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Abstract

This article examines the relationship between 1995 and 2004. The findings support the idea that differential social structures create incentives for financial malfeasance. The historical analysis shows that organizational and political structures that permitted managers to engage in financial malfeasance. Our quantitative analysis provides three main findings. First, capital dependence on investors creates incentives to engage in financial malfeasance. Second, managerial strategies to increase shareholder value create incentives to engage in financial malfeasance. Third, the multilayer-subsidary form and the political structure permitting corporate PAC contributions create opportunities to engage in financial malfeasance. These findings have important implications for public policy; the corporate and state structures enacted in the late-twentieth century were the outcome of a long-term, well-financed, and systematic political strategy that provided managers with unprecedented power, autonomy, and opportunity to engage in financial malfeasance.

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