Sympathy as a determinant of cross-border merger activity

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ABSTRACT

This paper introduces cross-country sympathy as a determinant of cross-border merger activity. We use abnormal votes exchanged between countries in the Eurovision Song Contest between 1999 and 2013 to proxy for sympathy across countries. We find that pairs of countries sharing high sympathy levels experience high levels of cross-border merger activity, while pairs of countries sharing low levels of sympathy exhibit low cross-border merger activity. Sympathy subsumes the significance of culture as a determinant of cross-border merger activity. We find that the relation is driven by private-to-private acquisitions rather than public-to-public merger deals, showing that managers of private firms are influenced more by sympathy.

1. Introduction

Counterparty selection is an important decision facing the managers of firms engaging in mergers and acquisitions (M&A). The decision-making process becomes complex when the choice is large and comprises both domestic and foreign firms. Therefore managers are likely to devise ways of containing their opportunity sets at a manageable size. It is reasonable to conjecture that systematic and rigorous processes are devised in order to eliminate heuristic driven biases so that selections are based purely upon business fundamentals. Studies examining cross-border M&A find that, for example, economic characteristics, such as the level of taxation within a country (Huizinga and Voget 2009), are related to managers' selections. Geographical proximity is also associated with cross-border merger activity in that more mergers occur between firms in neighboring countries (Ahern et al. 2015). Finally, similarities across population also influence managers' decisions when selecting overseas bidding/target firms; for example, if participants in two countries share the same religion, more cross-border merger deals occur (Feito-Ruiz and Menendez-Requejo 2011).[1]

Our study contributes to the merger literature by introducing a new cross-border determinant. In particular, we explore whether managers' sympathy towards counterpart countries is related with cross-border merger activity. The significance of sympathy is introduced by Adam Smith in his *Theory of Moral Sentiment* (1759) and by David Hume in his *Treatise on Human Nature* (1738), while a more recent review is provided by Sally (2000). Sympathy is not pity towards another participant; rather, it indicates understanding and common feeling between participants. Adam Smith defined sympathy as "our fellow-feeling with any passion whatever" and considered sympathy an important determinant of

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[1] Other studies include, for example, Rossi and Volpin (2004), Shimizu et al. (2004), Erel et al. (2012), and Dinc and Erel (2013).

how agents make decisions.[2] According to Adam Smith, decisions are taken to optimize our "enlarged self-interest", which is to maximize our self-interest utility, and the consciousness of feeling loved by the counterparts the agent relates to. Zajonc (1968) argues that the identification of sympathy occurs automatically and is involuntary. Within the context of our study, managers are therefore influenced subconsciously by their feelings in line with their level of sympathy towards citizens in another country when they are in search of a potential international target/bidding firm. Managers' selections intend to maximize firms' prospects, while dealing with a firm whose nationality they sympathize with makes them feel happy. Nonetheless, sympathy is a subconscious and involuntary part of the decision making process if we adhere to the arguments of Zajonc (1968).

Amongst others, David Hume and Adam Smith have also discussed the determinants of sympathy as the "perceived distance between two agents". Physical distance is one example where agents that are close physically are more likely to share sympathy. One's level of sympathy can also be influenced by the closeness of minds, the closeness of emotions, familiarity, psychological distance, the "feeling of intimacy," perceiving something in another that is common with oneself, and any bodily similarity. Scheff (1990) highlights the highly complex social interactions that may influence sympathy. Bokszanski (2002) even theorizes about the sympathy among citizens of different countries, and argues that citizens of one country sympathize with citizens in a different country based on the expected sympathy that they may have received if they were in similar circumstances.

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[2] Note that sympathy and empathy are closely defined and often used interchangeably. However, we believe that the term sympathy is more appropriate in the context of our study. Empathy has a deeper meaning than sympathy, and requires one to have faced a similar experience in order to feel empathetic. According to Wispè (1986, p.314), "sympathy refers to the heightened awareness of another's plight as something to be alleviated, whereas empathy refers to the attempt of one self-aware self to understand the subjective experiences of another."

Within the context of our study, we expect that managers' sympathy is related with geographical proximity and population similarities; both factors have been explored in cross-border merger literature. A manager would, for example, be keener on a particular country to identify target firms due to his/her interest in the country's history, the connection in culture, similarities in bodily appearance between the manager and the population of the country, and/or the manager's frequent visits to a particular country. It is more likely that managers travel to neighboring countries whose population has cultural and physical similarities. However, sympathy captures more complex connections than determinants of cross border mergers applied in previous studies. According to Marshall (1975, p.318), sympathy is measured "partly in terms of geography and partly in terms of kindred." Therefore, sympathy captures a subconscious element that we believe is an important part of managers' decision making process. As an example, Greece and Turkey share a border, and their populations are relatively close culturally and physically, but sympathy between the populations is low. Established determinants of merger activity would indicate that there should be a large number of cross-border mergers between Greece and Turkey, while sympathy would predict a relatively low number of cross-border mergers. In fact, between 1999 and 2013, we find only 13 cross-border mergers between Greece and Turkey, whereas there are 189 mergers in total between Greece and the remaining countries in our sample, and 518 between Turkey and other countries. Indeed, we empirically demonstrate that sympathy's relation with cross-border merger activity holds after controlling for other established determinants of M&A, such as whether countries share a border, a primary religion, and a primary language.

Our definition of sympathy encompasses similarity, closeness, and commonality of culture, purpose, and ideology, while our proxy for sympathy is the abnormal voting bias exhibited between countries participating in the Eurovision Song Contest from 1999 through

2013.[3] Voting bias is defined as the average score exchanged between two countries within each pair minus the average score awarded to the pair by other participating countries. If the bias is zero between two countries, this implies that a population's vote is determined purely by the quality of the song. A non-zero bias implies that other emotional factors, including sympathy, cloud individuals' voting decisions, and that these factors are systemic within countries.[4] Consistent with our definition of sympathy, voting bias has been found to be associated with similarities in culture and language (Ginsburgh and Noury 2008), as well as geographic distance, religion, and ethnicity (Spierdijk and Vellekoop 2009), hence our choice of voting bias as a proxy for sympathy between the populations of country pairs. To empirically support the validity of our sympathy measure, we estimate Pearson correlations between the voting bias and its main determinants. In line with the literature (e.g., Ginsburgh and Noury 2008), we find that culture distance between two countries is significantly negatively correlated with the voting bias (-0.24, significant at the 1% level), showing that countries that differ significantly in culture, share relatively low scoring in the Eurovision Song Contest. Also, as expected, we find that there is a significantly positive correlation between countries' voting bias with countries that share history affiliation (e.g., both used to be part of one country) (0.19), language (0.32) and religion (0.18). These correlations are significant at the 1% level and offer theoretical validity of our sympathy proxy.

We assume that citizens' voting in the Eurovision Song Contest represents the voting preference of managers of firms located within participating countries. A considerable number of people watch the Eurovision Song Contest. The Eurovision official website reports

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[3] This is the period in which the general populations of participating countries were allowed to vote. Prior to 1999, songs were only ranked by national judges. Each May, participating countries submit their song to the contest and there is a vote to determine the best original song, and hence the winning country. Artists who started their career at the Eurovision Song Contest include ABBA, Celine Dion, and Julio Iglesias.

[4] This adjustment to control for the quality of a song is commonly used in the Eurovision Song Contest literature (e.g., Charron 2013, Clerides and Stengos 2012).

that each year approximately 180 million viewers watch the contest.[5,6] The British Broadcasting Corporation (BBC) estimates that over 10 million votes were cast in 2009.[7] Hence, the large participation level in the Eurovision Song Contest offers assurance that citizens' level of sympathy towards a country is on average positively related with the sympathy level of managers of firms within each country. No evidence of specific demographic characteristics is displayed by the various sources that we search. Even if there were significantly different characteristics between the audience/voters and managers, we believe that the sympathy level between citizens in different countries is determined to an extent by factors that influence citizens homogeneously. For example, Latane et al. (1966) report that subjects sharing similar experiences (such as electrical shocks) report high levels of sympathy. The viewpoint of media coverage for a counterpart country would therefore homogenously influence citizens' sympathy for a counterpart country. Potential natural disasters, such as earthquakes, storms, fires, and war, could also influence the sympathy level of a large percentage of citizens of one country towards citizens of another country. School curriculum content, specifically in history classes, may also influence young peoples' sympathy towards a country (e.g., Barton and McCully 2005), and these feelings generally persist later in life.

We explore sympathy level per pair of countries (e.g. Greece↔Cyprus) rather than per direction (e.g. Greece→Cyprus and Greece←Cyprus separately), since participants of both countries would either 'sympathize' or 'antipathize' with each other. Indeed, Clerides and Stengos (2012) find that the Pearson correlation of aggregate voting bias within country pairs and directional $bias_i$ within $pairs_i$ is significantly positive at 0.876. In line with our

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[5] http://www.eurovision.tv/page/history/facts-figures (last accessed June 2016).

[6] http://www.bbc.co.uk/news/entertainment-arts-27346557 (last accessed June 2016).

[7] http://www.bbc.co.uk/corporate2/mediacentre/mediapacks/eurovision/facts (last accessed June 2016).

hypothesis, we find that abnormal voting bias is positively related with the number of mergers that took place, as well as the magnitude of the merger deals. Results hold when controlling for conventional variables, such as whether two countries share a border, a language, or a religion. We find that sympathy subsumes previously developed culture determinants (Ahern et al., 2015). When controlling for sympathy, culture differences between countries are no longer significant determinants in the nationality of merging firm pairs. For pairs of countries in which sympathy changes sign over the sample period, i.e. from sympathetic to unsympathetic or vice versa, culture is not significant.

We find that our main results are driven by private-to-private merger deals, while sympathy is not related with other types of deals. Managers of public firms are expected, on average, to be more qualified, experienced, and hence dispassionate (e.g., Deeks 1972, Watson 1994),[8] and therefore managers of public firms are expected to control their subconscious more competently. Also it is conceivable that some biases are hard to overcome and that large public corporations experienced in multinational operations devote more resources to bias control processes than small firms and private firms. As an example, in line with KPMG's (2005) survey, almost 80% of transactions are internally originated and the size of the M&A team typically increases within large corporations.

We also control for factors that, to our knowledge, are not explored in prior literature. For example, we find that the length of a shared border is a more important determinant of cross-border merger activity than the binary variable of whether or not a border is shared. Large geographical links between two countries are related with more acquisitions. We further show that historical connections between countries determine the magnitude of cross-

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[8] Deeks (1972), for example, reports significant differences in managers' qualification levels between small and large firms. It was found that 19 to 43 percent of managers of large firms have a degree, while the corresponding percentage for managers of small firms is only 1%. Managers of large firms also tend to have greater motivation to undertake part-time studies during their career compared with managers of small firms.

border mergers. We find that when two countries share history (e.g., both used to be part of one country), cross-border mergers are more likely to take place. Finally, we show that the difference between GDP per capita in two countries is related with merger activity. Firms in countries with a small difference in GDP per capita are more likely to be at a similar level in economic terms and, therefore, to be counterparty countries in cross border mergers.

This study contributes to the literature in several ways. To our knowledge, we introduce sympathy within the finance literature. In particular, we contribute to the cross-border merger literature by using novel data from the Eurovision Song Contest to empirically introduce a new determinant of cross border mergers, namely the sympathy level between countries. Only two empirical finance studies (Botazzi and Da Rin 2011, Dinc and Erel 2013) have used voting from the Eurovision Song Contest, but their application of the Eurovision Song Contest data is subsidiary to their main argument. For example, regardless of whether trust is measured using the Eurobarometer Trust Index, or the Eurovision Song Contest voting bias, the association of trust with investment decisions remains unchanged (Botazzi and Da Rin 2011). Dinc and Erel (2013) also examine government reactions to merger bids within European countries, and find that government opposition within target countries is weaker when the target country's population votes positively towards the song of the bidder's country. Apart from the sympathy, we examine three additional newly developed determinants of cross-border merger activity: namely, the magnitude of the geographical link; the distance between the two countries' GDP per capita; and the historical connections. We also contribute to the behavioral finance literature (e.g., Landier and Thesmar 2009, Malmendier and Tate 2005, Kruger et al. 2015, Lemmon and Portniaguina 2006) which shows that although professionals are less susceptible to sentiment when making decisions, managers' behavior is still influenced by sentiment. We highlight the behavior of managers

of private firms who are, to an extent, less qualified than counterpart managers of public firms, and who seem to be more influenced by sympathy.

The remainder of the paper is structured as follows: Section 2 describes our data and methodology. Section 3 discusses the empirical results on the relation between country perceptions and cross-border merger activity. Section 4 concludes.

2. Data and methodology

In this section, we explain the definitions of our variables and identify the sources and methods used to derive our key variables of interest. For the convenience of the reader, a full list of variables and their definitions is provided in Appendix A.

2.1 Deriving a proxy for sympathy

Abnormal voting bias, our proxy for sympathy is derived using a two-step process. From the Eurovision Song Contest website, we first obtain voting scores, the sequence of the songs, the number of singers per song, the language used, the host country, and the years that countries won the competition as well as their first appearance in the contest between 1999 and 2013 from the official Eurovision website.[9,10] The sample includes 41 countries, mostly from the

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[9] http://www.eurovision.tv/page/history/year (last accessed June 2016).

[10] Since 2004, not all countries have taken part in the final competition. A two-stage competition was introduced, with a qualification stage and a final. The qualification stage takes place during the week, and receives relatively little interest. We focus on the final, where all countries are allowed to vote for the finalist countries; this event receives the most public interest, and takes place on Saturday night. Germany, France, Spain, and the United Kingdom (and, since 2011, Italy) are the exceptions to the above rule, in that they are permitted to compete in the final without going through the qualification round, due to their large financial contribution to the European Broadcasting Union. The previous year's winner of the competition also qualifies directly to the final.

European Union.[11] The eligibility criteria for participating in the Eurovision Song Contest are that a country is a member of the European Broadcasting Union (EBU) and that it broadcasts the competition in the current year and the previous year. These restrictions explain how countries such as Israel, which lie beyond Europe's borders, are eligible to compete.

Table 1 shows the average voting bias for all pairs of countries. In line with Charron (2013) and Clerides and Stengos (2012), voting bias is estimated as the difference of the average score given between each pair of countries in excess of the average score given across remaining countries for the songs associated with each pair. This adjustment controls for the quality of a song. The votes available are 0, 1, 2, 3, 4, 5, 6, 7, 8, 10, and 12; therefore, the voting bias may vary between -12 and 12. Note that there are changes in the countries that compete from year to year, and therefore the number of years used to estimate the average voting bias per pair varies. We find that the average voting bias is -1.03 (median -1.23) and the range varies between -7.00 and 8.08. Our results indicate some typical voting patterns; for example, on average, participants in Greece and Cyprus award marks that are 7.21 points higher than counterpart countries. Similarly, the United Kingdom and Ireland consistently give each other high marks (4.37). On the other hand, the voting population in Cyprus and Turkey score each other's songs -2.42 points lower than other participating countries scoring the same songs.

[please insert Table 1 here]

A number of factors besides sympathy are likely to influence voting bias. Therefore, the second step in our derivation of sympathy is to determine the abnormal voting bias that not only controls for the scores given by countries beyond the particular pairings examined, but

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[11] Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Macedonia, Malta, Moldova, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovenia, Spain, Sweden, Switzerland, The Netherlands, Turkey, Ukraine, and the United Kingdom.

also for song quality and other characteristics. Panel A of Table 2 shows the descriptive statistics of all variables used. We follow a number of studies within the Eurovision Song Contest field to identify control variables (e.g., Ginsburgh and Noury 2008, Fenn et al. 2006, Saavedra et al. 2007, Spierdijk and Vellekoop 2009, Yair 1995, Charron 2013). We first control for immigration because immigrants may vote for their country of origin. Our proxy for immigration is the percentage of a population that speaks a language other than the main national language. For example, seven percent of people in Georgia speak Armenian, and we assume that these seven percent are of Armenian origin.[12]

We also use a dummy variable (First time) to control for the first year that a country participates in the Eurovision Song Contest because lack of experience may affect a county's performance and the voting pattern. First time varies between zero and two, in cases where both countries are performing for the first time. Similarly, our variable (Won it before) controls for whether a country has won the competition before. If one country in the pair has previously won the competition, we assign a value of one, and a value of two if both countries have previously won. If neither country has previously won the contest, we assign a value of zero.[13] There is also anecdotal evidence that hosting countries enjoy more favorable voting, and therefore a relevant dummy variable is added.

Our variable (In English) controls whether the song was sung in English, assigning a value of one for songs in English, and zero otherwise (a value of two is assigned when both

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[12] Direct immigration data tends to capture first-generation immigrants, and we believe that language captures second- or even third-generation immigrants, since parents tend to speak to their children in their native language. Language therefore seems an appropriate proxy of "immigration voting" in the context of our study. In untabulated results, we compare language and immigration data for a few randomly selected countries, using data collected from the CIA World Factbook. We find that language and immigration are highly positively correlated, normally well over 0.70, and are significant at the one percent level. For example, in Armenia the ethnic groups are Armenian (98.1%), Kurdish (1.1%), and other (0.7%), while the languages used are Armenian (97.9), Kurdish (1%), and other (1%).

[13] For example, Ireland has won the Eurovision Song context seven times, while the United Kingdom has won five times. The country that hosts the event won the competition in the previous year.

countries' songs are performed in English). [14] A significant percentage of the global population speaks English, and therefore more people may understand the content of the songs. For example, a relatively large number of winning songs have been performed in English (26 times out of the total of 60 competitions, including the 2015 competition).[15] On the other hand, deviating from the language of one's own country may influence voting negatively by making songs sound "conventional." In line with other studies using Eurovision data, our variable (More singers) controls for whether the song was performed by one or more singers.

Our variable (Sequence of song) also controls for when the song is performed during the event by assigning a value of one if a song appears within the first five or the last five songs, and zero otherwise. The maximum value is equal to two, when both songs are performed early or late in the competition.[16] The sequence of the song is determined by a random draw prior to the competition and there is evidence (e.g., Nuechterlein et al. 1983) that concentration levels are relatively high in the early and late stages, and low in between these two stages. We derive the proxy for our key independent variable, sympathy, by regressing voting bias on the above variables and collecting the residuals, hereinafter referred to as abnormal voting bias. Abnormal voting bias is averaged over the full period for each pair of countries giving a total of 784 observations.

[please insert Table 2 here]

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[14] Between 1978 and 1998, songs were performed in a country's official language. However, within our sample period, countries were given permission to select the language of the song. The change happened after some countries argued that countries such as Ireland and the United Kingdom, whose national language is English, have a competitive advantage.

[15] The first Eurovision Song Contest took place in May 1956.

[16] Note that we have also explored results within alternative song appearance rankings (i.e. the first/last eight songs), and results remain similar.

2.2 Merger activity and its determinants other than sympathy

We consider two dimensions of merger activity, namely: number of mergers and value of mergers. So, for example, a high activity score in terms of numbers may correspond with a low score in terms of value, if the high number of mergers is predominantly small firms. Conversely, a small number of mergers between large corporations could imply high activity in terms of value, but low activity in terms of number. Our main analysis focuses upon number of mergers, but we examine value of mergers in the robustness tests.

We obtain data on merger activity and characteristics from Thomson OneBanker within the sample of countries available with Eurovision Song Contest data. Table 3 shows the average number of cross-border mergers that took place within given pairs of countries. The total number of cross-border merger deals is 13,344, and, as expected, the number of merger deals is more pronounced within target and bidder firms headquartered in the UK (3,725), France (2,934), and Germany (1,341). The volume of cross-border merger activity in the remaining countries is relatively low, making it necessary for the analysis to be undertaken on the whole period rather than for individual years.[17] Our dependent variable for number of firms engaging in merger activity (Number of firms) is the natural logarithm of one plus the average number of cross-border merger deals per country pair in the full period.

[please insert Table 3 here]

Aside from sympathy, prior literature documents a number of other variables that influence merger activity (e.g., Erel et al. 2012, Rossi and Volpin 2004, Huizinga and Voget 2009, Ahern et al. 2015, Dinc and Erel 2013), and Panel B of Table 2 shows the descriptive statistics of these variables. We first control for geographic country characteristics. Our

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[17] As an example, there is no merger activity within the countries of our sample in 65% of the firm pair years. Also it is not possible to determine exactly when the nationality of the target firm is decided because this may be months or even years before the merger announcement. Therefore, year-to-year match of sympathy with merger activity may be inaccurate.

variable for shared borders goes a step further than the conventional approach by including a new variable (Shared border distance) that records the distance of each shared border in kilometers in addition to the conventional binary (Shared borders) dummy. This approach is motivated by the rationale that a long shared border comprising many hundreds of kilometers represents a geographic link of greater magnitude than a common border comprising just a few kilometers. We hypothesize that mergers are more likely to occur when the geographic link between two countries is strong. We further control for the distance in kilometers between countries' with our variable (Distance between capitals). Shorter distances between two capitals are associated with more cross-border mergers (e.g., Ahern et al. 2015). Data regarding whether countries share a border and the distance between capitals is collected from the CIA World Factbook.

We then control for country characteristics that may indicate similarities among country populations (e.g., Feito-Ruiz and Menendez-Requejo 2011). We control whether countries in a pair share a primary language (Shared language), a primary religion (Shared religion), and their legal origin (Shared legal origin). If two countries share the same characteristic, the dummy variable is equal to one. Our method of identifying primary language and religion is based on Stulz and Williamson (2003), and we fill in some missing data from the CIA World Factbook. We also use the CIA World Factbook to identify firms' legal origin as civil law, common law, or both civil and common law.[18] To the best of our knowledge, our study is the first to control whether country pairs share history. We use the International Historical Statistics database to access the history of a country, and use a dummy variable that equals one if a pair of countries shares history, and zero otherwise. For example, in the case of Ireland it is stated that "the 26 counties of southern Ireland became

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[18] Note that when using Laporta et al.'s (2006) alternative legal origin definition (English, French, German, and Scandinavian), they are missing data in 23 out of the total 41 countries in our sample.

the Irish Free State, an independent dominion of the British Crown with internal self-government, in 1921. Full independence was achieved in 1949." Therefore, the United Kingdom and Ireland share history. We hypothesize that populations exhibit similar characteristics when they share history, and therefore cross-border merger activity is more likely.[19]

We also control for the cultural distance between two countries (e.g., Bryan et al., 2015). When the culture distance is small, more cross-border mergers are expected (Ahern et al. 2015). We manually collect cultural characteristics of our countries from Hofstede's website; we consider power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. We estimate the cultural distance between two countries in line with Kogut and Singh (1988), and Steigner and Sutton (2011).[20] Note that there is no culture data available for nine countries from the sample, and for that reason only 471 observations are available out of the total 784. For this reason, we estimate the main regression without the culture distance variable, and we only add this variable as a robustness test.[21]

We further control for economic characteristics. In particular, we control for the average level of taxation as a continuous variable between two countries (Tax). It is expected that countries with low levels of taxation are associated with a high level of cross-border merger

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[19] We accept that there are countries that share history, whose citizens nevertheless feel animosity towards each other (for example, Greece and Turkey). Due to the difficulty of identifying a systematic way to distinguish between countries that share history and those with citizens having good/poor relations, we make the assumption that countries that share history would indicate high cross-border mergers. This assumption seems to be valid in the majority of the country pairs.

[20] We estimate the culture distance between two countries i and j as follows: CultureDistance $= \dfrac{\sum_{k=1}^{4} [(\text{Country}_i - \text{Country}_j)^2 / V_k]}{4}$ where k is each dimension (i.e. power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence) and V is the variance of the dimension k. Giannetti and Yafeh (2012) offer a detailed review on measurements of culture distance.

[21] Although Hofstede's coverage is not complete for our sample, the coverage is still better than alternative culture measurements. We find, for example, that sixteen countries would be missing data if we used the World Values Survey's culture alternative.

activity due to the associated financial benefits (e.g., Huizinga and Voget 2009). We manually download countries' taxation levels from Wikipedia. We also control whether two countries share the same currency using a dummy variable. We explore whether each pair of countries adopted the Euro.[22] If two countries share a currency, it is expected that more cross-border mergers would occur, since there is no uncertainty on exchange rate movement (e.g., Rose 2000, Coeurdacier et al. 2009, Georgopoulos 2008). We further control for countries' economic output by taking the log of GDP per capita. More cross-border mergers are expected within countries with a high level of economic development (e.g., Dinc and Erel 2013). We also explore the absolute distance of GDP per capita between pairs of countries by taking the log of the absolute difference in GDP per capital between country pairs for the variable (GDP difference). We hypothesize that country pairs with small differences in GDP levels are at similar stages of economic development, and therefore are more likely to experience cross-border mergers. We download GDP per capita data from the World Bank.

We also control for the level of trust (Trust) between each pair of countries. Although to our knowledge no study has previously explored a potential link, high levels of trust between countries may be related with strong cross-border mergers. We use Guiso et al.'s (2009) trust estimations, which are based on the Eurobarometer's surveys, to capture the level of trust of participants in one country towards counterpart countries.[23] Trust data is available for only 15 out of all 41 countries in our sample; therefore, Trust is added as an additional robustness test. We also control for the level of investment restrictions against foreigners (Investment restrictions). We download relevant data from the Economic Freedom of the World website.

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[22] Note that Greece, Slovenia, Cyprus, Malta, Estonia, and Latvia (in chronological order) adopted the Euro after 1999. Since the frequency of the data used on the regression is on the full period, the Share Currency dummy is equal to one if a country adopted the Euro at any time during the sample period, and zero otherwise. In untabulated results, we find that the relevant parameter coefficient remains similar within alternative treatments.

[23] Guiso et al. (2009) empirically validate that trust levels between countries are related with portfolio selection and FDI.

There is no data coverage for Belarus, and the robustness of the results is tested in a separate regression. The average level of investment restrictions against foreigners for our pairs of countries varies between 4.64 and 8.62; the higher the number, the lower the restrictions. We are not aware of relevant literature testing the significance of investment restrictions, but we expect that there are more cross-border mergers within countries with few investment restrictions.

Finally, our variable (FDI) represents the log of foreign direct investments in millions of dollars between countries in each pair. High average inflows between two countries may indicate high levels of transactions between countries and therefore potentially high levels of cross-border mergers. We use the UNCTAD FDI/TNC database (Bilateral FDI Statistics, 2014) to access individual country inflows. Note that inflow data starts in 2001, and there are missing values for a number of countries. In developing countries, inflows are, for example, only available per continent rather than per country. Inflow data are available only in 547 observations out of the total 784; therefore, the FDI variable is only considered as an extra robustness test. Appendix B reports the Pearson correlations of the variables used.

3. Empirical results

3.1 Sympathy as a determinant of cross-border merger activity

This section explores whether cross-border merger activity and countries' sympathy levels measured by abnormal voting bias in the Eurovision Song Contest are related. Table 4 shows the results of our regression to derive abnormal voting from voting bias and its determinants. We find that the parameter coefficients are to a large extent as hypothesized above.[24] The

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[24] In particular, immigrants seem to vote for songs from their home countries. Also, songs from a country participating in the Eurovision Song Contest for the first time tend to receive relatively low scores as do

focus of the study is on the second step of the regression, where we regress merger activity with abnormal voting bias, shared borders distance, shared borders, capitals distance(km), shared language, shared religion, shared legal origin, shared history, Tax, shared currency, GDP, and GDP difference. Country dummies are included in all regressions, and Heteroscedasticity-Consistent (Eicker-White) standard errors are estimated.

[please insert Table 4 here]

The results are reported in Table 5. In column (1) we estimate a univariate regression (with country dummies) but no control for determinants of the voting bias. We find that the relation between voting bias and the number of cross-border mergers is significantly positive, with the parameter coefficient being equal to 0.1194 and significant at the 1% level. In column (2), we estimate the relation using the residuals that derived from the regressions reported in Table 4. We find that relation weakens slightly (0.1029), but still remains significantly positive at the 1% level. Finally, in Column (3), we estimate a multivariate regression with the full set of the controls for all available data. The coefficient remains significant at the 1% level and a one unit increase in abnormal voting bias is associated with 4.46% increase in the number of cross-border mergers after controlling for other determinants, so the relation is economically significant.

[please insert Table 5 here]

Prior studies have demonstrated that pairs of countries that share a border tend to experience more cross-border mergers. In Column (3) of Table 5, we go a step further by adding a continuous variable that records the actual length of a shared border in kilometers,

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countries that have won the competition before. This result may indicate that once a country wins the competition, there is less of an interest among participants in that country. Also, songs sung in English tend to receive low scores, which may indicate that the use of a local language separates songs among counterpart competitors receiving relatively high scores. This may also be the outcome of the increasing number of singers who perform in English over our sample period, which might make the use of an alternative language something of an advantage.

and we find that the coefficient on our richer variable is significant and subsumes the information in the shared borders dummy, which no longer has a significant coefficient. We also find that countries sharing history experience a high level of cross-border mergers. The relation between shared history and number of mergers is significant at the five percent level. We also show that the parameter coefficient of GDP difference is significantly negative at the ten percent level, indicating that there are more mergers between countries when the gap in GDP per capita between them is small.

Regarding other control variables, results are in line with the literature (e.g., Erel et al. 2012, Rossi and Volpin 2004, Huizinga and Voget 2009, Hwang 2011, Ahern et al. 2015, Dinc and Erel 2013). For example, we find that there are more cross-border mergers when the distance between national capitals is small. Also, countries that share a primary language and religion experience a larger number of cross-border mergers. The parameter coefficient on shared currency is positive, as hypothesized, but insignificant (p-value equal to 0.121). The parameter coefficients for tax and shared legal origin are also insignificant. However, in untabulated results, we find that the parameter coefficient of tax in a univariate regression is equal to -0.166 and significant at the one percent level. These results indicate that the higher the average tax rate within pairs of countries, the lower the cross-border merger activity. However, when additional controls are added to the model, the influence of tax is subsumed indicating that in more parsimonious specifications significant coefficients on tax are simply capturing the effect of an omitted but correlated variable. Also note that the adjusted R square value of the regression is high at 0.686. The explanatory variables therefore tend to explain a substantial proportion of the variation in cross-border merger activity.

3.2 Robustness tests

We undertake a number of robustness tests. We first investigate whether our results are driven by UK, French, and/or German acquisitions, as a significant portion of cross-border mergers are driven by firms headquartered in these three countries. We explore whether our results differ when excluding one country at a time. Columns (1) to (3) of Table 6 show the results when excluding UK, French, and German mergers, respectively. We find that the parameter coefficient for abnormal voting bias remains significantly positive in all three columns. The magnitude of the parameter coefficient on abnormal voting bias and its statistical significance remain similar among the alternatives. These results indicate that our findings are not driven by firms within any particular country. Other coefficients are to a large extent in line with the main results reported in Table 5. In particular, the parameter coefficient of shared border distance and shared history remain significantly positive. However, the parameter GDP difference becomes insignificant in Columns (1) and (2).

[Insert Table 6 here]

We also control for the level of merger activity within the domestic market to investigate whether levels of cross-border merger activity are driven purely by the level of activity within the domestic market. In Column (4) of Table 6, the dependent variable is the natural logarithm of one plus the number of cross-border mergers divided by one plus the average number of domestic mergers in the pair of countries. We access the number of domestic mergers per country from Thomson OneBanker. The significance of the coefficient for abnormal voting bias remains significantly positive at the one percent level.

In addition, we investigate whether focusing only on completed deals materially influences the results. Column (5) of Table 6 shows that the coefficients of interest remain consistent when failed deals are added to the sample of completed cross-border mergers. The

parameter coefficient of voting bias reduces slightly to 0.034, while the level of significance falls to the five percent level. The parameter coefficients for shared border distance, shared history, and GDP difference remain economically and statistically significant.

We also control for the level of trust in our country pairs, as shown in Column (6) of Table 6. Only 104 observations are available, and for that reason we only incorporate abnormal voting bias, trust, and available country dummies in our model. We find that the parameter coefficient of abnormal voting bias remains significantly positive, while trust is insignificant.[25] In an untabulated test, we proxy trust using the level of trust participants of one country feel towards people of another nationality, based on data from the World Values Survey in which country coverage is more comprehensive. We do not use additional data from the World Values Survey for our main test because our data from Guiso et al. (2009) reports levels of trust towards specific countries, rather than a group of "other nationalities". When using the World Values Survey's trust data, we find that abnormal voting bias remains significantly positive after controlling for the full set of control variables.

Finally, we control for the level of investment restrictions in Column (7) of Table 6, with the full list of control variables. Once again, we find that abnormal voting bias remains significantly positive with the addition of investment restrictions, while the parameter coefficient on investment restrictions is insignificant. With the inclusion of the investment restriction for foreigners, results hold. Overall, the significance of the abnormal voting bias on the number of cross-border mergers remains significantly positive within alternative specifications.

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[25] Note that in untabulated results, we add the full list of independent variables in the model, and find that all parameter coefficients (e.g., on religion, on main language, on abnormal voting bias) of the independent variables become insignificant. This result was expected due to the very small number of observations available, with the use of such a large number of independent variables.

3.3 Endogeneity

This section discusses endogeneity issues and in particular the extent to which there may be reverse causality in the relation between abnormal voting bias and merger transactions. It may be argued that merger activity influences a population's perception of another country, and may therefore influence voting patterns in the Eurovision Song Contest. However, there are millions of voters in the Eurovision Song Contest, and it is unlikely that workers' votes from a merged firm would significantly influence voting patterns, simply due to their relatively small magnitude. Also, the direction of the impact of merger activity on the voting pattern is unclear. Workers may be in favor of an overseas country if, for example, they retain their job due to a merger (in case the local firm was close to bankruptcy). On the other hand, workers may be against an overseas country because they may be made redundant after the merger announcement, or they may simply prefer their nation's firms to remain in domestic ownership.

Capital inflows are expected to be positively related with both abnormal voting bias and cross-border merger activity. We therefore control for countries' inflows, which indicate the level of their transactions. Column (8) of Table 6 shows the results when FDI is added to the main regression. As expected there is a strong positive relation and the coefficient of FDI on number of mergers is 0.095, and significant at the one percent level. More importantly, the parameter coefficient of abnormal voting bias remains economically and statistically significant after adjusting for FDI. These results show that capital inflows do not fully capture the relation. In fact, the results on the parameter coefficients on shared border distance and shared history remain significantly positive, but this is not the case for GDP difference.

3.4Sympathy versus culture on the relation with cross-border merger activity

In this section, we explore the interrelation between sympathy and culture in relation to the number of cross-border mergers. Ahern et al. (2015) previously report that culture differences between countries are related with cross-border merger activity. Sympathy for counterparts in another country is expected to be related with culture, amongst other variables (e.g., Ginsburgh and Noury, 2008). In Appendix B, we indeed find that culture distance between two countries is significantly negatively correlated with the voting bias (-0.24, significant at the 1% level), showing that countries that differ significantly in culture, share relatively low scoring in the Eurovision Song Contest. However, we argue that sympathy captures more complex connections than culture. According to Marshall (1975, p.318), sympathy is measured "partly in terms of geography and partly in terms of kindred.", and as an example, Greece and Turkey are relatively close culturally, but sympathy between the populations is low. Therefore, we expect that sympathy would subsume the significance of culture as a determinant of cross-border merger activity.

Panel A of Table 7 shows relevant empirical results where columns (1) to (3) respectively, show results of three regression models that include: (1) only abnormal voting bias; (2) only culture distance and; (3) both abnormal voting bias and culture distance simultaneously. We find that abnormal voting bias and culture distance are both significant when included in isolation. For example, the parameter coefficient on culture distance is negative, with a p-value equal to 0.057 as shown at column (2). In line with Ahern et al. (2015), there is more cross-border merger activity when the culture distance between two countries is low. However, when both culture distance and abnormal voting bias are included in the same estimation, as shown at at column (3), we find that the parameter coefficient of sympathy remains significant at the 5% level, but the parameter coefficient for culture

distance becomes insignificant. Results therefore indicate that sympathy subsumes culture as a determinant of cross-border merger activity.

[Please insert Table 7 here]

The sympathy level between residents in two countries can vary over time based on external factors such as a war, natural disasters, or media coverage for a country. In contrast, culture typically only changes slowly across generations. Therefore, sympathy is expected to capture medium-term changes in cross-border merger activity more appropriately than culture. As an indication, we estimate regressions in pairs of countries with consistent positive and negative voting bias across all years in the competition in relation to pairs of countries in which there was at least one change; either from positive to negative, or the reverse. For example, we find that residents in Greece and Cyprus voted positively in all six available years highlighting highly consistent sympathy, while residents in Croatia and the United Kingdom consistently voted negatively in all ten years. In fact, voting bias exhibits a consistent sign in 46% of the available country pairs. We expect that our sympathy proxy to be related with cross-border merger activity for both consistent and inconsistent pairs of countries, while the "rigid" culture proxy would probably fail to capture cross-border merger activity in pairs of countries with inconsistent sympathy levels across our sample period. Note that due to the low number of observations in these estimations, we only explore univariate regressions (with the inclusion of country dummies).

Panel B of Table 7 reports the results. In line with the hypothesis, we find that the parameter coefficients for both abnormal voting bias and culture distance are significant for pairs of countries with consistent sympathy levels. However while the coefficient of abnormal voting bias remains significantly positive in pairs of countries with inconsistent level of sympathy, the coefficient for culture distance is insignificant. Overall, our results suggest that sympathy subsumes culture as a determinant of cross-border merger activity.

3.5 Do managers of private or public firms drive the relation?

Following a number of studies (e.g., John et al., 2010) that have previously reported that private and public firm characteristics may influence a relation within cross-border merger literature, we explore in which firm characteristics the relation between sympathy and merging activity is more prominent. If following Zajonc (1968) we assume that sympathy captures a subconscious element of managers' decisions in relation to their views of participants in counterpart countries, the relation is expected to be more prominent in private-to-private mergers than in other deals, where managers are arguably more trained, professional, and dispassionate (e.g., Deeks 1972). Large corporations would also devote more resources to bias control processes in relation to counterpart small and private firms (KPMG, 2005).

We first explore the magnitude of the relation between abnormal voting bias and cross-border mergers within alternative sized deals to determine whether the size of mergers influences the magnitude of the relation. Column (1) of Table 8 shows results when exploring the relation between abnormal voting bias and the value of merger deals in millions of dollars. Stated differently, our prior analysis used the number of mergers as the dependent variable, while Column (1) explores whether the relation holds when testing the magnitude of the cross-border merger deals on abnormal voting bias. We find that there is still a positive relation between value of deals and abnormal voting bias. However, the relation is weaker, since it is now only significant at the ten percent level. This result indicates that the relation tends to be weaker in larger deals than smaller cross-border deals, showing the first sign that the relation may be the outcome of managers' subconscious decisions. Furthermore, the parameter coefficients for shared border distance, share history, and GDP difference remain

economically and statistically significant, as reported earlier, when exploring the robustness of the relation on the magnitude of cross-border merger deals.

[Please insert Table 8 here]

As a clearer test, we further split the full sample into private-to-private, public-to-public, public-to-private, and private-to-public mergers, [26] and re-estimate the main regression. Note that the dependent variable in these regressions is merger activity measured by number of firms. Table 8 shows the results. We find evidence that the relation between abnormal voting bias and cross-border merger activity is driven by private-to-private merger deals. The parameter coefficient of abnormal voting bias for private-to-private merger deals is 0.0311 and significant at the five percent level, while for public-to-public deals it is -0.0037 and insignificant. The parameter coefficient of abnormal voting bias for private-to-public and public-to-private merger deals is also insignificant. The level of sympathy is a significant indicator of cross-border merger activity, as long as none of the parties negotiating the merger deal is a manager from a public firm. Private-to-private cross-border merger deals comprise 51% of the deals within our sample; this makes up a significant part of the merging activity taking place in economies. In untabulated results, we find that results hold when adding additional control variables (e.g., culture distance) with the smaller number of observations available.

4   Conclusion

To the best of our knowledge, this is the first study to investigate the role of sympathy between nations in corporate decision making with regards to mergers and acquisitions. We use novel data from the Eurovision Song Contest to capture a country's sympathy level, and

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[26] Only 285 of the cross-border merger deals are from private firms acquiring public firms.

explore its relation as a determinant of cross-border mergers. We find a strong positive relation between abnormal voting bias and cross-border merger volume and size of deals. This result holds after controlling for a number of conventional variables used in the cross-border merger literature, such as geographical proximity, culture, language, and religion. We find evidence that sympathy subsumes the culture determinant, since after controlling for sympathy, culture's significance on cross-border merger activity disappears. Culture matters on cross-border merger activity only in pairs of countries that have relatively stable sympathy level across the sample period, while the relation disappears within pairs of countries with changing levels of sympathy. We find that the relation is driven by private-to-private deals rather than deals involving a public counterparty indicating that the relation is the outcome of managers' decisions being influenced subconsciously by their sympathy for participants in counterpart countries.

Apart from the significance of sympathy as a determinant of cross-border mergers, we report a number of additional newly developed determinants of cross-border merger activity. In particular, we find that the geographical magnitude of the shared border subsumes information contained in the binary variable, whether or not two countries share a border. There are more likely to be cross-border mergers when the geographical connection is large. We also show that countries' historical connections are related with merger activity. When two countries share history, merger activity is greater. Finally, we show evidence that firms tend to merge within countries of similar GDP per capita. We find that country pairs in which the difference between GDP per capita is small, share more cross-border mergers.

This study is of relevance to academics and practitioners. We show evidence that managers of private firms are influenced by the subconscious element of sympathy when undertaking mergers. If, as our results suggest, sympathy is an important determinant of managers' decisions regarding mergers, it is likely that it is related with a number of other

firm/investor financial decisions. For example, choice of country for direct investment, capital budgeting, or choice of market for capital raising. It would be useful to identify other proxies besides the Eurovision Song Contest to capture sympathy in order to test the robustness of our findings and to provide evidence from countries that do not participate in the Eurovision Song Contest.

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Table 1

Voting bias

	Albania	Armenia	Austria	Azerbaijan	Belarus	Belgium	Bosnia	Bulgaria	Croatia	Cyprus	Denmark	Estonia	Finland	France	Georgia	Germany	Greece	Hungary	Iceland
Armenia	-3.80																		
Austria	0.11	n/a																	
Azerbaijan	-3.69	-6.02	-1.77																
Belarus	-1.67	0.94	n/a	1.46															
Belgium	-2.32	-2.26	-0.24	-3.45	-2.87														
Bosnia	0.29	-4.28	3.27	-2.27	-2.40	-1.71													
Bulgaria	n/a	-0.15	n/a	n/a	-6.04	n/a	-2.59												
Croatia	0.24	-3.63	1.08	-0.55	n/a	-1.44	6.93	n/a											
Cyprus	-1.34	0.15	-0.96	1.26	-0.94	-1.23	-2.55	n/a	-1.77										
Denmark	-2.58	-4.00	-0.75	-4.53	-4.77	-0.30	-2.23	n/a	-2.30	-1.38									
Estonia	-4.24	-2.90	-0.38	-3.27	-1.34	-0.53	-3.05	n/a	-1.88	-1.65	0.16								
Finland	-1.67	-4.22	-0.88	-3.83	-2.50	-0.60	-1.47	-1.96	-0.71	-0.42	-0.82	3.04							
France	-2.19	2.78	-1.65	-3.65	-2.30	0.48	-0.59	-1.22	-1.21	-1.38	-0.91	-0.46	-0.76						
Georgia	-3.50	5.90	-2.06	2.99	3.12	-3.07	-3.66	-5.52	-2.13	-0.79	-4.25	-1.51	-1.70	-2.80					
Germany	-0.86	-2.43	2.77	-5.03	-3.68	-0.11	-1.12	-2.39	-0.88	-2.35	0.52	-0.83	-0.94	-0.50	-3.81				
Greece	5.95	1.21	-2.12	-1.58	-1.88	-0.36	-2.50	6.09	-1.04	7.21	-3.56	-1.96	-2.59	-1.38	-1.13	0.08			
Hungary	-1.20	-3.36	-0.35	-1.51	-3.24	-1.02	-3.39	-0.98	2.17	-0.57	-2.12	-1.59	2.83	-1.70	-1.57	0.22	-1.24		
Iceland	-1.56	-2.94	-0.26	-3.72	-1.04	0.32	-2.84	n/a	-2.02	0.78	4.78	1.26	3.31	-1.02	-2.80	-0.80	-2.54	2.93	
Ireland	-2.36	-2.69	-1.33	-3.92	-1.74	1.22	-2.54	-3.52	-0.31	0.23	2.19	1.05	-0.29	-0.82	-2.08	-0.31	-2.96	-1.74	-0.68
Israel	-1.84	1.21	-1.92	-0.22	2.31	-0.89	-1.72	n/a	-1.61	-0.90	-0.88	-0.32	-1.07	1.97	-0.67	-1.21	-1.84	2.89	-0.77
Italy	4.94	-2.82	-2.15	-6.75	-3.48	-0.82	-2.23	n/a	n/a	0.32	-2.82	-1.80	-3.17	-0.16	-2.53	-1.13	-0.24	-1.80	-2.48
Latvia	-3.68	-4.50	1.29	-2.40	-0.15	0.17	-3.48	-3.54	-1.37	-3.12	0.31	2.64	-1.70	-1.88	0.80	-0.72	-3.30	-2.35	1.10
Lithuania	-2.90	-3.11	-1.75	0.82	1.38	0.44	-2.76	-4.02	-0.54	-0.50	-1.97	0.68	0.39	-0.31	5.26	-2.03	-2.69	-1.23	-1.14
Macedonia	7.11	-2.48	-1.23	-3.38	-1.09	-0.17	3.06	4.39	4.31	-1.61	-2.29	-1.44	-2.32	-1.34	-3.17	-1.56	-2.09	-2.96	-1.77
Malta	-1.18	-1.66	-0.42	1.82	1.32	-2.57	-1.96	n/a	-0.33	0.81	-0.11	-1.18	-1.78	-2.00	-1.84	-1.12	-0.61	-1.60	0.09
Moldova	-3.30	-1.36	-0.75	1.54	2.79	-2.41	-3.28	-2.13	-2.22	-2.41	-2.59	-1.27	-2.59	-1.75	0.00	-2.76	-2.04	-2.49	-2.81
Norway	-2.74	-3.77	-0.16	-3.53	-2.16	-1.07	-0.84	n/a	-2.55	-1.13	2.68	-0.41	0.35	-1.57	-1.86	-1.16	-3.26	-2.92	3.11
Poland	-2.16	1.81	0.10	0.60	n/a	0.93	-1.00	n/a	-1.18	-1.23	-1.04	1.09	0.02	0.16	-2.02	3.15	-0.55	n/a	-1.17
Portugal	-2.32	-2.78	1.89	-4.53	-1.27	-0.95	-2.11	n/a	-0.68	-0.78	-0.64	-1.61	-1.91	4.22	-3.19	0.23	-2.35	n/a	0.17
Romania	-2.24	-2.61	-1.35	-0.62	-3.32	-1.13	-2.88	-1.59	-1.06	-0.77	-1.25	-1.88	-1.49	-0.82	-3.80	-1.82	1.63	1.58	-1.53
Russia	-3.74	3.84	-1.49	0.80	3.21	-0.84	-3.26	-3.22	0.05	-0.21	-3.39	0.83	-1.77	-1.65	0.83	-1.56	-2.09	-2.83	-2.54
Serbia	-1.26	-4.13	0.44	-5.41	-3.08	-3.09	4.70	-2.98	3.53	-0.05	-4.83	-4.68	-2.23	-0.59	-4.57	-1.62	-1.28	0.69	-3.01
Slovenia	n/a	-4.43	0.39	-6.60	-2.50	-1.42	3.89	-1.20	4.08	-1.05	1.58	0.09	-0.25	-0.64	-3.40	-0.74	-0.66	-0.79	-1.48
Spain	-2.19	0.64	-0.79	-3.54	-2.33	-0.01	-2.57	0.87	-1.14	0.28	-1.17	-1.48	-0.15	0.59	-2.62	0.17	-1.20	-1.30	-1.08
Sweden	-2.10	-2.93	-1.17	-4.52	-3.23	-1.20	-0.22	-4.52	-2.79	-0.79	3.15	1.82	2.86	-0.93	-3.45	-1.55	-2.59	-0.51	1.67
Switzerland	1.28	-3.46	2.95	-4.48	n/a	2.17	1.67	n/a	2.00	0.64	-1.84	-1.99	-0.32	-1.36	-2.69	2.06	-0.24	-2.41	1.13
The Netherlands	-2.02	-3.10	-0.19	-5.92	-3.24	6.31	-0.63	n/a	-1.85	-0.26	0.97	0.16	1.48	-0.86	-3.28	-0.40	-2.34	2.28	0.18
Turkey	2.65	-1.08	1.90	6.14	-4.52	1.36	3.65	-0.17	-0.19	-2.42	-1.48	-2.66	-0.63	1.83	-0.85	2.43	-1.32	-2.44	-2.44
Ukraine	-3.28	0.64	-3.82	3.85	4.35	-2.14	-3.45	-5.39	-0.98	-1.67	-3.62	-1.36	-3.83	-3.10	3.12	-3.70	-3.12	-2.88	-2.94
United Kingdom	-1.57	-2.92	0.45	-3.83	-1.86	-1.50	-2.24	-1.22	-1.24	-0.02	-0.19	-0.29	-1.44	-1.04	-2.37	-0.73	0.41	-2.12	-0.74

	Ireland	Israel	Italy	Latvia	Lithuania	Macedonia	Malta	Moldova	Norway	Poland	Portugal	Romania	Russia	Serbia	Slovenia	Spain	Sweden	Switzerland	The Netherlands	Turkey	Ukraine
Israel	-1.12																				
Italy	-2.78	n/a																			
Latvia	0.81	-1.64	n/a																		
Lithuania	2.48	-0.34	-0.37	4.38																	
Macedonia	-2.22	-1.07	-0.32	-1.74	-2.25																
Malta	0.19	-0.79	3.40	-1.80	-0.33	-1.74															
Moldova	-1.31	-1.36	-0.87	-0.26	-1.97	-2.48	-3.04														
Norway	0.44	-1.00	-1.13	1.07	-0.90	-2.07	-0.57	-2.51													
Poland	-1.20	-0.13	n/a	-0.12	0.97	-1.61	0.58	n/a	-0.23												
Portugal	0.31	-1.41	n/a	-0.04	-1.15	n/a	-0.91	2.65	-1.83	-1.28											
Romania	-1.27	0.36	0.42	-3.52	-2.74	-0.98	-0.85	8.08	-1.62	0.26	-0.51										
Russia	-2.12	0.95	-4.51	-0.52	1.24	-1.59	-1.15	1.86	-2.34	-2.24	-2.30	-1.56									
Serbia	-3.92	-3.86	-3.14	-5.43	-2.12	4.83	-3.40	-3.66	-2.13	-2.62	-2.80	-2.43	-2.39								
Slovenia	-0.22	-0.68	-4.38	0.53	0.79	2.03	-1.48	-3.65	-0.15	-0.20	-1.27	-0.07	0.60	4.13							
Spain	-1.33	-0.13	0.81	-1.86	-1.25	-1.84	-1.71	-0.56	-1.74	-1.11	4.96	2.47	-2.06	-4.09	-0.35						
Sweden	0.49	-0.70	-7.00	-0.82	-1.76	-1.49	-0.93	-2.68	2.82	0.33	-0.79	-1.57	-2.85	-1.82	-0.48	-0.38					
Switzerland	-0.70	-0.55	-2.25	-0.97	0.80	-1.11	-1.27	-3.18	-2.30	n/a	n/a	-2.54	-1.89	2.03	3.50	0.77	-1.87				
The Netherlands	-0.30	1.53	-4.80	-1.16	0.37	-1.38	-0.04	-3.70	-0.20	-1.01	0.12	-1.74	-1.44	-0.74	1.05	-0.01	-0.85	1.96			
Turkey	-2.34	-1.45	-4.26	-3.19	-2.90	1.27	-1.12	-2.45	-1.99	-1.99	-2.27	-0.56	-3.13	-5.88	-0.81	-2.51	-0.93	1.82	2.05		
Ukraine	-2.23	-0.19	-2.49	-0.40	-1.19	-2.03	-0.19	2.95	-2.30	3.09	-0.13	-3.06	2.09	-2.89	-1.77	-1.79	-3.76	-2.78	-2.71	-2.82	
United Kingdom	4.37	-1.22	-0.80	-0.08	0.88	-1.01	1.52	-1.66	-1.24	-0.10	-0.64	-1.15	-2.07	-4.01	-1.98	-0.82	-0.72	-1.06	-0.10	0.05	-1.97

This table reports the average voting bias for all available pairs of countries in our sample. The voting bias is estimated as the votes given on average per pair minus the average votes given by counterpart countries. Votes available are 0, 1, 2, 3, 4, 5, 6, 7, 8, 10, and 12; therefore, the voting bias may vary between -12 and 12. Note that there are changes to the list of countries that compete from year to year, and therefore the number of years used to estimate the average voting bias per pair varies. "n/a" indicates that the particular pair of countries never performed in the Eurovision Song Contest in the same year. The sample period is between 1999 and 2013.

Table 2
Descriptive statistics

	Mean	Min	Max	N
Panel A: Yearly Frequency Variables				
Voting Bias	-0.94	-9.46	11.68	4,337
Immigration	1.28	0.00	100.00	4,337
First Time		0.00	2.00	4,337
Won It Before		0.00	2.00	4,337
Hosting		0.00	1.00	4,337
In English		0.00	2.00	4,337
More Singers		0.00	2.00	4,337
Sequence of Song		0.00	2.00	4,337
Panel B: Full Period Frequency Variables				
Abnormal Voting Bias	-0.08	-5.83	7.56	784
Shared Border Distance	42.71	0.00	1944.00	784
Shared Borders		0.00	1.00	784
Capitals Distance	1746.39	0.00	84449.60	784
Shared Language		0.00	1.00	784
Shared Religion		0.00	1.00	784
Shared Legal Origin		0.00	1.00	784
Shared History		0.00	1.00	784
Tax	21.15	0.08	35.80	784
Shared Currency		0.00	1.00	784
GDP	13.34	0.48	17.20	784
GDP Difference	13.44	2.50	17.45	784
Culture Distance	2.04	0.00	6.62	471
Trust	2.76	1.50	3.52	104
Investment Restrictions	6.69	4.64	8.62	749
FDI	2.79	-5.66	9.27	547

This table reports the descriptive statistics of the variables used in this study. Results are split into those variables used with annual frequency (Panel A) and those used as one observation per pair of countries over the full sample period (Panel B). N indicates the number of observations. The annual frequency variables are as follows: voting bias is estimated as the votes given on average per pair minus the average votes given by counterpart countries, immigration is the percentage of the population within a country that speaks a particular language, first time is a categorical variable equal to one if a country is appearing at the Eurovision Song Contest for the first time, won it before is a categorical variable equal to one if a country has won the song contest before, hosting is a dummy variable for the country that hosts the competition, in English is a categorical variable equal to one if a song is sung in English, more singers is a categorical variable equal to one if more than one singer sings the song, and sequence of songs is a categorical variable equal to one if a song was among the first five or the last five in the competition. The full period frequency variables used are as follows: abnormal voting bias is the residual of a regression using the independent variables immigration, first time, won it before, hosting, in English, more singers, and sequence of songs, shared borders distance is the length of a border, in kilometers, between two countries, shared border is a dummy variable equal to one if two countries share a border, capitals distance is the distance in kilometers between the capitals of two countries, shared language is a dummy variable indicating whether two countries share the same main language, shared religion is a dummy variable indicating whether two countries share a primary religion, shared legal origin is a dummy variable indicating whether two countries share the same legal origin, share history is a dummy variable indicating whether two countries share history, tax is the average level of tax between two countries, shared currency is a dummy variable indicating whether two countries adopted the Euro during the sample period, GDP is the natural logarithmic GDP per capita, GDP difference is the natural logarithm of the absolute difference between the average GDP per capita of two countries, culture distance is the distance in culture between two countries, Trust is the average level of trust felt by citizens of one country towards citizens of another, investment restrictions is the average level of investment restrictions between two countries, and FDI is the natural logarithm of the average inflow between two countries during the sample period. Please find further details of the variables used in Appendix A.

Table 3

Number of cross-border mergers

	Albania	Armenia	Austria	Azerbaijan	Belarus	Belgium	Bosnia	Bulgaria	Croatia	Cyprus	Denmark	Estonia	Finland	France	Georgia	Germany	Greece	Hungary	Iceland
Armenia	0																		
Austria	0	n/a																	
Azerbaijan	0	0	0																
Belarus	0	0	n/a	0															
Belgium	0	0	8	0	1														
Bosnia	0	0	2	0	0	1													
Bulgaria	n/a	0	n/a	n/a	0	n/a	0												
Croatia	0	0	9	0	n/a	0	4	n/a											
Cyprus	0	0	0	0	0	1	0	n/a	0										
Denmark	0	0	4	0	0	12	0	n/a	1	2									
Estonia	0	0	1	0	0	0	0	n/a	0	0	4								
Finland	0	0	11	0	0	94	0	1	3	0	44	10							
France	0	1	141	0	0	125	2	0	5	4	110	5	76						
Georgia	0	0	0	0	0	0	0	3	0	0	0	0	1	0					
Germany	1	0	125	0	0	78	2	2	5	8	86	4	57	375	1				
Greece	1	0	1	0	0	1	0	0	0	3	6	0	7	20	1	7			
Hungary	0	0	0	0	0	1	0	0	0	0	0	0	1	5	0	6	4		
Iceland	0	0	0	0	0	7	0	n/a	0	0	8	2	3	31	0	1	0	0	
Ireland	0	0	2	0	0	6	0	0	1	1	2	1	4	20	2	22	1	2	0
Israel	0	0	1	0	0	2	0	n/a	0	0	1	6	2	21	1	17	1	1	0
Italy	0	0	2	0	0	4	0	n/a	n/a	1	4	2	1	44	0	44	1	1	1
Latvia	0	0	0	0	0	0	0	0	0	0	2	2	10	3	9	5	2	0	2
Lithuania	0	0	0	0	0	0	1	16	1	1	10	7	8	17	1	5	1	0	0
Macedonia	0	0	6	1	1	26	0	0	1	0	48	15	21	191	11	3	13	2	5
Malta	0	0	0	0	0	0	0	n/a	0	0	0	0	13	22	0	9	4	1	4
Moldova	0	0	0	0	0	0	0	0	0	0	0	0	4	12	0	2	2	2	4
Norway	0	0	3	0	0	6	0	n/a	1	4	200	7	27	61	0	51	6	0	3
Poland	0	0	6	0	n/a	4	0	n/a	2	0	10	0	1	23	0	34	3	n/a	4
Portugal	0	0	1	0	0	5	0	n/a	1	1	0	0	0	17	0	12	0	n/a	0
Romania	0	0	12	1	0	5	0	1	0	3	5	0	75	83	26	14	9	3	9
Russia	0	9	5	3	6	2	1	0	1	212	7	5	80	220	25	57	8	85	45
Serbia	0	0	2	0	0	0	2	1	2	1	1	0	48	57	8	3	7	5	0
Slovenia	n/a	0	5	0	0	0	7	1	6	0	1	0	26	38	2	1	2	0	0
Spain	0	0	5	1	0	17	1	1	2	0	35	0	78	369	119	134	78	7	133
Sweden	0	2	14	0	0	25	1	1	1	0	392	13	175	161	0	132	7	1	4
Switzerland	0	0	28	1	n/a	18	0	n/a	3	0	18	0	60	251	0	55	0	0	0
The Netherlands	0	0	13	0	0	137	0	n/a	2	0	30	2	127	82	0	156	5	0	1
Turkey	0	0	3	1	0	4	1	0	0	1	2	0	157	254	0	14	13	0	3
Ukraine	0	0	3	1	2	0	0	0	0	34	4	1	2	11	2	4	4	0	0
United Kingdom	0	0	31	3	0	112	0	1	7	5	173	4	52	546	0	553	18	4	14
	Israel	Italy	Latvia	Lithuania	Macedonia	Malta	Moldova	Norway	Poland	Portugal	Romania	Russia	Serbia	Slovenia	Spain	Sweden	The Netherlands	Turkey	Ukraine

	Ireland																	Switzerland			
Israel	3																				
Italy	2	n/a																			
Latvia	4	0	n/a																		
Lithuania	6	1	1	1																	
Macedonia	21	4	0	6	0																
Malta	5	1	1	0	0	15															
Moldova	4	0	0	4	0	13	0														
Norway	9	1	1	1	2	8	2	0													
Poland	4	0	n/a	0	2	1	0	n/a	3												
Portugal	0	0	n/a	0	0	n/a	1	0	0	1											
Romania	20	0	2	0	1	32	0	0	3	0	3										
Russia	12	2	2	5	1	10	1	2	11	3	0	6									
Serbia	0	1	0	0	0	65	0	0	0	2	0	0	4								
Slovenia	0	0	0	1	3	9	0	0	0	1	0	0	1	1							
Spain	10	4	20	0	1	229	0	0	17	11	89	7	21	2	1						
Sweden	9	4	4	1	11	55	2	0	465	18	4	3	31	2	3	48					
Switzerland	1	1	14	1	0	9	0	0	10	n/a	n/a	3	12	0	1	19	31				
The Netherlands	13	1	7	0	1	1	1	0	26	19	7	8	18	0	0	63	73	13			
Turkey	3	3	0	0	0	15	0	0	2	2	2	4	13	0	0	6	5	4	6		
Ukraine	5	2	1	3	0	223	0	2	0	5	0	2	89	0	1	2	7	4	2	0	
United Kingdom	284	29	38	1	5	187	4	0	181	18	22	28	116	3	1	390	474	97	268	40	16

This table reports the number of cross-border mergers per pair of countries. Note that 'n/a' indicates an absence of any voting bias, as in Table 1. The sample period is between 1999 and 2013.

Table 4

Determinants of voting bias

	Voting Bias
Constant	-0.6159***
	(0.000)
Immigration	0.0771***
	(0.000)
First Time	-0.5170**
	(0.030)
Won It Before	-0.1606***
	(0.009)
Hosting	0.0205
	(0.888)
In English	-0.1755***
	(0.006)
More Singers	0.0706
	(0.535)
Sequence of Song	-0.0147
	(0.806)
N	4337
R_Square Adjusted	0.0615

This table reports the determinants of voting bias. Voting bias is estimated as the votes given on average per pair of countries minus the average votes given by counterpart countries, immigration is the percentage of the population within a country that speaks a particular language, first time is a categorical variable equal to one if a country is appearing in the Eurovision Song Contest for the first time, won it before is a categorical variable equal to one if a country has won the song contest before, hosting is a dummy variable for the country that hosts the competition, in English is a categorical variable equal to one if a song is sung in English, more singers is a categorical variable equal to one if more than one singer sings the song, and sequence of song is a categorical variable equal to one if a song was among the first five or the last five in the competition. Please find further details on the variables used in Appendix A. We collect the residuals of this regression that indicate the abnormal voting bias after adjusting for song and other characteristics. Heteroscedasticity-consistent (Eicker-White) standard errors are estimated. P-values are shown in parentheses. The sample period is between 1999 and 2013. ** and *** show significance at the five and one percent levels, respectively

Table 5
The relation between abnormal voting bias and cross-border merger activity

	Number of Mergers		
	(1)	(2)	(3)
Constant	1.9207***	1.6870**	6.1927***
	(0.005)	(0.019)	(0.000)
Voting Bias	0.1194***		
	(0.000)		
Abnormal Voting Bias		0.1029***	0.0446***
		(0.000)	(0.003)
Shared Border Distance			0.0011***
			(0.000)
Shared Border			-0.270
			(0.100)
Capitals Distance			-0.0002***
			(0.000)
Shared Language			1.3330***
			(0.000)
Shared Religion			0.4376***
			(0.000)
Shared Legal Origin			0.1754
			(0.271)
Shared History			0.3034**
			(0.023)
Tax			-0.0584
			(0.286)
Shared Currency			0.1628
			(0.121)
GDP			-0.0621
			(0.338)
GDP Difference			-0.0721*
			(0.063)
N	784	784	784
R_Square Adjusted	0.6676	0.6213	0.6860

This table reports the main results of the study, whether there is a relation between the number of cross-border merger announcements and abnormal voting bias (as collected by the residuals of the regression estimated at Table 4, adjusted for the full period per pair of countries) at columns (2) and (3), while unadjusted for song characteristics at column (1). Heteroscedasticity-consistent (Eicker-White) standard errors are estimated, and country dummies are added. P-values are shown in parentheses. Abnormal voting bias is the residual of a regression using the independent variables immigration, first time, won it before, hosting, in English, more singers, and sequence of Song. Shared border distance is the length of a border, in kilometers, between two countries, shared border is a dummy variable indicating whether two countries share a border, capitals distance is the distance in kilometers between the capitals of two countries, shared language is a dummy variable indicating whether two countries share the same main language, shared religion is a dummy variable indicating whether two countries share a primary religion, share legal origin is a dummy variable indicating whether two countries share the same legal origin, shared history is a dummy variable indicating whether two countries share history, tax is the average level of tax between two countries, share currency is a dummy variable indicating whether two countries adopted the Euro during the sample period, GDP is the natural logarithm of GDP per capita, and GDP difference is the natural logarithm of the absolute distance of the average GDP per capita between two countries. Country dummies are included. Please find further details of the variables used in Appendix A. The sample period is between 1999 and 2013. *, **, and *** show significance at the ten, five, and one percent levels, respectively.

Table 6

Robustness tests

	Number of Mergers							
	Excl. UK	Excl. French	Excl. German	Adj. for Domestic Deals	Add Failed Deals	Add Trust	Add Investment Restrictions	Add FDI
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	50.4196	6.0306***	6.1582***	10.8068***	6.4326***	5.0928***	33.9787**	9.9512***
	(0.146)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.049)	(0.000)
Abnormal Voting Bias	0.0472***	0.0474***	0.0443***	0.0110***	0.0342**	0.2053***	0.0414***	0.0440**
	(0.002)	(0.001)	(0.004)	(0.001)	(0.022)	(0.001)	(0.009)	(0.029)
Shared Border Distance	0.0011***	0.0010***	0.0012***	0.0001**	0.0010***		0.0012***	0.0009***
	(0.000)	(0.000)	(0.000)	(0.013)	(0.000)		(0.000)	(0.000)
Shared Border	-0.2626	-0.2915*	-0.4529***	-0.0383	-0.2390		-0.3027*	-0.2102
	(0.118)	(0.088)	(0.004)	(0.303)	(0.142)		(0.076)	(0.229)
Capitals Distance	-0.0001***	-0.0002***	-0.0002***	-0.000	-0.0002***		-0.000***	-0.0001**
	(0.008)	(0.001)	(0.000)	(0.109)	(0.000)		(0.000)	(0.025)
Shared Language	1.3083***	1.4268***	1.3936***	0.1617***	1.2924***		1.2962***	1.2704***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		(0.000)	(0.000)
Shared Religion	0.4217***	0.4411***	0.4275***	0.0520***	0.4566***		0.4464***	0.3902***
	(0.000)	(0.000)	(0.000)	(0.007)	(0.000)		(0.000)	(0.000)
Shared Legal Origin	0.0939	0.1711	0.2110	0.1308***	0.2353		0.1411	-0.1313
	(0.649)	(0.278)	(0.188)	(0.006)	(0.181)		(0.381)	(0.512)
Shared History	0.3622**	0.3169**	0.3303**	0.0083	0.3438**		0.3040**	0.3050**
	(0.013)	(0.028)	(0.017)	(0.811)	(0.010)		(0.024)	(0.0267)
Tax	-1.333	-0.0589	-0.0617	-0.6415***	-0.0708		0.1566	-0.1701***
	(0.150)	(0.261)	(0.223)	(0.000)	(0.264)		(0.327)	(0.004)
Shared Currency	0.1999*	0.1354	0.1556	0.0475**	0.1614		0.1586	0.1161
	(0.062)	(0.208)	(0.151)	(0.027)	(0.123)		(0.129)	(0.333)
GDP	-0.1353	-0.0595	-0.0544	0.3092***	-0.0624		-0.1588	-0.2421*
	(0.212)	(0.350)	(0.384)	(0.002)	(0.371)		(0.162)	(0.070)
GDP Difference	-0.0375	-0.0620	-0.0717*	-0.1109***	-0.0678*		-0.0398	-0.0205
	(0.428)	(0.1169)	(0.061)	(0.001)	(0.094)		(0.435)	(0.721)
Trust						0.0829		
						(0.830)		
Investment Restrictions							-4.7006	
							(0.107)	

39

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
FDI								0.0954***
								(0.001)
N	744	744	744	784	784	104	749	547
R_Square Adjusted.	0.6576	0.6471	0.6689	0.7649	0.6733	0.7885	0.6841	0.6917

This table reports the results of a number of robustness tests. At Columns (1) to (3), we exclude UK, French, and German cross-border mergers one at a time, respectively. At Column (4), we adjust cross-border mergers to the domestic number of mergers per pair of countries, and that ratio is used as the dependent variable. At Column (5), we add failed deals to the completed deals. Note that the dependent variable, number of mergers, is the log of one plus the number of mergers when adding failed deals to the completed mergers. At Columns (6), (7), and (8), we add trust, and FDI independent variables in the main model (i.e. the dependent variable remains number of mergers, respectively. Heteroscedasticity-consistent (Eicker-White) standard errors are estimated, and country dummies are added. P-values are shown in parentheses. Abnormal voting bias is the residual of a regression using the independent variables immigration, first time, won it before, hosting, in English, more singers, and sequence of song. Shared border distance is the length, in kilometers, of a border between two countries, shared border is a dummy variable indicating whether two countries share a border, capitals distance is the distance in kilometers between the capitals of two countries, share language is a dummy variable indicating whether two countries share the same main language, share religion is a dummy variable indicating whether two countries share a primary religion, share legal origin is a dummy variable indicating whether two countries share the same legal origin, shared history is a dummy variable indicating whether two countries share history, tax is the average level of tax between two countries, shared currency is a dummy variable indicating whether two countries adopted the Euro during the sample period, GDP is the natural logarithmic GDP per capita, GDP difference is the natural logarithm of the absolute distance of the average GDP per capita between two countries, trust is the average level of trust felt by citizens of one country towards another, Investment restrictions is the average level of investment restrictions between two countries, and FDI is the natural logarithm of the average inflow between two countries during the sample period. Country dummies are included in all models. Please find further details of the variables used in Appendix A. The sample period is between 1999 and 2013. *, **, and *** show significance at the ten, five, and one percent levels, respectively.

Table 7

The interrelation between sympathy and culture with cross-border merger activity

Panel A: Regression Estimations in the Full Sample

	Number of Mergers		
	(1)	(2)	(3)
Constant	-187.2870***	-194.0374***	-192.9397**
	(0.000)	(0.000)	(0.000)
Abnormal Voting Bias	0.0515**		0.0448**
	(0.020)		(0.037)
Culture Distance		-0.0789*	-0.0662
		(0.057)	(0.101)
Shared Border Distance	0.0010***	0.0011***	0.0011***
	(0.00))	(0.000)	(0.000)
Shared Border	-0.0777	-0.0223	-0.0645
	(0.681)	(0.908)	(0.727)
Capitals Distance	-0.0002***	-0.0002***	-0.0002***
	(0.000)	(0.000)	(0.001)
Shared Language	1.1289***	0.9355***	1.0358***
	(0.000)	(0.000)	(0.000)
Shared Religion	0.2315**	0.2081**	0.2034**
	(0.025)	(0.042)	(0.045)
Shared Legal Origin	0.3841***	0.3621***	0.3673***
	(0.002)	(0.007)	(0.005)
Shared History	0.1110	0.0695	0.0872
	(0.481)	(0.659)	(0.574)
Tax	5.1986***	5.3887***	5.3609***
	(0.000)	(0.000)	(0.000)
Shared Currency	0.1388	0.1343	0.1444
	(0.227)	(0.250)	(0.213)
GDP	-0.2549*	-0.2473*	-0.2518*
	(0.071)	(0.078)	(0.073)
GDP Difference	-0.0536	-0.0580	-0.0551
	(0.423)	(0.382)	(0.407)
N	471	471	471
R_Square Adjusted.	0.7402	0.7397	0.7411

Panel B: Regression Estimations in Subsamples

	Number of Mergers			
	Pairs of Countries with Consistent Sympathy		Pairs of Countries with Inconsistent Sympathy	
Constant	-0.2662	4.9302***	2.9306***	-15.607***
	(0.499)	(0.000)	(0.000)	(0.000)
Abnormal Voting Bias	0.0743***		0.1389***	
	(0.000)		(0.000)	
Culture Distance		-0.2662***		-0.1548
		(0.000)		(0.453)
N	359	156	425	315
R_Square Adjusted.	0.4544	0.4772	0.6709	-2.584

This table reports the interrelation between sympathy and culture on the relation with cross-border merger activity. Panel A reports the relation when controlling for sympathy and culture. Panel B reports the relation when exploring only pairs of countries with consistently positive and negative voting bias across the sample period versus pairs of countries that there are inconsistencies at the sign of the voting bias. Note that the dependent variable, number of mergers, is the log of one plus the number of mergers. Heteroscedasticity-consistent (Eicker-White) standard errors are estimated, and country dummies are added. P-values are shown in parentheses. Abnormal voting bias is the residual of a regression using the independent variables immigration, first time, won it before, hosting, in English, more singers, and sequence of song. Culture distance is the

distance in culture between two countries. Shared border distance is the length, in kilometers, of a border between two countries, shared border is a dummy variable indicating whether two countries share a border, capitals distance is the distance in kilometers between the capitals of two countries, shared language is a dummy variable indicating whether two countries share the same main language, share religion is a dummy variable indicating whether two countries share a primary religion, shared legal origin is a dummy variable indicating whether two countries share the same legal origin, shared history is a dummy variable indicating whether two countries share history, tax is the average level of tax between two countries, share currency is a dummy variable indicating whether two countries adopted the Euro during the sample period, GDP is the natural logarithmic GDP per capita, and GDP difference is the natural logarithm of the absolute distance of the average GDP per capita between two countries. Country dummies are included in all models. Please find further details of the variables used in Appendix A. The sample period is between 1999 and 2013. *, **, and *** show significance at the ten, five, and one percent levels, respectively.

Table 8
Subgroup results

	$million Deals	Number of Mergers			
		Private-to-Private Number of Mergers	Public-to-Public Number of Mergers	Public-to-Private Number of Mergers	Private-to-Public Number of Mergers
	(1)	(2)	(3)	(4)	(5)
Constant	12.4341***	5.1919***	-0.6044	7.7113***	2.7803***
	(0.000)	(0.000)	(0.1298)	(0.000)	(0.000)
Abnormal Voting Bias	0.0692*	0.0311**	-0.0037	-0.0003	-0.000
	(0.064)	(0.025)	(0.542)	(0.988)	(0.976)
Shared Border Distance	0.0019***	0.0010***	0.0006***	-0.0002	-0.0001
	(0.001)	(0.000)	(0.001)	(0.640)	(0.405)
Shared Border	-0.8182**	-0.1472	-0.1530**	-0.3486	-0.0350
	(0.043)	(0.356)	(0.042)	(0.134)	(0.628)
Capitals Distance	-0.0004***	-0.0002***	-0.0001***	-0.0001*	-0.0000
	(0.000)	(0.000)	(0.002)	(0.093)	(0.515)
Shared Language	0.8527	1.3679***	0.3439*	0.0719	-0.0883
	(0.308)	(0.000)	(0.055)	(0.903)	(0.465)
Shared Religion	0.7760***	0.4170***	0.1372***	0.2083	0.0663
	(0.000)	(0.000)	(0.002)	(0.134)	(0.138)
Shared Legal Origin	0.5295	0.1069	0.0226	0.4825**	-0.0222
	(0.170)	(0.455)	(0.704)	(0.028)	(0.783)
Shared History	1.0967***	0.2571*	0.0346	0.3625	0.0683
	(0.001)	(0.052)	(0.647)	(0.129)	(0.406)
Tax	-0.2521	-0.0465	0.0599**	-0.2889***	-0.0865***
	(0.206)	(0.422)	(0.014)	(0.000)	(0.000)
Shared Currency	0.3882	0.0615	0.0270	0.0784	-0.0252
	(0.120)	(0.523)	(0.504)	(0.570)	(0.548)
GDP	0.1049	-0.0390	-0.0157	0.1619**	0.0201
	(0.582)	(0.531)	(0.501)	(0.020)	(0.417)
GDP Difference	-0.2045**	-0.0611*	-0.0253*	-0.0441	-0.0093
	(0.035)	(0.079)	(0.069)	(0.336)	(0.514)
R_Square Adjusted.	0.5904	0.6430	0.4275	0.1333	0.0493

This table reports the results when re-estimating the main regression for alternative sub-groups of firms: private-to-private mergers in Column (2), public-to-public mergers in Column (3), public-to-private in Column (4); and private-to-public in Column (5). At Column (1), we use as a dependent variable – the size of the merger deals in millions of dollars. Note that the dependent variable, number of mergers, is the log of one plus the number of mergers. Heteroscedasticity-consistent (Eicker-White) standard errors are estimated, and country dummies are added. P-values are shown in parentheses. Abnormal voting bias is the residual of a regression using the independent variables immigration, first time, won it before, hosting, in English, more singers, and sequence of song., Shared border distance is the length, in kilometers, of a border between two countries, shared border is a dummy variable indicating whether two countries share a border, capitals distance is the distance in kilometers between the capitals of two countries, shared language is a dummy variable indicating whether two countries share the same main language, share religion is a dummy variable indicating whether two countries share a primary religion, shared legal origin is a dummy variable indicating whether two countries share the same legal origin, shared history is a dummy variable indicating whether two countries share history, tax is the average level of tax between two countries, share currency is a dummy variable indicating whether two countries adopted the Euro during the sample period, GDP is the natural logarithmic GDP per capita, and GDP difference is the natural logarithm of the absolute distance of the average GDP per capita between two countries. Country dummies are included in all models and the sample size for each model is 784. Please find further details of the variables used in Appendix A. The sample period is between 1999 and 2013. *, **, and *** show significance at the ten, five, and one percent levels, respectively.

Appendix A. Variable definitions (in alphabetical order)

	Terms	Source	Frequency	Definition
(1)	Abnormal Voting Bias	Eurovision Song Contest website	Full period	We regress item (26) on items (6), (9), (10), (11), (13), (15), and (27). Abnormal voting bias is the residual of the regression averaged for the full period for each pair of countries separately
(2)	Adj. for Domestic Deals	Thomson OneBanker	Full period	Item (14) divided by a corresponding item for the average number of domestic deals for each pair of countries
(3)	Capitals Distance	CIA World Factbook	Full period	The distance in kilometers between the capital cities of two countries
(4)	Culture Distance	Hofstede website	Full period	$\frac{\sum_{k=1}^{4}[(\text{Country}_i-\text{Country}_j)^2/V_k]}{4}$ where k is each dimension (i.e. power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence) and V is the variance of the dimension k
(5)	FDI	UNCTAD FDI/TNC	Full period	The natural logarithm of the average inflow between the two countries during the sample period
(6)	First Time	Eurovision Song Contest website	Annual	A categorical variable that takes one if a country is appearing at the Eurovision Song Contest for the first time, and zero otherwise. If both countries have appeared at the Eurovision before, the value is equal to two
(7)	GDP	WorldBank	Full period	The natural logarithm of the average GDP between the two countries during the sample period
(8)	GDP Difference	WorldBank	Full period	The natural logarithm of the absolute distance of the average GDP between the two countries during the sample period
(9)	Hosting	Eurovision Song Contest website	Annual	A dummy variable that takes the value of one if a country hosts the Eurovision Song Contest, and zero otherwise
(10)	Immigration	CIA World Factbook	Full period	The percentage of a population within a country that speaks a particular language – a continuous variable
(11)	In English	Eurovision Song Contest website	Annual	A categorical variable that takes one if a song is sung in English at the Eurovision Song Contest, and zero otherwise. If performers of both countries perform in English, the value is equal to two
(12)	Investment Restrictions	Economic Freedom of the World website	Full period	The average level of investment restrictions between two countries
(13)	More Singers	Eurovision Song Contest website	Annual	A categorical variable that takes one if a song is sung by more than one singer in the Eurovision Song Contest, and zero otherwise. If the songs of both countries are sung by multiple singers, the value is equal to two

(14)	Number of Mergers	Thomson OneBanker	Full period	The natural logarithm of one plus the number of cross-border mergers between the two countries
(15)	Sequence of Song	Eurovision Song Contest website	Annual	A categorical variable that takes one if a song appeared among the first five or the last five in the Eurovision Song Contest, and zero otherwise. If both songs appeared among the first five or the last five, the value is equal to two
(16)	Shared Border	CIA World Factbook	Full period	A dummy variable that takes the value of one if a pair of countries shares a border, and zero otherwise
(17)	Shared Border Distance	CIA World Factbook	Full period	The length of the shared border (if any) between two countries – a continuous variable
(18)	Shared Currency	Wikipedia	Full period	A dummy variable that takes one if two countries shared a currency during the sample period, and zero otherwise
(19)	Shared History	International Historical Statistics	Full period	A dummy variable that takes a value of one if two countries share history, and zero otherwise
(20)	Shared Language	Stulz and Williamson (2003)	Full period	A dummy variable that takes a value of one if two countries share the primary language, and zero otherwise
(21)	Shared Legal Origin	CIA World Factbook	Full period	A dummy variable that takes a value of one if two countries share legal origin, and zero otherwise
(22)	Shared Religion	Stulz and Williamson (2003)	Full period	A dummy variable that takes a value of one if two countries share a primary religion, and zero otherwise
(23)	Tax	Wikipedia	Full period	The average tax rate per pair of countries during the sample period
(24)	Trust	Guiso et al. (2009) [based on Eurobarometer Surveys]	Full period	The average level of trust felt by citizens of one country towards those of another
(25)	Value of Deal	Thomson OneBanker	Full period	The amount of merger deals in millions of dollars
(26)	Voting Bias	Eurovision Song Contest website	Annual	The average vote between each pair of countries minus the average vote of the remaining votes available from other countries for the particular pair over the sample period
(27)	Won It Before	Eurovision Song Contest website	Annual	A categorical variable that takes one if a country has previously won the Eurovision Song Contest, and zero otherwise. If both countries have won the competition before, the value is equal to two

Appendix B. Pearson correlations

	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) Voting Bias	0.957 (0.000)	0.294 (0.000)	0.352 (0.000)	-0.294 (0.000)	0.318 (0.000)	0.181 (0.000)	-0.042 (0.244)	0.192 (0.000)	0.054 (0.129)	0.116 (0.001)	-0.055 (0.123)	-0.055 (0.124)	0.157 (0.112)	0.107 (0.003)	0.254 (0.000)	-0.238 (0.000)
(2) Abnormal Voting Bias		0.201 (0.000)	0.262 (0.000)	-0.259 (0.000)	0.174 (0.000)	0.150 (0.000)	-0.062 (0.084)	0.104 (0.003)	0.069 (0.052)	0.088 (0.014)	-0.061 (0.089)	-0.070 (0.051)	0.142 (0.151)	0.134 (0.000)	0.220 (0.000)	-0.185 (0.000)
(3) Shared Border Distance			0.781 (0.000)	-0.287 (0.000)	0.423 (0.000)	0.264 (0.000)	0.133 (0.000)	0.414 (0.000)	0.027 (0.454)	0.025 (0.482)	0.116 (0.001)	0.105 (0.003)	-0.220 (0.025)	-0.073 (0.047)	0.215 (0.000)	-0.202 (0.000)
(4) Shared Border				-0.365 (0.000)	0.490 (0.000)	0.263 (0.000)	0.171 (0.000)	0.421 (0.000)	-0.004 (0.918)	0.077 (0.030)	0.104 (0.003)	0.095 (0.008)	-0.086 (0.385)	-0.092 (0.011)	0.230 (0.000)	-0.209 (0.000)
(5) Capitals Distance					-0.257 (0.000)	-0.301 (0.000)	-0.188 (0.000)	-0.186 (0.000)	0.111 (0.002)	-0.067 (0.059)	-0.026 (0.473)	-0.026 (0.474)	-0.310 (0.001)	0.056 (0.123)	-0.333 (0.000)	0.209 (0.000)
(6) Shared Language						0.180 (0.000)	0.069 (0.052)	0.449 (0.000)	-0.083 (0.020)	0.010 (0.773)	0.102 (0.004)	0.100 (0.005)	0.187 (0.057)	-0.104 (0.004)	0.212 (0.000)	-0.107 (0.020)
(7) Shared Religion							0.024 (0.502)	0.113 (0.001)	-0.016 (0.655)	0.142 (0.000)	-0.038 (0.292)	-0.046 (0.202)	0.033 (0.742)	-0.048 (0.194)	0.222 (0.000)	-0.228 (0.000)
(8) Shared Legal Origin								0.067 (0.061)	-0.010 (0.784)	-0.081 (0.023)	0.146 (0.000)	0.108 (0.002)	-0.026 (0.796)	-0.306 (0.000)	-0.027 (0.527)	-0.137 (0.003)
(9) Shared History									0.036 (0.319)	0.038 (0.288)	0.163 (0.000)	0.134 (0.000)	0.066 (0.505)	-0.041 (0.259)	0.200 (0.000)	-0.150 (0.001)
(10) Tax										0.280 (0.000)	0.221 (0.000)	0.146 (0.000)	-0.118 (0.231)	0.463 (0.000)	0.402 (0.000)	-0.193 (0.000)
(11) Shared Currency											-0.058 (0.103)	-0.049 (0.170)	-0.225 (0.022)	0.264 (0.000)	0.170 (0.000)	-0.167 (0.000)
(12) GDP												0.875 (0.000)	0.168 (0.088)	-0.020 (0.590)	0.315 (0.000)	0.150 (0.001)
(13) GDP Difference													0.115 (0.245)	-0.024 (0.505)	0.203 (0.000)	0.113 (0.014)
(14) Trust														0.466 (0.000)	0.163 (0.131)	-0.085 (0.391)
(15) Investment Restrictions															0.364 (0.000)	0.063 (0.170)
(16) FDI																-0.068 (0.191)
(17) Culture Distance																

This Appendix reports the Pearson correlations of the variables used. P-values are shown in parenthesis. Please find further details on the variables used in Appendix A.