High-Profile Enforcement as an Effective Deterrence Mechanism: Evidence from the Paul Manafort Prosecution and the Foreign Agents Registration Act (FARA)

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ABSTRACT

This paper presents the introduction of high-profile enforcement as an important, overlooked driver of regulatory compliance. Compared to policy interventions commonly examined in the economics of crime literature, this type of enforcement is not only more likely to provide exogenous variation in actors' perceived cost of non-compliance, but also requires significantly less resources from policy makers and enforcement agencies. We examine the possible compliance-enhancing effects of the high-profile investigation and indictment of Paul Manafort starting from June, 2017 for non-compliance with the Foreign Agents Registration Act (FARA). Using a difference-in-differences design comparing compliance under FARA to compliance under the Lobbying Disclosure Act, we demonstrate that that news of Manafort's investigation and subsequent indictment led to an economically large, sustained increase in FARA compliance by corporate lobbyists. These findings are especially relevant to the many white-collar anti-corruption laws for which enforcement has historically been very low.

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I. Introduction

Scholars have long examined methods for deterring regulatory non-compliance. Classic arguments by Cesare Becarria (1764), Adam Smith (1776), and Jeremy Bentham (1789) emphasized that deterrence was best achieved with punishments, especially those characterized by 1) certainty, 2) severity and 3) celerity. Building on these classic ideas, Becker (1968), in his seminal work, characterized non-compliance as the result of rational calculation weighing the perceived benefits of non-compliance against the perceived costs of compliance. Since Becker, a rich literature has blossomed regarding the economics of criminology (Levitt 2017), which employs Becker's framework to determine how policymakers and enforcement agencies might deter non-compliance by increasing the perceived cost of non-compliance (Stigler 1974; Davis 1988; Karpoff, Lee, and Vendrzyk 1999; Fisman and Miguel 2007).

Overwhelmingly, this attention has been paid to resource-intensive public policy based interventions, such as expanded police presence (McCormick and Tollison 1984; Di Tella and Schargrodsky 2004), increased monitoring (Oklen 2007), extended prison sentences (Chalfin and McCrary 2017; Stafford 2018), or creation of new regulation (Fisman and Miguel 2007). Although these policy-based interventions plausibly increase the perceived cost of non-compliance, they are, with the exception of randomized controlled trials, rarely exogenous. Even studies leveraging seemingly quasi-exogenous policy interventions have since come under scrutiny (Donohue, Ho, and Leahy 2013). In particular, despite the disproportionate costs of white collar crime on social welfare, evidence of credible deterrence mechanisms for these crimes continues to be exceptionally scarce (Simpson 2013). This dearth of evidence has left considerable uncertainty not only regarding whether perceptions of increased cost actually deter non-compliance, but also regarding the efficacy of public policies commonly employed to deter regulatory non-compliance.

This paper examines the sudden introduction of high-profile enforcement as an alternative, underexplored method for deterring regulatory non-compliance. Compared to traditional policy interventions, high-profile enforcement is more likely to induce an exogenous shock to actors' perceived cost of non-compliance. Unlike traditional policy interventions, which are announced and then implemented over months or years, the announcement of an investigation into a high-profile (a.k.a. famous) person followed by a subsequent near-term indictment is by definition a discrete event which suddenly eliminates (often high) levels of

uncertainty regarding whether certain actions will be treated as non-compliance and the severity and celerity with which these actions will be punished. Recalling the classic ingredients for effective punishment, these episodes are especially likely to create discontinuities in the perceived certainty, severity, and celerity of enforcement. And *high-profile* indictments are exceptional in that they "treat" or, become known to, an exceptionally large audience. Martha Stewart's indictment for securities fraud, former Brazilian president Ignacio Lula da Silva's indictment for corruption, or, as we explore in this paper, the announcement of the investigations into Paul Manafort's violation of the Foreign Agents Registration Act (FARA), for example, generated the kind of sudden, intense, and far-reaching media attention. But beyond their usefulness as strategies for credibly estimating the compliance-enhancing effects of punishment, these episodes are also notable for requiring far less resources from policy makers or enforcement agencies than traditional public policy-based approach. Instead of training additional police officers, expanding prison capacity, hiring additional monitors, or navigating a complicated legislative process, an enforcement agency might be able to significantly deter actors' non-compliance by successfully prosecuting one high profile actor's non-compliance.

Such episodes may have particularly notable consequences when enforcement of the regulation in question has historically been quite rare. Such regulatory non-enforcement is surprisingly common, especially for white color crime (e.g., Siegel 2005). In these cases the high profile episodes of enforcement is especially likely to shift actors' perceptions of the certainty, severity, and celerity of punishment from something close to zero to something quite significant almost instantaneously. And in cases where this historic lack of enforcement arises from a scarcity of resources, high-profile enforcement might be an especially useful for transforming chronic non-compliance to uniform compliance.

It is important, however, to consider the scope and durability of any compliance-enhancing effects that might arise from high profile enforcement. Unlike traditional policy solutions, which frequently operate for extended periods, high-profile episodes are by definition, discrete, one-off events. It is thus unclear whether the compliance-enhancing effects of a high profile enforcement episodes, if they exist, will operate indefinitely, or, if the episode is seen as an aberration, quickly fizzle out. Furthermore, even if the episode is perceived as an indefinite increase in the cost of non-compliance, the effects may be limited to certain types of individuals

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or organizations, such as those that closely share characteristics with the target of the enforcement episode.

We examine these questions with the high-profile investigation and indictment of Paul Manafort, former United States president Donald Trump's one-time campaign manager, for non-compliance with the Foreign Agent Registration Act (FARA) starting from June, 2017. Using a difference-in-differences design, we compare compliance activity under FARA with compliance activity under a closely-related lobbying regulation for which there was no concurrent high profile episode of enforcement, the Lobbying Disclosure Act (LDA). We show that, following an announcement of investigation and significant media attention on Manafort's FARA violation around June in 2017, there was a unique sharp uptick in FARA registrations featuring pre-existing, in-scope, but previously-unregistered lobbying firm-client relationships. Examining the scope of these findings, we show that these newly appearing clients hailed disproportionately from human-rights abusing and high corruption countries. We interpret this as compelling evidence that the Manafort indictment increased the perceived cost of non-compliance, causing lobbyists to disclose relationships that, in the absence of the shock, they would have especially preferred to keep undisclosed. Examining the duration of these compliance-enhancing effects, we show that, since the indictment, there has been a sustained increase in additional indicators of compliance including amendments, and advisory opinions. We motivate and validate these analyses with interviews of lobbyists in the Washington DC area.

The remainder of the paper is organized as follows: Section II details relevant aspects of the Manafort Indictment, Section III outlines the empirical strategy including detail on both FARA and LDA, Section IV presents empirical results. We conclude and discuss the policy implications of the study in Section IV.

II. Research Context: Paul Manafort Indictment for violation of FARA

Manafort's indictment resulted from special counsel Robert Mueller's investigation into potential Russian interference in the 2016 presidential election. Figure 1 provides a brief outline of the events leading up to and following the indictment. First, in August 2016, before the start of the Mueller investigation, Paul Manafort, who had served as a campaign manager for Donald Trump, suddenly resigned. Some media outlets reported that his exit was related to illicit payments involving pro-Russian Ukrainian political parties. In April 2017, Manafort's lobbying firm belatedly complied with FARA requirements by registering work conducted on behalf of

these and other foreign clients. In June 2017, reports of Manafort's non-compliance, including specific mention of his failure to comply with FARA, were heavily covered by major news outlets. In October 2017, Paul Manafort and his business partner Richard Gates were indicted for, among other things, failing to report millions of dollars' worth of business conducted on behalf of a pro-Russian Ukrainian political party, a direct violation of FARA. In punishment for this non-compliance, Manafort was sentenced to 73 months in prison, had his law license permanently revoked, and millions of dollars of his assets were seized by the Special counsel. The episode has continued to receive attention from major news media outlets in the years following the indictment.

Please insert Figure 1 about here

In the wake of federal investigation of potential Manafort's noncompliance, and in the process of developing our research design, we met with a number of lobbyists in D.C. who, like Manafort, were either currently working for or had worked for lobbying firms that conduct activities requiring disclosure under FARA. We specifically sought insight regarding possible perceived "costs" of FARA compliance. These conversations helped illustrate that non-compliance was not driven by the financial cost of registering activity (which is trivial) or confusion regarding the registration process, which is straightforward. Instead, these lobbyists indicated that a key advantages of avoiding FARA registration was avoiding the public dissemination of relationships with "unsavory" clients that lobbyist preferred to keep under wraps. By working for a client from a country with a reputation for human rights abuses, or a well-known history of corruption, a lobbying firm could, by association, sully its own reputation. This association might generate difficulty in attracting business from new clients, and even attract additional scrutiny from regulators. Avoidance of regulatory scrutiny could be especially valuable for firms conducting legally dubious activities for these clients. This logic was outlined by one former D.C. lobbyist who explained "You're always taking on the reputational risk of your client in any FARA representation (interview with a former senior D.C. lobbyist, November 2, 2020)," and another who bluntly stated, "You're going to be less likely to report your activities if you're working for a terrible country for human rights abuses (interview with a former D.C. lobbying firm employee, November 10, 2020)." These insights helped us refine our research question: *Did the Manafort indictment cause lobbyists to disclose in-scope activities that, in the absence of the indictment, they would have left undisclosed?*

II. Overview of Research Design

We address this question with a difference-in-differences design which compares disclosure of lobbying activity covered under FARA (treatment condition) relative to disclosure of lobbying activity covered by the Lobbying Disclosure Act of 1995 or LDA (control group). In this section we provide detail of these two regulations, emphasizing how LDA's similarities with FARA make it a credible control condition. To further demonstrate the credibility of our design, we then examine media mentions of these regulations, illustrating that while the DOJ's investigation and indictment of Manafort's FARA infractions garnered extensive attention in mid-2017, media attention towards LDA remained exceptionally low and stable throughout the study period.

II.1. U.S. Foreign Agents Registration Act (FARA)

FARA requires that United State-based lobbying entities (generally lobbying firms employing multiple lobbyists) report activities conducted on behalf of "foreign principals", meaning foreign governments or foreign government-related entities. The left panel of Figure 2 illustrates the steps required to comply with FARA. First, a lobbying entity must register as a FARA agent. This requires an initial $350 registration fee which the lobbying entity needs to keep paying for every foreign principal every six months for as long as the entity represents foreign principals. Once registered, the lobbying entity can serve multiple foreign principals. Second, a lobbying entity must report details of services provided to clients. These include specific actions (such as public affairs, consulting, lobbying, *etc.*) as well as the specific dollar amount in revenue earned from these actions. This information is recorded in so-called Exhibits A, B, and C. If the nature of relationships changes or if the lobbying entity recognizes errors in in these registrations, they must file amendments in which they update or correct previous registrations. Upon completing their services to their hired principal, the lobbying entity files a termination report. Given FARA's implications for national security, the National Security Division of the Department of Justice (DOJ) summarizes FARA activities in biannual reports to the U.S. Congress. These reports are made publicly available and are easily accessible through the DOJ's website.

Please insert Figure 2 about here

II.2. U.S. Lobbying Disclosure Act (LDA) of 1995

LDA requires that United States-based lobbying entities (generally lobbying firms employing multiple lobbyists) report activities conducted on behalf of domestic principals domiciled and representing their benefits in the United States. The right panel of Figure 3 illustrates this registration process, and shows the many ways it parallels FARA requirements. Like FARA, LDA requires entities to register when they first begin lobbying, and to make additional registration of new clients and new activities conducted on behalf of these clients. Like FARA, LDA also allows for amendments through which lobbying can update or correct past registrations. And like FARA, these reports are made publicly available, and, historically speaking, enforcement has been quite rare. Slightly different from FARA, however, these reports are made on a quarterly basis, and are overseen by the Senate rather than the DOJ. Like the DOJ, however, the Senate makes these quarterly reports easily accessible to the public.

II.3. Identification Strategy: Difference-in-Differences Approach

These key similarities between FARA and LDA provide the basis for a credible difference-in-differences design with which to address our research question. In both cases, lobbying entities weigh the potential costs making certain relationships public versus the costs of prosecution for regulatory non-compliance, which historically, has been quite low. The high-profile investigation of Manafort's non-compliance, however, plausibly uniquely increased the perceived cost of FARA non-compliance. Since there was no LDA enforcement episode during our sample time period (the most recent one for LDA enforcement was in 2006 on Jack Abramoff's indictment), we can estimate the effect of the Manafort investigation on FARA compliance by comparing the change in registration activity requiring disclosure under FARA (the treated population) to registration of activity requiring disclosure under LDA (the control population), before and after the investigation.

II.4. Defining Treatment Period

The validity of this empirical design requires that our treatment event, the DOJ's investigation and incitement of Manafort's non-compliance with FARA, was not concurrent with any other events which would have raised perceived cost of non-compliance with LDA. To substantiate this claim we observed media mentions of FARA and LDA from 2010 through 2020. Using LexisNexis, we conduct three separate keyword searches: (1) "lobbying disclosure act", (2) "foreign agents registration act", and (3) "foreign agents registration act" & "manafort." We measure the number of media mentions from 2016 through 2018. Figure 3 charts these

mentions graphically. Throughout the time period, media mentions of the LDA are on average about 23 per month, with the maximum of around 50. Media mentions of FARA are similarly low until 2017. They being to spike in March, 2017, with a large jump occurring in July, and largest jump occurring in October and November in the wake of the indictment. The patterns match the outline of events provided above, suggesting that that much of the media mentions of FARA were associated with the Manafort investigation. Consistent with our theory, we focus on the impending indictment and indictment as the key treatment period and thus treat post-June 2017 as the treatment period. This decision is also driven by the nature of the DOJ's FARA reports to congress, which occur in biannual installments. By treating June 2017 as the treatment, we include the second reporting period of 2017 and all subsequent reporting periods as "treated." In robustness analysis below we consider alternative treatment thresholds.

Please insert Figure 3 about here

The historic non-enforcement of FARA means that this episode was especially likely to induce an exogenous shock to lobbyist's perceptions of the certainty, severity, and celerity of punishment. Between 1966 and 2015 there were only seven disclosed criminal cases involving FARA violations and zero civil enforcement actions since 1991.[1] The dearth of enforcement was confirmed by a lobbyist we interviewed who explained:

> Prior to the 2016 elections, FARA enforcement was largely nonexistent, and that was true on every metric you can think of. You guys mention the number of criminal indictments and civil remedies. Other things like basic inquiries were nonexistent. (interview with a Washington, D.C. lobbyist, November 10, 2020)

The exogeneity of the shock is further substantiated by the fact that the Mueller investigation was unexpected. Although U.S. Federal Bureau of Investigation (FBI) had investigated possible election interference by foreign government before the Mueller investigation, the appointment of the Special Counsel was exogenous to lobbyists and lobbying registrants because the potential scope and impact was veiled.

II.5. Data

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[1] https://www.hklaw.com/en/insights/publications/2017/11/fara-and-lda-enforcement-history

We analyze every FARA and LDA entry[2] from 2010 through the second reporting period of 2018, for a total of 16 reporting periods. Between 2010 and 2018, lobbying firms made around 291,000 total registrations for FARA and LDA, the large majority of which (around 281,000) were for LDA. In this period, FARA entries feature 954 unique lobbying firms and 1,620 unique foreign principals while LDA entries feature 7,471 unique lobbying firms and 35,885 unique domestic principals. As stated above, we are particularly interested in firms' decision to comply with FARA by disclosing in-scope relationships with foreign principals. Ideally, we would observe the universe of lobbying entity-foreign principal relationships and simply calculate the faction of this activity that is in fact reported. In reality, of course, we can only imperfectly observe lobbying activity through FARA and LDA reports. We suspect, however, that abnormally large influxes of newly-appearing clients represent a mass-registration of previously-existing but previously-undisclosed relationships. These exceptional influxes are especially indicative of new compliance when they are made by registrants who had not previously registered *any* clients. To measure these outcomes, we create two dummy variables as our main outcome variables: (1) a binary outcome variable indicating entries in which a client is appearing in a particular regulation's (LDA or FARA) registry for the first time (i.e. has never appeared in any previous reporting period in that regulation) and (2) a dummy variable for entries in which both the client and registrant are appearing for the first time. We calculate first appearance using FARA and LDA reports back through 1997.

Please insert Table 1 about here

Table 1 provides summary statistics of these outcome variables for the time period of our study, 2010–2018. Overall, about 8% of entries featured a client that has never appeared in a past reporting period, and about 1% of entries featured both a client and a registrant that had not appeared in a previous reporting period. FARA entries tend to feature higher levels of spending—on average around $435,000 compared to just under $130,000 for LDA entries.

III. The Effect of the Manafort Indictment on FARA Compliance

III.1. Empirical Strategy

We obtain our difference-in-differences estimate of the effect of Manafort prosecution on FARA compliance by estimating

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[2] We obtained FARA data from the DOJ's FARA website (https://www.justice.gov/nsd-fara) and LDA data from the U.S. Senate Office of Public Records (https://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm).

$$y_i = \beta_0 + \beta_1 PostJune2017_i + \beta_2 FARA_i + \beta_3 PostJune2017_i * FARA_i + \epsilon_i$$
(Equation 1)

where for each registration i, y_i is one of the two dummy variable outcomes of interest (entry features a newly appearing registrant, or entry features a newly appearing client and a newly appearing registrant pair), $FARA_i$ is a dummy variable equal to one for FARA registrations (and zero for LDA registrations), and $PostJune2017_i$ is a dummy variable equal to one for registrations made after June 2017. β_3 is the coefficient of interest and represents the difference-in-differences estimate of the effect of the Manafort investigation on FARA compliance. Given that both outcome variables are binary we estimate this model using logistic regression. We corrected standard errors for clustering at the level of each unique lobbying firm.

III.2. Main estimates

Table 2 reports our main results. Column 1 shows results for the first outcome of interest, the dummy variable indicating that an entry features a newly appearing client. The coefficient on the interaction term, $PostJune2017 \, X \, FARA$, is the difference-in-differences estimate of the treatment effect (i.e. β_3 above). As predicted, this value is positive and statistically significant ($p<0.001$), suggesting there was an influx of newly appearing FARA clients following the Manafort indictment. To build intuition for the magnitude of this result, we plot the predicted probability that an entry features a newly appearing client by reporting period, separately for FARA and LDA registrations. Figure 4 shows these patterns. Prior to June 2017, the fractions of FARA and LDA entries that featured newly appearing clients were roughly similar, following similarly flat trend between approximately 0.05 and 0.10. Following the first reporting period of 2017, however, the predicted probability that a FARA entry featured a newly appearing clients rose significantly to around 0.15, while the predicted probability that an LDA entry featured a newly appearing client remained below 0.10. This unique jump in new FARA activity is consistent with the story that lobbyists responded to the Manafort prosecution by disclosing relationships with clients that, in the absence of the investigation, they would have left undisclosed.

Please insert Table 2 and Figures 4–5 about here

Column 2 of Table 2 shows results for the second outcome of interest, the dummy variable indicating that an entry features both a newly appearing registrant and a newly

appearing client. Again, in line with our prediction, the estimate of β_3 is positive and statistically significant (p<0.01). Figure 5 again plots predicted probability to build intuition regarding the size of these effects. Prior to mid-2017, the probability that FARA and LDA entries featured newly appearing clients were roughly similar, following a similar flat trend around 0.02. Following 2017, however, the predicted probability that a FARA entry featured a newly appearing client and newly appearing lobbyist rose significantly to around 0.07, while this same probability for LDA entries stayed below 0.02. This unique jump in FARA registration suggests that the Manafort prosecution generated an influx of newly complying lobbying firms, which responded to the Manafort prosecution by disclosing relationships they would have otherwise left undisclosed.

III.3. Robustness of Main Estimates

This difference-in-differences approach relies on the parallel trends assumption, meaning that in order for β_3 to provide an unbiased estimate of the causal effect of the Manafort investigation on FARA compliance, it must be the case that in the absence of the investigation the difference in the proportion of FARA and LDA entries that featured newly appearing clients (or both newly appearing clients and newly appearing lobbying firms) would remain constant throughout the pre and post shock periods. Intuitively, this means not only would the Manafort prosecution uniquely affect FARA registration activity (and not LDA activity), but also that there would be no other event simultaneous with the July 2017 reports of the investigation that uniquely affected FARA activity.

Please insert Tables 3–4 about here

As mentioned above, Figures 4 and 5 provide visual evidence that the pre-shock trends for both outcomes of interest were parallel. To more rigorously examine these pretends we re-estimate Equation 1 for the four cutoff points preceding the treatment shock for each of the two outcomes of interest. These include the first and second reporting periods of 2015 and 2016, or, more specifically, post December 2014, post June 2015, post December 2015, and post June 2016. In testing for treatment effects at these placebo thresholds, only data before June 2017 is used. Results of these tests are reported in Tables 3 and 4 and show no statistically significant estimates of the treatment effect at these placebo thresholds. This additional evidence of parallel pre-trends, however, does not rule out the alternative explanation that the observed influx of newly-appearing FARA clients simply reflects a *bona fide* influx of lobbying activity conducted

on behalf of new foreign principals in the second half of 2017 rather than the enhanced compliance in the form of increased disclosure of previously undisclosed, in-scope relationships. In the following section we conduct a number of tests to address this alternative explanation.

III.3.a. Examining stamp dates

As a first test of this alternative explanation, we examine the "stamp date", meaning the date on which official filing in exhibit A/B of a new client relationship was made, relative to the "activity date", meaning the date included in this same filing indicating when the lobbying entity first conducted business on behalf of that client. This information is recorded in the "Exhibit A/B" documentation. Using these dates we calculated a variable *delta*, which indicated the difference, in days, between the time when a lobbying firm began working for a new client and the when this new activity was reported. To compare patterns in delta to the trends observed in our main results, we classify these into the same 6-month reporting periods used by the DOJ in its FARA reports to Congress. Figure 6 shows the mean value of delta per reporting period, and shows a sharp uptick following June 2017. The average delta for entries made before July 2017 was about 139 days. After that, this difference spiked to 241, with a climax of 293 reached in the first post-treatment period. This pattern is consistent with the story that following the indictment lobbyists quickly sought to register in-scope, pre-existing, but previously unregistered relationships.

Please insert Figure 6 about here

III.3.b Comparing to past presidential transitions

As an additional test that the observed spike in fact indicates increased compliance, rather than simply a spike in actual new lobbying activity, we consider the potentially confounding possibility that the transition from the presidential administration of Barack Obama to that of Donald Trump that occurred in 2017 induced a spike in lobbying activity with new foreign principals. Generally speaking, foreign agents may view presidential administration changes as unique opportunities to readjust lobbying strategies and target a new set of American government officials. Foreign agents that have never lobbied in the United States may sense new opportunities under the new administration and thus may begin to lobby and subsequently appear, along with the lobbying firms they hire, in FARA reports.

To address this possibility, we conduct difference-in-differences estimates which compare the change in our two outcomes of interest in the transition from the Obama to Trump

administration to the change in these same outcomes across past administration changes. To do this, we collect further FARA data that covers the transitions from Clinton to Bush (which occurred in January 2001) and Bush to Obama (January 2009). We estimate our difference-in-differences models by limiting the data to reporting periods in the two years preceding and following administrating changes (1999-2002, 2007-2010, and 2015-2018), and then estimate models of the form;

$$y_i = \beta_0 + \beta_1 obamatrump_i + \beta_2 postchange_i + \beta_3 obamatrump_i * postchange_i + \delta' X_i + \epsilon_i$$
(Equation 2)

where for each FARA entry i, y_i is again one of the two binary outcomes of interest (newly appearing client and a newly appearing client and newly appearing registrant pair), $obamatrump_i$ is a dummy variable equal to one for entries that appear in during to the Obama to Trump transition (i.e. entries in 2015-2018), $postchange_i$ is a dummy variable equal to one for entries that appear after the first half-year of a new administration (i.e. post-June 2001, post-June 2009, and post-June 2017), and X_i is a covariance matrix of entry-level controls. These controls include the level of spending reported in the entry as well as a number of client country controls including human rights score from Fariss (2020), natural logarithm of GDP, natural logarithm of GDP per capita, natural logarithm of trade volume of a home country with the United States from World Bank. We also included whether the country is a member of NATO, the total military and economic aid received from the Unites States (Fisman and Miguel 2007), and whether or not the country is a common law country (La Porta, Lopez-de-Silanes, Shleifer, and Vishny 1998). These controls facilitate comparison by accounting for differences in the kind foreign principals that lobbyists tended to represent during the different administrations. β_3 is the coefficient of interest and represents the difference-in-differences estimates of the effect of Manafort investigation on the outcome of interest. Since the outcome is binary, we estimate these models with logistic regression, again with robust standard errors clustered on lobbying firm.

Please insert Table 5 and Figures 7–8 about here

The results of these regressions are reported in Table 5. Columns 1 and 2 show the results of our first outcome variable (newly appearing client) whereas columns 3 and 4 present the results of the second outcome variable (a newly appearing client and newly appearing registrant pair). The estimates of β_3 for the newly appearing client outcome is reported in Column 2 and is

positive and statistically significant (p<0.001). These same estimates for the newly appearing client/newly appearing registrant outcome are reported in Column 4 and are also positive and statistically significant (p<0.01). Again to clarify the size and significance of these effects we estimate and then plot the predicted probabilities by year for each of these outcomes. Figure 7 shows the unique jump that occurred from 2016 to 2017 while no such jump occurred in other transition years (2000 to 2001 or 2008 to 2009). Figure 8 also shows an analogous trend for the fraction of registrations featuring both newly appearing clients and registrants. These results indicate that the sudden appearance of new clients around June 2017 cannot simply be attributed to the fact that it occurred in the wake of a presidential administration change and instead plausibly reflects increased compliance in response to media reports regarding the Department of Justice's investigation of Manafort.

III.4. Examining Mechanisms

Multiple interviews with D.C. lobbyists suggested that a key perceived cost of compliance with FARA was disclosing relationships these lobbyists would have preferred to keep hidden. By this logic, the influx of newly-appearing clients identified by our difference-in-differences analysis represents action by lobbying firms to disclose relationships with clients that, in the absence of the Manafort investigation, they would left undisclosed. An alternative mechanism for this observed spike in compliance, however, is that the highly publicized Manafort investigation increased compliance by educating lobbying entities on previously-little-known FARA requirements. To better discern between our theorized cost/benefit mechanism suggested by our interviews and this education mechanism, we examine key characteristics of the home countries of newly appearing clients. Specifically, we examine the extent to which these newly-appearing clients hailed disproportionately from poor records on human rights, prevalence of corruption, or were based in Ukraine (which featured prominently in the Manafort investigation.

III.4.a. Human Rights Score of Client Home Country

We first examine the human rights scores for the home countries of clients that appeared in the FARA data for the first time following the Manafort prosecution. Specifically, we use the human rights score developed by Fariss et al. (2020), which employs a wide range of measures and novel latent variable approach to account for the difficult-to-observe nature of human rights abuses. In our data, this variable ranges from approximately -2. To 5 with a mean of about 0.7

and a standard deviation of about 1.7. To examine whether newly-appearing clients in the post-treatment period hailed from countries with significantly worse records on human rights, we estimate

$$humanrights_i = newpostjune2017_i + \delta'X_i + \epsilon_i$$
(Equation 3)

where $humanrights_i$ is the human rights score of the home country of the client featured in the FARA entry, $newpost2017_i$ is either the newly appearing client dummy variable, or newly appearing client and registrant dummy variable, and X_i is the same covariance matrix of country-level controls used in the presidential-transition analysis above, with the exception of the human rights score. We estimate this model using ordinary least squares, again with standard errors clustered at the level of the lobbying firm. Table 6 shows these results. Column 2 shows that, compared to all other entries, entries after June 2017 that feature newly appearing clients feature clients from countries that are around 0.25 points lower on the human rights scale (p<0.05). Column 4 shows that, compared to all other entries, entries after June 2017 that feature both newly appearing lobbying firms and newly appearing clients feature clients that are on average about 0.23 points lower on human rights, but this result is only marginally statistically significant (p≈0.11). Together these patterns are consistent with the conclusion that an increase in the perceived risk of non-compliance induced lobbying firms to disclose reputation-damaging relationships with human rights-violating countries that, in the absence of the Manafort prosecution, they would have preferred to keep concealed.

Please insert Table 6 about here

III.4.b. Degree of Corruption of Client Home Country

As an additional test of this mechanism we examine patterns in the corruption perception index (CPI). CPI is calculated by Transparency International and is widely used to measure the extent to which countries are seen as corrupt. In our data this variable ranges from 9.25 to 89.25, with a mean of about 50 and a standard deviation of about 20. Again, lobbying firms may feel especially inclined to hide relationships with countries that are corrupt as these relationships could harm their own reputation. Accordingly, we re-estimate Equation 3 with the outcome as CPI. These results are shown in Table 7. Column 2 shows that entries featuring newly appearing clients post June 2017 hailed from countries with scores that were on average 2.7 lower

(p<0.001) than the countries featured in all other entries. Similarly, Column 4 shows that entries featuring newly appearing clients and registrants post June 2017 hailed from countries with CPI scores 3.3 lower (p<0.001) than countries feature in all other entries.

Please insert Table 7 about here

III.4.c. Russia and Ukraine

As explained above, Manafort's FARA non-compliance related to his firm's work on behalf of pro-Russian Ukrainian politicians. U.S. lobbyists representing clients from Ukraine plausibly received an exceptionally large shock to their perceived cost of non-compliance. Figure 9 shows that in the periods following June 2017 there was a clear uptick in the number of entries made by non-Manafort lobbying firms featuring clients for the Ukraine. We plan to explore this pattern in greater detail.

Please insert Figure 9 about here

III.5. Supplementary Measures of Increased Compliance

In the above analysis, compliance is operationalized in terms of lobbying firms' propensity to disclose in-scope relationships with foreign principals. In this section we examine two additional ways, amendments and advisory opinions, lobbying entities can demonstrate increased FARA compliance in response to the Manafort investigation.

III.5.a. Examining amendments

As explained above, both FARA and LDA allow lobbying firms to file amendments to correct mistakes in past filings, update past registrations, and even retroactively register in-scope activity that they had failed to previously register. A long-run increase in amendments signifies that increased compliance in terms of greater concern with correcting errors in past registrations as well as making updates in light of changes. Accordingly, we calculate the number of amendments filed per reporting period separately for both FARA and LDA regulations. Since there are far more LDA amendments (44,277) than FARA amendments (4,047), we standardize the number of amendments by regulation type per reporting period. With regulation-reporting year as our unit of analysis, we then estimate a difference-in-differences model of the form

$$\#of\,amendments_i = \beta_0 + \beta_1 PostJune2017_i + \beta_2 FARA_i + \beta_3 PostJune2017_i * FARA_i + \boldsymbol{\delta'X}_i + \epsilon_i$$
(Equation 4)

where $\#\:of\:amendments_i$ is the standardized number of amendments filed in a given regulation -reporting period dyad i. The coefficient of interest β_3 is the treatment effect of the Manafort investigation on the number of amendments per reporting period.

Please insert Table 8 and Figure 10 about here

Table 8 shows these results. The estimate of β_3 is positive (approximately 2 standard deviations) and statistically significant (p<0.001). To illustrate this result, we chart the number of amendments by regulation type (FARA or LDA) by reporting period. Figure 8 illustrates this trend and shows that following June 2017, the number of amendments reported for FARA increased steadily while the same did not happen for LDA amendments.

III.4.b. Examining advisory opinions

Trends in the volume of advisory opinions are a final piece of evidence pointing to the sustained, compliance-enhancing effects of the Manafort indictment on FARA registration activity. In addition to the general registration and reporting procedures, lobbyists are permitted to inquire regarding whether certain activities require disclosure under FARA. In response to these inquiries, the DOJ issues so-called "advisory opinions" which specify whether or not disclosure is required. An uptick in these advisory opinions provides evidence that lobbyists are seeking to comply with FARA by seeking guidance regarding the necessity of registering relationships that, in the absence of the shock, they would have simply left undisclosed. Figure 11 shows the number of advisory opinions issued per year and, in line with these predictions, there is a clear jump immediately following the Manafort prosecution. Whereas the number of advisory opinions never rose above 11 per year and was exactly zero in most years prior to 2018, it rose to 22 in 2018 and then 26 in 2019. Although there is no analogous procedure available in LDA regulation which would allow for causal inference regarding this trend, this dramatic, sustained rise in advisory opinions is consistent with the argument that lobbying firms responded to the Manafort prosecution by avoiding any potential hazard of non-compliance enforcement.

Please insert Figure 11 about here

IV. Conclusion and Discussion

Although scholarly attention has been paid to studying the effectiveness of certain methods to secure compliance with anti-corruption laws, more research is needed to diagnose the precise causal mechanisms, specifically with respect to white-collar crime. Using the shock in perceived cost of non-compliance caused by the prosecution of Paul Manafort's non-compliance

with FARA, we provide that high-profile enforcement episodes can make firms more compliant because of the increased certainty, severity, and celerity of enforcement that changes the perceived costs and benefits of non-compliance. We present preliminary evidence that firms with low-reputation are the ones that change behaviors more dramatically. Our study has important implications to policy makers and enforcement agencies that as suggested 250 years ago, the effective deterrence of institutional violations can be achieved when those three deterrence ingredients are effectively exemplified.

In addition to this current version of the study, we are making efforts to collect and analyze more data. This includes 1) expanding our time frame to test the longevity of the enforcement, 2) analyzing each amendment by its category to further understand the context of the amendment, and 3) ruling out potential alternative explanations further. Also, we plan to further delve into delineating the mechanism of reputation in impacting changes in compliance following the introduction of sudden high-profile enforcement.

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Figure 1: A Brief Outline of Events related to Manafort Indictment

Post-shock

2016

2017

2018

Summer
2016

January
2017

April
2017

May
2017

June
2017

October
2017

June
2018

News reports showing
illicit payments
involving Manafort
and Ukraine, and
Manafort's exit from
the Trump campaign

Manafort's firm belatedly
registers under FARA for
some Ukraine-related
lobbying work from 2012

News media started
reporting how
Manafort retroactively
filed under FARA in
April 2017 for some
work done in 2012

Additional charges
against Manafort
and order to be
jailed

Donald Trump inaugurated
as the 45th U.S. president

Robert Mueller is
appointed as a
special counsel

First indictment of
Manafort

Figure 2: Comparison between FARA and LDA

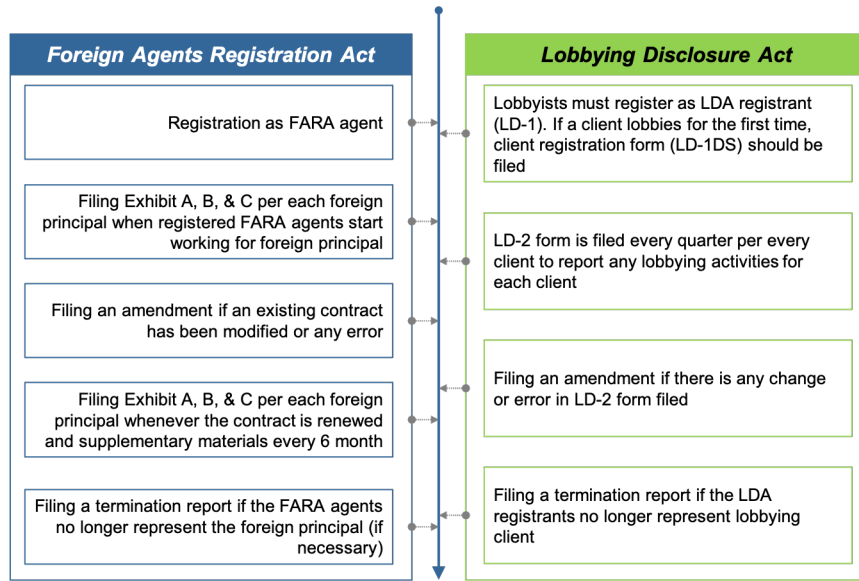| Foreign Agents Registration Act	Lobbying Disclosure Act
Registration as FARA agent	Lobbyists must register as LDA registrant (LD-1). If a client lobbies for the first time, client registration form (LD-1DS) should be filed
Filing Exhibit A, B, & C per each foreign principal when registered FARA agents start working for foreign principal	LD-2 form is filed every quarter per every client to report any lobbying activities for each client
Filing an amendment if an existing contract has been modified or any error	Filing an amendment if there is any change or error in LD-2 form filed
Filing Exhibit A, B, & C per each foreign principal whenever the contract is renewed and supplementary materials every 6 month	
Filing a termination report if the FARA agents no longer represent the foreign principal (if necessary)	Filing a termination report if the LDA registrants no longer represent lobbying client

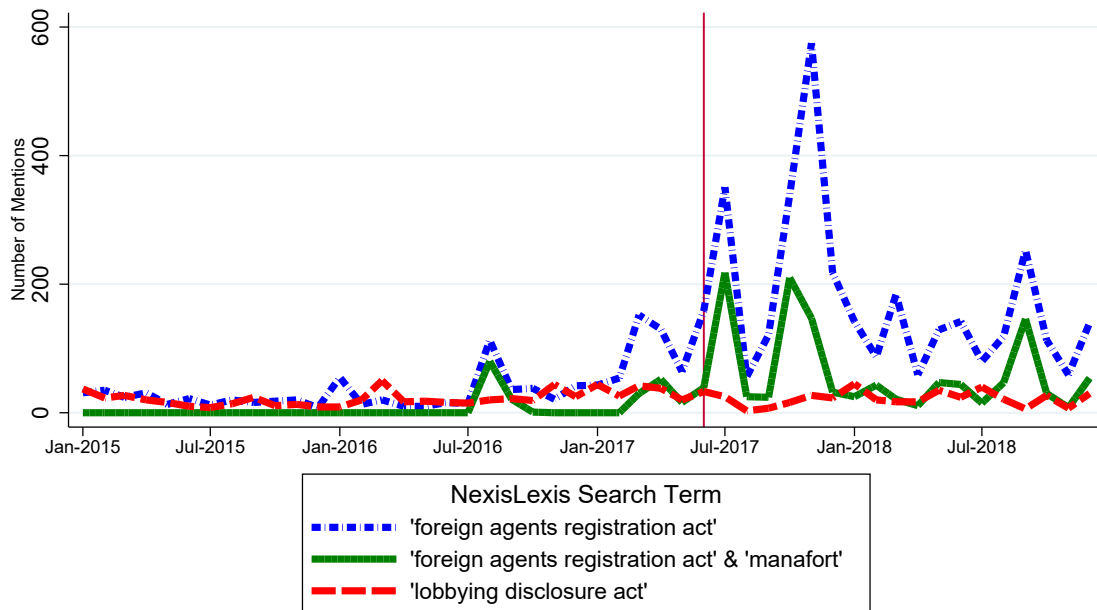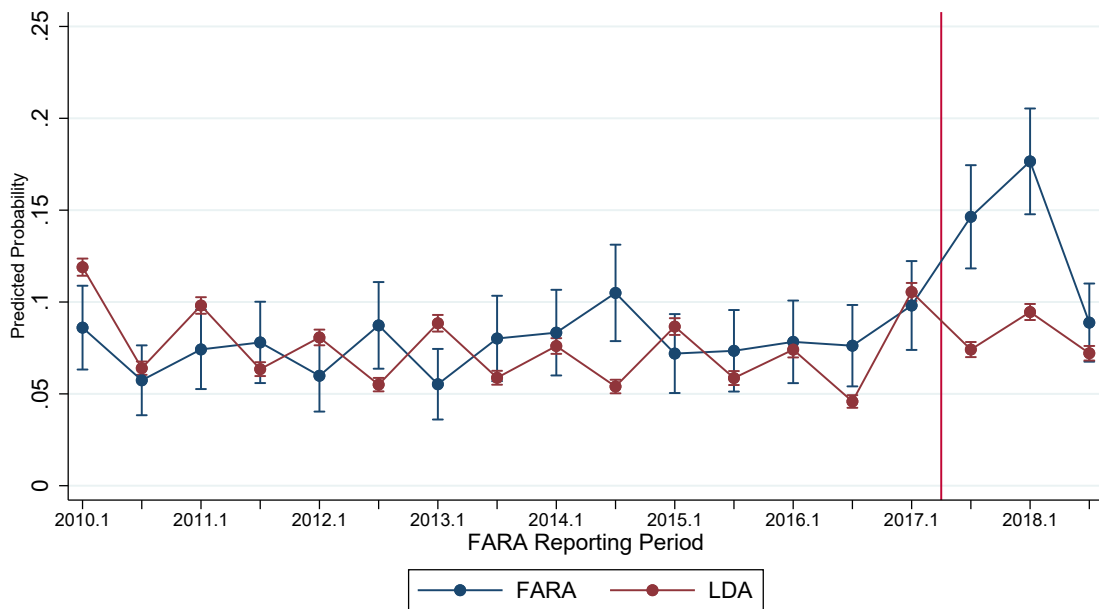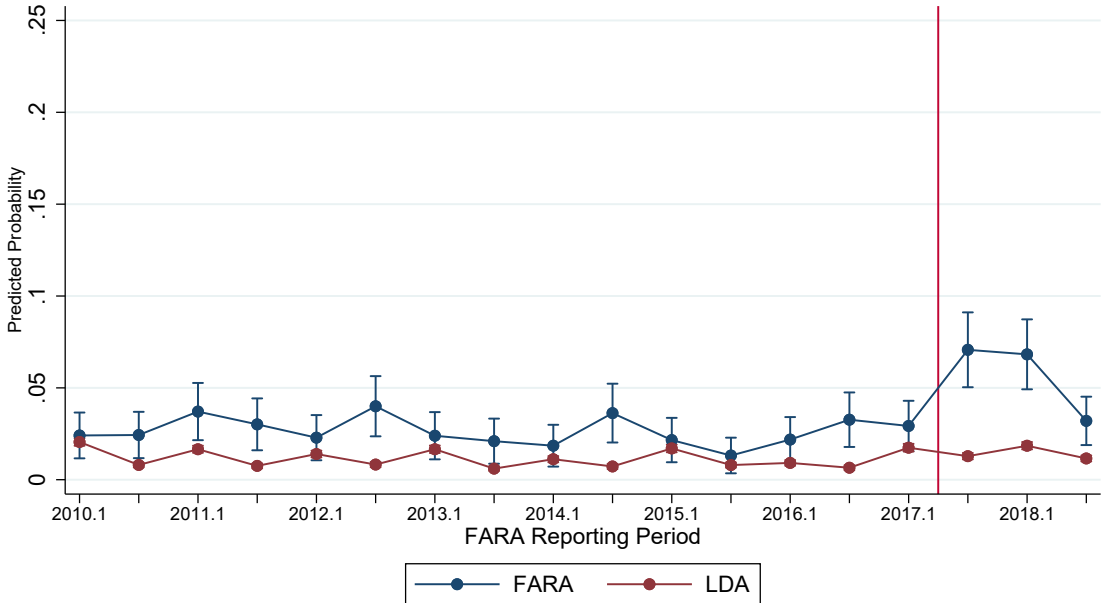Figure 3: Monthly Media Mentions of FARA and LDA from 2015-2018

Figure 4: Predicted probability that an entry features a newly appearing client
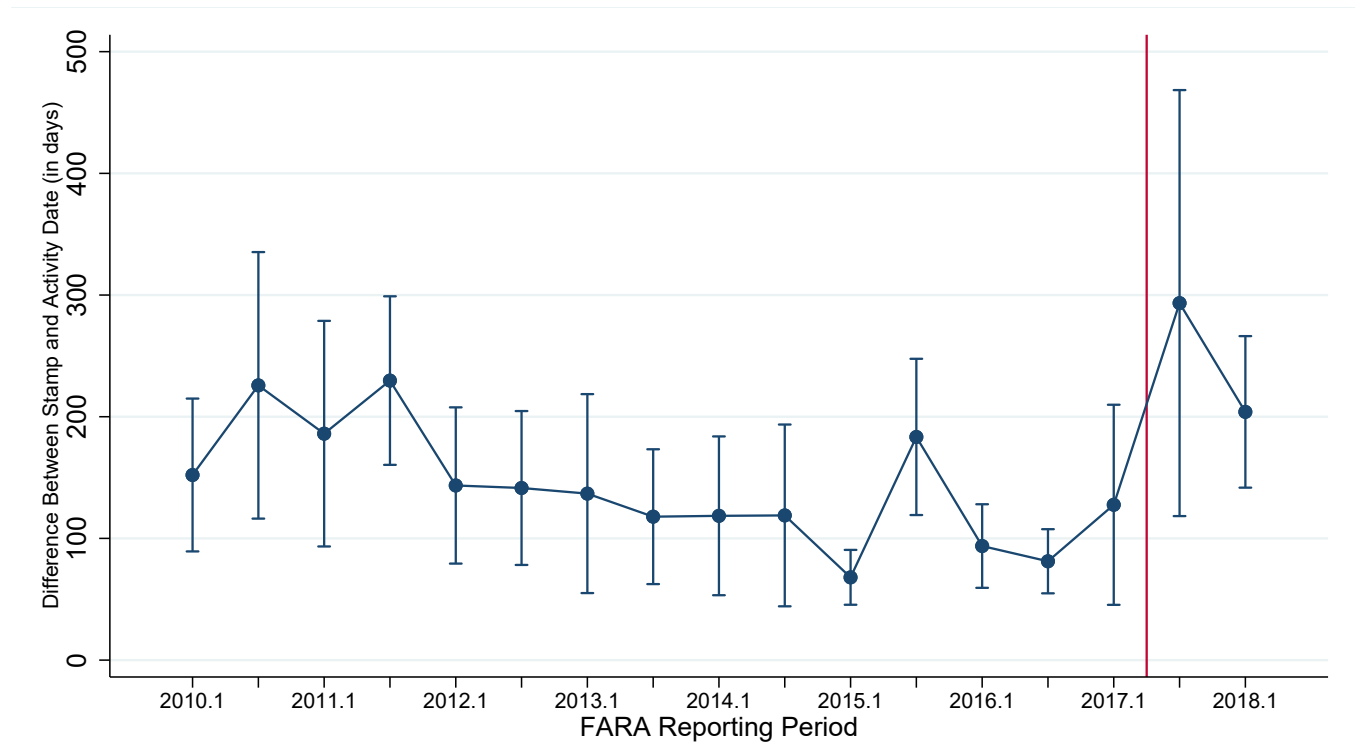

NOTES: Each point represents the predicted probability that an entry for a given regulation (FARA or LDA) contains a newly appearing client. These predicted probabilities are calculated using the logistic estimation of Equation 1. Bars represent 95% confidence intervals. FARA reports organize activity into a biannual periods covering January-June and July-December. In the chart above, ".1" refers to the first of these periods, meaning the point"2010.1" indicates reported activities from January 2010 through June 2010 and the next point to the right indicates reported activities from July 2010 through December 2010.

Figure 5: Predicted probability that an entry features a newly appearing client and a newly appearing registrant

NOTES: Each point represents the predicted probability that an entry for a given regulation (FARA or LDA) contains a newly appearing client and a newly appearing registrant. These predicted probabilities are calculated using the the logistic estimation of Equation 1. The bars represent 95% confidence intervals. FARA reports organize activity into a biannual periods covering January-June and July-December. In the chart above the ".1" designation refers to the first of these periods, meaning the point at "2010.1" indicates the number of reported activities in January 2010 through June 2010.

Figure 6: Average Difference Between Stamp and Activity Date for Newly Appearing Registrants by FARA Reporting Period

NOTES: Each point represents the average difference in the 'Stamp Date' (meaning date on which the client relationship was made known) and 'Activity Date' (meaning the date on which the relationship was reported to have begun) for entries featuring a client that has not appeared in any previous reporting periods. Error bars represent 95% confidence intervals.

Figure 7: Fraction of Entries Featuring a Newly Appearing Client for Years Around Presidential Transitions
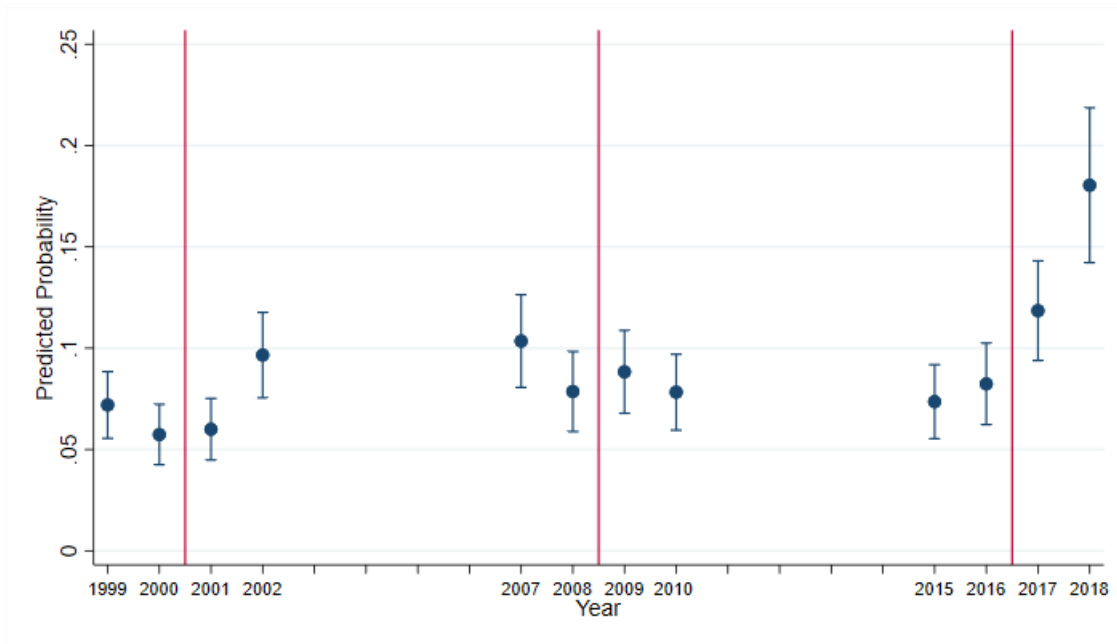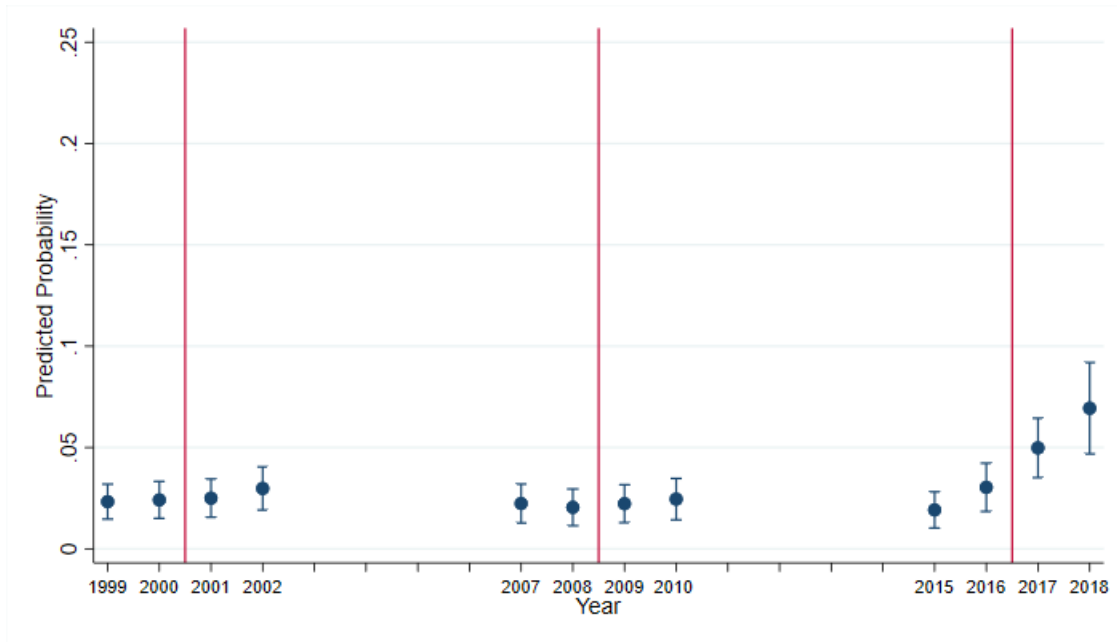

NOTES: Each point represents the predicted probability that a FARA entry in a given year features a newly appearing client. Each of the three periods (1999-2002, 2007-2010, and 2015-2018) cover the two years preceding and following a presidential administration change (Clinton to Bush in 2001, Bush to Obama in 2008, and Obama to Trump in 2017). The purpose of this figure is to show that, compared to the two previous presidential transitions, there was a unique jump in FARA registrations featuring newly appearing clients from 2017-2018 making it unlikely that this jump was simply due to the fact that there was a presidential transition that year (and instead leaving open the possibility that it was caused by news of the Manafort investigation).

Figure 8: Fraction of Entries Featuring Both a Newly Appearing Client and a Newly Appearing Lobbying Firm for Years in Presidential Transitions

NOTES: Each point represents the fraction of FARA entries in a given year that feature a newly appearing client and a newly appearing registrant. Each of the three periods (1999-2002, 2007-2010, and 2015-2018) cover the two years preceding and following a presidential administration change (Clinton to Bush in 2001, Bush to Obama in 2008, and Obama to Trump in 2017). The purpose of this figure is to show that, compared to the two previous presidential transitions, there was a unique jump in FARA registrations featuring newly appearing clients and newly appearing registrants from 2017-2018 making it unlikely that this jump was simply due to the fact that there was a presidential transition that year (and instead leaving open the possibility that it was caused by news of the Manafort investigation).

Figure 9: Number of FARA Entries Featuring a Client from the Ukraine by Reporting Period
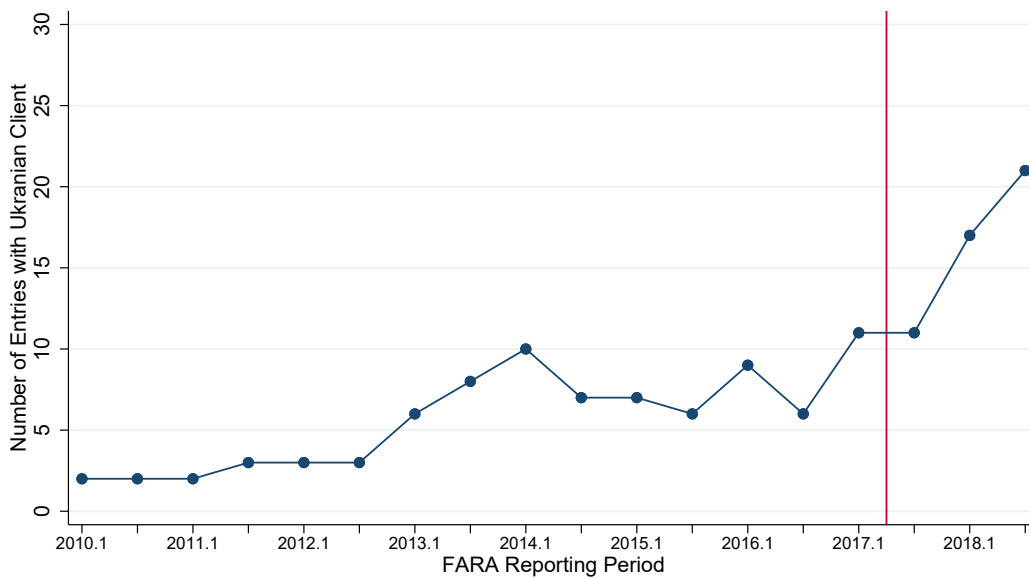
NOTES: Each point represents the number of FARA entries by year featuring a client from Ukraine. This does not include registrations made by the Podesta Group and Mercury Public Affairs both of which had connections to Manafort and were subjects of the investigation.

Figure 10: Standardized Number of Amendments per Year by Regulation Type
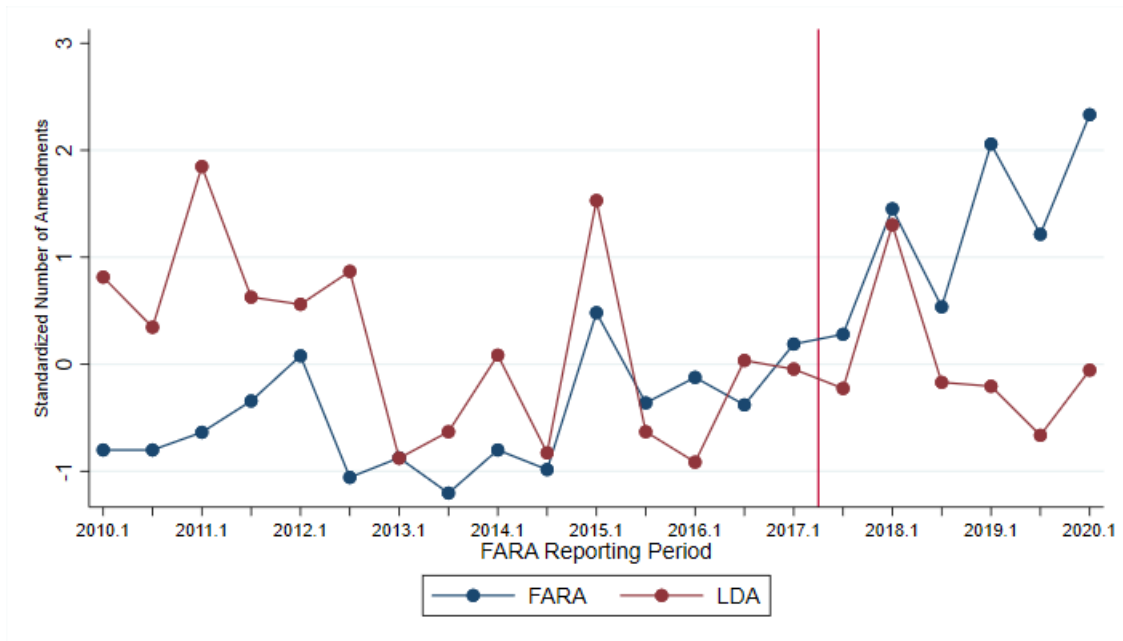
NOTES: Each point illustrates the number of standardized amendments by reporting period by regulation type (either FARA or LDA). FARA reports organize activity into biannual periods covering January-June and July-December. In the chart above the ".1" designation refers to the first of these periods, meaning the point at "2010.1" indicates the number of reported activities in January 2010 through June 2010 and the next point to the right indicates standardized amendments in July 2010 through December 2010 and so on.

Figure 11: Number of advisory opinions issued by year
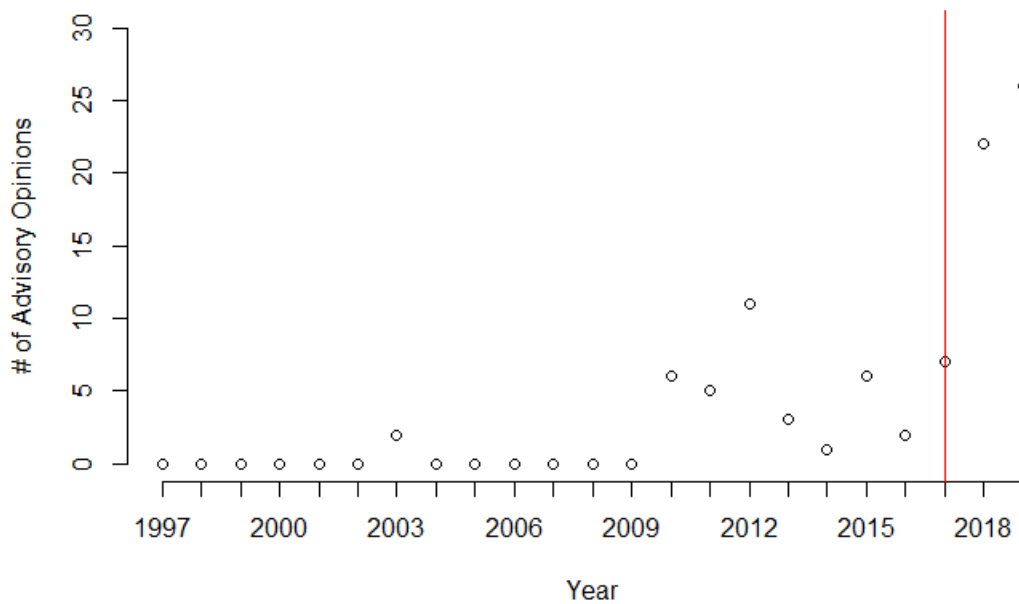
Table 1: Summary Statistics

	(1) All Entries	(2) FARA Entries	(3) LDA Entries
Newly Appearing Registrant	0.02	0.05	0.02
	(0.15)	(0.22)	(0.15)
Newly Appearing Client	0.08	0.09	0.08
	(0.27)	(0.28)	(0.27)
Client and Registrant Both Newly Appearing	0.01	0.03	0.01
	(0.11)	(0.18)	(0.11)
Average Reported Spending per Entry	140038.54	439512.69	129094.84
	(2112446.92)	(2006577.51)	(2115416.00)
Observations	291,365	10,272	281,093

Table 2: Difference in differences estimates showing that following reports of the Manafort investigation the difference in the rate of entries featuring newly appearing clients between FARA and LDA entries increased significantly.

	(1)	(2)
	DV: Newly Appearing Client	DV: Newly Appearing Client and Lobbying Firm
Post June 2017	0.06*	0.20*
	(0.03)	(0.08)
FARA	0.02	0.83***
	(0.06)	(0.11)
Post June 2017 × FARA	0.57***	0.58**
	(0.10)	(0.19)
Constant	-2.497***	-4.431***
	(0.0245)	(0.0614)
Observations	291,365	291,365
Clusters	9,304	9,304

NOTES: The unit of analysis in both models are FARA and LDA entries. "FARA" is a dummy variable equal to one for FARA entries and equal to zero for LDA entries. "Post June 2017" refers to entries made after June 2017. The outcome variable in Model 1 is a dummy variable indicating whether the entry features a newly appearing client. The outcome variable in Model 2 is a dummy variable indicating whether the entry features both a newly appearing client and a newly appearing lobbying firm. Both models are estimated with logistic regression. Standard errors clustered on lobbying firm in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 3: For newly appearing client outcome: No evidence of treatment effects at four placebo treatment points leading up to July 2017.

	(1) December 2014	(2) June 2015	(3) December 2015	(4) June 2016
FARA	-0.01	-0.02	-0.00	0.00
	(0.07)	(0.07)	(0.07)	(0.07)
Post December 2014	-0.03			
	(0.03)			
Post December 2014 $\times$ FARA	0.08			
	(0.09)			
Post June 2015		-0.09**		
		(0.03)		
Post June 2015 $\times$ FARA		0.17		
		(0.10)		
Post December 2015			-0.01	
			(0.03)	
Post December 2015 $\times$ FARA			0.12	
			(0.10)	
Post June 2016				0.01
				(0.03)
Post June 2016 $\times$ FARA				0.14
				(0.12)
Constant	-2.49***	-2.48***	-2.50***	-2.50***
	(0.03)	(0.03)	(0.03)	(0.03)
Observations	240094	240094	240094	240094

NOTES: The unit of analysis in both models are FARA and LDA entries. "FARA" is a dummy variable equal to one for FARA entries and equal to zero for LDA entries. The title of each column indicates the placebo date used in the models. The outcome variable in all models is a dummy variable indicating whether the entry features a newly appearing client. All models are estimated with logistic regression. Standard errors clustered on lobbying firm in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 4: For newly appearing client and newly appearing registrant outcome: No evidence of treatment effects at four placebo treatment points leading up to July 2017.

	(1) December 2014	(2) June 2015	(3) December 2015	(4) June 2016
FARA	0.87***	0.82***	0.80***	0.80***
	(0.13)	(0.12)	(0.12)	(0.12)
Post December 2014	-0.01			
	(0.09)			
Post December 2014 × FARA	-0.15			
	(0.18)			
Post June 2015		-0.17		
		(0.09)		
Post June 2015 × FARA		0.05		
		(0.19)		
Post December 2015			-0.07	
			(0.10)	
Post December 2015 × FARA			0.14	
			(0.20)	
Post June 2016				0.04
				(0.11)
Post June 2016 × FARA				0.15
				(0.22)
Constant	-4.43***	-4.39***	-4.42***	-4.44***
	(0.07)	(0.07)	(0.07)	(0.07)
Observations	240094	240094	240094	240094

NOTES: The unit of analysis in both models are FARA and LDA entries. "FARA" is a dummy variable equal to one for FARA entries and equal to zero for LDA entries. The title of each column indicates the placebo date used in the models. The outcome variable in all models is a dummy variable indicating whether the entry features both a newly appearing client and a newly appearing registrant. All models are estimated with logistic regression. Standard errors clustered on lobbying firm in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 5: Difference in difference estimates showing that compared to the two preceding presidential transitions, there was a significantly larger jump in newly appearing clients in FARA entries post-2017.

	(1)	(2)	(3)	(4)
	New client	New client	New client and registrant	New client and registrant
2016-2018	0.0229	0.125	-0.0142	0.189
	(0.0945)	(0.0964)	(0.168)	(0.179)
Post admin. change	0.0282	0.0472	0.0136	0.0912
	(0.0786)	(0.0848)	(0.147)	(0.159)
2016-2018 × Post admin. change	0.772***	0.736***	1.085***	0.911**
	(0.150)	(0.156)	(0.272)	(0.281)
Human rights score		-0.142***		-0.143*
		(0.0351)		(0.0565)
Log GDP		-0.0237		-0.0986
		(0.0443)		(0.0694)
Log GDP per capita		-0.137*		-0.116
		(0.0558)		(0.0780)
Log total trade		-0.0260		0.0349
		(0.0353)		(0.0552)
NATO member		0.580***		0.539**
		(0.120)		(0.181)
Log total aid		-0.107***		-0.0421
		(0.0238)		(0.0333)
Common law		-0.140		-0.0710
		(0.0858)		(0.132)
Constant	-2.464***	2.233***	-3.679***	-0.0359
	(0.0616)	(0.569)	(0.101)	(0.890)
Observations	14,342	12,139	14,342	12,139
Clusters	1,548	1,367	1,548	1,367

NOTES: The units of analysis in all models are FARA and LDA entries. The date indicated at the top of each column is the placebo treatment date. All model * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 6: Clients that appeared for the first time following reports of the Manafort into Manafort hailed from countries with significantly worse records on human rights.

	(1) HR Score	(2) HR Score	(3) HR Score	(4) HR Score
Client appearing post June 2017	-0.482***	-0.239**		
	(0.145)	(0.0907)		
Client+Registrant newly appearing post June 2017			-0.411*	-0.240
			(0.200)	(0.125)
Log GDP		-0.231***		-0.233***
		(0.0417)		(0.0416)
Log GDP per capita		0.937***		0.939***
		(0.0510)		(0.0510)
Total trade		0.00665		0.00749
		(0.0321)		(0.0321)
NATO Member		0.780***		0.779***
		(0.118)		(0.118)
Log Total Aid Received		-0.0342		-0.0335
		(0.0248)		(0.0248)
Common Law		-0.291***		-0.291***
		(0.0860)		(0.0860)
Constant	0.721***	-1.443*	0.716***	-1.456*
	(0.0666)	(0.728)	(0.0662)	(0.728)
Observations	8,808	8,283	8,808	8,283
Clusters	843	811	843	811

NOTES: The unit of analysis in all models are FARA entries. The outcome variable in both models is the Fariss human rights score of the registrant making the amendment. "New client post-2017" refers to amendments made after June 2017. "New client/lobbying firm post-2017" refers to entries made after June 2017 that featured both a newly appearing client and a newly appearing registrant. Standard errors clustered on lobbying firm in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 7: Clients that appeared for the first time following reports of the Manafort into Manafort hailed from countries that are perceived as significantly more corrupt.

	(1) CPI	(2) CPI	(3) CPI	(4) CPI
Client appearing post June 2017 1	-5.474***	-2.668***		
	(1.605)	(0.777)		
Client+Registrant appearing post June 2017			-5.023*	-3.296***
			(2.140)	(0.918)
Log GDP		0.637		0.623
		(0.462)		(0.462)
Log GDP per capita		10.61***		10.62***
		(0.498)		(0.498)
Total trade		-0.0703		-0.0620
		(0.371)		(0.371)
NATO Member		7.120***		7.101***
		(1.041)		(1.039)
Log Total Aid Received		-0.968***		-0.960***
		(0.214)		(0.214)
Common Law		7.709***		7.715***
		(0.817)		(0.817)
Constant	50.12***	-47.44***	50.04***	-47.60***
	(0.887)	(7.090)	(0.880)	(7.090)
Observations	9409	8981	9409	8981

NOTES: The unit of analysis in all models are FARA entries. The outcome variable in all models is the Corruption Perception Index Score (CPI) of the client featured in the entry. "Client appearing post June 2017" refers to entries featuring newly appearing clients after June 2017. Client+Registrant newly appearing post June 2017" refers to entries made after June 2017 that featured both a newly appearing client and a newly appearing registrant. Standard errors clustered on lobbying firm in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 8: Difference in differences estimates of the effect of the Manafort investigation on number of amendments showing that the standardized difference in the number of FARA and LDA amendments increased significantly following reports of the Manafort investigation.

	(1) # of Amendments	(2) # of Amendments	(3) # of Amendments
PostJune2017	0.816*		-0.189
	(0.314)		(0.348)
FARA		-0.120	-0.694*
		(0.284)	
PostJune2017 × FARA			2.009***
			(0.489)
Constant	-0.161	0.132	0.186
	(0.143)	(0.176)	(0.228)
Observations	42	42	42

NOTES: The outcome variable in all models is the standardized number of amendments made per month. "Post June 2017" refers to months after 2016. Robust standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.