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*Effects of constitutional democratization on profit-
shifting strategies among firms*

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Abstract: The present work examines the effects of constitutional democratization on profit-shifting strategies among firms. Using a new subsidiary-year measure of profit-shifting we examine how it responds to changes in constitutional democracy and the subsequent evolution of the host country's institutions. Protection of property rights, contract enforcement, and superior regulatory quality emerge as the key institutional channels that define the decision to keep profits at home.

Key words: profit shifting strategies, constitutional democracy, national institutions, democratic countries.