Why Do Politicians Intervene in Accounting Regulation?

The Role of Ideology and Special Interests*

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Data Description Sheet

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1. *A description of which author(s) handled the data and conducted the analyses.*

   All authors were involved in the collection of the data. Data handling and analyses were primarily performed by Christoph Sextroh as described in more detail below (see #2 in particular).

2. *A detailed description of how the raw data were obtained or generated, including data sources, the specific date(s) on which data were downloaded or obtained, and the instrument used to generate the data (e.g., for surveys or experiments). We recommend that more than one author is able to vouch for the stated source of the raw data.*

   a) Politicians' Statements on Fair Value Accounting

   Fair value debate

   Our analysis of the fair value debate is based on hand-collected data of U.S. politician's involvement in the debate between September 1, 2008, and April 30, 2009. We obtained the data by conducting a comprehensive review of publicly available documents and web resources, i.e., press releases, press articles, speeches, interviews, public hearings, congressional reports and other publicly available documents, for all members of the 110th U.S. Congress (see section 3.1 in the paper for a description of the data collection).

   We retrieved data on all members of the 110th Congress from Charles Stewart III and Jonathan Woon's Congressional database (http://web.mit.edu/17.251/www/data_page.html) on December 3, 2011. Christoph Sextroh handled the dataset and structured the corresponding collection of raw data (e.g., documents, press releases, etc.) from publicly available documents and web resources. To identify potentially relevant documents, we used the internal search

features provided by the website or database and searched for the terms *fair value*/*fair-value* or *mark to market*/*mark-to-market*. We include the following resources to collect the raw data:

Official websites:

We accessed the official websites of all individual members of the 110th Congress, the Congress of the United States (http://www.congress.gov) including Congressional Records (https://www.congress.gov/congressional-record/), the House of Representatives (http://www.house.gov), and the U.S. House Committee on Financial Services (http://financialservices.house.gov) between February and April 2012. Note that individual websites are typically only available for Congress members currently in office, i.e., individual websites were not available for Congress members who retired before our data collection. We included additional resources other than official websites to alleviate any resulting concerns relating to the completeness and representativeness of the data.

Factiva / LexisNexis:

We retrieved and coded potentially relevant statements included as citations in U.S. newspapers and magazines during the relevant sample period from *Factiva* and *LexisNexis* between February and May 2013.

Vote Smart:

We retrieved and coded raw data on politicians' statements from the non-partisan research organization *Vote Smart* (http://www.votesmart.org) between April and June 2013. The organization collects and distributes information on U.S. politicians from various sources (including broadcasting media).

Structured Search using Google.com

We conducted a structured search using Google.com between February and April 2012 to (1) ensure that our data collection is not systematically biased against politicians that are not member of Congress anymore at the time of the data collection and to (2) identify specific congressional documents referenced in other documents, but not available on official websites (i.e., congressional correspondence with regulators). To identify additional politician-specific statements, we searched Google.com for the aforementioned keywords in combination with the name of the politician. To identify specific congressional correspondence, we searched for the title and/or name of a referenced document within the relevant time period.

Christoph Sextroh handled and structured all aspects of the data collection with three research assistants. He and at least one research assistant independently read each document, identified relevant statements made by Congress members, recorded relevant statement characteristics (e.g., type, date, etc.), and classified the direction of the statement (i.e., "positive", "negative", or "neutral" towards fair value accounting). Please refer to appendix A of this document for examples of the classification.

Christoph Sextroh also handled the additional classification of the content/context of identified statements together with a research assistant between July and September 2016 (see section 5.3 of the paper). He selected the quotes presented in Appendix OE.1 of the paper.

Stock option debate

Our analysis of the stock option debate is based on representatives (co-)sponsorship of proposed legislation H.R. 1372 and H.R. 3574 as well as their voting on H.R. 3574 on July 20, 2004. Christoph Sextroh obtained raw data on (co-)sponsorships in the U.S. House of Representatives during the 108th U.S. Congress collected by James H. Fowler, Andrew Scott Waugh, and Yunkyu Sohn in July 2017 directly from the corresponding website (http://jhfowler.ucsd.edu/cosponsorship.htm). Please refer to Fowler (2006): "Connecting the Congress: A Study of Cosponsorship Networks", *Political Analysis*, 14(4), 456-487, and Fowler (2006): "Legislative Cosponsorship Networks in the U.S. House and Senate", *Social Networks*, 28(4), p. 454-465, for more information on the features of the data and how it was retrieved and processed. Christoph Sextroh also retrieved data on Congress members' voting behavior from Keith Poole's Voteview data website (http://voteview.com) on May 16, 2012.

For the content analysis, Holger Daske and Christoph Sextroh obtained representatives' statements by conducting a comprehensive review of publicly available documents and web resources, i.e., press releases, press articles, speeches, interviews, public hearings, and congressional reports for all members of the 108th U.S. Congress. In addition, they used the Wayback Machine (https://archive.org/) to access representatives' historical websites. Holger Daske inductively identify argument categories for the analysis of differences in representatives' rationales between January 1, 2002 and December 31 2004, and manually coded those categories (Holger Daske selected the quotes of individual representatives presented in Appendix OE.2 of the paper).

b) Political campaign contributions

We obtained data on campaign contributions to individual candidates (including contributions from political action committees and individuals) from the Center for Responsive Politics (CRP, http://www.opensecrets.org). Christoph Sextroh retrieved the data on April 16, 2012, as a bulk download from the website of the CRP. The data is available for non-commercial use as a part of CRP's open data initiative.

c) Industry connections

Christoph Sextroh obtained the comment letters issued to the FASB in response to FAS 157-e and FAS 115-a as well as from the website of the Financial Accounting Standards Board (http://www.fasb.org) in September 2013. He and a research assistant independently read each comment letter, identified whether it supports the proposed accounting changes, and manually

matched each letter with the issuing commercial bank based on the name/location as indicated in the letter and the name/location as recorded by the Federal Reserve Bank of Chicago (see #2d below for more information on bank-specific data).

Additional comment letters in response to stock option issues No. 1101-001, 1102-001 and 1102-100 were obtained in May 2018. Christoph Sextroh and a research assistant independently read each comment letter, identified whether it opposes the expensing of stock options, and manually matched each letter with the corresponding political action committees as reported by the CRP (see #2b), if available.

Members of the International Employee Stock Option Coalition (IESOC) were manually identified from the internet archive (http://www.archive.org) of the IESOC website (http://www.savestockoptions.org) in April 2018. All identified companies and associations were then manually matched with corresponding political action committees as reported by the CRP (see #2b), if available.

d) Ideology data

Christoph Sextroh retrieved data on DW-NOMINATE ideology scores from Keith Poole's Voteview data website (http://voteview.com) on May 10, 2012, and data on common-space campaign finance score (CFscore) from Adam Bonica's Database on Ideology, Money in Politics, and Elections (DIME) (http://data.stanford.edu/dime) on January 27, 2017. He also obtained the U.S. Congress Caucus data used to identify members of the Republican Study Committee from the website of Jennifer Nicoll Victor at George Mason University (http://mason.gmu.edu/~jvictor3/Data/) on April 11, 2016.

Jannis Bischof and Christoph Sextroh collected the data for the alternative ideology measures based on ideology scores published by FreedomWorks (http://www.freedomworks.org) and candidate endorsements published by the Tea Party Express (http://www.teapartyexpress.org). We retrieved the raw data from respective websites in March 2016.

e) Bank-specific data

We obtained bank-specific accounting and stock price data from the data releases for form FR Y-9C filed with the Chicago Fed (https://www.chicagofed.org/publications/data-releases), Compustat Bank Fundamentals Quarterly and the Center for Research in Security Prices (both available via the Wharton Research Data Services (https://wrds-web.wharton.upenn.edu)). To link the regulatory identification numbers (RSSD ID) from the Chicago Fed to the permanent company number (PERMCO) used in the Center for Research in Security prices, we used the CRSP-FRB link provided by the Federal Reserve Bank of New York (https://www.newyorkfed.org/research/banking_research/datasets.html). Christoph Sextroh retrieved the data on September 19, 2014.

Christoph Sextroh also handled the datasets and performed the manual matching of bank holding companies with political action committees as reported by the CRP (see #2b). The matching takes into account all commercial banks and bank holding companies included in the Chicago Fed system, thereby tracking individual corporations in the CRP file to the ultimate parent BHC in the Chicago Fed file.

Jannis Bischof and Christoph Sextroh retrieved the list of systematically important financial institutions from the website of the Financial Stability Board (http://www.fsb.org/2011/11/r_111104bb/) and the list of participants in the April/May 2009 Supervisory Capital Assessment Program from the Board of Governors of the Federal Reserve System (https://www.federalreserve.gov/newsevents/press/bcreg/bcreg20090507a1.pdf) on September 9, 2016. Christoph Sextroh handled the data and performed the related statistical analysis (see online appendix).

f) Additional stock option-specific data

Holger Daske contacted David B. Farber, Marilyn F. Johnson, and Kathy Petroni (authors of Farber et al. (2007): "Congressional Intervention in the Standard-Setting Process: An Analysis of the Stock Option Accounting Reform Act of 2004", *Accounting Horizons*, 21(1), pp. 1-22) in October 2017 and kindly requested access to the data on stock option expenses and estimated potential effects of the FASB proposal the authors hand-collected from the pro forma footnote disclosure of stock option expense in firms' 2003 10-Ks. Dave Farber kindly provided access to the adjusted Compustat data items #398 and #399 in October 2017 (see Farber et al., 2007, for a description of the data). The sample was then manually matched with corresponding political action committees as reported by the CRP (see #2b).

g) Politician- and congressional district-specific data

Christoph Sextroh retrieved data on Congress members' voting behavior from Keith Poole's Voteview data website (http://voteview.com) on May 16, 2012. He also obtained election data from the Federal Election Commission (http://www.fec.gov) on May 25, 2012, and collected data on special elections (i.e., elections during the congressional cycle, e.g., if the incumbent resigns or retires) from Wikipedia (http://wikipedia.org) on April 7, 2014.

We obtained data on committee membership, seniority, and retirement for all members of the 108th and 110th Congress from Charles Stewart III and Jonathan Woon's Congressional database (http://web.mit.edu/17.251/www/data_page.html) (see #2a). Data on representatives' business background was manually collected from biographical information from CRP (which includes information from the Biographical Directory of the U.S. Congress (http://bioguide.congress.gov)) in February 2012. We retrieved labor statistics for each county from the Bureau of Labor Statistics (https://www.bls.gov) in January 2014, regional data on the gross domestic product for metropolitan statistical areas was obtained from the U.S. Bureau of Economic Analysis as well as regional data on the number of denied home

mortgage loan application on county-level from the Consumer Financial Protection Bureau (http://www.consumerfinance.gov) in May 2018. We then used MABLE-Geocorr *2K* (version 1.3.3., August 2013) from the Missouri Census Data Center (http://mcdc2.missouri.edu/websas/geocorr2k.html) to transform the data to congressional district level. Data for the 2008 Cooperative Congressional Election Survey (http://projects.iq.harvard.edu/cces/home) was retrieved on January 30, 2013. Christoph Sextroh handled the aforementioned data and performed the related statistical analyses.

Holger Daske obtained the comment letters submitted by members of Congress to the FASB or the SEC Division of Corporate Finance between 2002 and July 9, 2008, from the website corresponding institutions' website (http://www.fasb.org; https://www.sec.gov/rules.shtml) in July 2015.

h) Media data

Christoph Sextroh retrieved the data for the media analysis (section 4.2; Figure 1) from Dow Jones Factiva in March 2019. We pre-process all article corpora following Gentzkow et al. (2019a, 2019b) by removing hyphens and apostrophes, replacing all other punctuation with spaces, and reducing words to their stems according to the Porter2 stemming algorithm. We use Python to process the data and perform the analyses.

3. *If the data are obtained from an organization on a proprietary basis, the authors should privately provide the editors with contact information for a representative of the organization who can confirm data were obtained by the authors. The editors would not make this information publicly available. The authors should also provide information to the editors about the data sharing agreement with the organization (e.g., non-disclosure agreements, any restrictions imposed by the organization on the authors, such as restrictions to publish certain results).*

All the data used in this study is available from public resources for non-commercial use.

4. *A complete description of the steps necessary to collect and process the data used in the final analyses reported in the paper. For experimental and survey papers, we require information about the instructions and instruments used to generate the data, subject eligibility and/or selection, as well as any exclusion criteria. The full set of instructions and instruments can be provided in the online appendix.*

We describe the data used in the main analysis in section 3, section 4, and appendix A of the paper. Information about the hand-coding of content and context of statements is described in section 3.3 and 4.3 of the paper; examples for coding can be found in online appendix OE. For further details, see #2 above.

5. *Prior to final acceptance of the paper, the computer program used to convert the raw data into the dataset used in the analysis plus a brief description that enables other researchers to use this program. Instead of the program, researchers can provide a detailed step-by- step description that enables other researchers to arrive at the same dataset used in the analysis. The purpose of this requirement is to facilitate replication and to help other researchers understand in detail how the sample was formed, including the treatment of outliers, Winsorization, truncation, etc. This programming is in most circumstances not proprietary. However, we recognize that some parts of the data generation process may indeed be proprietary or otherwise cannot be made publicly available. In such cases, the authors should inform the editors upon submission, so that the editors can consider an exemption from this requirement.*

   We use Microsoft Excel for the hand-collection of information and STATA to convert the raw data and perform all analyses. We use a web scraper based on R to extract web-content on archive.org. We use MAXQDA to organize our content analysis.

   Detailed information regarding different data preparation and analyses steps is available in the accompanying STATA DO-files.

6. *Data and programs should be maintained by at least one author (usually the corresponding author) for at least six years, consistent with National Science Foundation guidelines.*

   The authors will maintain all data and programs for at least six years, consistent with National Science Foundation guidelines.

Appendix A: Examples for the Coding of Fair Value-related Statements

Opinion	Example(s)
Positive	"Rep. Alan Grayson, D-Fla., accused the critics of mark-to-market accounting of wanting to 'shoot the messenger' for bearing bad but largely accurate news about the state of U.S. financial institutions. 'There seems to be a clamoring for changing the mark-to-market rules from institutions that seem to be insolvent,' Grayson said. 'There seems to be a pattern here. ... They don't want to change the rules in the middle of the game. They want to change the rules when the game is already over.' […]"
Negative	"[…] I support a plan that would have Wall Street bail itself out, not hardworking taxpayers, by requiring institutions to insure troublesome assets that are causing today's credit crunch. It would suspend mark-to-market accounting, which forces companies to take losses on artificially devalued assets on an artificial timetable, to give investors more confidence. […]"
Mixed / Neutral	"MR. QUINTANILLA: Congressman, Leader Hoyer, one thing that people keep talking about, the way to get this anchor off the banks would be to somehow change mark to market accounting, change the accounting rules. Some who are close to the Obama administration say that that's not impossible. Is that ball beginning to roll on the Hill? REP. HOYER: I think there's certainly discussions about that. There are differences of opinion as to how much of a role that played in the crisis that confronts us, but nevertheless, we need to discuss all the options available to us to stabilize the financial markets, to give value back to homeowners so that they can feel confidence in going out and purchasing goods and not be worried about the value of their home."