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This study examines the relation between political parties in the United States and foreign direct investment (FDI) using a panel data gravity model of 42 countries from 1980 to 2006. The Democratic Party and the Republican Party differ on economic platforms, and the changing of relative power in government between the two parties may pose political risk for FDI decisions by firms. And the political parties may seek out the support of voters whom respond differently to FDI. The findings of the study indicate that Democratic presidents and higher percentages of Democratic Party members in the Senate negatively relate to inward U.S. FDI with the Democratic president accounting for about one percent of average yearly inward FDI. Additionally, it finds Democratic presidents significantly and negatively relate to contemporaneous outward U.S. FDI, but by less than one percent of the yearly average outward FDI. Outward FDI negatively relates to high percentage of Democrats in the Senate under a one year lag. The Democratic Party is negatively related to FDI to and from developed countries and insignificantly related for developing countries. This result suggests that party control has significant but small effects on U.S. FDI.

Do Parties Matter in FDI: How U.S. Political Parties Relate to U.S. FDI in a Gravity Model Setting

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I understand that my thesis will become part of the permanent collection of Oregon State University libraries. My signature below authorizes release of my thesis to any reader upon request.

Harold Andrew Helm, Author

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Do Parties Matter in FDI: How U.S. Political Parties Relate to U.S. FDI in a Gravity Model Setting

Chapter 1- Introduction

A large literature addresses the interaction between democracy and foreign direct investment (FDI).[1] This literature raises a related question; do political parties within a democracy relate to FDI? Political parties differ on policies for promoting trade, growth, better business environments, and FDI. From 1980 to 2006, international trade and foreign direct investment were public political issues, including the statement of Ross Perot's "giant sucking sound" of NAFTA, the foreign ownership of U.S. assets, and the outsourcing of jobs.[2] Moreover, there have been recent high profile incidences where the U.S. legislature has influenced FDI: Cnooc's bid for Unocal in 2005 and the Dubai port issue in 2006.[3] After all, it is a political party's control of government that changes tax rates, tariff rates, treaties, and laws that are believed to affect FDI.[4] However the extent to which a particular party can influence FDI in reality is unclear. Therefore, this study seeks to answer the question: do political parties significantly related to FDI in the U.S.?

FDI is often expensive to disinvest, so multinational enterprises (MNE) may react to changing political situations that change the expected costs and benefits of FDI compared to other options. Political parties change the "rules of the game;" moreover, the rule changes may be temporary, permanent, or dependent on the political environment.[5] Firms must form expectations on the changing political environment and the relative strength between political parties. Less favorable environments may cause firms to forgo or delay FDI. Positive environments may encourage more FDI. American firms may change their own outward FDI depending on the ease of exporting, importing, and the treatment of overseas and

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[1] For investigations see Farhad Noorbakhsh and Alberto Paloni (2001) p. 1599, Nathan M. Jenson (2003) pp. 588, Quan Li and Adam Resnick (2003) pp. 175, and Jo Jakobsen and Indra de Soysa (2006) pp. 384.
[2] Edward M. Graham and Paul R. Krugman (1995) p. 1, Reform Party Official Website accessed 2008.
[3] C.S. Eliot Kang (1997) discusses other instances where the U.S. government became involved with FDI including the Fairchild-Fujitsu controversy in 1986 and CFIUS investigations of Huels A.G. in 1988, Fanuc Ltd. in 1990, and Taiwan Aerospace Corporation in 1991 (pp. 320, 327-9).
[4] For a review on empirical FDI determinants see Bruce A. Blonigen (2005).
[5] Either way the effects of temporary changes and rational expectations may need to be kept in mind, see Milton Friedman (1957) and Thomas J. Sargent (1994).

national profits. However, the casualty may move the other direction as well. Political parties may win over voters in response to FDI by multinational firms.

The next chapter will cover more motivation and previous literature regarding the relation between politics and FDI. The third chapter will review the model and the data sources used in this study. The results of the model appear in chapter four and chapter five. The conclusion regarding political parties and FDI is chapter six.

Chapter 2- Literature Review and Motivation

Many theories attempt to explain foreign direct investment.[6] Graham and Krugman (1995) cite Stephen H. Hymer (1976) as shaping the industrial organization view that multinational enterprises must deal with costs that national firms do not need to confront. Graham and Krugman (1995) point out "these extra costs include those of managing geographically widespread operations and those of dealing with different languages, cultures, technical standards, and customer preferences.[7]" In order to overcome these extra costs, a MNE must possess some firm-specific advantage over other firms. Graham and Krugman (1995) say that Hymer "speculated that these advantages largely took the form of economies of scale or of superior technology.[8]"

The ownership, location, and internalization (OLI) paradigm of John H. Dunning puts forth a framework by which foreign owned activities come from three advantages.[9] The advantages are ownership, location, and internalization advantages. Ownership advantages come from firm-specific strengths over its rivals, be it production, marketing, economies of scale, diversification, managerial skills, capital access, or domestic access.[10] Location refers to location specific advantages that firms can use due to lower input prices, abundance of specific resources, the size and competition of demand markets, transport and local managerial costs, tariff and non-tariff barriers, taxation, attitudes towards foreign direct investment, and risk factor of the location.[11] Finally, internalization causes firms to seek control over specific assets, usual proprietary knowledge, instead of licensing agreements, or to avoid imperfect markets, holdups, or contractual problems.[12]

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[6] For more theories on FDI and multinational enterprises, including product life cycle, appropriability, underdevelopment, protectionist jumping, and currency instability theories see David N. Balaam and Michael Veseth (2005).
[7] Graham and Krugman (2005) p. 192.
[8] Graham and Krugman (2005) p. 192.
[9] See Dunning (1977) and Dunning (1988).
[10] See Dunning (1988), Philip Mccann and Ram Mudambi (2004), Giorgio Barba Navaretti and Anthony J. Venables (2004), Jensen (2006), and Richard E. Caves (2007).
[11] See Dunning (1988), Mccann and Mudambi (2004) pp. 497, Navaretti and Venables (2004), Jenson (2006) and Caves (2007).
[12] See Dunning (1988), Mccann and Mudambi (2004), and Navaretti and Venables (2004), and Elhanan Helpman (2006).

The knowledge-capital model placed the OLI paradigm into an analytical framework that uses two motives for firms to use FDI, market access and comparative advantage.[13] The market access motive drives firms to pursue FDI to decompose production and sales processes to avoid costs of international trade, such as transportation, tariff, and non-tariff costs, and to increase responsiveness and access to consumers. Additionally, the comparative advantage motive drives firms to use location and scale advantages by agglomeration of production and sales processes. These dispersion and agglomeration forces drive FDI in a changing environment in the knowledge-capital model.

If a multinational firm decides to access a foreign market, there are a variety of ways a firm can proceed: exporting, turnkey projects, licensing, franchising, joint ventures/partnerships, wholly owned subsidiaries, greenfield investment, merger and acquisition, and strategic alliances with another multinational firm.[14] Each method brings with it advantages and disadvantages. However, if an FDI mode of entry is selected, it is often expensive to disinvest. Due to this expense, firms must choose carefully their mode of entering foreign markets, and weight the costs and benefits for each particular country market.

The costs may be specific to a particular country; likewise, each country brings different risks, including political and economic risk.[15] Hill (2005) defines political risk "as the likelihood that political forces will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a particular business.[16]" Closely related is economic risk, which may be defined as the possibility of economic mismanagement, or change in economic goals, that changes the business environment that will affect the profits and goals of particular firms.[17]

This political and economic risk comes from differing views on international political economy, which political parties, or factions within them, may look to for views on the relation between the role of government and the role of economic policy. Economic liberalism (laissez-faire laissez-passer or free-market view), economic nationalism (mercantilism, or pragmatic nationalism), and structuralism (or

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[13] See Stephen Ross Yeaple (2003), James R. Markusen (2004), and Navaretti and Venables (2004).
[14] Charles W. L. Hill (2005).
[15] Hill (2005).
[16] Hill (2005) p. 79.
[17] Hill (2005) p. 79.

Marxism) describe three different relations between political and economical activity, including FDI and the actions of MNE's.[18] Economic liberalism has "sought to demonstrate that free markets, unfettered by state regulation, would result in the greatest propensity for all.[19]" This theory puts emphasis on wealth creation over wealth distribution, and limits government role to "protecting private rights of property and contract and correcting market failures.[20]" The free movement of capital across borders is advocated as a compliment to trade due to its ability to circumvent trade barriers, assist in production and technology in accordance with comparative advantage, and lowering of transaction costs between affiliated companies.[21] In this way, Hill states that "within this framework, the MNE is an instrument for dispersing the production of goods and services to the most efficient locations around the globe. Viewed this way, FDI by MNE increase the overall efficiency of the world economy.[22]" Thus, FDI is a net benefit for both the host and source country.

Economic nationalism views the world as containing gainers and losers to economic activity and the "state's economic policy should serve its political policy.[23]" In this view, FDI has benefits and costs, and economic nationalism seeks to maximize benefits and minimize costs of FDI subject to the government's goals.[24] As such, the government may offer incentives for firms for inward or outward FDI or block FDI depending on the goals of the state. The rational for ownership restriction may include protecting infant industries, national security industries, or the idea that firms with more local ownership are better able to increase benefits of natural resources, technology, and employment for the host country.[25] Even nations espousing free market ideologies still retain and use interventions in FDI and restrictions of FDI on economic national grounds. Hill (2005) points out, the U.S. prohibits outward FDI into certain countries and restricts FDI into some industries on nationalist grounds and retains "the right to review

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[18] There are more theories relating government and trade than listed here, but these are the dominant three in the last 100 years. For a more comprehensive review see Robert T. Kudrle and Davis B. Bobrow (1982), Kenneth J. Vandevelde (1998), Balaam and Veseth (2005), and Hill (2005).
[19] Vandevelde (1998) p. 623.
[20] Vandevelde (1998) pp. 623-624.
[21] Vandevelde (1998) p. 624.
[22] Hill (2005) p. 241.
[23] Vandevelde (1998) p. 622.
[24] Hill (2005) p. 242.
[25] Hill (2005) p. 255.

foreign direct investment on the grounds of 'national security.[26]'" Furthermore, government policy on FDI is inseparable from a government's foreign policy; the tools used to affect FDI are tools to be welded with regard to other nations.[27]

Structuralism emphasizes the unequal access to wealth, production, and technology between nations and groups of people. It views FDI and "the MNE as a tool for exploiting host countries to the exclusive benefits of their capitalist-imperialist home countries.[28]" It argues that FDI strips host countries of gains, or at least that few gains accrue to the host country. Firms keep tight control over their own technology and do not always give important jobs to host country citizens.[29] FDI may be a type of neocolonialism where resources on the host country are not under the control of the host country, or worse, it may create a dependency on the host country to the source country.[30] In order to prevent this, structuralists advocate the state should take a strong interventionist role on dealing with FDI to defend itself and its people from MNE's.[31]

Political risk comes from governments vacillating on influencing FDI and using a variety of methods to influence FDI.[32] FDI is affected globally by changing the incentives for a firm to produce in the country such that these government policies affect MNE and national firms within the country in the same way. These changes could affect inward FDI or outward FDI depending on the change. These global changes include corporate tax rates, property tax rates, payroll taxes, minimum wages, pollution regulation, labor regulation, interest rates, money supply, and social policies such as health and education policies.[33] Moreover, these global government policies may influence FDI as unintended or intended effects.

FDI is also affected specifically by changing the incentive for a firm to produce in the country such that these government policies affect MNE and national firms within the country differently, often to

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[26] Hill (2005) p. 242, Hill says outward FDI prohibited into Cuba and Iran, and inward FDI is regulated in airlines and telecommunication.
[27] Kudrle and Bobrow (1982) p 354.
[28] Hill (2005) p. 240.
[29] Hill (2005) p. 240.
[30] Vandevelde (1998) p. 625.
[31] Vandevelde (1998) p. 625.
[32] See Vandevelde (1998) and Hill (2005).
[33] See Thomas A. Gresik (2001) and Mihir A. Desai, Fritz Foley, and James R. Hines Jr. (2003) for a discussion on taxes relating to FDI and MNEs and a list of references. See Vandevelde (1998) for a discussion on bilateral investment treaties.

encourage or discourage FDI or trade. These specific policies often affect specific industries or countries. Examples of specific policy include double taxation of foreign income, tariff rates, non-tariff barriers to trade, subsidies, bilateral investment treaties, free trade treaties, transfer pricing laws, tax incentives or penalties, industry restrictions, ownership restrictions, capital controls, government insurance, and political pressure on foreign countries for their own global or specific policy. Moreover, the government may specifically become involved with certain FDI on national or economic security grounds.[34] Kang (1997) discusses how Congress and the U.S. president affect FDI, including the Committee on Foreign Investment in the United States (CFIUS) and the Exon-Florio amendment to the Omnibus Trade and Competitiveness Act of 1988.[35] Kang (1997) also discusses instances where the U.S. government became involved with FDI on nationalist grounds including the Fairchild-Fujitsu controversy in 1986 and CFIUS investigations of Huels A.G. in 1988, Fanuc Ltd. in 1990, and Taiwan Aerospace Corporation in 1991.[36] Furthermore, the mentioned afore Cnooc's bid for Unocal in 2005 and the Dubai port issue in 2006.

The Democratic Party and the Republican Party in the U.S. differ on positions relating to foreign direct investment and business environments, such as trade treaties, tariffs, subsidies, and taxation. The 2004 Republican Party platform espouses a position to form international agreements to reduce trade barriers, expand access to foreign markets, reduce business regulation, and reduce taxes.[37] On the other hand, the Democratic Party supports "fair trade agreements that raise standards for all workers here and abroad, while making American businesses more competitive" and does not want the U.S. tax code to "reward companies for moving American jobs overseas.[38]" Additionally, each party may seek and receive the support of different groups of people that respond in different ways to the current economic situation, because FDI brings gainers and losers for employment, owners of firms, owners of capital, sense of

[34] See Krugman (1995) pp.126-40, Kang (1997) and Hill (2005).
[35] Kang (1997) pp. 320, 327-9.
[36] Kang (1997) pp. 320, 327-9.
[37] 2004 Republican Party Platform accessed 2008.
[38] The Democratic Party accessed 2008.

security, and access to goods and services.[39] Benjamin O. Fordham and Timothy J. McKeown (2003) find that industry contributions to political parties vary across industries.[40]

Nolan McCarty, Keith T. Poole, and Howard Rosenthal (2006) identify several current trends in U.S. legislators; first, political conflict is being revealed in liberal-conservative terms in roll call votes.[41] Second, "the dispersion of positions of members on the liberal-conservative dimension has increased.[42]" Third, "The ideological composition of the two political parties has become more homogeneous.[43]" Fourth, the average party member position has widened relative to the other party. Lastly, and most important for discerning a relationship between parties and FDI, party positions overlap less than they used to in the past, as time has passed there has been fewer moderate legislators elected.[44] The differing positions of the political parties and their platforms may constitute political or economic risk for particular industries when the parties switch in power status. Firms, in weighing expensive FDI decisions must look at the current political environment and the future political environment.[45]

However, a party may not be able to implement its particular platform even when it has control over the Senate, the House of Representatives (House), or the presidency due to the check and balance nature of U.S. government and the dissention of its own party members.[46] Gene M. Grossman and Elhanan Helpman (2005) create a model that includes a distortion of outcomes between the "policy rhetoric" and "policy reality" due to party dissention, and they conclude that dissention and interests of home districts

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[39] Kang (1997) states "political candidates of both parties, but especially the Democratic Party, were trying to exploit the economic grievances against Japan for electoral purposes" in the mid-1980s (p. 318).
[40] pp.533-535. Fordham and McKeown (2003) find industry contributions to political parties "generally match conventional wisdom and previous research about industries associated with Republicans and Democrats," with entertainment, lawyers, and education pro-Democrats and labor-intensive industries and electronics industries pro-Republicans (p. 534-5).
[41] For a discussion on the causes and consequences of party polarization since 1980, see McCarty, Poole, and Rosenthal (2006) and Ronald Brownstein (2007).
[42] McCarty, Poole, and Rosenthal (2006) p 23.
[43] McCarty, Poole, and Rosenthal (2006) p 24.
[44] McCarty, Poole, and Rosenthal (2006) p 24.
[45] Political parties change the "rules of the game;" however, the rule changes may be temporary, either way the effects of temporary changes and rational expectations may need to be considered similar to Freidman (1957) and Sargent (1994). However, Dennis P. Quinn and Robert Y. Shapiro (1991) argue that "taxation policies and income distribution policies will be effective, even if anticipated, owing to the resulting change in relative prices and to the limited ability of agents to arbitrage taxes" (p. 660).
[46] James M. Snyder, Jr. and Tim Groseclose (2000) find "that party clearly matters in congressional voting, even after controlling for preferences;" however, the ability for a party to influence its members varies across issues and across time (pp 203, 206).

create the existence of a protectionist bias in majoritarian politics.[47] Protectionism affects FDI, by changing the incentives to use FDI and to trade in order to access markets. Even with a protectionist bias, if one party is more protectionist than the other, it could mean a party would be related to FDI. This implies national and foreign firms must make a guess on the ability of parties to implement party platforms. Foreign firms and U.S. firms may react to changes in political party members in the legislative and executive branch in the U.S. Moreover, firms may change foreign direct investment depending on U.S. tax rates, legality, ease of exporting, and ease of returning profits back to and from the Unites States, which are in the realm of political party ideals. Firms must form expectations on the political environment within the United States, and any expectations of less favorable environments will hinder firms from investing in the U.S.

Other authors have empirically investigated political parties and there relationship to FDI, taxation, and business environments. Quinn and Shapiro (1991) use various data from 1954-1987 and find "Democratic administrations have promoted growth through a consumption-led strategy that has decreased real interest rates and increased business taxation, and Republican administrations have promoted growth through an investment-led strategy that has increased real interest rates and decreased business taxation.[48]" Similarly, Duane Swank, and Sven Steinmo (2002) find Christian Democratic governments are positively related to corporate tax rates and left governments are related to higher capital tax rates using time-series cross-sections from 1981-1995 for thirteen countries.[49] Carla Inclan, Dennis P. Quinn, and Robert Y. Shapiro (2001) find Democratic Presidents associated to an increase in the corporate tax rate.[50] Thus, if these continue to hold true through 2006, and an increase in corporate taxation reduces inward FDI, then the Democratic Party should be negatively related to inward FDI. Additionally, Inclan, Quinn, and Shapiro (2001) find FDI outflows to be a small and positive significant response to a Democratic president using a vector autoregressive model from 1981 to 1998.[51]

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[47] Grossman and Helpman (2005) pp. 1239-40.
[48] p. 677, 678.
[49] p. 650.
[50] They also find positive FDI inflows and negative FDI outflow as responses to increases in the corporate tax rate. p. 196.
[51] The Inclan, Quinn, and Shapiro (2002) use FDI flows in a vector autoregressive model.

Investigating political parties and FDI contains several difficulties. There are three types of actors in the process: voters, political parties, and multinational firms, all of whom may affect each other. Voters may have preferences about FDI which firms respond to in determining FDI decisions. Firms may be directly sensitive to people's preferences for reputation and marketing reasons; because, people are voters, workers, and consumers. Likewise, firms can affect people's preferences of FDI through marketing, charitable contributions, price of goods, and wages of workers.

Politicians and political parties respond to voter sentiment on FDI. In particular, it is possible that political parties' wins of legislature seats has causality in both directions in a model of FDI. First, Bruce A. Blonigen and David N. Figlio (1998) found evidence that direct foreign investment causes divergent behavior in U.S. legislators, those with a leaning towards free trade that see FDI in their own district typically resist protectionist legislation in the future; whereas, for more protectionist legislators, FDI in their district toughen their protectionist stances in the future.[52] It is possible that voters reelect such legislators due to their changing responses to FDI as positive feedback.[53] Second, firms may use captured rents to win influence and capture legislation or legislators hoping to continue to keep and expand rents by using political contributions.[54] These rents may deal with economic and political environments that encourage or discourage FDI. Grossman and Helpman (1994) create an endogenous model of interest groups trying to win influence of government trade policy; moreover, Pinelopi Koujianou Goldberg and Giovanni Maggi (1999) find evidence that the "pattern of protection in the United States in 1983 is broadly consistent with the predictions of the [Grossman and Helpman] model.[55]"

Although this causality between firms and political parties is a problem, it may not be a large one; because political parties in the U.S. have platforms much larger than economic and social issues affecting

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[52] Blonigen and Figlio (1998) pp. 1012-3.
[53] These legislators could be following party platforms or be dissenters of such platforms. Also, voters may elect politicians in response to outward FDI such as outsourcing.
[54] Thomas J. Rudolph (1999) finds both Republican and Democratic incumbents in the House of Representatives receive more corporate political action committee contributions when in party majority status than when in party minority status and corporate contributes more to Republicans than Democrats, all else equal (p. 201-2). Whereas labor political action committee contributions did not give extra money to the party in majority compared to when the given party was in minority, and labor contributed more to Democrats than Republicans, all else equal (Rudolph 1999 p. 204). Rudolph (2001) attributes this to the difference in how corporate and labor view strategies of investments (p. 204).
[55] Grossman and Helpman (1994) and Goldberg and Maggi (1999) p. 1135.

trade, business environment, and FDI. Voters do not elect politicians one dimensionally, but rather politician are 'bundles' of policies and priorities elected by voters; FDI issues are assumed to be a small part in how political parties are elected. In addition, Stephen Ansolabehere, John M. de Figueiredo, and James M. Snyder Jr. (2003) find corporations, unions, and other interest groups give too small of contributions to buy direct policy, and "individuals are the main source of money in U.S. campaigns," thus protecting themselves from special interests.[56] In addition the authors postulate that contributions buy access to busy legislators and not policy itself.[57]

Another problem is timing; it is conceivable that any change by political parties affecting FDI will precede or lag the realization of changing party control in the U.S., as party changes are not usually instant exogenous shocks. On the other hand, there exists a delay between putting forth a legislative idea, getting it passed and reconciled, and finally a date when the new law takes effect. Also, if voter preferences are the driving force in expressing the relation between parties and FDI, there may be a delay between voter preference changes and the change in politicians. Change in political party attributes overtime may weaken any results. An implicit assumption is any change within a party dealing with FDI is narrower than the difference between the parties and sufficient inertia within parties exists so they change slowly or remain apart from each other during the narrow time period in the sample. However, as McCarty, Poole, and Rosenthal (2006) and Brownstein (2007) point out, since 1980, the political environment in the U.S. has been marked by an increase in polarization with a decrease in moderates.

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[56] 2003 pp. 23-4. McCarty, Poole, and Rosenthal (2006) also point out that "contributions from individuals typically constitute more than one-half of all monies raised by congressional candidates in each election cycle;" however, they find many of the largest individual donors are extremist (p. 153-156).
[57] Ansolabehere, de Figueiredo, and Snyder Jr. (2003) pp. 23.

Chapter 3- Materials and Methods

3.1 Model

Assume voters must choose between two parties that each put forth a platform representing that party's goals for action in government. The platform consists of ideas that both directly deal with FDI and ideas that do not directly deal with FDI. Ideas such as NAFTA may affect FDI immediately; whereas, ideas dealing with health care and education may not affect FDI in the near term, but may be an influence in years to come. Assume that for every time *t*, one party puts forth a platform that positively relates to FDI more than the other party in the view of firms and voters. The ability of a party to put forth its platform will depend on the number of relative seats the party receives in government and control of the executive branch plus some error representing the ability of a party to carry out its platform due to exogenous factors. Multinational enterprises look at the expected political environment and choose FDI based on it plus other known FDI determinants. This implies FDI is a function of the number of relative seats the parties receive in the government and control of the presidency, and FDI is positively related to the party with a platform that is relatively better for FDI.

3.2 Empirical Model

The control variables utilized look to gravity models. Gravity models use the idea that the sizes of economies are positively related to trade and FDI, because consumers in wealthier economies demand more variety of goods.[58] And economies that are far apart in physical distance are negatively related to trade due to the higher trading costs associated with being farther apart.[59] A similar gravity model is used by James R. Markusen and Keith E. Maskus (2002) and David L. Carr, James R. Markusen, and Keith E. Maskus (2001).[60] Ayca Tekin-Koru and Andreas Waldkirch (2008) use FDI stock as the dependent variable in a difference in difference model using the sum and difference squared of two country's GDP. In addition,

[58] Beth V. Yarbrough and Robert M. Yarbrough (2006) p. 137.
[59] Yarbrough and Yarbrough (2006) p. 137.
[60] These authors use the product of GDP and the difference in gross domestic product between two countries and square it. They use real affiliate sales as the dependent variable.

land border dummies and language dummies are used by Selen Sarisoy Guerin (2006) and W. Hejazi and A.E. Safarian (2001).[61] Lastly, the model contains a measure of trade openness similar to Jensen (2003).[62]

The model will first be used to look at total FDI. The hypothesis questions if political parties are significantly related to U.S. FDI. To test this hypothesis the following estimating equation will be used:

(1) $\mathbf{FDI}_{it} = B_0 + B_1\mathbf{SumGDP}_{it} + B_2\mathbf{DifGDPsqu}_{it} + B_3\mathbf{Openness}_{it} + B_4\mathbf{Distance}_{it} + B_5\mathbf{Language}_i + B_6\mathbf{LandBorder}_i + B_7\mathbf{SeaAccess}_i + B_8\mathbf{Politic}_t + e_{it}$.

Where $\mathbf{FDI}_{it}$ will be run separately as,

1. $\mathbf{USIFDI}_{it}$ = United States inward FDI from country *i* to the United States in year *t*
2. $\mathbf{USOFDI}_{it}$ = United States outward FDI from the United States to country *i* in year *t*.

Since larger total market size would encourage foreign production the coefficient estimate on SumGDP is expected to be positive in order to have more market access and to capture possible economies of scale. The coefficient estimate on DifGDPsqu would be expected to be negative for FDI, because relatively smaller economies would promote exporting rather than using FDI for production to increase economies of scale. The variable Openness is a rough measure of the ease and willingness of a country to engage in trade; however, the sign of the coefficient estimate on the Openness variable is ambiguous. Relative trade openness of the country could be positively related if FDI is complementary to trade. In contrast, the coefficient estimate on openness may be negatively related as FDI is a method of getting around tariff and non-tariff barriers to trade. The coefficient estimate on Distance is also ambiguous in sign. The greater the distance the more expensive trade in goods is relative to setting up local production using FDI. But again, the relation could be negative, closer affiliates are easier to control and distance may also measure similarity of laws, customs, and consumer preferences. Similar language implies an easier time writing contracts, interpreting and finding partners, and acquiring knowledge of local market conditions; hence, the coefficient estimate on Language is expected to be positively related to FDI. Sea access and land borders would decrease the cost of trading goods; accordingly, the coefficient estimates are expected to be negatively related to FDI. However, they could be positively related, since FDI may be used

[61] The first author looks at FDI inflow and geography. The latter authors use imports and exports as dependent variables with inward and outward FDI stock as independent variables in a gravity model with product of GDP.

[62] This is similar to the variable TRADE in Jensen (2003).

to increase trade in taking advantage of country comparative advantages. Country fixed effects will absorb the distance, language, land border, and sea access dummies as they do not vary across time.

Politic$_t$ will be run separately as,

(2) **Politic**$_t$= **President**$_t$

(3) **Politic**$_t$= **PerHouse**$_t$

(4) **Politic**$_t$= **PerSenate**$_t$

(5) **Politic**$_t$= **Index**$_t$= (**PerHouse**$_t$+ **PerSenate**$_t$+ **President**$_t$)/3.[63]

Where *i* represent the countries and *t* represent the years, 1980 to 2006.

The political variables will be run to look at the relation of party control to FDI. First, equation (2) presumes that a party that has control of the presidency will be in a better position to put forth its platform. And the president, as head of state, is a symbol for the political party that controls it and a rough symbol of the perceived attitudes of a nation. Second, equation (3) and equation (4) look at the relative number of party members that belong to the Senate and House, since the more members a party has relative to the other parties the easier it should be to implement party platforms.[64] Lastly, equation (5) looks at an equal weight index combining equation (2), (3), and (4). Equation (5) will capture the political variation using fewer variables than placing all of the other political variables together.

In equations (2), (3), (4), and (5) the coefficients will be interpreted as the variation in FDI related to the respective political variable. The political variables are in terms of the Democratic Party; accordingly, a negative (positive) coefficient would imply the Democratic Party is negatively (positively) related with FDI. First, the significance of the coefficient estimate on the political variables must be checked, if they are not significant, the hypothesis is answered in the negative. It is possible that the coefficient estimate on the presidential dummy will be significant and not the coefficient estimate on the variables dealing with the House or Senate. If the sign on the coefficient estimates on the political variables between equations (2), (3), and (4) vary or if the signs vary across industries, it would question

[63] Quinn and Shapiro (1991) discuss using control dummy variables. Equations (3) and (4) were tried using a dummy for Democratic Party majority control, but the results were generally an insignificant coefficient on the variable.

[64] Using Party majority control dummies in the House and the Senate resulted in mostly insignificant coefficients of the majority control dummy.

the influence on party on FDI. Because a single party would be related to both increasing and decreasing FDI, this does not fit the idea of a party having a single goal for its members within the time period. This may also be manifested due to the check and balance nature of U.S. government, party dissention, or it may be due to voter or firm pressure to be differentiated by country or industry. The coefficient estimate on the political variables may vary in sign for different sectors, as sectors vary in the demands they place upon legislators and the sensitivity of voters to perceived inward and outward FDI in the sector. The size of the coefficients on the political variables can be looked at relative to the total yearly average FDI in and out of the countries in the sample. This would present a relative benchmark of the relation of parties with FDI. If the relative value is small, then parties cannot have a large impact on FDI. Due to the time effects noted earlier, these political variables can be run for contemporaneous FDI as well as leading or lagging relative to FDI.

Parameters are estimated by using Prais-Winsten regressions with panel corrected standard errors under the assumption that the variance-covariance disturbances are heteroskedastic and contemporaneously correlated across panels.[65] Unless noted, the pairwise method of computing the variance-covariance matrix was used due to the panel being unbalanced. The pairwise method uses all available time periods common between two panels to compute each corresponding element in the covariance matrix.

An alternative to the Prais-Winsten regressions with panel corrected standard errors is feasible generalized least squares (FGLS). Both Prais-Winsten and FGLS are consistent under similar assumptions; however, FGLS is more efficient. Nathaniel Beck and Jonathan N. Katz (1995) show that when using a small number of panels and time periods, the panel corrected standard errors method gives better estimates than FGLS, and they argue that using panel corrected standard errors is better to use despite losing the efficiency of FGLS.

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[65] Under the assumptions that the variance-covariance disturbances are heteroskedastic and contemporaneously correlated across panels, the Prais-Winsten is ordinary least squares with panel corrected standard errors.

3.3 Data

The data involves 44 countries from 1980 to 2006 in an unbalanced panel, unless otherwise noted. The United States inward ($USIFDI_{it}$) and outward ($USOFDI_{it}$) real FDI stock and U.S. trade in goods is from the Bureau of Economic Analysis (BEA) and is in millions of year 2000 dollars. Real gross domestic products (GDP) in billions of U.S. year 2000 dollars are from the International Monetary Fund (IMF). $SumGDP_{it}$ is the sum of U.S. GDP and country *i*'s GDP for each year *t*. $DifGDPsqu_{it}$ is the square of the difference between U.S. real GDP and country *i*'s real GDP for each year *t*. $Openness_{it}$ is imports of goods plus exports of goods from country *i* to and from the U.S. in year *t* all divided by real GDP_{it}. Distance is between the respective country's capitals to Washington D.C. in kilometers.[66] The variable Corporate Tax will be added to control for one tool political parties use to put forth a platform in government. The Corporate Tax variable is the highest U.S. marginal corporate tax rate in year *t*, and is created from the Tax Policy Center Urban Brookings Institution website.[67]

The political variables, $PerHouse_t$ and $PerSenate_t$ are the percentage of legislators out of the total that are declared members of the Democratic Party in the House and Senate, respectively, on January 3rd of year *t* until the next election.[68] $President_t$ is a dummy variable that takes on the value 1 if the Democratic Party posses the presidency from February 1st to November 31st of year *t*. All political variables last for 2 year duration (a popular election occurs and members are counted by their presence and party declaration on Jan 3rd until the next election year), because vacancies are relatively rare, most vacancies are appointed by governors, and the party of the legislative seat usually does not change. The exception is in the Senate between 2001 and 2002, where several senators changed parties in order to change control of the Senate.[69] The above political variables can be created from their respective government websites.[70]

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[66] Western Hemispheric Research Resources accessed 2008.
[67] Tax Policy Center Urban Institute and Brookings Institution: http://www.taxpolicycenter.org/ accessed 2008.
[68] Elected legislators not affiliated with either the Democratic Party or the Republican Party represent less than two percent in the Senate and one half a percent in the House in every year between 1980 and 2006.
[69] Thus, political indicators in the Senate change consecutively in 2000, 2001, 2002, and 2003.
[70] Office of the Clerk: http://clerk.house.gov accessed 2008, The Presidents of the United States: http://www.whitehouse.gov accessed 2008, and U.S. Senate: Art & History Home: http://Senate.gov accessed 2008.

Chapter 4- Results

4.1 Inward FDI

Table 1 presents the gravity model with the presidential dummy in lagging, contemporaneous, and leading years relative to inward FDI years. The coefficient estimates on the control variables are all significant. As expected, inward FDI is positively related to the combined market sizes, and negatively related to the difference squared between the markets. However, unexpectedly, FDI is positively related to openness. This gives evidence that market openness to trade of a country is complementary rather than a substitute to FDI. The coefficient estimate on the presidential dummy as a one year lag is insignificant in regression (1.2). Implying the Democratic Party control of the presidency in year t-1 is not significantly related with inward FDI in year t. In regressions (1.3) and (1.4), the coefficient estimates on the presidential dummies in year t and year t+1 are significantly and negatively related with inward FDI in year t. However, the coefficients on the political variables represent about a one percent and a two percent decrease of average yearly inward FDI stock for contemporaneous and lead years, respectively, for Democratic presidential control.[71]

The coefficient estimate on the political variable PerHouse contained in Table 2 is insignificant in three specifications. The PerHouse variables have a high correlation with SumGDP and DifGDPsqu. The change of seats in the House between the Democratic and Republican Parties does not significantly explain variation in yearly FDI. Unlike PerHouse, PerSenate in Table 3 does significantly relate to inward FDI variation. When PerSenate is lagged by one year its coefficient is significantly and negatively related to inward FDI. Similar to the presidency dummies, the Democratic Party is negatively related to inward FDI. However, unlike the presidency dummy, the coefficient estimate on the PerSenate variable is significant as a one year lag and insignificant as a one year lead. Democratic Party seats relative to the entire Senate, explains less than a two percent decrease in inward FDI.[72]

Table 4 uses Index as the political variable. Index takes a higher value for more Democratic Party control in government and a lower value for more Republican Party control. Similar to Table 1, coefficient

[71] Total inward FDI from the 42 countries in the sample is at least 17,406,682 million dollars (year 2000 prices). Thus the average yearly inward FDI is greater than 644,692 million dollars per year for 27 years.
[72] The range of values for PerSenate is 0.58 to 0.44. The PerSenate value for one year lag times its range of 0.14 divided by average yearly inward FDI is roughly 0.016.

estimate on the Index variable is significant and negative for contemporaneous years and under a one year lead. The Index variable relates the Democratic Party to a decrease in inward FDI by less than one and a half percent in contemporaneous years and about 2.6 percent in a one year lead.[73]

Table 5 uses the President, PerHouse, and PerSenate variables in contemporaneous and a one year lag with respect to FDI. The three political variables were tried under a one year lead compared to FDI, but excluded from the table because the resulting covariance estimate was not positive definite. The coefficient estimates on the President and PerSenate variables are both significant and negative in regression (5.3). When the three political variables are run together, President is related with a one percent decrease in inward FDI and PerSenate is related with a two percent decrease in inward FDI, these values are similar to running them independent of each other.[74] The null hypothesis of the linear combination of three political variables equal to zero is not rejected at the 0.05 significance level.

The President political variable is presented under differing specifications in Table 6. Regression (6.1) is a rerun of (1.2) but including the variable Corporate Tax, which is the highest U.S. marginal corporate tax rate in year *t*. The corporate tax rate is one tool that political parties may use to put forth its economic platform or at least use to appear to put forth its economic platform to voters. Controlling for one tool of government policy will give evidence if political parties have a relation to FDI outside of the tool itself. In regression (6.1), the coefficient estimate on the President variable remains significant and negative while controlling for corporate tax rates; however, interestingly the coefficient estimate on the Corporate Tax variable is also positive and significant. The latter implies a higher Unites States corporate tax rate is positively related to an increase in U.S. inward FDI. Inclan, Quinn, and Shapiro (2001) found evidence that an increase in inward FDI flow was a response to the increase in effective corporate tax rates in a vector autoregressive model (p.196). If (6.1) is run with President as a one year lead, its coefficient estimate remains negative and significant.

Regressions (6.2) and (6.3) assume a panel specific autoregressive process of order one (AR(1)). The coefficient estimate on the contemporaneous President variable is insignificant. The coefficient estimate on the President variable as a one year lead is negative and significant, but has a coefficient about

[73] 21,716 times 0.44 divided by 644,692 and 39804*0.42/644,692.
[74] 91,637*0.14/644,692=0.0199 and 6,672/644692=0.010349.

one-third the size than without the panel specific AR(1). Lastly (6.4) uses the original specification without any country fixed effects. In (6.4) the President variable is similar in size than when using country fixed effects, and it is still significant and negative.[75]

4.2 Outward FDI

Outward FDI also may be related to political parties. Table 7 presents the outward FDI with a control regression and other regressions including a presidential dummy under various time scenarios relative to outward FDI. Regression (7.1) is the control. The coefficient estimate on the SumGDP variable is signed as expected; however, the coefficient estimates on the DifGDPsqu and Openness are insignificant.[76] Like inward FDI, the coefficient estimate on the President variable is insignificant as a one year lag to outward FDI. And the coefficient estimate on the President variable is significantly and negatively related to outward FDI as contemporaneous and one year leads. The coefficient estimate on the President as a one year lead represents a less than one percent decrease in average yearly outward FDI.[77] Although the coefficient estimate on the Democratic Party control of the presidency is significantly and negatively related to outward FDI stock, its explanatory power is small.[78]

Table 8 uses the political variable PerHouse. The PerHouse variable has a high correlation with SumGDP and DifGDPsqu. The coefficient estimate on the PerHouse variable is insignificant in (8.2), (8.3), and (8.4). This is evidence that Democratic Party control over seats in the House is not significantly related to outward FDI. All House members face an election every two years, so any political party response from voters could manifest itself in the House. Moreover, political power in the house is top down, so the party in control of the House has a distinct policy advantage. On the other hand, two years is a relatively short time period, firms may be unwilling to deviate expensive FDI decisions based on the possibility of a quickly changing environment in the House that may be overturned 2 years later.

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[75] This remains true for one year lead and lags of the Presidential variable.
[76] If using a smaller sample of 13 countries in a balanced panel, Openness is significantly negatively related to outward FDI.
[77] Average yearly FDI in the 42 countries greater than 757,466 million dollars (year 2000 prices).
[78] This finding of a negative relation of outward FDI stock is in slight contrast to Inclan, Quinn, and Shapiro (2002) who found FDI outflows to be a small and positive significant response to a Democratic president using a vector autoregressive model from 1981 to 1998.

Table 9 uses the variable PerSenate, and in the table the coefficient estimate on the PerSenate variable is only significant when it is used as a one year lead from outward FDI. As a one year lead, the coefficient estimate on the PerSenate variable is negatively related to outward FDI, and explains about one percent of average yearly outward FDI.[79] The relation between PerSenate and inward FDI in Table 3 is strongest when PerSenate is lagged by one year; this is contrasted with the relation between PerSenate and outward FDI, where PerSenate as a one year lead is strongest in Table 9.

The coefficient estimate on the Index political variable presents a negative relation in Table 10. Similar to the inward FDI, the Index variable provides the highest explanatory power of outward FDI. Its coefficient also represents a negative relation between the Democratic Party and outward FDI. Index with a one year lead represents less than a 1.3 percent decrease in average yearly outward FDI.[80] Again, the political variable is significant, but represents a small portion of FDI change.

Table 11 uses the President, PerHouse, and PerSenate variables together. The coefficient estimates on the President and PerSenate both as a one year lead are significant and negative. When the three political variables are used together as a one year lag, their coefficients are insignificant. As one year leads, the President variable relates to about a one percent decline in outward FDI and PerSenate relates to a 1.4 percent decline in outward FDI.[81] When the three political variables are used with a one year lead, the null hypothesis of the linear combination of three political variables equal to zero is rejected at 0.05 significant levels.

Table 12 uses President under several different specifications. Regression (12.1) adds the Corporate Tax variable. Adding the variable leaves President insignificant. This implies corporate tax rates may be an important tool relating to outward FDI. However, the coefficient estimate on the President variable as a one year lead remains significant and negative in (12.2). In (12.1) and (12.2), the coefficient estimate on the Corporate Tax variable is positively related to outward FDI. Comparing regression (12.1) to regression (6.1), the coefficient relative effect of the corporate tax rate is larger in relating inward FDI

[79] 57,386*0.14/757,466.9=0.009849.
[80] 22,087*0.42/757,466=0.012247.
[81] 7,379.728/757,466=0.009743 and 82,103.37*0.13/757,466=0.014091.

than outward FDI.[82] This is consistent with Inclan, Quinn, and Shapiro (2001), where they find that an increase in effective corporate tax rates is related to a small increase in FDI outflow, and they find the tax rate has a higher effect on inflows than outflows.[83] Regression (12.3) imposes a panel specific AR(1) structure, the result is the coefficient estimate on the President variable becomes insignificant and that the coefficient estimate on the Openness variable becomes significant and negative in its relation to outward FDI, these remain true if the President variable is ran as a one year lag or as a one year lead. When the country fixed effects are dropped in (12.4) the coefficient estimate on the political variable becomes insignificant and the control variables that are significant are signed as expected. If (12.4) is used with President as a one year lead or as a one year lag, the coefficient estimate on the political variable remains insignificant. Comparing the inward FDI Table 6 to the outward FDI Table 12, adding the corporate tax controls or dropping the country fixed effects leaves the contemporaneous President political variable significant for inward FDI, but not outward FDI; this may imply that political risk by political party's controlling the presidency is greater for inward FDI rather than outward FDI for the U.S.

[82] Inward FDI effect of corporate tax is 1470.561/644691.9=0.002281. The outward FDI effect of corporate tax is 1124.621/757465.6=.001485.
[83] pp. 196-197.

Chapter 5- Other Results

5.1 Continental FDI

FDI and politics often deal with particular parts of the globe or currently developing nations. Tables 13, 14, 15, and 16 break FDI into continental and developmental status. Each box in the table represents the coefficient estimate on the political variable for one specification and the other independent variables of the gravity model are suppressed from the table. Voter sensitivity to inward and outward FDI seems to appear more aimed at developed countries, specifically Japan and Germany, in the 1980s, and more aimed at developing countries, specifically Mexico, China, and India, nearer to the present year; however, it is interesting in how it appears in these tables for the entire time period. Continental views have also increased, as Europe became the European Union it began to be identified in the U.S. as a single economic body. The continent of Asia may evoke strong sentiment in politicians as the economies of Japan, China, and Southeast Asia gained or lost strength through the years. Canada and Mexico are major trade and investment partners to the U.S., and the public debate continues on NAFTA's gains and losses. Continents matter, not only on public and political perception, but because trade agreements are often formed using continental members, such as NAFTA, Mercosur, European Union, and ASEAN.

Table 13 uses the Index variable and inward FDI. First, the coefficient estimate on the political variable is insignificant for developing nations and significantly negative for developed nations, these remain true with country fixed effects and a one year lead of the Index variable. Second, for 12 Asian nations, the Democratic Party is negatively related to inward FDI. Third, for Mexico and Canada, the Democratic Party is positively related to inward FDI. Canada and Mexico are major trade and FDI partners of the U.S., and NAFTA created a major point of cooperation and tension between the Democratic and Republican Parties in the early and mid 1990s. Although NAFTA went into effect during a Democratic Presidential administration, the different FDI relation for North America relative to other continents expresses a marked difference in how North America is treated differently by voters and political parties compared to the rest of the world during this time period.

Table 14 uses the presidential dummy, and its results are similar to Table 13. The Democratic Party is negatively related to developed nations and Asia, and it is positively related to North America in

the same year and one year lag. Although a small number of observations, the President variable is negatively related to inward FDI for Africa. Like in Table 13, in Table 14, the coefficient on the political variable is insignificant on the developing nation subgroup.

The variable Index without fixed effects is insignificant in Table 15 except for North America using outward FDI as the dependent variable. In Table 10, the coefficient estimate on the Index variable is significant and negative in the same year and in a one year lead relative to outward FDI. However, in Table 15, when outward FDI is broken down by continent, the sign varies. The Democratic Party is positively related to Africa, South America, and North America and negatively related to Asia. Index as a one year lag becomes significant and positive for developing nations, Africa, South America, Europe, and North America.

The Democratic Party control of the presidency as a one year lead is negatively related to outward FDI to developed nations in Table 16. Asian nations outward FDI negatively relates to a Democratic president. Similar to the previous table, South America, Africa, and North America have some significant and positive relation to outward FDI, but it depends on the relation between FDI and the lag, similar year, or lead in the political variable.

5.2 Sector FDI

Finally, the relation between FDI and political parties may vary across sectors in the economy. Differing sectors may depend on different policies from political leaders, and are affected differently by policies from political leaders. In the other direction, voters and politicians may be affected by FDI due to voter or monetary sensitivity to FDI. Table 17 present the results from 30 regressions on the political variable President from 1990 to 2006, the control variable output has been suppressed. First, the coefficient estimate on the political variable with a lag includes more significant values than under a lead or in the same year. Second, the sign of significant coefficients varies between industries; the Democratic Party is positively related to inward FDI in manufacturing industries and negatively related to inward FDI from wholesale and depository institutions.

Table 18 corresponds to Table 17, except it uses outward FDI from 1982 to 2006. Again, the significance of FDI various across industries with the Democratic Party positively related to outward FDI in manufacturing industries. The President variable shows a significant negative relation with outward FDI in depository institutions. Table 17 and Table 18 imply that any relation between political parties and FDI will be dependent upon the level of FDI aggregation. In the country level aggregate data, the Democratic Party is negatively related to FDI, but sector-country level aggregate data the Democratic Party is positively related to manufacturing and negatively related with depository institutions.

Chapter 6- Conclusion

Political parties are important because they use their control of government to try to put forth a platform. Political parties possess differing views on tax rates, tariffs, treaties, and laws believed to influence FDI. As the relative power between the Democratic Party and Republican Party varies through time, there exists economic and political risk for firms in making FDI decisions. In addition, voters may be sensitive to FDI, which may impact the platforms of political parties seeking votes.

The relation between parties and FDI in a country gravity model setting is relatively consistent across political measures. Evidence is found that the Democratic Party is significantly and negatively related with inward and outward FDI in the Senate and for control of the presidency; however, the marginal impact is relatively small. Political parties are shown to be related with developed nations and insignificantly related with developing nations when using country fixed effects.

Introducing the Corporate Tax variable changes the significance level for outward FDI and not inward FDI, and the Corporate Tax variable reduces the magnitude of the coefficient on the political variable. This could imply the power looked to in the corporate tax in relating to FDI, relative to party control in government. It is interesting that PerSenate is significant for lagged values for inward FDI and not outward FDI, although no causality is found, the time relation may be important. U.S. based MNE's versus foreign based MNE's may be differ in sensitivity to legislation in the Senate or to the gain or loss of seats by parties prior to legislation. On the other hand, voters may elect Senators based on FDI found in their own districts or FDI is causing firms to change activities after an election.

However, breaking FDI down by sectors, the party's relation varies across sectors. The Democratic Party is positively related to FDI associated with manufacturing sectors and negatively related to FDI associated with depository institutions. The relation found between parties and FDI does not imply a directional causality from one to the other, as the causality may work in both directions; firms, politicians, and voters play a delicate balance in wants and needs associated with each other. Even so, a relation may be enough for voters or firms to look towards political parties in knowing whom to support for their own interests. Or, it may be enough for political parties to affirm an effect corresponding to a particular platform for voters or firms, despite not knowing actually causality.

The findings in this study may not continue to hold in the future. Political parties and their relative platforms change over time.[84] Also, the tools used by parties should be compared to the tools used in other countries. The magnitude of taxes and tariffs matter, but so does the relative value between countries.

[84] Moreover, the way parties interact and influence members within the House, Senate, and presidency change as differing tools can be brought to bear, such as the rise of the internet (Brownstein 2005). Additional, Brownstein (2005) points out that the way people align to parties changes over time, citizens in the U.S. have moved from aligning with parties that defend their interests to align with parties that identify with their values.

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APPENDIX

Table 1 Determinants of Inward FDI Using Presidential Dummies From 1980 to 2006

Variable: Dependent	(1.1) USIFDI	(1.2) USIFDI	(1.3) USIFDI	(1.4) USIFDI
President One Year Lag		-2338.529 (2172.877)		
President			-6513.818*** (2218.544)	
President One Year Lead				-12161.28*** (2033.854)
SumGDP	19.56776*** (1.91168)	19.85499*** (1.911612)	20.72831*** (1.842877)	22.24986*** (1.719458)
DifGDPsqu	-0.0008904*** (0.0001414)	-0.0009151*** (0.0001408)	-0.0009843*** (0.0001346)	-0.0010982*** (0.0001291)
Openness	33.51117*** (10.82033)	35.41734*** (10.49677)	36.6821*** (10.3981)	31.0102*** (10.2141)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	604	604	604	604
Number of Countries	42	42	42	42
Wald Chi2	2420000	56242.09	1260000	82398.58
R-square overall	0.8352	0.8357	0.8387	0.8449

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 2 Determinants of Inward FDI Using PerHouse From 1980 to 2006

Variable:	(2.1)	(2.2)	(2.3)	(2.4)
Dependent	USIFDI	USIFDI	USIFDI	USIFDI
PerHouse One Year Lag		-42434.36 (39850.94)		
PerHouse			-1708.793 (41567.73)	
PerHouse One Year Lead				27730.84 (29866.94)
SumGDP	19.56776*** (1.91168)	19.0155*** (1.975656)	19.54205*** (2.003149)	20.08651*** (1.946989)
DifGDPsqu	-0.0008904*** (0.0001414)	-0.0009317*** (0.0001422)	-0.0008918*** (0.0001453)	-0.0008866*** (0.0001403)
Openness	33.51117*** (10.82033)	30.8678*** (10.88962)	33.44959*** (10.74433)	34.25979*** (10.57629)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	604	604	604	604
Number of Countries	42	42	42	42
Wald Chi2	2420000	38479.37	3.53e+06	1.02e+06
R-square overall	0.8352	0.8358	0.8352	0.8356

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 3 Determinants of Inward FDI Using PerSenate From 1980 to 2006

Variable:	(3.1)	(3.2)	(3.3)	(3.4)
Dependent	USIFDI	USIFDI	USIFDI	USIFDI
PerSenate One Year Lag		-73529.83*** (27159.64)		
PerSenate			-57496.49* (29756.28)	
PerSenate One Year Lead				-34062.02 (31271.8)
SumGDP	19.56776*** (1.91168)	20.11249*** (1.795022)	20.03964*** (1.861452)	19.79309*** (1.909183)
DifGDPsqu	-0.0008904*** (0.0001414)	-0.0009811*** (0.000137)	-0.0009666*** (0.0001419)	-0.0009242*** (0.0001433)
Openness	33.51117*** 10.82033	23.98928** (10.72166)	30.03555*** (10.56134)	33.84455*** (10.8674)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	604	604	604	604
Number of Countries	42	42	42	42
Wald Chi2	2420000	24929.63	26452.54	73968.84
R-square overall	0.8352	0.8385	0.8371	0.8358

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 4 Determinants of Inward FDI Using Index From 1980 to 2006

Variable:	(4.1)	(4.2)	(4.3)	(4.4)
Dependent	USIFDI	USIFDI	USIFDI	USIFDI
Index One Year Lag		-9256.739		
		(6715.657)		
Index			-21716.91***	
			(6817.679)	
Index One Year Lead				-39804.99***
				(6295.611)
SumGDP	19.56776***	19.92944***	20.80798***	22.33358***
	(1.91168)	(1.89546)	(1.821046)	(1.699877)
DifGDPsqu	-0.0008904***	-0.0009298***	-0.0010102***	-0.0011321***
	(0.0001414)	(0.0001402)	(0.0001341)	(0.0001293)
Openness	33.51117***	35.43449***	36.33662***	30.55421***
	(10.82033)	(10.51057)	(10.40335)	(10.21398)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	604	604	604	604
Number of Countries	42	42	42	42
Wald Chi2	2420000	1.29e+06	142428.62	131677.38
R-square overall	0.8352	0.8360	0.8393	0.8459

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 5 Determinants of Inward FDI Using Presidential Dummies, PerHouse, and PerSenate From 1980 to 2006

Variable:	(5.1)	(5.2)	(5.3)
Dependent	USIFDI	USIFDI	USIFDI
President One Year Lag		-2612.785 (2120.641)	
PerHouse One Year Lag		26362.27 (50453.29)	
PerSenate One Year Lag		-90620.12*** (34836.08)	
President			-6672.4*** (2241.106)
PerHouse			45940.73 (46942.05)
PerSenate			-91637.86*** (33683.53)
SumGDP	19.56776*** (1.91168)	20.9031*** (1.9453)	22.20003*** (1.915952)
DifGDPsqu	-0.0008904*** (0.0001414)	-0.0010042*** (0.000138)	-0.0010712*** (0.0001357)
Openness	33.51117*** (10.82033)	25.54805** (10.37473)	32.87562*** (10.06225)
Country Fixed Effects	Yes	Yes	Yes
Number of Observations	604	604	604
Number of Countries	42	42	42
Wald Chi2	2.42e+06	69516.46	5426.47
R-square overall	0.8352	0.8394	0.8418

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 6 Determinants of Inward FDI Using President With Alternative Specifications

Variable: Dependent	(6.1)[85] USIFDI	(6.2) USIFDI	(6.3) USIFDI	(6.4)[86] USIFDI
President	-4984.66***	-696.1613		-5806.685***
	(1925.538)	(1236.178)		(1545.299)
President One Year Lead			-4577.093***	
			(1492.29)	
Corporate Tax	1470.561***			
	(328.932)			
Distance				-3.112093***
				(0.2381171)
LandBorder				-25292.24***
				(2999.889)
SeaAccess				-49468.76***
				(5745.178)
SumGDP	24.61914***	12.44741***	14.96274***	19.90699***
	(1.990999)	(2.785179)	(2.523042)	(0.9773852)
DifGDPsqu	-0.0011116***	-0.0003112*	-0.0005499***	-0.0010912***
	(0.0001296)	(0.0001701)	(0.0001542)	(0.0000795)
Openness	35.96424***	36.37385***	34.56882***	58.43736***
	(9.894635)	(11.81054)	(10.86408)	(8.203854)
Constant				-12321.9
				(7908.567)
Country Fixed Effects	Yes	Yes	Yes	No
Panel Specific AR(1) Process	No	Yes	Yes	No
Number of Observations	604	604	604	604
Number of Countries	42	42	42	42
Wald Chi2	35584.74	7075.66	9852.56	849.88
R-square overall	0.8452	0.6414	0.6558	0.4737

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Constant, Distance, SeaAccess and LandBorder were absorbed by the fixed effects.

[85] Running this regression using President as a one year lead, the political variable remains significant and negative (-9528.623***).

[86] Running this regression using President as a one year lead, the political variable remains significant and negative (-8511.382***). Running this regression using President as a one year lag, the political variable remains significant and negative (-3405.419**).

Table 7 Determinants of Outward FDI Using Presidential Dummies From 1980 to 2006

Variable:	(7.1)	(7.2)	(7.3)	(7.4)
Dependent	USOFDI	USOFDI	USOFDI	USOFDI
President One Year Lag		-348.0664 (1572.497)		
President			-2919.31* (1683.343)	
President One Year Lead				-6209.957*** (1865.343)
SumGDP	9.033859*** (0.8804303)	9.082313*** (0.8764966)	9.578213*** (0.8531644)	10.3963*** (0.8158027)
DifGDPsqu	0.0000436 (0.0000654)	0.0000393 (0.000066)	-9.77e-07 (0.0000635)	-0.0000625 (0.0000618)
Openness	16.0884 (16.27917)	16.34176 (16.03038)	17.36712 (15.69906)	14.43031 (15.65551)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	22004.73	25107.92	22354.65	19522.60
R-square overall	0.7777	0.7778	0.7786	0.7810

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 8 Determinants of Outward FDI Using PerHouse From 1980 to 2006

Variable: Dependent	(8.1) USOFDI	(8.2) USOFDI	(8.3) USOFDI	(8.4) USOFDI
PerHouse One Year Lag		-36610.5 (29894.93)		
PerHouse			-22276.57 (31597.73)	
PerHouse One Year Lead				-11864.7 (21814.99)
SumGDP	9.033859*** (0.8804303)	8.529457*** (0.9968351)	8.684366*** (1.030237)	8.794528*** (0.962105)
DifGDPsqu	0.0000436 (0.0000654)	0.0000106 (0.000066)	0.0000269 (0.0000676)	0.0000436 (0.0000649)
Openness	16.0884 (16.27917)	14.1512 (16.25665)	15.36115 (16.1563)	15.71618 (16.18898)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	22004.73	1.43e+06	27705.00	55312.05
R-square overall	0.7777	0.7784	0.7780	0.7778

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 9 Determinants of Outward FDI Using PerSenate From 1980 to 2006

Variable: Dependent	(9.1) USOFDI	(9.2) USOFDI	(9.3) USOFDI	(9.4) USOFDI
PerSenate One Year Lag		-29572.24 (21825.47)		
PerSenate			-34906.48 (22063.28)	
PerSenate One Year Lead				-57386.86*** (21152.67)
SumGDP	9.033859*** (0.8804303)	9.22084*** (0.8422233)	9.279742*** (0.83668)	9.333069*** (0.8274863)
DifGDPsqu	0.0000436 (0.0000654)	9.67e-06 (0.0000632)	-1.42e-07 (0.000064)	-7.14e-06 (0.0000613)
Openness	16.0884 (16.27917)	12.5834 (16.40208)	14.01889 (16.19138)	16.28339 (16.02859)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	22004.73	605156.92	18660.66	33674.59
R-square overall	0.7777	0.7784	0.7787	0.7801

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 10 Determinants of Outward FDI Using Index From 1980 to 2006

Variable: Dependent	(10.1) USOFDI	(10.2) USOFDI	(10.3) USOFDI	(10.4) USOFDI
Index One Year Lag		-2116.533 (4908.392)		
Index			-10222.88** (5164.906)	
Index One Year Lead				-22087.32*** (5607.358)
SumGDP	9.033859*** (0.8804303)	9.126813*** (0.8682736)	9.63981*** (0.8366921)	10.53902*** (0.7917312)
DifGDPsqu	0.0000436 (0.0000654)	0.0000336 (0.0000659)	-0.0000152 (0.000063)	-0.0000887 (0.0000612)
Openness	16.0884 (16.27917)	16.481 (16.03532)	17.26774 (15.66843)	13.91663 (15.52046)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	22004.73	20809.59	123918.71	9262.03
R-square overall	0.7777	0.7778	0.7789	0.7820

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 11 Determinants of Outward FDI Using Presidential Dummies, PerHouse, and PerSenate From 1980 to 2006

Variable: Dependent	(11.1) USOFDI	(11.2) USOFDI	(11.3) USOFDI	(11.4) USOFDI
President One Year Lag		-995.1882 (1639.358)		
PerHouse One Year Lag		-25427.5 (41626.65)		
PerSenate One Year Lag		-17743.86 (29077.22)		
President			-3478.693** (1726.723)	
PerHouse			-5932.161 (37960.72)	
PerSenate			-37716.39 (26741.07)	
President One Year Lead				-7379.728*** (1634.727)
PerHouse One Year Lead				12989.99 (22981.34)
PerSenate One Year Lead				-82103.37*** (20519)
SumGDP	9.033859*** (0.8804303)	8.934261*** (1.031896)	9.855127*** (0.9786852)	11.34305*** (0.7805892)
DifGDPsqu	0.0000436 (0.0000654)	-0.0000117 (0.0000686)	-0.0000612 (0.0000643)	-0.0001551*** (0.0000579)
Openness	16.0884 (16.27917)	13.36429 (16.18135)	15.18238 (15.59336)	14.80447 (15.02784)
Country Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	22004.73	13209.33	71580.55	17642.04
R-square overall	0.7777	0.7786	0.7799	0.7849

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

Table 12 Determinants of Outward FDI Using President With Alternative Specifications

Variable: Dependent	(12.1) USOFDI	(12.2) USOFDI	(12.3)[87] USOFDI	(12.4)[88] USOFDI
President	-1731.773		-775.4908	-3190.004
	(1437.637)		(1021.993)	(4788.647)
President One Year Lead		-3885.788**		
		(1663.033)		
Corporate Tax	1124.621***	980.289***		
	(220.7409)	(216.83)		
Distance				-4.627606***
				(0.6001404)
Language				48732.04***
				(8181.818)
LandBorder				-167.4249
				(3811.399)
SeaAccess				-23480.65***
				(3551.067)
SumGDP	12.42495***	12.5608***	7.677039***	12.65313***
	(0.8136049)	(0.8137534)	(0.9592254)	(1.257708)
DifGDPsqu	-0.0000905	-0.0001166**	0.0000156	-0.0005154***
	(0.000056)	(0.000059)	(0.0000762)	(0.0000556)
Openness	16.10745	14.40628	-29.14392***	9.366705
	(14.98244)	(15.08177)	(9.88064)	(14.94746)
Constant				-4684.469
				(15520.29)
Country Fixed Effects	Yes	Yes	Yes	No
Panel Specific AR(1) Process	No	No	Yes	No
Number of Observations	635	635	635	635
Number of Countries	42	42	42	42
Wald Chi2	80619.66	96020.33	54431.72	723.28
R-square overall	0.7836	0.7844	0.6552	0.4812

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively. Constant, Distance, Language, SeaAccess and LandBorder were absorbed by the fixed effects.

[87] Running this regression using President as a one year lead or as a one year lag, still leaves the political variable insignificant.

[88] Disturbance of covariance matrix constructed using casewise selection, because the pairwise method resulted in a covariance matrix that is not positive definite. Running this regression using President as a one year lead or as a one year lad, still leaves the political variable insignificant.

Table 13 Determinants of Area Inward FDI Using Index From 1980 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DifGDPsqu, Openness, Distance, SeaAccess, and Language

	Dependent Variable: (Number of Countries)	Index	Index With Country Fixed Effects	Index as a One Year Lead and With Country Fixed Effects	Index as a One Year Lag and With Country Fixed Effects	Number of Obs.
(13.1)	Developed Nations (19)	-20793.46* (10612.86)	-25123.72** (10727.98)	-50785.99*** (9608.566)	-7183.094 (10293.59)	302
(13.2)	Developing Nations (23)	-285.2282 (391.7572)	-39.78925 (286.457)	-467.2842 (348.6091)	156.8234 (259.9689)	302
(13.3)	Asia[89] (12)	-12680.4*** (3150.51)	-16815.65*** (4988.875)	-27304.36*** (5720.034)	-9860.656** (4688.355)	217
(13.4)	Africa (4)	-3777.66*** (1261.461)	-3525.992*** (810.4503)	-4627.918*** (1018.845)	-1484.357* (879.2639)	42
(13.5)	South America (4)	-522.9459* (282.7376)	-40.54324 (244.4332)	-170.8774 (292.8494)	-363.4443* (219.9678)	46
(13.6)	Europe (18)	-20991.47[90] (30218.75)	-15867.29 (11858.18)	-43243.34*** (12991.76)	1199.465 (10844.53)	236
(13.7)	North America (2)	23319.02** (10132.49)	23319.02** (10132.49)	-5478.884 (12248.76)	26472.92*** (9846.852)	54

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

[89] Excludes Israel and Saudi Arabia.

[90] Disturbance of covariance matrix constructed using casewise selection.

Table 14 Determinants of Area Inward FDI Using President From 1980 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DifGDPsqu, Openness, and Country Fixed Effects

	Dependent Variable: (Number of Countries)	President	President With One Year Lead	President With One Year Lag	Number of Obs.
(14.1)	Developed Nations (19)	-7725.501** (3513.851)	-15987.66*** (3068.258)	-1393.274 (3358.245)	302
(14.2)	Developing Nations (23)	-14.12524 (92.98599)	-155.2663 (110.3462)	46.72226 (83.95835)	302
(14.3)	Asia[91] (12)	-4959.127*** (1643.464)	-8327.935*** (1858.5)	-2633.93* (1537.112)	217
(14.4)	Africa (4)	-1213.583*** (248.9978)	-1520.301*** (309.9966)	-511.2141* (288.0268)	42
(14.5)	South America (4)	-21.43253 (78.75279)	-53.82976 (92.5042)	-132.9357* (69.08772)	46
(14.6)	Europe (18)	-4999.723 (3841.296)	-13375.7*** (4087.148)	1039.297 (3530.751)	236
(14.7)	North America (2)	10084.46*** (3672.555)	-65.12521 (3714.282)	11330.59*** (3809.288)	54

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

[91] Excludes Israel and Saudi Arabia.

Table 15 Determinants of Area Outward FDI Using Index From 1980 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DifGDPsqu, Openness, Distance, SeaAccess, and Language

	Dependent Variable: (Number of Countries)	Index	Index With Country Fixed Effects	Index as a One Year Lead and With Country Fixed Effects	Index as a One Year Lag and With Country Fixed Effects	Number of Obs.
(15.1)	Developed Nations (19)	-17530.68[92] (21389.26)	-6966.396 (7546.33)	-22307.93** (8712.597)	1976.225 (6731.278)	303
(15.2)	Developing Nations (23)	-1668.382[93] (5937.459)	1479.003[94] (2723.976)	-3045.757 (2998.59)	5212.372** (2206.298)	332
(15.3)	Asia (12)	-10039.27[95] (10089.14)	-8855.742*** (2902.58)	-14481.17*** (3155.3)	-4941.727* (2888.766)	224
(15.4)	Africa (4)	-1074.233 (1650.548)	2475.068* (1289.428)	-1597.654 (1542.699)	4024.224 (979.9028)	51
(15.5)	South America (4)	1111.223 (3669.925)	12492.45*** (3910.36)	8104.133 (4932.782)	14649.51*** (3358.125)	51
(15.6)	Europe (18)	-10015.44 (22557.1)	5002.867 (11322.65)	-17623.74 (14055.36)	17976* (9765.486)	239
(15.7)	North America (2)	18038.59* (9937.317)	18038.59* (9937.317)	-14406.08 (11140.05)	40360.36*** (7750.636)	54

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

[92] Disturbance of covariance matrix constructed using casewise selection.
[93] Disturbance of covariance matrix constructed using casewise selection.
[94] Disturbance of covariance matrix constructed using casewise selection.
[95] Disturbance of covariance matrix constructed using casewise selection.

Table 16 Determinants of Area Outward FDI Using President From 1980 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DifGDPsqu, Openness, and Country Fixed Effects

	Dependent Variable: (Number of Countries)	President	President With One Year Lead	President With One Year Lag	Number of Obs.
(16.1)	Developed Nations	-2012.501	-6020.292**	820.1523	303
	(19)	(2420.179)	(2815.921)	(2155.65)	
(16.2)	Developing Nations	654.6722	-577.592	1862.397***	332
	(23)	(859.33)	(973.7254)	(708.7054)	
(16.3)	Asia	-2648.575***	-4337.401***	-1428.182	224
	(12)	(954.4165)	(1047.686)	(924.8108)	
(16.4)	Africa	859.3454**	-274.7303	1368.587***	51
	(4)	(415.3932)	(501.2921)	(320.101)	
(16.5)	South America	4655.486***	3189.542**	5315.095***	51
	(4)	(1219.9)	(1585.748)	(1001.91)	
(16.6)	Europe	2008.85	-3989.009	6417.443**	239
	(18)	(3660.37)	(4408.704)	(3194.2)	
(16.7)	North America	8089.289**	-1512.076	15303.17***	54
	(2)	(3484.968)	(3550.034)	(2903.55)	

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

Table 17 Determinants of Inward Industry FDI Using President From 1990 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DiffGDPsqu, Openness, NAIC dummy, and Country Fixed Effects

	Dependent Variable: (Number of Countries)	President	President With a One Year Lead	President With a One Year Lag	Number of Obs.
(17.1)	All Industries (32)	-5338.451 (1959.357)	-8114.725 (1905.812)	-3523.503* (2010.442)	371
(17.2)	All Manufacturing (32)	1075.088 (660.4994)	127.9038 (865.5542)	1547.26*** (537.2447)	372
(17.3)	Food Manufacturing (32)	248.7521* (144.0884)	334.2035** (160.2218)	285.777** (137.7002)	270
(17.4)	Chemical Manufacturing (32)	418.8717 (267.0652)	225.5713 (337.0653)	685.93*** (199.7199)	307
(17.5)	Primary and Fabricated Metals Manufacturing (29)	78.87716* (44.28052)	18.2666 (60.77262)	96.56637** (39.90752)	278
(17.6)	Wholesale Trade (31)	-1964.787*** (612.5908)	-2800.643*** (565.1982)	-1521.402** (649.3166)	338
(17.7)	Retail Trade (28)	186.5336** (86.14054)	107.5796 (108.309)	106.5276 (90.78333)	260
(17.8)	Depository Institutions (26)	-493.3087*** (173.7289)	-584.7869*** (206.0437)	-457.8162*** (146.9188)	280
(17.9)	Finance and Insurance (Except Depository Institutions) (32)	262.5774 (315.5718)	184.7946 (637.1898)	-135.1441 (303.4146)	261
(17.10)	Real Estate (32)	75.84062 (76.84518)	-102.7469 (112.3073)	124.7168* (71.73997)	314

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

Table 18 Determinants of Outward Industry FDI Using President From 1982 to 2006 In a Country Gravity Model

Independent Variables: SumGDP, DiffGDPsqu, Openness, NAIC Dummy, and Country Fixed Effects

	Dependent Variable: (Number of Countries)	President	President With a One Year Lead	President With a One Year Lag	Number of Obs.
(18.1)	All Industries[96] (41)	-2920.513** (1395.661)	-2670.237 (2025.273)	-2749.48** (1303.641)	595
(18.2)	All Manufacturing (41)	493.4127*** (177.3327)	486.427** (233.2313)	421.3782** (181.6701)	593
(18.3)	Food Manufacturing[97] (41)	241.8592 (55.90613)	293.8892*** (53.99585)	184.8932*** (17.86575)	558
(18.4)	Chemical Manufacturing (41)	144.9501* (78.93331)	198.9349** (88.39925)	158.7162** (75.18416)	587
(18.5)	Primary and Fabricated Metals Manufacturing (41)	110.6428*** (31.94769)	101.7588** (42.4804)	120.1384*** (26.46422)	538
(18.6)	Industrial Machinery Manufacturing (41)	-26.97207 (88.03374)	-101.163 (109.12)	-35.67786 (83.00234)	540
(18.7)	Electrical Equipment Manufacturing (41)	[98]	115.3163** (52.59565)	[99]	544
(18.8)	Transportation Equipment Manufacturing (39)	148.5237*** (56.57874)	122.8061 (78.27013)	121.5636** (59.50281)	488
(18.9)	Wholesale Trade (41)	-86.52901 (68.79233)	-30.77445 (85.20903)	-17.97317 (71.77397)	582
(18.10)	Depository Institutions (37)	-221.3172*** (61.89797)	-166.8846* (100.5395)		495
(18.11)	Finance and Insurance (Except Depository Institutions) (41)	-242.5012 (440.0102)	-202.5807 (524.8274)	-242.5012 (440.0102)	554

Notes: All are Prais-Winsten regressions with panel corrected standard errors. The standard error is given in parenthesis, and the stars, one, two, and three are .1, .05, and .01 significance levels, respectively.

[96] Disturbance of covariance matrix constructed using casewise selection.
[97] Disturbace of covariance matrix constructed using casewise selection.
[98] The covariance matrix estimate is not positive definite.
[99] The covariance matrix estimate is not positive definite.

Table 19 Data Description

Variable	Description	Unit	Source
$USIFDI_{it}$	Stock into U.S. of country *i* in year *t*	Millions of dollars (year 2000 prices)	Bureau of Economic Analysis (BEA)
$USOFDI_{it}$	Stock out of U.S. of country *i* in year *t*	Millions of dollars (year 2000 prices)	BEA
All sector inward and outward FDI breakdown	Stock in and out of U.S. of country *i* in year *t* in sector *k*	Millions of dollars (year 2000 prices)	BEA
NAIC Dummy	Dummy for NAIC industry classification	1=NAIC 0= SIC	BEA
GDP_{it}	GDP of country *i* in year *t*	Gross domestic product, billions of U.S. dollars (year 2000 U.S. dollars)	International Monetary Fund (IMF)
$USGDP_t$	GDP of U.S. in year *t*	Gross domestic product, billions of U.S. dollars (year 2000 U.S. dollars)	IMF
$SumGDP_{it}$	GDP_{it}+$USGDP_t$	Gross domestic product, billions of U.S. dollars (year 2000 U.S. dollars)	
$DifGDPsqu_{it}$	$(GDP_{it}-USGDP_t)^2$	Gross domestic product, billions of U.S. dollars (year 2000 U.S. dollars)	
$EXPORTS_{it}$	Trade in goods to country *i* in year *t*	Millions of dollars (year 2000 prices)	BEA
$IMPORTS_{it}$	Trade in goods from country *i* in year *t*	Millions of dollars (year 2000 prices)	BEA
$Openness_{it}$	$(Exports_i + Imports_i)/GDP_{it}$		
Distance	Distance between capital cities (the capital as of year 2008)	Kilometers	www.macalester.edu/ research/ economics/ PAGE/HAVEMAN/ Trade.Resources/ Data/Gravity/dist.txt
PerHouse	Democrats in House on Jan 3rd until next election divided by the number of seats in the House	Percentage terms	http://clerk.house.gov/ art_history/ house_history/ partyDiv.htm
PerSenate	Democrats in Senate on Jan 3rd until next election divided by the number of seats in the House	Percentage terms	http://Senate.gov/ pagelayout/ history/ one_item_and_teasers/ partydiv.htm
President	Democrat as president from Feb. 1st to Nov 31st.	Democratic control=1 else=0	www.whitehouse.gov/ history/presidents/

Data Description (Continued)

Variable	Description	Unit	Source
SeaAccess	Ocean border	1=yes, 0=no	Inspection
LandBorder	Land border with U.S.	1=yes, 0=no	Inspection
Corporate Tax	Highest marginal U.S. corporate tax rate	Percentage multiplied by 100	Tax Policy Center Urban Institute and Brookings Institution http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=64&Topic2id=70

Table 20 Summary Statistics

Variable:	Obs.	Mean	Std. Dev.	Min	Max
USIFDI	1018	17098.9	39409.8	-1236.669	277613
USOFDI	1169	17494.93	34344.33	-491.4808	312338.5
SumGDP	1176	8318.378	2095.997	5173.724	15065.28
DifGDPsqu	1176	5.98e+07	2.93e+07	5296688	1.27e+08
Openness	640	122.7166	123.5751	6.79	569.48
Distance	1188	8765.139	3757.694	733.89	16370.82
Language	1188	0.25	0.433195	0	1
SeaAccess	1188	0.931818	0.252164	0	1
LandBorder	1188	0.0454545	0.2083866	0	1
Corporate Tax	1188	37.85185	4.93649	34	46
President	1188	0.3333333	0.471603	0	1
President One Year Lead	1188	0.2962963	0.4568156	0	1
President One Year Lag	1188	0.3703704	0.4831073	0	1
PerHouse	1188	0.5422222	0.0626442	0.46	0.64
PerHouse One Year Lead	1188	0.5385185	0.0596352	0.46	0.62
PerHouse One Year Lag	1188	0.5488889	0.0631158	0.46	0.64
PerSenate	1188	0.4966667	0.0466863	0.44	0.58
PerSenate One Year Lead	1188	0.4933333	0.0437347	0.44	0.57
PerSenate One Year Lag	1188	0.5018519	0.0478654	0.44	0.58
Index One Year Lag	1188	0.4737037	0.1610533	0.3	0.74
Index	1188	0.4577778	0.1558511	0.3	0.74
Index One Year Lead	1188	0.442963	0.147077	0.3	0.72
PerSenate One Year Lag	1188	0.2962963	0.4568156	0	1
All Industries Inward FDI	527	28126.34	50331.92	-1236.669	277613
All Manufacturing Inward FDI	525	10353.93	-18547.38	1318.271	83071.92
Food Manufacturing Inward FDI	378	790.3697	1933.418	-126.7012	11141.48
Chemical Manufacturing Inward FDI	404	3778.931	6949.415	-191.9615	31237.19
Primary and Fabricated Metals Manufacturing Inward FDI	381	713.7922	1113.722	-115.2879	5371
Wholesale Trade Inward FDI	484	3990.505	11131.87	-1331.043	75339.47
Retail Trade Inward FDI	371	545.3048	1170.639	-2088.974	11135
Depository Institutions Inward FDI	388	1832.744	3550.042	-1058.698	18859.26
Finance and Insurance (Except Depository Institutions) Inward FDI	340	5629.86	9246.078	-3567.832	46574.02
Real Estate Inward FDI	438	1163.924	2510.007	-30	18684.85
All Industries Outward FDI	1049	18802.32	35766.06	-491.4808	312338.5
All Manufacturing Outward FDI	1037	5945.123	9837.884	-429.4014	75082.91

Summary Statistics (Continued)

Variable:	Obs.	Mean	Std. Dev.	Min	Max
Primary and Fabricated Metals Manufacturing Outward FDI	888	363.6397	779.2477	-221.4502	4850.152
Industrial Machinery Manufacturing Outward FDI	893	739.4117	1353.439	-174.7419	7620.528
Electrical Equipment Manufacturing Outward FDI	882	433.5834	655.0996	-208.2782	3935.508
Transportation Equipment Manufacturing Outward FDI	809	906.3037	2273.154	-606.5983	19024.34
Wholesale Trade Outward FDI	978	1690.123	2710.614	-101	17759.72
Depository Institutions Outward FDI	792	967.2455	2148.973	-210.1194	16952.28
Finance and Insurance (Except Depository Institutions) Outward FDI	921	4056.222	9738.864	-117.5051	84631.06

Table 21 Correlation Table

Variable:	SumGDP	DifGDPsqu	Openness
USIFDI	0.3776	-0.0956	-0.1526
USOFDI	0.2928	0.0298	0.0755
SumGDP	1.0	0.6948	-0.1910
DifGDPsqu	0.6948	1.0	0.0245
Openness	-0.1910	0.0245	1.0
Distance	-0.0134	0.0535	0.0119
Language	-0.1301	-0.0206	0.3929
SeaAccess	-0.1113	-0.2008	0.1252
LandBorder	-0.1277	-0.1121	0.5396
Corporate Tax	-0.6996	-0.5884	0.0375
President	0.0072	-0.0947	0.0290
President One Year Lead	0.0062	-0.1509	0.0290
President One Year Lag	0.0084	-0.0418	0.0188
PerHouse	-0.8082	-0.8132	0.0617
PerHouse One Year Lead	-0.7132	-0.6983	0.0552
PerHouse One Year Lag	-0.8014	-0.8241	0.0635
PerSenate	-0.3844	-0.4643	0.0297
PerSenate One Year Lead	-0.2868	-0.3521	0.0391
PerSenate One Year Lag	-0.3788	-0.4674	0.0200
Index	-0.1291	-0.2380	0.0393
Index One Year Lead	-0.1150	-0.2775	0.0399
Index One Year Lag	-0.1289	-0.1902	0.0288
NAIC Dummy	0.7667	0.8664	-0.0950
All Industries Inward FDI	0.4495	-0.2391	-0.1952
All Manufacturing Inward FDI	0.3712	-0.2363	-0.2183
Food Manufacturing Inward FDI	-0.1581	-0.3255	0.0938
Chemical Manufacturing Inward FDI	0.2192	-0.1832	-0.3235
Primary and Fabricated Metals Manufacturing Inward FDI	0.2929	-0.3558	0.0317
Wholesale Trade Inward FDI	0.5509	-0.3285	-0.1979
Retail Trade Inward FDI	0.3067	-0.2484	-0.1020
Depository Institutions Inward FDI	0.5135	-0.1898	-0.1196
Finance and Insurance (Except Depository Institutions) Inward FDI	0.3326	-0.1847	-0.0635
Real Estate Inward FDI	0.3083	-0.4637	-0.0650
All Industries Outward FDI	0.2962	0.0187	0.0730
All Manufacturing Outward FDI	0.1641	-0.1774	0.2272
Food Manufacturing Outward FDI	0.0044	-0.1825	0.1508
Chemical Manufacturing Outward FDI	0.2008	-0.1019	0.0500
Primary and Fabricated Metals Manufacturing Outward FDI	0.0694	-0.1624	0.1786
Industrial Machinery Manufacturing Outward FDI	-0.0698	-0.5081	-0.0973
Electrical Equipment Manufacturing Outward FDI	-0.0894	-0.4269	0.2405
Transportation Equipment Manufacturing Outward FDI	0.0908	-0.1474	0.4108
Wholesale Trade Outward FDI	0.3001	-0.0823	0.0314

Correlation Table (Continued)

Variable:	SumGDP	DifGDPsqu	Openness
Depository Institutions Outward FDI	0.2210	0.0973	0.0108
Finance and Insurance (Except Depository Institutions) Outward FDI	0.2624	-0.0430	0.0162

Variable:	President	PerHouse	PerSenate
President	1	-0.2509	-0.0000
PerHouse	-0.2509	1	0.6451
PerSenate	-0.0000	0.6451	1
Index	0.9784	-0.0587	0.1834
Corporate Tax	-0.2335	0.4733	-0.2096

Table 22 List of Countries

Algeria	Colombia	Ireland	New Zealand	Spain
Argentina	Denmark	Israel	Nigeria	Sweden
Australia	Finland	Italy	Norway	Switzerland
Austria	France	Japan	Philippines	Taiwan
Belgium	Germany	Korea	Portugal	Thailand
Brazil	Greece	Luxembourg	Russia	Turkey
Canada	Hong Kong	Malaysia	Saudi Arabia	United Kingdom
Chile	India	Mexico	Singapore	Venezuela
China	Indonesia	Netherlands	South Africa	