

in brief...

## The returns to lobbying

Last autumn's resignation of Liam Fox, the UK's defence minister, put lobbying back in the spotlight. Research by **Mirko Draca** and colleagues on Washington's 'revolving door' lobbyists gives an indication of the value of political connections in the UK.

The resignation of cabinet minister Liam Fox in October 2011 was yet another challenge to public confidence in the UK's political system. It followed revelations about the expenses of members of parliament (MPs), controversy over the political power of Rupert Murdoch's News International, and severe criticism of former Labour cabinet ministers over the 'cabs for hire' lobbying scandal.

But what can we feasibly say about the returns to lobbying activity in the UK? Our study of the value of political connections in Washington looked at the revenues of US lobbyists who were previously employed by senators. These 'politically connected' lobbyists suffered a 24% fall in revenues when the senator that they used to work for left office. This fall in revenue was worth about \$177,000 in business and represents the value of a connection to a sitting legislator.

This figure can be used as something of a benchmark for calculating the value of being connected to a serving UK cabinet minister. Like senators, cabinet ministers have a lot of strategic power in policy-making and they seem to be the main target of lobbying activity in the UK political system.

Applying our US estimates directly suggests that the median return to a high-level UK connection could be around £122,000 per year. But it has to be said that our estimate is speculative. This is because there is no serious, publicly reported data on lobbying in the UK. We cannot conduct the same type of research here because there is no UK equivalent of the US Lobbying Disclosure Act.

In practice, the UK lobbying industry is likely to be much smaller than the US industry, which is worth \$3 billion annually. This is partly because there is less voting along party lines in the US Congress and representatives are therefore more open to influence from lobbyists. In the



Connections to a UK cabinet minister could be worth up to £122,000 a year for a working lobbyist

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UK, cabinet ministers (rather than non-cabinet MPs) are the focus of lobbying because of their direct decision-making power.

The types of returns to connections seen in the United States are therefore most likely to be concentrated at the cabinet level. The figure of \$177,000 also relates to middle ranking lobbyists. At the upper end of the US industry, 'superstar' lobbyists will have practices worth about \$1.5 million per year and a single senate-level connection would then be worth \$370,000.

The scale of the business dealings of Adam Werritty, Liam Fox's associate, suggests that the return to cabinet-level access in the UK could also be very high. That said, Werritty's case is unusual because it appears that he was functioning as a lobbyist and as a political adviser at the same time. This would have been difficult to achieve in the more transparent US and Canadian systems.

This underscores the need for a UK Lobbying Disclosure Act. Furthermore, transparency in the UK needs to go beyond a simple 'register' of lobbyists – the main current proposal – and embrace the US model, where each lobbying contract is reported on a quarterly basis.

'Revolving Door Lobbyists' by Jordi Blanes i Vidal, Mirko Draca and Christian Fons-Rosen is forthcoming in the *American Economic Review*. It was published as CEP Discussion Paper No. 993 in August 2010 (<http://cep.lse.ac.uk/pubs/download/dp0993.pdf>).

**Jordi Blanes i Vidal** is a lecturer in LSE's management department and a CEP research associate. **Mirko Draca** is a CEP research economist. **Christian Fons-Rosen** is an assistant professor at Universitat Pompeu Fabra. All are part of CEP's research programme on productivity and innovation.