R2	0.508	0.418	0.516	0.489
R2 Adj.	0.454	0.392	0.472	0.456
RMSE	2.46	2.69	2.51	2.42
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

Robust SEs in parentheses. + p< 0.1, ∗ p< 0.05, ∗∗ p< 0.01, ∗ ∗ ∗ p< 0.001

Table C6: Intensity of lobbying activities: Imputing min values ($1) for lobbying reports without value

	logged lobbying spending			
	all firms		**continuing firms**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	−0.60***	−1.74***	−0.33+	−2.11***
	(0.16)	(0.24)	(0.18)	(0.29)
post-cross-border M&A	0.29	−0.69**	0.41+	−1.13***
	(0.20)	(0.27)	(0.21)	(0.31)
Num.Obs.	5808	2516	4112	1630
R2	0.549	0.471	0.545	0.530
R2 Adj.	0.501	0.448	0.504	0.499
RMSE	3.36	3.60	3.39	3.42
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

Robust SEs in parentheses. + $p < 0.1$, $* \ p < 0.05$, $** \ p < 0.01$, $*** \ p < 0.001$