How Foreign Multinationals Benefit from Acquiring Domestic Firms with Political Experience

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Abstract

Do foreign multinational corporations (MNCs) utilize the political experience of domestic firms that they have acquired? If so, why? Little is known about the ways 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 inherit 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 mergers and acquisitions (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 show 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 this study is that 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 goliaths' 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 wield significant influence on foreign policy, especially in trade liberalization, investment promotion, and economic diplomacy, of their home governments.[4] And yet, MNCs tend to lose influence in the host countries that they invest in due to new political risk and obsolescing bargain.[5]

However, a growing body of research suggests that MNCs adapt to new political environments and are capable of managing relationships with host country governments post-investment.[6] This may be particularly true in the context in which MNCs invest in developed democracies where institutionalized channels of political influence are relatively abundant and interest group mobilization is prevalent. For instance, in the United States, firms actively engage in election campaigns and policy advocacy by sponsoring Political Action Committees (PACs) and engaging in lobbying activities.[7] In fact, foreign-connected and foreign-owned

[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]Of course, the relationship between foreign MNCs and host country governments varies based on multiple factors including the domestic institutions of the host country, international investment arrangements established between the host and home country governments, and the relative power of the foreign MNC relative to the host country economy (Jia and Mayer, 2017; Wellhausen, 2014; Tobin and Rose-Ackerman, 2011; Kerner, 2009; Jensen, 2008; Vernon, 1971).

[6]Sun et al. (2021); Dorobantu, Kaul and Zelner (2017).

[7]Forming PACs and engaging in lobbying activities are legitimate practices for American firms to support political

domestic firms can also participate in such political activities.[8] Still, foreign MNCs may find it particularly challenging to politically mobilize in the United States because they lack U.S.-specific political experience of interacting with the government in the 'American' way. What is often overlooked is that foreign MNCs may overcome such disadvantage by absorbing local political experience at the very point of entry into a host country.

In this paper, I theorize that foreign MNCs may gain political access and influence in the United States through the political experience they inherit from cross-border mergers and acquisitions (M&A). In fact, cross-border M&A deals are 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 merge with or acquire domestic firms that are already politically active, they can absorb the political experience – e.g., through the connected PACs or pre-existing lobbying relationships – of their acquired firms. Such political influence mechanisms are not only specific to the host country but also tailored to the firm, and readily available, making them particularly valuable to new foreign acquirors. New domestic acquirors, on the other hand, may find inheriting political influence mechanisms from the acquired firms to be redundant or even costly.

This leads to a theoretical expectation that foreign acquirors, relative to domestic acquirors, are more likely to inherit and utilize the political influence mechanisms of their acquired firms post-M&A.[9] 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

candidates or issues as long as they meet legal requirements and disclosure obligations (Kim, 2017, 2018; Lee and Stuckatz, 2024; Bombardini, 2008; Drutman, 2015; Drope and Hansen, 2006; FEC, 2018).

[8] Mitchell, Hansen and Jepsen (1997); Hansen and Mitchell (2000); Lee (2023), Lee (2024); You (2020).

[9] Note that I am not focusing on the pre-M&A decision of potentially targeting a politically active domestic firm. Rather, I focus on the post-M&A decision of whether to inherit and utilize the domestic political experience 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.

mechanisms. For instance, I expect foreign-acquired firms' connected PACs to remain active post-M&A. I also expect foreign-acquired firms' lobbying relationships 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 are documented to be important for foreign MNCs.[10]

To test these ideas, I assemble 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 identify those that have gone through an M&A deal resulting in majority ownership change *while* they were politically active. I collect and merge data across multiple sources including Zephyr M&A, the Federal Election Commission (FEC), Center for Responsive Politics, LobbyView (Kim, 2018), and Orbis. Ultimately, I trace the PAC activities of 251 firms that have gone through an M&A deal while their connected PACs were registered with the FEC; I also trace the lobbying activities of 566 firms that have 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&A deals, often both cross-border and domestic, the intensity of political activities is compared *within a firm* across different ownership states – '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 have 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 have a tendency to maintain previous levels of campaign contributions and increase lobbying spending. However, those with a new domestic acquiror are likely to reduce campaign contributions but maintain lobbying spending. Also, following foreign acquisition, lobbying spending increase within-firms for issue codes

[10] See Kim and Milner (2021) or Lee (2024) that identify trade, tariffs, copyright/patent/trademark, immigration as examples of issue areas that MNCs lobby more extensively than domestic firms.

including trade, tax, and those specific to industries where foreign direct investment (FDI) is highly concentrated and regulated in the United States. Collectively, the findings suggest that foreign MNCs find the domestic political influence mechanisms they inherit from cross-border M&A as valuable and utilize them to their advantage.

This paper builds on the latest research on the political influence of MNCs in the global economy.[11] The paper is also in line with studies highlighting how MNCs may politically benefit from fragmenting their operations across multiple jurisdictions.[12] 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 potential host countries and the political experience of domestic firms may serve as location advantages for MNCs along with Ricardian-type natural resources or labor endowments.[13] Finally, this paper makes empirical contributions to understanding the heteroegeneity in corporate political activities.[14] The novel panel datasets used in this paper provide additional support to the idea that foreign ownership of a firm is an important determinant in understanding the likelihood and intensity of political activities in the United States.[15]

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

[12] Lee and Stuckatz (2024); Betz, Pond and Yin (2020); Thrall (2021).

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

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

[15] Mitchell, Hansen and Jepsen (1997); Hansen and Mitchell (2000); Lee (2023); Lee (2024).

Foreign MNCs and Domestic Firms with Political Experience

MNCs' Political Influence at Home and Beyond

The extent to which firms influence government policies is context-specific, depending on the rules regulating means of political influence in each country.[16] 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 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, 2024). 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

[16] A vast literature on corporate political activities finds firms to exercise various means of political influence: lobbying; PACs and campaign contributions; trade associations; charitable giving; illegal bribery, kickbacks, quid pro quo arrangements; ties to political leaders; connections to informal political institutions such as the local community, civil society, and religious organizations; etc. In this paper, I focus on registered lobbying and PAC activities in the United States. In other contexts, especially where government institutions are weak, informal political institutions or a hybrid of different influence mechanisms may matter more (Sun et al., 2021; Grose et al., 2022; Boso et al., 2023).

Osgood, 2019, 2021, 2022).

While many studies investigate the preferences and political activities of MNCs in their home countries, less is known about MNCs' political influence beyond their 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 (Elkins, Guzman and Simmons, 2006; Basinger and Hallerberg, 2004). 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 relationships with host governments even after the investment takes place (Malesky, 2009; Lee, 2024, 2023; Dorobantu, Kaul and Zelner, 2017).

Cross-border M&A with Domestic Firms with Political Experience 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 deals have traditionally been the dominant entry mode 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 ex-post 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 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 a politically active domestic firm 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 environment 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, where firms may equip themselves with multiple political influence mechanisms. For instance, under the Lobbying Disclosure Act (LDA) of 1995, firms expended about $3.2 billion (87% of all lobbying spending) in 2021, making them by far the biggest spenders and most numerous lobbying interest group in America (Schlozman et al., 2015; Drutman, 2015). Since 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.[17]

Moreover, foreign ownership does not ban firms from political participation under the FECA and LDA.[18] Therefore, foreign acquirors in the United States may legally inherit the political influence mechanisms of the domestic firms that they acquire through cross-border M&A. Of course, foreign acquirors may choose not to inherit those political influence mechanisms of their acquired firms, or, elect to build political influence mechanisms on their own from scratch. However, it is worth highlighting several clear benefits for foreign MNCs that result from inheriting the pre-existing political influence mechanisms of their acquired firms.

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 environment, 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 experience and expertise. And yet, having inherited a connected PAC or the lobbying relationships of an acquired firm endows the new foreign acquiror 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 experience inherited from the domestic firms are not only host country-specific but also tailored to the firms. Third, such valuable political experience 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.

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

[18] See Lee (2024) 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.

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

One theoretical expectation of the aforementioned argument is that the ex-post benefits of inheriting political experience from acquired firms are likely to be unique to foreign acquirors. Domestic acquirors, relative to foreign acquirors, are knowledgeable of the U.S. political environment and familiar with the U.S.-specific means of political influence mechanisms. Therefore, domestic acquirors, disinterested in political engagement or with an aversion to political mobilization, will probably choose not to absorb the political experience of newly acquired firms, leading to the termination of an acquired firm's connected PAC or lobbying relationships. Even for domestic acquirors that are interested in political engagement, inheriting political experience from newly acquired firms may be of little value due to redundancy or extra costs.

For instance, some domestic acquirors may be politically active already, and content with their own treasurers or lobbyists. For these firms, there is no acute reason to retain personnel from acquired firms with overlapping roles. Especially, in terms of PAC operations, inheriting an additional PAC can even constrain the operations of the original PAC of the parent organization. Specifically, under the FEC rules, PACs of a parent organization 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 that they receive. 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 little incentives to inherit an extra PAC from an M&A.[19]

On the other hand, inheriting political experience from an acquired firm provides political benefits that are unique to foreign acquirors. In the following, I elaborate this argument based

[19] 11 CFR §100.5(g)(3)(i). See FEC (2018) for an explanation on affiliated committees and their contribution limits. Note that coordinating fundraising efforts, reporting, and compliance across affiliated PACs while adhering to contribution limits require careful attention. Each PAC must comply with federal, state, and local campaign finance laws. Tracking contributions, expenditures, and reporting deadlines for multiple PACs can be time-consuming. Meanwhile, allocating staff, time, and funds across these PACs can strain administrative capacity.

on U.S. federal laws on foreign campaign finance and lobbying.

Foreign-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. Therefore, a new foreign acquiror, relative to a new domestic acquiror, is more likely to (not terminate and) 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 a 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 greater chances of becoming an affiliated PAC may lead domestic-acquired firms to reduce spending post-M&A.

Hypothesis 1 *Post-M&A, the survival rate of an acquired firm's connected PAC will 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 will increase when sponsored by a new foreign owner (but not when sponsored by another domestic owner).*

Foreign-connected lobbying post-M&A: Unlike the FECA, foreign agents can lobby the U.S. government under the Foreign Agents Registration Act (FARA) of 1938. However, recent studies highlight that foreign commercial lobbying, and most of foreign corporate lobbying occurs under the less onerous LDA through domestic subsidiaries of foreign MNCs (You, 2020; Lee, 2024).[20] Presumably, the in-house lobbyists or contract lobbyists that have previously represented a firm understand the firm's political needs the best and are well-suited to advance those agendas within the U.S. political system. Therefore, inheriting the lobbying relations that an acquired firm has already established under the LDA can be very useful for foreign MNCs.

Foreign MNCs may also find it prudent to have their own political agendas represented by the acquired firms' lobbyists rather than separately hiring foreign agents. Consequently, the acquired firms may even increase their lobbying expenses post-M&A, as they are now expected to represent policy interests of the foreign acquiror under the LDA, on top of their regular lobbying agendas. Presumably, domestic acquirors may also benefit from inheriting the lobbying relationships of 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-domestic M&A.

Meanwhile, firms are likely to lobby on behalf of their new acquirors. If so, foreign-acquired firms may redirect their lobbying focus in ways that better serve foreign MNCs. 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 important policy agendas 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 concentrated levels of FDI in the U.S., including some industries that are heavily regulated (e.g., telecommunications, finance, insurance). Therefore, post-M&A, lobbying spending increases are expected in these areas among foreign-acquired firms.

[20]The FARA disclosure requirements are considerably more extensive than that of the LDA. The FARA imposes more severe criminal penalties than the LDA; the LDA primarily focuses on civil enforcement.

Hypothesis 3 *Post-M&A, the survival rate of a firm's lobbying relationships will be higher when acquired by a new foreign owner vs. another domestic owner.*

Hypothesis 4a *Compared with pre-M&A levels, the amount of lobbying spending will 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 will 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 lobby 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.[21] For each deal, I downloaded Bureau van Dijk firm 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. In other words, an M&A deal is considered as cross-border when an *ultimately foreign* (foreign GUO with majority ownership) acquiror acquires an ultimately domestic target; an M&A deal is considered as domestic when an *ultimately*

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

domestic (domestic GUO with majority ownership) acquiror acquires an ultimately domestic target. 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 lobby 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 information on firm characteristics such as state of incorporation and primary NAICS industry codes 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 between the first and last election cycles they register with the FEC. Among the 384 firms, 251 (178 mainly domestic-acquired and 73 mainly foreign-acquired) of them completed an M&A deal when they actually had an active connected PAC.[22] I am mainly interested in these 251 firms because they provide a unique window to observe any changes in their PAC activities pre- vs. post-M&A. In order to create a PAC-election cycle 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.

[22]Note that some domestic firms may have sponsored a PAC in the past but terminated it prior to an M&A deal. These cases are not relevant to this study since I focus on firms with political activities preceding and subsequent to an M&A deal.

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.[23] 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 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 under the Lobbying Disclosure Act. For these firms, I aggregated the report-level lobbying spending amounts up to the year-level to create a firm-year lobby panel dataset. In Table 1, I summarize the aforementioned data generation process.

[23]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 C4 and C5, 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

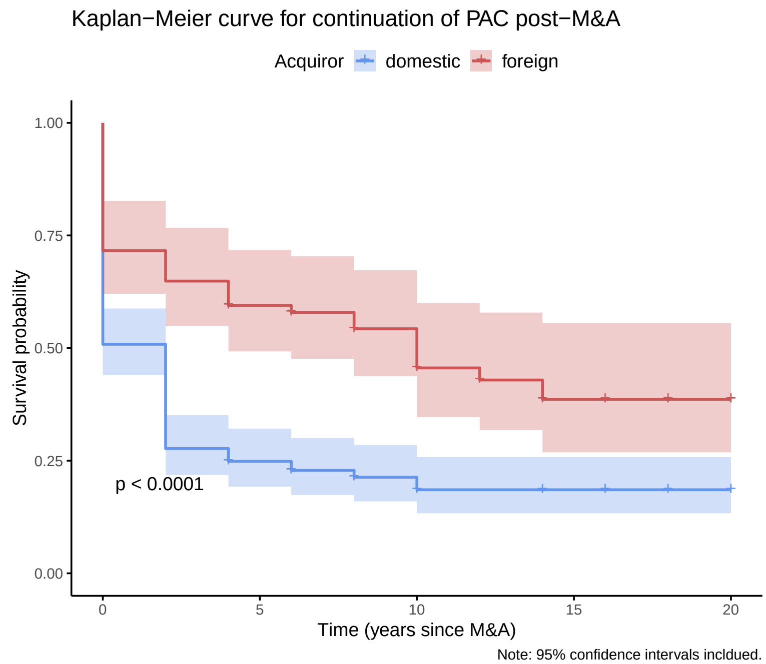
Post-M&A Utilization of Political Influence Mechanisms

In the following, I present multiple pieces of evidence suggesting that foreign MNCs actively inherit their acquired firms' political influence mechanisms and utilize them post-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 then report changes in political activities of the acquired firms preceding and subsequent to 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 (not terminate and) inherit the connected PACs of their acquired firms. In Figure 1, I present 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 (roughly 60% survival) their

Figure 1: Connected PAC survival



previous PAC activities in the very election cycle that an M&A deal takes place.[24] 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 51% (44-59%, 95% confidence interval). In other words, when a PAC-sponsoring firm is newly acquired by another domestic firm, in about half of the cases, the PAC is almost immediately terminated. Meanwhile, about 72% (62-83%, 95% confidence interval) of the firms acquired by a foreign MNC continues their PAC activities post-M&A. The differences in PAC survival by foreign and domestic acquirors is not only significant at the time of acquisition, but also persists over time. Therefore, foreign acquirors show a notably high tendency for inheriting and maintaining their acquired firms' PACs.[25]

Next, I analyze changes in the intensity of PAC activities among the 251 firms that went through majority ownership change while their connected PACs were active. Specifically, in

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

[25]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.

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)
$p(\beta_{post-domesticM\&A} = \beta_{post-cross-borderM\&A})$	0.00	0.32	0.00	0.91
Num.Obs.	1635	688	1139	484
R2 Adj.	0.460	0.383	0.428	0.422
Firm FEs	✓		✓	
Industry, State, Election cycle 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.

Table 2, I present ordinary least squares 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 states begin the very election cycle under which the year of the M&A deal falls under.[26] 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 survival 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

[26]Note that I find similar results if I code the post-M&A states as the election cycles following the election cycle in which the year of the M&A deal falls under. See Appendix Table B1 for the results.

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, the 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 in these models. This suggests that foreign acquirors, unlike domestic acquirors, are likely to *maintain* previous intensities of their inherited PACs' activities.[27] Moreover, the difference between the post-domestic M&A and post-cross-border M&A states of a firm is significant.[28] As a robustness check, I run a linear mixed effects model with an interaction term between a post-M&A and cross-border indicator variable (online Appendix Table B3 available at the Review of International Organization's webpage).[29] 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 state of incorporation of the acquired firm. Also, to control for the attractiveness of 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

[27]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. Meanwhile, there is no significant changes in dollar amounts associated with the post-domestic M&A state. See Appendix Table B2.

[28]I have reported the p-value of linear hypothesis tests examining the difference between the post-domestic M&A and post-cross-border M&A coefficients. Also note that 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.

[29]In Appendix Table B3, I use an indicator variable, cross-border, assigned as 1 for cases where the time length of post-M&A period under foreign ownership exceeds that of domestic ownership. I have used a mixed model with firm random effects (rather than fixed effects) because there is no longer firm-level variation in the cross-border variable under this specification.

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 acquired by another domestic firm, there is a significantly higher chance that the connected PAC of the acquired firm will be terminated, and the intensity of political engagement will be reduced. Importantly, these differences are not driven by the multinationality or size of foreign acquirors. In fact, most of the acquirors in the sample are large multinational corporations. Only 39 domestic acquirors did not have any subsidiaries abroad, and dropping those cases did not change the main results.[30] Also, there is no significant difference (p-value: 0.12) in the average size of foreign and domestic acquirors in the PAC panel.

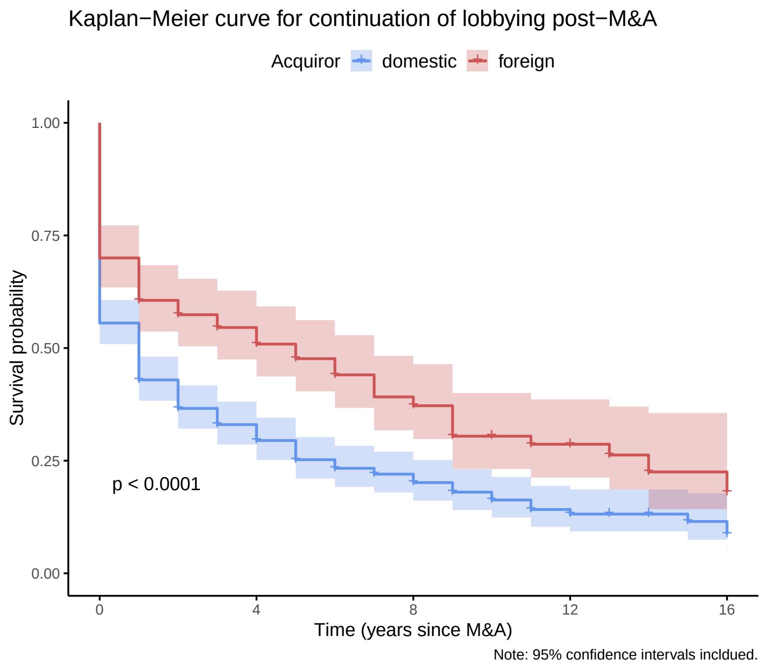
Post-M&A Lobbying Activities

Now, I examine how foreign and domestic acquirors utilize the lobbying relationships 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 deal. Similar to the case of campaign finance, many acquired firms discontinue their lobbying activities in the year that the M&A deal takes place.[31] And yet, there is 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

[30]See Appendix Table B4.

[31]In the lobby panel data, the average year that an M&A deal 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



about 56% (51-61%, 95% confidence intervals). In other words, when a firm that engages in lobbying is newly acquired by another domestic firm, that firm's lobbying activities are likely terminated in roughly half of the cases. Meanwhile, those acquired by a foreign MNC is likely to continue in about 70% (63-77%, 95% confidence intervals) of the cases. This greater likelihood to continue to lobby among foreign-acquired firms persists over the years.[32]

Does foreign ownership influence the lobbying spending of acquired firms? Here, I use the lobby panel data on the 566 firms that have gone through an M&A deal resulting in a majority ownership change during the period they engaged in lobbying activities between 1999 to 2017. 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 squares regression models where the logged dollar amount of lobbying spending for each firm-year pair is regressed on the three ownership states of an acquired firm.[33] Again, models 1 and 3 include firm fixed effects to capture changes in

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[32]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.

[33]The model presented in the main text counts the very year that an M&A happened as a post-M&A state.

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***	0.10	-1.33***
	(0.10)	(0.16)	(0.12)	(0.20)
post-cross-border M&A	0.37*	-0.06	0.38*	-0.51*
	(0.15)	(0.19)	(0.16)	(0.21)
$p(\beta_{post-domesticM\&A} = \beta_{post-cross-borderM\&A})$	0.05	0.00	0.16	0.00
Num.Obs.	5808	2516	4112	1630
R2 Adj.	0.457	0.394	0.474	0.459
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.

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 serve as complementary to the main results in models 1 and 3.

The within-firm models show that an acquired firm tends to increase its lobbying spending when acquired by a foreign acquiror. In models 1 and 3, foreign acquisition of a domestic firm is associated with a 45-46% 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 contrast, the post-domestic M&A state has a significant negative association with lobbying spending.

Appendix Table C1 uses an alternative ownership measure that considers post-M&A starting from one year after the M&A happened.

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. As reported, the difference between post-domestic and post-cross-border M&A states of a firm is significant in models 1, 2, and 4. Meanwhile, 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 C2), providing more strength to the within-firm models of 1 and 3. Finally, similar to the case of campaign finance, the results are not driven by the multinationality or size of foreign acquirors. Most firms in the lobby panel data were acquired by an MNC, and dropping purely domestic acquirors from the analysis does not change the main results.[34] Meanwhile, domestic acquirors in the lobby panel tend to be weakly larger (p-value: 0.054) than foreign acquirors.

Does the lobbying focus 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 given year.[35] 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 firm ownership state.

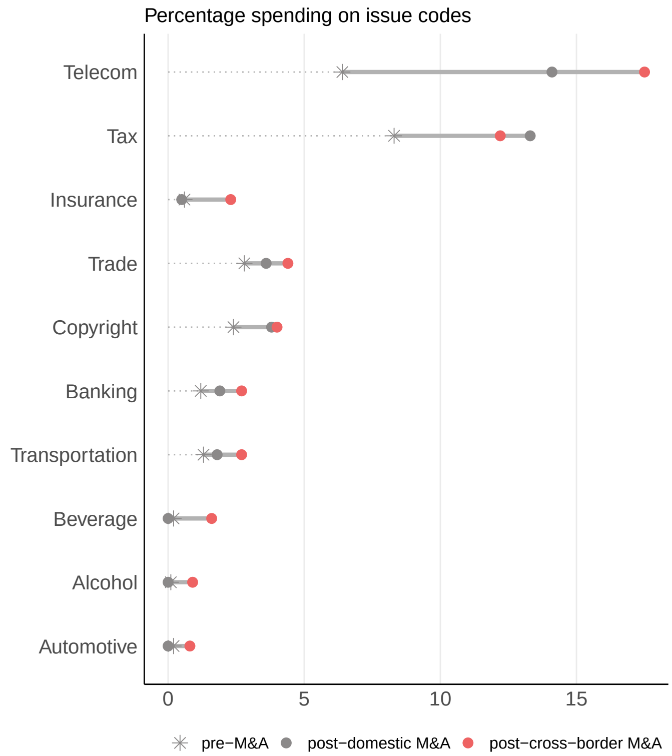
For instance, Figure 3 presents the top 10 issue codes in which the *percentage spending* difference is largest between the pre-M&A and post-cross-border M&A states.[36] Specifically, the dumbbell figure for each issue code indicates the percentage spending by all firms pre-M&A (depicted by a gray star), the percentage spending by all firms post-domestic M&A (depicted

[34] 88 acquirors were purely domestic. See Appendix Table C3 for the results.

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

[36] Percentage lobbying spending increases were also observed among issue codes like immigration and miscellaneous tariff bills.

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



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 dumbbells indicates differences in the lobbying emphasis on specific issue codes across the three ownership 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.[37] Also, general issue codes affecting the global operations and profitability

[37]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, finance and insurance, transportation, and manufacturing historically have been the most regulated industries in the U.S. at the federal level. Based on Quantgov data, the above 3-digit NAICS industries are all considered to be highly

Table 4: Intensity of issue 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)
$p(\beta_{post-domestic M\&A} = \beta_{post-cross-border M\&A})$	0.95	0.57	0.91	0.00	0.48	0.85	0.02	0.12	0.01	0.82
Num.Obs.	545	1538	236	850	478	296	663	60	58	68
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.

of foreign MNCs, such as trade, copyright/patent/trademark, and tax experienced percentage spending increases.

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 of a firm 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, preliminary findings here suggest that the nature of ownership of a domestic firm indeed has an impact on its political agendas.

regulated – e.g., insurance ranking 9th and telecommunications ranking 19th among those with the greatest amount of industry regulations among 93 of 3-digit industries.

Discussion on Potential Endogeneity and Selection

So far, this paper has focused on the question of whether foreign acquirors, relative to domestic acquirors, are more likely to inherit and 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. While this design was necessary for comparing political activities proceeding and subsequent to an M&A deal, I acknowledge that this may introduce bias to the main results if cross-border M&A with an already politically active firm and domestic M&A with an already politically active firm occur in systematically different ways.[38] Specifically, 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. If so, the main findings may simply be an artifact of foreign-acquired firms being the more politically active ones prior to ownership change.[39]

Thus, 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. Specifically, I examine all M&A deals completed with an American firm, which may or may not have a PAC/lobbying history, between 1999 and 2016 (77,897 total).[40] After classifying all deals as either domestic or cross-border, I first test whether cross-border deals are systemat-

[38]Please note that I am not able to address this issue in a formal selection model (e.g., Heckman framework) due to the extreme challenges of determining the right potential sample. This requires separate theory building of important questions that are beyond the scope of this paper (e.g., Are all firms a potential target/acquiror? If not, what type of acquirors seek an M&A deal with what type of targets? What are firm/industry/country-level factors determining those types?). Instead, I make multiple efforts in this paper to partially rule out concerns over potential endogeneity and selection.

[39]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 political activity levels are generally higher for foreign-acquired (vs. domestic-acquired) firms.

[40]This way, an M&A deal might occur during the period in which the paper studies corporate political activities.

Table 5: Cross-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
Deal completion year strata	✓	✓	✓	✓

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

ically 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 for the deal value and level of industry regulations.[41] 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 squares 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 annual 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.

[41]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: Cross-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
Deal completion year FE	✓	✓	✓	✓

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

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 is 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. 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.

Overall, 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. In fact, conditions at the extensive margin make it more difficult to derive at the intensive margin findings of this paper where foreign, relative to domestic, acquirors are more likely to inherit and utilize the political experience of acquired firms. Effectively, these findings rule out the potential of endogeneity issues. The higher retention rate and utilization of connected PACs and lobbying relationships found in earlier parts of the paper may be attributed to foreign acquirors' unique valuation of those domestic political experience rather than systematic differences in the acquired firms. Relatedly, findings here provide little support to a possibility that absorbing domestic political experience might be a driving force behind cross-border M&A in a systematic way.[42]

[42]Note that Tables 5 and 6 merely test the correlation between the political histories of acquired firms and the type

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 are incentivized to have leverage over the governments of current or potential host countries. This is because MNCs' existing and future investments depend on the whims of those governments. And yet, a long-standing characterization of foreign MNCs against host governments has been vulnerable post-investment (Wellhausen, 2014; 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 domestic firms with political experience. 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 are transferred to the new owner. Ultimately, foreign MNCs are able to oversee their U.S. operations while being equipped to manage host country government relations post-investment.

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of actual M&A deals completed during the investigation period. A formal test on whether political experience 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 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.

Multiple pieces of evidence suggest that foreign acquirors, relative to domestic acquirors, have a greater tendency to inherit and utilize the domestic political influence mechanisms of 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 the political experience of the firms they have acquired. 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, MNCs may find the political experience of domestic firms as a strategic location advantage that motivates foreign investment (Dunning, 1980, 2001; Calluzzo, Nathan Dong and Godsell, 2017). Second, the ex-post benefits of acquiring domestic firms with political experience are not necessarily confined to inheriting institutionalized or legal channels of influence in developed democracies. For instance, domestic firms in developing autocracies with personal connections to key decision makers or informal institutions such as the local community or religious organizations may also be valuable additions for foreign MNCs (Sun et al., 2021; Boso et al., 2023).

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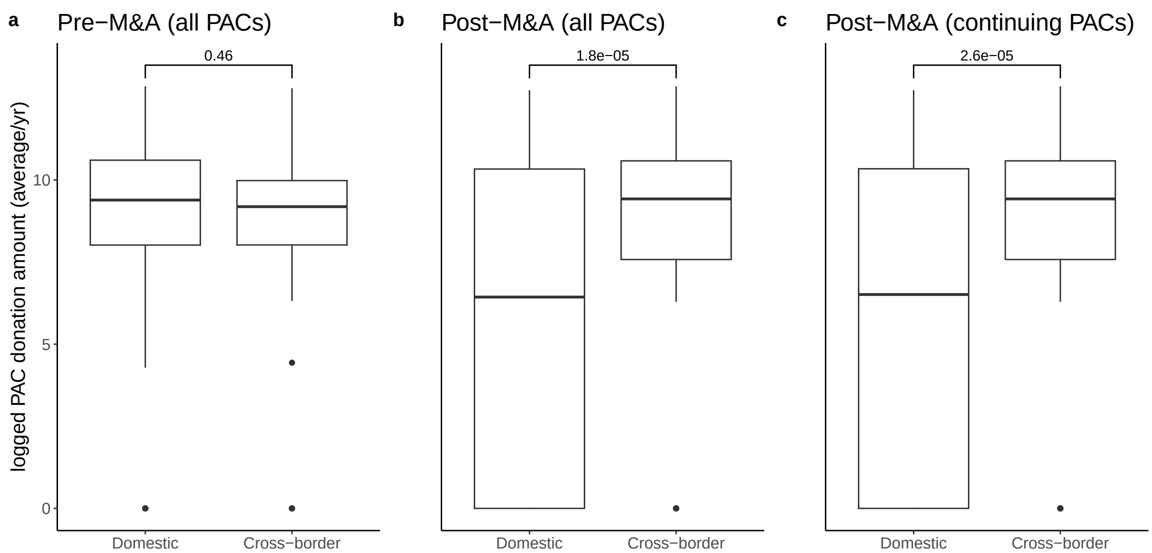
Appendix (For Online Publication)

Contents

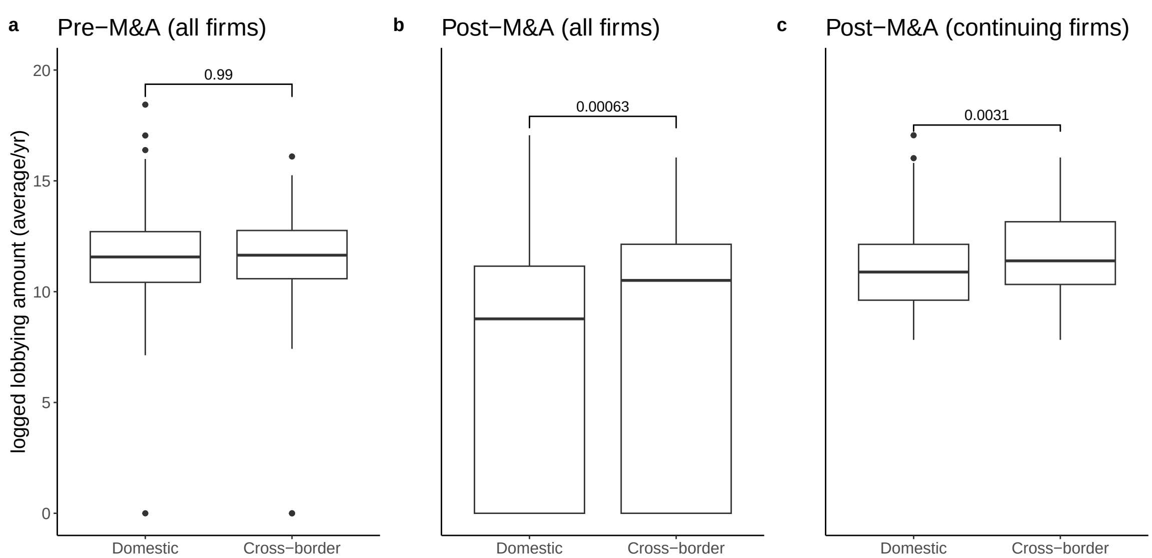
A Descriptive Statistics

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



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

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



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

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

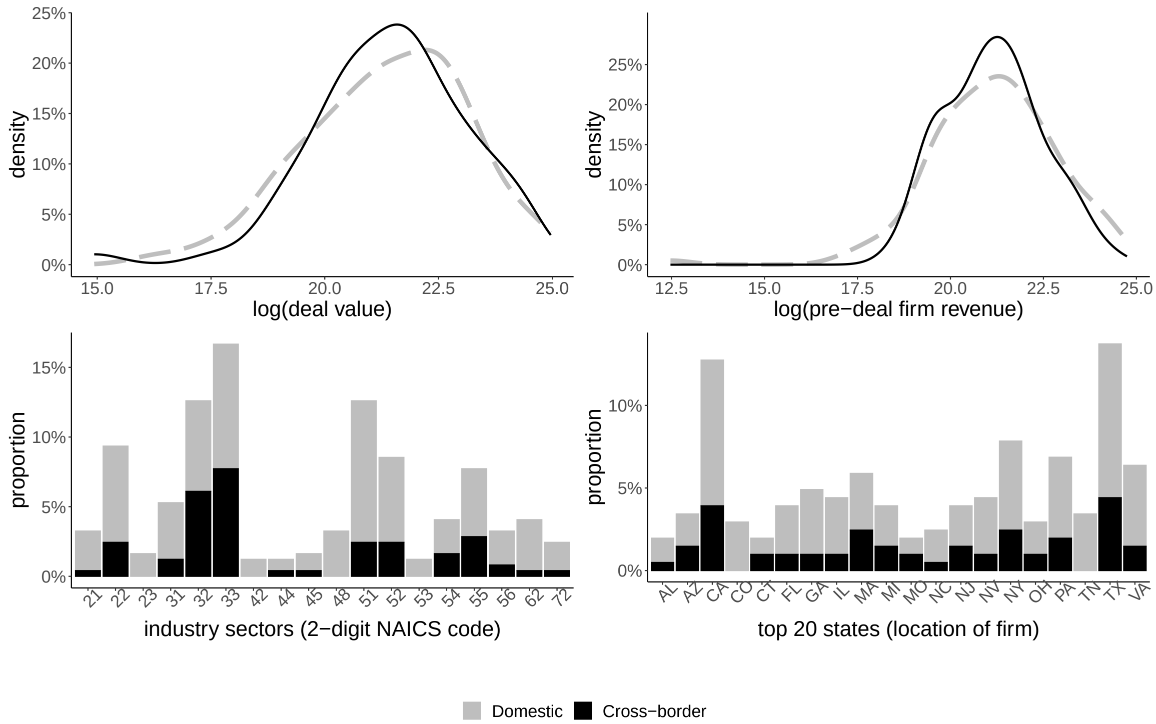


Figure A4: Characteristics of acquired firms engaged in lobbying (N=566)

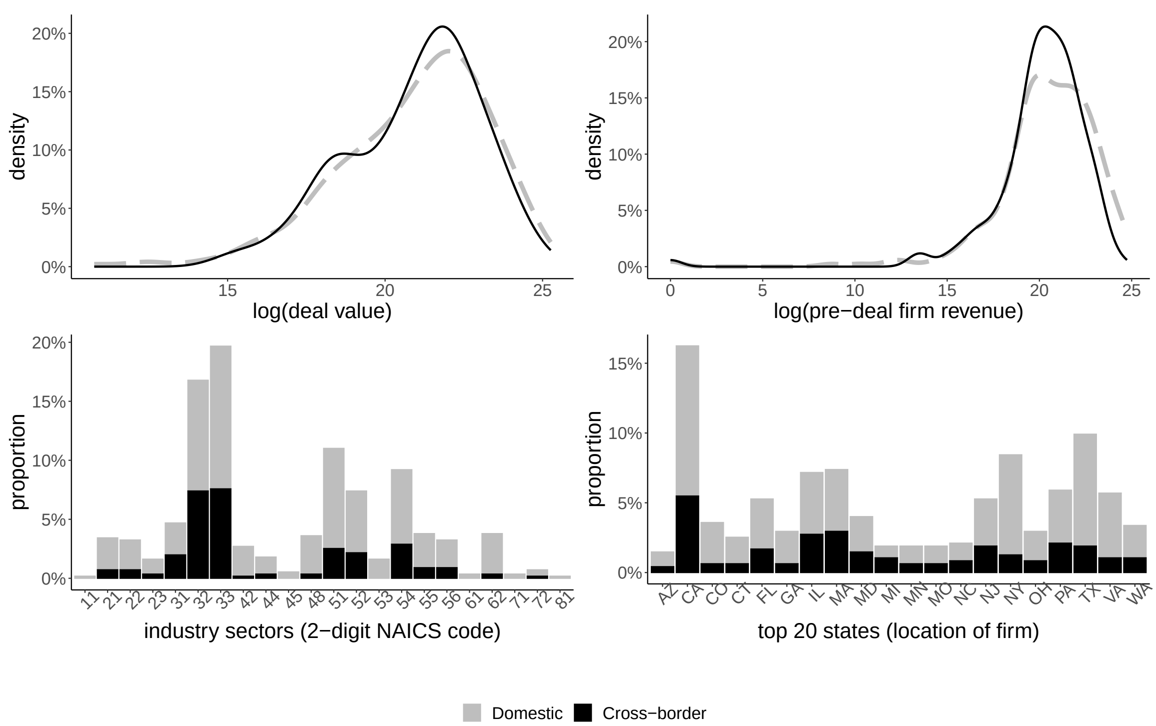


Table B1: Intensity of PAC activities: Alternative measure of ownership status

	logged campaign contributions			
	all PACs		**continuing PACs**	
	Model 1	Model 2	Model 3	Model 4
post-domestic M&A	-2.83^{***}	-2.37^{***}	-2.85^{***}	-2.37^{***}
	(0.35)	(0.51)	(0.35)	(0.51)
post-cross-border M&A	-0.39	-1.52^{**}	-0.39	-1.66^{**}
	(0.31)	(0.57)	(0.30)	(0.60)
Num.Obs.	1635	688	1139	484
R2 Adj.	0.468	0.384	0.453	0.449
Firm FEs	✓		✓	
Industry, State, Election cycle FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

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 Adj.	0.569	0.618	0.559	0.639
Firm FEs	✓		✓	
Industry, State, Election cycle 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 B3: 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
Firm REs	✓	✓

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

Table B4: 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 Adj.	0.459	0.418	0.425	0.455
Firm FEs	✓		✓	
Industry, State, Election cycle 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 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	-0.01	-1.13^{***}	0.03	-1.42^{***}
	(0.13)	(0.19)	(0.13)	(0.21)
post-cross-border M&A	0.33+	-0.30	0.33+	-0.64^{**}
	(0.17)	(0.20)	(0.17)	(0.22)
Num.Obs.	5808	2516	4112	1630
R2 Adj.	0.457	0.395	0.474	0.460
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: Interaction model

	logged lobbying spending	
	all firms	**continuing firms**
	Model 1	Model 2
post-M&A	−0.11	0.00
	(0.11)	(0.13)
cross-border	−0.30	−0.04
	(0.24)	(0.32)
post-M&A:cross-border	0.52**	0.41*
	(0.19)	(0.21)
Num.Obs.	5808	4112
Firm REs	✓	✓

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

Table C3: 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	−0.08	−0.96***	−0.01	−1.43***
	(0.12)	(0.17)	(0.14)	(0.20)
post-cross-border M&A	0.37*	−0.09	0.38*	−0.56*
	(0.15)	(0.19)	(0.16)	(0.22)
Num.Obs.	4913	2369	3445	1522
R2 Adj.	0.462	0.401	0.478	0.473
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 C4: 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	0.06	−0.82***	0.14	−1.25***
	(0.10)	(0.16)	(0.12)	(0.19)
post-cross-border M&A	0.38*	0.00	0.38*	−0.44*
	(0.15)	(0.19)	(0.16)	(0.21)
Num.Obs.	5808	2516	4112	1630
R2 Adj.	0.445	0.381	0.463	0.444
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 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	−0.58***	−1.74***	−0.31+	−2.14***
	(0.16)	(0.25)	(0.18)	(0.30)
post-cross-border M&A	0.30	−0.67*	0.41+	−1.13***
	(0.21)	(0.27)	(0.22)	(0.32)
Num.Obs.	5808	2516	4112	1630
R2 Adj.	0.497	0.443	0.501	0.496
Firm FEs	✓		✓	
Industry, State, Year FEs		✓		✓
Deal covariates		✓		✓
Lagged dependent variable (2 years)		✓		✓

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