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The Long-term Impact of Media Exposure of Corporations Using Offshore Tax Vehicles: Evidence from the Paradise Papers

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The Long-term Impact of Media Exposure of Corporations Using Offshore Tax Vehicles: Evidence from the Paradise Papers

By Kerin Yao¹

Abstract

The recent data leaks on wealthy individuals and multinational corporations using offshore tax vehicles have been widely covered by the media. The long-term impact of the media exposure of the exposed companies have yet to be explored. Therefore, I focus on the impact on corporations brought by the media exposure resulting from the Paradise Papers data leak. Through a combination of media research, quantitative analysis, and reviews of commentary on social media, this paper finds that there were no significant long-term negative effects on the companies exposed of using offshore tax vehicles. Using the S&P 500 companies as a sample, I found that 42.9% of the companies had connections to the Paradise Papers, among which 53 were reported by the media on different levels of exposure. A case study analysis was conducted on Apple Inc. as it was the most exposed company amongst the sample. To understand the public's response to a specific company's involvement in the Paradise Papers data leak, I looked into comments on social media platforms such as Reddit. The initial reaction from the public towards Apple was largely negative; over 92% of the sampled Reddit comments condemned Apple's involvement in the Paradise Papers and/or urged for more government regulations over usage of offshore vehicles. However, Apple's stock price did not show a corresponding drop. I infer that though the public disapproves of wealthy individuals and multinational corporations using offshore vehicles, they are unlikely to act against the exposed companies. The lack of unity and focus on the issue may be the reason why the Paradise Papers and similar matters have not fueled large-scale corporate reforms.

¹ Supervised by Professor Mitchell Stein and Professor Jennifer Farrell

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Introduction

Taxes are an inevitable and significant expense for companies. The statutory corporate tax rate was 35% in the United States from 1993 to 2017. Firms have an incentive to minimize their taxes to enhance cash flows, reinvest in their companies, or distribute value to shareholders. Recently however, the media published multiple data leaks on wealthy individuals and multinational corporations using offshore tax vehicles to reduce their taxes. The most recent data leak was the Paradise Papers.

O'Donovan et al. (2017) suggested that the Panama Papers data leak led to a \$135 million decrease in market capitalization amongst the firms exposed. I want to investigate whether there were negative lasting effects on these exposed companies. Through a combination of media research, quantitative analysis, and reviews of commentary on social media, this paper finds that there were no significant long-term negative effects on the exposed companies of using offshore tax vehicles. Using a sample of companies on the S&P 500, I investigate the proportion of companies exposed by the Paradise Papers. Since the companies exposed by the Paradise Papers only represent connection with one major tax firm, it is an understatement of the prevalence of corporations using offshore tax vehicles. Of the companies that were connected to the Paradise Papers data leak, I examine what proportion of these companies the media reported on.

The structure of this paper is as follows. I will first provide an overview of the major data leaks from 2015 to 2017 that exposed entities using offshore vehicles. Then, I examine existing literature on the Panama Papers, the relationship between tax and corporate social responsibility, and reactions to aggressive tax avoidance. The literature review is followed by an explanation of the research methods employed in this paper. After that, I highlight some of the overall findings surrounding the Paradise Papers. To analyze the actual impact of the media exposure, I will conduct a case study analysis on Apple Inc. (Apple), the most targeted firm amongst the S&P 500 companies. Finally, I conclude that there were no prominent negative effects on Apple from the media exposure of firms using offshore tax vehicles. I infer that though the public disapproves of wealthy individuals and multinational corporations using offshore vehicles, they are unlikely to act against the exposed companies. The lack of unity and focus on the issue may be the reason why the Paradise Papers and similar matters have not fueled large-scale corporate reforms.

Background Information

From 2015 to 2017, there have been four major data leaks that exposed wealthy individuals and corporations engaging in both legal and illegal offshore tax haven activities (Figure 1). These were all exposed by the International Consortium of Investigative Journalists (ICIJ). The ICIJ consists of over 100 media organizations and more than 200 investigative journalists located in 70 countries who collaborate on in-depth investigative stories. This paper will focus on the ICIJ's works on exposing the use of offshore tax havens by corporations.

Figure 1

Timeline of Major ICIJ Data Leaks Exposing Offshore Tax Haven Activities from 2015 to 2017



In February 2015, the ICIJ released information on how the Swiss branch of HSBC was profiting from aiding criminal activities and tax evasion. The Swiss Leak led to an investigation on HSBC. A settlement was reached in November 2017 when HSBC Holdings agreed to pay €300 million without admitting guilt.

The ICIJ released the Panama Papers centered around the offshore law firm Mossack Fonseca on April 3, 2016. The Panama Papers were confidential documents that detailed how Mossack Fonseca engaged in activities that aided tax evasion and money laundering. The consensus among journalists involved in this investigation was to publish their findings on the same date. The Papers exposed many political leaders' exploitation of offshore tax haven accounts to minimize their taxes. By the end of 2017, the ICIJ had received numerous prizes for the Panama Papers. Government tax agencies reported that they recovered over \$500 million. By March 2018, Mossack Fonseca announced that it would end operations.

After the release of the Panama Papers in September 2016, the ICIJ released another set of confidential documents from a whistleblower in the Bahamas, which was known as the Bahamas Leaks. The Bahamas Leaks depicted the offshore tax haven activities in the Bahamas, consisted of 1.3 million documents, and portrayed the transparency issues in the Bahamas. The Bahamas Financial Services Ministry responded to the Leaks by stating that "the Bahamas remain committed to the transparency of its corporate registry. The data required by law to be maintained in the corporate registry is available to the public."

The Paradise Papers centered around the confidential documents leaked from the offshore law firm Appleby. Similar to the Panama Papers, the journalists around the world agreed to publish the information from the Paradise Papers starting from November 5, 2017. Soon after, on November 17, 2017, the ICIJ made the data from the Paradise Papers available to the public. There were in total 1.4 terabytes of documents in the Paradise Papers, about half the size of the Panama Papers. The Paradise Papers shed light on the business conduct of many multinational corporations, such as Apple and Nike. Since many of the exposed companies were conducting their businesses legally, some have argued that the media exposure of the Paradise Papers was unfair to these companies, illustrating them in a negative light.

Literature Review

Due to the recency of the publications, there has been a lack of research conducted on the Paradise Papers. However, from the Panama Papers, researchers have suggested recommendations

to reduce the incidents of aggressive tax avoidance. Michael and Goo (2017) argued that a flexible administrative rulemaking approach would reduce some government oversight problems hinted by the Panama Papers. Trautman (2017) discussed the impact and costs of bribery and corruption in the global community as well as the impact technology and media coverage have on corporate transparency. The release of the Panama Papers, with its high media coverage, had led to successful initiatives in battling against corruption and increased transparency in some countries. Radon and Achuthan (2017) focused on mining companies but raised suggestions that would reduce the questionable structures of offshore vehicles that were exposed by the Panama Papers. Others have estimated the impact of the Panama Papers on firm value. O'Donovan et al. (2017) found that in their sample of 23,540 global public firms, one in four had subsidiaries in tax havens. For the largest 1,000 firms, three in four had tax haven activities. They looked into the leaked data of the Panama Papers from 2016 to identify publicly listed firms that used offshore vehicles; of the 397 firms that were directly linked to offshore tax vehicles, the leak wiped out \$135 billion in market capitalization among the exposed firms through an event date study. They found that there was significant negative influence by the leak on the firms linked to the Panama Papers.

Estimates of global offshore assets range from \$7.8 trillion (Zucman, Feb 2016) to \$21-32 trillion (Tax Justice Network, 2012). Altshuler and Grubert (2006) reported that U.S. companies saved approximately \$7 billion more from 1997 to 2002 by shifting income from a high tax jurisdiction to a low tax jurisdiction. However, the publicized information on the rich using such means to avoid taxes infuriated the public, mainly due to the widening income difference between the top 1% and the rest. Kim et al. (2011) found that corporate tax avoidance is positively associated with firm-specific stock price crash risk. The risk is higher when the firms have high external monitoring. For the tax data leaks, this finding may indicate that the firms exposed will have a higher probability of a stock price crash.

In addition, researchers have observed that firms with high corporate social responsibility (CSR) ratings have lower cash effective tax rates, indicating that corporations that are more socially responsible do not pay more taxes, but might be avoiding more taxes (Davis, Guenther, Krull, and Williams, 2015). One explanation is that socially responsible firms consider themselves more effective in reaching social development goals than the government and that paying corporate taxes is not the best means of reaching their CSR objectives (Goerke, 2017). The usage of offshore tax havens to shelter income can also be seen as positive, since firms would have additional capital to invest in CSR activities. However, another response could be that companies are not paying their fair share of taxes to support government activities. Many of the companies exposed in the data leaks conducted their tax planning in a legal matter, and some experts have pointed out that the media was unjustly targeting the exposed. Turner (2017) in the Tax Justice Network urges journalists not to judge whether the activities described in the data leaks are legal or illegal as it is up to the appropriate authorities to decide after an investigation. It is more important to identify the root cause of the problem, rather than continuously reporting that such problems simply exist. Christensen and Murphy (2004) and other researchers have raised the need to have policies put in place to address the widespread, aggressive tax avoidance issue with corporations.

It is undeniable that the leaks published by the ICIJ have an immense impact on the public's perception of corporations' financial structures. However, there has not been research conducted on how long the impact lasts and whether the publications have fueled sufficient momentum for

government bodies to consider researchers' recommendations. In order to understand whether the Paradise Papers had a strong negative impact on the companies exposed, this paper used a case study method to analyze Apple, the company that was the most exposed amongst the S&P 500 companies.

Methodology

I used empirical methods to analyze the public's response to firms exposed in the Paradise Papers data leak. First, in order to determine which companies in the S&P 500 were connected to the Paradise Papers, I used the "entities" data set provided by the ICIJ and combined it with subsidiary-information on Capital IQ and open corporate registry information. The "entities" data set contained information on companies, subsidiaries, trusts, and funds in offshore jurisdictions created by Appleby. I manually went through each company on the list to determine their involvement. If a linkage was unclear between the subsidiary and company, the latter was counted as not connected to the Paradise Papers data leak. Of the 504 companies on the S&P 500 list, 216 companies were connected to the Paradise Papers. Then I looked at the last closing stock price of each of these companies from November 1, 2017, to December 29, 2017. There were two event dates relevant to my research; November 5, 2017, when the Paradise Papers was first published and November 17, 2017, when the ICIJ made all the data accessible to the public. By graphing each companies' stock price and conducting two-sample t-tests within a ten-day range centered around the event dates, I found that the Paradise Papers did not cause significant stock price decreases.

To identify the media exposure of each company, I manually conducted a ProQuest search with "'Paradise Papers' and 'company name'" with the date range from November 2017 to February 2018. 53 companies in the S&P 500 had different levels of media exposure on the Paradise Papers data leak. I recorded the number of "hits" of each company to determine the level of media exposure linked to the Paradise Papers.

To understand why the media chose to target some companies over others, I looked at the relationships of effective tax rates, cash paid for tax, income tax expense, pre-tax income, deferred tax assets, and deferred tax liabilities of companies for the fiscal years from 2010 to 2017. I identified the companies with the largest gaps between effective tax rates and cash tax rates and compared these companies with the companies named in the media; I found that the companies with the largest gaps tended to be those the media targeted the most. Also, the companies that the media targeted were highly valued companies and had high consumer recognition.

To grasp the public's response to a specific company's involvement in the Paradise Papers data leak, I looked into comments on social media platforms such as Reddit. I used a case study method to determine the specific reactions of the company, the media, and the public to the usage of offshore tax vehicles exposed by the Paradise Papers. I focused on Apple, as it gained the most traction in the media. In order to determine the impact of the leak on Apple, I looked at Apple-specific comments on Reddit. After selecting a sample size of 100 from 8,598 comments on the Reddit post on Apple, I was able to determine the different perspectives people had on Apple and the Paradise Papers. I first numbered the comments from one to 8,598, and used a random number

generator to generate 100 random numbers. I grouped the perspectives of the netizens into five different categories based on the direct or inferred opinion displayed through their comments.

Media Coverage on Corporations Exposed by the Paradise Papers

A search on ProQuest on “Paradise Papers” from November 4, 2017 to February 28, 2018, prompted 355 results, of which 168 were from newspapers, 41 from trade journals, and 14 from scholarly journals. Using the same date range, but using Factiva to find the “number of hits” to simulate the attention gained on the Paradise Papers, I found that throughout time, the number of hits dropped drastically. There were 4,399 hits in the month of November, decreasing to only 568 hits in December, and down to 161 in February. Since the smallest unit of hits on Factiva was monthly, I could not determine the distribution of hits in November.

Of the 216 companies in the S&P 500 that were identified to have connections to the Paradise Papers, only 53 were reported by the media. Some articles focused on individual companies, while others mentioned some companies as examples of linkage to the Paradise Papers. The top ten results of the number of hits from the Paradise Papers and individual companies are presented in Table 1. Apple received the most attention from the media and had over 24 times the number of hits compared to the tenth company, Boeing. There was an exponential decline in the number of hits throughout time for all the companies. The bottom ten results of the number of hits from the Paradise Papers and individual companies are presented in Table 2. Both the top ten and bottom ten include consumer facing companies. For instance, Johnson & Johnson was ranked eighth in top companies in the world by market value in 2017. However, on the bottom ten list, there are more service-oriented companies such as Charles Schwab. Therefore, consumer recognition might not be the criteria the media used to choose the target companies.

Table 1

Top 10 Companies with the Most Media Exposure from the Paradise Papers

Company	Number of Hits				
	November	December	January	February	Total
1 Apple	670	104	87	13	874
2 Facebook	415	69	31	11	526
3 Alphabet	215	46	27	6	294
4 Nike	268	9	3	1	281
5 Amazon.com	140	78	23	13	254
6 Goldman Sachs Group	56	5	1	3	65
7 Microsoft	56	5	3	1	65
8 Starbucks	47	6	1	1	55
9 eBay	50	1	1	1	53
10 Boeing	19	13	4	0	36

Table 2**Bottom 10 Companies with the Most Media Exposure from the Paradise Papers**

Company	Number of Hits				Total
	November	December	January	February	
44 Accenture	2	2	0	0	4
45 Hilton Worldwide Holdings	4	0	0	0	4
46 PayPal Holdings	4	0	0	0	4
47 FedEx	3	0	0	0	3
48 Viacom	3	0	0	0	3
49 American Airlines Group	1	1	0	0	2
50 Johnson & Johnson	1	0	1	0	2
51 Abbott Laboratories	1	0	0	0	1
52 Baker Hughes, a GE	1	0	0	0	1
53 Charles Schwab	1	0	0	0	1

Public Attention on the Paradise Papers on Social Media

In order to grasp the public's response to companies exposed by the Paradise Papers, I looked to social media where people shared their perspectives on firms using offshore tax vehicles. The main forum I referenced was Reddit, an online discussion platform where people share and discuss different topics. A feature of Reddit allows users to "upvote" or "downvote" a post or a comment. The net of the upvotes and downvotes on a given post has x points, the higher the points, the more attention that post received.

The Panama Papers had one of the top ten most upvoted posts on Reddit, with 154,760 points constituted by 95% upvotes and 12,336 comments. The post was created on April 3, 2016, the day that the journalists around the world collectively published their articles. However, the last comment on this post was over a year ago.² After one year, Reddit archives the latest activity of posts with a yearly timestamp, so I could not identify the specific time of the last comment. The Paradise Papers also had a Reddit post that gained a considerable amount of attention and had generated much discussion, but insufficient to make it to the top 100 Reddit posts. It was based on the Guardian's news article "Paradise Papers leak reveals secrets of the world elite's hidden wealth" published on November 5, 2017. This post received 107,790 points with 91% upvotes and 7,557 comments; it generated less public discussion than the post on the Panama Papers. The last relevant comment about the topic was made in December 2017. The decline in comments suggested that many Reddit users lost interest in this topic relatively quickly.

Case Study Analysis: Apple Inc.

Why Apple Was the Number One Target for the Paradise Papers

The Paradise Papers was not the first time Apple was exposed of using aggressive tax planning strategies. I suggest two possible reasons to explain why Apple was the number one targeted company amongst the S&P 500. First, Apple had a long history of using rather aggressive tax planning strategies. Second, it was the most valued company in the world.

² This paper was written in Winter 2018.

From 2010 to November 3, 2017, before the publication of the Paradise Papers, there were 2,961 results on ProQuest (excluding wire feeds) about “Apple” and “tax”. The number of reports and articles spiked in 2016 (819 records). Yang et al. (2016) explained in their paper, “Understanding Apple’s Global Tax Strategy in Ireland” why Apple was the center of dispute over tax issues in 2016. The European Commission charged Ireland of giving Apple preferential tax treatment and illegal tax subsidies on August 20, 2016; the Commission ordered Apple to repay €13 billion to the Irish government. In 1991, Apple and Ireland came to an agreement that Apple’s income would be treated as foreign income, rather than domestic Irish income, and thus lowering the amount of tax Apple was required to pay to the Irish government. With the agreement, Apple paid much below the Irish statutory tax rate of 12.5% (1997-present) to Ireland. Commissioner Margrethe Vestager stated that “Member states cannot give tax benefits to selected companies – this is illegal under EU state aid rules.”

In 1980, Apple set up Irish subsidiaries. According to the New York Times (2013), the Irish subsidiaries “contract with manufacturers to assemble Apple products, sell the products to other subsidiaries for distribution, and return the profits” through dividends to the headquarters in the United States and other subsidiaries around the world. The Irish entities of Apple were required to reallocate profits to other subsidiaries where the sales occurred, but the way Apple structured itself made almost all profits tax-free. Apple took advantage of the U.S. worldwide tax policy and had accumulated \$128.7 billion of foreign earnings, which were generated by subsidiaries organized in Ireland as of September 30, 2017, by maintaining the profits offshore. It held \$252.3 billion in cash and \$216 billion in cash equivalents and marketable securities in foreign subsidiaries as of September 30, 2017. Apple used its Irish subsidiaries to take advantage of the tax rate difference between the United States and Ireland, as well as agreements with the Irish government that substantially lowered its taxes payable. By the end of 2017, Apple agreed to pay Ireland over €13 billion in back taxes to appease the European Commission, but the money would be held in escrow as both Apple and Ireland were appealing. Apple believed that the General Court of the European Union would overturn the European Commission’s decision during appeal, and thus the €13 billion would be recoverable. In its annual statement in 2017, Apple stated “Although Ireland is still computing the recovery amount, the Company expects the amount to be in line with the European Commission’s announced recovery amount of €13 billion, plus interest of €1 billion.”

It is important to note that Apple is not the only company shifting its profits between countries to minimize taxes or maintaining profits in non-American countries; the fact that Apple is the most valued company in the world made it the major target of the media. Apple was ranked as the number one most valuable company among the Fortune 500, with an estimated market value of \$534 billion (Gandel, 2016). As of September 30, 2017, Apple had a net income of \$48,351 million. Apple paid the most taxes, amounting to \$11,591 million cash paid for taxes in 2017. However, the amount of tax Apple paid was much less than the 35% U.S. statutory corporate tax rate. With its size and public recognition, Apple was a great target for the media and different government bodies. If the public exposure of Apple’s aggressive tax planning were to lead to increased taxes paid, it would be an exceptional precedent for government bodies to recover taxes from other companies, redefining the international corporate tax planning system.

Apple in the Paradise Papers

The Paradise Papers revealed that Apple moved its offshore tax vehicles to Jersey after the crackdown by the European Commission on its Irish subsidiaries. The media widely reported the findings about Apple on the Paradise Papers. The Paradise Papers included leaked emails of Apple searching for a new offshore financial centre and its intent to stay confidential about its tax strategy. The media focused on the low tax rates Apple paid to foreign governments, how its tax rates were relatively lower in comparison to many other corporations, and how much cash Apple had offshore. The media also highlighted Apple's tax structuring in Ireland, and when that was exposed, how it immediately sought for a new offshore tax vehicle.

Apple's Response

Immediately after the news release of the Paradise Papers, Apple sent out a public statement regarding its tax structures and tax obligations. Apple claimed that it was the world's largest taxpayer, that it followed the law, and that it paid its fair share of taxes in all operations. Apple's stance was that its structural changes did not reduce tax payments. It also advocated for simplification of international tax code to enhance economic transactions between countries.

Apple's Performance

Apple had been a highly profitable company. Its effective tax rate had remained relatively stable in recent years, but the cash paid for tax is much less than the amount of its effective tax rate. The publishing of the Paradise Papers did not lead to a corresponding drop in Apple's stock price. There was insufficient evidence to conclude that the press negatively influenced Apple's stock performance.

Public Response to Apple on the Paradise Papers

On Reddit, the post "Apple, the world's most profitable firm, has a secretive new structure allowing to continue avoiding billions in taxes, Paradise Papers show" received 105,760 points with 90% upvotes and 8,609 comments. This post had the most comments and accumulated the largest amount of points on Reddit about specific companies exposed in the Paradise Papers. I analyzed the discussion and concluded there are five different perspectives on the matter. I will call these perspectives "the Neutrals," "the Capitalists," "the Obedients," "the Skeptics," and "the Reformers."

The Neutrals are Reddit users who state facts and do not express an open opinion in the sampled comments. The Capitalists are those who either accept and/or praise Apple for its conducts in maximizing shareholder value through aggressively minimizing taxes. The Obedients are those who embraced the system and accepted that there is nothing they can do about Apple or other corporations. The Skeptics criticize Apple of its conducts. Lastly, the Reformers express that Apple is not the root cause of the problem, but there are systemic issues in the way businesses and the government function.

Of the 100 sample comments taken from the entire post, 85 of the comments are relevant to the topic on the Paradise Papers and/or Apple. Of the 85 relevant comments, 32% are the Reformers, 31% are the Skeptics, 29% are the Obedients, 7% are the Capitalists, and 5% are Neutrals (Appendix A). Also, four of the relevant comments overlap between the Reformers and

the Skeptics as they criticize Apple directly as well as suggesting reforms by authorities. The decline in attention on the Paradise Papers as seen through the drastic drop of comments over time suggests that although a majority of people are discontent with either Apple and/or the current business conducts of multinational corporations and government authorities, they are unlikely to take action and tend to lose interest on this topic fairly quickly.

The Neutrals

The Neutrals are a minority and only account for 5%. Since Reddit is a discussion-based platform, some users may be more active than others and have multiple comments stating their opinions. The sampling process in this paper samples comments instead of users; therefore, some sampled comments are only facts that support larger arguments. Without considering the other comments from those users, it is difficult to determine their opinions.

The Capitalists

The Capitalist (7%) is the least supported perspective amongst those who expressed opinions on Apple's involvement in offshore tax haven activities. Armstrong et al. (2012) suggested that tax directors have incentives to reduce the level of tax expenses reported on the firms' financial statements. Reducing tax liability is beneficial to the firm as it maximizes shareholder value through reduced expenses. Apple had traditionally been viewed as a tax aggressive firm. On its financial statements, it mentioned "income that may be generated as a result of certain tax planning strategies" (Apple, 2017). The Capitalists reacted positively to the press mentioning Apple's involvement in tax shelters, which may be due to the belief that the increased funds retained by the company outweighs the costs. Another explanation is that Apple may have been viewed as a socially responsible corporation (Apple was ranked 49th on the "Companies with the Best CSR Reputations in 2017" ranking). As Goerke (2017) suggested, corporations may be more effective in providing a greater good for society than the government, and thus minimizing corporate taxes is seen positively.

The Obedients

The Obedients tend to be sarcastic and express lost hope in change. A survey found that many Americans have a lack of faith in the capital system. "55% think the rich get richer and the poor get poorer; 65% think most businesses have dodged taxes, bought favors, or polluted" (Montgomerie, 2015). Ramanna (2017) suggested that there had been structural mismanagement due to simplistic ideology, greed, and a lack of leadership, which led to the loss of trust in democratic capitalism. A study by the Pew Research Center (2012) found that the higher the income of an individual, the more likely he or she is to believe that hard work leads to success. It is likely that the Obedients do not have high incomes, and have lost faith in the capital system. In order for any structural change to be initiated, it must come from the higher classes. However, they might not have the incentives to initiate a structural reform, as they are the ones who are benefiting from the current system the most.

The Skeptics

There are two levels of criticism from the Skeptics. The lower level of criticism is expressed by those who state social issues or compare Apple with lower waged workers, indicating that the income disparity gap between the rich and the poor is high. They suggest that the tax money from Apple, if collected, could be used to fund public goods. The more severe level of

criticism comes from those who plan or have taken action against Apple, mostly through boycotting its products.

The Governance & Accountability Institute found that 82% of the S&P 500 companies published sustainability or corporate responsibility reports in 2017. In 2011, only 20% of the S&P 500 companies published these sorts of reports. There is a growing trend for companies to be accountable for the communities in which they operate in. Haigh (2006) encouraged people to view businesses as “Business first, Society second.” Most institutional investors do not exert pressure on corporations to practice CSR, while individuals are not reliable to promote CSR (Haigh, 2006). Apple’s main goal is profitability. As it is unlikely that institutional investors will react or a large number of individuals will band together, Apple will continue to conduct its current practices, even if some conducts create discontent.

Aside from those who exclaimed that Apple should pay more taxes, there were people who went further by boycotting Apple products. O’Grady (2017) in the Independent wrote that a widespread boycott against Apple is extremely unlikely, even if people are discontent about its tax schemes. From Apple’s quarterly statements, the first quarter of Apple’s fiscal 2018 that ended December 30, 2017, there was an increase in sales revenue compared to the previous year. A revenue increase indicates that there were no large boycotts that negatively influenced Apple’s sales, suggesting that Apple was not penalized by the media’s negative exposure of its tax planning strategies.

The Reformers

The Reformers build upon some of the opinions that the Skeptics hold, and suggest actions to be taken, mainly by government authorities. Some Reformers infer that the root cause of aggressive tax planning, tax avoidance, and even tax evasion is from tax regulations.

The ICIJ data leaks have attracted more attention from both the government and the public on international taxation. The income shifting activities from multinational corporations like Apple have caused many to react to the income disparity problem, reinforcing the idea of the Reformers that larger social reforms must take precedence to fuel corporate changes. In 2013, the Organization for Co-operation and Development (OECD) initiated its Base Erosion and Profit Shifting Action Plan (BEPS), aimed to target the international tax system (OECD, 2013). Thomsena & Watrin (2015) believed that the BEPS is more effective than prior measures but fails to solve the underlying problem.

In sum, the perspectives on Apple’s involvement in the Paradise Papers were fairly split amongst the Obedients, the Skeptics, and the Reformers. Individuals quickly shifted their attention from Apple’s activities to individual issues and larger social problems. The lack of unity and focus on the corporations’ issues may be the reason why the Paradise Papers and similar matters have not fueled large-scale corporate reforms.

Conclusion

This paper sought to understand the influence of negative media publicity on corporations that used offshore tax vehicles to minimize their tax expenses, namely through the Paradise Papers.

By using a combination of media research, quantitative analysis, and reviews of commentary on social media, I analyzed public opinions and companies' stock performances in relation with the Paradise Papers exposure. While Kim et al. (2011) identified a positive correlation between firm-specific stock price crash risk and corporate tax avoidance, and O'Donovan et al. (2017) found diminished market capitalization due to the Panama Papers, I conclude that the Paradise Papers had little to no long-term impact on the exposed companies' stock performances.

Apple was the most exposed company amongst the S&P 500 from the Paradise Papers. The initial reaction from the public towards Apple was largely negative. Over 92% of the sample on the Reddit post about Apple's involvement in the Paradise Papers condemned Apple's behaviours and/or urged for more government regulations over usage of offshore tax vehicles. However, there is insufficient evidence to conclude that there were long-lasting negative effects on Apple; its stock price was not negatively affected by the publication of the Paradise Papers nor was there a large-scale boycott of Apple products that led to significant sales decline. Therefore, I infer the other companies that were exposed by the Paradise Papers also did not see a large negative impact on their performances, as their level of media exposure and public attention was far lower than Apple's.

The Panama Papers and Paradise Papers were successful in attracting massive media attention, mainly due of the large amount of headlines on the topic in a short time frame. Even after the Panama Papers, which was a much bigger leak than the Paradise Papers, the system experienced limited change and passed few pro-transparency legislations (Pinsker, 2017). I believe that the lack of reform is mainly caused by the public's rapid decline in interest on the data leak, as shown in the exponential decrease in "hits" of searches and in comments on Reddit regarding the Paradise Papers. In the case study of Apple exposed in the Paradise Papers, there was no single majority perspective formed and that the issue of wealthy individuals and large corporations using tax shelters quickly shifted to more personal or larger social issues. The lack of unity and focus on the problem may be the reason why the Paradise Papers and similar matters have not fueled large-scale corporate reforms.

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Appendix

Appendix A

Sampled Responses on Apple's Involvement in the Paradise Paper on Reddit

<u>Category</u>	<u>Number of Respondents (Out of 100)</u>	<u>Sample Responses</u>
The Neutrals	4	Apple has not broken any international law.
		If you would want to understand this issue, including Apple taxes, this is the best article I've yet found that explains it: http://fortune.com/2017/10/31/trump-tax-reform-apple-multinational-companies/
		Is apple the worst because they happen to make the most money? Or do they make the most money because they happen to be the worst? And what I'm saying is that it's irrelevant to call them the "worst" when it's a matter principle that every company does it. The only reason I said "is Apple the worst because they make the most money" was to make the distinction that every company does this and it's not a matter of which is worst because it's binary. You either store your money in off shore accounts or you don't. There is no better or worse. Secondly, Apple would be the "worst" because they make the most money, not the other way around. They make billions in revenue and that's why they store billions offshore. They don't make billions as a result of storing money offshore because the money has to get there in the first place.
The Capitalists	6	Good for Apple.
		I won't pretend to practice claiming to have moral standards or beliefs to which most of the peoples (who have commented here) own behaviour does not conform. If I place myself in Cook's shoes, I would do the same. Just being honest.
		So what. Good for Apple. I wish I owned shares.
The Obedients	25	Zillions on Jersey banks begs to differ. It's already late mate.
		Don't worry, nothing will change.
		I expect the same thing to happen that happened when the panama papers came out. Nothing at all.
The Skeptics	26	I'm not even buying the fruit anymore.
		I'm glad I don't see Samsung and LG up there.
		As if I needed another reason to hate apple.
The Reformers	28	I blame tax regulations.
		Instead of overpaying executives, how about investing that money back into the company. More resources for the company to do more things. Business expansion should be more important.

		This headline should read, “US tax laws allow corporations to not pay taxes on overseas money. Stop letting your Congressman support this.”
Overlaps between the Skeptics and the Reformers	4	What happens when a handful of executives funnel 50 billion each into offshore accounts?
		“Rather regressive” is an understatement. It would be absolutely punishing to low and middle class taxpayers. Flat taxers live in a looney world where widespread poverty is an acceptable state of being.
		That moment when the shills accidentally describe tax evasion as avoiding taxes. Apple doesn't need you to defend it, it's one of the most wealthiest companies in the world. If Apple refuses to pay for the services it uses via taxes, (roads, schools, power, water, the courts, and etc.) then Apple deserves to be cut out of the market it refuses to pay for. But hey, if you ever end up on trial for murder, just say you killed instead. Since they are different words you are completely absolved of guilt. I'm sure that'll work out for you.
Off Topic	15	NA

Source: Reddit. (2017, November 06). Apple, the world's most profitable firm, has a secretive new structure allowing it to continue avoiding billions in taxes, Paradise Papers show. Retrieved April 7, 2018, from https://www.reddit.com/r/worldnews/comments/7b7clr/apple_the_worlds_most_profitable_firm_has_a/?sort=new