

# Research impact: making a difference

## Putting a price on the value of Washington political connections

LSE research on 'insider' relationships provided concrete evidence for curbing the influence of lobbyists in the US political system

### What was the problem?

The influence of money in politics is widely regarded as one of the most important factors reducing public confidence in the democratic system.

The so-called 'Revolving Door' in Washington DC, the movement of US public sector employees into the lobbying sector, is considered one of the most blatant examples of such influence.

Despite decades of contention around this issue, until recently there was only anecdotal evidence suggesting how much such political connections might actually be worth.

### What did we do?

Using data made available as a result of the Lobbying Disclosure Act of 1995, Associate Professor of Managerial Economics and Strategy Jordi Blanes i Vidal and his team tracked the revenue generated by every federal lobbyist in the United States. They also matched ex-Congressional staffers-turned-lobbyists to the Senators and Representatives for whom they had worked in the past. By doing this, they were able to evaluate how the fortunes of ex-staffers changed with the career movements of their ex-employers and determine the monetary value of these political connections.

The results of their research were striking. Ex-staffers-turned-lobbyists earned, on average, \$177,000 less after their ex-employer left the Senate. The generated revenue dropped immediately following the ex-employer's exit from Congress and did not recover even after several years. The effect was even larger for lobbyists connected to departing members of Congress serving in the "money committees", i.e. Senate Finance, Senate Appropriations and House Ways and Means.

### What happened?

#### *US impact*

Blanes i Vidal's 2010 study provided the first quantitative evidence of the extent to which former Congressional staffers derived financial benefit from Washington's 'Revolving Door'. The high estimated value of the connection to a Senator, at \$177,000, surprised even seasoned Washington insiders. For instance, Representative Brad Miller (D-North Carolina) commented on

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the findings by saying that “that is a pretty striking figure. It does almost sound like in the Senate the lobbyists are hired specifically to lobby their old boss”.

The conclusions of the study were quickly echoed in US think-tanks and mainstream media at both ends of the political spectrum. They became an important argument for those in favour of legislation that aimed to curb the influence of money in politics. For instance, in arguing for publicly funded campaigns, Representative Patrick Kennedy (D-Rhode Island) stated that reducing the need for raising private money would “take away an ingredient to this mix that’s creating the ugly correlation that you’re seeing in this study”.

The Obama administration had already introduced reforms in 2009 restricting the ability of ex-federal agency employees to move into the lobbying sector. However, the restrictions on both Congressional and Agency employees were generally regarded as ineffectual, leading to persistent calls to tighten existing regulation. Opponents of such reform claimed that lobbyists provided valuable technical support which translated into better legislation. They claimed, in other words, that for lobbyists the “what you know” was much more important than the “who you know”. The research findings had provided a definitive evidence-based argument to discredit such claims.

## *UK impact*

Conducting the same type of research in the United Kingdom was not possible given the lack of an equivalent to the U.S. Lobbying Disclosure Act. However, several UK lobbying scandals in recent years thrust the same issue into the spotlight:

- Conservative Party co-treasurer Peter Cruddas resigned in 2012 after secretly filmed footage showed him apparently offering access to the prime minister for a donation of £250,000 a year
- Liam Fox, the Defence Minister, resigned in 2011 over allegations that he had given a close friend, lobbyist Adam Werritty, access to the Ministry of Defence and allowed him to join official trips overseas
- In the 2010 “cabs for hire” lobbying scandal, a Dispatches journalistic sting operation recorded and revealed members of Parliament and the Lords offering to work for a fictitious political lobbying firm for fees of £3,000 to £5,000 per day.

The research findings were considered to represent the best estimate for the value of political connections to UK cabinet ministers and were reported as such in the UK media. They provided support for the contention that, if reform was to have any real effect, transparency needed to go beyond a simple ‘register’ of lobbyists (the main current proposal) and embrace the US model where each lobbying contract was required to be reported on a quarterly basis.

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