BETTING ON THE WRONG HORSE: LOBBYING ON TPP AND THE 2016 U.S. PRESIDENTIAL ELECTION

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Abstract

We provide systematic evidence that lobbying by firms on trade agreements matters for their stock prices. We leverage a unique shock to U.S. trade policy – the unexpected victory of Donald Trump in the 2016 U.S. presidential election, and the *de-facto* U.S. withdrawal from the Trans-Pacific Partnership (TPP). We find that stocks of companies that advocated for TPP underperformed, experiencing a reduction in share prices by 3.73%. Further, firms whose lobbying efforts were prominently covered in online news media and those lobbying on provisions of particular interest to the U.S. faced more pronounced losses.

Keywords: Lobbying, trade policy, election, stock market, event study

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1 Introduction

Do corporations profit from lobbying? Are they able to steer policies in their favor? While in the public perception many companies are capable of doing so[1], scholarship in the social sciences is far from settling the debate on these questions (Bombardini and Trebbi, 2020). Reflecting this ambiguity, lobbying regulations are inconsistent across countries. Notably, while the EU and the U.S. enforce mandatory registration and disclosure, 30 out of 47 major democracies do not regulate lobbying practices at all (Chari, Hogan, Murphy, and Crepaz, 2020).

The realm of trade policy is often characterized as being subject to particularly intense corporate lobbying. Trade agreements, celebrated for their potential to enhance overall welfare through efficient resource allocation (Melitz and Trefler, 2012), face the paradox of secrecy in negotiations and limited legislative oversight. The CEO of Disney wrote in a fundraising appeal for the DisneyPac to his employees, that their company "played a major role in ensuring that the "Trade Promotion Authority" legislation set high standards for intellectual property (IP) provisions" and it used this legislation "to advocate successfully for a strong IP chapter in the Trans-Pacific Partnership (TPP) trade negotiations" (Mullin, 2016). Public concerns about the alleged influence of powerful multinational corporations have also stirred strong public opposition to recent trade agreements such as the EU-U.S. Transatlantic Trade and Investment Partnership (TTIP). In line with this view, Rodrik (2018) argues, that "deep" trade agreements are "the result of rent-seeking, self-interested behavior on the part of politically well-connected firms – international banks, pharmaceutical companies, multinational firms". Nevertheless, empirical evidence that corporations can gain from lobbying on trade agreements is largely anecdotal.

In this paper we provide systematic evidence that corporate lobbying on trade agreements matters for stock prices. Our setting is based on a historically unique protectionist shock to U.S. trade policy, produced by the unexpected victory of Donald Trump in the 2016 U.S. presidential election. Trump's vocal opposition to the Trans-Pacific Partnership (TPP) garnered substantial public attention. One of his key campaign promises was the swift withdrawal from the TPP, a promise he fulfilled upon taking office, causing the United States to unilaterally withdraw from the agreement.

We document the lobbying activities of corporations listed in the S&P500 on the TPP agreement since the beginning of its negotiations until the election. Using U.S. Congressional lobbying reports, we find that lobbying on the agreement was pervasive among the most valuable companies in the U.S. with 23.4% of firms mentioning the TPP agreement in lobbying reports. We screen the lobbying reports for keywords from the TPP agreement's text prior to U.S. withdrawal to identify the chapters on intellectual property, investment and customs administration to be of major interest to lobbying corporations. To gauge the potential wider public awareness of these activities we turn to online news media. We find for 17% of companies lobbying on TPP that their lobbying activities were reported on in the media.

Next, by exploiting the pronounced forecasting errors made by pollsters during the 2016

[1] A Gallup survey resulted in Lobbyists being the least trusted profession (Gallup, 2021). In a Pew Research poll, 53% see lobbyists in Washington D.C. as a "very big problem" (Rainie and Perrin, 2019). A YouGov poll in the UK revealed that a majority sees lobby groups as more influential than voters or labor unions (YouGov, 2021).

election, we determine – in a quasi-natural experiment – the causal impact of corporate lobbying on trade agreements on stock markets. We employ difference-in-differences regressions around the date of the election. Our treatment group consists of companies that filed lobbying reports on TPP while the remaining S&P 500 firms constitute our control group. Our baseline specification reveals a 0.44 percentage point reduction in daily returns over a window of 10 days for companies that lobbied for the TPP following the unexpected election of Donald Trump (and the most certain withdrawal from the agreement). We distinguish between corporations expected to gain from the potential ratification of TPP and corporations expected to gain from lobbying threefold: First, our sample includes only the most productive firms in each sector. Second, we control for potential tariff reductions if the agreement had been ratified. Third, we model the selection into lobbying with a large number of firm characteristics using shrinkage estimators.

Furthermore, we investigate the potential mechanisms through which lobbying companies expected to profit from the agreement, and hence experienced losses following the presidential election. We explore two hypotheses. First, we examine potential gains from favorable "deep" regulations within the agreement, with a focus on key chapters of special interest to U.S. multinationals, such as strong intellectual property protection, investor-state-dispute settlement or the environment. Our results reveal that companies experience more substantial losses if they lobbied on these key chapters. Second, we estimate heterogeneous effects for firms whose lobbying activities on TPP were reported on in the media. The results reveal suggestive evidence that companies experienced greater losses when their TPP lobbying efforts received media coverage. These findings substantiate the underlying assumption of our study that market participants can identify companies engaged in lobbying activities on TPP, leading them to re-adjust their expectations of future profits and revalue stocks in light of the new reality – the U.S. withdrawal from the trade agreement.

Finally, we conduct counterfactual scenario analyses, revealing that in a world where either market participants did not anticipate the election of Donald Trump or Hillary Clinton's position on the agreement was unambiguously favorable, the impact of lobbying would have likely been much higher.

Our contributions are threefold. First, this paper speaks to the literature on money in politics, special interest politics and lobbying. A vast literature studies monetary contributions to politicians across the world. Tullock (1972) originally posed the question why campaign contributions to politicians in the United States are eclipsed by the Federal budget and transfers made to special interest groups. Recent contributions have therefore emphasized the consumption motive of contributions as most donations are small and many countries have caps on spending (see e.g. (Ansolabehere, De Figueiredo, and Snyder Jr, 2003; Bonica, 2014; Bouton, Castanheira, and Drazen, 2018; Bouton, Cage, Dewitte, and Pons, 2021)). Fowler, Garro, and Spenkuch (2020) exploit close elections to estimate stock returns to corporate campaign contributions to marginally winning candidates and find no effect. Our findings might suggest that lobbying during the legislative process, also referred to as inside lobbying (Wolton, 2021), might be more beneficial for corporations. This might explain why lobbying expenditures during recent election cycles in the United States, were more than four times as much as campaign contributions (Huneeus and Kim, 2018). An intrinsic challenge in the literature on lobbying is to measure what exactly companies receive in return for their lobbying efforts (Bombardini and Trebbi, 2020). Kang (2016) for example,

focuses on the energy sectors and matches industry group lobbying to Federal legislation and structurally estimate a rent-seeking model. We match lobbying activity of individual corporations with specific provisions in the agreement. Another conceptual challenge in estimating the returns to lobbying on firm performance are policy mechanisms that mediate the effect and possibly introduce additional confounding. Our design is advantageous in this regard, since we use plausibly exogenous variation in the policy that was lobbied on. Finally, our study speaks to the political implications of growing market power such as Cowgill, Prat, and Valletti (2021), who show that mergers, by listed and unlisted firms, lead to an in increase in lobbying by merged entities in the United States.

Second, we contribute to the literature on the political economy of trade policy. The workhorse theoretical framework in this area is the protection for sale model of Grossman and Helpman (1994). This model emphasizes the interactions between lobby groups representing industry special interests and an incumbent government: in a perfectly competitive setting, industry lobbies promise campaign contributions to the government as a function of potential trade policies; the government chooses trade policy so as to maximize a weighted sum of campaign contributions and aggregate welfare. We depart from this setting, since we focus on firms rather than industries and we observe lobbying expenditures payed ex-ante and not promised contributions payed once the preferred outcome is implemented. More related, Rodrik (2018) focuses on "deep" trade agreements, which cover domestic rules, regulations, and standards and argues that they are subject to particularly heavy lobbying. Blanga-Gubbay, Conconi, and Parenti (2020) study firm-level lobbying in "traditional" trade agreements, which eliminate tariffs among member countries. The authors demonstrate – theoretically and empirically – that lobbying on FTAs is dominated by a few large firms that engage in exporting and global sourcing, which can greatly benefit from reductions in tariffs on their final goods and inputs.

Third, our paper relates to contributions in the field of political events and financial markets. Stock prices are widely used to value channels of influence of corporations. Fisman (2001) estimates the value of political proximity to Indonesia's dictator Suharto for listed companies, Ferguson and Voth (2008) uncover high returns for German corporations connected to the NSDAP in 1932-1933, or Acemoglu, Johnson, Kermani, Kwak, and Mitton (2016) study gains of financial institutions from affiliations to the new U.S. Treasury Secretary during the Great Recession. Taking a different approach to Meng and Rode (2019) who predict the probability of the enactment of the 2009–2010 Waxman–Markey climate bill from lobbying expenditures and estimated expectations of exposure to the bill, we study the effects of an unexpected failure of trade legislation on lobbying firms. We contribute to the debate on event studies and their ability to reveal expectations in general and the 2016 U.S. presidential election in particular. Wolfers and Zitzewitz (2018) demonstrate that during the 2016 campaigns, the aggregate stock market moved negatively with the estimated probability of a Trump presidency. However, the S&P500 rallied in the days following the victory of Donald Trump, suggesting that market participants seemingly had changed their expectations. Fisman and Zitzewitz (2019) argue that initial expectations can still be rationalized in the long-run by going beyond the market average and separating outperforming firms from the rest of the market. They show that firms that gained in a direct reaction to the 2016 U.S. election continued doing so over months following uncertain events that were arguably favorable for Donald Trump to advance his political agenda. Our study provides

further support for the idea that stock market reactions to unexpected political events can reveal expected gains and losses of firms.

The paper is structured as follows. Section 2 provides details on the Trans-Pacific Partnership agreement and policy positions of candidates in the U.S. presidential election. Section 3 lays out the construction of our dataset. Section 4 presents stylized facts of lobbying on TPP. Section 5 delineates our conceptual framework and econometric identification strategy. Section 6 presents our results. Section 7 concludes.

2 The Trans-Pacific Partnership Agreement and the 2016 U.S. Presidential Election

The Trans-Pacific Partnership (TPP) was a proposed trade agreement between 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. It was supposed to become the largest regional trade agreement in history. The agreement encompassed about 800 million people, and participating countries accounted for roughly a quarter of global trade and approximately 40% of the world's GDP. The TPP was a "deep" trade agreement. It contained measures to lower more than 18,000 tariffs and non-tariff barriers to trade, and establish an investor-state dispute settlement (ISDS) mechanism. The contents of the TPP went far beyond the standards drafted by the World Trade Organization. The TPP included new regulation for online commerce, treatment of foreign investors, far more comprehensive protection for intellectual property, labor codes, and an agreement for neutrality regarding state-owned enterprises.

The TPP began as an expansion of a 2006 trade agreement between Brunei, Chile, Singapore, and New Zealand: the Trans-Pacific Strategic Economic Partnership Agreement (TP SEP). As of 2008, other Pacific Rim countries expressed their interest in joining. On November 14, 2009, President Obama announced that the United States would engage with the TPP. Following several negotiation rounds, the final version of the Trans-Pacific Partnership was drafted on October 5, 2015, and signed by the twelve countries on February 4, 2016.

As all the other trade agreements negotiated by the United States, also the TPP agreement has been negotiated under fast track authority.[2] The fast track authority for brokering trade agreements is the authority of the President of the United States to negotiate international agreements that Congress can approve or deny but cannot amend or filibuster. Renamed the trade promotion authority (TPA) in 2002, fast track negotiating authority is an impermanent power granted by Congress to the President. Congress holds primary responsibility for matters dealing with taxation, including tariffs on foreign imports. Indeed, Article 1 of the Constitution gives the legislative branch the power to "regulate commerce with foreign nations ..." (United States Constitution Article I, Section 8, Clause 3). Although Congress cannot explicitly transfer its powers to the executive branch, the TPA has the effect of delegating power to the executive, minimizing consideration of the public interest,

[2]Since 1979, the authority has been used for 14 bilateral/regional free trade agreements and one additional set of multilateral trade liberalization agreements under the GATT – the Uruguay Round Agreements Act of 1994. One FTA – the U.S.-Jordan FTA –was negotiated and approved by Congress without TPA.

and limiting the legislature's influence over the bill to an up or down vote. In early 2012, the Obama administration indicated that renewal of the authority was a requirement for the conclusion of TPP negotiations. On June 23, 2015 the Senate granted President Obama the trade promotion authority, few months before the final version of the Trans-Pacific Partnership was drafted.

Trade policy became a defining topic in the 2016 U.S. presidential election, and one of Trump's major topics in his presidential campaign. At the first Republican presidential debate – on November 11, 2015 – Trump spoke again against the TPP. He also used the trade agreement to criticize Republican rivals, such as Ohio Gov. John Kasich: "Gov Kasich voted for NAFTA, which devastated Ohio and is now pushing TPP hard – bad for American workers" (Archive, 2016).At a campaign rally in Ohio on June 6, 2016 Trump – now the presumptive Republican nominee – offered his most severe criticism of TPP yet, calling it "another disaster done and pushed by special interests who want to rape our country, just a continuing rape of our country. That's what it is, too. It's a harsh word: It's a rape of our country." The withdrawal from TPP became one of his campaign's top promises (Qiu, 2016).

Following his official nomination as Republican presidential candidate, Donald Trump used the TPP agreement to attack the Democratic presidential candidate Hillary Clinton. During the first presidential debate Trump directly attacked Clinton on her position on the trade agreement: "You [H. Clinton] called it the gold standard of trade deals. You said it's the finest deal you've ever seen". Even if Democratic presidential candidate Hillary Clinton tried to distance herself from TPP, her position on the agreement was less clear. On July 26, 2016 Virginia governor Terry McAuliffe (Dem.), a long-time Clinton family friend, told the web site Politico that Clinton will support and pass the TPP if elected president (Karni, 2016). Republican presidential candidate Donald Trump tweeted the news right away. Finally on the 7th of October 2016, just one month prior the presidential elections, WikiLeaks released 19.000 emails of John Podesta – Clinton campaign chairman – revealing Clinton's unclear stance on the TPP agreement. Ahead of the election, Trump repeatedly made the suggestion that Clinton planned to stay in the TPP if elected. Figure 5 in the Appendix supports the view that Trump led public interest in the agreement. Major public appearances by Donald Trump can explain anecdotally the spikes in the time series of Google search trends of TPP.

An interesting feature of the TPP agreement is that, following the U.S. withdrawal, the remaining parties decided to go forward and implemented The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). The CPTPP retains all 30 original chapters of the TPP, but it suspends 22 provisions that were previously of high importance to the United States. This feature will be useful to study the channels through which lobbying companies expected to gain from the agreement.

3 Data Sources

3.1 Congressional Lobbying Reports

We construct a dataset of companies that lobbied to influence passages of the Trans-Pacific Partnership agreement. We compile this dataset using the lobbying reports available under

the Lobbying Disclosure Act (LDA) of 1995. This Act requires individuals and organizations to provide information on their lobbying activities at the federal level. Such activities generally encompass all efforts to influence the thinking of legislators or other covered federal officials for or against a specific cause. They include lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research and other background work.

All lobbyists have to file quarterly reports to the Secretary of the SOPR, listing the name of each client (firm) and the total income they have received from each of them. All firms with in-house lobbying departments are required to file similar reports. The LDA requires organizations that employ lobbyists to register with the federal government and to disclose their lobbying expenditures on a regular basis, and imposes significant civil and criminal penalties for violations of its requirements. Section 4 of the LDA requires all organizations to register if they want to be involved in lobbying activities. We use the compilation by Kim (2018) of the reports to ensure quality and replicability.

We identify the companies that lobbied for TPP by string-matching on the agreement's name and its acronym within the text sections of all reports registered by companies or lobbyists working on behalf of companies between 2010 and 2016. We code our main treatment variable as a binary indicator equal to one whenever a report that is linked to a company mentions the agreement at least once. To measure the intensity of lobbying, we use the number of reports where the agreement is mentioned and the amount of money spent on lobbying that is indicated in these reports.

Moreover, we obtain control variables from the reports. A variable of overall lobbying activity that sums the number of reports by a S&P company on any topic. Using the issue categories specified in each report, we can take the number of reports concerning explicitly trade policy to measure lobbying on trade policy in general. We also use these continuous variables as binary variables.

3.2 Keywords from the TPP Agreement

We employ text analysis to code whether firms reported lobbying on specific deep trade policy provisions related to the TPP agreement. To do that, we use issue-specific keywords to determine whether - within the text section of the lobbying reports - firms referred to some specific TPP related non-tariff issues. The choice of keywords is based on the questionnaire used by Mattoo, Rocha, and Ruta (2020) to code deep trade issues in Regional Trade Agreements (RTAs) for the World Bank's Deep Trade Agreements database. They cover 17 broad non-tariff issues usually included in deep trade agreements. Some of these issues are related to trade policies (Export Restrictions, Rules of Origin, Trade Facilitation and Customs, and Trade Remedies), while others concern non-trade policies (rules on Intellectual Property Rights, Investment, Services, Movement of Capital, Public Procurement, Subsidies, Visa and Asylum, Competition Policy, Environment, Labor, State Owned Enterprises, Sanitary and Phytosanitary Measures, Technical Barriers to Trade). A similar technique has been used by Blanga-Gubbay, Conconi, Kim, and Parenti (2023) to study firms' lobbying on deep trade policies. In the same fashion as we identified lobbying companies, we screen the text sections of all lobbying reports for the occurrence of these keywords. If a company for instance mentioned the keyword "copyright" from the chapter 18 in the agreement in at least one of its lobbying reports, we code a dummy for the chapter 18 as one.

We proceed like this for all chapters and construct two further aggregates: First, a dummy whether a company mentioned at least one of the keywords from any chapter in its reports. Second, a dummy for keywords from chapters that saw major suspensions after the United States withdrew from the agreement. We argue that those chapters were of particular importance to the United States and companies headquartered in U.S. jurisdictions[3]. Among the nine chapters with suspensions, the three chapters with the highest number of suspensions were chapter 18 on intellectual property, chapter 9 on investment and chapter 11 on financial services. The full list of keywords used for each TPP chapter, and the number of suspensions per chapter, can be found in the Appendix in Section 7.

3.3 Advisory Committee Membership

The U.S. Congress established an advisory committee system in 1974 to guide U.S. trade policy making. The advisory groups are managed by the Office of the United States Trade Representative that is part of the Executive Office of the U.S. President. We identify all corporate representatives in the Advisory Committee for Trade Policy and Negotiations (ACTPN), Agricultural Technical Advisory Committees for Trade (ATAC) and most importanly in the Industry Trade Advisory Committees (ITAC) in their reports on the Trans-Pacific Partnership in December 2015. We create a binary indicator of corporate committee membership that we employ as an alternative indicator of political influence.

3.4 Media Reporting of Corporate Lobbying on TPP

We build a measure of media reporting on corporate lobbying activities on the TPP agreement from online news media. We rely on newspaper articles reported as relevant in Google News' search results. Google News returns in total 2,955 news articles from 2010 until the day before the election where at least one of the search terms "TPP", "trans pacific partnership" or "transpacific partnership" occurs. We first scrape the url of each article from the Google Search results and subsequently extract the article text using the Python module newspaper3k (Ou-Yang, 2020). We are able to retrieve the text of 1,811 news articles with this method. We further limit the number of articles to 1,424 by discarding articles in which the search terms for the trade agreement do not appear in the webscraped text.

Since we want to link articles to companies, we first identify S&P 500 companies in the online news articles through simple string matching. This step reduces the set of articles to 627 to obtain 1,314 article-firm observations. To narrow the relevance of the news articles further down to articles that are about corporate lobbying we make use of the ChatGPT API. We submit each article to the LLM model with the request to classify whether the article is about corporate lobbying on the TPP agreement, providing an additional set of training paragraphs (so called few-shot prompting). The output is a probability to which the model judges the article as relevant which we use to rank our news articles on their relevance. We eventually check 432 firm name x article matches by reading 186 articles in descending order of this probability to weed out false positive matches until we reach a probability of

[3]Following the withdrawal of the United States, the remaining countries modified the agreement into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was signed on March 8, 2018. The 11 remaining signatories unanimously decided to suspend 22 provisions (or equivalently 25 items) from the original TPP agreement

50%. Finally, we build a simple dummy indicating whether a firm's TPP lobbying activity is reported on. Additionally, we measure, whether the reporting took place in one of the top 16 online news sites in the U.S. according to Newman, Fletcher, Levy, and Nielsen (2016).

3.5 Stock Market Performance

We obtain all ticker symbols and names of companies in the S&P 500 in 2016 from Wikipedia (2016). Using ticker symbols, we download adjusted closing prices for all stocks through the Quandl API (McTaggart, Daroczi, and Leung, 2016). We compute returns as simple day-to-day percentage changes in adjusted closing prices. To obtain abnormal returns commonly used in the finance literature, we estimate the correlation of each stock's return with the leave-one-out market return of the S&P500 in a time series from 250 to 30 days prior to the event. We use the estimated linear model to predict returns out of our sample from 30 days prior to 30 days after the election. The abnormal returns of a stock are the difference between predicted returns and realized returns over the event window.

3.6 Additional Firm Characteristics

Our main source for control variables is Compustat North America (Refinitiv, 2022). We extract for each S&P500 firm all continuous accounting variables from the annual and quarterly dataset from October 2015 to 2016. We keep the observation closest to the election and build a cross-section of pre-treatment firm characteristics. In our baseline specification we use return on equity, defined by net income over common equity as a measure of profitability, long-term debt over invested capital as a measure of leverage and total assets as a measure of firm size. Moreover, we use the natural logarithm of the number of employees, sales and assets. We estimate total factor productivity using cross-sectional variation across firms within 2 digits sectors. In robustness checks with shrinkage estimators, we use the entire set of firm characteristics from Compustat presented in Table 8.

We further employ campaign contributions for the 115th Congress to Republicans or Democrats that can be attributed to corporations from Open Secrets (Open Secrets, 2022)[4].

Finally, we collect the tariff schedules applied by the TPP member countries to the United States. The source of the tariff data is the World Integrated Trade Solution (WITS) database (Comtrade, 2022). We use the Effectively Applied Tariff, which is defined as the lowest available tariff, i.e. Most Favored Nation (MFN) or preferential. We aggregate at the SIC4 sector, applying the average tariff. Since the TPP agreement involved several countries, we further averaged the SIC4 digit tariff schedules produced by WITS across the TPP partners, using the countries' GDP as weight.

[4]The per-election limits on contributions to candidates are in effect for the two-year election cycle beginning the day after the general election and ending on the date of the next general election. For the 115th Congress the dates are: November 5, 2014 - November 8, 2016.

4 Stylized Facts

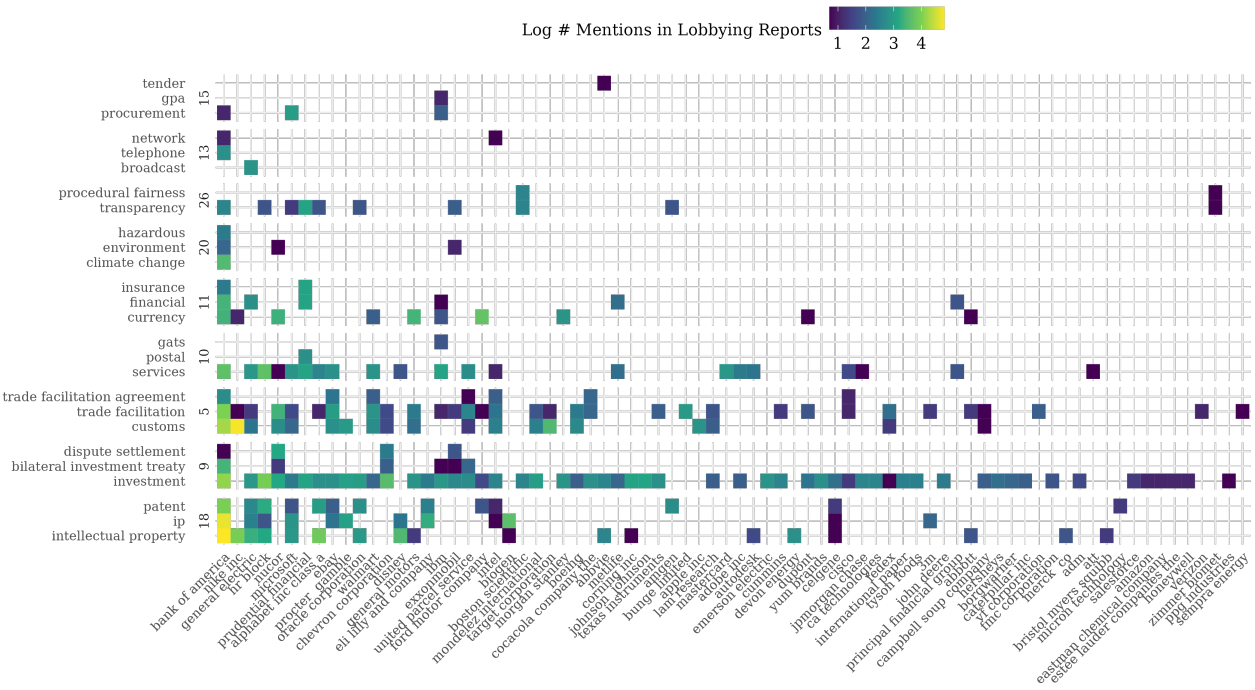
4.1 Which Companies Lobbied for TPP?

Using congressional reports, we identify 101 firms that have lobbied U.S. negotiators and law makers on the TPP trade agreement since the first round of negotiations in 2010. Table 5 in the Appendix presents summary statistics of our main sample, a balanced panel at the weekday-stock level comprising of 422 companies in the S&P 500 for which have non-missing information including controls. We find that 74.5% of firms in our sample lobby in general and 23.4% of firms lobbied on TPP explicitly. The average company spent 3.8 M USD on lobbying that can be associated with TPP over the course of the period 2010 until the 2016 election.

4.2 Which Topics in the TPP did Corporations Lobby on?

We screen the Lobbying reports on TPP for keywords from the trade agreement's text to answer this question. Figure 1 visualizes the frequency at which companies mentioned key terms by chapter in the agreement in their lobbying reports on TPP. The figure displays the top 3 key terms for chapters with suspended provisions, that were arguably of major U.S. interest. The three chapters that yielded the highest number of matches were the chapters on intellectual property, investment and customs administration.

Figure 1: Key Terms by Chapters of Major U.S. Interest in the TPP Agreement in Corporate Lobbying Reports



Note: The figure visualizes the frequency how often each of top 3 key terms, of chapters in the original TPP agreement with provisions suspended in the CPTPP agreement, is mentioned by a company in its lobbying reports on the TPP agreement.

4.3 Did the Media Report on Corporate Lobbying on TPP?

Table 7 in the Appendix lists 14 articles that report about the lobbying activities on TPP by at least one of our S&P500 companies. We identify 17 distinct firms that are all a subset of our measure of lobbying obtained from the Congressional reports apart from Philip Morris mentioned in the earliest article in our sample. There were 4 articles in the Newman, Fletcher, Levy, and Nielsen (2016)'s top 16 highly popular online news outlets in the U.S. prior to the election explicitly reporting on the lobbying activities of 8 companies.

5 Conceptual Framework and Identification

5.1 Stock Prices Under the Uncertain Ratification of TPP

We express the market valuation of a company i's stock in two periods before and after the election under the uncertainty of ratification of TPP with function $v(.)$. The valuation function has five components. First, lobbying companies indicated by L_i are expected to earn discounted future profits γ from the ratification of TPP with probability $(1 - P_t)$ that the ratification of TPP is pursued by the president. Thus, with P_t the president in period t withdraws unilaterally. Second, firm characteristics $\mathbf{X_i}$ measured before the election and interacted with a post-election dummy T_t, that might impact prices over time. Third, time-invariant characteristics of stocks μ_i. Fourth, common shocks to valuations of all stocks over time T_t. Fifth, a random shock to each company's market valuation ϵ_{it} at each period:

$$\pi_{it} = v(\gamma L_i(1 - P_t), \mathbf{X_i} T_t,\ \mu_i,\ T_t,\ \epsilon_{it}) \tag{1}$$

We further assume that the probability of withdrawal depends on the (expected) election outcome and policy positions by both candidates in the race. We denote the expectation formed by market participants over each candidate's policy position, or bias against the Trans-Pacific Partnership agreement, with a parameter θ^C for Hillary Clinton and θ^T for Donald Trump. The parameter is continuous and bounded by 0 being full support of the agreement and 1 being full opposition. We limit our attention to the case where Hillary Clinton is more favorable of the agreement than Donald Trump (i.e. $\theta^T > \theta^C$). With two periods we can write the probability of withdrawal as follows, where the average polling of Donald Trump $\bar{p_t^T}$ is equal to an unknown probability plus a forecasting error. After the election $\bar{p_1^T}$ equals 1.

$$P_t = \left\{ \begin{array}{ll} \bar{p_0}^T \bar{\theta}^T + (1 - \bar{p_0}^T)\bar{\theta}^C, & \text{before the election t = 0} \\ \bar{\theta}^T, & \text{after the election t = 1} \end{array} \right\} \tag{2}$$

The probability of withdrawal before the election is therefore equal to the positions of both candidates multiplied by the empirical forecasts for the respective candidate to win the election. After the election, Donald Trump's victory realizes and due to the fast track authority of the U.S. president, withdrawal depends solely on his position. Assuming linear parametric form, we can rewrite the valuation of share prices to estimate a two-way fixed effects model with our data:

$$\pi_{it} = -\gamma L_i P_t + \underbrace{\delta_i}_{\gamma L_i + \mu_i} + \beta \mathbf{X_i} T_t + \ \tau T_t + \epsilon_{it} \tag{3}$$

Our hypothesis is that, since market participants are assumed to have formed rational expectations of future profits from TPP for lobbying firms, there is time-varying risk for those companies expected to lose $-\gamma L_i P_t$ that the the agreement might not be signed by the United States of America. In the following, our objective is to estimate the parameter γ, which measures the causal effect of the de facto withdrawal on firms that lobbied for the agreement and we expect it to be negative in sign. Additional parameters are δ_i, a stock-level fixed effect that contains expected profits from the agreement for lobbying companies prior to the election. The vector β assigns a coefficient to each control variable interacted with the time dummy T_t. The coefficient τ measures the impact of time.

In our baseline regressions we estimate Equation 3 with the probability of withdrawal set to $P_t = \{0, 1\}$ - the canonical differences-in-differences framework. In section 6.7 we re-estimate Equation 3 and replace the probability with the empirical polling of both candidates and plausible values of policy positions. Using the minimal structure imposed in this section, we compute the effect of a U.S. exit on lobbying companies in counterfactual scenarios, where either stock traders had not anticipated a potential victory of Donald Trump or Hillary Clinton had voiced unambiguous support for the agreement.

5.2 Selection of Firms into Lobbying on TPP

A strong assumption for recovering the average treatment effect on the treated (ATT) from difference-in-difference regressions is strict exogeneity of treatment conditional on unit and time fixed effects and controls. Treatment is endogenous in two-way fixed effects models when it correlates with errors within units over time conditional on common shocks in a time period. In other words, shocks that move treatment status and the outcome simultaneously render the assumption impossible that the treatment group would have evolved parallel to the control group in absence of the treatment. The strict exogeneity condition for the model in Equation 3 demonstrates how exogeneity arises from the uncertainty of the election outcome. The assumption can be written as

$$\mathbb{E}[\epsilon_{it} | L_i P_t, \mathbf{X_i} T_t, \delta_i, T_t] = 0. \tag{4}$$

If we think of the polling of Donald Trump ${\bar{p}_t}^T$ as an actual probability of victory plus a forecasting error, there is a random source of variation that shifts treatment status through $P_0 = {\bar{p}_0}^T \bar{\theta}^T + (1 - {\bar{p}_0}^T)\bar{\theta}^C$. We argue therefore that uncertainty around the election outcome creates an exogenous variation to identify the treatment effect γ.

Nevertheless, denoting a time-invariant characteristic of a firm with U_i, omitted bias might still arise whenever $U_i * P_t$ is not controlled for and it correlates with $L_i * P_t$. Our specification allows lobbying firms ($L_i = 1$) to be different in U_i from firms that do not lobby, but there could not be a differential effect from U_i on stock returns with the election. For instance, if firms that did not lobby for TPP are more likely to be politically connected to the Republican party, and they are expected to benefit from the partisan change in presidential office, the estimated treatment effects would be biased. Since multiple fundamental policy changes realized with the election outcome, the empirical strategy is potentially vulnerable to expected gains and losses from policies that impact firms through observable and unobservable characteristics which might be correlated with lobbying on TPP. To assuage these concerns we follow three alternative matching strategies. In summary, we are

confident that the setting of the surprising victory of Donald Trump is favorable to estimate the effect of lobbying on trade agreements on stock returns.

5.3 Matching on Observable Determinants of Lobbying on TPP

We use three different sets of time-invariant pre-determined control variables to adjust for potential confounding in our event study regressions. We weigh regressions using weights obtained from propensity score matching and include control variables interacted with time. Our baseline set of covariates includes total factor productivity (TFP) to control for potential expected gains from the agreement motivated by the literature on gains from trade (Melitz and Trefler, 2012). There is ample evidence that the most productive firms within sectors benefit most from export opportunities and reallocation. Since our S&P500 sample includes the most productive companies within sectors (median number of firms within 4 digit codes is 2), we control for expected differences across high performing firms through controlling for TFP.

Moreover, we follow Acemoglu, Johnson, Kermani, Kwak, and Mitton (2016) in including measures of profitability and leverage as firm fundamentals used by financial analysts. To capture potential political connections and interests we control for the log amount money spent in campaign contributions to Democrats and Republicans. We use the number of lobbying reports issued by a company, since lobbying status on TPP could pick up other lobbying initiatives by a firm. Lastly, to single out the effect from lobbying on TPP from lobbying on other trade related issues, we take the number of reports filed on trade issues. We hereby control for more general expected changes in trade and industrial policy through the ascent of Donald Trump.

In our second set of covariates, we strengthen the comparison between companies expected to gain from the agreement's ratification and companies expected to gain from lobbying on the agreement. We do so by additionally controlling for potential expected gains from tariff reductions through TPP at the sector level.

In the third set of controls, we model the selection into lobbying on TPP in a data-driven approach through machine learning shrinkage estimation. We hereby regress the indicator of lobbying on TPP on 198 observable firm characteristics reported in Table 8 using LASSO regressions. Figure 6 shows the set of covariates with the lowest root-mean-square-error where variables are ranked by their predictive power.

Table 6 in the Appendix shows the balance in our baseline set of controls between firms that lobbied for the agreement to those that did not. The third column reports the absolute difference between means of standardized variables, where values above 0.05 or 0.1 are considered to signal imbalance. TPP-lobbying firms were on average more likely to lobbying on trade in general or other topics and contribute to political campaigns by both parties. They were also slightly more productive and profitable and less leveraged. Ex-post matching, slight imbalances in total factor productivity and profitability remain. In addition to matching weights, we therefore allow for differential trends specific to each covariate.

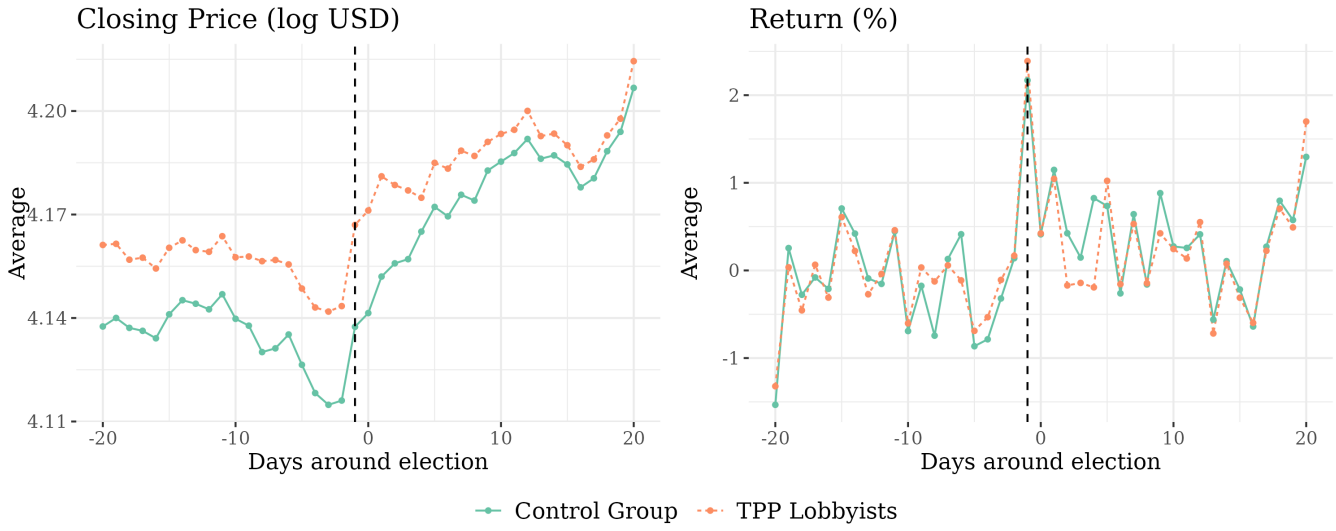
6 Results

In this section, we present systematic evidence of the impact of lobbying on a trade agreement on stock prices. First, we present graphical evidence to assess the parallel trends assumption. Second, we present event study and point estimates. Third, we conduct robusstness checks using alternative measures of treatment. Fourth, we test the sensitivity to violations of parallel trends. Fifth, explores the mechanism of lobbying on specific provisions and sixth, of media reporting. Seventh, we predict counterfactual stock performance based on our conceptual framework for different election scenarios. Lastly, we conduct an event study around the day of the signature of the presidential memorandum for withdrawal.

6.1 Selection into Lobbying and the Parallel Trends Assumption

To gauge differences in the stock performance of corporations with a vested interest in TPP and those without, we first present graphical evidence by plotting average stock prices and returns in treatment and control group over time. Figure 2 shows the average stock price (in log USD) and returns (in %) for firms that lobbied for TPP and remaining firms in the S&P500 for 20 workings days before and 20 days after the day of the election on the 8. November 2016 (41 working days). Firms that lobbied on the agreement experienced on average an increase in log prices following the presidential election. However, the increase was more pronounced for firms that did not lobby. Crucially, both groups seem to be experiencing similar performance dynamics before the election. Since the absolute price of a stock is determined by for instance stock splits, the initial differences in levels between both groups is not meaningful. Comparing returns in the left panel of Figure 2 reveals that our treatment group underperformed relative to the control group in particular in the first five days after the election. Similar to prices, stock returns of both groups move almost in synchrony prior to the election.

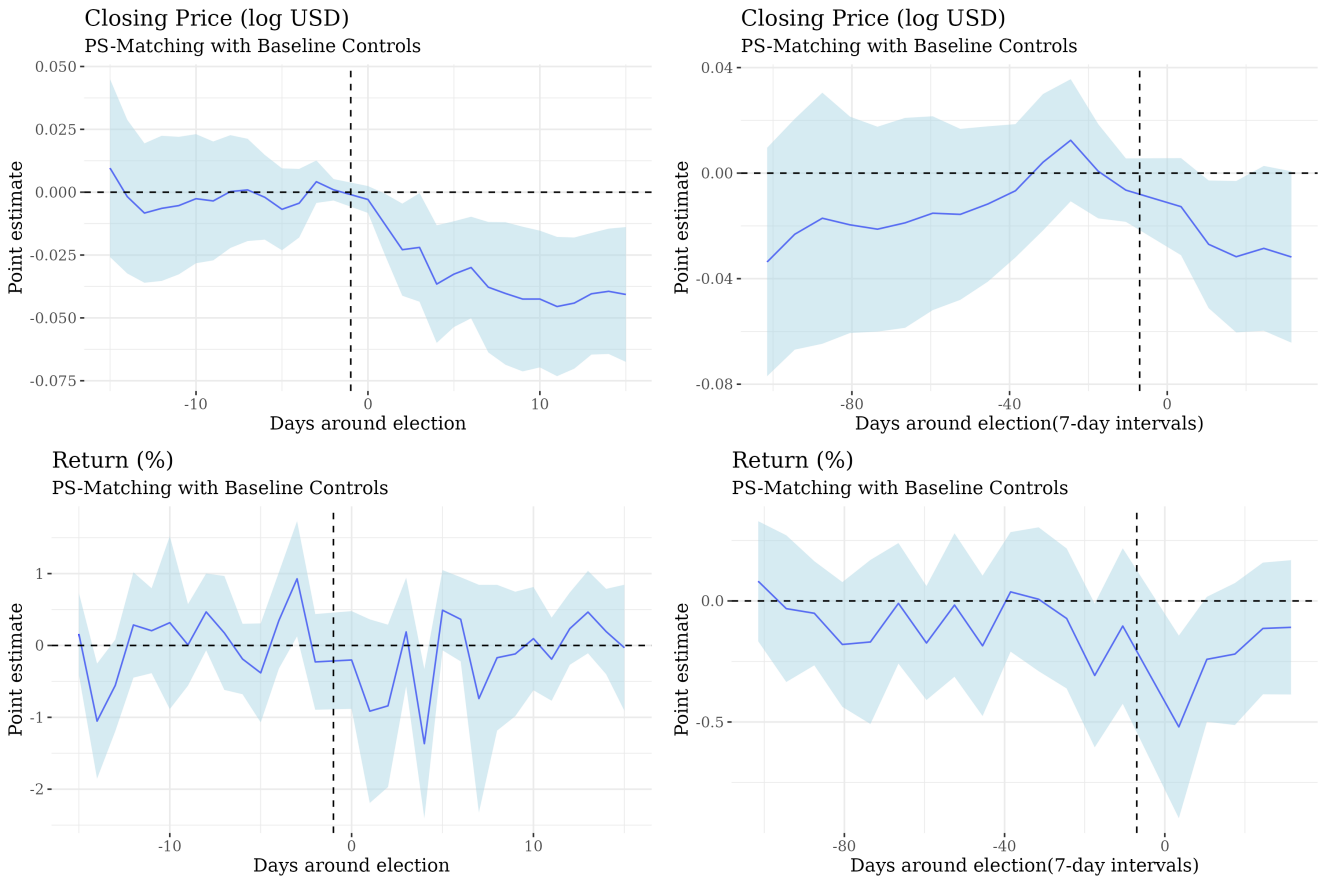
Figure 2: Stock Performance by Lobbying Status



Note: The left plot shows average daily adjusted closing prices of firms that lobbied the U.S. Congress on TPP and that did not lobby. The right plot contains average returns computed as the percentage change in adjusted closing prices. The time series shows week days centered around the election on the 8. November.

In the next step, we conduct event studies to assess the plausibility of the parallel trends assumption by testing for signficant pre-trends. We estimate a two-way fixed-effects model based on Equation 3, where we interact treatment status with a full battery of period dummies and omit the dummy of the period before the election $t = -1$. We plot estimated coefficients for closing prices and returns in Figure 3 using a window of [-15, 15] at daily frequency and [-105,34] for weekly averages. Aggregating over longer intervals alleviates concerns from estimating the event study coefficient relative to the day before election, potentially subject to large noise. We condition on our baseline set of controls interacted with time dummies (total factor productivity, leverage, profitability, campaign contributions to both parties, and measures of general lobbying and lobbying on trade issues) in addition to using matching weights obtained from propensity score matching (see Table 6 for post-matching balance). The plots in Figure 3 reveal that there are no signficant differences running up to the election between control and treatment group except for one period using daily returns (3rd panel). Figure 7 and Figure 8 in the Appendix show additional event study plots using two alternative sets of control variables including, first the baseline set with tariffs and second, a battery of controls selected by modelling selection into treatment with LASSO regressions. While a few signficant pre-trends can be detected using the set of LASSO-selected controls for daily frequencies, they disappear when aggregating to 7-days intervals and estimating the effect relative to a week before the election. Overal the results suggest that we cannot reject that treatment and control group were not on parallel trends before the election. The absence of significant pre-trends increases confidence in the assumption that the treatment group would have moved parallel to the control group if the election outcome had never happened. A common caveat in these pre-trend tests is moderate power, which we address with sensitivity checks in Section 6.4.

Figure 3: Event Study Plots Around De Facto Withdrawal from TPP



Note: The plot shows coefficients γ_t from event-study regression $\pi_{it} = \sum_{t \neq -1} \gamma_t L_i T_t + \sum_{t \neq -1} \beta_t X_i T_t + \sum_t \tau_t T + \delta_i + \epsilon_{it}$ with T_t equal to dummy variables centered around the election day at $t = 0$. The dummy of the interval before the election interacted with the treatment indicator is omitted. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level and 95% confidence intervals are shown.

6.2 Estimating the Effect of De Facto TPP Withdrawal on Lobbying Firms

Table 1 presents point estimates of the canonical difference-in-differences model in Equation 3 for different window sizes around the election using no controls, adjustment by controls and adjustment in combination with matching weights. In contrast to the event study coefficients in which effects are relative to the last period before the election, the specification averages over the whole post-election period relative to the entire pre-election period. Table 1 shows that treatment effects are signficant for closing prices when adjusting with baseline controls in column (5) and quantitatively and qualitatively comparable in columns (1) and (3). Treatment effects for returns are robustly negative and signficant and increase through adjustment and matching with our baseline controls in columns (4) and (6). We estimate that prices decreased on average by $(e^{-0.038} - 1) * 100\% = -3.73\%$ due to the adaptation of expectations over the de facto withdrawal from the agreement for lobbying firms in a window of 20 days around the election in Column (5). With returns as the dependent variable, we estimate in Column (6) that lobbying corporations underperformed

by on average $0.44pp$ each day over 10 days.

Table 1: DiD of Impact of De Facto TPP Withdrawal on Stocks of Lobbying Firms

	(1)	(2)	(3)	(4)	(5)	(6)
	Price	Return	Price	Return	Price	Return
Period Average: -3,3						
TPP Lobb. (0/1)	-0.003	-0.397**	-0.011	-0.977***	-0.017**	-0.675*
	(0.005)	(0.183)	(0.007)	(0.33)	(0.007)	(0.367)
Num. Obs.	3024	3024	3024	3024	3024	3024
Period Average: -5,5						
TPP Lobb. (0/1)	-0.006	-0.462***	-0.013	-0.721***	-0.02**	-0.574***
	(0.006)	(0.129)	(0.009)	(0.214)	(0.009)	(0.22)
Num. Obs.	4752	4752	4752	4752	4752	4752
Period Average: -10,10						
TPP Lobb. (0/1)	-0.008	-0.319***	-0.016	-0.481***	-0.028**	-0.436**
	(0.007)	(0.084)	(0.01)	(0.137)	(0.013)	(0.177)
Num. Obs.	9072	9072	9072	9072	9072	9072
Period Average: -15,15						
TPP Lobb. (0/1)	-0.008	-0.21***	-0.017	-0.306***	-0.032**	-0.191
	(0.008)	(0.065)	(0.012)	(0.101)	(0.015)	(0.129)
Num. Obs.	13392	13392	13392	13392	13392	13392
Period Average: -20,20						
TPP Lobb. (0/1)	-0.01	-0.142**	-0.021	-0.209**	-0.038**	-0.179**
	(0.009)	(0.055)	(0.013)	(0.088)	(0.017)	(0.088)
Num. Obs.	17712	17712	17712	17712	17712	17712
Adjustment	×	×	Controls	Controls	Controls + Matching	Controls + Matching
2-way FE	✓	✓	✓	✓	✓	✓
S.E. Clu.	Stock	Stock	Stock	Stock	Stock	Stock

Note: The table shows coefficients γ from multiple difference-in-difference regression $\pi_{it} = \gamma L_i P_t + \sum_{t \neq -1} \beta_t X_i \tau_t + \delta_i + \tau_t + \epsilon_{it}$ where P_t indicates the begin of the treatment period. We omit this time dummy from the table for the ease of exposition. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level with significance levels 0.01 (***), 0.05 (**) and 0.1 (*).

6.3 Robustness to Alternative Measures of Treatment and Outcomes

Table 2 reports over [-10,10] days windows the average effects of alternative treatment indicators on prices, returns and abnormal returns using no controls in columns (1) - (3) and baseline controls and matching weights in columns (4) - (6). The additional measures of treatment along the baseline estimates are a binary indicator of lobbying reports on TPP

only filed in 2016, the natural logarithm of the number of reports on TPP, the total amount spent on lobbying indicated in reports on TPP and an indicator whether a company held a seat in one of the trade committees on TPP (in descending order of the table). We can highlight that estimates for abnormal returns are very close to returns in terms of magnitude and standard errors. In terms of magnitudes of continuous treatments, a one standard deviation increase in the logarithmized number of reports on TPP decreases daily average returns by $-0.108 * 1.336 = -0.144pp$ each day over 10 days. A standard deviation increase in the logarithmized amount spent on lobbying on TPP decreases average returns by $-0.026 * 6.505 = -0.170pp$ over ten days. While the indicator of sending a corporate representative to a TPP trade committee are only significant unconditional on controls, the results are qualitatively in line with the other measures obtained from the Lobbying Reports. In summary, binary and continuous measures of lobbying point to a significant and sizeable impact of the effect of the sudden elimination of potential gains from lobbying on a trade agreement on stock prices.

Table 2: DiD of Impact of De Facto TPP Withdrawal on Stocks of Lobbying Firms with Alternative Measure of Treatment

	(1)	(2)	(3)	(4)	(5)	(6)
Treatment	Price	Return	Abn. Return	Price	Return	Abn. Return
TPP Lobb. (0/1)	-0.008	-0.319***	-0.314***	-0.028**	-0.436**	-0.403**
	(0.007)	(0.084)	(0.08)	(0.013)	(0.177)	(0.186)
TPP Lobb. in 2016 (0/1)	-0.005	-0.287***	-0.284***	-0.028**	-0.431**	-0.396**
	(0.007)	(0.089)	(0.086)	(0.013)	(0.18)	(0.187)
TPP Lobb. Reports (log #)	-0.001	-0.072***	-0.068***	-0.009**	-0.108*	-0.096
	(0.002)	(0.026)	(0.025)	(0.004)	(0.058)	(0.06)
TPP Lobb. Amount (log USD)	0	-0.019***	-0.018***	-0.002**	-0.026**	-0.024*
	(0)	(0.005)	(0.005)	(0.001)	(0.012)	(0.012)
TPP Trade Committee (0/1)	0.003	-0.342***	-0.309**	-0.007	-0.087	-0.015
	(0.008)	(0.119)	(0.12)	(0.023)	(0.175)	(0.19)
Adjustment	×	×	×	Controls + Matching	Controls + Matching	Controls + Matching
2-way FE	✓	✓	✓	✓	✓	✓
S.E. Clu.	Stock	Stock	Stock	Stock	Stock	Stock
Sample Period	-10,10	-10,10	-10,10	-10,10	-10,10	-10,10
Num. Obs.	9072	9072	9072	9072	9072	9072

Note: The table shows coefficients γ from multiple difference-in-difference regression $\pi_{it} = \gamma L_i P_t + \sum_{t \neq -1} \beta_t X_i \tau_t + \delta_i + \tau_t + \epsilon_{it}$ where P_t indicates the begin of the treatment period. We omit this time dummy from the table for the ease of exposition. *TPP Lobb. 2016 (0/1)* is equivalent to our treatment only relying on reports filed in 2016. *TPP Lobb. reports (log #)* is the number of lobbying reports by a firm that mention the trade agreement plus one transformed with the natural logarithm. *TPP Lobb. amount (log USD)* is the logarithm of one plus the sum of money indicated in a lobbying report mentioning the agreement. *TPP Trade Committee (0/1)* indicates corporate membership in an official trade committee on TPP. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level with significance levels 0.01 (***), 0.05 (**) and 0.1 (*).

6.4 Sensitivity to Violations of Parallel Trends

Rambachan and Roth (2023) propose inferences methods for event study coefficients based on pre-trend estimates and placing restrictions on possible post-treatment differences between counterfactual outcomes. We use restrictions on the relative magnitude and smoothness of violations of parallel trends to test for the sensitivity of treatment effects. Figure 9 is based on the weekly event study coefficient ex-post treatment with the lowest standard error from Figure 3 and plotting it against increasing violations of parallel trends. Both upper panel plot the treatment effect versus $\bar{M}$ that bounds by how much larger we are willing to allow the violation of parallel trends in the post-treatment to be relative to the maximum violation of parallel trends prior to treatment. This sensitivity check would make sense if specific shocks to the group of companies lobbying on TPP would be similar before and after the election, which could for instance be differential innovative capabilities. Treatment effects for returns are less sensitive than for prices, maintaining significance at 5% while allowing post-treatment violations of parallel trends to be 0.5 of the maximum violation in the pre-treatment period. Both lower panels in Figure 9 plot the sensitivity of treatment effects with respect to allowing for deviations from a linear extrapolation of pre-trends after the election. If the group of firms that lobbied is on a differential trend, e.g. due to expanding international demand for their products this check quantifies possible violations of parallel linear trends. While we need to impose a linear trend for prices to remain significant at 5%, we are able to allow quite flexibly for large non-linearities in trends for returns.

6.5 Mechanism: Lobbying on Provisions

Do stock prices reflect the fact that companies influence the content of trade agreements to skew policy in their favor? We address this question with interactions involving dummy variables indicating whether lobbying reports mentioned certain keywords from provisions of the original agreement listed in Table 7. We include full interactions of an indicator whenever a keyword from a provision was mentioned at least once, which is the case for 67% of companies in our sample. We also test a dummy for keywords from provisions that were unanimously suspended from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that came into action without U.S. participation, such that these provisions could have arguably been of vital interest of U.S. corporations. Suspended provisions were notably in the chapters of customs administration, investment, general and financial services, telecommunications, procurement, intellectual property and environment. Table 3 shows the heterogenous effects of lobbying with respect to keywords. Since all firms that lobbied on TPP mentioned also at least one keyword, we can compare those firms to firms that did not lobby on TPP but used these keywords in different context. While we find effects for the former, we do not find effect for the latter in Columns (1) and (3). In Columnns (2) and (4) we are able to estimate heterogenous effects for lobbying firms whether they mentioned keywords from one of the suspended provisions. We find a negative significant effect for prices. These findings can be interpreted such that investors believe that companies are able to push certain rules specified in the provisions of the agreement that are beneficial to them.

Table 3: DiD with Heterogeneous Effects from Lobbying on Specific Provisions

	(1)	(2)	(3)	(4)
	Price	Price	Return	Return
TPP Lobb. (0/1)		0.016		-0.795***
		(0.022)		(0.295)
Provision (0/1)	-0.019		0.395	
	(0.031)		(0.547)	
TPP Lobb. (0/1) × Provision (0/1)	-0.027**		-0.456**	
	(0.013)		(0.197)	
Susp. Provision (0/1)		-0.023		0.416
		(0.032)		(0.552)
TPP Lobb. (0/1) × Susp. Provision (0/1)		-0.044**		0.344
		(0.021)		(0.342)
Adjustement	Controls + Matching	Controls + Matching	Controls + Matching	Controls + Matching
2-way FE	✓	✓	✓	✓
S.E. Clu.	Stock	Stock	Stock	Stock
Sample Period	-10,10	-10,10	-10,10	-10,10
Num.Obs.	9072	9072	9072	9072
R2	0.997	0.997	0.344	0.344

Note: The table shows coefficients γ from multiple difference-in-difference regression $\pi_{it} = \gamma L_i P_t + \sum_{t \neq -1} \beta_t X_i \tau_t + \delta_i + \tau_t + \epsilon_{it}$ where P_t indicates the begin of the treatment period. We omit this time dummy from the table for the ease of exposition. *Keyw. Provision* indicates whether lobbying reports included at least one of the keywords in Section 7. *Susp. Provision* is a dummy for all companies whose reports included keywords from suspended provisions. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level with significance levels 0.01 (***), 0.05 (**) and 0.1 (*).

6.6 Mechanism: Media Reporting of Corporate Lobbying

Our conceptual framework of stock price valuation rests on the assumption that market participants are informed about the lobbying activity of companies on TPP. Even though the lobbying register is public, we cannot provide systematic evidence that market participants that drive prices screen the lobbying register strategically. To strengthen confidence in the assumption that stock market traders know about lobbying of corporations on TPP, we turn to online news media to test whether the supply of information about corporate lobbying on TPP in online news is a plausible mechanism. Using our measures of online news reporting on corporate lobbying on TPP interacted with our measure from the Congressional reports, we present our difference-in-difference estimates with full interactions in Table 4 for log prices. The results suggest that corporations, whose lobbying activities on TPP received coverage in the news media experienced a significantly larger decline in stock prices than firms, whose lobbying on TPP was not reported on. Table 9 in the Appendix reports the results for returns. We find that signs of the coefficients for the most popular

news media point qualitatively in the same direction. In summary, these findings provide suggestive evidence that supply of information might drive the effect and strengthen the assumption that market participants were indeed informed about differential stakes from the withdrawal of TPP.

Table 4: DiD with Heterogeneous Effects from News Reporting on Lobbying

	(1)	(2)	(3)	(4)
	Price	Price	Price	Price
TPP Lobb. (0/1)	-0.026**	-0.026**	-0.025**	-0.026**
	(0.013)	(0.013)	(0.013)	(0.013)
TPP Lobb. (0/1) × Media 2015-16 (0/1)	-0.019			
	(0.014)			
TPP Lobb. (0/1) × Top Media 2015-16 (0/1)		-0.041***		
		(0.013)		
TPP Lobb. (0/1) × Media 2016 (0/1)			-0.033**	
			(0.015)	
TPP Lobb. (0/1) × Top Media 2016 (0/1)				-0.042***
				(0.013)
Adjustment	Controls + Matching	Controls + Matching	Controls + Matching	Controls + Matching
2-way FE	✓	✓	✓	✓
S.E. Clu.	Stock	Stock	Stock	Stock
Sample Period	-10,10	-10,10	-10,10	-10,10
Num.Obs.	9072	9072	9072	9072
R2	0.997	0.997	0.997	0.997

Note: The table shows coefficients γ from multiple difference-in-difference regression $\pi_{it} = \gamma L_i P_t + \sum_{t \neq -1} \beta_t X_i \tau_t + \delta_i + \tau_t + \epsilon_{it}$ where P_t indicates the begin of the treatment period. We omit this time dummy from the table for the ease of exposition. The indicators of media exposure of corporate lobbying are based on all reports during 2015-2016, only top news media in 2015-2016, all reports in 2016 and top news media in 2016. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Standard errors are clustered at the stock-level with significance levels 0.01 (***), 0.05 (**) and 0.1 (*).

6.7 Counterfactual Policy Positions and Polling

Using the conceptual framework put forward in Section 5, we illustrate the evolution of stock prices in two counterfactual scenarios: First, we assume that Hillary Clinton would have been unequivocally in favor of the agreement. Second, a scenario in which Donald Trump's election would have been entirely unanticipated.

Our analysis proceeds in two steps. First, we re-estimate the model in Equation 3 in a baseline scenario and parameterize P_t with empirically observed values. We use the empirical average of 11% of multiple polls of Donald Trump's probability to win as our baseline measure of $\bar{p_0^T}$.[5] For the policy positions $\bar{\theta}$, we rely on our reading of the anecdotal evidence

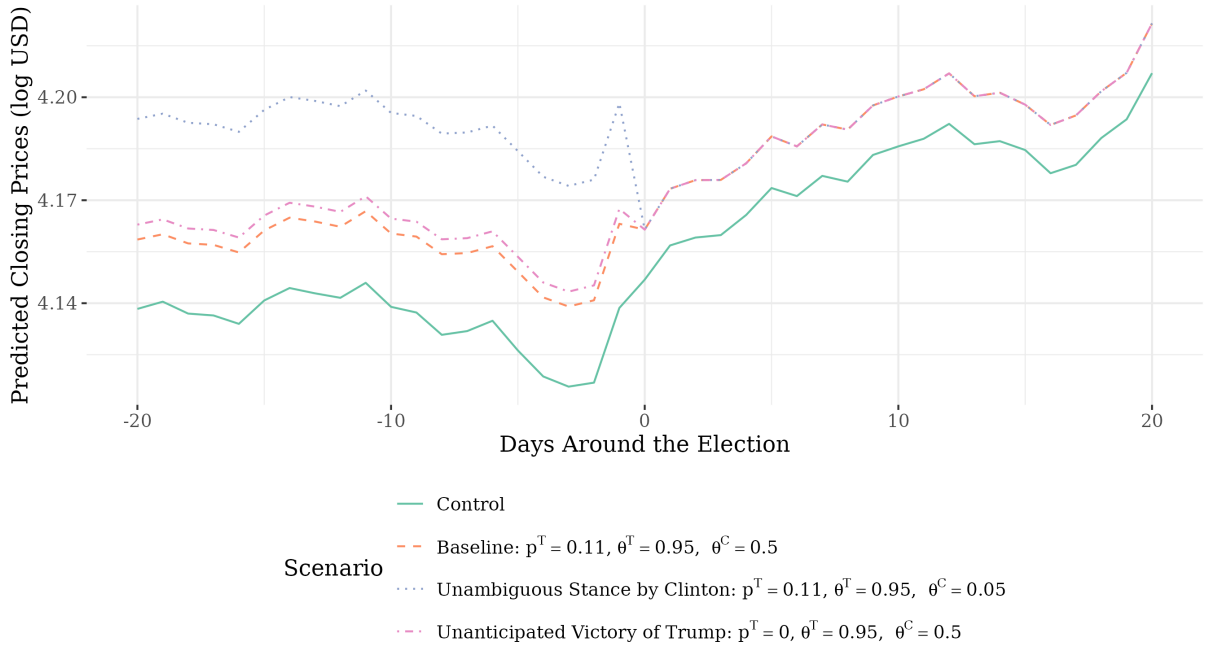
[5]Donald Trump's probability to win was estimated as follows, NYT: 15%, 538: 29%, HuffPost: 2%, PW: 11%, PEC: 1% and DK: 8% (Upshot, 2016).

presented in Section 2 and quantify Donald Trump's position relatively unambiguous with 95% of willingness to withdraw and Hillary Clinton's position relatively ambiguous with 50% willingness to withdraw. In both scenarios $P_1 = \theta^T$, that is the probability of withdrawal from the agreement after the election is equal to Donald Trump's position on TPP. Positions of both candidates are assumed to be constant over time.

In the second step, we use the estimated model to predict the closing prices of stocks assuming counterfactual scenarios of different policy positions and polling of candidates with $\widehat{\pi_{it}} = -\hat{\gamma} L_i P_t + \hat{\beta} \mathbf{X_i} \tau_t + \delta_i + \tau_t$. In the first scenario where Hillary Clinton was clearly in favor of the agreement, we set θ^C to 0.05 and keep θ^T at 0.95 and $p^T = 0.11$. In the second scenario where investors were not able to anticipate Donald Trump at all, we use p^T equal to zero and keep $\theta^C = 0.5$ and $\theta^T = 0.95$.

Figure 4 shows the predicted closing prices in three scenarios and the control group. The plot illustrates how the causal effect that we estimate in the empirical data can be interpreted in the light of the uncertainty around the election outcome and candidate's positions. The green solid line shows the average prices of all S&P500 stocks, whose companies did not lobby on TPP. The predicted prices of the control group are the same across all scenarios. The plot shows that prior to the election share prices of lobbying companies would have been higher, in the scenario where Donald Trump would have not been anticipated as opposed to the markets expecting his election with 11% and even higher whenever Hillary Clinton would have been fully supportive of the agreement. Consequently, the causal effect of lobbying on stock performance that we estimate might have likely been higher, had investors not anticipated the potential withdrawal from the agreement through the probability of Donald Trump's victory or Hillary Clinton's ambiguous position.

Figure 4: Counterfactual Scenarios



Note: The plot shows predicted average closing prices for three different treatment scenarios and the control group around the election based on Equation 1. The baseline scenario uses plausible values for political positions and the empirically measured polling average of both candidates. The second scenario in purple assumes that Hillary Clinton was clearly in favor of the agreement. The third scenario sets the probability of Donald Trump to win the election to zero, but keeps the values of political positions from the baseline scenario.

6.8 De-Facto vs De-Jure Withdrawal from the Agreement

Finally, we also run an event study around the day when Donald Trump signed the presidential memorandum to withdraw on the 23. of January 2017, three days after the inauguration. As long as market participants believed that Donald Trump would not flip-flop on his central campaign promise to withdraw from the agreement in the three months between his electoral victory and the inauguration, we should not be able to detect effects anymore. Figure 10 in the Appendix shows evidence in line with this argument.

7 Discussion

In this paper we provide systematic evidence that firms can gain from lobbying on trade agreements in their stock valuations. We make use of an unprecedented protectionist shock to U.S. trade policy – the surprising victory of Donald Trump in the 2016 U.S. presidential election and the de-facto withdrawal of the United States from the, already signed, Trans-Pacific Partnership Agreement (TPP). Using information from lobbying reports filed under the Lobbying Disclosure Act (LDA) we identify corporations in the S&P500 that lobbied on TPP. Using a difference-in-differences design, we show that the unexpected de-facto withdrawal from TPP led to a significant reduction in returns for companies that had lobbied for the agreement.

We should emphasize that our findings can not be interpreted as the precise estimate of firms' returns to lobbying. In regional trade agreements, tariffs are set at the sector level, such that gains from lowering a tariff can be spread among multiple firms in the same industry. Moreover, "deep" provisions likely apply at the firm group level as well. For instance, firms with specific intangible assets are protected through IP provisions or high foreign direct investments required in specific industries are regulated through investor-state dispute settlements. Whenever trade policy creates gains for a group of firms, there might be firms that can free-ride at the intensive and extensive margin on the lobbying activity of other firms. Estimates of the return to lobbying would therefore be a lower bound (Blanga-Gubbay, Conconi, and Parenti, 2020). Furthermore, stock prices are widely believed to be a function of market expectations, such that prices reflect a non-trivial assessment of how uncertain gains from trade policy are distributed. If market participants fully account for gains for companies that do not lobby (free riders), our estimates would underestimate the gains for lobbying companies.

A key question that arises for future research is how corporate gains from lobbying on "deep" provisions affect welfare. When recent trade agreements facilitate the protection of corporate assets from large corporations abroad through intellectual property or investment provisions, are foreign consumers worse off? Can domestic consumers gain from profits flowing back to innovating companies at home? Or are lobbying large multinationals able to expand their domestic market power?

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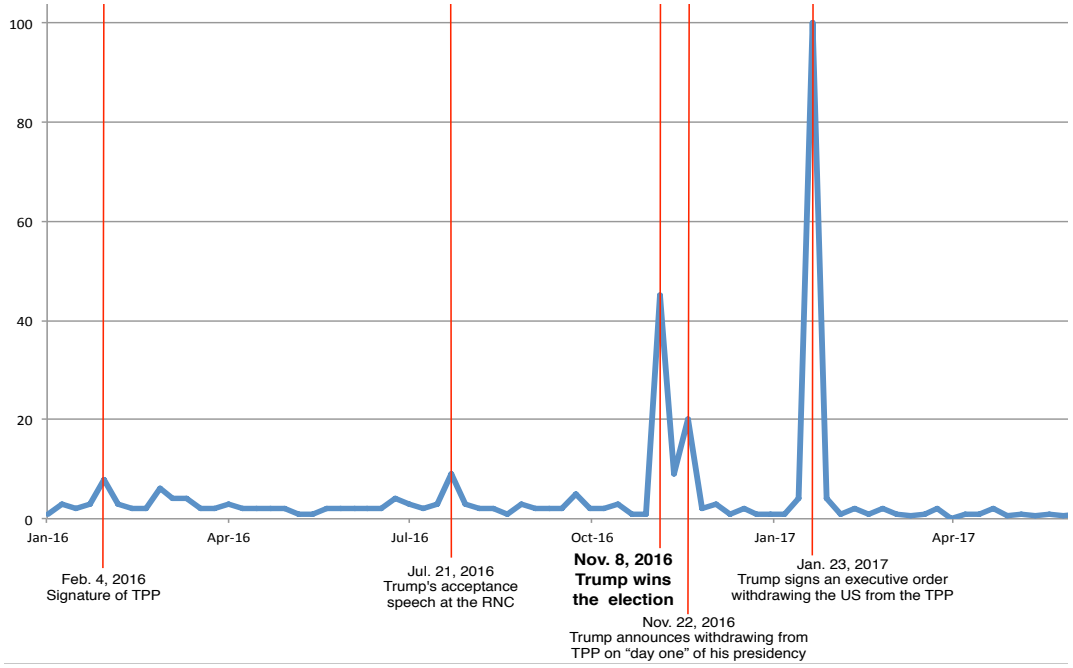
Appendix

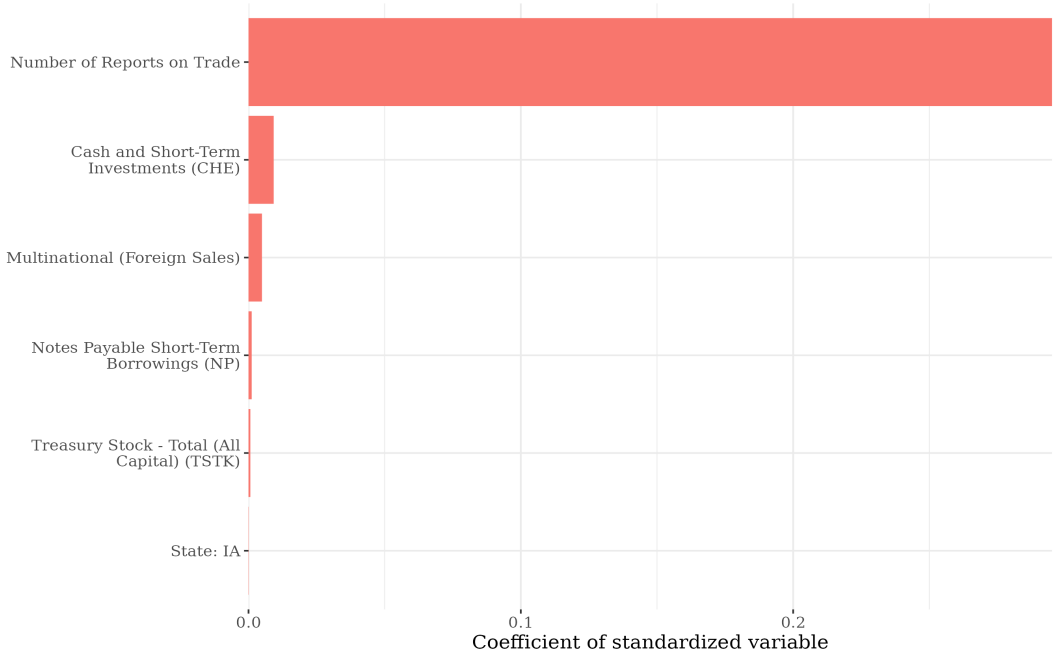
Supplementary Figures

Figure 5: Google Trends of Public Interest in TPP



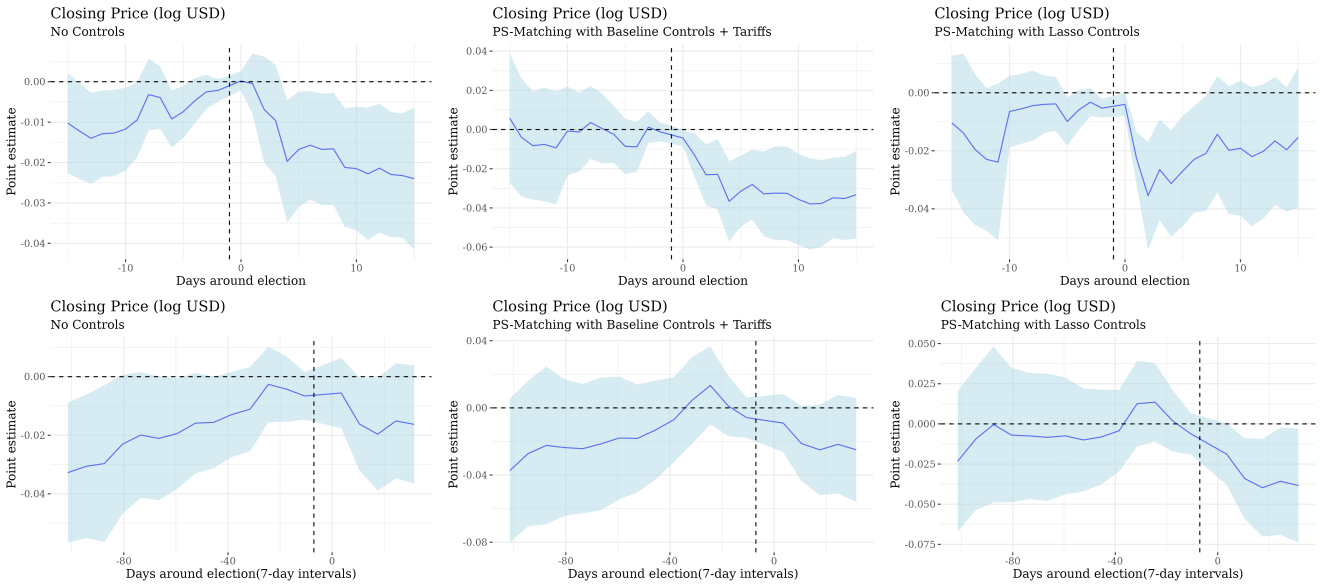
Note: The plot displays public interest in the TPP agreement as indicated by search trends in Google's search engine.

Figure 6: Selected Set of Covariates from LASSO Regressions



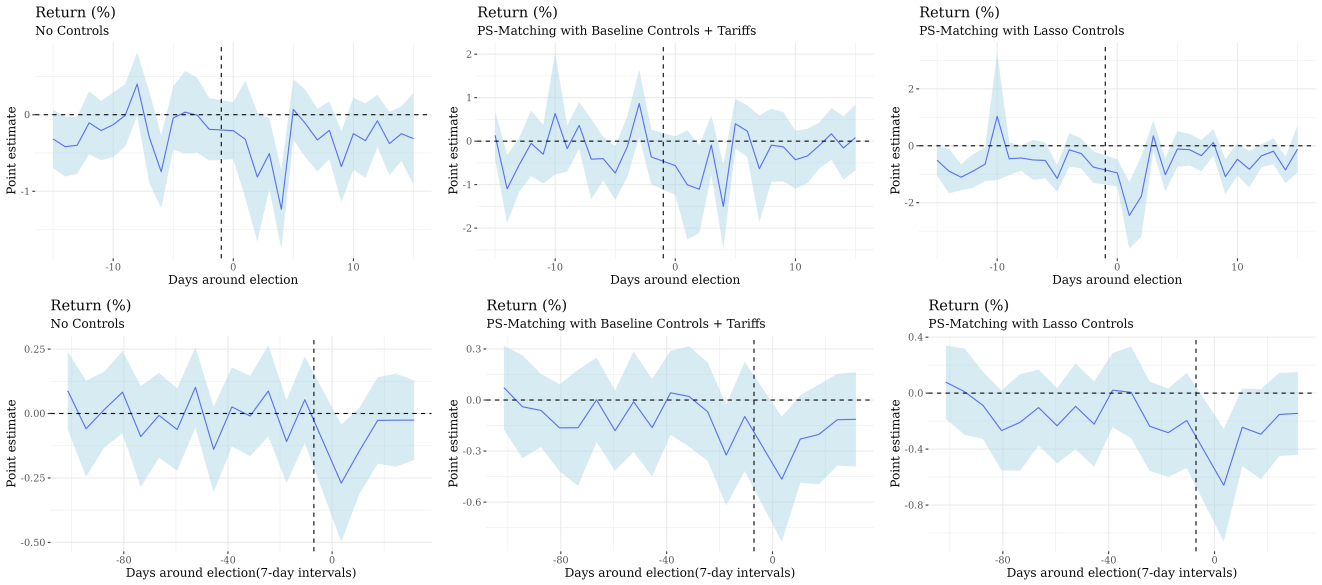
Note: The plot displays coefficients from the LASSO regression that provides the best fit in predicting the selection into lobbying from 198 standardized covariates listed in Table 8.

Figure 7: Event Study Plots Around De Facto Withdrawal from TPP on Closing Prices: Alternative Controls



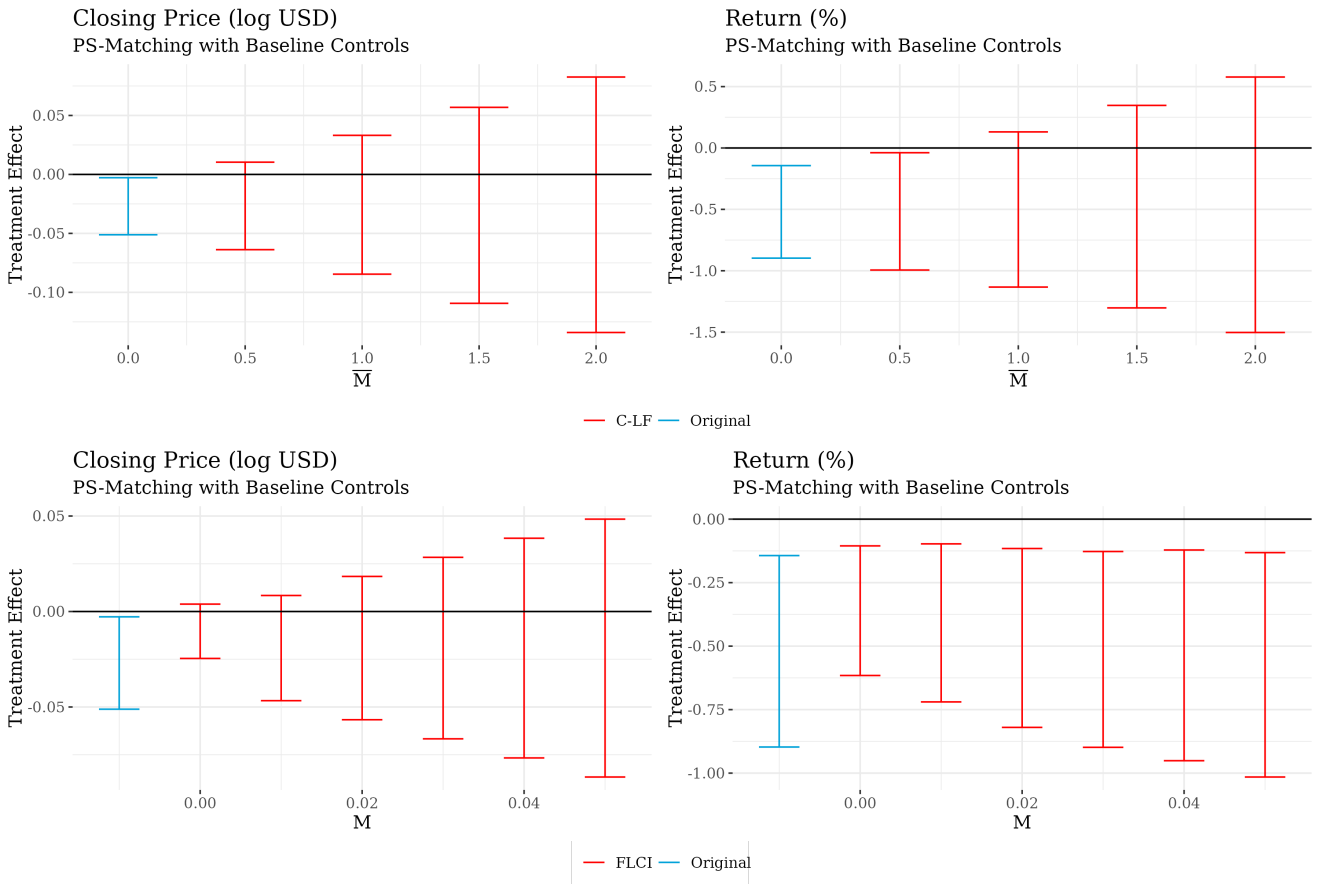
Note: The plot shows coefficients γ_t from event-study regression $\pi_{it} = \sum_{t \neq -1} \gamma_t L_i T_t + \sum_{t \neq -1} \beta_t X_i T_t + \sum_t \tau_t T + \delta_i + \epsilon_{it}$ with T_t equal to dummy variables centered around the election day at $t = 0$. The dummy of the interval before the election interacted with the treatment indicator is omitted. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level and 95% confidence intervals are shown.

Figure 8: Event Study Plots Around De Facto Withdrawal from TPP on Returns: Alternative Controls



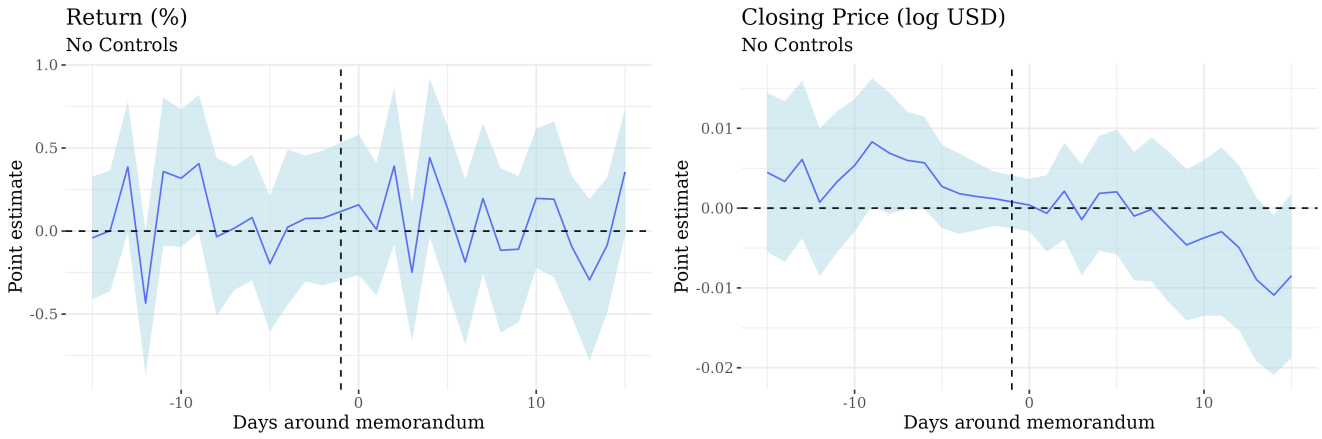
Note: The plot shows coefficients γ_t from event-study regression $\pi_{it} = \sum_{t \neq -1} \gamma_t L_i T_t + \sum_{t \neq -1} \beta_t X_i T_t + \sum_t \tau_t T + \delta_i + \epsilon_{it}$ with T_t equal to dummy variables centered around the election day at $t = 0$. The dummy of the interval before the election interacted with the treatment indicator is omitted. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Stocks were weighted using matching weights from propensity score matching detailed in Table 6. Standard errors are clustered at the stock-level and 95% confidence intervals are shown.

Figure 9: Rambachan and Roth (2023) Sensitivity Checks



Note: The plot visualizes coefficients and 95% confidence intervals from the event study sensitivity checks proposed by Rambachan and Roth (2023). Both upper plots allow for deviations from parallel trends post-treatment by $\bar{M}$ times the maximum violation of trends prior to treatment. Both lower plots allow for M changes in the slope of the pre-trend.

Figure 10: Event Study Plots Around De Jure Withdrawal from TPP



Note: The plot shows coefficients γ_t from regression $\pi_{it} = \sum_{t \neq -1} \gamma_t L_i T_t + \sum_{t \neq -1} \beta_t X_i T_t + \sum_t \tau_t T + \delta_i + \epsilon_{it}$ with T_t equal to dummy variables for each weekday centered around the 23. of January 2017, the day Donald Trump signed the presidential memorandum to withdraw the U.S. from the TPP agreement. The dummy of the interval before the withdrawal interacted with the treatment indicator is omitted. No controls were used. Standard errors are clustered at the stock-level and 95% confidence intervals are shown.

Supplementary Tables

Table 5: Summary Statistics

	mean	sd	min	max	n
Stock Perfomance					
Closing Price (log USD)	4.153	0.731	0.000	6.728	9072
Return (%)	0.196	2.100	-28.303	29.807	9072
Abnormal Return (%)	-0.003	1.984	-28.594	29.464	9072
Lobbying on TPP					
TPP Lobby Reports (0/1)	0.234	0.423	0.000	1.000	9072
TPP Lobby Reports in 2016 (0/1)	0.206	0.404	0.000	1.000	9072
TPP Lobby Reports (log #)	0.683	1.336	0.000	5.525	9072
TPP Lobby Reports Amount (log USD)	3.544	6.506	0.000	20.116	9072
TPP Trade Committee (0/1)	0.088	0.283	0.000	1.000	9072
General Lobbying					
Lobby Reports (0/1)	0.745	0.436	0.000	1.000	9072
Reports on Trade (0/1)	0.389	0.488	0.000	1.000	9072
Lobby Reports (log #)	3.109	2.114	0.000	7.428	9072
Lobby Reports Trade (log #)	1.162	1.615	0.000	5.106	9072
TPP Agreement Keywords					
TPP keyw. (0/1)	0.667	0.471	0.000	1.000	9072
TPP Susp. Provision Keyw. (0/1)	0.639	0.480	0.000	1.000	9072
TPP IP Provision Keyw. (0/1)	0.336	0.472	0.000	1.000	9072
TPP Invest. Provision Keyw. (0/1)	0.373	0.484	0.000	1.000	9072
TPP Fin. Serv. Provision Keyw. (0/1)	0.472	0.499	0.000	1.000	9072
Online News Articles					
Media 2015-16 (0/1)	0.032	0.177	0.000	1.000	9072
Top Media 2015-16 (0/1)	0.014	0.117	0.000	1.000	9072
Media 2016 (0/1)	0.023	0.150	0.000	1.000	9072
Top Media 2016 (0/1)	0.012	0.107	0.000	1.000	9072
Firm Characteristics					
Total Factor Productivity	0.884	0.037	0.740	1.050	9072
Avg. Tariffs (0 imp., 4d sic, %)	0.560	1.692	0.000	11.364	9072
Leverage (ratio)	0.858	0.210	0.000	1.685	9072
Profitability (ratio)	0.036	0.336	-5.278	1.931	9072
Camp. Contrib. Dems. (log USD)	8.742	4.343	0.000	14.567	9072
Camp. Contrib. Reps. (log USD)	9.042	4.651	0.000	14.507	9072

Note: The table shows summary statistics of variables in our baseline sample. The sample is a balanced panel at the stock and workday level for a window of [-15, 15] days where 0 marks the U.S. presidential election on the 8th of November 2016. Except for our measures of stock performance, all other variables are time-invariant.

Table 6: Balance of Main Observables Across Treatment Groups

	Unmatched			Matched		
	Treated	Never Treated		Treated	Never Treated	
	Mean	Mean	ASMD	Mean	Mean	ASMD
Characteristics						
Matching Distance	0.732	0.082	2.269	0.732	0.731	0.006
Total Factor Productivity	0.889	0.882	0.204	0.889	0.899	0.288
Leverage (ratio)	0.905	0.843	1.015	0.905	0.908	0.044
Profitability (ratio)	0.066	0.027	0.282	0.066	0.112	0.33
Camp. Contrib. Dems. (log USD)	11.089	8.026	1.079	11.089	10.913	0.062
Camp. Contrib. Reps. (log USD)	11.399	8.322	1.013	11.399	11.336	0.021
Lobby Reports (log #)	4.814	2.588	2.005	4.814	4.796	0.016
Lobby Reports Trade (log w. #)	2.535	0.262	2.375	2.535	2.525	0.01
Num. Obs	101	331		101	331	

Note: The table shows the absolute standardized mean difference of time-invariant firm characteristics between treated and untreated firms before and after matching. A treated company mentioned the TPP agreement at least once between 2010 and the election in 2016 in lobbying reports filed with the U.S. Congress.

Table 7: List of News Reports of Corporate Lobbying on TPP

Date	Source	Source Popularity	Title	S&P500 Company
2016-09-26	The Guardian	High	What are the big tech companies lobbying for this election?	Apple Inc Microsoft Corp Amazon Inc Alphabet Inc
2016-08-15	Yahoo Sports	High	UPS CEO sees 'sense of urgency' over TPP as China seeks own deal	United Parcel Service
2016-05-03	New Bloom Magazine	Low	The Real Black Box?: Taiwan and the TPP	Nike Inc Apple Inc Walmart General Electric AT&T Inc
2016-02-25	Ars Technica	Low	Disney CEO asks employees to chip in to pay copyright lobbyists	The Walt Disney Company
2015-11-22	Des Moines Register	Low	U.S. agribusinesses lobby heavily for Trans-Pacific deal	Caterpillar Inc
2015-10-27	The Business of Fashion	Low	Money Well Spent? Why Fashion Companies Spend Big on Lobbying Governme...	Target Corp Nike Inc
2015-10-25	The Globe and Mail	Low	TPP deal is bad for the auto sector, Ford Canada chief says	General Motors Ford Motor Company
2015-10-09	CBC News	Low	Mickey Mouse protection, the TPP and why America remains unequal: Don ...	Apple Inc Amazon Inc
2015-10-07	The New Yorker	High	Silicon Valley's Big T.P.P. Win	Apple Inc Microsoft Corp
2015-05-12	The Intercept	Low	You Can't Read the TPP, But These Huge Corporations Can	Nike Inc Apple Inc Walmart General Electric AT&T Inc
2015-05-08	The Guardian	High	The Trans-Pacific Partnership suggests Obama has no sense of irony	Nike Inc
2015-05-08	Vietnam Briefing	Low	Yarn Forward's Effect on the Trans-Pacific Partnership and Vietnam	Target Corp Walmart
2015-01-20	Footwear News	Low	Joni Ernst Wears Camo Heels for GOP Response to Obama's State of the U...	Nike Inc
2011-07-12	IISD Reporting Services	Low	Philip Morris v. Uruguay: Will investor-State arbitration send restric...	*Philip Morris International*

Note: The table lists all news articles identified from Google News that reported on the lobbying activities by a specific company on TPP until the election. Companies in italics were not identified as lobbyists with the Congressional lobbying reports. A source is coded as highly popular if it is mentioned among the top 16 online news media sites in the U.S. by Newman, Fletcher, Levy, and Nielsen (2016).

Table 8: List of Variables Used in LASSO Covariate Selection

Number	Name of variable	Number	Name of variable
1	Assets - Other (AO)	104	Revenue - Total (REVT)
2	Assets - Total (AT)	105	Sales
3	Assets and Liabilities Other Net Change (AOLOCH)	106	Sales/Turnover (Net) (SALE)
4	CIBEGNIY – Comp Inc - Beginning Net Income (CIBEGNIY)	107	Sales/Turnover (Net) (SALEY)
5	CITOTALY – Comprehensive Income - Parent (CITOTALY)	108	Sic: 10
6	Capital Expenditures (CAPXY)	109	Sic: 13
7	Cash and Cash Equivalents - Increase (Decrease) (CHECHY)	110	Sic: 14
8	Cash and Cash Equivalents Increase/(Decrease) (CHECH)	111	Sic: 15
9	Cash and Short-Term Investments (CHE)	112	Sic: 17
10	Common Equity Liquidation Value (CEQL)	113	Sic: 20
11	Common Equity Tangible (CEQT)	114	Sic: 21
12	Common Shares Used to Calculate Earnings Per Share - 12 Months Moving (CSH12Q)	115	Sic: 22
13	Common Shares Used to Calculate Earnings Per Share - Basic (CSHPRQ)	116	Sic: 23
14	Common Shares Used to Calculate Earnings Per Share - Basic (CSHPRY)	117	Sic: 24
15	Common Shares Used to Calculate Earnings Per Share Basic (CSHPRI)	118	Sic: 26
16	Common Stock Equivalents - Dollar Savings (CSTKE)	119	Sic: 27
17	Common Stock Equivalents - Dollar Savings (CSTKEY)	120	Sic: 28
18	Common/Ordinary Equity - Total (CEQ)	121	Sic: 29
19	Comp Inc - Beginning Net Income (CIBEGNI)	122	Sic: 30
20	Comp Inc - Other Adj (CIOTHER)	123	Sic: 33
21	Comprehensive Income - Noncontrolling Interest (CIMII)	124	Sic: 34
22	Comprehensive Income - Noncontrolling Interest (CIMIIY)	125	Sic: 35
23	Comprehensive Income - Total (CI)	126	Sic: 36
24	Comprehensive Income - Total (CITOTAL)	127	Sic: 37
25	Comprehensive Income - Total (CIY)	128	Sic: 38
26	Contributions to Democrats	129	Sic: 39
27	Contributions to Republicans	130	Sic: 40
28	Cost of Goods Sold (COGS)	131	Sic: 42
29	Cost of Goods Sold (COGSY)	132	Sic: 44
30	Cumulative Adjustment Factor by Ex-Date (ADJEX)	133	Sic: 45
31	Debt in Current Liabilities - Total (DLC)	134	Sic: 47
32	Dilution Adjustment (DILADJ)	135	Sic: 48
33	Dilution Adjustment (DILADQ)	136	Sic: 49
34	Dilution Adjustment (DILADY)	137	Sic: 50
35	Dilution Available - Excluding Extraordinary Items (DILAVQ)	138	Sic: 51
36	Dilution Available - Excluding Extraordinary Items (DILAVY)	139	Sic: 52
37	Dilution Available Excluding Extraordinary Items (DILAVX)	140	Sic: 53
38	Discontinued Operations (DO)	141	Sic: 54
39	Discontinued Operations (DOY)	142	Sic: 55
40	Dividends - Preferred/Preference (DVP)	143	Sic: 56
41	Dividends - Preferred/Preference (DVPY)	144	Sic: 57
42	Earnings Before Interest and Taxes (EBIT)	145	Sic: 58
43	Earnings Per Share (Basic) - Excluding Extraordinary Items (EPSPXY)	146	Sic: 59
44	Earnings Per Share (Basic) - Excluding Extraordinary Items - 12 Months Movi (EPSX12)	147	Sic: 60
45	Earnings Per Share (Basic) - Including Extraordinary Items (EPSPIY)	148	Sic: 61
46	Earnings Per Share (Basic) - Including Extraordinary Items - 12 Months Movi (EPSPI12)	149	Sic: 62
47	Earnings Per Share (Basic) Excluding Extraordinary Items (EPSPX)	150	Sic: 63
48	Earnings Per Share (Basic) Including Extraordinary Items (EPSPI)	151	Sic: 64
49	Earnings Per Share from Operations (OPEPS)	152	Sic: 67
50	Earnings Per Share from Operations (OPEPSY)	153	Sic: 70
51	Earnings Per Share from Operations - 12 Months Moving (OEPS12)	154	Sic: 72
52	Employees	155	Sic: 73
53	Exchange Rate Effect (EXREY)	156	Sic: 78
54	Extraordinary Items and Discontinued Operations (Cash Flow) (XIDOC)	157	Sic: 79
55	Extraordinary Items and Discontinued Operations (XIDO)	158	Sic: 80
56	Extraordinary Items and Discontinued Operations (XIDOY)	159	Sic: 87
57	Financing Activities - Net Cash Flow (FINCFY)	160	Sic: 99

(Continued on Next Page...)

Table 8: List of Variables Used in LASSO Covariate Selection *(continued)*

Number	Name of variable	Number	Name of variable
58	Financing Activities - Other (FIAOY)	161	Size (Assets)
59	Financing Activities Net Cash Flow (FINCF)	162	Standard Industrial Classification - Historical (SICH)
60	Financing Activities Other (FIAO)	163	State: AL
61	Fiscal Quarter (FQTR)	164	State: AR
62	Funds from Operations Other (FOPO)	165	State: AZ
63	Gross Profit (Loss) (GP)	166	State: CA
64	Income Before Extraordinary Items (Cash Flow) (IBC)	167	State: CO
65	Income Before Extraordinary Items (IB)	168	State: CT
66	Income Before Extraordinary Items (IBY)	169	State: DC
67	Income Before Extraordinary Items - Adjusted for Common Stock Equivalents (IBADJY)	170	State: DE
68	Income Before Extraordinary Items - Available for Common (IBCOMY)	171	State: FL
69	Income Before Extraordinary Items Adjusted for Common Stock Equivalents (IBADJ)	172	State: GA
70	Income Before Extraordinary Items Available for Common (IBCOM)	173	State: IA
71	Income Taxes - Total (TXT)	174	State: ID
72	Invested Capital - Total (ICAPT)	175	State: IL
73	Investing Activities - Net Cash Flow (IVNCFY)	176	State: IN
74	Investing Activities - Other (IVACOY)	177	State: KY
75	Investing Activities Net Cash Flow (IVNCF)	178	State: LA
76	Investing Activities Other (IVACO)	179	State: MA
77	Leverage	180	State: MD
78	Leverage	181	State: ME
79	Liabilities - Other - Total (LO)	182	State: MI
80	Liabilities - Total (LT)	183	State: MN
81	Liabilities - Total and Noncontrolling Interest (LTMIBQ)	184	State: MO
82	Liabilities and Stockholders Equity - Total (LSE)	185	State: MT
83	Long-Term Debt - Total (DLTT)	186	State: NA
84	Multinational (Foreign Sales)	187	State: NC
85	Multinational (Foreign Taxes)	188	State: NE
86	Net Deferred Tax Asset (Liab) - Total (TXNDB)	189	State: NH
87	Net Income (Loss) (NI)	190	State: NJ
88	Net Income (Loss) (NIY)	191	State: NV
89	Net Income Adjusted for Common/Ordinary Stock (Capital) Equivalents (NIADJ)	192	State: NY
90	Nonoperating Income (Expense) (NOPI)	193	State: OH
91	Notes Payable Short-Term Borrowings (NP)	194	State: OK
92	Number Lobbying Reports	195	State: OR
93	Number of Reports on Trade	196	State: PA
94	Operating Activities - Net Cash Flow (OANCFY)	197	State: RI
95	Operating Activities Net Cash Flow (OANCF)	198	State: TN
96	Operating Expense- Total (XOPRY)	199	State: TX
97	Operating Expenses Total (XOPR)	200	State: UT
98	Operating Income After Depreciation (OIADP)	201	State: VA
99	Preferred Stock Redemption Value (PSTKRV)	202	State: WA
100	Preferred/Preference Stock (Capital) - Total (PSTK)	203	State: WI
101	Pretax Income (PI)	204	Stockholders Equity - Total (TEQ)
102	Pretax Income (PIY)	205	Stockholders' Equity - Total (SEQ)
103	Profitability	206	Treasury Stock - Total (All Capital) (TSTK)

Table 9: DiD with Heterogeneous Effects from News Reporting on Lobbying

	(1)	(2)	(3)	(4)
	Return	Return	Return	Return
TPP Lobb. (0/1)	-0.518***	-0.468***	-0.479***	-0.465***
	(0.179)	(0.179)	(0.179)	(0.179)
TPP Lobb. (0/1) × Media 2015-16 (0/1)	0.608***			
	(0.166)			
TPP Lobb. (0/1) × Top Media 2015-16 (0/1)		0.528***		
		(0.203)		
TPP Lobb. (0/1) × Media 2016 (0/1)			0.450**	
			(0.197)	
TPP Lobb. (0/1) × Top Media 2016 (0/1)				0.582***
				(0.207)
Adjustment	Controls + Matching	Controls + Matching	Controls + Matching	Controls + Matching
2-way FE	✓	✓	✓	✓
S.E. Clu.	Stock	Stock	Stock	Stock
Sample Period	-10,10	-10,10	-10,10	-10,10
Num.Obs.	9072	9072	9072	9072
R2	0.344	0.344	0.344	0.344

Note: The table shows coefficients γ from multiple difference-in-difference regression $\pi_{it} = \gamma L_i P_t + \sum_{t \neq -1} \beta_t X_i \tau_t + \delta_i + \tau_t + \epsilon_{it}$ where P_t indicates the begin of the treatment period. We omit this time dummy from the table for the ease of exposition. The indicators of media exposure of corporate lobbying are based on all reports during 2015-2016, only top news media in 2015-2016, all reports in 2016 and top news media in 2016. Control variables are pre-election stock fundamentals including return on equity, and leverage, further firm characteristics such as total factor productivity, the political leaning of corporations indicated by money spent on campaign contributions to Republicans and Democrats, and additional lobbying variables including the log number of lobbying reports on any issue and the log weighted number of reports on trade issues. All controls are interacted with time dummies. Standard errors are clustered at the stock-level with significance levels 0.01 (***), 0.05 (**) and 0.1 (*).

Keywords of Provisions in the TPP Agreement

1. Initial Provisions and General definitions (3 Articles, 1 Annex – no suspensions)
2. National Treatment and Market Access (32 Articles, 4 Annexes – no suspensions)

   `National treatment, market access, custom duty, import restrictions, export restrictions, export restriction, export tax, export duty, export quota, export license, export licensing, export fee, export ban, export subsidies, export price control, quantitative restrictions on exports, QRE, export rationing, export shortage, export certificate of origin, remanufactured goods, import license, import licensing`
3. Rules of Origin and Origin Procedures (32 Articles, 3 Annexes – no suspensions)

   `rules of origin, ROO, certificate of origin, certification of origin, cumulation, value content, origin procedure, originating goods, originating materials`
4. Textiles and Apparel (9 Articles – no suspensions)

   `Textile, apparel, fibres, yarn, fabrics, cottage`
5. Customs Administration and Trade Facilitation (11 Articles – 1 suspension)

   `trade facilitation, customs, shipment inspection, border agency, Bali, Trade Facilitation Agreement, TFA`
6. Trade Remedies (8 Articles, 8 Annex – no suspensions)

   `trade remedies, trade remedy, dumping, antidumping (anti-dumping), AD, price undertaking, injury, injuries, fair trade, countervailing, CVD, state aid, state subsidies, state subsidy, zeroing, overseas subsidies, overseas subsidy, illegal subsidies, illegal subsidy, prohibited subsidies, prohibited subsidy, nonmarket economy, nonmarket economies, non-market economies, safeguards`

7. Sanitary and Phytosanitary Measures (18 Articles – no suspensions)

   `sanitary, phytosanitary, SPS, MRL, pesticide, hormone, pest-free, disease-free`

8. Technical Barriers to Trade (12 Articles, 6 Annexes – no suspensions)

   `TBT, technical barriers to trade, conformity, international standards`

9. Investment (30 Articles, 12 Annexes – 3 suspensions)

   `dispute settlement, ISDS, arbitration, court, Trade Related Investment Measures, TRIM, investment, investor, FDI, portfolio, expropriation, fair and equitable treatment, FET, international investment agreement, IIA, bilateral investment treaty, BIT, national treatment, Most-Favoured-Nation, MFN Treatment`

10. Cross Border Trade in Services (13 Articles, 3 Annexes – 1 suspension)

    `services, service trade, GATS, postal`

11. Financial Services (22 Articles, 5 Annexes – 2 suspensions)

    `capital transfer, capital inflow, capital transaction, financial, currency, currencies, insurance, banking, Minimum Standard of Treatment`

12. Temporary Entry for Business Persons (10 Articles – no suspensions)

    `visa, migration, migrant, asylum, refugee, visitor, citizenship, nationality, nationalities, immigration, temporary entry, business person, business travel`

13. Telecommunications (26 Articles, 2 Annexes – 1 suspension)

    `Telecommunication, telephone, mobile services, roaming, interconnection, broadcast, cable, radio, television, network`

14. Electronic Commerce (18 Articles – no suspensions)

    `Electronic commerce, digital product(s), electronic transmission, electronic transaction, paperless trading, cybersecurity, digital trade, data flow`

15. Government Procurement (24 Articles – 2 suspensions)

    `procurement, GPA, RGPA, bidding, bidder, tender, tendering, auction`

16. Competition (9 Articles, 1 Annexes – no suspensions)

    `competition, competitor, antitrust, anti-trust, monopoly, monopolies, monopolist, cartel, market dominance, undertaking, state aid, anticompetitive, (anti-competitive), merger and acquisition, mergers and acquisition, M&A, consumer protection, collusive, price control, collusion, merger, takeover`

17. State-Owned Enterprises (15 Articles, 6 Annexes – no suspensions)

    `state owned, state-owned, state controlled (state-controlled), state enterprise, state-enterprise, SOE, government monopoly, government monopolies, sovereign wealth fund, SWF, state investment, state intervention, government control, SO, SE, designated monopolies`

18. Intellectual Property (83 Articles, 6 Annexes – 13 suspensions)

    `intellectual property, IPR, IP, patent, copyright, copy-right, trademark, geographical indication, data protection, industrial design, GI, TRIPS, licensing, license, rights management information, RMI, technological protection measures, TPMs`

19. Labour (15 Articles – no suspensions)

    `employment, working condition, corporate social responsibility, collective bargaining, labor standard, child labor, labor practice, labor issue, compulsory labor, labor provision, forced labor, forced labour, ILO, ILO declaration, labour rights, labor rights, labor law, labour law`

20. Environment (23 Articles, 2 Annexes – 1 suspension)

    `environment, environmental law, environmental standard, environmental regulation, environmental protection, biodiversity, carbon, emission, pollution, sustainable, species, toxic, waste, conservation, hazardous, clean energy, clean energies, renewable, climate change, climate security, greenhouse, ozone, ozone-depleting, ozone layer, deforestation, GHG, particle, marine`

21. Cooperation and Capacity Building (6 Articles – no suspensions)

    `Cooperation, capacity building`

22. Competitiveness and Business Facilitation (5 Articles – no suspensions)

    `Supply chain, business facilitation, trade facilitation, promote trade, promote integration`

23. Development (9 Articles – no suspensions)

    `Development, welfare, poverty, living standards, economic growth, women, education`

24. Small and Medium-Sized Enterprises (3 Articles – no suspensions)

    `Small and medium-sized enterprises, SMEs, SME`

25. Regulatory Coherence (11 Articles – no suspensions)

    `Regulatory coherence, regulatory measures, regulatory practices`

26. Transparency and Anti-Corruption (12 Articles. 1 Annex with 6 articles – 1 suspension)

    `Transparency, corruption, anticorruption, anti-corruption, procedural fairness`

27. Administrative and Institutional Provisions (7 Articles – no suspensions)

28. Dispute Settlement (23 Articles – no suspensions)

    `Dispute settlement, disputing, complaining party, consulting party, consultation, conciliation, mediation, consulting panel, panels`

29. Exceptions (8 Articles – no suspensions)

    `General exceptions, temporary safeguard`

30. Final Provisions (8 Articles – no suspensions)