The Political Economy of Anti-Bribery Enforcement*

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ABSTARCT

In this paper, we examine the influence of political motives on regulatory enforcement against bribes. Using case-level data from the Securities and Exchange Commission and Department of Justice, we show that in the year leading up to U.S. Senate elections, the probability of FCPA enforcement actions increases significantly for foreign firms, spiking 23% (t=3.04), but not U.S. firms. We use exogenous variation in the timing and geographic location of U.S. Congressional elections to establish identification of our effects at the fine geographic level. We see parallel trends leading up, and following, elections, and placebo tests in time – and for other investigations, show no such patterns. Moreover, the actions appear to be related to measures of economic interest and political interest at these local levels.

Keywords: Government policy and regulation, enforcement, political economy, electoral cycles

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A level playing field for firm-level competition is a fundamental requirement for any market to maximize its potential and achieve as close to the efficient outcome as possible. When distortions arise – favoring a set of firms or individuals over others – these reverberate throughout the entire firm operating choice-set from enforcement, to sales, to production, to ex-ante innovation and incentives to specialize human capital. This is not to say that barriers to entry may not naturally arise – such as those associated with economies of scale, network goods, or scarce resource endowment. Only that if a finger is put on the scale in order to allow certain firms or agents to achieve these or have some other form of unerodable advantage, this can have large implications on allocation and overall economic development.

There is a large literature documenting inefficiencies and distortions arising from bribing activities. Existing research shows that enforcement can be effective – from an ex-ante and ex-post perspective - within a country setting where government audits reduce corruption by enhancing political and judiciary accountability (Ferraz, and Finan 2008; Avis, Ferraz, and Finan 2018). However, it can be challenging to extend both the detection and enforcement of anti-bribery laws to extra-territorial jurisdictions against companies. For example, there are limited number of firms that Securities and Exchange Commission (SEC) and Department of Justice (DOJ) can target with the constraint on economic resources and information available to each. Moreover, it can be challenging for U.S. regulators to detect bribing activities given the lack of information on bribing activities abroad along with the need in many cases for some level of cooperation of the foreign domestic government. This may lead to discretion in anti-bribery enforcement for U.S. regulators, in terms of which cases to pursue, and when to pursue them.

As global markets become increasingly integrated – with S&P 500 firms realizing nearly 50% of their sales overseas – the need to keep a level playing field in foreign markets has become an increasingly important competitive dynamic for all firms. Realizing this, the U.S. government implemented stringent enforcement relative to other countries through the enactment of the Foreign Corrupt Practices Act of 1977 (FCPA) to bring a halt to the bribery of foreign officials and to restore public confidence in the integrity of the American business system. FCPA enforcement has generated a substantial surge in broader enforcement and became a priority for U.S. law enforcement agencies, conceivably to give confidence to U.S.

firms of this level-playing field across their increasingly expansive competitive space.[1] In this paper, we provide evidence that the tool which was meant to level the playing field has been used – at least in part - for precisely the opposite purpose. Namely, that FCPA enforcement actions are correlated in geography, time, and usage with political motives, tipping the scales in ways that plausibly appear incentive-aligned along these dimensions. In particular, there are spikes in enforcement actions: i.) for firms operating in states just prior to important elections in those states; ii.) these spikes in FCPA enforcement are concentrated in foreign headquartered (as opposed to domestic headquartered) firms; and iii.) the spikes in enforcement occur specifically at those firms that compete most intensely with domestic firms in dominant industries in the important election state.

Stepping back, we study the relationship between electoral politics and FCPA regulatory actions. FCPA enforcement policy is conducted in state courts, and brought by either of the U.S. Securities and Exchange Commission (SEC) or U.S. Department of Justice (DOJ). Our analysis in particular examines the enforcement actions initiated against publicly traded companies for foreign bribery by the DOJ and the SEC. In order to get a feel for the time-series dynamics of these cases, see Figure 1. As can be seen, there has been a large rise in these actions in recent times. We explore one potential determinant of this rise, exploring the political determinants of anti-bribery enforcement.

We do this utilizing cross-sectional variation in incentives for identification. In particular, we examine U.S. Congressional Senate elections – which have schedules that are pre-determined, known years in advance,[2] and are plausibly exogenous from a timing and location perspective.[3] They are staggered spatially and in time – with one third of the senate seats being up for re-election of 6-year terms every even-numbered year (outside of special election circumstances). Moreover, unlike presidential elections, there is substantial cross-state variation in the timing of treated states in each election cycle. This allows us to exploit

[1] In terms of the difference in the function of enforcement agencies, the SEC takes enforcement actions and bring civil penalties, and the DOJ is responsible for civil suits and all criminal prosecutions. However, both the SEC and DOJ often enforce through joint investigations and settlement negotiations.

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

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

this exogenous variation in Senate election timing and locations to explore the extent to which anti-bribery enforcement is related to electoral concerns.

Our sample consists of 8,677 publicly listed companies with subsidiaries both in the U.S. and in foreign countries from 1985-2017. To study whether political incentives influence the enforcement action of regulators, we use detailed subsidiary-level data of U.S. and foreign companies and link the location of subsidiaries to the state electoral cycles. There is strong evidence that election cycles affect regulators' enforcement actions. Our results suggest that regulators do not respond equally to all firms, instead responding primarily to foreign firms. We find that the probability of a regulatory enforcement increases by 20% (t=3.04) in the year leading up to an election for foreign companies. However, we do not observe that regulators target U.S. firms at all during the pre-election year. Together, these results suggest discretion taken in enforcement pre-election.

Moreover, we explore the potential underlying mechanism behind these empirical findings, finding evidence consistent with political and economic incentives. We first show that enforcements are significantly related to the level of foreign competition and the exposure of global network in the year leading up to elections. Foreign companies have a higher probability of being targeted if they compete with U.S. companies or have stronger economic links with foreign-supply chain networks (as opposed to domestic networks). We further analyze the effectiveness of the Whistleblower Program on enforcement through enhanced monetary incentives and reduction in costs of identifying bribes. Therefore, the Whistleblower Program enables regulatory agencies to extend U.S. jurisdiction to companies and individuals outside of U.S. borders.

Moreover, we also find evidence that constituent interests are related to the aggressiveness of regulators' enforcement actions. Regulators significantly reduce enforcement in industries and firms with a large number of establishments in their state. Instead, they focus enforcement actions on industries that do not have a large economic footprint in their jurisdiction. These therefore represent actions that are less likely to negatively impact or upset voting constituents.

Our paper contributes to the literature on the role of political influence on the decision of regulatory agencies or legislative voting behavior (Kroszner and Strahan, 1996; Mian, Sufi, and Trebbi, 2010; Cohen and Malloy, 2014). A number of papers in the political economy

literature study how connections to politicians affect banking regulation (Liu and Ngo, 2014; Kroszner and Stratmann, 1998; Kroszner and Strahan, 1999; Agarwal et al., 2014; Lambert, 2018). Fewer papers, however, explore Congressional influence on the SEC or DOJ's enforcement on corporate misconduct as well as the Federal Trade Commission (FTC)'s sanctions (Weingast and Moran, 1983; Mehta and Zhao, 2020, and Mehta, Srinivasan, and Zhao, 2020). In this respect, we show that political incentives appear as a potential consideration when evaluating the impact of regulatory actions in a multinational context. By investigating the incentives of politicians, we provide empirical evidence on how political motives might subtley shape regulatory decisions and the mechanisms that lead to discretionary enforcement. Furthermore, our paper provides new evidence supporting a view that political influence over anti-bribery enforcement may have unintended consequences on broader measures of competitiveness and international trade.

Our work is related to a large literature in law and finance that documents the economic impacts of corruption (e.g., see Shleifer and Vishny, 1993, 1994; Acemoglu and Verdier, 2000), and how regulatory enforcement shapes corrupt behavior (Fisman and Miguel, 2007). The economics of crime research Becker (1968) emphasizes the assumption that agents respond to the costs and benefits of committing crime, which determines the optimal amount of enforcement. Recently empirical research in this literature has focused on micro-data to study the impact of anti-bribery enforcement activity on economic outcomes and resource allocation. Zeume (2016) examines changes in U.K firms' values around the passage of the U.K. Bribery Act and finds that the prospect of higher penalties decreased the firm values of U.K. firms. Karpoff, Lee, and Martin (2017) use foreign bribery-related enforcement actions initiated under the FCPA to examine firms' incentives to pay bribes and their costs. We build on this literature to analyze the anti-bribery enforcement by U.S. regulatory agencies across the universe of multinational firms. In particular, our paper provides an empirical exploration of the political motives associated with enforcement actions and sheds light on the discretion potentially at play in these enforcements.

I. Background of FCPA and a Case Study

A. Origins of Foreign Corruption Practices Act of 1977

As with most new laws, the FCPA was not formulated unprecipitated – specific events and policy considerations motivated Congress to enact the FCPA. Discovery of a foreign corporate payments problem in the mid-1970s resulted from the Office of the Watergate Special Prosecutor, including investigations by the SEC. One notable case was the Lockheed Corporation. The defense contractor received a $250 million government loan to avoid bankruptcy and spent over $100 million of those funds on bribes to various government officials. Brewster and Buell (2017) additionally argue that the statute was a response to a national security concern in the Cold War era in the late 1970s between political worldwide regimes.

B. Differing views on the Legislation and the Role Foreign Cooperation

Since the passage of the 1977 Act, there have been concerns regarding its adverse impact on U.S. business abroad. In theory, the FCPA could place U.S. businesses at a comparative disadvantage. This was because even though the U.S. could bring action against a foreign domiciled firm, the enforcement of that action was ultimately up to the foreign jurisdiction in which it was located. Thus, despite the fact that the FCPA provided prosecutors with significant extraterritorial jurisdiction, international cooperation was essential to effective enforcement. This went all the way from the sharing internal corporate records during investigation, all of the way through to end-enforcement. In practice, foreign governments regularly did refuse to impose civil or criminal rules against their domestic firms. This all fueled even more concern from American businesses about their disadvantage in foreign markets, as the FCPA might only be effectively enforced against U.S. corporations.

In response to these criticisms, the U.S. Congress directed the Executive Branch to seek a level playing field by encouraging trading partners to adopt similar anti-bribery policies. These efforts ultimately lead to the creation of the Organization for Economic Cooperation and Development Convention on Combating Bribery (the "OECD Convention").[4] On July

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

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

C. Anecdotal evidence: America v. Total, S.A.

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

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

Exxon Mobil Corporation is an American multinational oil and gas corporation headquartered in Irving, Texas, which is also one of the world's six largest publicly traded oil

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

and gas companies. Exxon Mobil competes with Total in multiple aspects of the oil, natural gas, and energy procurement and production. The 2014 United States Senate election in Texas was held in November 2014, with incumbent Republican Senator John Cornyn running for re-election to a third term, eventually winning Senate re-election. The enforcement action against Total was brought in 2013, preceding the Senate election in Texas. In what follows, we find evidence consistent with this pattern across the universe of FCPA violation enforcement actions from 1985-2017.

II. Hypothesis, Data and Summary Statistics

A. Hypothesis of Congressional Influence and Interest Groups

From a theoretical perspective, the relationship between regulatory agencies and the political system is important but ambiguous as discussed in Weingast and Morgan (1983). The traditional view of the bureaucracy of agency decisions considers agencies act relatively independent of Congress. The traditional approach allows in many instances the failure of Congress to oversee and control agencies. For example, the lack of timely information in relevant policy areas and the high cost of congressional investigation on policy resolutions can limit congressional influence. Under this bureaucracy paradigm, governmental agencies therefore have discretion in policies and can exert influence policy decisions.

There are several reasons why regulators might avoid enforcement against potentially corrupt U.S. firms relative to foreign firms. First, public officials may face questions about their competency when firms under their jurisdictions are targeted, reducing their incentive to investigate local firms. Second, public officials can emphasize the interests of U.S. companies by strategically selecting cases to protect their competitiveness in global markets. Relatedly, officials might have less incentive to target U.S. firms relative to foreign firms as the costs associated with enforcement (e.g., sanction payments, investment opportunities) are borne by local business owners, employees. Given the sum of these, enforcements are more likely when the benefit to local interest groups is high and the economic cost to local firms is sufficiently low. Our case-level data allows us to examine the types of cases – along with their timing - brought by regulators to this end. To evaluate potential congressional influence on regulators' behavior, we examine how exogenous congressional election timing is associated with the distribution of cases and the resolution of outcomes.

B. Data Sources

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

The election data cover state-level returns for U.S. Senate elections from the MIT Election Data and Science Lab (MEDSL). This data includes the years that Senate elections were held between 1985 and 2017. Each Senator serves a six year-term, where the terms are staggered and approximately one-third of the seats are up for election every two years in the 100 seat chamber of the Senate. The election data includes information on: party affiliation, election outcomes, and vote margins. We also investigate the competitiveness of election outcomes and incentives associated with enforcement actions. Our primary measure of electoral competition is margin of victory for the incumbent in the most recent Senate elections. We also obtain party affiliation and committee assignments of senators from the dataset of Charles Stewart III and Jonathan Woon, Congressional Committee Assignments, 103rd to 115th Congresses, 1993-2017. To capture the influence of powerful politicians on the strictness of anti-bribery enforcement, we examine the importance of the Senate Committee on Banking, Housing, and Urban Affairs; and the Senate Committee on the Judiciary for laws related to enforcement actions.

Our firm-level dataset covers all publicly traded multinational firms listed on the three major U.S. equity exchanges – NYSE, NASDAQ, and AMEX; covering both foreign and U.S. firms listed. We obtain accounting data on sample firms from COMPU.S.TAT North America and Global. To focus on multinational corporations with active global operations, we retain U.S. companies doing business abroad with at least one foreign subsidiary and foreign firms who operate in the U.S. with at least one subsidiarity from Bureau van Dijk-

Orbis Database (BVD). For each U.S. multinational corporation, we match the state-level electoral cycles with their U.S. headquarters location. For foreign firms that have multiple subsidiaries in the U.S., we identify their most active state of operation with the largest number of subsidiaries and match with the electoral cycles in this state. The U.S. subsidiary location of foreign firms allows us to utilize disaggregated geographic information to study the effect of variation in state-level elections on enforcement outcome. [6] State macroeconomic data on GDP, employment, and population are sourced from the United States Census Bureau of Economic Analysis (BEA) and the United States Bureau of Labor Statistics (BLS).

We further investigate the influence of economic factors associated with global competition and political alignment on the decision to target specific firms. We first examine whether FCPA enforcements focus on targeting foreign companies that compete with U.S. firms or firms with greater foreign network exposure. In order to construct the foreign competition and network exposure measures, we use FactSet-Revere Data, which captures global economic linkages based on supply-chain relationships. In particular, Regulation SFAS No. 14 and 131 require firms to report information on operating segments in interim financial reports issued to shareholders. Namely, firms are required to disclose financial information on any industry segment that constitutes more than 10% of consolidated yearly sales, asset, or profits and hence identify major customer representing more than 10% of the firms' total reported sales.[7] Further, by disaggregating the types of global supply-chain relationships, we study the heterogeneous effects associated with anti-bribery enforcement actions and their global networks.

Finally, to study the role of political alignment we obtain voting information across countries from the United Nations General Assembly voting from the 40th session (1985-1986) to the 72nd session (2017-2018). The *Index to the Proceedings* consists of a comprehensive subject index to all of the documents (reports, letters, meeting records, meeting dates,

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

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

resolutions, voting charts, lists of resolutions adopted, etc.) during a particular session and year. The voting information is also available for the United Nations member states.[8]

C. Summary Statistics and Initial Patterns around U.S. Senate Elections

Figure 1 shows the number of enforcement actions over time – the blue and red bars plot the number of enforcement actions against U.S. and foreign firms respectively. Prior to the OECD Convention initiated in 1998, the regulatory agencies mainly target U.S. companies doing businesses abroad. The increasing number of enforcements following the OECD Convention provides suggestive evidence that indeed the SEC and DOJ did initiate increased enforcement following international "buy-in" through the establishment of the OECD Convention.

Figure 2 plots the number of anti-bribery enforcement actions around the nearest election date in U.S. states where firms are headquartered or main business is located from 1978 to 2017. The lighter bars show the number of enforcements in the twelve-months leading up to a Senate election, and the darker bars indicate the number of cases in the year following a Senate election, in 3-month increments. Panel A shows the number of enforcement actions taken against U.S. companies, while Panel B shows this identical targeting statistic for foreign companies. From Panel A, it is clear that there is no significant pattern or change in actions either leading up to, or following, a Senate election. Panel B shows a contrasting pattern for foreign firms. In particular, cases against foreign firms spike in the 3 months just preceding a Senate election in that foreign firms' main operating state. In particular, in the years leading up to Senate elections, the number of enforcement actions in aggregate brought by regulators jumps from the six months (regulators filed 49 cases) to three months prior to the election (101 cases). This over 100% jump in cases is statistically significant at the 1 percent level. In the twelve months after elections, the number of enforcement actions drops back down to the average of 43 cases. Again, from Panel A, no similar pattern is observed in the enforcement actions against a similar set of U.S. multinational firms.

[8] According to the United Nations General Assembly votes, we have 158 member states voting recording among 152 resolutions for the 40th session and 193 member states voting recording among 95 resolutions for the 72nd session.

Panel A of Table 1 presents our case-level analysis showing the number of enforcement cases brought by country 1985-2017. A first thing that can be seen is that regulatory enforcement actions against bribery are prevalent in both developed and developing countries. Moreover, enforcement cases against U.S. companies represent close to 58% of all cases, in aggregate. We further analyze the distribution of enforcement actions across countries with proxies for varying levels of corruption. In order to do this, we collect *The Corruption Perceptions Index*, which is obtained from *Transparency International* from 1998 to 2017. The index is calculated using data sources amassed from different institutions meant to capture perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0-100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption. It has a scale of 0-10 prior to 2012, and we standardize the scores (for comparability across the sample) to a scale 0-10. Surprisingly, foreign multinationals with headquarters in low corruption countries (with low index scores) were frequently subject to anti-bribery enforcement. In 138 out of 181 (76%) of cases, the regulators impose actions against foreign companies in countries with less corruption where corruption index exceeds the sample average 7.037 (where again, higher scores means less corruption). In fact, 34% of enforcement actions involve companies headquartered in one of the top 10 "least corrupt" countries according to the *Corruption Perceptions Index* as of 2017; including Denmark, Norway, Switzerland, Singapore, Sweden, Canada, Netherlands, and UK. Thus, contrary to what common intuition tends to be, the plurality of cases from less corrupt countries indicates that enforcement actions do not simply reflect an underlying corporate misconduct and lack of governance at a country-wide level.

Panel B of Table 1 reports the top ten industries in the number of anti-bribery cases. Firms in manufacturing and mining industries are more likely to be targeted, which represent 70% of total cases. Finance, professional services, and information industries have also experienced substantial increases in enforcement as global integration of service sectors has occurred. Similar to the country-level patterns, industries that are more exposed to enforcement are not necessarily perceived to be more corrupt in aggregate. For example, firms operating in manufacturing and mining industries have better governance, on average, and are headquartered in countries with a lower level of perceived corruption on average, as

mentioned above. These firms have an average of 7.412 index scores, higher than the whole sample average value of 7.211, with that difference being statistically significant.

Table 2 reports summary statistics for our sample of U.S. firms and foreign firms. The dependent variable in our analysis is the fraction of firm-year observations that are subject to anti-bribery enforcement. Given that Senate elections are staggered and approximately one-third of the seats are up for election every two years, our sample average of *Pre-election* indicates that roughly 35 percent of the firm-year observations are headquartered in states up for elections in any given year. Our competition and foreign network exposure capture the ratio of foreign supplier chain relationships (including suppliers, customers, or competitors) to the total number of network linkages.[9] Our proxy of political alignment with the U.S. is the fraction of United Nations General Assembly votes when the given country's votes coincided with the U.S. (with both voting either yes or no). Following Faye and Niehaus (2012), if any country is absent, abstained, or was not a member of the United Nations, the vote is not counted. The political alignment measure is calculated for each of the sessions from the 40th session (1985-1986) to the 72nd session (2017-2018).

III. Empirical Results

A. Methodology

In this section, we first test the hypothesis of time-series and cross-sectional congressional influence associated with FCPA enforcements actions. Essentially, we are attempting to more formally test the initial patterns observed in Figure 2. To do so, we use a difference-in-difference estimator to compare the enforcement outcome in treated states and control states. Specifically, we compare the probability of enforcement in states with an upcoming Senate election (the treatment group) with the probability of enforcement in states without an upcoming election (the control group), for both U.S. and foreign firms.

The advantage of our identification, as previously mentioned, is that Senate elections, unlike presidential elections, occur in different states and years over time in predetermined fashion, being predictable years in advance. Therefore, elections in each state can be considered as independent testing samples for the effect of political incentives on

[9] Besides the intensive margin, our results are robust to the extensive margin of network, whether a firm has any foreign suppliers, customers, or competitors.

enforcement actions for that specific state facing election (and not others who are not), which then changes every two year period, predictably. The substantial across-state-and-time variation allow us to exploit the exogenous in the timing of senate elections and the political incentives associated with enforcement actions.

Moreover, FCPA enforcement has discretionary components in both: i.) who to enforce against, and ii.) on the timing of targeting, given that many cases show a substantial gap between the year when corruption activities occurred and enforcement action took place. Figure 3 depicts this time lag between bribery activities and enforcement actions with an average of over eight years. Only 5% of enforcement actions (26 cases) against U.S. firms occur within five years after the initial bribery, while for foreign companies merely 1% of enforcement actions (7 cases) occur within five years. The built-in delays in enforcement further bolster its use as a discretionary tool, enlarging the pool to choose from in targeting some firms, but not others, pre-election. Moreover, the substantial average delay in enforcement alleviates the concern that elections drive changes in firm performance, which would lead to changes in corruption activities.

We estimate the following model:

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

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

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

In the following analysis, we estimate the pre-election effect δ_1 and compare the differences in anti-bribery enforcement between the sample of U.S. and foreign companies. Our multiple treatment events result across time and states in 575 separate Senate elections in 50 states over 32 years. A key identification assumption in the diff-in-diff estimation in Equation (1) is that treated and control firms share parallel trends. This parallel trend can be clearly seen from Figure 2 – in both the pre-period and post-period. Moreover, in subsequent analyses we run a number of placebo-effects specifications to show the unique importance of the election period.

B. Baseline Results

We test the hypothesis that political incentives are associated with anti-bribery enforcement in the year leading up to elections – namely, in a way not envisioned by, and perhaps detrimental to, the enforcement of the FCPA. Table 3 presents the linear probability regression estimates of the effect of senate election cycles on anti-bribery enforcements. Columns 1 to 3 presents results with *Target* as the dependent variable, which captures the likelihood of enforcement for U.S. and foreign firms. We include country, state, industry and year fixed effects in Column 1. The second regression (Column 2) adds firm-level controls (size, leverage, cash ratio, ROA, sales growth) and state-level variables (e.g., logarithm of GDP, employment rate, and logarithm of population). Column 3 then estimates the same regression specification, but with finer firm fixed-effects, which subsume country-, state-, and industry-fixed effects (as we have essentially no firms that are switching countries, states, or industries over our sample). $PreElection$ has an insignificant effect on the probability of enforcement in the year leading up to senate elections in all of Columns 1-3.

In Columns 4-6, we then run these same specifications but separated out solely for the sub-sample of firms headquartered in the United States. From Columns 4-6, we see no evidence of an increase in enforcement actions. In fact, the effect is even negative in point estimate, though not statistically significantly so.

Columns 7-9, however, show a very different pattern for foreign firms as targets of FCPA violation actions. Foreign firms are targeted significantly more often pre-election. The positive and significant coefficient on $PreElection$ is statistically significant at the 1 percent level across all specifications. The magnitude of the effect is economically significant: the

coefficient on *Pre-election* of 0.0014 in column 8, implies that the probability of enforcement increases by 23% in the year leading up to an election (t=3.04) for foreign companies. Moreover, the differences in enforcement likelihood between U.S. and foreign firms is consistent with politicians and regulators exercising some discretion in timing – as normally the majority of actions (58%) are against domestic firms.

Examining the coefficient on *Pre-election* across specifications, the inclusion of state- and even fine firm-level controls and fixed-effects do not materially change the magnitude, bolstering the specification set-up and notion that elections – which again are predetermined and predictable in time and location – are in fact unlikely to be correlated with firm and state characteristics.

C. Congressional Influence

We next further explore political motives by focusing on the presence of a powerful committee chair. A congressman's accession to a powerful committee chair increases their political influence over the enforcement agencies, often in ways virtually independent of the state's economic conditions (Cohen et al. (2011). Specifically, we investigate the heterogeneous effects of the accession to a powerful committee chair in states with upcoming Senate elections.

The list of the top 10 most powerful Senate committees is from Edwards and Stewart (2006) and includes: Finance, Veterans Affairs, Appropriations, Rules, Armed Services, Foreign Relations, Intelligence, Judiciary, Budget, and Commerce. Seniority shocks begin in the year of appointment and are applied for 6 years (the length of a Senate term). Table 4 reports the results of regressions that seek to explain variation in the probability of enforcement with Senate elections and changes in congressional committee chairmanships. In Columns 3 and 5, the analysis reveals a positive relationship between seniority shocks and the likelihood of enforcement only against foreign companies but not U.S. firms. Foreign companies with operations in state whose senator is appointed chair of one of the ten most powerful committees experience a 23-28 percent increase in the probability of enforcement pre-election.

In Columns 4 and 6 we construct an alternative shock associated with the congressional influence. *Senior Committee* captures the whether the Senator was the chair or

ranking minority member, who comprise the most senior committee members. Using this measure, from Column 6, the probability of foreign firms being targeted increases by roughly 42 percent (t=2.42) if they are operated in states having its senators appointed as a senior committee member and prior to Senate elections. In contrast, the coefficient in column 4 implies that U.S. companies experience a 26 percent reduction in the likelihood of being targeted in the year leading up to elections.

D. Corroborating Evidence

We further test the institutional differences across countries on the intensity of enforcement. Table 5 reports the regression that include the same set of economic controls as Table 3. To capture the direct effect of corruption on the probability of enforcement, we use the *Corruption Perceptions Index*. The *Corruption Perceptions Index* goes from 0-10, with 0 being perception of the most corruption, to 10 being a country with the least perception of corruption. From Table 5, the coefficients on *Pre-election* are nearly identical in magnitude and statistical significance, suggesting that corruption perception has little impact on the effect of pre-election targeting. The corruption perception has positive and statistically significant coefficient at the 1 percent level, which suggests that enforcement actions are more likely for firms headquartered in countries with a lower levels of perceived corruption, consistent with Table 1.

E. U.S. and Foreign Companies with Similar Global Exposure

Even given the initial results above, one might worry that we are simply capturing different types of firms in "U.S." vs. "Foreign" firms. In particular, perhaps the U.S. firms we are measuring are simply operating in different (and more risky, corrupt, etc.) foreign markets than the Foreign firms that happen to have a U.S. subsidiary so show up in this sample. In order to address this challenge in separating inference regarding the enforcement from firms' global networks, we attempt to create a sub-sample of firms for which we carefully create a set of firms with nearly identical global supply chain exposures. In particular, we focus on multinational firms that operate in similar foreign markets and thus might be expected to be to subject to identical exposures and shocks across these supply-chains. To do this, for each U.S. firm, we match their foreign subsidiaries with the subsidiaries of foreign

companies that operate in the same industry and location with the closest number and identity of subsidiaries. Effectively, our analysis compares subsidiaries in the same foreign country and 4 digit SIC code industry that belongs to parent firms catering to similar foreign market segments.

Table 6 shows that matching U.S. and foreign firms with similar geographic exposure has little impact on the inference of our results. In fact, the economic magnitude is even larger in estimated impact. For instance, the coefficient on *Pre-election* in column 6 indicates that the probability of enforcement increases by 33 percent (t=2.34) relative to the average probability of targeting foreign firm of 3.13%. The unconditional probability is higher in this sub-sample due to the fact that we're conditioning on firms with larger geographic exposures, but again the magnitude of the relative economic effect is even somewhat larger in this sample. This result suggests that even conditioning on firms operating in similar foreign markets with similar global supply-chain exposures, foreign firms are more vulnerable to being targeted in an FCPA violation in the run-up to elections.

F. Placebo Tests

We further conduct placebo tests on Senate election dates to investigate whether unobservable state-level characteristics can explain the enforcement patterns. The results are shown in Appendix Table A1. We randomly assign Senate elections with corresponding probability equals 1/3. This reflects the U.S. Senate election term: Senators serve terms of six years each and the terms are staggered so that approximately one-third of the seats are up for election every two years. The predicted probabilities are insignificant for both U.S. and foreign companies. It provides supporting evidence that treated and control firms exhibit similar trends after elections. Overall, these tests indicate that the impact of electoral politics on enforcements is concentrated in the pre-election period but not present in nonelection years.

IV. What Explains the Enforcement?

A. Competition with Foreign Companies

In Section III, we saw evidence that political incentives were associated with the decision of when, and to whom, FCPA violation enforcement actions were enforced. Given

the ambiguity afforded by the FCPA, this was certainly a plausible scenario, and we saw evidence consistent with it playing out in that pre-election, foreign firms seemed to be targeted significantly more often. We now explore what potential determinants might compound or attenuate the incentive for enforcement of politicians.

We begin by exploring the level of competition between the U.S. and Foreign firms operating in the given state at the time of the election. The idea is that Senators may be more likely to take action against firms that are particularly strong rivals to firms domiciled in their states (thus plausibly benefitting these firms, their employees, etc. more acutely). Moreover, this should be especially true when the Senator is able to target a Foreign competitor firm that has little to no presence in their state, as this will do the least amount of potential damage with the largest potential political benefit.

In order to explore this, we use the entire global networks among suppliers, customers, and competitors using FactSet-Revere data. Different from the Compustat segment data, Factset-Revere covers global companies and identifies their comprehensive geographic revenue exposures from April 2003 onward. In the following analysis, we test whether enforcement actions are sensitive to network exposures around election cycles. Given the interdependence among suppliers, customers, and competitors, the probability of investigation would not only depend on regions in which a firm is operating but also its business networks in those regions. In particular, we focus on enforcement actions on foreign firms that compete with U.S. firms, which would constitute a threat to the local firms and their competitive advantage.

Figure 3 illustrates an example of a global supply-chain network used in the analysis of foreign versus domestic interests. In this figure, Chevron Corporation and Total S.A. operate in the same industry, where Chevron Corporation is a U.S. company with headquarters located in California and Total S.A. is a French company with major operations located in Texas. Chevron Corporation has both Toyota Electric Power Co. Holdings Inc. (a Japanese Company with major operations in California) and BP (a British company with major operations in Texas) in its production network. Total S.A. has ExxonMobil (a U.S. Company headquartered in Texas) and Tesla (a U.S. company headquartered in California) in its production network.

We empirically investigate whether foreign competition has explanatory power for enforcement actions in the year leading up to elections. To examine the sensitivity of enforcement actions to the extent of foreign competition, we estimate Equation (2) as:

$$Target_{cist} = \delta_1 Preelection_{cist} + \delta_2 Foreign\ Competitor_{dist} + \delta_3 Preelection_{cist} \times Foreign\ Competitor_{dt} + X'_{cist}\beta + \theta_c + \theta_s + \theta_i + \theta_t + \epsilon_{cist}$$

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

Table 7 shows the effect of foreign competition on the probability of enforcement in the year leading up to elections. In regression specifications, we control for year-, country-, state-, industry-, and firm fixed-effects where indicated to isolate confounding effects due to common regional trends. From Columns 1-4, for the overall sample of firms, and for U.S. firms in particular, the effect of elections on the probability of enforcement is statistically insignificant, including the incremental impact of having a foreign competitor.

However, for the sample of foreign companies, the story again is in sharp contrast. In particular, from Column 6, from the coefficient on *Pre-election X ForeignCompetitor* being positive and significant (0.0127, t=2.31) indicates that Foreign firms are targeted significantly more often when they have a higher concentration of foreign competitors. The point estimates implies that going from the 25th percentile to the 75th percentile of the sample distribution of the share of foreign competitors (i.e., from 0 to 0.167) magnifies the positive effect of pre-election on enforcement by 24%.[10]

Columns 7 and 8 then disaggregate this effect even further into whether that competitors of the Foreign firm are largely U.S. firms (e.g., ExxonMobil) vs. foreign firms (e.g., Royal Dutch Shell PLC). From Columns 7 and 8, the effect is entirely driven by instances in which the main competitor firms of the Foreign firm are U.S. domiciled. This

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

is consistent with regulators weighing the political motive and capital gained when using the FCPA enforcement as a potential political tool.

We continue this line of examination by exploring whether Foreign firms are targeted to an even larger extent when their entire supply-chain network and stakeholders (e.g., customers, suppliers, JV partners, etc.) are located more outside of the U.S. (as opposed to brining more exposure to the U.S.). The idea behind this test is that the downside to targeting (and potentially harming) Foreign firms would be attenuated if it has less direct and collateral damage domestically.

Table 8 shows tests of this using *Foreign Network*, which measures the percentage of the Foreign firms' operations occurring completely outside of the U.S. (as opposed to bringing U.S. exposure. From Columns 3 and 4, for U.S. companies the insignificant results on the interaction terms indicate that U.S.-based companies do not experience increases in enforcement irrespective of their share of suppliers or customers which occur outside of the U.S. In contrast, from Columns 5 and 6, Foreign companies face a higher probability of enforcement if they have weaker overall economic links with the U.S., and a larger share of their networks located outside of U.S. borders.

B. Locally important industries and enforcement actions

Related to the above, we might expect politicians to have less of an incentive to bring action against industries that are especially important for their states' economies. In order to proxy for this, we create a measure called *Local Concentration***,** measured as the fraction of establishments operating in industry *j* in state *s*. In the analysis, we interact the election cycles with this local economic importance of the given industry.

Table 9 presents the results. Columns 1-3 show the full-sample estimation. Across Columns 1-4 *Local Concentration* is negative and significant, consistent with politicians being less likely to spur enforcement actions against important industries in their states. Moreover, the interaction term between *Pre-election X Local Concentration* is negative and significant, suggesting that politicians might be even more reluctant to bring actions directly before an upcoming election. Moreover, from Columns 3-6, these effects largely carry through to Foreign firms, as well. This is to say that Foreign firms who are members of important industries in the state are less likely to be targeted, and in particular before elections.

C. The Whistleblower Program: Public and Private Enforcement

Despite the private gain and thus clear incentives associated with corrupt practices, how to effectively detect bribes remains a challenge to regulators. Besides the political incentives involved with enforcement, the costs of identifying and gathering bribe-related information, while crucial, could prove outside of the budget constraint of regulators. With the integration and formation of linkages along the production network, non-traditional actors, competitors, suppliers, or customers, could be in a better position to identify potential instances of corrupt activity.

To this end, we study the U.S. Securities and Exchange Commission's Whistleblower Program, which went into effect on July 21, 2010. This program establishes an incentive for the reporting violations. The SEC Whistleblower Program rewards people who submit tips related to violations of the federal securities law and whistleblowers are entitled to awards ranging from 10 to 30 percent of the monetary sanctions collected exceeding $1 million. Since 2011, the SEC has awarded more than $500 million to whistleblowers and whistleblower tips have enabled the SEC to recover over $2 billion in financial penalties from wrongdoers. The program also offers substantial protection against retaliation, as under the rules of the SEC Whistleblower Program, whistleblowers have the ability to report anonymously if represented by an attorney.

In the meantime, over $30 million has been paid to non-U.S. citizens who have reported bribes paid overseas, among other crimes, through no cost to taxpayers and exclusively from fines collected from the prosecuted parties. From 2011 thru 2018, 3,305 whistleblowers from 119 countries have filed claims under the Foreign Corrupt Practices Act whistleblower reward provision. According to reports released by the SEC Office of the Whistleblower, approximately 15% of whistleblower tips received by the SEC lead to some form of investigation. Furthermore, the DOJ has an intervention rate of nearly 25% in False Claims Act cases that are filed by whistleblowers. Examples of non-U.S. companies sanctioned under the FCPA include: VimpelCom, sanctioned for $795 million in 2016, and Zimmer Biomet in 2017, which paid about $30 million to settle the SEC and Justice Department probes.[11]

[11] In fiscal year 2017, the U.S. government recovered over $3.7 billion through its civil fraud program, and whistleblowers contributed to the detection and reporting of over $3.4 billion (92%). As a result of their

We analyze the impact of the Whistleblower Program on the probability of targeting U.S. relative to foreign companies in Table 10. The positive coefficient on the interaction term in Column 6 suggests that among foreign companies after the whistleblower program was initiated, those with greater foreign network exposure face higher probability of being targeted. The point estimates implies that going from the 25th percentile to the 75th percentile of the sample distribution of the share of foreign network (i.e., from 0 to 0.5) increases the positive effect of pre-election by 42% (t=1.87). Our results are consistent with Dyck, Morse, and Zingales (2010) that monetary incentives help to explain the prevalence of whistleblowing on corporate fraud. In the context of multinational anti-bribery enforcement, the Whistleblower Program is particularly powerful because it extends U.S. jurisdiction to companies and individuals outside of U.S. borders.

D. Placebo test: Investigations initiated by the DOJ and SEC

Previous findings in this paper focus on resolutions associated with the FCPA anti-bribery enforcement. Prior to enforcement actions, however, the DOJ and SEC first monitor potential corruption activities and develop cases based on this monitoring, absent of outside influence or sources. Some of these investigations eventually evolve into full-fledged cases of violations, while many others do not. We use these as a placebo group to test whether Foreign firms also exhibit the same enforcement pattern in this sample. If it were true that Foreign firms were simply engaging in more corrupt activities, and doing so in a specific timing pattern consistent with the results to this point, the same pattern might be expected to arise in Investigations.

To investigate this alternative explanation, we compare the probability of investigations between U.S. and foreign firms using data from 390 Investigation announcements from 1985-2019. The estimates reported in Table 11, however, show no such similar patterns. U.S. and Foreign have identical patterns pre-elections, both showing statistically zero difference in Investigation initiation surrounding these times.

information, whistleblowers were awarded $392 million (11.5%) and whistleblower tips are by far the most used detection method for U.S. agencies.

V. Conclusion

In this paper, we test the hypothesis that political incentives are associated with anti-bribery enforcement. We use case-level data from the DOJ and SEC and fine subsidiary data of global firms to provide empirical evidence that FCPA violations show variation with political motives. This is in contrast to what the laws were envisioned for – being initiated to level the playing field for increasing international global commerce and trade. However, we show that the nature of FCPA violation enforcement builds in discretionary components in both who to enforce against, and when to enforce the violation (with the average gap between violation and enforcement being average 8 years). Using U.S. Senate elections as identification, we find that enforcement actions against foreign firms spike over 20% in the year leading up to elections, with no similar pattern for U.S. domiciled firms. A nice aspect of this identification is that Senate elections occur are predictable years in advance, and occur for only roughly one-third of states in any given election-cycle year (unlike presidential elections). Thus, this provides plausibly exogenous geographic- and time-series variation for identification of accentuated political incentives.

We find that the spikes in enforcement are significantly larger when foreign firms compete more closely with firms in the U.S. Senator's home state, along with when the given foreign firm has little to no presence in the home state itself (to minimize collateral damage). More broadly, the more of the foreign firm's production network that is located abroad, the more likely it is to be targeted. In contrast, when the foreign firm is a part of an locally important firm in the state, it is comparatively less likely to be targeted. We find no evidence that placebo election years have any similar patterns, nor do investigations that were initiated completely internally by the SEC or DOJ.

Stepping back, our research provides a first step in exploring the subtle role of political economy in regulatory enforcement against corruption. Given the foundational importance of the Foreign Corrupt Practices Act as a template for level-playing field international regulation and cooperation, shining a light on weaknesses to its current implementation is crucial to improving international agreements moving ahead. Future global integration and global trade are dependent on precisely this understanding and refinement occurring.

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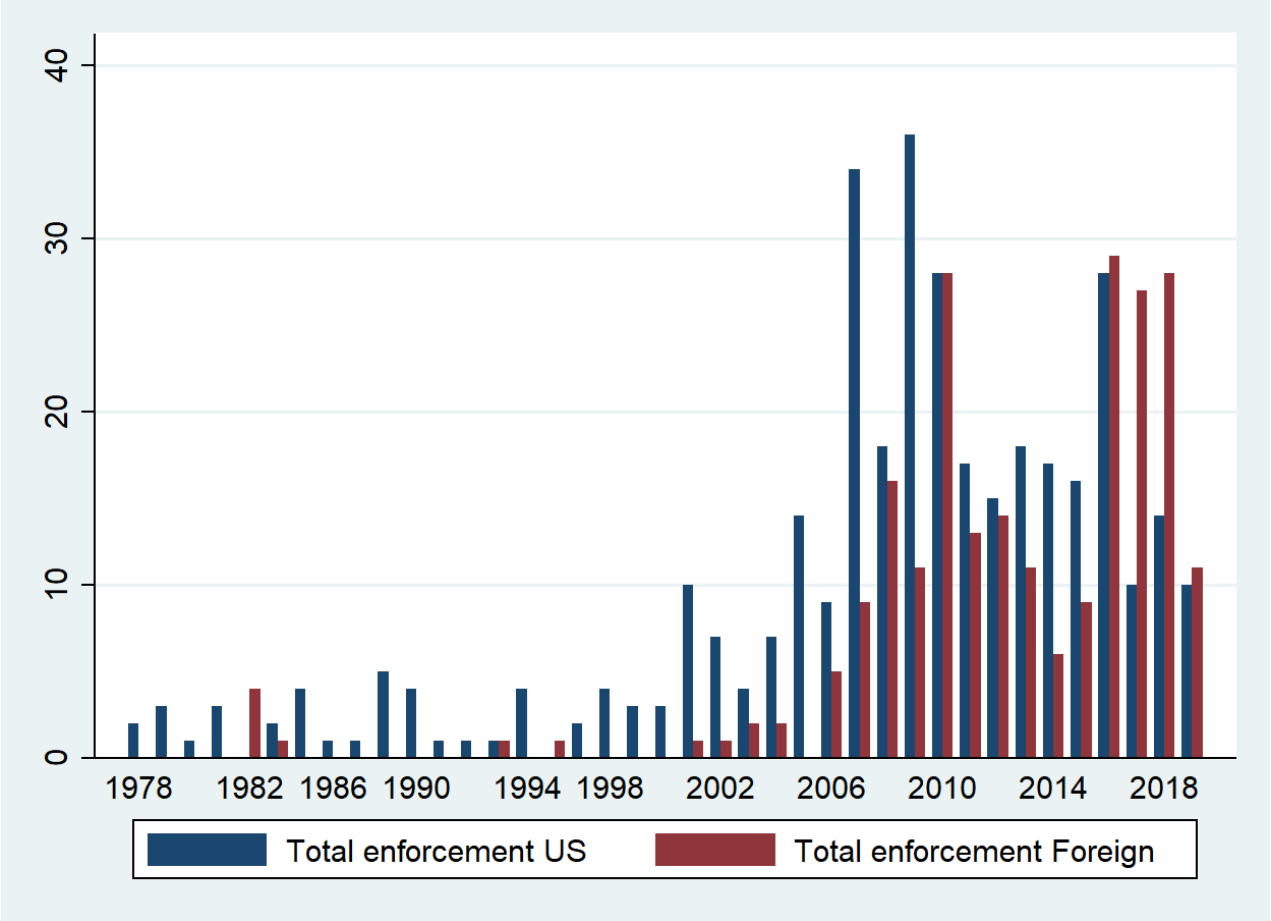
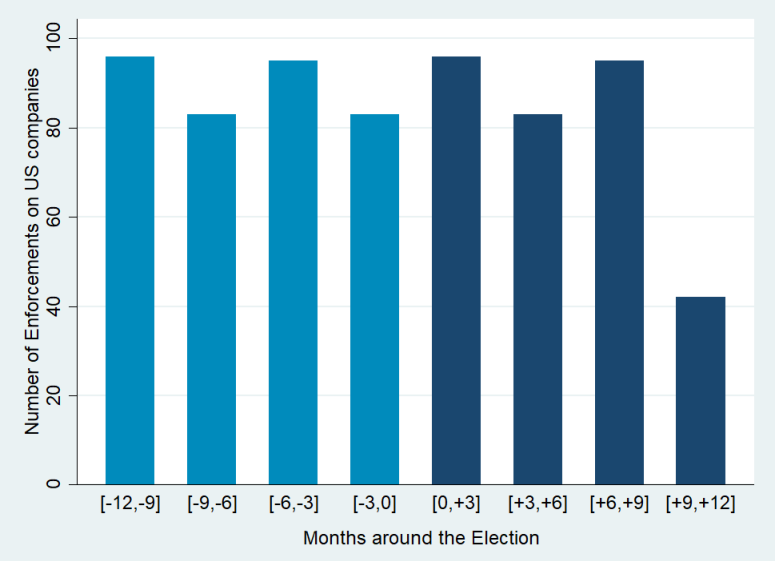


Figure 1. Number of anti-bribery enforcement cases. This figure shows the number of anti-bribery enforcement actions initiated by both the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in each year between 1978 and 2017.

Panel A: Enforcement on U.S. companies



Panel B: Enforcement on foreign companies

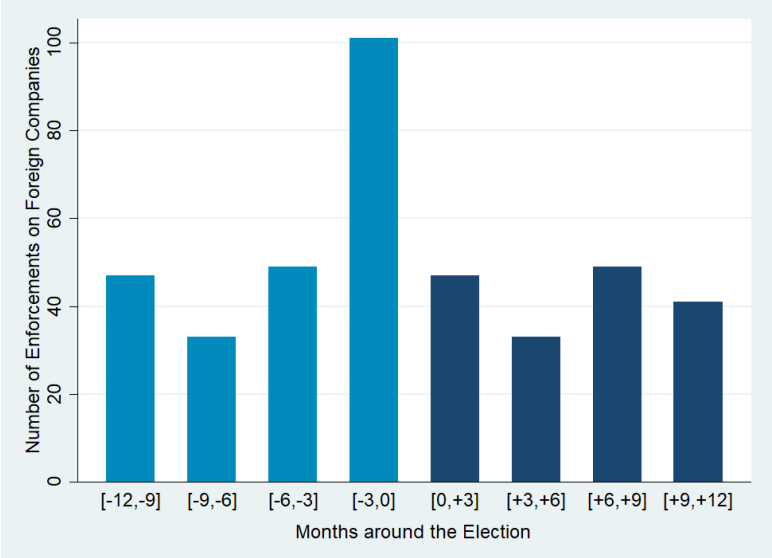
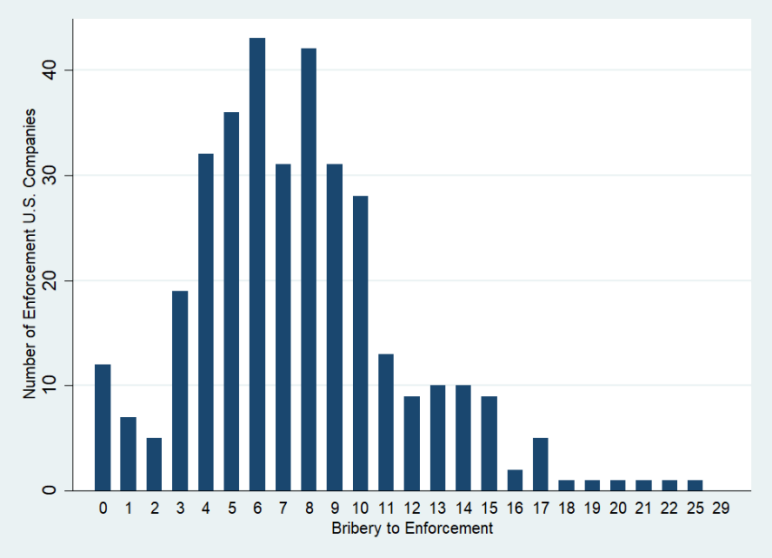


Figure 2: Electoral cycle and anti-bribery enforcements. These figures plot the number of anti-bribery enforcement actions around the nearest election date in U.S. states where firms are headquartered or main business is located from 1978 to 2017. Panel A shows the number of enforcement actions against U.S. companies and Panel B presents the number of enforcement cations against foreign companies. The lighter bars show the number of enforcements in twelve-month increments leading up to a Senate election, and the darker bars indicate the number of cases after a Senate election

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



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

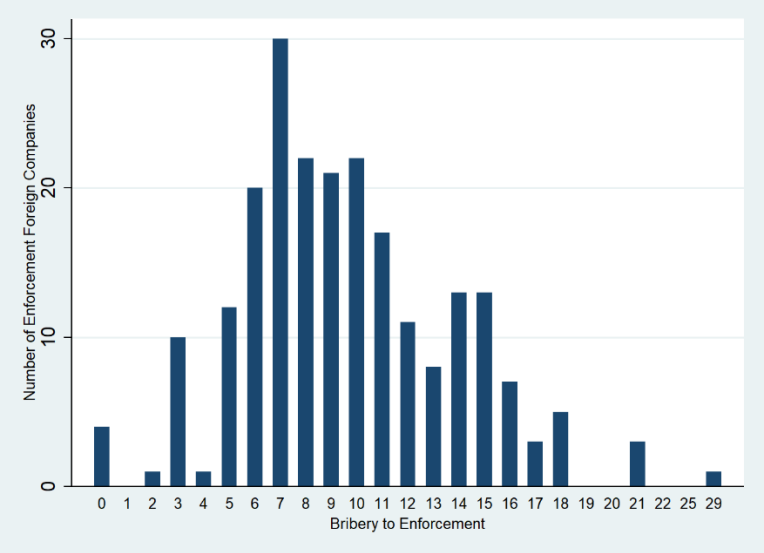


Figure 3: The time lag between bribery actions and anti-bribery enforcements. These graphs plot the number of anti-bribery enforcement and the number of years between bribery actions initially occurred and enforcement actions. Panel A shows the number of enforcement actions against U.S. companies and Panel B presents the number of enforcement cations against foreign companies.

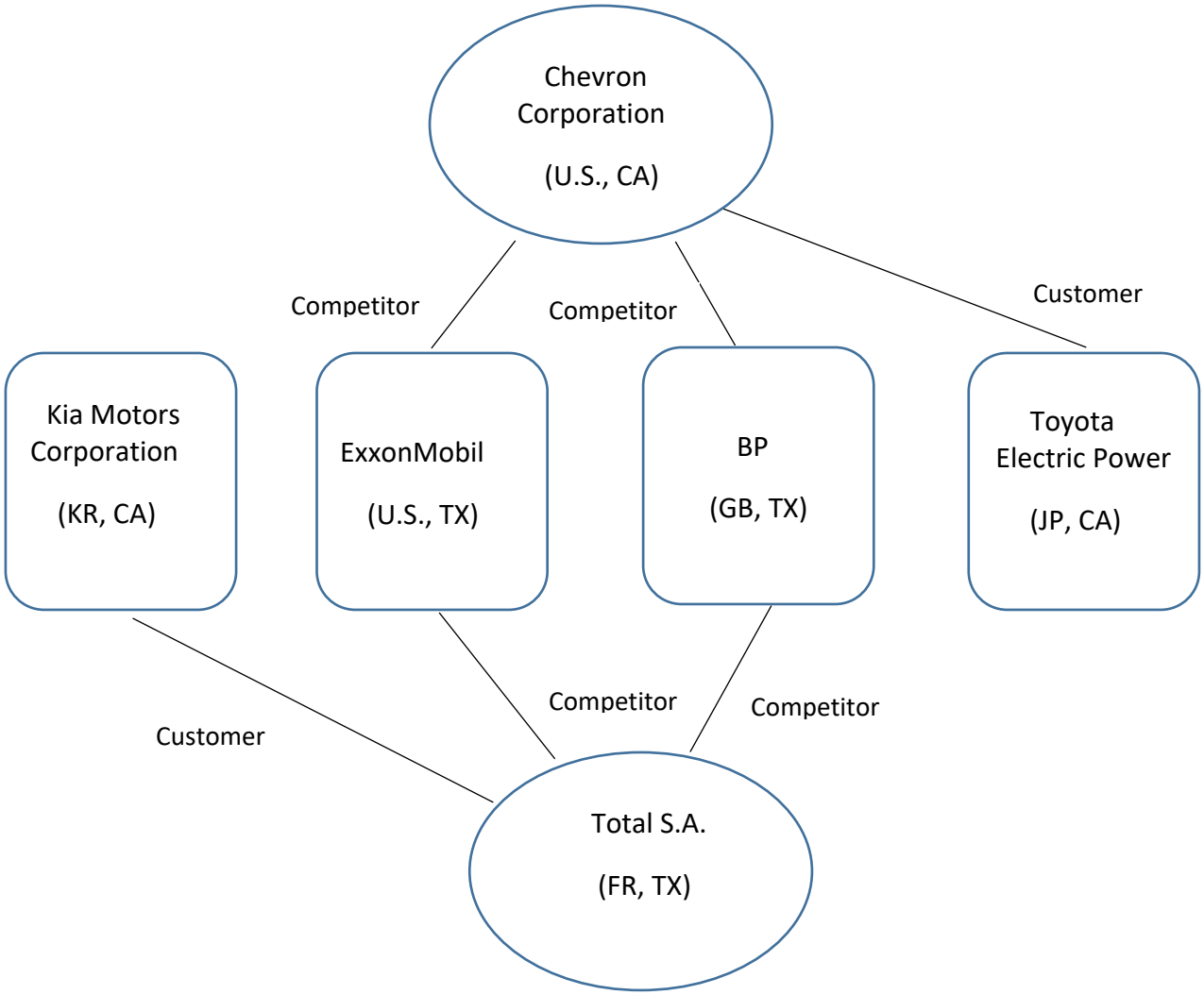


Figure 4. Global Networks. This figure illustrates the global supply-chain networks used in the analysis of foreign versus domestic interests. In this figure, Chevron Corporation and Total S.A. operate in the same industry, where Chevron Corporation is a U.S. company with headquarter located in California and Total S.A. is a French company with major operations located in Texas. Chevron Corporation has Toyota Electric Power Co. Holdings Inc. (a Japanese Company with major operations in California) as its customer and BP as its competitors (a British company with major operations in Texas) within its production networks. Total S.A. has Kia Motors Corporation (a Korean company headquartered in California) as its customer and ExxonMobil as its competitors (a U.S. Company headquartered in Texas).

Table 1
Enforcements by Countries and Industries

This table provides the number of enforcement actions and the number of listed firms involved in bribery over the sample period (1978 to 2019). Corruption Perceptions Index is obtained from the Transparency International from 1998 to 2019 and calculated using different data sources from different institutions that capture perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0-100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (prior to 2012, it has a scale of 0-10). In all analysis, we transform the index to 0-10 throughout for tractability. Panel A shows the number of cases and the number of firms targeted across countries, and Panel B provides the distribution across industries.

Panel A: Enforcement by Target Country

Country	Total number of cases	Total number of firms	Corruption Perceptions
United States	254	126	7.471
France	21	7	7.135
United Kingdom	18	9	8.263
Germany	17	8	7.893
Venezuela	17	2	2.554
Switzerland	15	4	8.889
Japan	11	6	7.197
Netherlands	11	4	8.525
Ireland	7	3	3.864
Brazil	7	3	8.035
Chile	6	2	7.121
Canada	5	3	9.115
Mexico	5	1	8.666
Sweden	5	2	3.373
Hungary	4	1	5.043
Taiwan	4	1	7.500
Israel	3	1	9.023
Russian Federation	3	1	2.523
Singapore	3	1	6.395
Norway	2	1	8.685
Bermuda	2	1	8.411
Hong Kong	2	1	7.893
Luxembourg	2	1	8.714
Denmark	2	1	9.385
Italy	2	2	4.678
Australia	1	1	7.893
Cayman Islands	1	1	7.893
Portugal	1	1	7.471
Belgium	1	1	7.135
China	1	1	8.263
Spain	1	1	7.893
Bangladesh	1	1	2.554
Total	435	199	

Panel B: Enforcement by Targeted Industry

Targeted Industry	NAICS2	Total number of cases	Total number of firms	Corruption Perceptions
Manufacturing	31-33	229	110	7.391
Mining, Quarrying, and Oil and Gas Extraction	21	60	21	7.766
Finance and Insurance	52	29	13	7.648
Professional, Scientific, and Technical Services	54	19	10	7.441
Information	51	19	7	6.106
Wholesale Trade	42	15	7	7.395
Transportation and Warehousing	48-49	14	7	7.842
Construction	23	10	3	7.468
Agriculture, Forestry, Fishing and Hunting	11	8	3	7.451
Health Care and Social Assistance	62	5	2	7.619

Table 2
Descriptive Statistics

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

	Mean	Median	Standard Deviation	Observation
	Panel A: Firm-level annual variables, years 1985-2017, firms = 8,677			
Target	0.015	0.000	0.121	137,844
Target U.S.	0.009	0.000	0.095	137,844
Target Foreign	0.006	0.000	0.076	137,844
Pre-election	0.350	0.000	0.477	137,844
Size	7.101	6.833	3.169	137,844
Leverage	0.543	0.543	0.242	137,844
Cash	0.156	0.101	0.166	137,844
ROA	0.086	0.099	0.153	137,844
Sales Growth	0.216	0.125	0.561	137,844
	Panel A: state-level annual variables, years 1985-2017, states = 50			
State Employment Rate	0.580	0.578	0.054	1,628
State Population	15.082	15.194	1.001	1,628
State GDP	11.674	11.678	1.122	1,628
	Panel A: country-level annual variables, years 1998-2017, countries = 71			
Corruption Perceptions	4.153	4.300	2.246	1,050

Table 3
Senate Elections and Anti-bribery Enforcement

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

	Target			Target U.S.			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0006	0.0008	0.0007	-0.0005	-0.0005	-0.0006	0.0011***	0.0013***	0.0014***
	(0.0006)	(0.0006)	(0.0007)	(0.0005)	(0.0005)	(0.0005)	(0.0004)	(0.0004)	(0.0004)
Size		0.0077***	0.0001		0.0045***	0.0012		0.0031***	-0.0011
		(0.0008)	(0.0013)		(0.0007)	(0.0008)		(0.0005)	(0.0011)
Leverage		0.0085	0.0080		0.0024	0.0089		0.0061	-0.0008
		(0.0065)	(0.0069)		(0.0044)	(0.0061)		(0.0052)	(0.0031)
Cash		0.0088	0.0149**		0.0011	0.0196***		0.0077**	-0.0047
		(0.0056)	(0.0059)		(0.0044)	(0.0047)		(0.0036)	(0.0036)
ROA		-0.0183***	-0.0005		-0.0042	-0.0021		-0.0140***	0.0016
		(0.0052)	(0.0058)		(0.0035)	(0.0044)		(0.0041)	(0.0039)
Sales Growth		-0.0051***	-0.0004		-0.0037***	-0.0007		-0.0014***	0.0003
		(0.0008)	(0.0011)		(0.0008)	(0.0008)		(0.0004)	(0.0009)
State Employment Rate		0.3162**	0.3975**		0.1122	0.1415		0.2040**	0.2560*
		(0.1236)	(0.1603)		(0.0726)	(0.0921)		(0.0999)	(0.1346)
State Population		0.1256***	0.1576***		0.0527*	0.0633		0.0729**	0.0943**
		(0.0430)	(0.0567)		(0.0314)	(0.0419)		(0.0289)	(0.0393)
State GDP		-0.0623*	-0.0808*		-0.0102	-0.0087		-0.0521*	-0.0721**
		(0.0341)	(0.0436)		(0.0204)	(0.0259)		(0.0277)	(0.0360)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
State FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	137,844	137,844	137,840	137,844	137,844	137,840	137,844	137,844	137,840
R-squared	0.1490	0.1635	0.4682	0.1206	0.1292	0.4703	0.1431	0.1497	0.4276

Table 4
Powerful Committees and Enforcement

This table reports panel regressions of the probability of enforcement on election cycles and the presence of powerful chairman. The list of the top 10 most powerful Senate committees is from Edwards and Stewart (2006), which includes Finance, Veterans Affairs, Appropriations, Rules, Armed Services, Foreign Relations, Intelligence, Judiciary, Budget, and Commerce. Seniority shocks begin in the year of appointment and are applied for 6 years. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Foreign Competitor* is the share of a company's competitors that are headquartered in other countries. *Target* indicates whether firms were subject to the U.S. Department of Justice (DOJ) and Securities and Exchange Commission (SEC) enforcement during the sample period. *Target U.S.* equals one if a U.S. firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise.

	Target		Target U.S.		Target Foreign	
outcome	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0006	0.0007	-0.0007	-0.0005	0.0013**	0.0012**
	(0.0010)	(0.0008)	(0.0007)	(0.0006)	(0.0007)	(0.0006)
Powerful Committee	-0.0039*		-0.0024		-0.0016	
	(0.0021)		(0.0016)		(0.0014)	
Pre-election × Powerful Committee	0.0014		0.0000		0.0014*	
	(0.0011)		(0.0007)		(0.0008)	
Senior Committee		0.0049**		0.0033**		0.0016
		(0.0021)		(0.0016)		(0.0013)
Pre-election × Senior Committee		0.0001		-0.0024***		0.0025**
		(0.0015)		(0.0009)		(0.0012)
State and firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	124,288	124,276	124,288	124,276	124,288	124,276
R-squared	0.1782	0.5119	0.1437	0.5318	0.1595	0.4477

Table 5
Impact of Corruption Perception

This table reports alternative specifications controlling for corruption perception. The *Corruption Perceptions Index* is obtained from the Transparency International from 1998 to 2019 and calculated using different data sources from different institutions that capture perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0-100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (it has a scale of 0-10 prior to 2012). We scale the index to 0-10 throughout for tractability over the sample period.

	Target		Target U.S.		Target Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election		0.0015*		-0.0004		0.0019***
		(0.0008)		(0.0006)		(0.0006)
Corruption Perceptions	0.0128***	0.0128***	0.0065***	0.0065***	0.0063**	0.0063**
	(0.0028)	(0.0028)	(0.0011)	(0.0011)	(0.0026)	(0.0026)
Size	0.0001	0.0001	0.0010	0.0010	-0.0009	-0.0009
	(0.0012)	(0.0012)	(0.0008)	(0.0008)	(0.0010)	(0.0010)
Leverage	-0.0027	-0.0027	-0.0006	-0.0006	-0.0020	-0.0021
	(0.0069)	(0.0069)	(0.0053)	(0.0053)	(0.0042)	(0.0042)
Cash	0.0181***	0.0181***	0.0189***	0.0190***	-0.0008	-0.0008
	(0.0062)	(0.0062)	(0.0050)	(0.0050)	(0.0037)	(0.0037)
ROA	-0.0044	-0.0045	-0.0032	-0.0032	-0.0012	-0.0013
	(0.0055)	(0.0055)	(0.0037)	(0.0037)	(0.0041)	(0.0041)
Sales Growth	-0.0001	-0.0001	-0.0007	-0.0007	0.0006	0.0006
	(0.0010)	(0.0010)	(0.0005)	(0.0005)	(0.0009)	(0.0009)
State-level controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	108,639	108,639	108,639	108,639	108,639	108,639
R-squared	0.5589	0.5589	0.5782	0.5782	0.4977	0.4977

Table 6
U.S. and Foreign Companies with Similar Geographic Exposure

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

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

Table 7
Foreign Competition and Enforcement

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

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

Table 8
Foreign Supply Chain Network and Enforcement

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

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

Table 9
Locally Important Industries

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

	Target			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0011	0.0013	0.0012	0.0016***	0.0018***	0.0017***
	(0.0008)	(0.0008)	(0.0008)	(0.0005)	(0.0005)	(0.0005)
Local Concentration	-0.1384***	-0.1241*	-0.1982**	-0.0508***	0.0476	(0.0735)
	(0.0427)	(0.0733)	(0.0852)	(0.0192)	(0.0518)	(0.0509)
Pre-election × Local Concentration	-0.0212**	-0.0247**	-0.0227**	-0.0152***	-0.0177***	-0.0161***
	(0.0101)	(0.0103)	(0.0096)	(0.0051)	(0.0054)	(0.0050)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed
State FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Industry FE	No	Yes	Subsumed	No	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes
State controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	141,495	141,494	141,376	141,495	141,494	141,376
R-squared	0.0364	0.1528	0.572	0.0633	0.1591	0.5115

Table 10
The Effectiveness of the Whistleblower Program

This table presents the effect of foreign networks before and after the passage of the SEC's Whistleblower Program on July 21, 2010. An individual whose claim is successful is eligible for a percentage between 10% and 30% of the money collected when the monetary sanctions exceed $1 million. *Pre-election* equals one if the enforcement occurs one year prior to the election, or the firm's accounting year is one year before the election in the case of no enforcement. *Foreign Network* is the share of a company's supply-chain networks with headquarters in other countries. In all regressions, standard errors are clustered at the firm level, which are shown in the parentheses. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% level respectively.

	Target		Target U.S.		Target Foreign	
	Before Whistleblower Program	After Whistleblower Program	Before Whistleblower Program	After Whistleblower Program	Before Whistleblower Program	After Whistleblower Program
outcome	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0042	0.0006	-0.0007	0.0000	0.0049*	0.0006
	(0.0037)	(0.0021)	(0.0027)	(0.0019)	(0.0027)	(0.0010)
ForeignNetwork	0.0013	-0.0126**	0.0015	-0.0100**	-0.0001	-0.0027
	(0.0139)	(0.0057)	(0.0135)	(0.0049)	(0.0041)	(0.0028)
Pre-election × ForeignNetwork	-0.0087	0.0063	-0.0007	-0.0010	-0.0080	0.0073*
	(0.0116)	(0.0042)	(0.0041)	(0.0017)	(0.0096)	(0.0039)
State controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
State FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,497	24,575	14,497	24,575	14,497	24,575
R-squared	0.6119	0.8806	0.6602	0.8734	0.4255	0.8464

Table 11
Placebo Test: SEC and DOJ Investigations and Electoral Cycles

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

	Target			Target U.S.			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0003	0.0006	0.0008	0.0004	0.0004	-0.0006	-0.0000	0.0002	0.0005
	(0.0007)	(0.0008)	(0.0008)	(0.0004)	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0006)
Size		0.0127***	0.0034*		0.0059***	0.0012		0.0068***	0.0011
		(0.0011)	(0.0019)		(0.0009)	(0.0008)		(0.0008)	(0.0016)
Leverage		0.0123*	0.0239***		0.0078	0.0089		0.0045	0.0070
		(0.0069)	(0.0079)		(0.0052)	(0.0061)		(0.0050)	(0.0043)
Cash		0.0109	0.0247***		0.0030	0.0196***		0.0079	0.0002
		(0.0073)	(0.0091)		(0.0054)	(0.0047)		(0.0051)	(0.0064)
ROA		-0.0158**	0.0017		-0.0012	-0.0021		-0.0146***	0.0008
		(0.0071)	(0.0076)		(0.0048)	(0.0044)		(0.0055)	(0.0046)
Sales Growth		-0.0085***	-0.0022		-0.0047***	-0.0007		-0.0037***	-0.0003
		(0.0012)	(0.0015)		(0.0009)	(0.0008)		(0.0008)	(0.0011)
State Employment Rate		0.4027***	0.4818***		0.1205	0.1415		0.2822**	0.3520**
		(0.1384)	(0.1846)		(0.0835)	(0.0921)		(0.1125)	(0.1582)
State Population		0.1403***	0.1746***		0.0248	0.0633		0.1155***	0.1415***
		(0.0488)	(0.0673)		(0.0323)	(0.0419)		(0.0375)	(0.0528)
State GDP		-0.0906**	-0.1040**		-0.0182	-0.0087		-0.0724**	-0.0897**
		(0.0402)	(0.0525)		(0.0243)	(0.0259)		(0.0327)	(0.0425)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	137,844	137,844	137,840	137,844	137,844	137,840	137,844	137,844	137,840
R-squared	0.1561	0.1814	0.5160	0.1275	0.1392	0.4703	0.1334	0.1471	0.4942

Appendix
Table A1

Placebo of Elections

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

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

Table A2
The Role of Competition

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

outcome	Target		Target U.S.		Target Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0064**	0.0053**	0.0023	0.0004	0.0041***	0.0049***
	(0.0026)	(0.0023)	(0.0022)	(0.0018)	(0.0014)	(0.0014)
Competition	0.0084	0.0078	-0.0098	0.0040	0.0183***	0.0038
	(0.0072)	(0.0085)	(0.0063)	(0.0063)	(0.0050)	(0.0054)
Pre-election × Competition	-0.0046	-0.0038	-0.0036	-0.0021	-0.0010	-0.0017
	(0.0031)	(0.0024)	(0.0025)	(0.0020)	(0.0018)	(0.0014)
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
State FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	39,841	39,363	39,841	39,363	39,841	39,363
R-squared	0.3125	0.6711	0.2690	0.6681	0.2769	0.6297