

in brief...

## 'Revolving door' lobbyists

To what extent can former government officials 'cash in' on the personal connections acquired during their periods of public service? Research by **Jordi Blanes i Vidal, Mirko Draca** and **Christian Fons-Rosen** provides the first quantitative evidence of how former congressional staffers benefit from Washington's 'revolving door'.

Lobbyists – professional paid advocates who aim to influence the decisions of legislators or government officials – play an increasingly important role in the political system of the United States and other democracies. In 2008, for example, \$3.97 billion was spent on lobbying US federal officials – more than twice the amount spent ten years earlier. And recent debates on healthcare and financial reform have been marked by sharp criticisms of the role of staffers-turned-lobbyists in watering down the bills.

The movement of political staffers from roles in the government to lucrative jobs in the lobbying industry is often described as a 'revolving door'. The flow of money and staffers towards Washington's lobbying firms has led to concerns that corporations and other organisations are able to buy influence and acquire privileged access to important politicians. Furthermore, ex-staffers gain private benefits in such transactions, and this may have a negative impact on policy outcomes.

The most common criticism of former staffers is that they are simply trading on their political connections. But

lobbyists who used to work in government dispute the notion that their new roles allow them to 'cash in' on their connections. They claim that their earnings reflect expertise on policy issues and the inner workings of government in general. In other words, they argue, it is 'what you know' not 'who you know' that matters.

Empirically, the issue of separating the 'what you know' from the 'who you know' is a challenge for researchers. A plausible argument can be made that former staffers would be high earners in many different contexts where political connections do not matter. The specific problem here is separating the effects of ability on earnings from those of acquired political connections. Generally, earnings or revenue data only allow us to observe the effects of both factors together.

Our research addresses this challenge by looking at the impact of a serving politician's exit on the lobbying revenues of his or her former staffers. The point at which a politician leaves office provides a window for examining the specific role of political connections. If a politician is no longer serving in Congress, then



When a US senator or representative leaves office, the earnings of a lobbyist that used to work for them falls on average by one fifth

the political connection held by their former staffers is in effect obsolete.

This is because the politician in question no longer has direct influence over legislative outcomes or the content of congressional debates. In turn, this means that in cases where gaining access is a goal of special interest groups, lobbying spending will move away from lobbyists affiliated with exiting politicians and towards those with still current connections.

Our estimates based on this 'identification strategy' indicate that the value of political connections to lobbyists is high. Lobbyists suffer a revenue loss of over 20% when their former political employer leaves Congress. In dollar terms, this translates into \$177,000 per year for the typical lobbyist's practice. Furthermore, this effect is persistent for at least three years – it seems that it is difficult for lobbyists to offset the impact of a lost political connection.

The size of the revenue effects also increases with the strategic importance of a politician. Senators are more valuable than representatives and, even within the two chambers of Congress, more senior politicians – defined in terms of either tenure or committee status – are more valuable than their junior counterparts.

Our study points the way to a potential new wave of research using data released under public disclosure laws. The basic data we use were made available as part of the Lobbying Disclosure Act of 1995. Since then, non-partisan organisations like the Center for Responsive Politics and LegiStorm have done important work improving access and promoting usage of the data.

## The standard claim of lobbyists – that it is 'what you know' not 'who you know' that matters – does not stand up to formal scrutiny

Researchers now have the possibility of combining datasets across a number of sources to search for statistical patterns such as those we find for politically connected lobbyists. As a result, this takes public scrutiny to a new level. We can try to find important information and behaviours 'hidden' in the data. Hence, one major consequence of laws such as the 1995 Act is that they make independent research and evaluation of political questions possible.

Though our focus is on Washington, this study is relevant for policy-makers and regulators in Britain. In particular it must be noted that our research would not be possible here. The government simply does not demand the registration and reporting of lobbying activity in the same way as in the United States.

This has allowed lobbying in Britain to take place in the form of a shadow economy, as demonstrated by the case of former Labour cabinet minister Stephen Byers, who was secretly recorded offering himself to potential employers outside government as 'a sort of cab for hire' for up to £5,000 a day.

Recently, there have been signs of change in Britain. The coalition government has pledged to reform current practices. But this ambition should be treated with some scepticism. There are a lot of vested interests intent on keeping lobbying activity unreported, and so the 'new politics' could well end up being a lot like the old politics.

This article summarises 'Revolving Door Lobbyists' by Jordi Blanes i Vidal, Mirko Draca and Christian Fons-Rosen, CEP Discussion Paper No. 993 (<http://cep.lse.ac.uk/pubs/download/dp0993.pdf>). A video interview discussing the study is available here: <http://www2.lse.ac.uk/newsAndMedia/videoAndAudio/research/washingtonsRevolvingDoor.aspx>

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