Foreign Direct Investment in Political Influence

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Abstract

Do foreign firms engage in domestic politics, and if so, why? I argue that foreign firms, impacted by US policies, employ subsidiaries in the US to represent their political interests in federal elections. Using original data collected for the population of corporate givers during the 2014 and 2016 election cycles, I find US subsidiaries of foreign firms to be significantly more politically active than similarly sized American firms located in the same industry. These subsidiaries are much more likely to sponsor a Political Action Committee and donate in greater amounts. I explore a variety of explanations for this intensive political activity, and demonstrate that it is driven in part by the foreign parent firms' desire to gain a political foothold in the United States. Foreign direct investment therefore serves as an investment in political influence.

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Introduction

Over time, an extensive literature has developed on the relationship between multinational corporations (MNCs) and host country governments.[1] While decades of research have focused on Western MNCs in developing countries, the growing influence of foreign MNCs in developed democracies has been largely overlooked. Some notable exceptions documented how domestic subsidiaries of foreign MNCs engaged in US federal elections in the late 1980s.[2] Foreign contributions to US elections are prohibited, but the Federal Election Commission (FEC) has continually allowed domestically incorporated foreign MNCs to establish Political Action Committees (PACs) and to engage in federal campaigns just like American firms.[3] Despite such legal loophole, earlier studies have found that domestic subsidiaries are "not hyperactive politically," and foreign-connected PAC giving did not raise much public attention.

Foreign influence on US politics has become a salient issue lately. The American public is alarmed by foreign countries' ability to influence domestic elections from afar. The amount of foreign-connected PAC giving has also grown substantially, reaching more than 11% of total corporate PAC giving to federal candidates in 2016. One of the top givers, UBS Americas Inc., a US-based subsidiary of Swiss bank UBS, has cut checks to federal candidates on both sides of the aisle. In fact, the UBS Americas PAC has donated more than the PACs of Citigroup or Bank of America, totaling around $1.45 million per election cycle in recent years. The company manages a podcast channel and its website follows latest developments in US politics, projecting investment implications of Presidential and Congressional elections. In 2019, UBS Americas hired Jeb Hensarling as executive vice

[1] Vernon (1971); Kobrin (1987); Jensen (2008); Wellhausen (2014).

[2] Averyt (1990); Mitchell (1995); Rehbein (1995); Mitchell, Hansen and Jepsen (1997); Hansen and Mitchell (2000).

[3] Savrin (1987); Damrosch (1989); Powell (1996); Vega (2010).

chairman, who has chaired the House Financial Services Committee and used to be one of its own top donation recipients.

Given the economic and political clout of global MNCs today, it is worth revisiting how foreign MNCs might influence US politics within the domestic political institution.[4] In this paper, I investigate all corporate PAC giving in the 2014 and 2016 election cycles to understand the extent of political giving by foreign-originating firms in the US, and their motive. The primary argument of this paper is that foreign direct investment partly serves as an investment in political influence. Firms engaged in international trade and investment are heavily impacted by the policies of other countries, and thus have strong incentives to engage in the domestic politics of the source countries. In particular, the US is an important marketplace for global firms to gain economic and political leverage on influencing international order for conducting business. Moreover, US elections are privately financed, and encourage corporate interests to gain access to legislators in exchange for campaign contributions.[5]

I theorize that foreign firms create new domestic subsidiaries or utilize existing domestic subsidiaries as their local political agents in the US. In this way, domestic subsidiaries can legally build political allies, with a goal to influence policymaking in ways aligned with the foreign MNCs' interests. If US subsidiaries of foreign MNCs engage in federal elections on behalf of their foreign parents, their PAC giving patterns are expected to reflect the characteristics and interests of their foreign principals. For instance, I expect the observed PAC activities of these subsidiaries to surpass the level that could be expected for comparable American firms of a given size. Further, foreign-connected PAC giving is expected to scale with the size of their foreign-based headquarters. Meanwhile, subsidiaries of foreign MNCs with strong trade interests in the US are likely to give in large amounts,

[4] Kim and Milner (2019); Johns, Pelc and Wellhausen (2019).

[5] Powell and Grimmer (2016); Grier and Munger (1991); Hall and Wayman (1990); Wright (1990).

and their political giving patterns are expected to be more strategic than ideological.

To examine these theoretical expectations, I compiled an original dataset that identifies PAC giving patterns by US subsidiaries of foreign MNCs. I collected and merged political data (e.g., total amount of campaign contributions, a breakdown of giving to each Party and Chamber) of all corporate PACs in the US reported to be active during the 2013-2014 and 2015-2016 election years along with firm-level data (e.g., operating revenue, number of employees, industry classification, ownership structure) of their sponsoring firms. For the compilation, I identified the sponsoring firm of each corporate PAC based on the name and street address of its connected organization reported in individual PAC Statements of Organization filed to the FEC. From these Statements, I also gathered information about when the corporate PAC was first established and whether or not the PAC is a lobbyist/registrant PAC, which is a committee that a lobbyist establishes and/or controls. Finally, I identified the global ultimate owner (with 50.01% ownership) of all firms in the data, which was the basis for distinguishing majority foreign-owned subsidiaries and American firms.

With this dataset, I analyze several patterns of corporate PAC giving in the US. I first demonstrate that foreign ownership has a positive and significant association with the likelihood of a firm to sponsor a corporate PAC. I also show that among the sponsored PACs, foreign ownership has a positive and significant association with the level of campaign contributions directed to federal candidates. The patterns hold after controlling for firm size in the US, industry, location, lobbying activities, and when analyzed among MNCs only. Furthermore, the level of campaign contributions by foreign-connected PACs has a larger and stronger association with the size of foreign MNCs, rather than that of US subsidiaries. I also find that the subsidiaries whose parents have strong trade interests with the US give more donations. More generally, foreign-connected PACs tend to give more equally to both Parties and Chambers under close supervision of lobbyists, and possibly in coordination with their parents. Taken as a whole, these findings are most consistent with an interpretation that domestic subsidiaries act as political agents of their foreign MNCs, which cannot directly engage in US federal campaigns.

It is conceivable that the foreign-connected PACs' greater political intensity may be a result of 'foreignness premium.'[6] For example, US subsidiaries of foreign MNCs might be compelled to compensate legislators for representing a group toward which domestic constituents feel unsympathetic; or the subsidiaries may need to compensate for their political inexperience in the US. I rule out these alternative mechanisms by showing that public attitude toward the foreign-connected PACs' countries of origin has no impact on the level of political giving; also, foreign-connected PACs that are older, and so have more experience, tend to give more, and not less.

This investigation extends the interest group politics literature by highlighting the political role of domestically incorporated foreign firms in the US. I also connect to the literature on corporate political activities by systematically comparing recent PAC activities of all American and foreign-owned firms based on newly collected data.[7] Through this I investigate the magnitude of which US political institutions de facto allow foreign intervention in their political processes. I also contribute to the growing body of firm-level theories of international political economy by providing a theoretical framework that explains the political activities of foreign MNCs in the US. In particular, this study expands our understanding of the politics of foreign direct investment, which has been largely limited to Western MNCs in developing countries.

[6] Moeller et al. (2013); Zaheer (1995).

[7] Useem (1986); Hillman, Keim and Schuler (2004); Lux, Crook and Woehr (2011).

Foreign Corporate Engagement in US Federal Elections

Congress has established a series of limitations on foreign contributions to US elections. In 1966, Congress amended the Foreign Agents Registration Act (FARA), making it a felony for a foreign principal to use an agent to contribute to domestic election campaigns or for a candidate to accept or solicit such contributions.[8] However, foreign contributions could still be made directly from overseas rather than through a US-based agent. Notably, during the Watergate scandal investigation, President Nixon was found to have accepted well over $10 million in overseas donation during his 1972 presidential campaign (Powell, 1996). In response to a loophole in the FARA, Congress amended the Federal Election Campaign Act of 1971 (FECA) to further prohibit contributions from any foreign national, codified at 2 U.S.C. §441e (hereinafter called the "Bentsen Amendment" or as §441e).[9] Accordingly, the Bentsen Amendment defined a "foreign national" as (1) a "foreign principal" as defined in the FARA, or (2) an individual who is not a citizen or permanent resident of the US. In 1976, Congress further amended the FECA to give the Federal Election Commission, established in 1974, primary jurisdiction to implement and enforce the Bentsen Amendment (Damrosch, 1989).[10]

Since then, the FEC has been responsible for the policy development in this area primarily through its advisory opinions.[11] Over time, the FEC has largely thwarted the intention of the Bentsen Amendment through its advisory opinions that consistently have in-

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[8] Foreign Agents Registration Act of 1938, as amended, 22 U.S.C. §661 *et seq*.

[9] Note that the Federal Election Campaign Act of 1971 has been newly classified to 52 U.S.C. §30121. But for clarity in describing the history of campaign finance law, this manuscript refers to the statute by its old classification, 2 U.S.C. §441e, throughout.

[10] Federal Election Campaign Act Amendments of 1976, Pub. L. No. 94-283, 90 Stat. 475 (1976).

[11] Advisory opinions (AOs) are official Commission responses to questions regarding the application of federal campaign finance law to specific factual situations. They constitute a definitive interpretation of campaign finance law and regulations on the subject addressed.

terpreted §441e as allowing contributions and expenditures by foreign-owned or foreign-controlled businesses in the US (Vega, 2010; Powell, 1996; Damrosch, 1989; Savrin, 1987).[12] This confusing state of affairs largely originates from Congress' definition of what constitutes a "foreign principal" under the FARA, codified in 22 U.S.C. §661(b).[13] Specifically, a domestic corporation whose principal place of business is within the US is not a "foreign principal" and hence not a "foreign national" under §441e, even if it is foreign-owned or foreign-controlled.[14] Consequently, §441e does not regulate the political activities of a US subsidiary with a foreign parent. While dissenting commissioners raised concerns that a

[12] See, e.g., Congressional Research Service, *Foreign Participation in Federal Elections: A Legal Analysis*, by Thomas M. Durbin, 87-554A (1987), for examples of AOs issued by the FEC allowing foreign-owned US subsidiaries to participate in the electoral processes through their PACs.

[13] 22 U.S.C. §661(b)provides:

(b) The term "foreign principal" includes –

(1) a government of a foreign country and a foreign political party;

(2) a person outside of the United States, unless it is established that such person is an individual and a citizen of and domiciled within the United States, or that such person is not an individual and is organized under or created by the laws of the United States or of any State or other place subject to the jurisdiction of the United States and has its principal place of business within the United States; and

(3) a partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

[14] See, e.g., AO 2009-14 – Mercedes-Benz USA/Sterling (Aug. 29, 2009) that states that "Sterling Corp.'s ultimate parent – Daimler AG – is a German company that qualifies as a foreign principal under 22 U.S.C. §661(b) and a foreign national under 2 U.S.C. 441e(b). Nevertheless, Sterling Corp. itself is a discrete operating domestic entity that is organized under the laws of Delaware and is headquartered in Oregon. As such, [...] Sterling Corp. may serve as its connected organization."

foreign corporation would be permitted "to do indirectly what it cannot do directly, " the FEC majority's opinion consistently relied on the same method of interpretation of FECA §441e based on the FARA §661(b).[15] Furthermore, Congress, when invited by the FEC to review its decisions concerning foreign contributions in US elections, repeatedly declined to undo FEC's rulings (Savrin, 1987; Vega, 2010).

However, several members of Congress raised concerns about the FEC's practices. In 1990 (and again in 1991) Senator Bentsen proposed a new amendment that would have prohibited campaign contributions from any firm with majority foreign ownership. However, Congress failed to pass the campaign finance reform legislation that included the amendment. The FEC also considered adopting a rule banning foreign-connected PAC contributions in 1990, but Powell (1996) finds that foreign-owned companies responded with a vigorous lobbying campaign in opposition. These foreign companies achieved their goal when the FEC voted 4-2 to uphold its existing policy of permitting contributions from PACs sponsored by subsidiaries of foreign parents. More recently, following the US Supreme Court's decision in *Citizens United*, several members of Congress challenged the FEC's interpretation of §441e.[16] Several bills were proposed to limit foreign-controlled

[15]See, e.g., AO 1978-21 – Budd Citizenship Committee (Jul. 17, 1978) that specifically states that "Under 661(b) a domestic corporation whose principal place of business is within the United States is not a "foreign principal" and hence not a "foreign national" under 2 U.S.C. §441e." But also see Dissenting Opinion (by Commissioners Thomas E. Harris and Neil Staebler) on this AO arguing that the majority's opinion "represents a triumph of form over substance" and the result reached by the majority "facilitates an evasion of the prohibitions of Section 441e by making it possible for [a foreign parent company] to contribute to federal candidates through the PAC of its wholly-owned, completely controlled subsidiary."

[16]See, e.g., Senator Leahy, speaking on the Citizens United v. FEC, 111th Cong., 2nd sess., *Congressional Record* 156 (Feb. 9, 2010): S 531."Today, an American subsidiary of a multinational corporation is treated as an American corporation under the campaign finance laws. With the

and foreign-owned domestic corporations' influence on the US political process.[17] The House passed one of the proposed reform bills, known as the DISCLOSE (Democracy Is Strengthened by Casting Light On Spending in Elections) Act, on June 21, 2010 on a 219-206 vote, but it was defeated in the Senate. Obama called the Senate's inaction a "victory for special interests and US corporations – including foreign-controlled ones." Since then, others have reintroduced variants of the DISCLOSE Act in each succeeding Congress, but without success.

The Commission maintains that "a United States domestic corporation that is a subsidiary of a foreign corporation may establish and administer a separate segregated fund which can make contributions to federal candidates" under certain conditions.[18] Based on this, foreign firms continue to take part in the US political process through ownership or control of domestic corporations. In fact, as shown in Figure 1, the amount of PAC contributions made by majority foreign-owned firms has more than quadrupled over the past twenty years, growing twice as fast as those made by American firms.

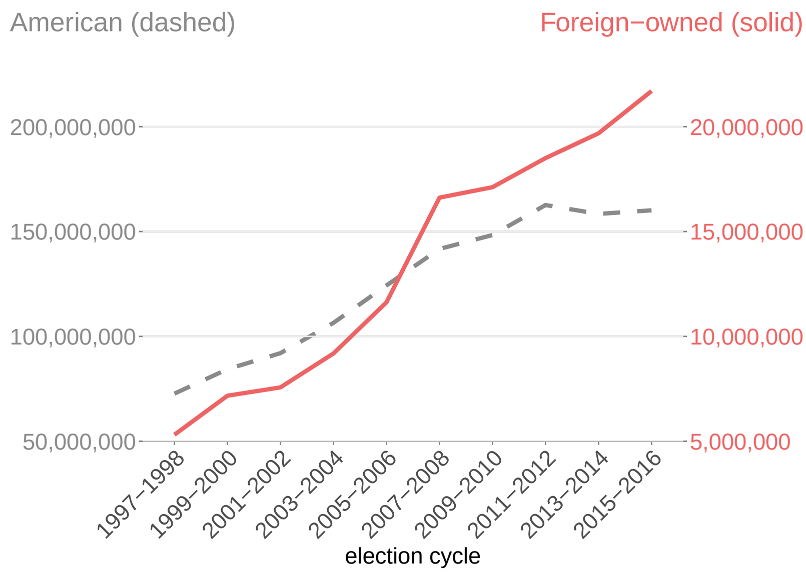
Despite the continued growth of corporate PAC contributions in the US, their amount is relatively small compared to other avenues of influence such as lobbying, charity, or

newly-expanded ability of corporations to make unlimited independent political expenditures, that right is conferred on U.S. subsidiaries of multinational corporations as well. [...] How can the FEC ensure that American subsidiaries of foreign corporations do not become a front for foreign interests who want to influence American elections?"

[17]See, e.g., bills proposed during the 111th Cong. (2009-2010): America is for Americans Act, H.R. 4510; Prohibiting Foreign Influence in American Elections Act, H.R. 4522; Save Our Democracy From Foreign Influence Act of 2010, H.R. 4523; Prevent Foreign Influence in our Elections Act, H.R. 4540; Prohibiting Foreign Influence in American Elections Act, S. 2954, 111th Cong. (2009-2010).

[18]See the FEC's own record of domestic subsidiaries of foreign corporations in `https://www.fec.gov/help-candidates-and-committees/foreign-nationals/`.

Figure 1: Dollar amount of political giving by corporate PACs (1997-2016)



Note: I use two different scales to emphasize the growth of campaign contributions by foreign-connected PACs.

soft money (Milyo, Primo and Groseclose, 2000). Also, previous literature suggests that PACs may have limited influence in terms of vote buying, especially when district ties or lobbying activities are controlled for (Wright, 1985, 1990; Hojnacki and Kimball, 2001). In contrast to the relatively weak evidence that PAC contributions play a direct role in buying votes, a plethora of evidence suggests that PACs play an indirect role in American politics: buying access. For instance, Langbein (1986) and Hall and Wayman (1990) find that members of Congress dedicate more time and effort to organized interests than to unorganized interests. Meanwhile, organized interest groups make sophisticated decisions on whom to support financially. Grier and Munger (1991) find that interest groups make significantly larger contributions to legislators serving on committees with jurisdiction over relevant policy issues, while Powell and Grimmer (2016) show that corporate PACs decrease contributions to exiled members. According to Fouirnaies and Hall (2018), firms seek out legislators with the power to make committee assignments. These studies suggest that businesses anticipate that their donations will influence policy, even if indirectly through means of legislative procedure.

In addition, Tripathi, Ansolabehere and Snyder (2002) demonstrate a strong association between campaign contributions and lobbying expenditures. In fact, interest groups that engage in both activities account for 70% of all lobbying expenditures and 86% of all PAC contributions. Lake (2015) expands the time frame of this study, and by using decomposed representative-issue specific contributions and lobbying expenditures, demonstrates a statistically significant relationship between political money and Congressional voting on trade. Kim, Stuckatz and Wolters (2020) show that PAC contributions result in a 8 to 11% increase in the chances that the targeted politician engages in legislative activities related to the bills lobbied by the donating firm. These recent studies demonstrate that PAC contributions play a more direct role in American politics than previously documented. It is important to note that under this 'access view, 'campaign contributions may play an essential role for foreign firms seeking access to US legislators. Arguably, foreign firms have weaker ideological or district-based ties with members of Congress than their American counterparts. In that sense, campaign contributions can be a convenient way to build connections and create allies in the American federal government.

It is important to emphasize that the original Congressional intention was to keep out foreign contributions from US elections. Therefore, the ever-growing presence of foreign-connected PACs illustrated in Figure 1 is worth investigating in itself. In addition, studying foreign contributions is key to understanding the political role of US subsidiaries of foreign firms. In contrast to campaign finance, foreign lobbying is permitted by law. The FARA was designed specifically to govern foreign lobbying, which is subject to more stringent rules than domestic lobbying. Starting in 1995, foreign commercial clients are also governed under the domestic lobbying law, the Lobbying Disclosure Act (LDA). However, clients disclosing their activities under the LDA are required to indicate foreign affiliation. The Federal Election Campaign Act is unique in how it bans foreign contributions, but foreign-connected PAC activities through domestic subsidiaries are permissible by the FEC. Moreover, the FECA does not require any disclosure of foreign affiliation. Without concerted effort to identify country of origin of the sponsors, it is impossible to even grasp how much of foreign-connected PAC activity is actually ongoing in the US. Therefore, systematically identifying foreign-connected PACs and examining their activity provides a unique window to understand the political role of domestic subsidiaries in the US.[19]

Theory of Foreign Direct Investment in Political Influence

In today's global economy, firms that successfully engage with international markets grow rapidly in size and profitability (Arnold and Hussinger, 2010; Manyika et al., 2018). Despite the prospects for concentrated economic gains, doing business internationally also means those firms must navigate through different political and regulatory environments. For example, UBS AG was sued by the Internal Revenue Service in 2009 for helping Americans evade taxes from the US government. In 2010, the president of Toyota was summoned to Congress where he apologized for the safety defects in the company's cars that

[19]Note that this paper focuses on firms' political giving through corporate PACs only, arguably the most visible, legal, and constrained form of corporate political participation in US federal elections. Independent expenditures delivered to super PACs are not analyzed here. But note that Ansolabehere, De Figueiredo and Snyder Jr. (2003) find that almost all campaign money comes in the form of "hard" contributions which must abide by spending limits, despite the considerable attention super PACs receive. Outside of corporate PACs, funds may be delivered to trade associations and gifts can be made by individuals. These are difficult to trace back to the firm-level and not analyzed here. Finally, informal channels of giving such as bribery are not discussed either. In that sense, this paper captures the minimum level of foreign-connected political giving.

have been linked to the deaths of 39 Americans. During Shuanghui's (now WH Group) acquisition of Smithfield Foods in 2013, it required help from US legislators to amend historic laws that restricted foreign agricultural ownership. The controversial 2018 Bayer-Monsanto M&A had to go through Congressional hearings and complicated antitrust investigations for approval.

For firms with a global reach, the US is a particularly important marketplace. The US offers the largest consumer market in the world and is also the largest recipient of foreign direct investment. Therefore, foreign firms, whether they have operations in the US or not, have a keen interest in US governmental policies. Tariff and non-tariff barriers affect firms trading with the US. Foreign sellers and buyers that engage in e-commerce are impacted by US policies relating to cross-border shipping, security restrictions, taxes, and complex federal and state regulations. Meanwhile, US decisions on regulatory matters heavily influence global standards on drugs, consumer safety, intellectual property rights, labor, environment, etc., to which foreign firms must comply. Since their inception, the US federal antitrust laws have applied to "commerce with foreign nations"; and foreign anticompetitive conduct has increasingly been subject to investigation with the expansion of international trade. In 2017, executive orders to expand "Buy American" posed a serious threat to foreign firms' access to US government procurement opportunities.

Foreign investment is also regulated by the US government. For instance, the Foreign Investment Risk Review Modernization Act of 2018 expanded the jurisdiction and powers of the Committee on Foreign Investment in the United States (CFIUS) to scrutinize and potentially reject foreign investment. Changes in immigration laws can be a significant burden for foreign MNCs, as US subsidiaries tend to rely heavily on foreign personnel from their home counties. Policies in accordance with the "Hire American" executive order in 2017 strengthened control of entry and inspection of foreign workers, making it easier for immigration officials to reject visa applications and more difficult to extend them. Following the 2008 financial crisis, the Federal Reserve Board (in accordance with the Dodd-Frank Act) strengthened the regulation of foreign banks that wish to maintain a banking presence in the US. In addition, foreign MNCs are subject to aggressive US transfer pricing rules; and their intrafirm trade behavior is impacted by US tax regulations and is susceptible to exchange rate risks.

Consequently, foreign firms are likely to devise political strategies that safeguard trade and investment and create business opportunities. Besides, corporate engagement with policymakers and the democratic election process is legally affirmed in the US. PACs enable firms to gain access to policymakers that have a say in the laws that affect their industry and state. Even though foreign firms cannot engage in federal elections themselves, they can gain access to federal campaigns through their domestically incorporated subsidiaries. Moreover, the administrative requirements to establish a PAC in the US are quite minimal for any firm. These involve several simple tasks of having the corporation's Board approve the creation of a PAC, opening a separate checking account for the PAC, and filing a Statement of Organization with the FEC within ten days of formally creating the PAC. At that point, the PAC can begin its fundraising efforts.

Together, foreign firms' desire to engage in US politics and the domestic legal environment that allows their subsidiaries to participate in federal elections, encourage foreign firms to engage in US elections through their subsidiaries. Thus, foreign firms may create new subsidiaries as a channel to connect with federal candidates; or for those already with local presence, being able to utilize the subsidiaries as a way to have the foreign firms' policy interests represented in the US can be a useful bonus. I call this 'foreign direct investment in political influence.' Consequently, domestic subsidiaries serve as political agents of their foreign parents, gaining access to federal elections and policymaking in the US.

Empirical Implications

The literature documents a strong association between firm size and PAC activities. Andres (1985) examines the emergence of corporate PACs in the 1970s, and finds firm size to be the most dominant predictor of PAC formation. The bigger the firm the greater the threat of government, while size affords large firms to take an aggressive approach to influencing public policy. Similarly, Masters and Keim (1985) show that a firm's resource base, such as employment and assets, significantly affects the likelihood to form a PAC. Grier, Munger and Roberts (1994) explain that firm size is an important variable determining PAC activity, as big firms have a large base of employees to raise money from and are in a better financial position to pay the costs of establishing and managing a PAC. Drope and Hansen (2006) and Bombardini (2008) also show that the size of a firm affects both the incentive and intensity of political activities. Overall, large firms have diverse and complex interests and a large economic stake in the policymaking process, while resource-poor policymakers are receptive to the needs of these large firms.

In this vein, the theory of foreign direct investment in political influence leads to an interesting expectation. If foreign-connected PACs are representing the policy interests of their global ultimate owners, foreign MNCs, then the subsidiaries' PAC activities are expected to surpass the level that could be expected for a comparable domestic firm of a given size. In other words, the subsidiaries' PAC activities are likely to be disproportionate to the foreign MNCs' economic presence in the US, after controlling for other determinants of PAC giving. These other determinants include relations with the government (sales or regulations), industry concentration, and the location of the firm (Wright, 1989; Mitchell, Hansen and Jepsen, 1997; Ansolabehere, De Figueiredo and Snyder Jr., 2003).

In the main analyses, I test two patterns of PAC giving among similarly sized firms located in the same industry and state. First, among a sample of US-based firms, I compare the likelihood that a foreign-owned firm and an American firm would sponsor a corporate PAC. Next, I examine the dollar amount of campaign contributions made to federal candidates by the sponsored foreign-connected and American corporate PACs. Relative to American firms, I expect US subsidiaries of foreign MNCs to sponsor a corporate PAC more often, and their connected PACs to donate in greater dollar amounts. In order to rule out the possibility that any difference in PAC giving is driven by alternative means of political influence, I also test the patterns of PAC giving while controlling for the sponsoring firms' lobbying activities.

Generally, the larger the subsidiaries, and therefore the greater the foreign MNCs' emphasis on the US market, foreign-connected PACs' activities will parallel those of American PACs. However, it is worth noting that a foreign-connected PAC's activities may not be determined by the size of its sponsoring subsidiary as much as an American PAC's activities are expected to scale with the size of the sponsoring American firm. It is possible that some subsidiaries might be among the largest corporate contributors even though they have a small presence in the US. One explanation for this is that the subsidiaries are representing the complete set of policy interests on behalf of the foreign MNCs which are much larger (Helpman, Melitz and Yeaple, 2004). Therefore, it is expected that foreign ownership of a sponsoring firm would *moderate* the established positive relationship between corporate PAC activities and their sponsoring firm size in the US.

Additionally, I directly test the association between a foreign-connected PAC's dollar amount of giving and the size of its global ultimate owner. Unless subsidiaries are representing their foreign parents' interests in the US, it is unlikely that a foreign-connected PAC would give at an intensity that scales with the size of its much larger parent. Moreover, it would only make sense for a foreign-connected PAC's giving to have a stronger and larger association with the size of a foreign MNC, more so than that of the US subsidiary, when the subsidiary is in fact engaged in PAC activities on behalf of its foreign parent. To add strength to this mechanism, I complement the regression analysis with a mediation analysis (Tingley et al., 2014). Among all US-based subsidiaries, whether American or foreign-owned, I test the average causal mediation effect of the size of the sponsoring subsidiaries' global ultimate owner and see whether the intensive PAC giving by foreign-connected PACs is explained by the size of their foreign headquarters.

Meanwhile, if the subsidiaries' PAC activities are motivated by policy interests of their foreign parents, those owned by foreign MNCs with high stakes in US policies are expected to give the most to federal candidates. One policy area that heavily impacts foreign firms is international trade. I use measures of the revealed comparative advantage of the foreign firms against the US (proxy for exports to the US) and the number of foreign firms' operations in US FTA partners (proxy for trade with the US) to infer whether foreign-connected PACs controlled by foreign parents that are susceptible to US trade policy decisions tend to give more than those with less trade interests.

Finally, if foreign MNCs have strong policy interests in the US, I expect other political channels at the foreign MNCs' disposal to be actively utilized. Since foreign firms can lobby from abroad, I expect the foreign parents of the domestic subsidiaries with connected PACs to also engage in lobbying activities. In addition, if their domestic subsidiaries play a political role in the US on behalf of them, I expect a tight coordination between foreign-connected PACs and lobbyists, suggesting that connections are built to leverage decision making on Capitol Hill. To test this idea, I see whether foreign-connected PACs are more likely to be controlled or organized by lobbyists. Relatedly, I expect foreign-connected PACs to engage in a strategic giving behavior that maximizes political capture (Barber, 2016) rather than following certain ideological lines. Therefore, I expect the PACs to give more equally to both Parties and Chambers so that their favors are easily adopted across ideological lines and bodies of government. These theoretical expectations are summarized in Table 1.

Table 1: Empirical implications

Theory:	*Foreign Direct Investment in Political Influence*
Patterns of PAC giving	
Likelihood of PAC giving:	US subsidiaries of foreign firms (vs. comparable American firms) are more likely to sponsor a PAC.
Level of PAC giving:	Foreign-connected PACs (vs. comparable American PACs) are expected to give in greater amounts.
Explaining the PAC giving by US subsidiaries	
PAC giving scales with:	the size of foreign MNC
PAC giving reflects:	exposure of foreign MNC to US policies
Coordination with parent:	foreign MNC engages in lobbying activities
Coordination with lobbyists:	foreign-connected PACs established or controlled by lobbyists
Strategic giving behavior:	foreign-connected PACs give to both Parties and Chambers

The Data

I created an original dataset that identifies the PAC giving by American and foreign-owned firms in the US during the 2013-2014 and 2015-2016 election years. I first downloaded the population of 1,768 active 'corporation' type PACs from the FEC data catalogue for the 2014 election cycle, and another 1,771 active 'corporation' type PACs for the 2016 election cycle, along with their committee IDs and names. Using these identifiers, I collected political data – the total amount of campaign contributions from the corporate PAC to federal candidates in the two election cycles, by Party and by Chamber – for each committee based on summary data from the Center for Responsive Politics (CRP). Eventually, among the total 3,539 corporate PAC-election cycle pairs, 328 were dropped: those included in the FEC data catalog but no longer existing or neglected by the CRP, the non-connected PACs, and a group of non-producers such as unions and ideological interest groups.

I identified the connected organization of each corporate PAC along with its street address from individual Statements of Organization reported to the FEC. The 3,211 corporate PAC-election cycle pairs were sponsored by 1,636 unique firms over the two election cycles. I matched the political data collected for the corporate PAC-election cycle pairs with firm data of the connected organizations. Since firm-level financial data are often scarce (especially for smaller and private firms), I used both Orbis and Dun & Bradstreet Hoovers as complementary sources to construct a measure of firm size. After verifying that the operating revenue data from the two datasets were highly correlated (ρ=.97), I took the average of the two revenues if both sources provided information; if not, I used information from either source.[20] In addition, I collected the number of employees as an alternative measure of firm size.

Corporate PACs tend to support political candidates whose views are supportive of their industry and the communities in which they are based in. As one measure of firm relationship with the government, I collected 6-digit NAICS codes of the sponsoring firms from Orbis, and regrouped them into 3-digit level industry controls and 2-digit level sector controls.[21] While I use these controls for the main analyses, I also adopt an alternative measure of industry-related regulations based on RegData 3.0 from QuantGov. Additionally, I created state controls for the sponsoring firms based on their street addresses. This allows me to control for any state specific differences that systematically alter the political behavior of firms depending on where they are located. Examples include differences in state regulations, business environment, or characteristics of the state legislatures that affect the likelihood and level of corporate PAC giving.

One of the most important pieces of information collected for this study is a measure of

[20] Orbis and D&B Hoovers each had revenue data for 74.6% and 83.6% of the sponsoring firms; together, I was able to assemble financial data for 92.6% of the firms.

[21] Controlling for industry characteristics at the 3-digit NAICS level ensures that firms in each group produce similar products, while there is enough observations in each group to be analyzed.

foreign ownership for the sponsoring firms, and subsequently the connected PACs, during each election cycle. Based on firm ownership information provided by Orbis, and verifying this information with recent M&A transactions, I documented the country of global ultimate ownership (50.01% or more control) of each sponsoring firm from 2013 to 2016.[22] Then, I constructed a 'foreign ownership' binary indicator variable for all corporate PACs, depending on whether a firm was majority American or foreign-owned during the 2014 and 2016 election cycles.

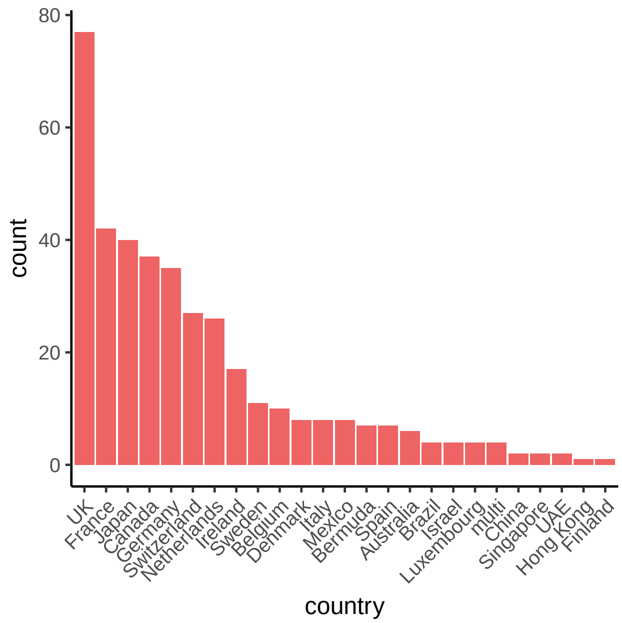
To the best of my knowledge, this paper is the first to theorize the motivation of foreign-connected PAC giving in the United States. It is also the first to empirically examine the universe of corporate contributors in any election cycle. Figure 2 presents the top home countries of the foreign-connected PACs. About twenty percent of the foreign-connected PACs are sponsored by British corporations; many originate from other parts of Europe, Canada, and Japan.[23] Notably, there were no Russian firms with an active corporate PAC during the period. There was one active corporate PAC sponsored by a Chinese firm.[24]

[22] 50.01% control seems appropriate for this study because multiple legislative attempts to regulate the political activities of domestic subsidiaries fixate on this threshold. Perhaps this is because regulations on foreign political contributions elsewhere (e.g., Germany or Russia) restrict donations by firms that are majority-owned by a foreign national. Also note that the main analyses does not change when I use an alternative threshold of 25.01%. This is because most of the politically active US subsidiaries are majority- if not wholly-owned by foreign MNCs.

[23] The three 'multi' cases include Shire Regenerative and Shire Viropharma Inc., both owned by Shire PLC which is a Jersey-registered, Irish-headquartered company originating in the UK with an operational base in the US; the other is MDBA with 37.5% ownership by Airbus Defence, 37.5% ownership by BAE Systems, and 25% ownership by Leonardo as of 2017.

[24] During the 2016 election cycle, Shuanghui (now WH Group) gave $93,650 to candidates through its US subsidiary, Smithfield Foods. Haier Group newly established a PAC through its Haier US Appliance Solutions, but it did not make any contributions.

Figure 2: Home countries of the foreign-connected PACs (2014, 2016 election cycles)



Empirical Tests and Results

I analyze the activities of foreign-connected and American PACs at two different levels: 1) the *likelihood* of PAC giving by firms and 2) the *level* of campaign contributions among corporate sponsored PACs. I begin with a section on firms' likelihood of PAC giving – the extensive margin – below.

Extensive Margin: The Likelihood of PAC Giving

Testing the likelihood of corporate political mobilization in the US requires constructing a representative sample of firms from its population. Among all active firms located in the US, identified by Orbis, I first constructed a stratified sample of 200,000 firms.[25] Then, I merged this sample with 1,636 *unique* firms that sponsored a corporate PAC over the

[25] I randomly sampled 50,000 firms from the 'very large,' 'large,' and 'medium' Orbis firm size categories, and another 50,000 'small' firms from each the manufacturing and agriculture sectors (NAICS 11, 21, 31-33) and services sectors (NAICS 22, 23, 42-81). For the regression analyses,

two election cycles. Note that I focus my analysis on unique firms since most firms with connected-PACs during the 2014 election cycle continued to make donations through those PACs in the 2016 election cycle. After dropping the 115 firms that overlap with the random sample that I constructed, I had a final sample size of 201,521. Only 1.5% of the firms in the sample were majority foreign-owned. But among the firms that sponsored a PAC, about 14% were majority foreign-owned.

Regression analysis for the likelihood of PAC giving

I infer the likelihood of PAC giving for the final sample of firms using a weighted conditional logistic regression model. For the binary outcome variable of PAC giving, I assigned 1 to firms that sponsored a corporate PAC during the 2014 and/or 2016 election cycle. A zero was assigned to all remaining firms. The likelihood of PAC giving is explained by sponsoring firm size (measured in common log transformed operating revenue), foreign ownership, and an interaction term of these two variables. The sample is stratified by industry and state so that I test whether subsidiaries of foreign MNCs are more politically active than comparable domestic firms.[26] The interaction term allows foreign ownership to moderate the relationship between the size of the sponsoring firm and the likelihood of PAC giving. This is based on the theoretical expectation that the subsidiaries' political

I weighted each firm in the sample by the number of firms in the population of each size-sector group divided by the number of total draws accounting for the overlaps (200,000-115=199,885), so that a single firm in my sample would represent multiple firms in the population by a relevant weight that restores the size-sector proportion to the population.

[26]In the conditional logistic regression model, the total number of success is fixed with each strata, here the unique combinations of industry and state. The estimate I get for foreign ownership is an average 'within' effect, as the estimate entirely controls for any tendencies for a particular industry and state to have more or less foreign ownership by always comparing the odds of contribution within these strata. Note that the strata variables do not contribute to the degrees of freedom.

Table 2: Extensive margin of PAC giving

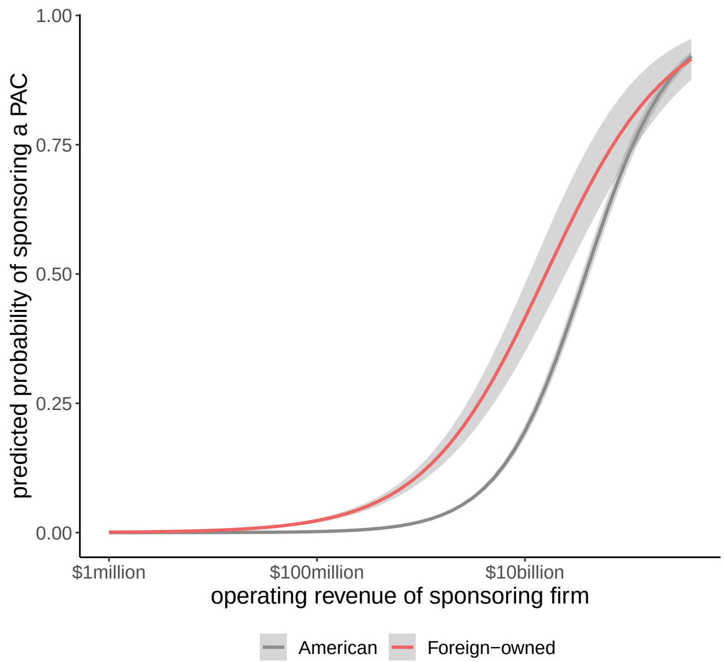
	firm sponsors a PAC (0/1)			
	(1)	*odds ratio* (1)	(2)	*odds ratio* (2)
foreign ownership	7.88***	2647.85	10.66***	42674.75
	(0.64)	[754.2, 9268.7]	(0.74)	[9992.6, 181752.3]
log revenue	2.23***	9.33	2.71***	14.96
	(0.02)	[9.0, 9.7]	(0.03)	[14.2, 15.9]
foreign ownership·log revenue	−0.71***	0.49	−1.00***	0.37
	(0.07)	[0.4, 0.6]	(0.09)	[0.3, 0.4]
Industry strata	Yes	Yes	Yes	Yes
State strata	No	No	Yes	Yes
Observations	174,505	174,505	174,098	174,098
Max. Possible R^2	0.18	0.18	0.13	0.13
Note: Odds ratio with 95% CI			*p<0.05; **p<0.01; ***p<0.001	

engagement will not determined by the size of their economic presence in the US as much as for American firms.

Table 2 summarizes the result along with odds ratios for interpretation. The foreign ownership variable is positive and statistically significant; and this finding corroborates the theoretical prediction that US subsidiaries of foreign MNCs have a greater propensity to mobilize than comparable American firms. As expected, the size of the sponsoring firm in the US has a general positive association with the likelihood of a firm to engage in PAC giving. Also, as expected, the interaction coefficient is negative, with an odds ratio of 0.37 to 0.49. In other words, the size of the sponsoring firm in the US has less than half the impact on that firm's likelihood of sponsoring a PAC for the subsidiaries, relative to that of America firms.

This relationship is graphically presented in Figure 3. The likelihood of sponsoring a corporate PAC increases with firm size for both American and majority foreign-owned firms. Once large enough to politically mobilize, majority foreign-owned firms have a greater likelihood of sponsoring a corporate PAC for all firm sizes in the sample. How-

Figure 3: Predicted probability of PAC giving by US firm size and ownership



Note: The shaded area represents the 95% CI for the predicted probabilities.

ever, once firm size in the US is large enough that there is a majority chance of political mobilization, the difference between foreign-owned and American firms significantly diminishes. This is consistent with the prediction that the subsidiaries' PAC activities will mimic that of American firms the larger their presence in the US, and the larger the foreign MNCs' focus on the US market.

For robustness checks, I allow differences in the industry and state to contribute to the logistic regression model by including them as random effects, rather than fixed effects, in Appendix Table B1. I also use an alternative measure of firm size, number of employees, to replicate Table 2 in Appendix Table B2. Finally, I control for whether the sponsoring firms engaged in lobbying activities in Appendix Table B8 to rule out the possibility that the greater likelihood of US subsidiaries to form a PAC is driven by any differences in alternative means of influence. The relationship between PAC mobilization, firm size, and foreign ownership are consistent across these alternative model specifications.

Intensive Margin: The Level of PAC Giving

Now I discuss firms' PAC giving at the intensive margin – the dollar amount of campaign contributions directed to federal candidates through their connected PACs. Note that the unit of analysis changes from unique firms to corporate PAC-election cycle pairs, as it is the PACs that raise and deliver funds in each election cycle.[27] I analyze 2,830 PAC-election cycle pairs, after dropping 381 pairs that made zero contributions over the two election cycles.[28]

Regression analysis for the level of PAC giving

I test the dollar amount of campaign contributions for the PAC-election cycle pairs using ordinary least square regression models with fixed effects. The total amount of (common log transformed) campaign contributions made by a PAC in an election cycle is explained by the size of its sponsoring firm (measured in common log transformed operating revenue), foreign ownership, and an interaction term of the two variables, again allowing foreign ownership to moderate the relationship between firm size in the US and the level of PAC giving.[29] Election cycle, industry, and state fixed effects are included to the models.

[27] Analyzing political giving at the individual PAC level might be a concern if firms tend to divert their political giving through multiple affiliated PACs that share a single limit of campaign contributions. See Table C1 for a further discussion on why the design of the FECA rule might have been a concern, but actually is not.

[28] I drop these PACs to focus on non-zero contributions. However, as shown in Table B5, including the 381 pairs does not change the results.

[29] Note that the operating revenue of sponsoring firms is fixed over the two election cycles. Thus, the data are not strictly in a panel form. In order to address the issue of data dependency, I alternatively run a mixed model with committee ID random effects in Table B3. The results are largely identical.

Table 3: Intensive margin of PAC giving

	log amount of campaign contributions ($)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign ownership	1.87***	1.63***	2.08***	1.71***
	(0.32)	(0.33)	(0.35)	(0.36)
log revenue	0.30***	0.31***	0.33***	0.32***
	(0.01)	(0.01)	(0.02)	(0.02)
foreign ownership·log revenue	−0.20***	−0.18***	−0.23***	−0.19***
	(0.04)	(0.04)	(0.04)	(0.04)
Election Cycle FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	2,608	2,604	1,603	1,603
Adjusted R^2	0.24	0.26	0.23	0.26

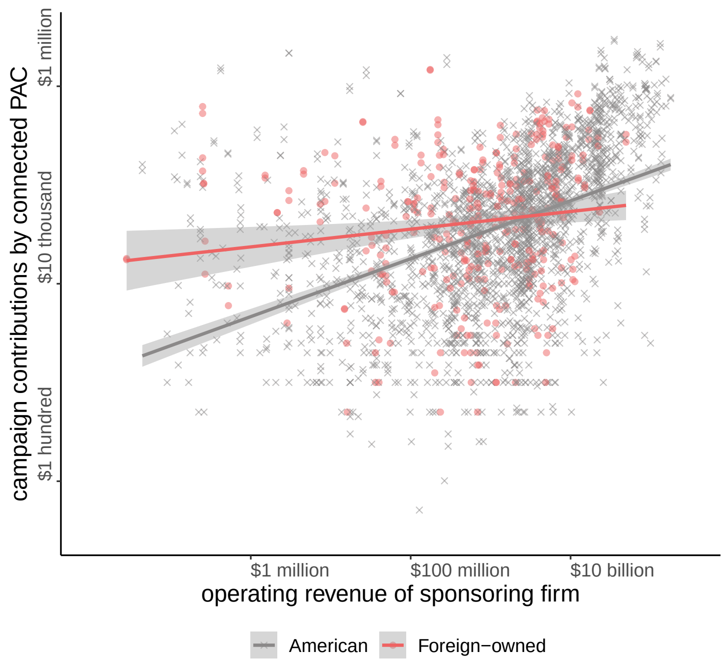
Note: *p<0.05; **p<0.01; ***p<0.001

Table 3 summarizes the results – models (1) and (2) test the relationship among all corporate PAC-election cycle pairs in the data; in models (3) and (4), I conduct sub-sample analyses among corporate PAC-election cycle pairs whose sponsoring firm has at least one foreign subsidiary. This makes the reference American group even more comparable to the foreign-connected group by focusing on MNCs only. Again, the foreign ownership variable is positive and statistically significant across all models, corroborating the theoretical prediction that US subsidiaries of foreign firms are expected to engage more intensively in federal elections than comparable American firms. The size of the sponsoring firm in the US has a general positive relationship with the level of PAC giving, but with a negative interaction term.

For robustness checks, I test the above relationship using a mixed model with industry and state random effects in Appendix Table B3. In Appendix Table B4, the number of employees is used as an alternative measure of firm size. Appendix Table B6 includes a numeric measure of industry regulations instead of industry fixed effects.[30] Finally, Ap-

[30]The level of industry regulations can be an important confounding factor. To address this issue,

Figure 4: Dollar amount of PAC giving by US firm size and ownership



Note: The shaded area represents the 95% CI for the trend lines.

pendix Table B9 accounts for the total amount of corporate lobbying spending during 2015-2016. In all these alternative model specifications, foreign ownership of a US firm continued to have a positive, significant association with the amount of PAC giving.

In Figure 4, I plot the relationship between the total amount of campaign contributions by corporate PACs and the size of their sponsoring firms in the US. The trend line of foreign-connected PACs is significantly flatter compared to that of American PACs. It is worth mentioning that once firm size in the US is very large, the domestic subsidiaries of foreign MNCs tend to give less than American firms. Earlier empirical work on PAC giving by American and foreign-owned firms (Mitchell, Hansen and Jepsen, 1997; Hansen and

I ran a separate analysis for the intensive margin with RegData 3.0 data. Specifically, I included a common log transformed number of text specific to industry relevant measures at the NAICS 6-digit level. Using this alternative industry measure did not change the results.

Mitchell, 2000) focused precisely on these very large firms, such as Fortune 500 companies, and concluded that US subsidiaries of foreign MNCs are "not hyperactive politically."

However, sampling among the largest firms based on sales or revenue in the US fails to capture the majority of domestic subsidiaries (e.g., Airbus, Nestle, Bayer, Mitsubishi) that have a relatively small local presence in the US, but are owned by foreign-based MNCs at least as big as Fortune 500.[31] Thus, an important contribution of this paper is to uncover two trends by analyzing the population of firms that engaged in recent federal elections: the majority of them are not as big as Fortune 500; and for most of the contributing firms, domestic subsidiaries of foreign MNCs tend to give more than American firms.

The intensive margin could suffer from selection if the population of firms that sponsor PACs are systematically different from the representative sample of US firms. In Appendix Table B7, I aggregate the connected PACs' campaign contributions over two election cycles and assign the sum to each unique sponsoring firm in order to conduct a two-step hurdle model that links the extensive and intensive margin analyses at the firm level. The first step of the model tests firms' likelihood of sponsoring a PAC (using a binomial logistic regression) from the constructed sample, and the second step tests the total amount of campaign contributions made by these firms over the two election cycles (using a Poisson count model). The patterns of PAC giving at the extensive and intensive margins remain the same in the two-step hurdle model. Therefore, the intensive margin analysis does not appear to suffer from selection.

[31]Note that only 26% of all corporate givers at the very right end of Figure 4 fall under the Fortune 500 category. Only 8% of these firms are foreign-owned. Also, see Appendix Graph A1 for more examples of domestic subsidiaries owned by foreign MNCs as large the Fortune 500 cutoff.

Explaining the PAC Giving by US Subsidiaries

Here, I conduct a series of empirical tests that collectively explain the intensity of PAC activities of US subsidiaries, based on the characteristics and interests of foreign MNCs. I also provide evidence that foreign MNCs in fact have strong interests US policies, and that domestic subsidiaries make contributions in ways that supposedly maximize access to policymakers.

Political intensity scales with the size of foreign parent firm

If foreign-connected PACs are representing the interests of foreign MNCs in the US, the amount of PAC giving by the subsidiaries may scale with the size of these foreign MNCs. In fact, the size of these foreign parents may have an even stronger and larger association with the amount of PAC giving than that of the US subsidiaries. However, unless the subsidiaries are engaging in PAC activities on behalf of the foreign MNCs, it is very unlikely that the foreign-connected PACs' giving is better explained by the size of their global ultimate owners than that of the subsidiaries. This is because the foreign parents are generally much larger than their subsidiaries. In Table 4, I present models explaining the total amount of PAC giving by foreign-connected PACs with measures of the sizes of the sponsoring domestic subsidiaries and their foreign parents. In the last model, I normalize both the dollar amount of campaign contributions as well as firm sizes from 0 to 1, so that I can compare the effect sizes of the subsidiaries and parents.

Both firm sizes are associated with the amount of foreign-connected PAC giving. But the coefficient size of the normalized revenue of the foreign parent is about twice as big than that of the US subsidiary; the statistical significance is also much stronger. In other words, firm size of the foreign MNCs is a better explanatory variable of foreign-connected PACs' giving than firm size of the US subsidiaries. This finding corroborates the theoretical prediction that foreign-connected PAC giving will surpass the level expected for

Table 4: Foreign-connected PAC giving intensity explained by size of MNC

	log contributions		norm.contributions
	(1)	(2)	(3)
subsidiary log revenue	0.09*	0.10*	
	(0.04)	(0.04)	
parent log revenue		0.17***	
		(0.05)	
subsidiary norm.revenue			0.17*
			(0.07)
parent norm.revenue			0.33***
			(0.09)
Election Cycle FE	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Observations	335	319	319
Adjusted R^2	0.27	0.30	0.30
Note:			*p<0.05; **p<0.01; ***p<0.001

a comparable American company of a given size, and scale with the size of the foreign principal.

Furthermore, I conduct a mediation analysis among all US-based subsidiaries owned by American and foreign MNCs, testing the average causal mediation effect of the size of their global ultimate owner on PAC giving. In Appendix Figure D1, I demonstrate that foreign ownership of a US-based subsidiary is associated with a larger global ultimate owner, which leads to a greater amount of PAC giving. The subsidiaries' intensive PAC giving is more understandable once we associate it with characteristics of their global ultimate owners.

Political intensity reflected by foreign parent firms' exposure to US policies

Foreign MNCs are heavily impacted by US decisions on various trade-related measures and policies. Therefore, if domestic subsidiaries engage in federal elections on behalf of their foreign MNCs, the subsidiaries representing foreign parents with strong trade inter-

Table 5: Foreign-connected PAC giving intensity explained by exposure to US policies

	log contributions		
	(1)	(2)	(3)
subsidiary log revenue	0.16**	0.14**	0.08*
	(0.05)	(0.05)	(0.04)
parent log revenue		0.27***	
		(0.08)	
relative comparative advantage	0.38**	0.28*	
	(0.13)	(0.12)	
subsidiaries in FTA partners			0.19***
			(0.06)
Election Cycle FE	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Observations	171	169	333
Adjusted R^2	0.33	0.40	0.29
Note:	*p<0.05; **p<0.01; ***p<0.001		

ests in the US are expected to donate greater amounts than those with less interests. In order to test this idea, I collect information about the revealed comparative advantages of the foreign parents' products against the US from 2013 to 2016, from the the World Bank Group's World Integrated Trade Solution, as a proxy for the foreign parents' exports to the US. I also collect the total number of subsidiaries the foreign parents have in US FTA partners, as another measure of the firms' trade interests with the US.

Models (1) and (2) of Table 5 test the association between the total amount of foreign-connected PAC giving and revealed comparative advantage of the foreign parents among the non-services sectors. The more the foreign MNCs have a relative comparative advantage against American firms, and thus have a greater chance of exporting to the US, the dollar amount of campaign contributions made by foreign-connected PACs tend to increase. Model (3) shows that the amount of PAC giving scales with the number of global subsidiaries foreign parents have in US FTA partners.[32] Overall, the findings confirm that domestic subsidiaries of foreign MNCs with higher stakes in US policies are the ones that give more to federal candidates.

More evidence in support of the theory of foreign direct investment in political influence

If foreign firms have strong political interests in the US as I theorize, I expect to find them to actively engage in other means of political influence at their disposal. I gather information on whether the foreign MNCs in this paper ever lobbied the US government since 1998, and if so, what issue areas they have lobbied on. I find that more than 97% of the foreign firms have lobbied, actively on issue areas such as trade/tariff and foreign relations.[33] Given the frequency of foreign firms seeking issue-specific access to US policymakers, it seems reasonable for the MNCs to have a longer term US-based operation that can play a political role on their behalf. Most likely, political giving by foreign-connected PACs and lobbying activities of the foreign firms are coordinated – otherwise, the political efforts of the US subsidiaries would be counter-productive.

I also find evidence suggestive that the foreign-connected PACs' activities are linked with lobbying. As shown in Appendix Tables B8 and B9, the subsidiaries' campaign finance and lobbying activities appear to complement each other. Furthermore, I find that foreign-connected PACs are frequently established or controlled by lobbyists. Table B10 shows that foreign-connected PACs, relative to American PACs, are significantly more

[32] I exclude parent firm size from the model because the number of subsidiaries in FTA partners has a relatively high correlation with the size of the foreign parent. The coefficient of the number of subsidiaries is no longer significant ($p>0.05$) once I include the measure of parent firm size.

[33] Across all industries, about 60% of the foreign MNCs reported at least one lobbying activity concerning trade issues (e.g., support for US trade agreements, market access to third countries, trade remedy actions, intellectual property). Meanwhile, about 30% of all foreign firms reported to have lobbied on foreign relations, such as monitoring bilateral diplomatic/trade relations.

likely to be a lobbyist/registrant PAC.[34] The intensity of foreign-connected PACs' activities and their likeliness of being controlled by a lobbyist are consistent with the literature that find firms with in-house lobbyists to be the most politically engaged (Drutman, 2015).

Finally, US subsidiaries of foreign MNCs with strong motives to influence domestic politics are likely to engage in a strategic giving pattern that maximizes access to policymakers. I expect the subsidiaries to give to both Parties in a relatively balanced manner so that their favors are well-delivered to both sides, rather than following certain ideological lines. The US subsidiaries would also give relatively equally to both Chambers so that bills can move quickly through Congress when the foreign parent firms demand action.

I created two dependent variables to test the idea: relative amount of giving to the Republican Party, and relative amount of giving to the House, both compared to the total amount of campaign contributions. Overall, both foreign-connected and American corporate PACs have a tendency to direct their campaign contributions more towards the Republican (vs. Democratic) Party and the House (vs. Senate). However, as presented in Appendix Table B11, foreign ownership is negatively associated with both measures, indicating that foreign-connected PACs engage in a more balanced giving behavior compared to American PACs. Taken as a whole, the findings are most consistent with an interpretation that domestic subsidiaries serve as local political agents of their foreign parents.

Ruling Out Alternative Mechanisms

One might imagine that foreign-owned firms must compensate politicians for the same marginal returns from political investment as native firms. Below, I demonstrate why I

[34]Since the Honest Leadership and Open Government Act of 2007, any lobbyist/registrant PAC must indicate its status through its Statement of Organization. These PACs are those whose lobbyist/registrant has a primary role in the establishment of the PAC or directs the governance and operations of the committee.

rule out the possibility that such a 'foreignness premium' might lead to greater political intensity by the US subsidiaries.

Liability of foreignness

US subsidiaries of foreign MNCs may face a liability due to their foreignness in political participation (Zaheer, 1995; Moeller et al., 2013). Legislators might be wary of accepting campaign contributions from foreign-connected firms in fear that this would tarnish their reputation. Then, the subsidiaries might have to pay a premium for representation. If this were the case, this premium should be the highest when firms are from non-allies of the US. Therefore, I test among the US subsidiaries, whether firms originating from places that Americans say are "enemies" give more than those from places that Americans say are "allies." I use data from the YouGov survey responses conducted between August 2013 and May 2014, where each country in its sample was ranked from strongest ally (1st) to strongest enemy (144th).[35]

Figure 5 plots the density of ally and non-ally countries from which foreign corporate givers originate from. The bulk of US subsidiaries that make PAC contributions originate from close ally countries to begin with. This means that the patterns I find in the main analyses are not driven by non-allies; rather, most of the foreign corporate giving in the US originate from close allies. Consistent with this, the (common log transformed) YouGov ally ranking does not have a statistically significant association with the total amount of giving, as shown in Table 6. In fact, the direction of the relationship does not support the hypothesis that countries perceived to be less friendly give more than closer countries in order to compensate for their foreignness.

[35]One of YouGov's surveys of 1,000 American adults asked "Do you consider the countries listed below to be a friend or an enemy of the United States?" Respondents could answer "Ally of U.S.," "Friendly," "Unfriendly," "Enemy of the U.S." or "Not Sure" for each country listed.

Figure 5: America's allies and non-allies among foreign-connected PACs

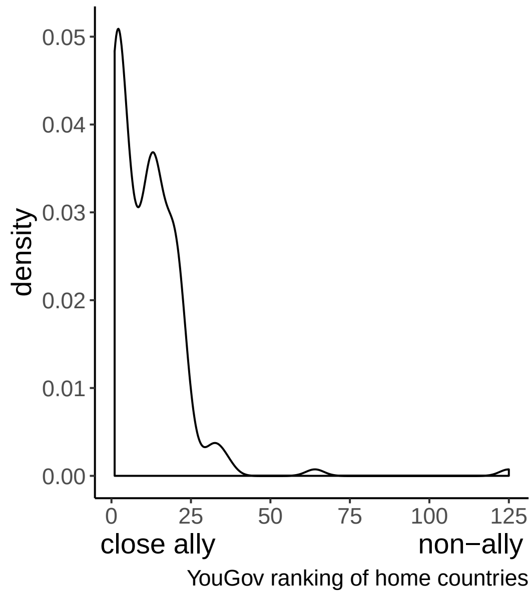


Table 6: PAC giving intensity & perceived closeness of home country

	log contributions	
	(1)	(2)
subsidiary log revenue	0.08*	0.09*
	(0.04)	(0.04)
parent log revenue	0.15**	0.15**
	(0.05)	(0.05)
alliance score	−0.03	−0.04
	(0.08)	(0.08)
Election Cycle FE	Yes	Yes
Sector FE	Yes	Yes
State FE	No	Yes
Observations	308	308
Adjusted R^2	0.11	0.31
Note:	*p<0.05; **p<0.01; ***p<0.001	

Political naivete

Domestic subsidiaries of foreign MNCs may try to outbid native firms for representation because they are relatively new to the US political system and are expected to pay

Table 7: PAC giving intensity & political naivete

	log contributions	
	(1)	(2)
subsidiary log revenue	0.07	0.08^{*}
	(0.03)	(0.04)
parent log revenue	0.10^{*}	0.12^{*}
	(0.05)	(0.05)
PAC age	0.02^{***}	0.02^{***}
	(0.00)	(0.00)
Election Cycle FE	Yes	Yes
Sector FE	Yes	Yes
State FE	No	Yes
Observations	318	318
Adjusted R^2	0.18	0.36
Note:	*p<0.05; **p<0.01; ***p<0.001	

some sort of entry fee to be acquainted with politicians. If so, this premium should go down as experience is accrued; and newer foreign-connected PACs should give more relative to older ones. To test this idea, I calculated the age of each foreign-connected PAC based on the initial year that it reported a Statement of Organization. I also documented the number of years that the subsidiary has been controlling the PAC, since some of the subsidiaries succeeded existing PACs as a result of cross-border M&A, and have been owners of the PAC for only part of its history.

Table 7 shows the relationship between the age of foreign-connected PACs and their total amount of PAC giving. The relationship is statistically significant, but the direction is opposite of what the political naivete argument would predict. In fact, the more experienced foreign-connected PACs tend to give more to federal candidates. Similar results are found when using the number of years that the subsidiaries have controlled the corporate PACs. Thus, the lack of experience does not explain foreign-connected PACs' intensive political giving. Rather, the result is supportive of the argument that foreign MNCs may benefit from having a longer-term political agent based in the US.

Conclusion

Do foreign firms engage in US politics? I use original data distinguishing the corporate PAC activities sponsored by domestically incorporated foreign MNCs from American firms in the 2014 and 2016 election cycles. Through this, I find that US subsidiaries of foreign MNCs tend to engage in federal elections more extensively and intensively. Among firms of similar size and parallel business interests, US subsidiaries of foreign MNCs are significantly more likely to sponsor a corporate PAC, and they tend to give a vastly larger amount of campaign contributions than American firms. Indeed, majority foreign-owned firms accounted for about 14% of all firms that sponsored corporate PACs in the US and another 11% of total corporate PAC spending in 2015. Considering that these firms contributed only 5% to private sector GDP at the time, we learn that foreign political participation is substantial and disproportionate.

I propose a theoretical framework that explains why foreign firms engage in domestic politics. Foreign firms have strong political interests in America because they must ensure that US policies are aligned in ways that promote (and not interfere with) their global objectives. Since domestically incorporated foreign firms have the equal opportunity to engage in federal elections, foreign firms may create or utilize existing domestic subsidiaries so that their interests are represented in the US through the subsidiaries. The observed intensive PAC giving by foreign-connected PACs, and how this is explained by the size and characteristics of foreign MNCs (rather than that of the subsidiaries), corroborate this theory of foreign direct investment in political influence. Meanwhile, I rule out alternative explanations for the greater intensity of foreign political participation in the US, such as a 'foreignness premium' due to a liability of foreignness or political naivete. Overall, the empirical findings suggest that foreign direct investment in the US in part serves as an investment in political influence.

The main point of this paper is to highlight that foreign participation in domestic politics is occurring, and in fact more than has generally been recognized. This raises many questions that are beyond the scope of the current paper. The presence of foreign multinationals is growing in the US and elsewhere. Given the trend, should we be concerned about their political participation? Does it change policy outcomes, and if so, in what ways? What are the implications for other countries with different degrees of openness to foreign corporate giving? Without answers to these questions, it would be imprudent for policymakers to make it more difficult for foreign firms to engage in domestic politics, especially when economic integration is inevitably merging interests across borders.

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Online Appendix: Foreign Direct Investment in Political Influence

Appendix A: Summary Statistics

Table A1: Constructed sample of US-based firms (N=200,000)

firm size:	min	mean	median	max	sd
Operating revenue (USD)					
American	0	21,564,768	750,000	109,699,000,000	677,070,397
Foreign-owned	0	234,722,902	7,500,000	30,000,000,000	1,525,330,330
Operating revenue (USD) in common logs					
American	0	6.16	5.88	11.04	0.65
Foreign-owend	0	7.03	6.88	10.48	1.11
Number of employees					
American	0	78	7	323,000	1,766
Foreign-owned	1	822	35	125,000	5,716

Table A2: Population of corporate contributors (N=1,636)

firm size:	min	mean	median	max	sd
Operating Revenue (USD)					
American	44,000	7,979,289,054	1,514,000,000	476,294,000,000	24,366,410,272
Foreign-owned	28,000	2,721,162,960	851,464,000	49,439,462,000	5,008,430,951
Operating Revenue (USD) in common logs					
American	4.64	8.91	9.18	11.68	1.23
Foreign-owned	4.45	8.74	8.93	10.69	1.12
Number of employees					
American	1	20,937	3,500	2,200,000	79,306
Foreign-owned	1	70,546	3,375	3,027,265	427,063

Table A3: Final sample (N=201,521)

firm size:	min	mean	median	max	sd
Operating Revenue (USD)					
American	0	76,367,864	750,000	476,294,000,000	2,278,734,758
Foreign-owned	0	790,860,560	17,500,000	49,439,462,000	2,912,438,812
Operating Revenue (USD) in common logs					
American	0	6.18	5.88	11.68	0.69
Foreign-owned	0	7.42	7.24	10.69	1.32
Number of Employees					
American	0	207	7	2,200,000	6,884
Foreign-owned	1	6,509	75	3,027,265	122,866

Notes: The 115 firms among the constructed sample which overlap with the population of corporate contributors were dropped for the final sample.

Table A4: Population of corporate contributors, 2013-2014 (N=1,422 PACs)

2014 campaign contributions:	min	mean	median	max	sd
PAC giving (USD)					
Domestic	50	134,066	40,000	2,985,103	283,844
Foreign-owned	500	107,380	47,000	1,478,750	165,913
PAC giving (USD) in common logs					
Domestic	1.70	4.54	4.60	6.47	0.79
Foreign-owned	2.70	4.60	4.67	6.17	0.69

Notes: The 368 PACs that did not give to federal candidates during the 2014 election cycle, among the 1,768 active PACs were dropped for the analysis.

Table A5: Population of corporate contributors, 2015-2016 (N=1,408 PACs)

2016 campaign contributions:	min	mean	median	max	sd
PAC giving (USD)					
Domestic	100	141,671	43,156	2,861,364	289,725
Foreign-owned	500	112,207	56,100	1,455,490	168,426
PAC giving (USD) in common logs					
Domestic	2.00	4.57	4.64	6.46	0.79
Foreign-owned	2.70	4.64	4.75	6.16	0.68

Notes: The 363 PACs that did not give to federal candidates during the 2016 election cycle, among the 1,771 active PACs were dropped for the analysis.

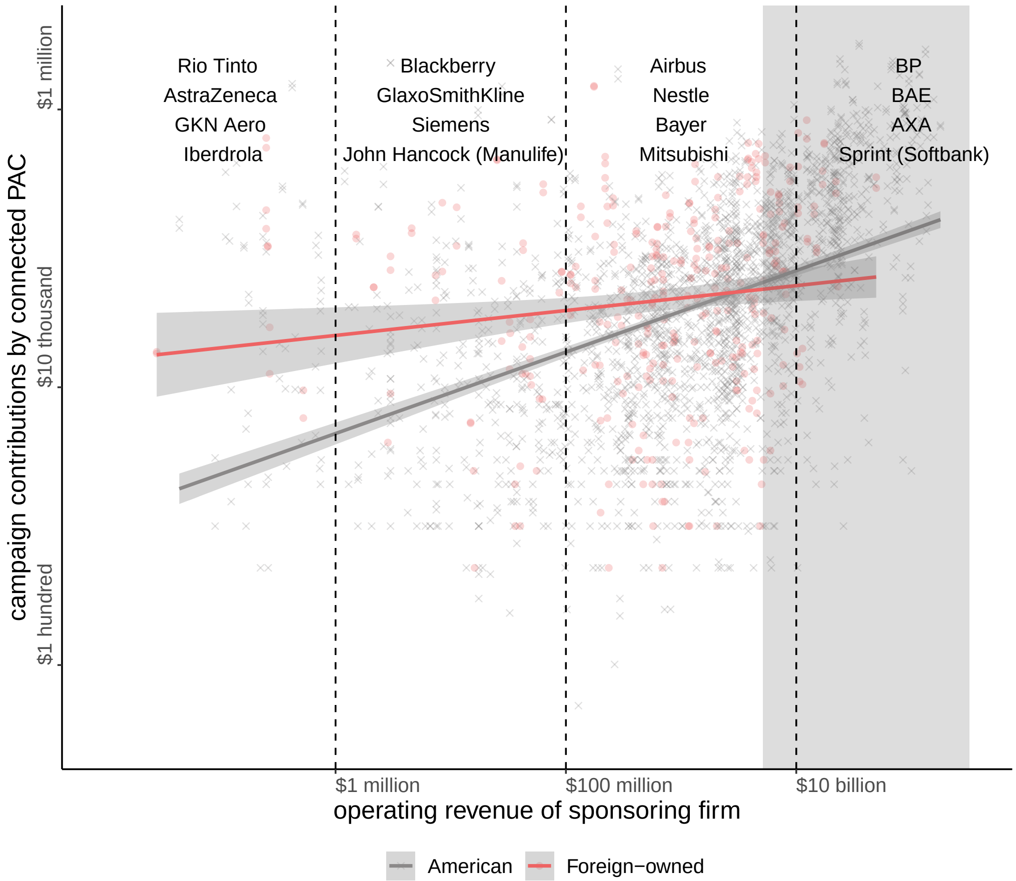
Table A6: List of top corporate sponsors (2014 election cycle)

American	Foreign-owned
Honeywell International	UBS Americas (Switzerland)
AT&T	BAE Systems (UK)
Northrop Grumman	Zeneca (UK)
Lockheed Martin	Anheuser-Busch (Belgium)
The Boeing Company	BP Corporation North America (UK)
Comcast	Experian North America (UK)
Verizon Communications	Sanofi US Services (France)
United Parcel Service	Glaxosmithkline LLC (UK)
Raytheon Company	Accenture (Ireland)
General Electric	Credit Suisse Securities (Switzerland)
The Home Depot	Novo Nordisk (Denmark)
Koch Industries	BASF (Germany)
United Technologies	T-Mobile (Germany)
Exxon Mobil	Compass Bancshares (Spain)
CSX Corp	DRS Technologies (Italy)
BNSF Railway	Oldcastle Materials (Ireland)
Union Pacific Corp	Novartis (Switzerland)
AFLAC	Bayer (Germany)
Wal-Mart Stores	Genentech (Switzerland)
General Dynamics	Sprint Communications (Japan)

Table A7: List of top corporate sponsors (2016 election cycle)

American	Foreign-owned
Honeywell International	UBS Americas (Switzerland)
AT&T	BASF (Germany)
Lockheed Martin	BAE Systems (UK)
Comcast	Toyota Motor North America (Japan)
The Boeing Company	Anheuser-Busch (Belgium)
Northrop Grumman	Experian North America (UK)
United Parcel Service	Sanofi US Services (France)
The Home Depot	Zeneca (UK)
General Electric	Bayer (Germany)
Verizon Communications	Novo Nordisk (Denmark)
Raytheon Company	Glaxosmithkline LLC (UK)
BNSF Railway	T-Mobile (Germany)
Koch Industries	BP Corporation North America (UK)
Union Pacific Corp	Farmers Group (Switzerland)
Google	Genetech (Switzerland)
Exxon Mobil	Credit Suisse Securities (Switzerland)
CSX Corp	Novartis (Switzerland)
AFLAC	Aegon USA (Netherlands)
United Technologies	Accenture (Ireland)
General Motors	Cemex (Mexico)

Figure A1: Examples of domestic subsidiaries owned by foreign MNCs larger than Fortune 500



Note: I've listed some examples of US subsidiaries owned by foreign firms that generate more revenue abroad than Fortune 500 companies in the US. These subsidiaries are listed by their annual operating revenue in the US, in subsequent categories (below $1 million, between $1 million and $100 million, between $100 million and $10 billion, greater than $10 billion) denoted by the dashed lines. The shaded area to the right marks firms with an annual operating revenue greater than the Fortune 500 companies during the 2014/2016 election cycles.

Appendix B: Additional Models

Table B1: Extensive margin of PAC giving: logistic regression with random effects

	firm sponsors a PAC (0/1)	
	(1)	(2)
foreign ownership	7.19^{***}	8.63^{***}
	(0.60)	(0.76)
log revenue	2.45^{***}	2.60^{***}
	(0.02)	(0.03)
foreign ownership·log revenue	-0.63^{***}	-0.81^{***}
	(0.07)	(0.09)
Industry RE	Yes	Yes
State RE	No	Yes
Observations	174,505	174,098
AIC	14,092	13,311
Note:	*p<0.05; **p<0.01; ***p<0.001	

Table B2: Extensive margin of PAC giving: number of employees as measure of firm size

	firm sponsors a PAC (0/1)	
	(1)	(2)
foreign ownership	3.79^{***}	4.90^{***}
	(0.39)	(0.47)
log employees	2.37^{***}	3.01^{***}
	(0.02)	(0.04)
foreign ownership·log employees	-0.96^{***}	-1.39^{***}
	(0.12)	(0.15)
Industry strata	Yes	Yes
State strata	No	Yes
Observations	162,048	161,857
Max. Possible R^2	0.15	0.12
Note:	*p<0.05; **p<0.01; ***p<0.001	

Table B3: Intensive margin of PAC giving: OLS with random effects

	log amount of contributions by PAC ($)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign ownership	1.72***	1.64***	1.94***	1.92***
	(0.40)	(0.40)	(0.44)	(0.43)
log revenue	0.30***	0.30***	0.33***	0.33***
	(0.02)	(0.02)	(0.03)	(0.03)
foreign ownership·log revenue	−0.18***	−0.18***	−0.22***	−0.22***
	(0.05)	(0.04)	(0.05)	(0.05)
Committee RE	Yes	Yes	Yes	Yes
Industry RE	Yes	Yes	Yes	Yes
State RE	No	Yes	No	Yes
Observations	2,608	2,604	1,603	1,603
AIC	4,038	4,019	2,390	2,389
Note:				*p<0.1; **p<0.05; ***p<0.01

Table B4: Intensive margin of PAC giving: number of employees as measure of firm size

	log amount of contributions by PAC ($)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign ownership	1.34***	1.30***	1.62***	1.79***
	(0.20)	(0.20)	(0.21)	(0.22)
log employees	0.38***	0.39***	0.49***	0.49***
	(0.02)	(0.02)	(0.03)	(0.03)
foreign ownership·log employees	−0.38***	−0.39***	−0.47***	−0.52***
	(0.05)	(0.06)	(0.06)	(0.06)
Election Cycle FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	1,972	1,972	1,201	1,201
Adjusted R^2	0.29	0.31	0.32	0.33
Note:				*p<0.05; **p<0.01; ***p<0.001

Table B5: Intensive margin of PAC giving including \$0-givers

	log amount of contributions by PAC (\$)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign ownership	2.69***	2.36***	1.97***	1.48**
	(0.55)	(0.56)	(0.49)	(0.51)
log revenue	0.41***	0.44***	0.35***	0.36***
	(0.02)	(0.02)	(0.03)	(0.03)
foreign ownership·log revenue	−0.28***	−0.25***	−0.23***	−0.18**
	(0.06)	(0.06)	(0.05)	(0.06)
Election Cycle FE	Yes	Yes	Yes	Yes
Industry FE	No	Yes	No	Yes
State FE	No	Yes	No	Yes
Observations	2,777	2,773	1,642	1,642
Adjusted R^2	0.19	0.20	0.16	0.18
Note:				$^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$

Table B6: Intensive margin of PAC giving with industry regulations

	log amount of contributions by PAC (\$)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign ownership	1.72***	1.75***	1.71***	1.82***
	(0.41)	(0.41)	(0.43)	(0.45)
log revenue	0.29***	0.29***	0.30***	0.28***
	(0.02)	(0.02)	(0.03)	(0.03)
foreign ownership·log revenue	−0.17***	−0.18***	−0.19***	−0.20***
	(0.05)	(0.05)	(0.05)	(0.05)
log industry regulations	0.05	0.09**	0.07*	0.09**
	(0.03)	(0.03)	(0.03)	(0.03)
Election Cycle FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	1,636	1,632	948	948
Adjusted R^2	0.18	0.21	0.15	0.18
Note:				$^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$

Table B7: Two-step hurdle model for PAC giving

	total dollar contributions	I(total dollar contributions >0)
	hurdle (*second-step*)	*logistic* (*first-step*)
	(1)	(2)
foreign ownership	7.19^{***}	7.43^{***}
	(0.002)	(0.79)
log revenue	0.94^{***}	2.41^{***}
	(0.0001)	(0.02)
foreign ownership·log revenue	-0.77^{***}	-0.65^{***}
	(0.0002)	(0.09)
Sector FE	Yes	Yes
Observations	174,504	174,504
Note:		*p<0.05; **p<0.01; ***p<0.001

Here I log transform operating revenue using natural logs (cf. common logs in the rest of the paper) since the 'pscl' hurdle model R package log transforms the dependent variable using natural logs.

Table B8: Extensive margin of PAC giving controlling for lobbying (2016 election cycle)

	firm sponsors a PAC (0/1)	
	(1)	(2)
foreign ownership	7.68***	10.68***
	(0.64)	(0.82)
log revenue	2.00***	2.63***
	(0.02)	(0.04)
foreign ownership·log revenue	−0.68***	−0.99***
	(0.07)	(0.10)
Lobby strata	Yes	Yes
Industry strata	Yes	Yes
State strata	No	Yes
Observations	174,505	174,098
Max. Possible R^2	0.14	0.09
Note:	*p<0.05; **p<0.01; ***p<0.001	

Table B9: Intensive margin of PAC giving controlling for lobbying (2016 election cycle)

	log amount of contributions by PAC ($)			
	all givers		*multinationals only*	
	(1)	(2)	(3)	(4)
foreign	1.74***	1.45**	2.02***	1.61**
	(0.45)	(0.46)	(0.48)	(0.51)
log revenue	0.23***	0.24***	0.28***	0.28***
	(0.02)	(0.02)	(0.03)	(0.03)
foreign ownership·log revenue	−0.18***	−0.15**	−0.22***	−0.18**
	(0.05)	(0.05)	(0.05)	(0.06)
log lobby amount	0.06***	0.06***	0.04***	0.04***
	(0.01)	(0.01)	(0.01)	(0.01)
Industry FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	1,299	1,297	804	804
Adjusted R^2	0.26	0.27	0.25	0.25
Note:			*p<0.05; **p<0.01; ***p<0.001	

Table B10: Likelihood of being a lobbyist/registrant PAC

	PAC is lobbyist/registrant PAC (0/1)			
	(1)	(2)	(3)	(4)
foreign ownership	1.26***	0.96***	1.46***	1.19***
	(0.22)	(0.21)	(0.25)	(0.25)
log revenue	0.15***	0.16***	0.17***	0.17***
	(0.01)	(0.01)	(0.02)	(0.01)
foreign ownership·log revenue	−0.12***	−0.09***	−0.14***	−0.12***
	(0.02)	(0.02)	(0.03)	(0.03)
Election Cycle FE	Yes	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	2,500	2,496	1,554	1,554
AIC	3,236	3,034	2,087	1,997
Note:				*p<0.05; **p<0.01; ***p<0.001

Table B11: Relative giving to each Party and Chamber

	Republican/Total		House/Total	
	(1)	(2)	(3)	(4)
foreign ownership	−0.06***	−0.02	−0.01	−0.03**
	(0.02)	(0.01)	(0.01)	(0.01)
log revenue	−0.00	−0.00	0.01*	0.00
	(0.01)	(0.00)	(0.00)	(0.00)
Election Cycle FE	Yes	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes	Yes
State FE	No	Yes	No	Yes
Observations	2,588	2,585	2,592	2,588
Adjusted R^2	0.06	0.23	0.02	0.07
Note:				*p<0.1; **p<0.05; ***p<0.01

For a few cases in which negative contributions were made (PACs received refunds from federal candidates), I changed the amount to zero for simplicity of the analysis.

Appendix C: Artifact of the FECA Rule?

As opposed to American firms, which can establish/sponsor a corporate PAC at both the parent and subsidiary levels (e.g., Blue Cross Blue Shield headquarters and its state branches, or Berkshire Hathaway and its sub-units) simultaneously, the FECA only allow US subsidiaries of foreign firms to participate in federal campaigns. Meanwhile, a PAC established by a parent firm is "affiliated" with a corporate PAC established by its subsidiary, and they share a single limit on the contributions they can make. Thus, one must caution against any dichotomous comparison of political giving at the individual PAC level, treating all foreign-connected and American PACs separately.

The political concentration of foreign-connected PACs might be an artifact of the FECA law if the political activities of American PACs tend to be diverted by multiple affiliated PACs and a 'substitution bias' arises (e.g., a foreign-connected PAC giving $10,000 a year would appear to be more politically intensive on average than a native firm which gives $15,000 through its headquarters and $2,000 through its subsidiary). To address this, I run alternative tests by aggregating political giving and firm size by global ultimate ownership (e.g., $10,000 vs. $15,000 + $2,000 = $17,000 in the example above) and then comparing the political intensity of foreign-originating vs. American firms (model 1); alternatively I drop all American firms that give through both headquarters and subsidiaries from the analysis (model 2).

In Table C1, firms that give at both levels or only through the subsidiaries are found to give more than the reference group (GUOs that give only through their headquarters PAC). Meanwhile, the general relationship between foreign ownership and the total amount of giving, and the interaction term remains consistent with the main analyses in Table 3 in the main text. Also note that only for 2.5% of the entire data, firms gave through both headquarters PACs and subsidiary PACs.

Thus, even after dropping all cases in which substitution effect might arise among affiliated committees (model 2), the patterns remain largely identical, even when controlling for the number of subsidiary PACs that engage in political giving. Therefore, I confidently reject the speculation that the political intensity of foreign-connected PACs might be an artifact of the FECA rule.

Table C1: FECA treatment of affiliated organizations

	log contributions	
	(1)	(2)
foreign ownership	1.59***	1.58***
	(0.37)	(0.37)
log revenue (aggregated by GUO)	0.33***	0.32***
	(0.01)	(0.01)
foreign ownership·log revenue	−0.18***	−0.18***
	(0.04)	(0.04)
both parent and subsidiary gives	0.46***	
	(0.09)	
only subsidiary gives	0.15**	
	(0.05)	
Election Cycle FE	Yes	Yes
Sector FE	Yes	Yes
No. Subsidiary FE	No	Yes
Observations	2,410	2,350
Adjusted R^2	0.24	0.22
Note:	*p<0.05; **p<0.01; ***p<0.001	

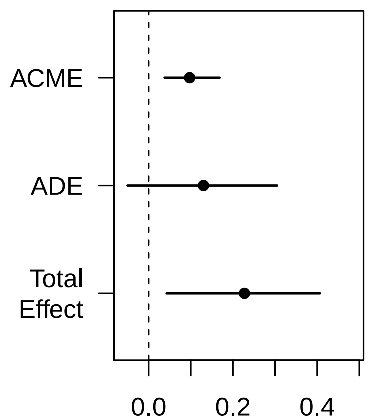
Appendix D: Mediation Analysis

Here I demonstrate that the size of the Global Ultimate Owner actually mediates the intensive political giving by US subsidiaries of foreign firms. I compare among all US-based firms that are sub-units of either American or foreign GUOs, and analyze the political donations made during the 2016 election cycle. Following Tingley et al. (2014), I test the Average Causal Mediation Effect (ACME) of the size of the sponsoring subsidiary's GUO, and then examine its robustness to the violation of sequential ignorability due to unobserved pre-treatment cofounders of the mediator and outcome (Imai, Keele and Yamamoto, 2010). I test the following – mediator model: size of GUO $\sim$ foreign ownership + size of subsidiary + industry sector; outcome model: total contributions $\sim$ size of GUO+ foreign ownership + size of subsidiary + industry sector. Both the quasi-Bayesian Monte Carlo method and the nonparametric bootstrap simulations (1,000) were used to estimate the ACME and Average Direct Effect (ADE).

Figure D1 presents the estimated ACME under the sequential ignorability assumption, along with its 95% confidence interval. The differences in the size of the foreign and American parents, measured in (common log transformed) operating revenue of the headquarters, is positively associated with the firms' level of (common log transformed) political donations, by 0.10 on average (with a 95% confidence interval of [0.04, 0.17]). This suggests that about 44% of the total effect of foreign ownership on the level of political giving was transmitted through the size of the GUO.

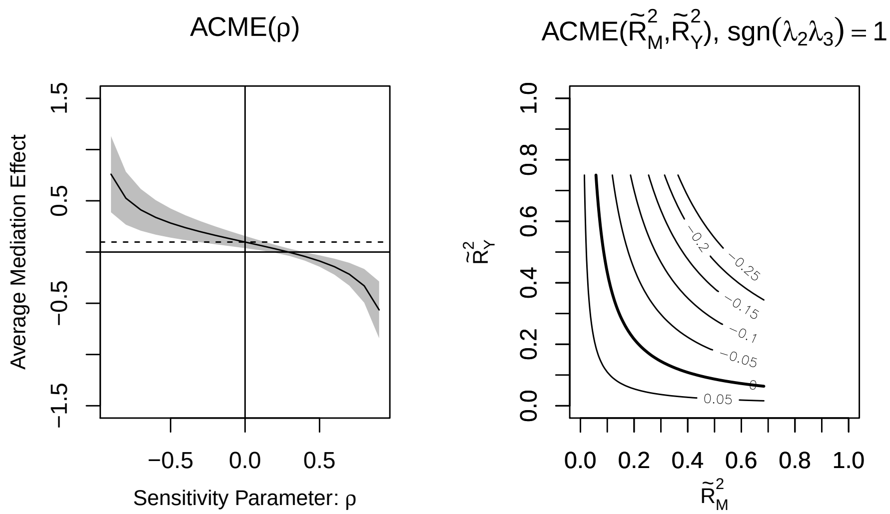
The sensitivity analysis, presented in Figure D2, suggests that the positive mediation effect of the size of GUO for explaining the effect of foreign ownership on the level of political donation is moderately robust to possible unobserved pre-treatment confounding. The findings suggest that foreign ownership is associated with a greater GUO size, leading to more political donations.

Figure D1: Estimated ACME using the size of GUO as mediator



Note: ACME stands for the Average Causal Mediation Effect, also called the indirect effect. ADE stands for the Average Direct Effect. Together, they consist the total effect of foreign ownership on the amount of total giving by US-based subsidiaries.

Figure D2: Sensitivity analysis for using the size of GUO as mediator



Note: The panels on the top row show the estimated true values of ACMEs as functions of the sensitivity parameter ρ, which represents the correlation between error terms in the mediation and outcome models. The thick lines and gray bands represent the point estimates of the ACME and their 95% confidence intervals, respectively. The bottom panels show the same sensitivity analyses, except that the ACME estimates are plotted against $(\widetilde{R_Y^2}, \widetilde{R_M^2})$, the proportions of the total variance in the outcome and mediator variables, respectively, that will be explained by a hypothetical unobserved pre-treatment confounder.