

## **Revolving Door Benefits?**

### **The Consequences of the Revolving Door for Political Access**

#### **Abstract**

Are political decision-makers more responsive to organized interests employing their former colleagues? While a growing literature examines the “revolving door” between business and politics, we know little about whether organized interests can extract political favors by hiring revolvers. Combining novel data on the career trajectories of European Union officials and politicians with access data to the European Commission, we use a difference-in-difference strategy to estimate how hiring revolvers shapes access to decision-makers. Surprisingly, we find limited evidence that political connections shape access overall. However, we uncover substantial heterogeneities in the effects, suggesting that revolvers do increase access to meetings about the legislative agenda, and that contract lobbying firms experience increased access. Our paper sheds new light on the circumstances under which revolvers with political connections help private interests and have important implications for understanding the political effects of the revolving door.

The flow of politicians and public officials into the private sector has become a stable feature of modern politics. Academics and pundits alike speculate that the huge amount of money associated with this “revolving door” indicates that special interests can buy political favors by hiring former political insiders. A smaller number of studies examine the consequences of the revolving door for individual lobbyists. This research suggests that connections through the revolving door pay off for lobbyists, as the employers of revolvers obtain an economic premium (e.g. Blanes i Vidal, Draca, & Fons-Rosen, 2012; McCrain, 2018) and see improved results in the stock market (Luechinger & Moser, 2020). Not surprisingly, the labor market prospects for people with a background in politics are therefore quite good (McCrain, 2018; Strickland, 2020).

Yet, we know less about the circumstances under which revolvers with political connections help private interests after former bureaucrats and politicians have been hired. In this short article, we suggest that political access is part of the mechanism that enables revolvers and their employers to extract political favors and reap benefits from the revolving door. Surprisingly, we find limited evidence that all organized interest are able to use revolvers to obtain access to the political system. Rather, we find that revolvers can help provide access to meetings that are about setting the legislative agenda. Additionally, we demonstrate that positive access gain of hiring revolvers are concentrated with contract lobbying firms whose democratic legitimacy is typically feared the most.

Our analysis relies on a new unique dataset on the revolving door in the European Union (EU). We start from a list of bureaucrats and politicians retiring from the EU Commission and match the names of their new employers to official records of whom the Commission meets with. Additionally, we leverage a unique feature of the EU system, which is that the Commission publishes short descriptions of the meeting subjects. We explore this unique textual data to measure what organized interests discuss, and with which decision-makers they discuss it. Our results stem from a set of difference-in-differences (DiD) models drawing on monthly data on Commission meetings.

This paper makes two important contributions. First, it helps unravel the finding in the literature that contract lobbyists that hire revolvers on average secure economic gains (e.g. Blanes i Vidal et al., 2012; Luechinger & Moser, 2020; McCrain, 2018). Hence, it suggests that part of the mechanism making revolvers valuable sources of income for these types of organized interests is that they are better able to gain access to the political system. This is important, since the published research on the revolving door has not established that the political system reacts differently towards employers after they have hired revolvers. While there are many types of “favors” organized interests can extract, access is one of the most important ones, since it is an important step towards influencing the political agenda (e.g. Bouwen, 2004; Miller, 2021). Second, by shedding light on which types of organized interests can gain political favors in the form of high-level meetings by hiring revolvers, our findings also have the potential to assist important normative evaluations of the revolving door.

## **Lobbying, Political Connections and Information**

A large literature investigates the role of political connections and expertise in lobbying (e.g. Bertrand, Bombardini, & Trebbi, 2014; Blanes i Vidal et al., 2012; Bouwen, 2004; LaPira & Thomas, 2017; McCrain, 2018; Shepherd & You, 2020). We build on it to argue that organized interests<sup>1</sup> can gain access to top political decision-makers by hiring revolvers.

When choosing whom to meet with, decision-makers face the problem that there are many groups that seek access, and the substantive expertise that they offer might be biased (Hall & Deardorff, 2006). This places the decision-maker in a conundrum: They need information to construct policy, but it is often too costly to validate the information offered by the organized interests. Revolvers play an important role: Their social links to the current decision-makers make them more

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<sup>1</sup> Defined as non-public actors with organizational structure involved in lobbying, e.g. business associations, NGOs and firms (see Baroni, Carroll, Chalmers, Marquez, & Rasmussen, 2014).

likely to be trusted. This implies that decision-makers do not have to validate the quality of information themselves – they can rely on the revolver for this (McCrain, 2018). Lobbyists that are not personally acquainted with decision-makers cannot commit to only introducing them to organized interests with the most valuable information – the profit motive means that they have an incentive to represent as many clients as possible. However, because of their personal ties to decision-makers, revolvers can more credibly commit to only introducing organized interests with high-quality information (Hirsch, Kang, Montagnes, & You, 2019). In this way, political connections facilitate the transmission of substantive expertise between organized interests and decision-makers.

While it has been theorized that revolvers might help their future employers access the political system (McCrain, 2018), research on the potential gains of hiring employers has focused on broader economic effects rather than political access (e.g. Blanes i Vidal et al., 2012; Luechinger & Moser, 2020). Shepherd and You (2020) is an exception but looks at whether members of congress employing more soon-to-be revolvers grant more access to prospective employers *before* staff moves into the private sector rather than whether organized interests gain access *after* having hired revolvers. Moreover, like the bulk of the literature on the revolving door, their focus is on the US.

However, we can expect the assets of revolvers to be equally relevant for benefiting future employers in an EU context. Crucially, Luechinger and Moser (2020) show that investors expect political connections to matter as they do in the US: Firms that hire former EU Commissioners see improved stock market returns. Additionally, in a series of recent papers Coen and Vannoni (2016, 2020a, 2020b) look closer at EU Business-Government relations including the revolving door. Their work demonstrates that, while career moves between the political and private sector is not as widespread in the EU as in the US, they do occur. As an example, Alter-EU reports that six out of thirteen departing Commissioners in 2009-10 went into corporate or lobbying jobs and noted that the

phenomenon was not restricted to the Commission but that similar patterns existed for high-level officials from the EU institutions in general.<sup>2</sup>

## **Context and Research Design**

Our analysis relies on data from the EU. While not a state, the EU resembles a political system in a number of crucial respects, not least because its member states have delegated it important law-making competences making it the main source of regulation in many policy areas (Hix & Hoyland, 2011). The Commission has the right of initiative, meaning that it is responsible for planning, preparing and proposing new EU legislation, which then passes on to the European Parliament and the Council of Ministers. This privileged position in agenda-setting makes access to the Commission particularly important. The Commission is organized into separate policy departments – directorates-general (DGs) – each of which is headed by a commissioner. Given the extent of the task of producing common European law, the Commission lacks legislative resources, and needs to interact with outside interests to obtain it (Bouwen, 2004).

## **Data**

We rely on several data sources to measure our variables of interest. First, to estimate the effect of gaining a political connection by hiring a former Commission official or politician on access to meetings, we start by constructing a binary indicator of the year during which the organized interests hire revolvers. For this, we rely on work by Corporate Europe Observatory (CEO). CEO used a combination of desk research and available online documents provided by the Commission to construct a list of Commission officials and politicians that transferred to positions in the private sector. This list contains information on which organizations the 41 top EU officials and politicians

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<sup>2</sup> <https://www.alter-eu.org/the-revolving-door-in-detail>

in the dataset moved to. We collected data on the timing of the change in employment for the revolvers, and – in doing so – we also validated each case in the dataset.

To measure the access that an organization gains to the Commission, we rely on two measures. First, to measure access at the intensive margin, we construct a measure of the *number of monthly* meetings that an organization has with top-level staff in the Commission within a four-year period (between late 2015 and 2018). In our analyses, we log transform this measure. Second, we construct a binary measure of whether an organization has a meeting with the Commission in each month in our data. To do so, we rely on Transparency International’s list that contains data on meetings from each DG in a single file.

While this gives us a sense about broad patterns of access, it leaves an obvious remaining question: What do the organized interests use this access for? Is the goal to influence specific policy outcomes or to put new issues on the EU agenda? Importantly, since the Commission registers the topics of the meetings, we can build a good proxy measure of our quantity of interest: Whether the organized interest’s goal with the meeting is to shape a specific policy outcome, or to put an issue on the EU agenda.

We categorize the subjects of meetings in a simple scheme capturing whether the meeting is related to a) very broad policy discussions that are not currently covered by a policy proposal or active legislation, b) medium-broad discussions regarding a particular sector of the economy, or c) specific policies and issues either in preparation or that already are in force.

Importantly, this measure of “policy specificity” captures agenda-setting and specific policy outcomes and issues as two extreme cases. First, how closely a meeting’s subject relates to an actual policy proposal will naturally be related to the stage of the policy process. Very abstract meetings about subjects where the EU has not formulated a policy yet will typically have the goal of putting a new topic on the EU’s agenda, or deciding what should be discussed before an actual proposal is

developed. In contrast, meetings of higher specificity, which concern specific proposals or active legislation, are more likely to concern later stages of the policy processes. A more detailed codebook can be found in Appendix A. Our final dataset including 849 organized interest-months, where 831 meetings were held. Descriptive statistics can be found in Appendix B.

**Table 1: Examples of Different Meeting Types**

<b>Meeting Classification:</b>	<b>Example Subject Description:</b>	<b>Participant:</b>
Very Broad Discussions/ Agenda-Setting Meetings	“Economic developments and rule of law in Serbia”	APCO Worldwide
Medium-Broad Discussions/ Economic Sector Meetings	“Current issues in the banking sector”	BNP Paribas
Highly Specific Discussions/ Policy Specific Meetings	“Anti-dumping case on steel”	ArcelorMittal

## Identification

To identify the effect of gaining connections on access to Commission decision-makers, we rely on a DiD design. This design relies on the assumption that trends would have evolved in parallel if the newly connected organized interest had not hired a revolver. To increase the plausibility of this assumption, we add two features to the typical design. First, we only compare organized interests that are treated now to organized interests that will be treated in the near future. That is, we exclude all organized interests that never hire revolvers. This is a powerful design choice, since it is not random which organized interests choose to become connected. As never-connected organized interests are not included, this dispenses with bias arising because certain group types choose to hire revolvers.<sup>3</sup>

<sup>3</sup> Note that since our data on revolvers starts before the Commission started collecting and publicizing data on meetings, all organized interests in our dataset are not treated within the time

As a second way of dealing with unobserved shocks, we leverage the high granularity of our data. Because we track meetings and hirings within years, we can control away all confounders that change from year to year. While real-world factors change between months, most of the confounders we could hope to collect data on would be on the yearly level. This strategy purges our estimates of all such unobservables.

We estimate the DiD through OLS regression models:

$$Access_{gmy} = \beta connect_{gmy} + \gamma_g + \delta_m + I_y * \gamma_g + \epsilon_{gmy}$$

*Access* denotes one of our dependent variables capturing meetings and different types of meetings with the Commission, and *g* represents the organized interest, *m* represents the month and *y* is the year. *connect* is our indicator of whether the organized interest hires a Commission revolver in a given period, which makes  $\beta$  our parameter of interest – the effect of hiring a revolver on the organized interest’s access.  $\gamma$  represents an organized interest fixed effect, while  $\delta$  is set of monthly fixed effects. The organized interest fixed effect removes all time-invariant factors, while the time fixed effect deals with homogeneous monthly shocks to the system. Finally, the interaction between *I* and  $\gamma$  allows for unobserved shocks to each organized interest every year. Fixed effects can be problematic estimator of DiD (Goodman-Bacon, 2021) . In Appendix D, we show that our results are not biased by issues arising from staggered treatment and heterogeneous effects over time.

## Results

Table 2 presents our main results for both the probability of obtaining meetings (Models 1 and 2) and the number of meetings (Models 3 and 4). Surprisingly, we do not uncover strong evidence that hiring Commission officials increases access in general across types of meetings and organized interests.

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period we study. This decreases treatment events, but minimizes problems related to Goodman-Bacon bias.



The coefficients are all large, but only meet common standard for statistical significance in one case. The large standard errors suggests that there is widespread heterogeneity.

**Table 2: Hiring Former Commission Employees and Commission Meetings**

	<i>Dependent variable:</i>			
	Meeting?		ln # Meetings + .5	
	(1)	(2)	(3)	(4)
Hire EU Official	0.054 (0.053)	0.078 (0.061)	0.077 (0.046)	0.103* (0.058)
Organized Interest FE?	Yes	Yes	Yes	Yes
Month FE?	Yes	Yes	Yes	Yes
Organized Interest X Year FE?	Yes	Yes	Yes	Yes
Observations	849	847	849	847
Residual Std. Error	0.413	0.413	0.673	0.672

*Note: Robust standard errors with organized interest-level clustering in parentheses. \*, \*\* and \*\*\* indicates statistical significance at the 10, 5 and 1 percent levels. Dependent variables: in column 1 and 3, a binary indicator for monthly meeting. In column 2 and 4; logged monthly number of meetings.*

Next, to delve further into this puzzling null result, we investigate the type of meetings organized interests gain access to. According to Table 3, hiring a revolver is associated with an increase in the probability of getting at least one meeting for agenda setting purposes by approximately 15 percentage points. Importantly, we estimate a noisy drop in the number of meetings held about specific policies, and no change in meetings related to a certain economic sector. This is an important part of why we see no average effect: The effect is extremely heterogeneous and concentrated on agenda-setting meetings.

These are important findings. They suggest that hiring revolvers primarily results in access gains to meetings with broader discussions. This reinforces the notion that the role of former politicians and top bureaucrats is not to influence the outcomes of very specific policy processes (e.g. the decision of who gets a specific procurement contract). Rather, they leverage their connections

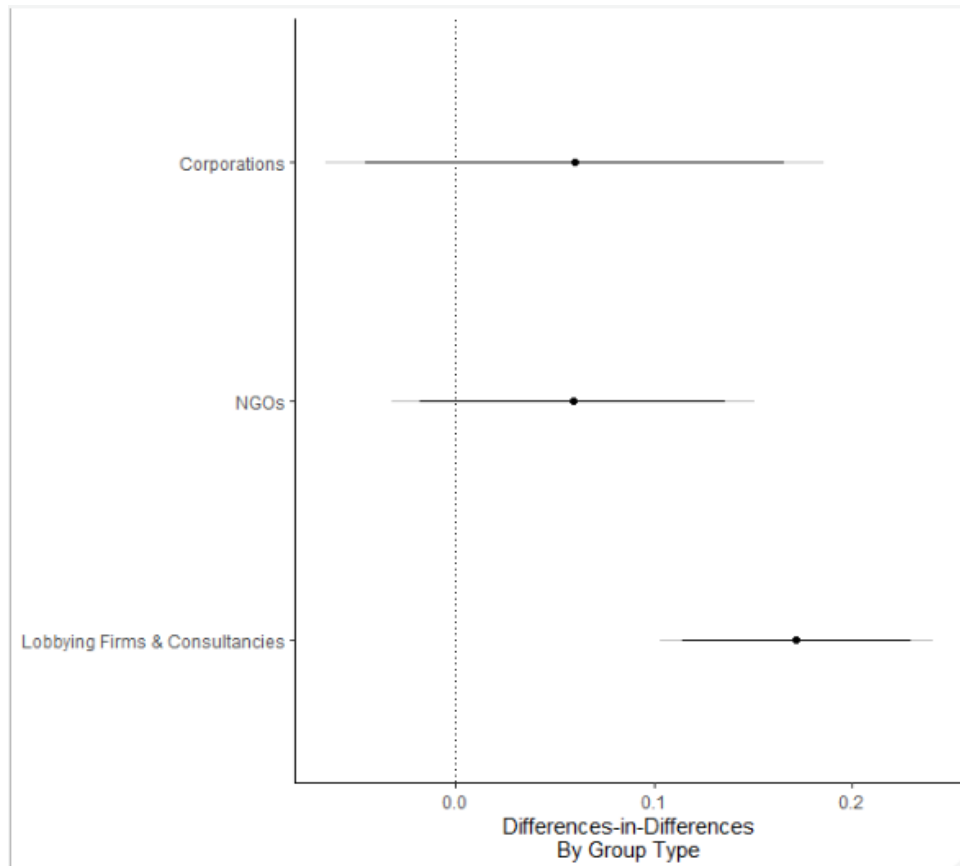
with the goal of steering the direction of the broader policy agenda. An alternative explanation for these findings is that organized interests that hire revolvers might want to hide the content of their meetings with the Commission. If this were driving our results, we would expect the description of the meeting content to be shorter and less linguistically diverse after a revolver is hired. In Appendix C, we show that this is not the case.

**Table 3: Hiring Former EU Official or Politician and Meeting Content**

	<i>Dependent variable:</i>		
	Agenda-Setting? (1)	Sector-Related? (2)	Specific Policy? (3)
Hire EU Official	0.148*** (0.050)	0.023 (0.035)	-0.079 (0.047)
Organized Interest FE?	Yes	Yes	Yes
Month FE?	Yes	Yes	Yes
Organized Interest X Year FE?	Yes	Yes	Yes
Observations	849	849	849
Residual Std. Error	0.314	0.340	0.333

*Note: Robust standard errors with organized interest-level clustering in parentheses. \*, \*\* and \*\*\* indicates statistical significance at the 10, 5 and 1 percent levels.*

Finally, we examine whether the positive effect of the revolving door varies between organized interests representing different types of constituents. To do so, we allow for different effects depending on the type of organized interest. Here we distinguish between lobbying firms, companies, and NGOs. Figure 1 shows that the effects are driven by contract lobbying firms. These actors experience an increase in meetings of approximately 18 percentage points.



**Figure 1: Effects are Driven by Corporations and Lobby Firms**

*Note:* Results show the marginal effect of hiring a Commission revolver (officials and commissioners are pooled) on a binary indicator of at least one meeting for each type of organized interest. Estimates are from three separate models, each with one interaction by type of organized interest. Models include fixed effects for organized interest, month and an interaction between organized interest and year. Confidence intervals are cluster-robust 90 percent (black) and 95 percent (grey). Think tanks are left out, since coefficients could not be estimated for them and lobbying firms simultaneously.

### Additional Analyses and Robustness Checks

We conduct a wide range of robustness tests. First, we test for the presence of differential pre-trends, finding no evidence of this (Appendix E), and show that the effect is short-lived (Appendix F). To guard our estimates against the possibility that organized interests pursue other influence-seeking strategies simultaneously with hiring revolvers, we conduct two tests. First, in Table 2 we show that our results are robust to controlling for an interaction between our time fixed effects and lobbying spending. Second, we show that organized interests do not increase lobbying activity when they hire

revolvers (Appendix G). We also investigate effect heterogeneity by showing that hiring revolvers from the EU's other institutions (the Parliament and the Permanent Representation) is only noisily associated with access to the Commission (Appendix H).

## **Conclusion**

A large literature investigates the revolving door between business and politics and has recently documented that hiring revolvers might be associated with economic gains (e.g. Blanes i Vidal et al., 2012; McCrain, 2018). However, we know little of whether organized interests can gain political favors by hiring revolvers. We have collected a unique dataset on the revolving door in the European Commission, and use a difference-in-difference design to show that organized interests do not seem to gain broad access by hiring revolvers. However, the political connections they gain from hiring revolvers are useful for obtaining general meetings of a broader agenda-setting nature. This suggests that political access is part of the mechanism allowing revolvers and their employers to obtain benefits from the revolving door. Interestingly, we find that the effects are strongly concentrated among lobbying firms. This fits well with previous research on revolvers as contract lobbyists (McCrain, 2018) and suggests that since lobby firms cannot claim to have broad representativeness, they must rely on social connections to obtain meetings with decision-makers. On the one hand, the possible opportunity for organized interests with low democratic legitimacy to benefit from the revolving door may be a cause for concern. On the other hand, we also show that their access gains are generally short-lived. While this does not rule out that the most highly connected lobby firms exert disproportionate influence, at least it suggests that hiring a revolver does not buy such influence for a longer period of time.

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