

# Execution Report

**Title:** Does Democracy Shape International Merger Activity?

**Authors:** M. Farooq Ahmad, Thomas Lambert, José M. Martin-Flores & Arthur Petit-Romec

**Full reference:** Ahmad, Farooq; Lambert, Thomas; Martin-Flores, José; & Petit-Romec, Arthur, "Does Democracy Shape International Merger Activity?" Working paper, November 20, 2022.

The structure and contents of this execution report provided by **cascad** for the certification are similar to those recommended by the [AEA Data Editor](#).

## 1. DATA DESCRIPTION

This study is based on data on cross-border merger activities from Thomson's SDC Platinum database. The sample includes all cross-border mergers between all countries with information available on SDC from January 1985 to December 2018. This dataset is supplemented with the Polity2 and Freedom House indices that are used to measure countries' degrees of democracy.

For a thorough description of the data, please refer to Section 3 of the paper.

## 2. CODE DESCRIPTION

For the purpose of this certification, we aimed to check the results displayed in Figure 1 and in Tables 1-14, IA1-IA16.

The verification materials contain eleven Stata do-files:

0. Setup.do
1. Tables\_1\_and\_2.do
2. Main\_Data\_Preparation\_and\_Cleaning\_M&A\_Democracy.do
3. Main\_Regressions\_M&A\_Democracy.do
4. Table\_6\_Panel\_B\_col1\_completed.do
5. Table\_6\_Panel\_B\_col2\_valuereported.do
6. Table\_6\_Panel\_B\_col3\_large\_deals.do
7. Table\_6\_Panel\_B\_col4\_no\_financials.do
8. Tables\_6\_Panel\_C\_Col\_3\_and\_Table\_AI\_3\_Col\_5\_6\_Theoretical\_Pairs.do
9. Tables\_3\_panel\_B\_C\_and\_tables\_13\_IA14\_CAR.do
10. Table\_IA11\_Program\_democracy\_and\_investor\_protection\_cross\_section.do

It also contains one subfolder called “dta\_files” with all the datasets, and one Excel spreadsheet called “Figure\_1\_data.xls”. The first do-file, “0. Setup”, installs all the required packages to run the code. “2. Main\_Data\_Preparation\_and\_Cleaning\_M&A\_Democracy.do” imports the various datasets, clean them, and merge the into one. “3. Main\_Regressions\_M&A\_Democracy.do” generates most of the results, while the rest of the do-files generate the results specified in their names.

### 3. REPLICATION STEPS

The code was downloaded from the cascada website and run as per readme, using Stata 17.1, on a computer with 64GB RAM, intel® Core™ i9-9900K CPU @3.60-5.00GHz, Nvidia Geforce RTX 2060, and Windows 10 OS. We encountered no issues during the verification.

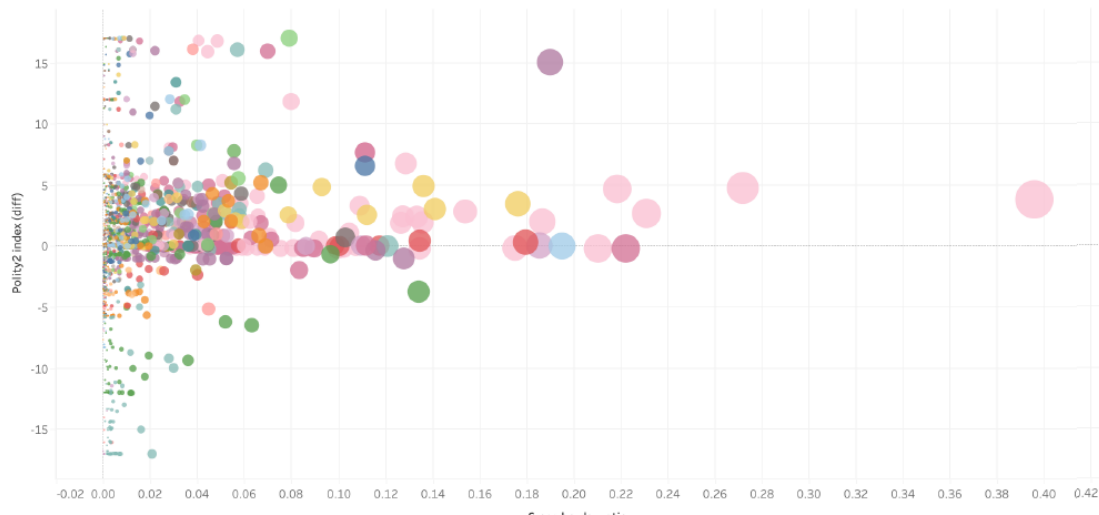
### 4. FINDINGS

**We reproduced Figure 1 and all the Tables with perfect accuracy.**

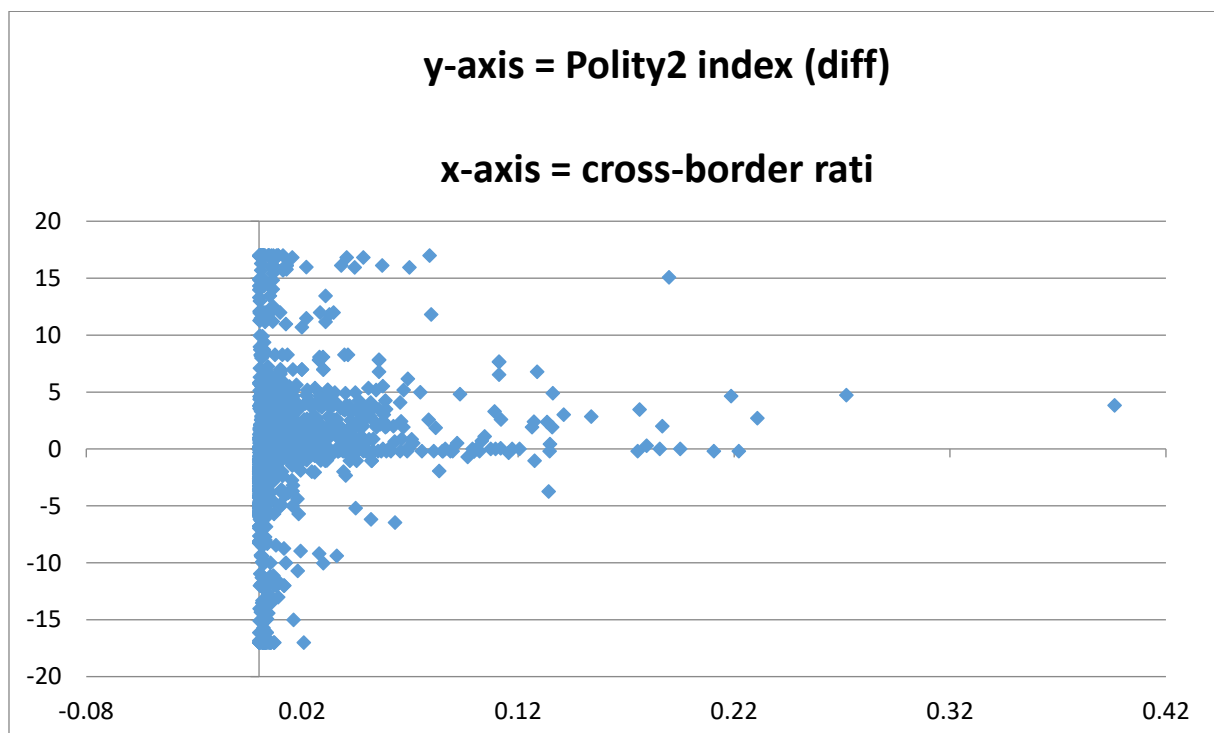
#### 4.1. FIGURE 1: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: VISUALIZATION OF CROSS-SECTIONAL DATA

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Original:



Reproduced:



#### 4.2. TABLE 1: CROSS-BORDER MERGER DEALS AND DEMOCRACY AROUND THE WORLD

Original:

Year	Cross-border mergers		Polity2 index			
	Numbers	Value [in \$B]	Average	Minimum	Maximum	Standard deviation
1985	238	14.91	3.78	-8	10	7.20
1986	390	45.28	4.02	-8	10	7.06
1987	569	56.37	4.27	-8	10	6.99
1988	987	100.62	4.92	-8	10	6.56
1989	1,335	92.95	5.92	-8	10	5.69
1990	1,387	87.12	6.60	-8	10	5.23
1991	1,430	46.04	6.78	-8	10	5.03
1992	1,267	43.54	6.75	-7	10	5.00
1993	1,362	46.18	6.81	-7	10	4.86
1994	1,662	66.09	6.91	-7	10	4.80
1995	2,067	123.35	6.86	-7	10	4.89
1996	2,323	143.62	6.91	-7	10	4.89
1997	2,707	210.07	6.91	-7	10	4.87
1998	3,570	458.48	7.04	-7	10	4.73
1999	3,840	894.16	7.12	-7	10	4.57
2000	4,876	699.08	7.46	-7	10	4.40
2001	3,384	375.41	7.53	-7	10	4.40
2002	2,548	178.72	7.56	-7	10	4.35
2003	2,666	168.84	7.56	-7	10	4.35
2004	3,167	343.31	7.61	-7	10	4.35
2005	3,904	448.35	7.63	-7	10	4.36
2006	4,609	837.23	7.41	-7	10	4.65
2007	5,500	1,172.79	7.33	-7	10	4.59
2008	4,561	504.39	7.52	-7	10	4.40
2009	3,053	260.70	7.59	-7	10	4.25
2010	3,866	495.30	7.60	-7	10	4.24
2011	4,124	402.25	7.72	-7	10	4.11
2012	3,826	369.93	7.72	-7	10	4.11
2013	3,516	329.22	7.84	-7	10	3.90
2014	4,246	812.59	7.52	-7	10	4.26
2015	4,466	1,070.93	7.53	-7	10	4.27
2016	4,790	835.45	7.34	-7	10	4.47
2017	4,909	690.37	7.22	-7	10	4.65
2018	4,689	712.68	7.14	-7	10	4.89
Total	101,834	13,136.32	-	-	-	-

Reproduced:

year	Numbers	Value	Average	Minimum	Maximum	Standard
1985	238	14.91	3.78	-8	10	7.2
1986	390	45.28	4.02	-8	10	7.06
1987	569	56.37	4.27	-8	10	6.99
1988	987	100.62	4.92	-8	10	6.56
1989	1335	92.95	5.92	-8	10	5.69
1990	1387	87.12	6.6	-8	10	5.23
1991	1430	46.04	6.78	-8	10	5.03
1992	1267	43.54	6.75	-7	10	5
1993	1362	46.18	6.81	-7	10	4.86
1994	1662	66.09	6.91	-7	10	4.8
1995	2067	123.35	6.86	-7	10	4.89
1996	2323	143.62	6.91	-7	10	4.89
1997	2707	210.07	6.91	-7	10	4.87
1998	3570	458.48	7.04	-7	10	4.73
1999	3840	894.16	7.12	-7	10	4.57
2000	4876	699.08	7.46	-7	10	4.4
2001	3384	375.41	7.53	-7	10	4.4
2002	2548	178.72	7.56	-7	10	4.35
2003	2666	168.84	7.56	-7	10	4.35
2004	3167	343.31	7.61	-7	10	4.35
2005	3904	448.35	7.63	-7	10	4.36
2006	4609	837.23	7.41	-7	10	4.65
2007	5500	1172.79	7.33	-7	10	4.59
2008	4561	504.39	7.52	-7	10	4.4
2009	3053	260.7	7.59	-7	10	4.25
2010	3866	495.3	7.6	-7	10	4.24
2011	4124	402.25	7.72	-7	10	4.11
2012	3826	369.93	7.72	-7	10	4.11
2013	3516	329.22	7.84	-7	10	3.9
2014	4246	812.59	7.52	-7	10	4.26
2015	4466	1070.93	7.53	-7	10	4.27
2016	4790	835.45	7.34	-7	10	4.47
2017	4909	690.37	7.22	-7	10	4.65
2018	4689	712.68	7.14	-7	10	4.89
Max	101834	13136.34				

4.3. TABLE 2: CROSS-BORDER MERGER DEALS AND DEMOCRACY BY ACQUIRER COUNTRIES, 1985-2018

Original:

Country	Cross-border mergers		Polity2 index		Democratization	
	Numbers	Value [in \$B]	Minimum	Maximum	Transition years	Reversal years
Argentina	128	14.83	7	9	-	-
Australia	2,918	459.22	10	10	-	-
Austria	1,189	45.53	10	10	-	-
Bangladesh	2	0.08	-7	6	1991, 2009	2007
Belgium	1,773	278.20	8	10	-	-
Brazil	283	83.05	7	8	1985	-
Bulgaria	28	0.06	-7	9	1991	-
Canada	8,892	905.00	10	10	-	-
Chile	136	14.87	-6	10	1990	-
China	1,079	239.01	-7	-7	-	-
Colombia	127	21.09	7	9	-	-
Croatia	32	0.66	-5	9	2000	-
Denmark	1,640	80.49	10	10	-	-
El Salvador	4	0.56	6	8	-	-
Estonia	127	1.66	6	9	1992	-
Finland	1,517	102.76	10	10	-	-
France	5,945	970.67	8	9	-	-
Germany	6,127	1,071.21	10	10	-	-
Greece	183	11.26	8	10	-	-
Hungary	71	1.19	-7	10	1990	-
India	1,076	43.53	8	9	-	-
Indonesia	103	6.16	-7	9	1999	-
Ireland	1,885	194.44	10	10	-	-
Israel	608	149.49	6	6	-	-
Italy	1,625	168.29	10	10	-	-
Japan	2,272	457.88	10	10	-	-
Latvia	63	0.05	8	8	1993	-
Lithuania	76	0.61	10	10	1993	-
Luxembourg	1,033	142.98	10	10	-	-
Malaysia	593	24.50	3	7	-	-
Mexico	324	74.92	-3	8	1997	-
Morocco	6	0.00	-8	-4	-	-
Netherlands	4,287	800.63	10	10	-	-
New Zealand	500	33.26	10	10	-	-
Norway	1,461	87.18	10	10	-	-
Pakistan	9	0.10	-6	8	1988, 2008	1999
Panama	41	0.72	-8	9	1994	-
Peru	51	0.99	-3	9	1993	1992
Philippines	91	5.92	-6	8	1987	-
Poland	202	7.13	-7	10	1990	-
Portugal	226	11.10	10	10	-	-
Romania	28	0.60	-8	9	1990	-
Russia	281	45.50	3	6	1993	2004
Serbia	10	0.08	8	8	2000	-
Singapore	1,617	144.31	-2	-2	-	-
Slovakia	25	1.08	7	10	1993	-
Slovenia	42	0.59	10	10	1992	-
South Africa	417	50.68	4	9	1994	-
South Korea	463	57.78	-5	8	1988	-
Spain	1,640	340.58	10	10	-	-
Sweden	3,958	206.23	10	10	-	-
Switzerland	3,334	573.49	10	10	-	-
Thailand	139	13.29	-5	9	1992, 2008	1991, 2006
Turkey	122	7.34	-4	9	-	2016
United Kingdom	13,609	2,139.05	8	10	-	-
United States	27,368	3,043.31	8	10	-	-
Venezuela	27	0.75	-3	9	2013	2009, 2017
Vietnam	21	0.40	-7	-7	-	-
Total	101,834	13,136.34	-	-	-	-

Reproduced:

antn	Numbers	Value	Minimum	Maximum
Argentina	128	14.83	7	9
Australia	2918	459.22	10	10
Austria	1189	45.53	10	10
Bangladesh	2	0.08	-7	6
Belgium	1773	278.2	8	10
Brazil	283	83.05	7	8
Bulgaria	28	0.06	-7	9
Canada	8892	905	10	10
Chile	136	14.87	-6	10
China	1079	239.01	-7	-7
Colombia	127	21.09	7	9
Croatia	32	0.66	-5	9
Denmark	1640	80.49	10	10
El Salvador	4	0.56	6	8
Estonia	127	1.66	6	9
Finland	1517	102.76	10	10
France	5945	970.67	8	9
Germany	6127	1071.21	10	10
Greece	183	11.26	8	10
Hungary	71	1.19	-7	10
India	1076	43.53	8	9
Indonesia	103	6.16	-7	9
Ireland	1885	194.44	10	10
Israel	608	149.49	6	6
Italy	1625	168.29	10	10
Japan	2272	457.88	10	10
Latvia	63	0.05	8	8
Lithuania	76	0.61	10	10
Luxembourg	1033	142.98	10	10
Malaysia	593	24.5	3	7
Mexico	324	74.92	-3	8
Morocco	6	0	-8	-4
Netherlands	4287	800.63	10	10
New Zealand	500	33.26	10	10
Norway	1461	87.18	10	10
Pakistan	9	0.1	-6	8
Panama	41	0.72	-8	9
Peru	51	0.99	-3	9
Philippines	91	5.92	-6	8
Poland	202	7.13	-7	10
Portugal	226	11.1	10	10
Romania	28	0.6	-8	9
Russia	281	45.5	3	6

Serbia	10	0.08	8	8
Singapore	1617	144.31	-2	-2
Slovakia	25	1.08	7	10
Slovenia	42	0.59	10	10
South Africa	417	50.68	4	9
South Korea	463	57.78	-5	8
Spain	1640	340.58	10	10
Sweden	3958	206.23	10	10
Switzerland	3334	573.49	10	10
Thailand	139	13.29	-5	9
Turkey	122	7.34	-4	9
United Kingdom	13609	2139.05	8	10
United States	27368	3043.31	8	10
Venezuela	27	0.75	-3	9
Vietnam	21	0.4	-7	-7
Max	101834	13136.34		



#### 4.4. TABLE 3: DESCRIPTIVE STATISTICS

Original:

Panel A: Country-Pair Level Data						
	Mean	Standard deviation	p25	p50	p75	Observations
Cross-border ratio	0.044	0.090	0.005	0.014	0.045	16,497
$\Delta$ Democracy (Polity2)	0.003	0.047	0.000	0.000	0.010	16,497
$\Delta$ Democracy (Freedom House)	0.049	0.445	0.000	0.000	0.000	11,398
$\Delta$ Democracy (BMR)	0.011	0.367	0.000	0.000	0.000	16,393
$\Delta$ Democracy (V-Dem)	0.024	0.250	-0.033	0.008	0.064	16,497
$\Delta$ Democracy (ANRR)	0.006	0.362	0.000	0.000	0.000	16,497
$\Delta$ GDP per capita	0.309	1.310	-0.249	0.149	1.154	16,497
$\Delta$ GDP growth	-0.001	0.037	-0.020	-0.002	0.017	16,497
$\Delta$ Investment profile	0.004	0.023	-0.008	0.001	0.016	16,497
$\Delta$ Institutional quality	0.009	0.040	-0.014	0.006	0.037	16,497
Bilateral trade	0.057	0.086	0.010	0.026	0.067	16,497
Geographical distance	8.026	1.193	7.044	8.284	9.072	16,497
Cultural distance	1.244	0.713	0.625	1.131	1.775	16,497
Common language	0.117	0.321	0.000	0.000	0.000	16,497
Same colony	0.079	0.269	0.000	0.000	0.000	16,497
$\Delta$ Stock market capitalization	0.124	0.768	-0.324	0.129	0.580	12,059
$\Delta$ Private credit	0.136	0.655	-0.321	0.143	0.612	11,769
$\Delta$ Exchange rate volatility	0.039	0.154	0.000	0.001	0.003	15,428
$\Delta$ Exchange rate growth	0.000	0.001	0.000	0.000	0.001	15,408
Shareholder protection	0.277	0.447	0.000	0.000	1.000	13,743
Accounting standards	0.295	0.456	0.000	0.000	1.000	12,550
M&A laws	0.495	0.500	0.000	0.000	1.000	6,107

Panel B: Target-Deal Level Data						
	Mean	Standard deviation	p25	p50	p75	Observations
Target CAR (-1, +1)	0.202	0.205	0.020	0.156	0.327	2,068
Target CAR (-3, +3)	0.222	0.219	0.035	0.186	0.350	2,060
Firm Size	7.762	2.473	6.091	7.890	9.448	2,068
Financial acquirer	0.040	0.196	0.000	0.000	0.000	2,068
Number of bidders	1.144	0.402	1.000	1.000	1.000	2,068
Toehold	3.132	9.482	0.000	0.000	0.000	2,068
Hostile	0.048	0.214	0.000	0.000	0.000	2,068

Panel C: Acquirer-Deal Level Data						
	Mean	Standard deviation	p25	p50	p75	Observations
Acquirer CAR (-1, +1)	0.008	0.045	-0.018	0.002	0.028	18,054
Acquirer CAR (-3, +3)	0.008	0.063	-0.028	0.002	0.040	16,812
Firm Size	6.877	2.468	5.254	6.847	8.449	18,054
Financial acquirer	0.044	0.206	0.000	0.000	0.000	18,054
Number of bidders	1.020	0.171	1.000	1.000	1.000	18,054
Toehold	0.634	4.543	0.000	0.000	0.000	18,054
Hostile	0.006	0.075	0.000	0.000	0.000	18,054

Reproduced:

Variable	N	Mean	SD	P25	Median	P75
>						
Cross-border ratio	16497	0.044	0.090	0.005	0.014	0.045
\$\Delta\$ Democracy	16497	0.003	0.047	0.000	0.000	0.010
\$\Delta\$ Democracy\ (Freedom House)	11398	0.049	0.445	0.000	0.000	0.000
\$\Delta\$ Democracy\ (BMR)	16393	0.011	0.367	0.000	0.000	0.000
\$\Delta\$ Democracy\ (V-Dem)	16497	0.024	0.250	-0.033	0.008	0.064
\$\Delta\$ Democracy\ (ANRR)	16497	0.006	0.362	0.000	0.000	0.000
\$\Delta\$ GDP\ per\ capita	16497	0.309	1.310	-0.249	0.149	1.154
\$\Delta\$ GDP\ growth	16497	-0.001	0.037	-0.020	-0.002	0.017
\$\Delta\$ Investment\ profile	16497	0.004	0.023	-0.008	0.001	0.016
\$\Delta\$ Institutional\ quality	16497	0.009	0.040	-0.014	0.006	0.037
Bilateral trade	16497	0.057	0.086	0.010	0.026	0.067
Geographical distance	16497	8.026	1.193	7.044	8.284	9.072
Cultural distance	16497	1.244	0.713	0.625	1.131	1.775
Common language	16497	0.117	0.321	0.000	0.000	0.000
Same colony	16497	0.079	0.269	0.000	0.000	0.000
\$\Delta\$ Stock market capitalization	12059	0.124	0.768	-0.324	0.129	0.580
\$\Delta\$ Private credit	11769	0.136	0.655	-0.321	0.143	0.612
\$\Delta\$ Exchange rate volatility	15428	0.039	0.154	0.000	0.001	0.003
\$\Delta\$ Exchange rate growth	15408	0.000	0.001	-0.000	0.000	0.001
Shareholder protection	13743	0.277	0.447	0.000	0.000	1.000
Accounting standards	12550	0.295	0.456	0.000	0.000	1.000
M&A laws	6107	0.495	0.500	0.000	0.000	1.000

Variable	N	Mean	SD	P25	Median	P75
>						
Target CAR (-1, +1)	2068	0.202	0.205	0.020	0.156	0.327
Target CAR (-3, +3)	2060	0.222	0.219	0.035	0.186	0.350
Firm size	2068	7.762	2.473	6.091	7.890	9.448
Financial acquirer	2068	0.040	0.196	0.000	0.000	0.000
Number of bidders	2068	1.144	0.402	1.000	1.000	1.000
Toehold	2068	3.132	9.482	0.000	0.000	0.000
Hostile	2068	0.048	0.214	0.000	0.000	0.000

Variable	N	Mean	SD	P25	Median	P75
>						
Acquirer CAR (-1, +1)	18054	0.008	0.045	-0.018	0.002	0.028
Acquirer CAR (-3, +3)	16812	0.008	0.063	-0.028	0.002	0.040
Firm size	18054	6.877	2.468	5.254	6.847	8.449
Financial acquirer	18054	0.044	0.206	0.000	0.000	0.000
Number of bidders	18054	1.020	0.171	1.000	1.000	1.000
Toehold	18054	0.634	4.543	0.000	0.000	0.000
Hostile	18054	0.006	0.075	0.000	0.000	0.000

4.5. TABLE 4: DEMOCRATIC PROXIMITY AND CROSS-BORDER MERGER FLOWS

Original:

	(1) Cross-border ratio	(2) Cross-border ratio
$\Delta$ Democracy	-0.012 (0.798) [0.635]	-0.034 (0.127) [0.026]
$\Delta$ GDP per capita	0.013*** (0.000)	0.002 (0.151)
$\Delta$ GDP growth	0.032 (0.476)	-0.006 (0.810)
$\Delta$ Investment profile	-0.066 (0.444)	0.071* (0.073)
$\Delta$ Institutional quality	0.226*** (0.006)	0.001 (0.970)
Bilateral trade	0.389*** (0.000)	0.235*** (0.000)
Geographical distance	-0.003** (0.029)	-0.004*** (0.001)
Cultural distance	-0.005** (0.013)	-0.016*** (0.000)
Common language	0.009 (0.177)	0.005 (0.108)
Same colony	0.005 (0.425)	0.004 (0.297)
Year FE	Yes	No
Acquirer country $\times$ year FE	No	Yes
Target country $\times$ year FE	No	Yes
Observations	16,497	16,497
Adjusted $R^2$	0.25	0.76

Reproduced:

	(1)	(2)
	Cross-border ratio	Cross-border ratio
	b/p	b/p
$\Delta$ Democracy	-0.012 (0.798)	-0.034 (0.127)
$\Delta$ GDP per capita	0.013*** (0.000)	0.002 (0.151)
$\Delta$ GDP growth	0.032 (0.476)	-0.006 (0.810)
$\Delta$ Investment profile	-0.066 (0.444)	0.071* (0.073)
$\Delta$ Institutional quality	0.226*** (0.006)	0.001 (0.970)
Bilateral trade	0.389*** (0.000)	0.235*** (0.000)
Geographical distance	-0.003** (0.029)	-0.004*** (0.001)
Cultural distance	-0.005** (0.013)	-0.016*** (0.000)
Common language	0.009 (0.177)	0.005 (0.108)
Same colony	0.005 (0.425)	0.004 (0.297)
Year FE	Yes	No
Acquirer Country $\times$ Year FE	No	Yes
Target Country $\times$ Year FE	No	Yes
Obs	16497	16497
Adj-R2	0.25	0.76

4.6. TABLE 5: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: BASELINE PANEL ESTIMATES

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.131*** (0.000)	0.424*** (0.000)	0.474*** (0.000)
$\Delta$ GDP per capita	0.010*** (0.000)	0.048*** (0.000)	0.052*** (0.000)
$\Delta$ GDP growth	0.150*** (0.000)	0.124*** (0.000)	0.123*** (0.000)
$\Delta$ Investment profile	0.014 (0.816)	-0.148*** (0.003)	-0.143*** (0.006)
$\Delta$ Institutional quality	0.172*** (0.003)	0.356*** (0.002)	0.303** (0.012)
Bilateral trade	0.373*** (0.000)	0.234*** (0.000)	0.102 (0.137)
Geographical distance	-0.001 (0.629)	-0.005*** (0.001)	
Cultural distance	-0.008*** (0.000)	-0.018*** (0.000)	
Common language	0.003 (0.661)	-0.003 (0.452)	
Same colony	0.006 (0.369)	0.008** (0.039)	
Year FE	Yes	Yes	Yes
Acquirer country FE	No	Yes	No
Target country FE	No	Yes	No
Country pair FE	No	No	Yes
Observations	16,497	16,497	16,497
Adjusted $R^2$	0.27	0.58	0.58

Reproduced:

	(1) Cross-border b/p	(2) Cross-border b/p	(3) Cross-border b/p
\$\Delta\$ Democracy	0.131*** (0.000)	0.424*** (0.000)	0.474*** (0.000)
\$\Delta\$ GDP\ per\ capita	0.010*** (0.000)	0.048*** (0.000)	0.052*** (0.000)
\$\Delta\$ GDP\ growth	0.150*** (0.000)	0.124*** (0.000)	0.123*** (0.000)
\$\Delta\$ Investment\ profile	0.014 (0.816)	-0.148*** (0.003)	-0.143*** (0.006)
\$\Delta\$ Institutional\ quality	0.172*** (0.003)	0.356*** (0.002)	0.303** (0.012)
Bilateral trade	0.373*** (0.000)	0.234*** (0.000)	0.102 (0.137)
Geographical distance	-0.001 (0.629)	-0.005*** (0.001)	
Cultural distance	-0.008*** (0.000)	-0.018*** (0.000)	
Common language	0.003 (0.661)	-0.003 (0.452)	
Same colony	0.006 (0.369)	0.008** (0.039)	
Year FE	Yes	Yes	Yes
Acquirer Country FE	No	Yes	No
Target Country FE	No	Yes	No
Country Pair FE	No	No	Yes
Obs	16497	16497	16497
Adj-R2	0.27	0.58	0.58

4.7. TABLE 6: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: SENSITIVITY TESTS

Original:

Panel A: Subsamples

	(1)	(2)	(3)	(4)	(5)	(6)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.448*** (0.000)	0.402*** (0.000)	0.507*** (0.000)	0.542*** (0.000)	0.458*** (0.000)	0.320*** (0.000)
Time-varying controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes	Yes	Yes
Countries dropped	United States	United Kingdom	Canada	China, Singapore	Small countries	Western Europe
Observations	15,489	14,534	15,186	15,123	16,273	4,385
Adjusted $R^2$	0.59	0.60	0.58	0.59	0.56	0.60

Panel B: Alternative Definitions of Cross-Border Ratio

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.519*** (0.000)	0.597*** (0.000)	1.009*** (0.001)	0.583*** (0.000)
Time-varying controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes
Deals included	Completed deals	Deals with value reported	Larger than \$50M	Financial firms excluded
Observations	16,230	9,872	5,725	14,518
Adjusted $R^2$	0.57	0.60	0.65	0.60

Panel C: Alternative Dependent Variables and Estimation Techniques

	(1)	(2)	(3)	(4)
	\$value cross-border ratio	$\ln(1+\$value\ deals)$	1(Cross-border deal)	Cross-border ratio
$\Delta$ Democracy	0.408*** (0.006)	2.956* (0.065)	0.199*** (0.001)	0.132*** (0.000)
Time-varying controls	Yes	Yes	Yes	Yes
Time-invariant controls	No	No	No	Yes
Year FE	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	No
Estimator	Within	Within	Within	Tobit
Observations	16,367	16,367	37,141	16,497
Adjusted $R^2$	0.21	0.42	0.93	
Log pseudo likelihood				18,764.75

Panel D: Additional Controls

	(1)	(2)	(3)	(4)	(5)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.232*** (0.001)	0.253* (0.099)	0.356*** (0.001)	0.404*** (0.001)	0.141* (0.077)
$\Delta$ Stock market capitalization	-0.003 (0.117)				0.001 (0.691)
$\Delta$ Private credit		-0.014*** (0.001)			-0.010** (0.019)
$\Delta$ Exchange rate volatility			-0.012 (0.361)		0.024 (0.509)
$\Delta$ Exchange rate growth				1.098*** (0.002)	-0.349 (0.527)
Time-varying controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes	Yes
Observations	12,059	11,769	15,428	15,408	8,034
Adjusted $R^2$	0.62	0.63	0.60	0.60	0.68



Reproduced:

	(1) Cross-border b/p	(2) Cross-border b/p	(3) Cross-border b/p	(4) Cross-border b/p	(5) Cross-border b/p	(6) Cross-border b/p
\$\Delta\$ Democracy	0.448*** (0.000)	0.402*** (0.000)	0.507*** (0.000)	0.542*** (0.000)	0.458*** (0.000)	0.320*** (0.007)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	15489	14534	15186	15123	16273	4385
Adj-R2	0.59	0.60	0.58	0.59	0.56	0.60

	(1) Cross-border b/p	(1) Cross-border b/p	(1) Cross-border b/p	(1) Cross-border b/p
\$\Delta\$ Democracy	0.519*** (0.000)	0.597*** (0.000)	1.009*** (0.001)	0.583*** (0.000)
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Obs	16230	9872	5725	14518
Adj-R2	0.57	0.60	0.65	0.60

	\$ Value Cross-border b/p	Ln(1+Dollar Volume) b/p	Cross-border ratio b/p	(1) 1(Cross-border deal) b/p
\$\Delta\$ Democracy	0.408*** (0.006)	2.956* (0.065)	0.132*** (0.000)	0.199*** (0.001)
Country Pair FE	Yes	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes
Obs	16367	16367	16497	37141
Adj-R2	0.21	0.42		0.93
Pseudo-likelihood	11240.14	-34574.99	18662.23	

	(1) Cross-border b/p	(2) Cross-border b/p	(3) Cross-border b/p	(4) Cross-border b/p	(5) Cross-border b/p
\$\Delta\$ Democracy	0.232*** (0.001)	0.253* (0.099)	0.356*** (0.001)	0.404*** (0.001)	0.141* (0.077)
\$\Delta\$ Stock market capitaliza	-0.003 (0.117)				0.001 (0.691)
\$\Delta\$ Private credit		-0.014*** (0.001)			-0.010** (0.019)
\$\Delta\$ Exchange rate volatilit			-0.012 (0.361)		0.024 (0.509)
\$\Delta\$ Exchange rate growth				1.098*** (0.002)	-0.349 (0.527)
Year FE	Yes	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes	Yes
Obs	12059	11769	15428	15408	8034
Adj-R2	0.62	0.63	0.60	0.60	0.68



4.8. TABLE 7: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: IV ESTIMATES

Original:

Panel A: 2SLS Estimates			
	(1) Cross-border ratio	(2) Cross-border ratio	(3) Cross-border ratio
$\Delta$ Democracy	0.224*** (0.001)	4.585*** (0.000)	5.382*** (0.000)
Time-varying controls	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	No
Year FE	Yes	Yes	Yes
Acquirer country FE	No	Yes	No
Target country FE	No	Yes	No
Country pair FE	No	No	Yes
Observations	16,497	16,497	16,497

Panel B: First-Stage Estimates			
	(1) $\Delta$ Democracy	(2) $\Delta$ Democracy	(3) $\Delta$ Democracy
$\Delta$ Regional waves	0.107*** (0.000)	0.029*** (0.000)	0.030*** (0.000)
Time-varying controls	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	No
Year FE	Yes	Yes	Yes
Acquirer country FE	No	Yes	No
Target country FE	No	Yes	No
Country pair FE	No	No	Yes
Observations	16,497	16,497	16,497
Adjusted $R^2$	0.49	0.91	0.92
Partial $R^2$	0.28	0.01	0.02
Effective first-stage $F$ -statistic	301.31	20.79	16.28

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p	(3) Cross-border ratio b/p
$\Delta$ Democracy	0.224*** (0.001)	4.585*** (0.000)	5.382*** (0.000)
Year FE	Yes	Yes	Yes
Acquirer Country FE	No	Yes	No
Target Country FE	No	Yes	No
Country Pair FE	No	No	Yes
Obs	16497	16497	16497
Partial R2	0.28	0.01	0.02
First-stage F -statistic	301.31	20.79	16.28
	(1) $\Delta$ Democracy b/p	(2) $\Delta$ Democracy b/p	(3) $\Delta$ Democracy b/p
$\Delta$ Regional waves	0.107*** (0.000)	0.029*** (0.000)	0.030*** (0.000)
Year FE	Yes	Yes	Yes
Acquirer Country FE	No	Yes	No
Target Country FE	No	Yes	No
Country Pair FE	No	No	Yes
Obs	16497	16497	16497
Adj-R2	0.49	0.91	0.92

4.9. TABLE 8: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
DEMOCRATIC TRANSITIONS AND AUTOCRATIC REVERSALS

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy (ANRR)	0.007* (0.053)	0.025*** (0.000)	0.029*** (0.000)
Time-varying controls	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	No
Year FE	Yes	Yes	Yes
Acquirer country FE	No	Yes	No
Target country FE	No	Yes	No
Country pair FE	No	No	Yes
Observations	16,497	16,497	16,497
Adjusted $R^2$	0.27	0.57	0.58

Reproduced:

	(1)	(2)	(3)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
$\Delta$ Democracy (ANRR)	0.007* (0.053)	0.025*** (0.000)	0.029*** (0.000)
Year FE	Yes	Yes	Yes
Acquirer Country FE	No	Yes	No
Target Country FE	No	Yes	No
Country Pair FE	No	No	Yes
Obs	16497	16497	16497
Adj-R2	0.27	0.57	0.58

4.10. TABLE 9: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
BETWEEN ESTIMATES

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.321*** (0.000)	0.124** (0.015)	0.137*** (0.007)
$\Delta$ GDP per capita		0.018*** (0.000)	0.017*** (0.000)
$\Delta$ GDP growth		0.242*** (0.006)	0.255*** (0.004)
$\Delta$ Investment profile		0.305* (0.052)	0.298* (0.059)
$\Delta$ Institutional quality		-0.075 (0.469)	-0.068 (0.515)
Bilateral trade		0.436*** (0.000)	0.463*** (0.000)
Geographical distance		-0.002 (0.312)	
Cultural distance		-0.009** (0.010)	
Common language		0.037*** (0.000)	
Same colony		-0.003 (0.813)	
Year FE	Yes	Yes	Yes
Observations	16,497	16,497	16,497
Adjusted $R^2$	0.08	0.21	0.20

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p	(3) Cross-border ratio b/p
\$\Delta\$ Democracy	0.321*** (0.000)	0.124** (0.015)	0.137*** (0.007)
\$\Delta\$ GDP\ per\ capita		0.018*** (0.000)	0.017*** (0.000)
\$\Delta\$ GDP\ growth		0.242*** (0.006)	0.255*** (0.004)
\$\Delta\$ Investment\ profile		0.305* (0.052)	0.298* (0.059)
\$\Delta\$ Institutional\ quality		-0.075 (0.469)	-0.068 (0.515)
Bilateral trade		0.436*** (0.000)	0.463*** (0.000)
Geographical distance		-0.002 (0.312)	
Cultural distance		-0.009** (0.010)	
Common language		0.037*** (0.000)	
Same colony		-0.003 (0.813)	
Year FE	Yes	Yes	Yes
Obs	16497	16497	16497
Adj-R2	0.08	0.21	0.20

4.11. TABLE 10: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: 100-PERCENT MERGERS

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.463*** (0.000)	-0.005 (0.588)	-0.000 (0.984)
Time-varying controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes
Types of deals	Complete control	Majority	Minority
Observations	16,497	16,497	16,497
Adjusted $R^2$	0.53	0.12	0.29

Reproduced:

	(1) Complete_control b/p	(2) Majority b/p	(3) Minority b/p
$\Delta$ Democracy	0.463*** (0.000)	-0.005 (0.588)	-0.000 (0.984)
Year FE	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes
Obs	16497	16497	16497
Adj-R2	0.53	0.12	0.29

4.12. TABLE 11: PUSH AND PULL FACTORS IN CROSS-BORDER MERGERS

Original:

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
Acquirer democracy	0.018 (0.615)	0.168*** (0.008)		0.015 (0.530)
Target democracy	-0.227*** (0.000)	-0.653*** (0.000)	-0.506*** (0.000)	
Time-varying controls	Yes	Yes	Yes	Yes
Time-invariant controls	Yes	No	Yes	Yes
Year FE	Yes	Yes	No	No
Acquirer country FE	No	No	No	Yes
Target country FE	No	No	Yes	No
Acquirer country $\times$ year FE	No	No	Yes	No
Target country $\times$ year FE	No	No	No	Yes
Country pair FE	No	Yes	No	No
Observations	16,497	16,497	16,497	16,497
Adjusted $R^2$	0.28	0.58	0.61	0.76

Reproduced:

	(1)	(2)	(3)	(4)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
Acquirer democracy	0.018 (0.615)	0.168*** (0.008)		0.015 (0.530)
Target democracy	-0.227*** (0.000)	-0.653*** (0.000)	-0.506*** (0.000)	
Year FE	Yes	Yes	No	No
Acquirer Country FE	No	No	No	Yes
Target Country FE	No	No	Yes	No
Acquirer Country $\times$ Year F	No	No	Yes	No
Target Country $\times$ Year FE	No	No	No	Yes
Country Pair FE	No	Yes	No	No
Obs	16497	16497	16497	16497
Adj-R2	0.28	0.58	0.61	0.76

4.13. TABLE 12: PULL FACTORS IN CROSS-BORDER MERGERS: CROSS-SECTIONAL HETEROGENEITY (INVESTOR PROTECTION)

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
Target democracy	-0.461*** (0.001)	-0.310** (0.023)	-0.958*** (0.001)
Target democracy × Shareholder protection	0.555** (0.021)		
Target democracy × Accounting standards		0.239*** (0.002)	
Target democracy × M&A laws			1.269*** (0.000)
M&A laws			-0.121*** (0.000)
Time-varying controls	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	Yes
Target country FE	Yes	Yes	Yes
Acquirer country × year FE	Yes	Yes	Yes
Observations	13,743	12,550	6,107
Adjusted $R^2$	0.57	0.56	0.61

Reproduced:

	(1)	(2)	(3)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
Acquirer democracy	0.000 (.)	0.000 (.)	0.000 (.)
Target democracy	-0.461*** (0.001)	-0.310** (0.023)	-0.958*** (0.001)
Target democracy # Shareholder p	0.555** (0.021)		
Target democracy # Accounting st		0.239*** (0.002)	
Target democracy # M\&A laws			1.269*** (0.000)
M\&A laws			-0.121*** (0.000)
Target Country FE	Yes	Yes	Yes
Acquirer country X Year FE	Yes	Yes	Yes
Obs	13743	12550	6107
Adj-R2	0.57	0.56	0.61



4.14. TABLE 13: STOCK PRICE REACTIONS TO MERGER ANNOUNCEMENTS

Original:

	Target returns		Acquirer returns	
	(1)	(2)	(3)	(4)
	Target CAR (-1, +1)	Target CAR (-3, +3)	Acquirer CAR (-1, +1)	Acquirer CAR (-3, +3)
$\Delta$ Democracy	7.524*** (0.000)	6.210** (0.012)	-0.020 (0.779)	0.002 (0.983)
$\Delta$ GDP per capita	-0.065 (0.574)	-0.038 (0.732)	-0.007 (0.189)	0.008 (0.302)
$\Delta$ GDP growth	-0.175 (0.523)	-0.175 (0.525)	-0.001 (0.961)	-0.007 (0.770)
$\Delta$ Investment profile	-0.060 (0.902)	-0.069 (0.884)	-0.059** (0.031)	-0.074* (0.070)
$\Delta$ Institutions quality	-0.563 (0.325)	-1.047* (0.089)	-0.012 (0.804)	-0.021 (0.773)
Bilateral trade	-0.093 (0.637)	-0.167 (0.388)	-0.016 (0.291)	-0.011 (0.632)
Firm size	0.010*** (0.000)	0.011*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)
Financial acquirer	0.062* (0.064)	0.047 (0.206)	0.001 (0.663)	0.002 (0.417)
Number of bidders	-0.024** (0.022)	-0.023** (0.032)	-0.001 (0.766)	-0.003 (0.211)
Toehold	-0.000 (0.492)	0.000 (0.968)	-0.000 (0.709)	-0.000 (0.144)
Hostile	0.060*** (0.000)	0.070*** (0.000)	-0.009*** (0.002)	-0.014** (0.012)
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Acquirer Industry FE	Yes	Yes	Yes	Yes
Target Industry FE	Yes	Yes	Yes	Yes
Observations	2,068	2,060	18,054	16,812
Adjusted $R^2$	0.07	0.05	0.03	0.02

Reproduced:

	(1) Target CAR (-1, +1) b/p	(2) Target CAR (-3, +3) b/p	(3) Acquirer CAR (-1,~1) b/p	(4) Acquirer CAR (-3,~3) b/p
\Delta Democracy	7.524*** (0.000)	6.210** (0.012)	-0.020 (0.779)	0.002 (0.983)
\Delta GDP per capita	-0.065 (0.574)	-0.038 (0.732)	-0.007 (0.189)	0.008 (0.302)
\Delta GDP growth	-0.175 (0.523)	-0.175 (0.525)	-0.001 (0.961)	-0.007 (0.770)
\Delta Investment profile	-0.060 (0.902)	-0.069 (0.884)	-0.059** (0.031)	-0.074* (0.070)
\Delta Institutions quality	-0.563 (0.325)	-1.047* (0.089)	-0.012 (0.804)	-0.021 (0.773)
Bilateral trade	-0.093 (0.637)	-0.167 (0.388)	-0.016 (0.291)	-0.011 (0.632)
Firm size	0.010*** (0.000)	0.011*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)
Financial acquirer	0.062* (0.064)	0.047 (0.206)	0.001 (0.663)	0.002 (0.417)
Number of bidders	-0.024** (0.022)	-0.023** (0.032)	-0.001 (0.766)	-0.003 (0.211)
Toehold	-0.000 (0.492)	0.000 (0.968)	-0.000 (0.709)	-0.000 (0.144)
Hostile	0.060*** (0.000)	0.070*** (0.000)	-0.009*** (0.002)	-0.014** (0.012)
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Acquirer Industry FE	Yes	Yes	Yes	Yes
Target Industry FE	Yes	Yes	Yes	Yes
Obs	2068	2060	18054	16812
Adj-R2	0.07	0.05	0.03	0.02

4.15. TABLE 14: CROSS-BORDER MERGER FLOWS, INVESTOR PROTECTION, AND THE FUNDAMENTAL ROLE OF DEMOCRACY

Original:

Panel A: Panel A: Estimates from the Two-Step Procedure			
	(1) Cross-border ratio	(2) Cross-border ratio	(3) Cross-border ratio
$\Delta$ Shareholder protection (predicted)	0.479*** (0.000)		
$\Delta$ Shareholder protection (residual)	-0.225 (0.417)		
$\Delta$ Accounting standards (predicted)		0.102*** (0.000)	
$\Delta$ Accounting standards (residual)		0.118*** (0.000)	
$\Delta$ M&A laws (predicted)			0.726*** (0.002)
$\Delta$ M&A laws (residual)			0.016*** (0.003)
Time-varying variables	Yes	Yes	Yes
Time-invariant variables	Yes	Yes	No
Year FE	Yes	Yes	Yes
Country pair FE	No	No	Yes
Observations	12,649	10,716	6,103
Adjusted $R^2$	0.39	0.41	0.57

Panel B: Descriptive statistics			
	Mean	SD	Median
$\Delta$ Shareholder protection (predicted)	0.000	0.014	0.000
$\Delta$ Shareholder protection (residual)	-0.000	0.006	0.000
$\Delta$ Accounting standards (predicted)	0.073	0.156	0.060
$\Delta$ Accounting standards (residual)	-0.051	0.113	-0.000
$\Delta$ M&A laws (predicted)	0.072	0.051	0.068
$\Delta$ M&A laws (residual)	0.000	0.291	-0.005

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p	(3) Cross-border ratio b/p
\$\Delta\$ Shareholder protection (predicted)	0.479*** (0.000)		
\$\Delta\$ Shareholder protection (residual)	-0.225 (0.417)		
\$\Delta\$ Accounting standards (predicted)		0.102*** (0.000)	
\$\Delta\$ Accounting standards (residual)		0.118*** (0.000)	
\$\Delta\$ M\&A laws (predicted)			0.726*** (0.002)
\$\Delta\$ M\&A laws (residual)			0.016*** (0.003)
Year FE	Yes	Yes	Yes
CP	No	No	Yes
Obs	12649	10716	6103
Adj-R2	0.39	0.41	0.57

Variable	N	Mean	SD	Median
\$\Delta\$ Shareholder protection (predicted)	12649	0.000	0.014	0.000
\$\Delta\$ Shareholder protection (residual)	12649	-0.000	0.006	0.000
\$\Delta\$ Accounting standards (predicted)	10716	0.073	0.156	0.060
\$\Delta\$ Accounting standards (residual)	10716	-0.051	0.113	-0.000
\$\Delta\$ M\&A laws (predicted)	6103	0.072	0.051	0.068
\$\Delta\$ M\&A laws (residual)	6103	0.000	0.291	-0.005

4.16. TABLE IA1: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
TRUST, HIERARCHY, AND INDIVIDUALISM (WORLD VALUES SURVEY)

Original:

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.399*** (0.000)	0.555*** (0.001)	0.465*** (0.000)	0.537*** (0.001)
$\Delta$ Trust	-0.028*** (0.008)			-0.065*** (0.003)
$\Delta$ Hierarchy		-0.008 (0.728)		-0.015 (0.514)
$\Delta$ Individualism			-0.048*** (0.000)	-0.059*** (0.000)
Time-varying controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Observations	11,951	6,403	12,150	6,402
Adjusted $R^2$	0.58	0.57	0.57	0.57

Reproduced:

	(1)	(2)	(3)	(4)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
$\Delta$ Democracy	0.399*** (0.000)	0.555*** (0.001)	0.465*** (0.000)	0.537*** (0.001)
d_trustscore	-0.028*** (0.008)			-0.065*** (0.003)
d_hierarchyscore		-0.008 (0.728)		-0.015 (0.514)
d_indvscore			-0.048*** (0.000)	-0.059*** (0.000)
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Obs	11951	6403	12150	6402
Adj-R2	0.58	0.57	0.57	0.57

#### 4.17. TABLE IA2: CORRELATION MATRIX

Original:

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Cross-border ratio	1.000										
(2) $\Delta$ Democracy	0.156	1.000									
(3) $\Delta$ GDP per capita	0.243	0.455	1.000								
(4) $\Delta$ GDP growth	-0.053	-0.404	-0.376	1.000							
(5) $\Delta$ Investment profile	0.181	0.337	0.590	-0.163	1.000						
(6) $\Delta$ Institutional quality	0.224	0.405	0.785	-0.248	0.668	1.000					
(7) Bilateral trade	0.403	0.028	0.088	-0.046	0.081	0.059	1.000				
(8) Geographical distance	-0.068	0.012	0.040	-0.003	0.045	0.047	-0.250	1.000			
(9) Cultural distance	-0.094	-0.010	-0.012	-0.024	-0.035	-0.035	-0.060	-0.287	1.000		
(10) Common language	0.072	-0.023	-0.060	0.018	-0.029	-0.061	0.117	0.102	-0.245	1.000	
(11) Same colony	0.055	0.014	-0.016	-0.002	-0.004	-0.023	0.032	0.061	-0.174	0.314	1.000

Reproduced:

	i_inbound_m	polity	d_pcgdp	d_gdp_g	d_ip	d_qoi	bilateral_m	distance	md_cd	c_language	colony
Cross_border_ratio	1.000										
_Delta_Democracy	0.156	1.000									
_Delta_GDP_per_capita	0.243	0.455	1.000								
_Delta_GDP_growth	-0.053	-0.404	-0.376	1.000							
_Delta_Investment_profile	0.181	0.337	0.590	-0.163	1.000						
_Delta_Institutional_quality	0.224	0.405	0.785	-0.248	0.668	1.000					
Bilateral_trade	0.403	0.028	0.088	-0.046	0.081	0.059	1.000				
Geographical_distance	-0.068	0.012	0.040	-0.003	0.045	0.047	-0.250	1.000			
Cultural_distance	-0.094	-0.010	-0.012	-0.024	-0.035	-0.035	-0.060	-0.287	1.000		
Common_language	0.072	-0.023	-0.060	0.018	-0.029	-0.061	0.117	0.102	-0.245	1.000	
Same_colony	0.055	0.014	-0.016	-0.002	-0.004	-0.023	0.032	0.061	-0.174	0.314	1.000

4.18. TABLE IA3: DEMOCRATIC PROXIMITY AND CROSS-BORDER MERGER FLOWS:  
ALTERNATIVE DEPENDENT VARIABLES

Original:

	(1)	(2)	(3)	(4)	(5)	(6)
	\$value cross-border ratio	\$value cross-border ratio	ln(1+\$value deals)	ln(1+\$value deals)	1(Cross-border deal)	1(Cross-border deal)
ΔDemocracy	-0.042 (0.368) [0.222]	-0.198*** (0.001) [0.001]	-0.680 (0.515) [0.217]	-4.897* (0.095) [0.000]	-0.109** (0.027) [0.000]	-0.063 (0.454) [0.122]
Time-varying controls (absolute value)	Yes	Yes	Yes	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	No	Yes	No	Yes	No
Acquirer country × year FE	No	Yes	No	Yes	No	Yes
Target country × year FE	No	Yes	No	Yes	No	Yes
Observations	16,367	16,367	16,367	16,367	37,141	37,141
Adjusted R <sup>2</sup>	0.06	0.17	0.24	0.35	0.89	0.94

Reproduced:

Columns 1 to 4:

	(1)	(2)	(3)	(4)
	\$ Value Cross~o b/p	\$ Value Cross~o b/p	Ln(1+Dollar Vo~ b/p	Ln(1+Dollar Vo~ b/p
\$  \Delta\$ Democracy\$	-0.042 (0.368) (0.222)	-0.198*** (0.001) (0.001)	-0.680 (0.515) (0.217)	-4.897* (0.095) (0.000)
Year FE	Yes	No	Yes	No
Acquirer Country \$ \times\$ Year F	No	Yes	No	Yes
Target Country \$ \times\$ Year FE	No	Yes	No	Yes
Obs	16367	16367	16367	16367
Adj-R2	0.06	0.17	0.24	0.35

Columns 5 and 6:

	(1)	(2)
	1(Cross-border deal) b/p	1(Cross-border deal) b/p
\$  \Delta\$ Democracy\$	-0.109** (0.027) (0.000)	-0.063 (0.454) (0.122)
Year FE	Yes	No
Acquirer Country \$ \times\$ Year F	No	Yes
Target Country \$ \times\$ Year FE	No	Yes
Obs	37141	37141
Adj-R2	0.89	0.94

4.19. TABLE IA4: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
ALTERNATIVE TREATMENTS OF STANDARD ERRORS

Original:

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.474*** [5.269]	0.474*** [2.997]	0.474** [2.646]	0.424*** [2.99]
Time-varying controls	Yes	Yes	Yes	Yes
Time-invariant controls	No	No	No	Yes
Year FE	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	No
Acquirer country FE	No	No	No	Yes
Target country FE	No	No	No	Yes
Cluster of s.e.	No cluster, robust	Acquirer country, target country	Acquirer country, target country, and year	Dyadic clustering robust
Observations	16,497	16,497	16,497	16,497
Adjusted $R^2$	0.58	0.58	0.58	0.58

Reproduced:

	(1)	(2)	(3)
	Cross-border ratio b/t	Cross-border ratio b/t	Cross-border ratio b/t
$\Delta$ Democracy	0.474*** (5.269)	0.474*** (2.997)	0.474** (2.646)
Year FE	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes
Obs	16497	16497	16497
Adj-R2	0.58	0.58	0.58



4.20. TABLE IA5: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
SUBPERIODS

Original:

	(1)	(2)
	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.643*** (0.003)	0.065* (0.053)
Time-varying controls	Yes	Yes
Year FE	Yes	Yes
Country pair FE	Yes	Yes
Subperiods	1985-2006	2007-2018
Observations	8,707	7,790
Adjusted $R^2$	0.58	0.76

Reproduced:

	(1)	(2)
	1985-2006	2007-2018
	b/p	b/p
$\Delta$ Democracy	0.643*** (0.003)	0.065* (0.053)
Year FE	Yes	Yes
Country Pair FE	Yes	Yes
Obs	8707	7790
Adj-R2	0.58	0.76

4.21. TABLE IA6: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
CONTROLS IN ABSOLUTE VALUE

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.127*** (0.000)	0.423*** (0.000)	0.460*** (0.000)
$\Delta$ GDP per capita	0.009*** (0.000)	0.048*** (0.000)	0.047*** (0.000)
$\Delta$ GDP growth	0.138*** (0.000)	0.121*** (0.000)	0.116*** (0.000)
$\Delta$ Investment profile	0.040 (0.450)	-0.139*** (0.002)	-0.136*** (0.002)
$\Delta$ Institutional quality	0.139*** (0.006)	0.328*** (0.002)	0.200** (0.040)
Bilateral trade	0.369*** (0.000)	0.230*** (0.000)	0.133** (0.047)
$ \Delta$ GDP per capita	0.010*** (0.000)	0.006*** (0.000)	0.036*** (0.000)
$ \Delta$ GDP growth	0.022 (0.592)	0.035 (0.295)	0.017 (0.661)
$ \Delta$ Investment profile	-0.058 (0.429)	-0.086 (0.165)	-0.100 (0.154)
$ \Delta$ Institutional quality	0.112* (0.093)	0.114** (0.021)	0.437*** (0.000)
Time-invariant controls	Yes	Yes	No
Year FE	Yes	Yes	Yes
Acquirer country FE	No	Yes	No
Target country FE	No	Yes	No
Country pair FE	No	No	Yes
Observations	16497	16497	16497
Adjusted $R^2$	0.29	0.58	0.59

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p	(3) Cross-border ratio b/p
\$\Delta\$ Democracy	0.127*** (0.000)	0.423*** (0.000)	0.460*** (0.000)
\$\Delta\$ GDP per capita	0.009*** (0.000)	0.048*** (0.000)	0.047*** (0.000)
\$\Delta\$ GDP growth	0.138*** (0.000)	0.121*** (0.000)	0.116*** (0.000)
\$\Delta\$ Investment	0.040 (0.450)	-0.139*** (0.002)	-0.136*** (0.002)
\$\Delta\$ Institutional	0.139*** (0.006)	0.328*** (0.002)	0.200** (0.040)
Bilateral trade	0.369*** (0.000)	0.230*** (0.000)	0.133** (0.047)
\$\Delta\$ GDP per capita	0.010*** (0.000)	0.006*** (0.000)	0.036*** (0.000)
\$\Delta\$ GDP growth	0.022 (0.592)	0.035 (0.295)	0.017 (0.661)
\$\Delta\$ Investment	-0.058 (0.429)	-0.086 (0.165)	-0.100 (0.154)
\$\Delta\$ Institutional	0.112* (0.093)	0.114** (0.021)	0.437*** (0.000)
Year FE	Yes	Yes	Yes
Acquirer Country FE	No	Yes	No
Target Country FE	No	Yes	No
Country Pair FE	No	No	Yes
Obs	16497	16497	16497
Adj-R2	0.29	0.58	0.59

4.22. TABLE IA7: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
ALTERNATIVE MEASURES OF DEMOCRACY

Original:

	(1)	(2)	(3)
	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy (Freedom House)	0.016** (0.014)		
$\Delta$ Democracy (BMR)		0.014** (0.025)	
$\Delta$ Democracy (V-Dem)			0.078*** (0.000)
Time-varying controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes
Observations	11,398	16,393	16,497
Adjusted $R^2$	0.58	0.59	0.58

Reproduced:

	(1)	(2)	(3)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
$\Delta$ Democracy\ (Freedom Hou	0.016** (0.014)		
$\Delta$ Democracy\ (BMR)		0.014** (0.025)	
$\Delta$ Democracy\ (V-Dem)			0.078*** (0.000)
Year FE	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes
Obs	11398	16393	16497
Adj-R2	0.58	0.59	0.58

4.23. TABLE IA8: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
COMPONENTS OF THE POLITY2 INDEX

Original:

	(1)	(2)	(3)	(4)	(5)	(6)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ CER	1.470*** (0.000)					
$\Delta$ OER		0.083 (0.659)				
$\Delta$ EC			0.983*** (0.002)			
$\Delta$ CP				1.147*** (0.000)		
$\Delta$ Democ					0.540*** (0.000)	
$\Delta$ Autoc						-1.295*** (0.000)
Time-varying controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	16,472	16,472	16,472	16,472	16,497	16,472
Adjusted $R^2$	0.58	0.58	0.58	0.58	0.58	0.58

Reproduced:

	(1)	(2)	(3)	(4)	(5)	(6)
	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p	Cross-border ratio b/p
Competitiveness of Executive Recruitment	1.470*** (0.000)					
Openness of executive recruitment		0.083 (0.659)				
Executive constraints			0.983*** (0.002)			
Competitiveness of participation				1.147*** (0.000)		
$\Delta$ Polity (0 to 10)					0.540*** (0.000)	
$\Delta$ Autocracy index						-1.295*** (0.000)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	16472	16472	16472	16472	16497	16472
Adj-R2	0.58	0.58	0.58	0.58	0.58	0.58

4.24. TABLE IA9: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
DEVELOPED AND DEVELOPING COUNTRIES

Original:

	(1) Cross-border ratio	(2) Cross-border ratio
$\Delta$ Democracy	0.139** (0.042)	0.196*** (0.000)
Time-varying controls	Yes	Yes
Year FE	Yes	Yes
Country pair FE	Yes	Yes
Countries dropped	Acquirers from developed countries	Targets from developing countries
Observations	3,542	10,362
Adjusted $R^2$	0.61	0.65

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p
$\Delta$ Democracy	0.139** (0.042)	0.196*** (0.000)
Year FE	Yes	Yes
Country Pair FE	Yes	Yes
Obs	3542	10362
Adj-R2	0.61	0.65

4.25. TABLE IA10: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS: IV ESTIMATES WITH ADDITIONAL CONTROLS FOR REGIONAL TRENDS

Original:

Panel A: 2SLS Estimates				
	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.312*** (0.003)	0.369*** (0.000)	3.717** (0.015)	6.808*** (0.005)
Time-varying controls	Yes	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	Yes	No
Regional controls	No	No	No	Yes
Year FE	No	No	No	Yes
Country pair FE	No	No	No	Yes
Acquirer country's regional trends	Yes	No	Yes	No
Target country's regional trends	No	Yes	Yes	No
Observations	16,497	16,497	16,497	16,497

Panel B: First-Stage Estimates				
	(1)	(2)	(3)	(4)
	$\Delta$ Democracy	$\Delta$ Democracy	$\Delta$ Democracy	$\Delta$ Democracy
$\Delta$ Regional waves	0.093*** (0.000)	0.106*** (0.000)	0.036*** (0.001)	0.019*** (0.005)
Time-varying controls	Yes	Yes	Yes	Yes
Time-invariant controls	Yes	Yes	Yes	No
Regional controls	No	No	No	Yes
Year FE	No	No	No	Yes
Country pair FE	No	No	No	Yes
Acquirer country's regional trends	Yes	No	Yes	No
Target country's regional trends	No	Yes	Yes	No
Observations	16,497	16,497	16,497	16,497
Adjusted $R^2$	0.52	0.55	0.61	0.92
Partial $R^2$	0.18	0.23	0.01	0.01
Effective first-stage $F$ -statistic	154.47	181.67	10.09	8.05

Reproduced:

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
	b/p	b/p	b/p	b/p
$\Delta$ Democracy	0.312*** (0.003)	0.369*** (0.000)	3.717** (0.015)	6.808*** (0.005)
Year FE	No	No	No	Yes
Country Pair FE	No	No	No	Yes
Obs	16497	16497	16497	16497
Partial R2	0.18	0.23	0.01	0.01
First-stage F -statistic	154.47	181.70	10.09	8.05

	(1)	(2)	(3)	(4)
	$\Delta$ Democracy	$\Delta$ Democracy	$\Delta$ Democracy	$\Delta$ Democracy
	b/p	b/p	b/p	b/p
$\Delta$ Regional waves	0.093*** (0.000)	0.105*** (0.000)	0.035*** (0.002)	0.019*** (0.003)
Year FE	No	No	No	Yes
Country Pair FE	No	No	No	Yes
Obs	16497	16497	16497	16497
Adj-R2	0.52	0.55	0.61	0.92

#### 4.26. TABLE IA11: DEMOCRACY AND INVESTOR PROTECTION: CROSS-SECTIONAL ANALYSIS

Original:

	(1)	(2)	(3)	(4)	(5)	(6)
	Shareholder protection	Shareholder protection	Accounting standards	Accounting standards	M&A laws	M&A laws
Democracy (Polity 2)	0.099** (0.029)	0.097* (0.093)	1.625* (0.067)	1.675*** (0.000)	0.057*** (0.000)	0.055** (0.010)
GDP growth	32.405*** (0.003)	28.999** (0.043)	14.322 (0.928)	144.086 (0.222)	5.387 (0.306)	2.146 (0.693)
English legal origin	0.758** (0.016)	0.175 (0.617)	13.785*** (0.000)	-4.359 (0.363)	0.298** (0.037)	0.360 (0.188)
French legal origin		-0.809* (0.059)		-20.719*** (0.001)		0.261 (0.375)
German legal origin		-0.296 (0.525)		-16.109*** (0.002)		0.310 (0.298)
GDP per capita		0.022 (0.934)		5.518** (0.019)		-0.256** (0.020)
Trade to GDP		0.132 (0.681)		5.879** (0.029)		0.254* (0.069)
Investment profile		0.126 (0.602)		5.577*** (0.001)		0.113 (0.132)
Institutional quality		-0.096 (0.411)		-3.661*** (0.000)		0.066 (0.182)
Constant	1.582** (0.013)	2.022 (0.394)	44.586*** (0.000)	-5.377 (0.804)	-0.151 (0.418)	0.394 (0.655)
Observations	44	44	36	36	44	44
Adjusted $R^2$	0.30	0.23	0.32	0.70	0.18	0.36

Reproduced:

	(1)	(2)	(3)	(4)	(5)	(6)
	Shareholder b/p	Shareholder b/p	Disclosure b/p	Disclosure b/p	M&A Law b/p	M&A Law b/p
Democracy Polity Index	0.099** (0.029)	0.097* (0.093)	1.625* (0.067)	1.675*** (0.000)	0.057*** (0.000)	0.055** (0.010)
GDP growth	32.405*** (0.003)	28.999** (0.043)	14.322 (0.928)	144.086 (0.222)	5.387 (0.306)	2.146 (0.693)
English Legal Origin	0.758** (0.016)	0.175 (0.617)	13.785*** (0.000)	-4.359 (0.363)	0.298** (0.037)	0.360 (0.188)
French Legal Origin		-0.809* (0.059)		-20.719*** (0.001)		0.261 (0.375)
German Legal Origin		-0.296 (0.525)		-16.109*** (0.002)		0.310 (0.298)
GDP per capita		0.022 (0.934)		5.518** (0.019)		-0.256** (0.020)
Trade to GDP		0.132 (0.681)		5.879** (0.029)		0.254* (0.069)
Investment Profile		0.126 (0.602)		5.577*** (0.001)		0.113 (0.132)
Institutions Quality		-0.096 (0.411)		-3.661*** (0.000)		0.066 (0.182)
Constant	1.582** (0.013)	2.022 (0.394)	44.586*** (0.000)	-5.377 (0.804)	-0.151 (0.418)	0.394 (0.655)
Adjusted R-squared	0.301	0.226	0.323	0.700	0.176	0.360
Observations	44	44	36	36	44	44



4.27. TABLE IA12: DIFFERENCES IN DEMOCRACY AND CROSS-BORDER MERGER FLOWS:  
METHOD OF PAYMENT

Original:

	(1)	(2)
	Cross-border ratio	Cross-border ratio
$\Delta$ Democracy	0.022	0.452***
	(0.377)	(0.000)
Time-varying controls	Yes	Yes
Year FE	Yes	Yes
Country Pair FE	Yes	Yes
Method of payment	Cash only	Stock, or cash and stock
Observations	16,497	16,497
Adjusted $R^2$	0.19	0.53

Reproduced:

	(1)	(2)
	Cash_only b/p	Stock_and_cash_and~k b/p
$\Delta$ Democracy	0.022	0.452***
	(0.377)	(0.000)
Year FE	Yes	Yes
Country Pair FE	Yes	Yes
Obs	16497	16497
Adj-R2	0.19	0.53

## 4.28. TABLE IA13: PUSH AND PULL FACTORS IN CROSS-BORDER MERGERS: IV ESTIMATES

Original:

Panel A: 2SLS Estimates

	(1)	(2)	(3)	(4)
	Cross-border ratio	Cross-border ratio	Cross-border ratio	Cross-border ratio
Acquirer democracy	0.004 (0.942)	-1.704 (0.395)		0.453 (0.148)
Target democracy	-0.443*** (0.000)	-8.232*** (0.000)	-5.530*** (0.000)	
Time Variant Controls	Yes	Yes	Yes	Yes
Time Invariant Controls	Yes	No	Yes	Yes
Year FE	Yes	Yes	No	No
Acquirer country FE	No	No	No	Yes
Target country FE	No	No	Yes	No
Acquirer country $\times$ year FE	No	No	Yes	No
Target country $\times$ year FE	No	No	No	Yes
Country-pair FE	No	Yes	No	No
Observations	16,497	16,497	16,497	16,497

Panel B: First-Stage Estimates

	(1)	(2)	(3)	(4)
	Acquirer democracy	Acquirer democracy		Acquirer democracy
Acquirer regional waves	0.125*** (0.000)	0.024*** (0.005)		0.026*** (0.005)
Target regional waves	0.004 (0.210)	-0.000 (0.951)		
Time-varying controls	Yes	Yes		Yes
Time-invariant controls	Yes	No		Yes
Year FE	Yes	Yes		No
Acquirer country FE	No	No		Yes
Target country FE	No	No		No
Acquirer country $\times$ year FE	No	No		No
Target country $\times$ year FE	No	No		Yes
Country pair FE	No	Yes		No
Observations	16,497	16,497		16,497
Angrist-Pischke $F$ -statistic	396.40	9.03		
Effective first-stage $F$ -statistic				8.00
	Target democracy	Target democracy	Target democracy	
Acquirer regional waves	0.014*** (0.010)	-0.006 (0.179)		
Target regional waves	0.107*** (0.000)	0.029*** (0.000)	0.031*** (0.000)	
Time-varying controls	Yes	Yes	Yes	
Time-invariant controls	Yes	No	Yes	
Year FE	Yes	Yes	No	
Acquirer country FE	No	No	No	
Target country FE	No	No	Yes	
Acquirer country $\times$ year FE	No	No	Yes	
Target country $\times$ year FE	No	No	No	
Country pair FE	No	Yes	No	
Observations	16,497	16,497	16,497	
Angrist-Pischke $F$ -statistic	259.44	16.47		
Effective first-stage $F$ -statistic			20.17	

Reproduced:

	(1) Cross-border r~o b/p	(2) Cross-border r~o b/p	(3) Cross-border r~o b/p	(4) Cross-border r~o b/p
Acquirer democracy	0.004 (0.942)	-1.704 (0.395)		0.453 (0.148)
Target democracy	-0.443*** (0.000)	-8.232*** (0.000)	-5.530*** (0.000)	
Year FE	Yes	Yes	No	No
Acquirer Country FE	No	No	No	Yes
Target Country FE	No	No	Yes	No
Acquirer Country X Year FE	No	No	Yes	No
Target Country X Year FE	No	No	No	Yes
Country Pair FE	No	Yes	No	No
Obs	16497	16497	16497	16497
Angrist-Pischke First-stage F -statistic 1st variable	396.40	9.03		
Angrist-Pischke First-stage F -statistic 2nd variable	259.44	16.47		
First-stage F -statistic			20.17	8.00

	(1) Acquirer democ~y b/p	(2) Target democracy b/p	(1) Target democracy b/p
Acquirer regional democratizatio	0.024*** (0.005)	-0.006 (0.179)	0.031*** (0.000)
Target regional democratization	-0.000 (0.951)	0.029*** (0.000)	0.003 (0.169)
Year FE	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes
Obs	16497	16497	16497

	(1) Acquirer democ~y b/p	(2) Target democracy b/p	(2) Target democracy b/p	(1) Target democracy b/p
Acquirer regional democratizatio	0.125*** (0.000)	0.014** (0.010)	-0.006 (0.179)	
Target regional democratization	0.004 (0.210)	0.107*** (0.000)	0.029*** (0.000)	0.031*** (0.000)
Year FE	Yes	Yes	Yes	Yes
Obs	16497	16497	16497	16497

#### 4.29. TABLE IA14: STOCK PRICE REACTIONS TO MERGER ANNOUNCEMENTS: 100-PERCENT MERGERS

Original:

	Target returns		Acquirer returns	
	(1) Target CAR (-1, +1)	(2) Target CAR (-3, +3)	(3) Acquirer CAR (-1, +1)	(4) Acquirer CAR (-3, +3)
$\Delta$ Democracy	14.863*** (0.000)	9.865*** (0.006)	0.009 (0.901)	0.072 (0.472)
Time-varying controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Acquirer industry FE	Yes	Yes	Yes	Yes
Target industry FE	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes
Observations	1,402	1,396	16,795	15,608
Adjusted $R^2$	0.07	0.05	0.03	0.02

Reproduced:

	(1) Target CAR (-1, +1) b/p	(2) Target CAR (-3, +3) b/p	(3) Acquirer CAR (-1,~1) b/p	(4) Acquirer CAR (-3,~3) b/p
\Delta Democracy	14.863*** (0.000)	9.865*** (0.006)	0.009 (0.901)	0.072 (0.472)
Year FE	Yes	Yes	Yes	Yes
Country Pair FE	Yes	Yes	Yes	Yes
Acquirer Industry FE	Yes	Yes	Yes	Yes
Target Industry FE	Yes	Yes	Yes	Yes
Obs	1402	1396	16795	15608
Adj-R2	0.07	0.05	0.03	0.02

4.30. TABLE IA15: PULL FACTORS IN CROSS-BORDER MERGERS: CROSS-SECTIONAL HETEROGENEITY (LABOR PROTECTION LAWS AND ENVIRONMENTAL LAWS)

Original:

	(1)	(2)
	Cross-border ratio	Cross-border ratio
Target democracy	-0.529** (0.012)	-0.204*** (0.006)
Target democracy × Labor protection laws	0.366* (0.090)	
Labor protection laws	-0.027 (0.214)	
Target democracy × Environmental laws		0.142 (0.432)
Environmental laws		-0.011 (0.538)
Time-varying controls	Yes	Yes
Time-invariant controls	Yes	Yes
Target country FE	Yes	Yes
Acquirer country × year FE	Yes	Yes
Observations	13,879	15,711
Adjusted $R^2$	0.59	0.63

Reproduced:

	(1)	(2)
	Cross-border ratio b/p	Cross-border ratio b/p
Target democracy	-0.529** (0.012)	-0.204*** (0.006)
Target High EPL=1 # Target d~c	0.366* (0.090)	
Target High EPL	-0.027 (0.214)	
Target Environmental tax=1 #~r		0.142 (0.432)
Target Environmental tax		-0.011 (0.538)
Target Country FE	Yes	Yes
Acquirer Ctr X Year FE	Yes	Yes
Obs	13879	15711
Adj-R2	0.59	0.63

## 4.31. TABLE IA16: DEMOCRACY AND CROSS-BORDER MERGER FLOWS: NATURAL RESOURCES

Original:

	(1) Cross-border ratio	(2) Cross-border Ratio
$\Delta$ Democracy	0.289*** (0.003)	
Target democracy		-0.317** (0.023)
Time-varying controls	Yes	Yes
Time-invariant controls	No	Yes
Year FE	Yes	No
Country pair FE	Yes	No
Target country FE	No	Yes
Acquirer country $\times$ year FE	No	Yes
Observations	13,968	13,968
Adjusted $R^2$	0.62	0.63

Reproduced:

	(1) Cross-border ratio b/p	(2) Cross-border ratio b/p
$\Delta$ Democracy	0.289*** (0.003)	
Target democracy		-0.317** (0.023)
Year FE	Yes	No
Target Country FE	No	Yes
Acquirer Ctr X Year FE	No	Yes
Country Pair FE	Yes	No
Obs	13968	13968
Adj-R2	0.62	0.63