Beyond Jobs: The Effects of Corporate Social Irresponsibility on Individual Attitudes toward Foreign Direct Investment [*†]

Carolina Moehlecke [‡] Guilherme Fasolin[§] Matias Spektor[¶]

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Abstract

Recent scholarship shows that public attitudes toward foreign direct investment (FDI) can be influenced by non-material factors, such as ethnocentrism, nationalism, and foreign threat perceptions. In this research note, we help to expand this agenda by investigating individual preferences on socially irresponsible FDI. Our findings from a conjoint experiment fielded in Brazil, a prominent destination for international capital inflows in the Global South, reveal a significant decline in individual support for FDI attributable to investing firms' irresponsible behavior. Moreover, we demonstrate that this decline persists even when individuals are prompted to consider substantial job creation by the investing firm under a difficult economic scenario, and including among high-skilled labor, the social group that stands to benefit the most from FDI entry. Our research contributes to understanding the non-material determinants of mass attitudes toward FDI, a globalization feature often celebrated for its potential to generate employment and other positive spillovers in the host economy. Broadly, our study serves as a cautionary tale for firms, governments, and civil society, as it underscores public sensitivity to negative externalities associated with FDI, regardless of the tangible benefits that local communities might receive.

Keywords: foreign direct investment (FDI); corporate social irresponsibility; public opinion

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[‡]Fundação Getulio Vargas, carolina.moehlecke@fgv.br

[§]Vanderbilt University, guilherme.n.fasolin@vanderbilt.edu

[¶]Fundação Getulio Vargas, matias.spektor@fgv.br

1 Introduction

Early research on mass attitudes toward foreign capital focused on the material benefits multinational corporations (MNCs) bring to individuals in host countries, namely job creation and high wages (Pandya 2016). A theoretical framework positing that MNCs' high demand for qualified labor leads to gains for workers and losses for domestic capital has served as foundation for numerous studies showing that laborers hold more favorable attitudes toward foreign investment, especially those with higher skill levels (Pandya 2010; Kaya and Walker 2012; Pinto 2013; Li et al. 2017). At the same time, while some domestic firms lose from FDI because of increased competition, a number of capital-owners stand to gain from MNC entry due to opportunities to access international financial resources and global value chains (Bauerle Danzman 2020). More generally, although FDI produces individual material winners and losers, it enjoys high approval rates in the aggregate (Owen 2018).

Recently, scholars have begun to explore countervailing factors that reduce the typical high support for FDI, such as ethnocentrism (Andrews et al. 2018), nationalism (Feng et al. 2021), and concerns about lack of reciprocity and threats to national security (Chilton et al. 2020). These studies add to prior research demonstrating that FDI contributes to perceptions of job instability (Scheve and Slaughter 2004). In contrast, little attention has been granted to whether and how individuals react to the negative externalities often produced by irresponsible firms in host countries, such as corruption (Malesky et al. 2015; Pinto and Zhu 2016), environmental degradation (Cole et al. 2017; Deng 2021), and labor violations (Mosley 2010).

Thus far, the scant evidence provided by the scholarship on this matter indicates that individuals display negative attitudes toward irresponsible investment (Nguyen and Malesky 2021; Jud 2023). These contributions are important, but they are limited in three aspects. First, they are based on evidence from quite positive economic scenarios: one study employs data from Vietnam (Nguyen and Malesky 2021), a fast-growing developing country acknowledged as a successful case of development in the Global South (Ninh 2022), while the other focuses on the United States, a developed country (Jud 2023). These favorable settings facilitate

the identification of rejection to irresponsible investment. Second, extant research does not leverage the microfoundations of FDI politics (Pandya 2010) to consider whether irresponsible investment is capable of modifying the perceptions of those individuals who stand to win the most from inward foreign capital, namely high-skilled labor, which would also work as a harder test. Third, each of the aforementioned studies considers only one form of corporate irresponsibility in isolation, which hampers our understanding of whether and how individuals vary in their reactions to the several forms of misbehavior that MNCs engage in. Taken together, these limitations beg the question of what the bounds of citizens' negative views toward irresponsible investment are.

On the one hand, individuals' rejection to irresponsible investment could be limitless. Citizens may consistently reduce their support for FDI coming from irresponsible firms because of dispositional characteristics, such as liberal and cosmopolitan values, which have been shown to predict stable attitudes toward fair and sustainable trade (Ehrlich 2018; Rudolph et al. 2022; Kolcava et al. 2023). Individuals may also reason that the material costs of corporate irresponsibility invariably surpass the investment's benefits. On the other hand, the potential of corporate irresponsible behavior to spur negative attitudes toward foreign investment could be bounded by FDI's propensity to generate jobs and pay high salaries. In this context, a host country's struggling economy could make individuals more tolerant toward irresponsible behavior by an investing firm that can provide many jobs, pay high salaries and generate positive spillovers, especially if those individuals stand to directly benefit from a given investment project. Similarly, it is possible that individuals are more willing to accept some types of irresponsible investment over others, if the material benefits it brings are high enough.

To address this query, we field a conjoint experiment to a sample of adults in Brazil in June of 2022. Although one of the largest FDI recipients in the developing world (UNCTAD 2022), Brazil's economic situation was notably unfavorable at the time of data collection (OECD 2022), marked by high inflation and unemployment, slow growth, and a significant exodus of multinational corporations from the country (Almeira and Sorima Neto 2021). In our conjoint, we apply treatments associated with two positive material consequences of FDI entry, job

creation and high wages, and two forms of corporate social irresponsibility, corruption and environmental damage. While firms engage in multiple forms of corporate misbehavior, we focus on corruption and environmental damage because these are politically salient issues among the public in Brazil (Gonzalez-Ocantos et al. 2023; Pereira and Viola 2019; Dias et al. 2021; Spektor et al. 2023). Moreover, these two matters tend to receive more media attention around the world, relative to other corporate irresponsible behaviors (Stäbler and Fischer 2020, p.60). Leveraging the conjoint design, we present respondents with trade-offs between material benefits and negative externalities of FDI, and prompt them to make a choice about their preferred investing firm without the need to disclose the reasoning behind their decisions, which also assuages concerns about social desirability bias.

Our results demonstrate that public aversion to irresponsible investment is widespread even under strenuous economic circumstances. In our experiment, a foreign investing firm's involvement with corruption and environmental damage decreases the perceived benefits associated with FDI by 28 and 20 percentage points, respectively. We show that the negative effects of corrupt and environmentally damaging firms hold even when they create many jobs and pay high salaries, indicating that FDI's most prominent benefits cannot topple public aversion to irresponsible corporate behavior. Moreover, we leverage the microfoundations of FDI politics to provide a particularly hard test of negative attitudes toward irresponsible FDI: we demonstrate that high-skilled labor, the group that stands to win the most from foreign capital entry (Pandya 2010), also strongly diminishes its support for foreign investment when it is associated with irresponsible behavior. While the creation of many jobs and the payment of high salaries assuage some of the aversion toward irresponsible investment, these are never sufficient to fully reverse high-skilled individuals' negative opinions of investment coming from corrupt and environmentally damaging investing firms. Finally, our design allows us to detect that Brazilians' aversion to corrupt investing firms is higher than rejection to environmentally damaging MNCs.

These findings hold several implications for the current global politics of FDI. Individuals not only exhibit a steadfast rejection of irresponsible investment but also demonstrate varying degrees of public aversion to different forms of corporate misbehavior. For investors, this

suggests that mitigating the reputational impact of corporate irresponsibility may prove extremely challenging. For civil society, the fact that the public is sensitive to corporate misbehavior means that mobilization strategies against irresponsible investment hold great promise. Finally, for governments, adopting stringent policies that demand responsible conduct from MNCs should find widespread public support.

2 How could irresponsible investment affect individuals' preferences for FDI?

The question we seek to answer is whether individuals take an investing firm's irresponsible track record into account when forming opinions about inward foreign capital, even when FDI's material benefits should be particularly appealing. To be clear, we do not aim at determining *how* corporate social irresponsibility could affect individual views on FDI under such circumstances, but we discuss possible mechanisms driving this relationship to derive testable propositions that will allow us to address our query of interest.

There are both material and non-material factors that could lead individuals to reject investment from irresponsible firms. From a material standpoint, citizens may reason that the negative externalities of irresponsible investment make them poorer (Gründler and Potrafke 2019; Dasgupta et al. 2005), that the investment is of low quality and does not bring enough benefits to the local economy (Jud 2023), or that it affects their country's prospects of attracting future investment because of increased risk (Kölbel et al. 2017). Under this rationale, any potential benefits stemming from irresponsible investment would not compensate its costs. Individuals may also be wary of foreign firms because of security and sovereignty concerns (Tingley et al. 2015) or increased job insecurity (Scheve and Slaughter 2004). In such cases, skepticism of FDI because of material concerns could manifest as rejection to irresponsible investment, similarly to the phenomenon known as "protectionism in disguise" in opinions about trade (Ehrlich 2010). From a non-material standpoint, studies show that individuals display aversion to irresponsible trade because of dispositional characteristics, such as liberal and cosmopolitan values (Ehrlich 2018; Rudolph et al. 2022; Kolcava et al. 2023). These

individuals are true fair traders, as they do not have any ulterior motives to reject irresponsible trade. In this context, values shaping legitimate favorable opinions about fair trade could also drive authentic positive views on responsible FDI. In summary, there are several reasons sustaining the testable proposition that *investment from irresponsible firms reduces individuals' perceived benefits over FDI.*

Nevertheless, we must not dismiss FDI's potential to generate material benefits as a moderator of the negative effects of corporate social irresponsibility on individual attitudes, especially when unemployment is high and confidence in the economy is low. From a sociotropic standpoint, citizens may overlook or forgive investing companies that misbehave because they contribute to local growth and development (Owen 2018; Bauerle Danzman 2020). From an egotropic point of view, workers with higher chances of deriving personal benefits from FDI entry, such as a better-paying job, could be particularly tolerant of an investing firm's irresponsible behavior. The longstanding result that workers value the jobs and higher wages brought by FDI (Pandya 2016, p. 458) should make it harder to find a negative effect of corporate irresponsible behavior on attitudes toward foreign investment when the creation of many jobs or the payment of higher wages is at stake. This difficulty should be even more pronounced if we consider the effects of irresponsible behavior on the opinions of high-skilled individuals, the subgroup that stands to benefit the most from FDI entry.

Based on this discussion, we have reasons to expect a general negative effect of irresponsible investment on individuals' opinions about FDI. However, FDI's material benefits should also be taken into account, which justifies subjecting our main proposition to two harder tests: one that explicitly takes the creation of many jobs and the payment of high salaries into account (Pandya 2016), and another one that looks at such effects on the opinions of high-skilled workers (Pandya 2010; Kaya and Walker 2012; Pinto 2013; Li et al. 2017). Conducting these tests under an unfavorable economic scenario should further contribute to our understanding of the bounds of individuals' aversion to irresponsible investment.

3 Research Design

To test our propositions, we fielded a conjoint experiment to a sample of 2,000 Brazilians in June 2022. Respondents were recruited by Netquest, an internet-based polling firm, which uses quotas (age, education, gender, income, and region) to reflect the demographics of the Brazilian population.[1]

Before taking the experiment, individuals answered to several pre-treatment questions. Then, we presented respondents with a hypothetical, but plausible situation in which there were two firms considering investing in their state, the administrative subnational unit in Brazil.[2] Respondents were instructed to analyze the two firms' characteristics and to choose which firm they believed could bring the most benefits (1) to their state and (2) to themselves and their families. We collected responses for these two dependent variables to gauge potential variation stemming from sociotropic and egotropic preferences.[3]

Each individual went through a sequence of six randomized and independent combinations of eight firm attributes, which constitute our treatments. Table 1 displays the eight firm attributes and their values.[4] Two attributes refer to irresponsible investment: the firm's history of corruption and environmental damage. As explained, we choose to test the effects of these two forms of corporate misbehavior because of their salience both in our setting and around the world. The other attributes included in our design are based on previous studies about individual views on FDI (Li et al. 2017; Chilton et al. 2020), and allow us to identify whether respondents care about corporate irresponsible behavior when other aspects of FDI are under consideration. The most important treatment for us after the corruption and environmental damage ones is "labor market impact", or job creation, since this is the benefit of FDI we expect

[1] Our sample is non probabilistic, but these have been shown to yield similar results to probabilistic samples in Latin America (Bush and Clayton 2023). Appendix A-1.1.1 brings the sample's descriptive statistics, diagnostic checks and details about Netquest's recruitment procedure.

[2] Our design elicits respondents to think about the consequences of FDI entry to their state rather to the country as a whole because FDI generates different distributional consequences within a country (Owen 2018, p. 615). Moreover, such a focus highlights local benefits and costs to respondents, which should vary, since Brazil exhibits great heterogeneity in socioeconomic aspects across its 26 states.

[3] The questions that generated our dependent variables were based on language used by the Latinobarometro and employed by the literature (Pandya 2010, p. 397)

[4] Respondents took the survey in Portuguese. The table reproduces an English translation of the exact text as seen by respondents. Because of translation, some of the expressions may seem unusual for English speakers.

to produce a stark trade-off with irresponsible behavior by the investing firm.[5] We randomized the attribute order across respondents but kept the same order for each respondent across their six tasks to reduce the cognitive burden on individuals (Hainmueller et al. 2014).

The fact that we can independently estimate the effect of each of our eight treatments on individuals' views on FDI is what makes the conjoint experiment the most appropriate design for our purposes. Respondents make decisions while considering several aspects at the same time, which mirrors the actual decision-making process individuals usually go through. Crucially, the design does not highlight the treatments of interest at the expense of others, and respondents do not reveal why they chose a given firm over another. These features assuage concerns about social desirability bias and the possibility that individuals may have been artificially encouraged to give more weight to a given attribute over another. Importantly, we can test the independent effects of two forms of corporate irresponsible behavior under the same design and provide measures of relative salience of these treatments on individuals' responses.

We recognize that skeptics may worry that Brazil is a most likely case for detecting aversion to irresponsible investment, precisely because of its recent high-profile corruption scandals (Gonzalez-Ocantos et al. 2023) and environmental damage episodes (Pereira and Viola 2019; Dias et al. 2021). However, polls conducted around the time of the field indicate the Brazilian public overwhelmingly prioritized addressing unemployment, income, and inflation over corruption and environmental degradation (Instituto de Pesquisas Sociais, Políticas e Econômicas 2022). In a context of expected economic growth below 1%, sluggish labor market recovery, and rising inflation (OECD 2022), the assumption is that FDI's jobs and high wages would be especially appealing to individuals — even more so during a time in which MNCs were frequently leaving Brazil (Almeira and Sorima Neto 2021), a contrasting trend in a country that has traditionally been a prominent FDI destination (UNCTAD 2022). Therefore, finding aversion to irresponsible investment in our experiment is far from foreordained and

[5]We represent the investment's impact on the labor market in terms of "many" and "a few" jobs instead of specific numbers (e.g., 300 versus 3,000 jobs) to improve experimental control. Brazilian cities exhibit substantial size variations, so 300 jobs carry very different meanings and implications in a state capital like São Paulo, with nearly 12 million inhabitants, and an interior town like Jaguariuna, with less than 60,000 citizens, but also host of important MNCs. Thus, we purposely use language that allows respondents to interpret the meaning of "a few jobs" and "many jobs" based on their own realities.

Attribute	Levels
Size	(1) Large firm and listed among the 500 largest firms in the world (2) Medium-sized firm and not listed among the 500 largest firms in the world
Origin	(1) Brazil (2) United States (3) Europe (4) China (5) Latin American country (except Brazil)
Mode of insertion in the Brazilian market	(1) New facilities built in Brazil (2) Partial acquisition of a Brazilian firm (3) Full acquisition of a Brazilian firm
Sales destination	(1) Sales to other countries (exports) (2) Sales to the Brazilian market
Labor market impact	(1) Generation of a few jobs in the state (2) Generation of many jobs in the state
Salaries paid by the firm	(1) Salaries above the national average (2) Salaries on the national average
History with corruption	(1) It has been involved with corruption (2) It has never been involved with corruption
History with environmental damage	(1) It has caused environmental damage (2) It has never caused environmental damage

Table 1: *Conjoint Experiment Attributes and Levels as presented to respondents, but translated from Portuguese to English*

constitutes a more challenging endeavor relative to the few previous studies on the topic (Nguyen and Malesky 2021; Jud 2023).

4 Results

4.1 Irresponsible investment reduces individuals' support for FDI

To address the question of whether individuals' views on FDI are affected by investing firms' irresponsible behavior under bad economic times, we show results from the estimation

of average marginal component effects (AMCEs).[6] In our context, AMCEs represent the percentage change in the perceived likelihood that a firm with a particular characteristic will be seen as the most beneficial to the respondent's state.[7]

Figure 1 shows that individuals believe that firms with a history of corruption are 28.64 percentage points less beneficial to their state relative to firms without such a history. Similarly, individuals find that firms that have caused environmental damage are 19.9 percentage points less beneficial to their state than firms with a clean environmental past. Both results are statistically significant (p-value < 0.001). This is strong evidence validating the idea that individuals take corporate irresponsible investment into consideration when forming their opinions on FDI.

Figure 1 also validates the longstanding result in IPE that individuals value FDI's capacity to generate jobs: we find that respondents perceive firms that generate only a few jobs to be 14.66 less beneficial to their state, relative to firms that generate many jobs (p-value < 0.001). While the labor market effect is sizable and expected, the effect of the firm's previous involvement with corruption is twice as large as the effect of the firm's potential to generate many jobs. For the firm's history with environmental damage, the effect is about 40% larger than for job generation.

Another important point about our results is that public aversion to irresponsible investment holds for both foreign and Brazilian investment. We focus discussion on foreign rather than domestic investment because we would expect individuals to be more lenient toward the former, given its higher productivity and the extra benefits it brings (Owen 2018, p. 621). That this expectation is not met by results highlights the importance individuals grant to responsible investment.

Before moving to our other findings, we consider whether the aversion toward irresponsible investment we observe could be attributed to social desirability bias. This is a legitimate concern since respondents could have systematically selected firms with a history of responsible investment not because of their true preferences but because they felt compelled

[6] Our results are robust to the estimation of marginal means instead (Leeper et al. 2020). These results are available upon request.

[7] Results are consistent across our two dependent variables. Results for the egotropic outcome are available upon request.

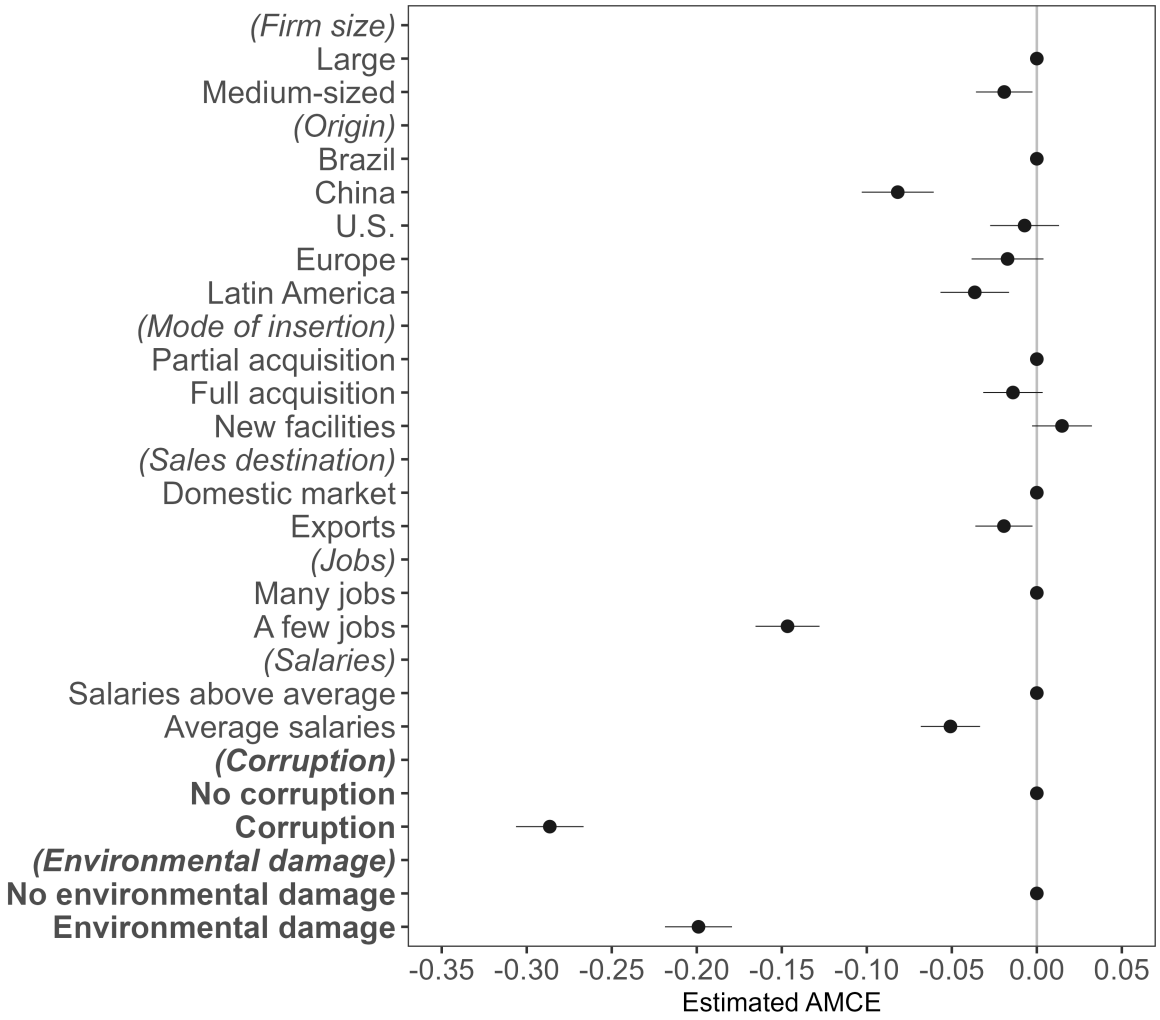

Figure 1: *Estimated AMCEs of randomly assigned firms' characteristics on individuals' responses. Bars indicate 95% confidence intervals based on robust standard errors clustered by individual.*

to do so. We consider this possibility to be unlikely for three reasons. First, conjoint designs already tend to reduce social desirability bias by making it challenging for respondents to discern the topics of interest among a number of treatments (Leeper et al. 2020; Horiuchi et al. 2021). Second, our results align with the findings in the experimental literature in the developing world both regarding corruption (Boas et al. 2019; Incerti 2020; Klašnja et al. 2021) and environmental issues (Nguyen and Malesky 2021). Third, we conducted a list experiment with a new sample of 3,000 Brazilians to provide additional evidence that our conjoint elicited true opinions from respondents about their aversion to irresponsible FDI.[8] Overall, as the appendix A-1.3.4 shows, the list experiment corroborates that our results are not an artifact of

[8]List experiment is an item-count technique that reduces social desirability bias by hiding the sensitive items from respondents (Blair et al. 2020). Appendix A-1.3 provides information about the sample, presents the structure and wording of the treatments used in the list experiment, and reports on diagnostic checks.

social desirability bias.

4.2 Irresponsible investment reduces individuals' support for FDI even when it creates many jobs

Our main analysis provided evidence that individuals care about responsible investment. We now subject this finding to a harder test by assessing whether participants continue to oppose irresponsible investment even when it creates many jobs, FDI's most conspicuous material benefit to the host economy (Pandya 2010; Pinto 2013). To do so, we estimate the effects of the corruption and environmental damage treatments on respondents' perceived benefits over FDI for each level of the job creation attribute (*a few jobs* and *many jobs*). To estimate interaction treatment effects, we use marginal means (MMs), which are more appropriate for reporting differences in favorability levels across interactions (Leeper et al. 2020).[9]

Figure 2 shows the effects of the interaction between the corruption and job creation treatments. On average, respondents believe that a firm that has never been involved with corruption and only generates a few jobs (third row) is more beneficial than one that brings many jobs but has a history of corruption (second row). The difference in marginal means (0.56 - 0.44 = 0.12) is statistically significant (p-value < 0.001).

We find a similar result when we interact the environmental damage treatment with the job creation one. As Figure 3 illustrates, Brazilians think that firms that generate only a few jobs but have never caused environmental damage (third row) are more beneficial than firms that generate many jobs but have caused environmental damage (second row). The marginal means of these two interactions are 0.54 and 0.46, respectively, and the difference in marginal means (0.08) is statistically significant (p-value < 0.001). These results are further confirmed by the interaction of the corruption and environmental treatments with another relevant material benefit associated with support for FDI, which is high salaries (Lipsey 2004; Scheve and Slaughter 2004).[10]

[9] Marginal means employ a defined average value of 0.5; values above 0.5 indicate that an attribute level increased profile favorability, while values below 0.5 indicate that an attribute level decreased it.
[10] See appendix A-1.2 for results.

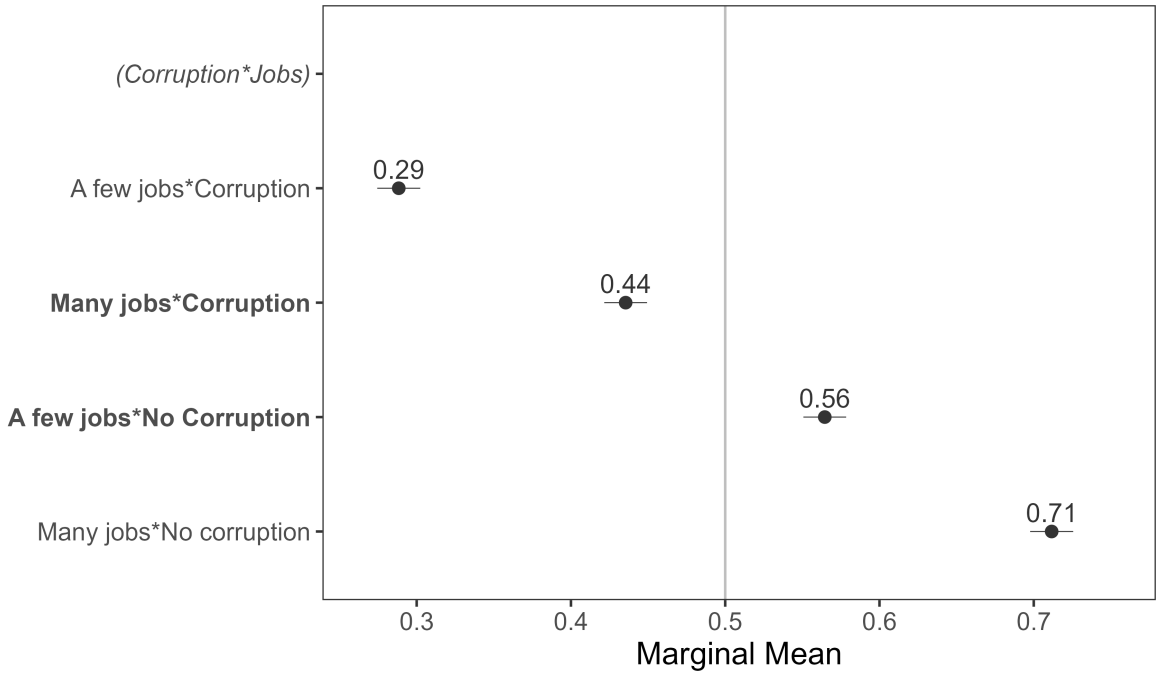

Figure 2: *Estimated marginal means of randomly assigned firms' characteristics on individuals' responses in the presence of a two-way interaction between job creation and history with corruption. Bars indicate 95% confidence intervals based on robust standard errors clustered by individual.*

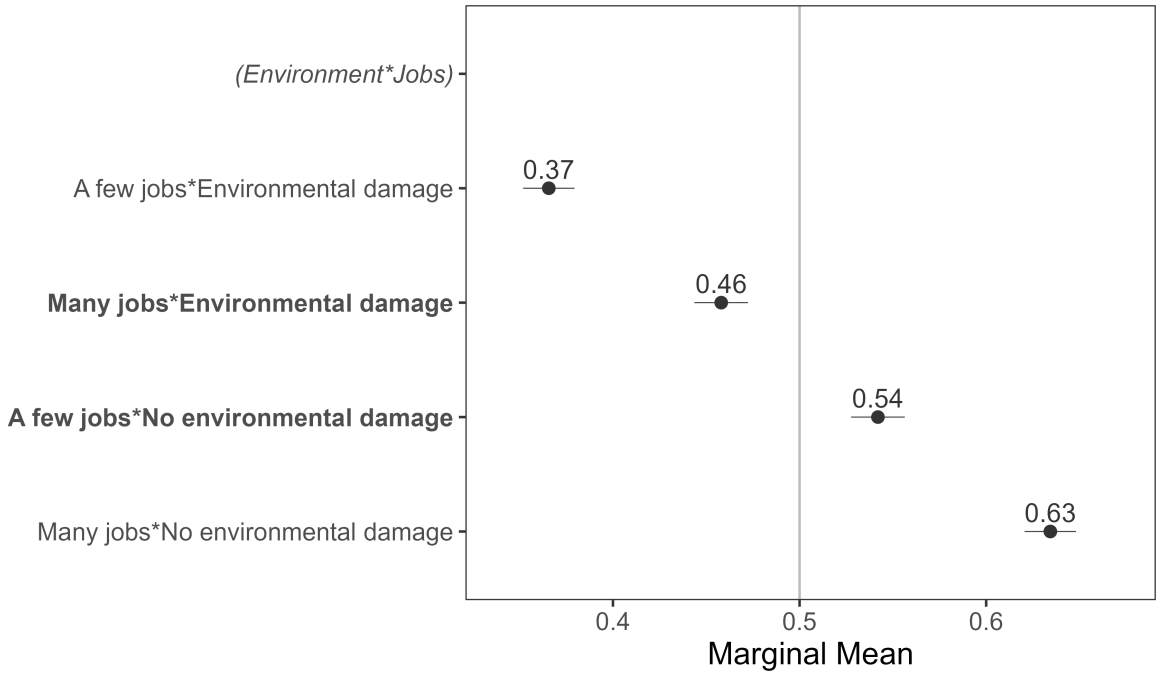

Figure 3: *Estimated marginal means of randomly assigned firms' characteristics on individuals' responses in the presence of a two-way interaction between job creation and history of environmental damage. Bars indicate 95% confidence intervals based on robust standard errors clustered by individual.*

Additionally, we notice that, while the creation of many jobs attenuates negative attitudes toward irresponsible investment, such a feature is not sufficient to fully reverse individuals'

negative attitudes toward firms that misbehave.As the top two rows in Figures 2 and 3 indicate, generating many jobs increases the favorability of corrupt firms from 0.29 to 0.44, and of environmentally damaging firms from 0.37 to 0.46. These increases are statistically significant (p-value < 0.001), but the coefficients remain below 0.50, indicating that irresponsible behavior cannot be completely compensated by job creation.

4.3 Irresponsible investment reduces high-skilled labor's support for FDI even when it creates many jobs

We recall that high-skilled workers are the main beneficiaries of FDI entry. Thus, finding aversion to irresponsible investment among this subgroup represents a particularly hard test of the effects of firms' past involvement with corruption and environmental damage. To conduct this test, we interact the corruption and environmental damage treatments with the job creation treatment in the presence of a covariate that indicates whether individuals have some college education or not.[11]

Figure 4 shows that both high-skilled and low-skilled individuals prefer non-corrupt investment that generates a few jobs to corrupt investment that generates many jobs. Looking at our left panel, we find that high-skilled labor sees FDI from firms without a history of corruption and that generate a few jobs as more beneficial (0.55) than investment from firms with a history of corruption that generates many jobs (0.45). The difference in marginal means (0.10) is statistically significant (p-value < 0.001). According to our right panel, low-skilled labor yields similar marginal means, with the respective values being 0.57 and 0.43, also with a statistically significant difference (0.14, p-value < 0.001).

Figure 5 displays similar results concerning the environmental damage treatment. Both high-skilled and low-skilled individuals yield a marginal mean of 0.54 for responsible firms that generate a few jobs, and an estimate of only 0.46 for environmentally damaging firms that create many jobs. The differences in marginal means (0.08) are statistically significant for

[11] Proxying skill with educational levels is a common strategy in IPE literature (Pandya 2010; Kaya and Walker 2012, e.g.). As high-skilled labor is relatively scarce in Brazil, we consider individuals who have gone to college but not finished the degree as high-skilled labor as well. Our results are not sensitive to this operationalization choice.

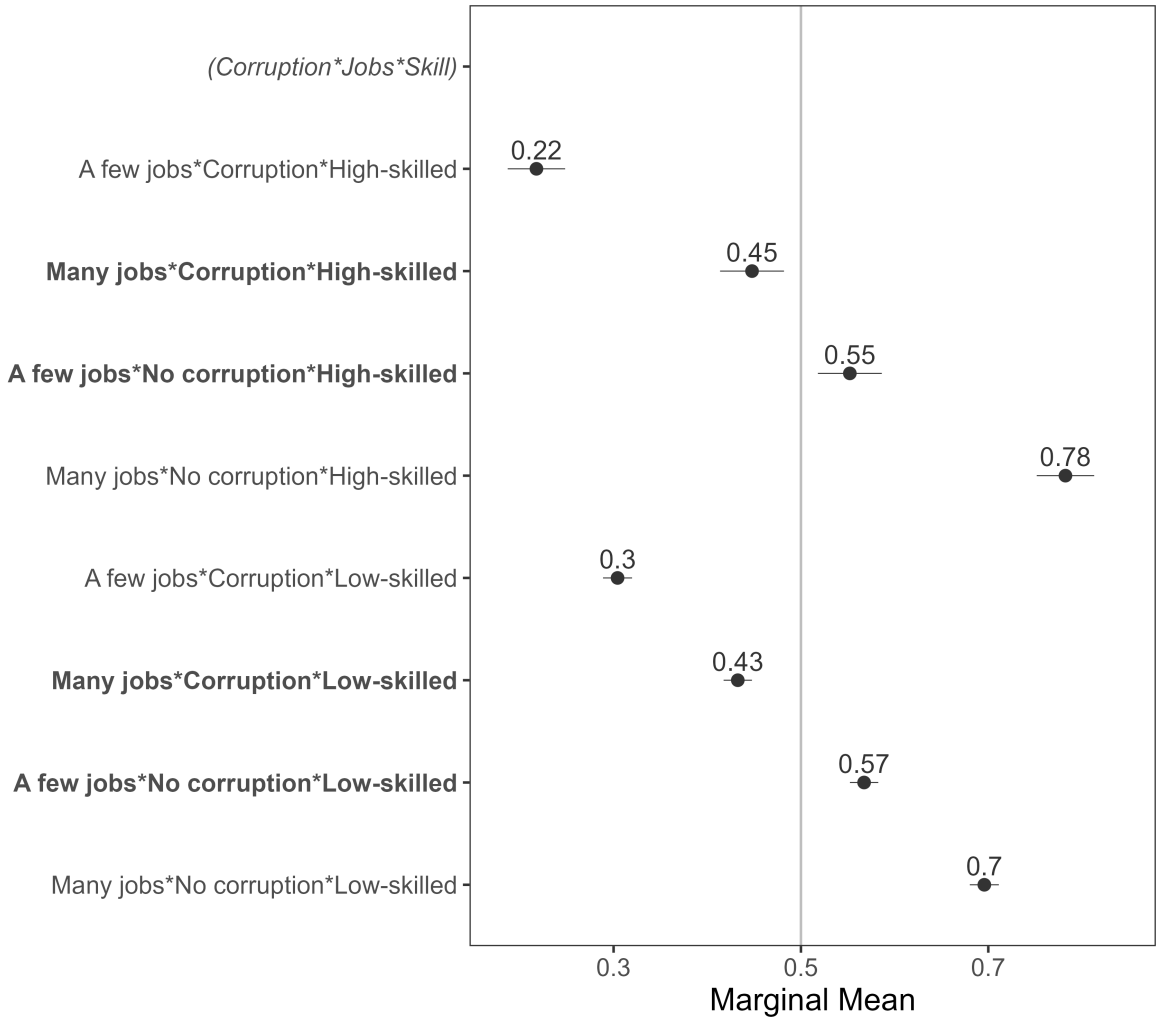

Figure 4: *Interaction effects of the corruption and job creation attributes across individuals' skill level. Bars indicate 95% confidence intervals based on robust standard errors clustered by individual.*

both subgroups (p-value < 0.001). That is, the reported interactions indicate that the subgroup benefiting the most from FDI entry ("high-skilled labor") also has a predilection for responsible investment, even when such a choice implies fewer jobs in the host economy.[12]

Once more, we observe that firms that create many jobs can mitigate the negative effects of their irresponsible behavior on individuals' opinions. For high-skilled labor, a corrupt firm that generates only a few jobs yields a marginal mean of 0.22; a corrupt firm that spurs many

[12]It merits saying that when we examine heterogeneous effects across skill levels without interactions, we find that high-skilled labor displays a higher marginal mean for *many jobs* than low-skilled labor, thus corroborating IPE's longstanding models of individual preferences for FDI. The marginal mean for high-skilled labor concerning *many jobs* is 0.58 and 0.54 for low-skilled individuals. The difference of 0.04 is statistically significant (p-value < 0.001). The fact that high-skilled labor values FDI's job creation feature as predicted by foundational theory, but also strongly reduces its support for foreign investment associated with irresponsible corporate behavior paves the way for more studies that can uncover how different individuals weight the multiple aspects of foreign investment when forming their opinions.

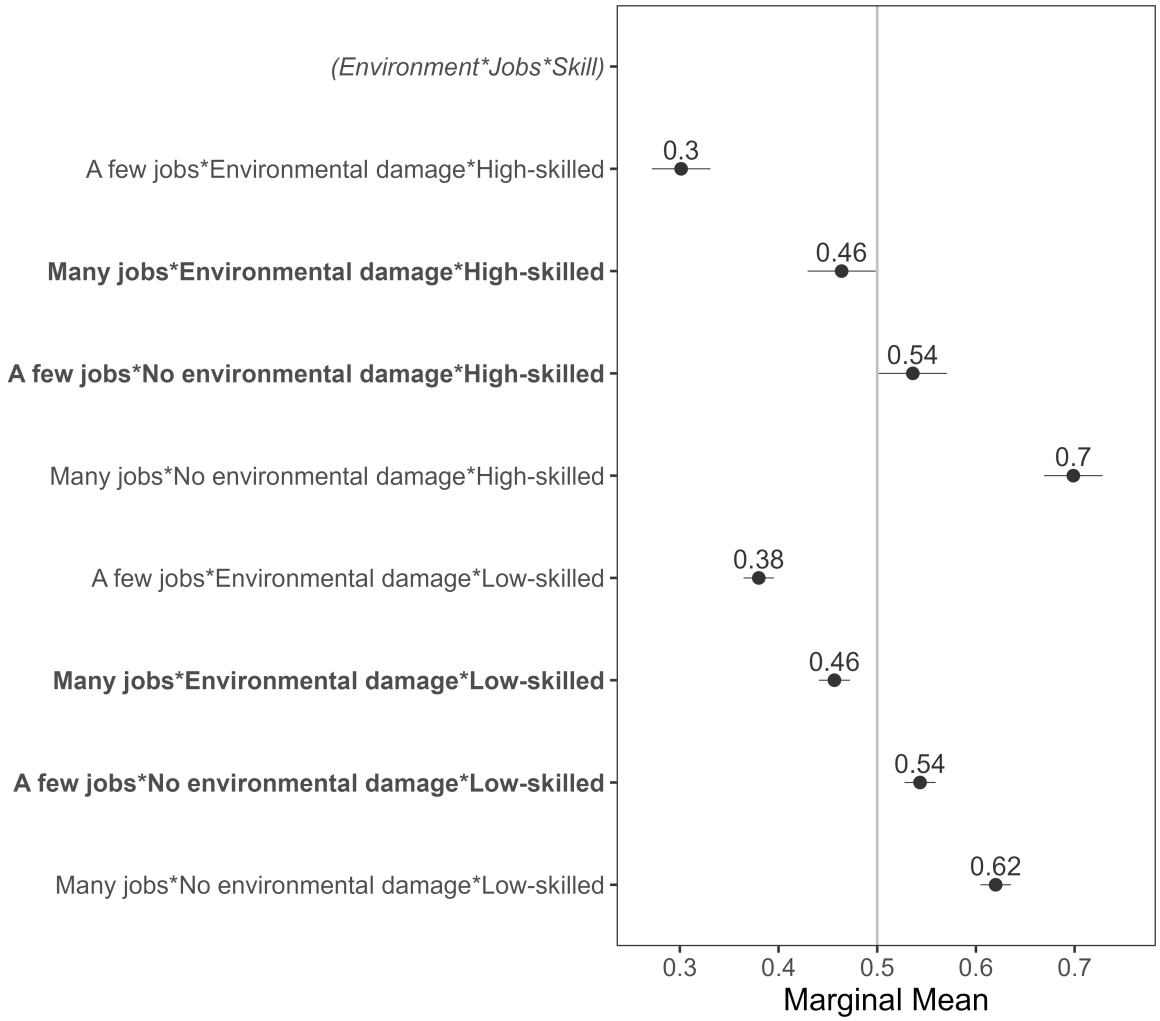

Figure 5: *Interaction effects of the environmental damage and job creation attributes across individuals' skill level. Bars indicate 95% confidence intervals based on robust standard errors clustered by individual.*

jobs leads to a marginal mean of 0.45. Similarly, an environmental damaging firm that creates a few jobs yields a marginal mean of 0.30, and one that generates many jobs generates an estimate of 0.46. All differences are statistically significant at p-value < 0.001 That is, the creation of many jobs in the presence of corporate misbehavior increases favorability among high-skilled labor, but not to the point of wiping out these citizens' negatives views on firms with an irresponsible track record, since point estimates remain lower than 0.5.[13]

[13]In our available replication script we show that the irresponsible investment treatments negatively affect all the subgroups we can test with our data; these analyses further corroborate the widespread popular aversion to irresponsible investment.

5 Conclusion

This study contributes to a very incipient but promising body of work that examines the effects of corporate irresponsible behavior over individuals' perceptions about FDI and associated policies (Nguyen and Malesky 2021; Jud 2023). We build off of previous studies to test the independent effects of two types of corporate misbehavior, corruption and environmental damage, on individuals' views on FDI under a unified framework, and to explicitly confront foreign investment's negative externalities with its well-known material benefits across individuals' different skill levels. Moreover, we leverage a challenging scenario for finding aversion to irresponsible investment: in 2022, Brazilians faced a difficult economy and were thus expected to be more lenient toward irresponsible firms that could bring jobs and pay high salaries.

Through a conjoint experiment, we find that firms with a history of corruption or environmental damage substantially diminish Brazilians' perceptions of FDI's benefits. This result holds even when the investment under consideration is posited to bring many jobs and pay high salaries, and among high-skilled labor, the subgroup that stands to gain the most from FDI entry. Taken together, our findings demonstrate that investing firms' irresponsible behavior modifies individuals' views on the typical benefits associated with FDI, which adds to other recent work in the field showing that attitudes toward FDI are multidimensional (Chilton et al. 2020; Feng et al. 2021). While concerns about corruption and environmental damage do not completely erase the value individuals grant to FDI's job creation, corporate irresponsibility consistently reduces its worth. We believe our findings point toward several paths for future research and hold important implications for businesses, the civil society, and governments.

First, our research can be extended to assess whether aversion to irresponsible investment translates into political behavior. If voters reward investment attraction in the ballot box (Owen 2018; Jensen and Malesky 2018), under what circumstances might they punish politicians for attracting FDI from irresponsible firms, or mobilize to protest against it? While survey experiments involving sensitive topics do not always align with real-world actions

that correspond to expressed preferences (Boas et al. 2019; Incerti 2020, e.g.), paired conjoint designs akin to ours have proven effective in capturing the impacts of attributes that influence both choice and voting contexts (Hainmueller et al. 2015). Moreover, several events around the world indicate that the negative externalities brought by FDI are salient to individuals and that they often act on it. Popular mobilization against irresponsible behavior by Coca-Cola and Enron in India (Rudra et al. 2018; Srivastava 2003), Walmart in Mexico (Heineman Jr. 2012) and Formosa-Ha Tinh Steel in Vietnam (Nguyen and Malesky 2021) are just a few examples of real-world events that indicate that our findings are unlikely to be restricted to a preference-only realm. Thus, our study should be useful to those interested in taking the topic of irresponsible investment to the behavorial domain.

Second, while we identify strong and robust public aversion to irresponsible investment, our research design does not allow for uncovering the mechanisms behind this phenomenon. As we discuss in section 2, there are both material and non-material factors that could drive individuals' rejection of corrupt and environmentally damaging firms. Moreover, it is possible that different mechanisms shape the negative attitudes toward corrupt and environmentally damaging behavior we find. As a matter of fact, we encounter stronger effects for corruption than for environmental damage, which already raises an interesting puzzle of what drives such variation. Others could investigate whether such heterogeneity exists regarding other types of corporate irresponsibility, such as violations of labor rights, tax evasion, financial fraud, and data security breaches. More generally, parsing out the effects of values and material concerns in shaping public opposition to the various forms of irresponsible investment constitutes a promising next step, just like it has been the case for recent studies that examine the multiple drivers of mass attitudes toward trade (Ballard-Rosa et al. 2021; Mansfield et al. 2021; Walter 2021, e.g.).

In terms of implications, our findings are good news for civil society actors interested in scrutinizing firms' irresponsible corporate behavior. Not only we find evidence that individuals are sensitive to corporate irresponsibility, but that distinct types of corporate misbehavior generate different levels of public aversion. This means that activists can develop specific strategies to leverage public aversion to mobilize against irresponsible investment in

different host countries. On the flipside, our work highlights that, while MNCs are strategic actors that will try to minimize the salience of their misbehavior in host countries, it is increasingly difficult for them to do so. More than ever, firms are under the spotlight for corporate irresponsibility events (Kölbel et al. 2017; Stäbler and Fischer 2020) and exposed to the risks derived from them (Oikonomou et al. 2014). Following from our findings, future work can inspect whether firms with a bad reputation can remediate their image problem in different host states by, for example, tailoring their aspirational targets for ESG-compliant behavior, or joining specific public-private initiatives that promote socially responsible behavior, such as the United Nations Global Compact (Thrall 2021).

Finally, for both host and home governments, our study suggests that adopting investment policies with strict sustainable development clauses and that go beyond the focus on consequences to the labor market and domestic firms' competitiveness is imperative. Policymakers already acknowledge this: in February 2024, over 120 countries concluded the Investment Facilitation for Development Agreement (IFDA) under the auspices of the World Trade Organization. This multilateral agreement includes provisions to promote anti-corruption practices and responsible environmental behavior by investing firms in their cross-border operations (Sauvant 2024). The IFDA has not come without resistance by some countries (Uppal and Farge 2024), but our findings indicate that there should be broad public support for this type of initiative, which can help to strengthen it (De Vries et al. 2021).

In a rapidly transforming global economy, the continuity of FDI flows has come under serious challenges. In the developed world, restrictions to foreign investment based on security concerns are on the rise (Bauerle Danzman and Meunier 2023). Our research indicates that, in the developing world, one potential source of backlash against FDI and globalization more generally could be precisely the negative externalities attached to it.

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A-1 Appendix

In compliance with the journal's policy of including an appendix that does not surpass 10 pages at the time of submission, we present here a shortened version of our supplementary materials. We clarify that tests and results informed to be available upon request will be readily shown in a full version of the supplementary materials, once the article is published.

A-1.1 Conjoint Experiment

A-1.1.1 Sample details

The study was conducted on a nonprobability sample of 2,000 Brazilian adults recruited via Netquest, an internet-based polling firm, which used quotas (age, education, gender, income, and region) to reflect the demographics of the Brazilian population (Table A-1). Netquest builds its online panels through an opt-in recruitment method, where respondents are randomly selected for survey invitation, using population quotas to produce nationally diverse samples. The company holds the ISO 26362 certification and it complies to the guidelines set by the European Society for Opinion and Market Research (ESOMAR). Studies utilizing Netquest's online panel have been published in top political science journals, including the *American Political Science Review* (Bush and Clayton 2022), *Journal of Politics* (Boas et al. 2021), *Comparative Political Studies* (Campello and Urdinez 2021), and *Political Behavior* (Batista Pereira 2021).

A-1.1.2 Diagnostic Checks

Following the literature (Hainmueller et al. 2014), we conducted several diagnostic checks for our conjoint experiment. First, we performed a *carryover effects* assumption test to determine if the results display any overtime effects, which is a common issue in conjoint experiments. We analyze responses for each round of our conjoint experiment separately and identify that results for our attributes of interest are virtually the same across all rounds, except for the sixth one. Such an occurrence has been observed in other studies (Kertzer et al. 2021) and it is hard to explain it theoretically. Thus, we follow the literature's recommendation and usual practice of addressing carryover effects by analyzing responses from the experiment's first task only, when there could have not possibly been any carryover effects (Hainmueller et al. 2014; Kertzer et al. 2021).

Figure A-1 presents these results and indicates that our main findings remain robust. Moreover, we replicate our main results excluding the sixth round, and still observe robustness (see Figure A-2). Because our main results are not affected by the sixth round, we decide to include all rounds in all the empirical analyses reported in the manuscript and appendix. If anything, this choice makes our estimates more conservative.

Table A-1: *Summary statistics - Socio-demographic variables*

Variable	N	Mean	2019 PNAD
Age	2008	41.99	
Sex	2008		
Female	1015	50.5%	50.5%
Male	993	49.5%	49.5%
Social Class	2008		
A	52	2.6%	2.5%
B	428	21.3%	21.3%
C	945	47.1%	47.1%
D-E	583	29%	28.7%
Education	2008		
No College	1633	81.3%	81.4%
College	375	18.7%	18.6%
Region	2008		
Midwest	166	8.3%	7.6%
North	166	8.3%	8%
Northeast	566	28.2%	26.4%
South	314	15.6%	14.6%
Southeast	796	39.6%	43.4%

Notes: The population data is from the 2019 Brazilian National Household Sample Survey (PNAD), the latest data available at the time of the field.

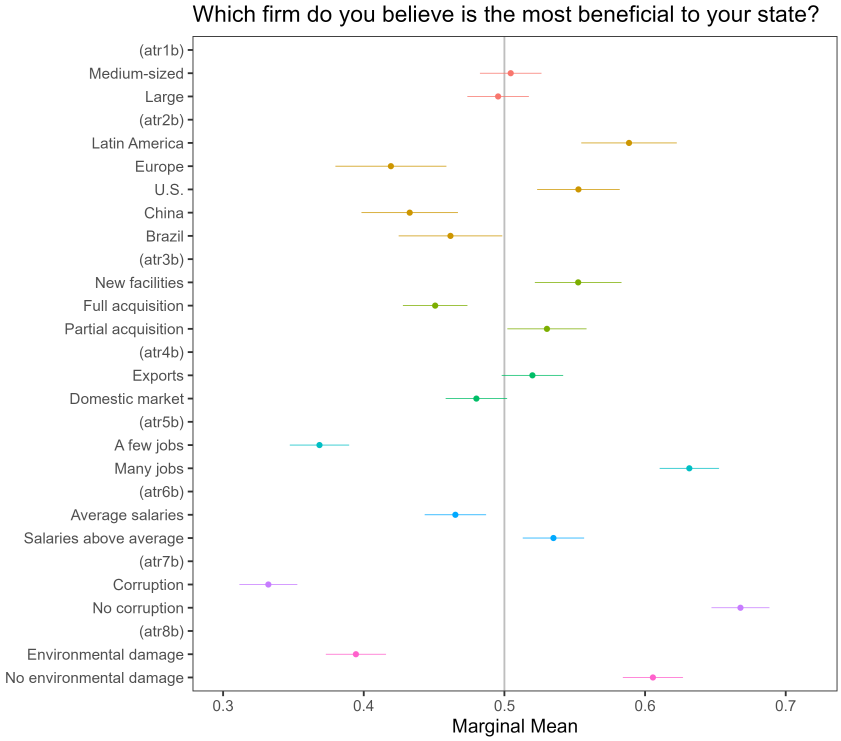

Figure A-1: *This figure plots Marginal Means (MMs) with 95% confidence intervals, including data from the first task only. Results remain robust and thus are not affected by carryover effects.*

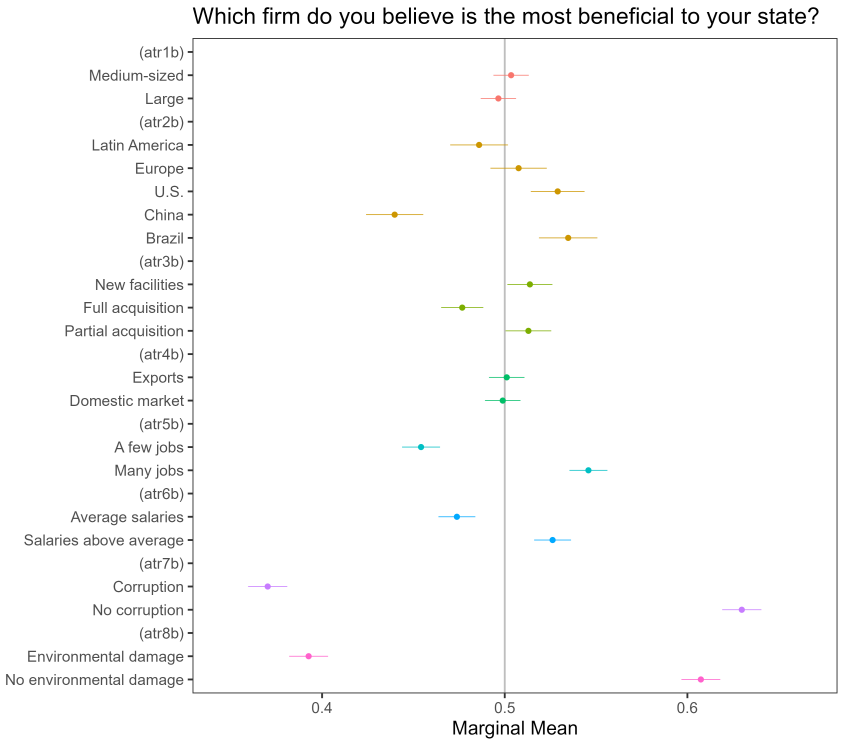

Figure A-2: *This figure plots Marginal Means (MMs) with 95% confidence intervals, excluding data from the sixth round, which displayed violation of the carryover effects assumption. Crucially, results remain robust and thus are not affected by carryover effects.*

We also verified that there are no *profile order effects* in the study, ensuring that respondents' choices remain consistent irrespective of the order in which the two companies' profiles are displayed in each choice task (Figure A-3). Moreover, figure A-4 shows that our conjoint experiment displayed an equal frequency of the attributes' features across profiles shown to respondents.

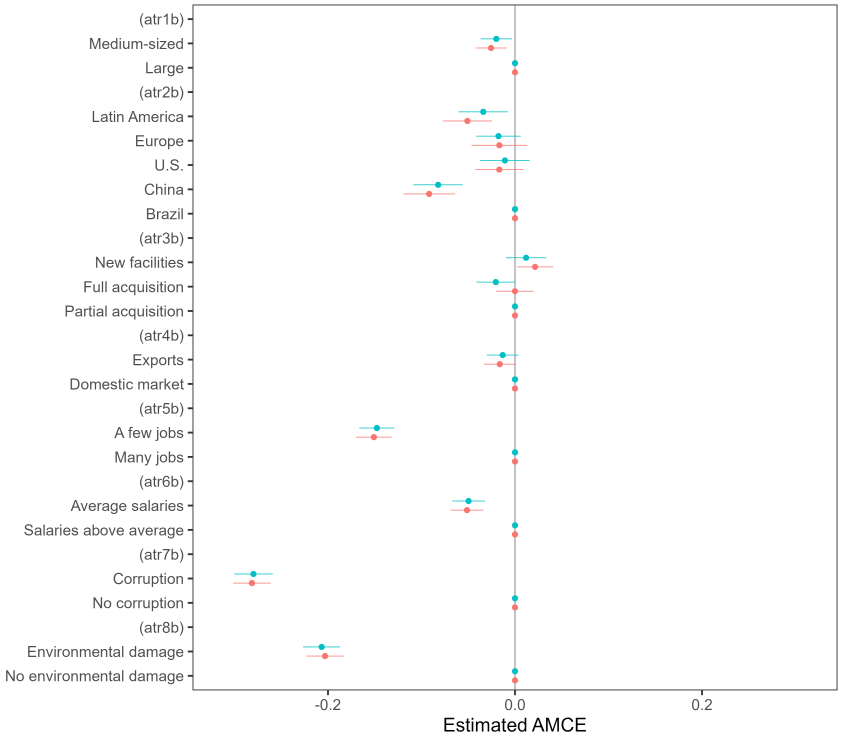

Figure A-3: *This figure plots AMCEs with 95% confidence intervals. It replicates results from the main text, but conditional on whether each attribute was presented as belonging to firm A (in red) or firm B (in blue). There are no systematic differences across the order in which the two companies' profiles are displayed across tasks.*

Finally, we also conducted a *randomization check* to confirm that profiles (attribute levels) were well-distributed across the five individual-level characteristics (gender, age, education, class, and region) we selected to keep balanced in our sample. Figure A-5 indicates the successful random assignment of attribute levels. Successful randomization checks across all other covariates collected by the survey may be obtained from our supplementary data script.

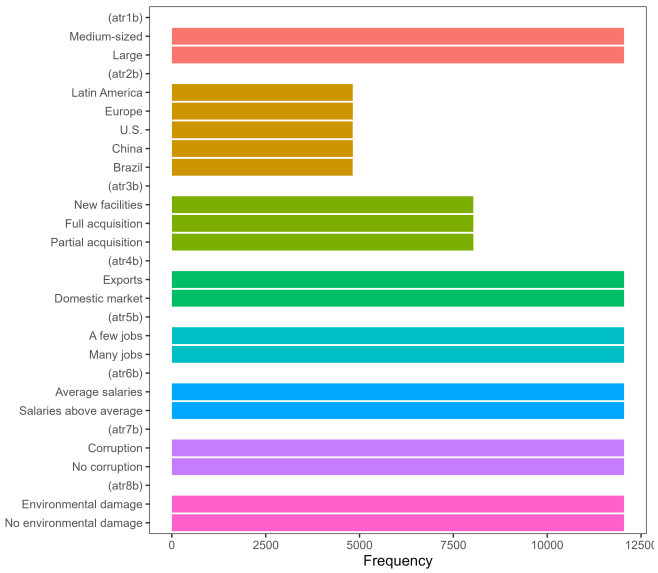

Figure A-4: *The distribution of attributes' levels maintain a balanced distribution across profiles shown to respondents.*

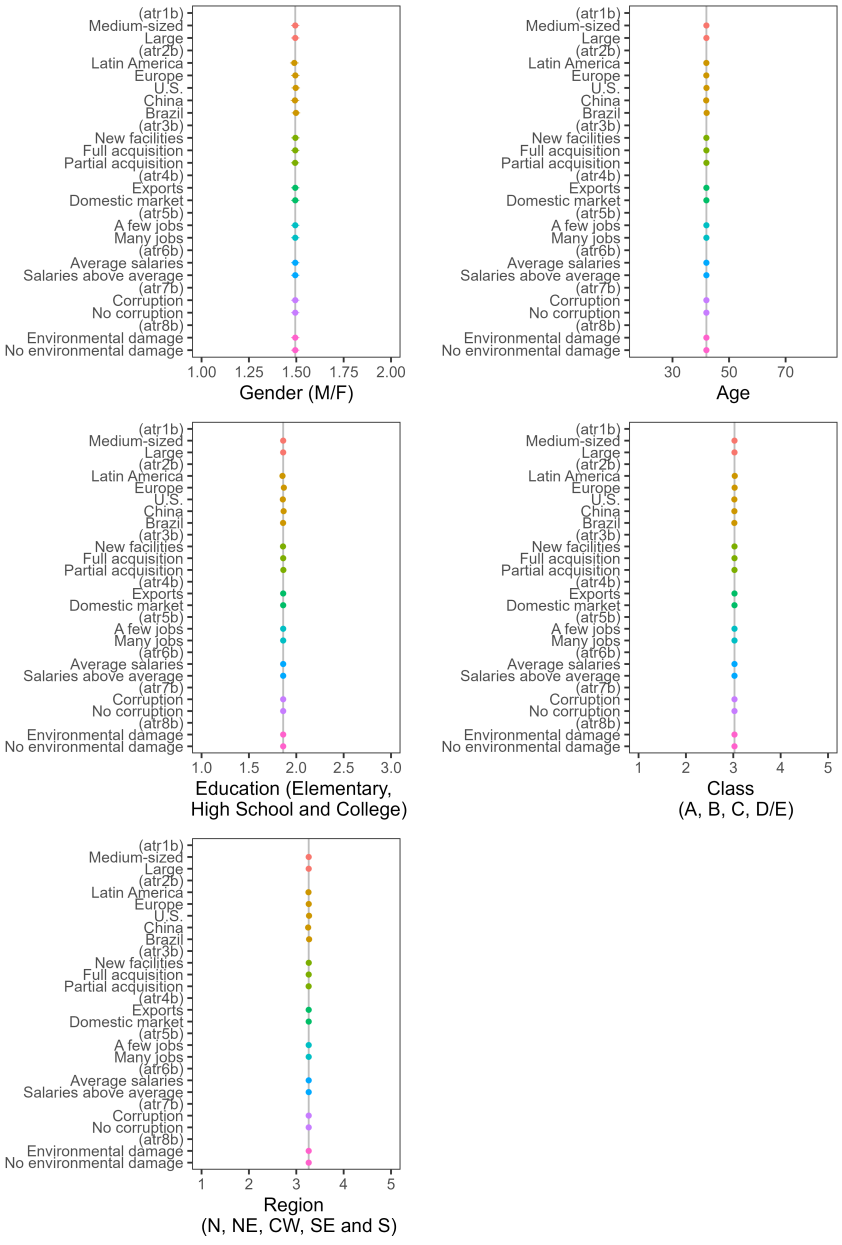

Figure A-5: *Evidence of successful randomization of attribute levels across gender, age, education, social class and region.*

A-1.2 Interactions with the salaries attribute

Tables A-2 and A-3 test the consistency of the results presented in Figures 2 and 3 by interacting corruption and environmental damage with high salaries, another relevant material factor associated with support for FDI.

Table A-2: *Probability of perceiving a firm as the most beneficial*

Levels	Estimates	Std.Error	Lower	Upper
Salaries * No Corruption				
Salaries above average	0.642	0.007	0.629	0.656
Average salaries	0.605	0.007	0.592	0.619
Salaries * Corruption				
Salaries above average	0.395	0.007	0.381	0.408
Average salaries	0.358	0.007	0.344	0.371

Notes: Unweighted OLS estimates of the effects of the interaction between salaries and corruption levels on the probability of respondents perceiving a firm as the most beneficial to their state. Standard errors are clustered at the respondent level.

Table A-3: *Probability of perceiving a firm as the most beneficial*

Levels	Estimates	Std.Error	Lower	Upper
Salaries * No Environmental Damage				
Salaries above average	0.619	0.006	0.607	0.632
Average salaries	0.561	0.007	0.546	0.575
Salaries * Environmental Damage				
Salaries above average	0.439	0.007	0.425	0.454
Average salaries	0.381	0.006	0.368	0.393

Notes: Unweighted OLS estimates of the effects of the interaction between salaries and environmental damage levels on the probability of respondents perceiving a firm as the most beneficial to their state. Standard errors are clustered at the respondent level.

A-1.3 List Experiment

A-1.3.1 Sample Details

We conducted a list experiment on a new nonprobabilistic sample of 3,000 Brazilian adults through Netquest. All sampling procedures, including demographics, and recruitment process mirrored those employed in the conjoint experiment. Our control group included 1,001 individuals, the corruption treatment groups had 1,000 individuals, and the environmental damage treatment group included 999 respondents.

Table A-4: *Summary statistics - Socio-demographic variables*

Variable	N	Mean	2019 PNAD
Age	3000	43.69	
Sex	3000		
Female	1580	52.7%	50.5%
Male	1420	47.3%	49.5%
Social Class	3000		
A	81	2.7%	2.5%
B	644	21.5%	21.3%
C	1454	48.5%	47.1%
D-E	821	27.4%	28.7%
Education	3000		
College	563	18.8%	18.6%
Not College	2437	81.2%	81.4%
Region	3000		
Midwest	233	7.8%	7.6%
North	230	7.7%	8%
Northeast	794	26.5%	26.4%
South	438	14.6%	14.6%
Southeast	1305	43.5%	43.4%

Notes: This table reports the proportions for the socio-demographic characteristics of the entire sample compared to the Brazilian population, as indicated by the 2019 Brazilian National Household Sample Survey (PNAD), the latest data on the Brazilian population available at the time of the field.

A-1.3.2 Balance across treatments

We ran a multinomial logistic regression to check the balance of the sample across the three experimental groups. In this regression, the dependent variable is a categorical variable with the following categories: control, corruption treatment and environmental damage treatment. The independent variables are the five individual-level characteristics (gender, age, education,

class and region), randomized across treatment assignments. Tables A-5 and A-6 show that randomization was successful for both the corruption and the environmental damage treatment relative to the control group, as none of the p-values yield statistically significant values. We display results for the corruption and the environmental treatment separately just for visualization purposes, as both outputs stem from the same estimated model.

Table A-5: *Balance on Pre-Treatment Covariates - Multinomial Model*

Covariates	Coefficient	Std.Error	Z.Stat	P-Value
Male	-0.0150865	0.0909578	-0.1658631	0.8682647
Age	0.0072085	0.0388231	0.1856751	0.8526996
Class B	-0.0381485	0.2996724	-0.1273005	0.8987025
Class C	-0.0504117	0.2932909	-0.1718830	0.8635295
Class D-E	-0.0661404	0.3063414	-0.2159040	0.8290626
Elementary school	0.0779372	0.1404946	0.5547347	0.5790761
High school	0.0001756	0.1377013	0.0012753	0.9989824
Northeast	-0.0792799	0.1843875	-0.4299632	0.6672224
Southeast	-0.0422456	0.1781832	-0.2370909	0.8125863
South	-0.0584081	0.2031335	-0.2875355	0.7737023
Center West	-0.0346947	0.2303905	-0.1505909	0.8802985
(Intercept)	0.0481766	0.3836450	0.1255759	0.9000677

Notes: Results from multinomial logistic model in which the dependent variable is the experimental condition individuals were randomly assigned to. None of the independent variables yield statistically significant results, indicating that randomization was successful. The results here refer to the corruption condition relative to the control group.

A-1.3.3 List Experiment Instrument

Here, we present the logic and full wording for the list experiment referenced in the manuscript. We use a list experiment to further demonstrate that the aversion to irresponsible investment we detect in the conjoint experiment is not an artifact of social desirability bias. This is an extra precaution we take, as conjoint experiments are often applied as list experiments (Leeper et al. 2020) and found to mitigate social desirability bias (Horiuchi et al. 2021).

List experiment is a technique employed to elicit more truthful answers from respondents on sensitive topics (Blair et al. 2020). Respondents are presented with a list of items, and then asked to indicate how many items on the list they select in response to a given question. However, not all respondents see the same list. While a sample of respondents is presented with a list without the sensitive item of interest ("control group"), other respondents see a list containing the same control items plus the sensitive item of interest ("treatment group(s)"). By calculating the difference between the mean number of items selected by those who were

Table A-6: *Balance on Pre-Treatment Covariates - Multinomial Model*

Covariates	Coefficient	Std.Error	Z.Stat	P-Value
Male	-0.0518265	0.0910721	-0.5690709	0.5693080
Age	-0.0352354	0.0385977	-0.9128896	0.3613006
Class B	-0.0916705	0.2974158	-0.3082233	0.7579124
Class C	-0.1143362	0.2910930	-0.3927825	0.6944801
Class D-E	-0.1970320	0.3043326	-0.6474233	0.5173580
Elementary school	0.0344996	0.1407611	0.2450935	0.8063840
High school	-0.0072400	0.1376586	-0.0525941	0.9580553
Northeast	-0.0469721	0.1847323	-0.2542711	0.7992861
Southeast	-0.0214519	0.1788635	-0.1199344	0.9045351
South	-0.0301629	0.2035997	-0.1481482	0.8822258
Center West	0.0128194	0.2297524	0.0557965	0.9555040
(Intercept)	0.3162018	0.3811551	0.8295883	0.4067716

Notes: Results from multinomial logistic model in which the dependent variable is the experimental condition individuals were randomly assigned to. None of the independent variables yield statistically significant results, indicating that randomization was successful. The results here refer to the environmental damage condition relative to the control group.

presented with the full list (treatment) and those presented with the shortened list (control), it is possible to determine the proportion of respondents who select the sensitive item.

In our list experiment, we informed all groups that their state government had made several proposals to a large firm to attract investment and generate jobs. Then, a list of four non-sensitive proposals was presented to a *control group*, and respondents were asked how many of these proposals they approved. Below we reproduce the translated text of what individuals in the control group saw:

In order to attract investment and create jobs, your state government makes several proposals to a large firm. Please read the proposals below and then answer to the following: HOW MANY of the proposals do you approve? You should not tell us which proposals you approve, just let us know the TOTAL NUMBER.

1. the government proposes the firm pays less in taxes
2. the government proposes regular meetings with the firm
3. the government proposes the firm sponsors public spaces, such as squares and sports courts, exhibiting its logo
4. the government encourages the firm to promote diversity and minority inclusion

For the treatment groups, the same prompt and list of non-sensitive proposals were presented to respondents, with the only difference being that the list contained one additional sensitive proposal each we were attempting to estimate. In the *corruption treatment*, the additional proposal read:

1. the government spares the firm from anticorruption control, despite the fact that the firm has offered informal payments ("bribes") to politicians in exchange for undue benefits in the past

In the *environmental damage treatment*, the extra sensitive proposal read:

1. the government spares the firm from environmental control, despite the fact that the firm has caused environmental damage through other investments in the past.

Following the best practices in list experiment design (Blair and Imai 2012; Blair et al. 2020), we first ran a pilot to select our non-sensitive items as to avoid having many respondents answering "no" to all items (which could generate a floor effect) or "yes" to all items (which could generate a ceiling effect). The impact of ceiling and floor effects on list experiments can hinder the accuracy of obtaining honest responses. In both cases, participants in the treatment group may be reluctant to truthfully answer, fearing the exposure of their true positive preference for the sensitive item. To avoid such a problem, the experiment must yield enough variation in the number of nonsensitive items selected by respondents. Our pilot reassured us that our list of nonsensitive items provided enough variation as to make the design valid. After the experiment was applied, we found no evidence of ceiling and floor effects. We find that a mere 20.5% of respondents in the control group indicated agreement with all four items - a small proportion of control respondents. We also find little evidence of floor effects: just 10.7% of respondents in the control condition selected zero items. These

percentages are consistent with results from other studies employing list experiments (Blair et al. 2014; Malesky et al. 2015).

Three points bear emphasis from our design. First, we explicitly instructed respondents that we did not want to know which specific proposals they agreed with, just how many. Thus, respondents never informed us which proposals they approved. Second, the list experiment intends to replicate an equivalent situation as faced by respondents in our conjoint experiment. For this reason, the core idea behind the design is that respondents consider a trade-off between job creation - a well-known determinant of public support for FDI - and investments' potential negative externalities (corruption and environmental damage). Third, the wording used in the corruption and environmental damage treatments is carefully aligned with previous public opinion research on corruption and environmental politics in Latin America (?Klašnja et al. 2021; Spektor et al. 2022). This feature of our design avoids "stacking the deck" in favor of our argument and should introduce bias against detecting a null result. After all, this ensures that treatments will occur below respondents' level of conscious awareness, an important precondition to prevent respondents to answer differently as they become suspicious of the purpose of the study. In other words, while list experiments by design conceal respondents' answers to a sensitive topic, the use of well-validated wording enhances the reliability of the instrument. Taken together, all this indicates that our wording in the treatment groups serves as a useful instrument for measuring our latent trait of interest among respondents.

A-1.3.4 List experiment results

Using difference-in-means between means scores of the control and each treatment group, we estimate the proportion of respondents' approval of state proposals for attracting investment, the main quantity of interest. Thus, if none of the respondents approves the proposal associated with corruption/environmental damage, the means of the control and treatment groups should be the same. Finding no meaningful differences between our control and treatment groups means no social desirability bias in respondents' views on responsible investment. If there was social desirability bias, the shield provided by the list experiment would lead respondents to select the sensitive items in the treatment conditions, leading to a large difference-in-means.

	Difference-in-means	**p-value**
Corruption Treatment - Control	[2.36 - 2.23] = 0.125	0.016
Environmental Damage Treatment - Control	[2.28 - 2.23] = 0.05	0.2028

Table A-7: *Differences-in-means and one-tailed t-test results from the list experiment. The negligible to small differences-in-means allows us to accept the null hypothesis of no bias in respondents' stated preferences about responsible investment.*

We find that the difference-in-means between the environmental damage treatment group and the control group is only 0.05 and indistinguishable from zero (p-value = 0.2028), so we can accept the null hypothesis of no bias. The difference-in-means between the corruption treatment group and the control yields a statistically significant result (p-value = 0.016). However, the percentage of individuals that supports the proposal of sparing firms from corruption control to attract investment is only 12.5%, a minority. This result means that 87.5% of Brazilians do not approve of corrupt corporate behavior, even when informed about

the investment's potential to generate jobs and pay high salaries. Consistent with our conjoint experiment's results, the list experiment indicates that the vast majority of Brazilians does not endorse corrupt or environmentally-damaging behavior in the context of investment attraction, even when there is potential for the creation of a large number of jobs.