2

Types of Money in Politics

The cases of Andimuthu Raja, Walt Minnick, and Gerhard Schröder introduced in the previous chapter represent the three most common ways in which money enters politics: for self-enrichment, for campaign spending, and in the form of golden parachute job salaries. Of course, I am not the first to study money in politics. Nor am I the first to examine any of these three types. In this chapter, I lay out what we know about money in politics – and what we don't – to set the stage for my argument.

2.1 HOW MONEY ENTERS POLITICS

The major obstacle for the *empirical* study of money in politics has always been the dearth of reliable data. Early work typically provided thick descriptive accounts of specific countries or parts of countries (see e.g. Banfield, 1958; Bayley, 1966; Waterbury, 1973; Johnston, 1979; Klitgaard, 1988; Heidenheimer, Johnston, and LeVine, 1989). Due to the limited data availability, few studies examined the topic (cf. Rothstein and Varraich, 2017) until indicators such as Transparency International's Corruption Perceptions Index and the World Bank's Control of Corruption Indicator were introduced in the mid-1990s. These measures allowed researchers to study the causes and consequences of money in politics from a comparative perspective for the first time, which led to a steep increase in research on the topic. Using cross-national regressions, these contributions demonstrate that the level of corruption is correlated with a host of factors, including institutional and legal characteristics, economic conditions, and demographics.[1]

[1] See, among many others, Ades and Di Tella (1999); La Porta et al. (1999); Treisman (2000, 2007); Dollar, Fisman, and Gatti (2001); Swamy et al. (2001); Montinola

While these studies provide a broad overview of the causes and consequences of money in politics, cross-national, perception-based data has at least three limitations. First, the gain in breadth that their introduction achieved came with a loss in depth, as studies no longer looked at the minutiae of money in politics. Instead, the indicators are somewhat of a *black box*: They incorporate corruption among a wide variety of individuals, including public servants as well as elected politicians, and low-level policemen or village mayors as well as high-level ministerial bureaucrats, members of parliament, or even government ministers. The indicators also include a variety of practices such as accepting bribes, patronage appointments, and campaign spending.[2]

A second limitation is that the cross-national indicators use perceptions of corruption as a proxy for actual corruption. However, there are systematic gaps between the two. Asking people about how much corruption they think is happening provides only limited and biased information on what is actually happening (Olken, 2009; Razafindrakoto and Roubaud, 2010).

Finally, cross-country studies of corruption are plagued by endogeneity concerns and reverse causality problems. For example, low economic development is one of the strongest predictors of high levels of corruption, but corruption has also been shown to have negative consequences for the economy (Mauro, 1995). In general, it is not uncommon to find that a purported consequence of corruption identified in one study is used as an explanatory variable in another (see also Lambsdorff, 2006; Treisman, 2007).

Motivated by these problems, recent research on money in politics has returned to studying microlevel data in specific contexts.

and Jackman (2002); Adsera, Boix, and Payne (2003); Persson, Tabellini, and Trebbi (2003); Kunicova and Rose-Ackerman (2005); Lambsdorff (2006); Uslaner (2008, 2017); Schwindt-Bayer and Tavits (2016); Esarey and Schwindt-Bayer (2018, 2019); Bauhr, Charron, and Wängnerud (2019).

[2] A corresponding formal theory literature also treats money in politics as a black box and does not specify how politicians use it: Interest groups spend resources, politicians value this expenditure in some unspecified way, and react by changing legislation in the groups' favor. For example, Persson and Tabellini (2000, ch. 7) model a lobby group that uses money to try to influence policy and a government that maximizes a weighted sum of social welfare and special interest money. This basic approach has been used to study, for example, interest groups' influence on taxes and transfers (Dixit, Grossman, and Helpman, 1997), economic policy (Persson, 1998), the differences between parliamentary and presidential systems (Persson, Roland, and Tabellini, 2000), and the role of interest groups' budget constraints and legislators' preferences (Dekel, Jackson, and Wolinsky, 2009).

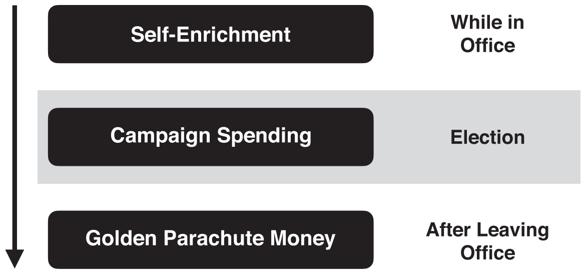

FIGURE 2.1 *Timing of the three types of money in politics*

Because many countries have introduced transparency laws mandating disclosure, scholars now have access to quantitative data of actual money flows. This means that studies emphasize specific ways in which money enters politics. They also increasingly employ research designs that permit credible causal identification, mirroring disciplinary trends (cf. Samii, 2016).[3]

As a consequence, vibrant literatures studying self-enrichment, campaign spending, and golden parachute jobs have developed. Figure 2.1 illustrates how the three types of money differ in terms of when they enter politics. *Self-enrichment* refers to situations in which politicians use their time in office to take money for themselves. At the end of their term, there is an election, at which point money can be used for *campaign spending*. Finally, money can flow to politicians in the form of *golden parachute jobs* after they have left office. In the following sections, I review what we have learned from the separate literatures studying these three forms of money in politics.

2.2 SELF-ENRICHMENT

Probably the most notorious way for money to enter politics is when politicians enrich themselves *while* in office, either directly (cash) or indirectly (material goods). The resources for self-enrichment can come from special interest groups who seek to influence policy (external source) or be taken out of state coffers (internal source).

The setup in formal theories of self-enrichment is a trade-off in which more money comes with the cost of electoral or legal punishment. Based

[3] In addition, new research that uses cross-national indicators of corruption places greater emphasis on causal identification, see e.g. Schwindt-Bayer and Tavits (2016); Esarey and Schwindt-Bayer (2018, 2019).

on this framework, studies examine specific questions such as the effect of electoral systems and other political institutions on self-enrichment (Myerson, 1993; Helpman and Persson, 2001; Alt and Lassen, 2003), how enrichment affects politicians' decisions about whether to run for office (Besley and Coate, 2001; Felli and Merlo, 2006), what effects it has on candidate quality (Snyder and Ting, 2008), or its interaction with violent punishment (Dal Bó, Dal Bó, and Di Tella, 2006).

There is very little empirical data available for this form of money. Because self-enrichment is usually illegal and is almost always considered immoral, politicians try to make it as difficult as possible for the public to find out about it. On rare occasions, direct evidence is uncovered. For example, the "Panama Papers" that were leaked to journalists in 2015 revealed secret offshore entities by former and sitting heads of state and government officials. However, such revelations are rarely comprehensive enough for systematic study (for an exception, see McMillan and Zoido, 2004).

The next best option is "forensic" approaches, which examine publicly available data and try to detect patterns that indirectly provide evidence of hidden immoral or illicit behavior (Zitzewitz, 2012). For example, Golden and Picci (2005) compare spending on public infrastructure in Italy's provinces and regions to actual infrastructure. The higher the spending-to-infrastructure ratio, they surmise, the more money is being siphoned off or used for bribes, kickbacks, and the like. Thus, with sufficient creativity, it is possible to use publicly available data to discover and study illicit behavior.

Past studies have used a variety of forensic methods to detect potential enrichment in office. A number of countries require candidates for political office to disclose their assets (Djankov et al., 2010), which makes it possible to infer how the wealth of candidates who contest consecutive elections developed over the course of a legislative period (Di Tella and Weinschelbaum, 2008). For example, prior research has examined such data from India (Bhavnani, 2012; Fisman, Schulz, and Vig, 2014; Asher and Novosad, 2020), Romania (Klašnja, 2015), and South Korea (Jung, 2020). Other studies have used census information (Querubin and Snyder, 2013), stock transaction data (Eggers and Hainmueller, 2013, 2014), public tax returns (Berg, 2020*a*, 2020*b*; Cirone, Cox, and Fiva, 2020), and probate records (Eggers and Hainmueller, 2009) to infer the growth of politicians' wealth while in office.

The goal of most of these studies has been to establish whether being in office affects politicians' asset growth.[4] Most of them do so by employing regression discontinuity designs that compare politicians who won close elections to those who ran but narrowly lost. Because who wins and who loses in close contests is as good as random, such research designs provide well-identified estimates of how much being in office is worth.[5]

The overall conclusion of studies in this vein is that in many contexts, there is a premium to being a politician, but that this premium varies depending on at least three factors. First, it is larger for politicians in influential positions. Fisman, Schulz, and Vig (2014) find that personal wealth growth among Indian politicians is greatest for those who serve as ministers. Asher and Novosad (2020) show greater wealth increases for members of Indian state parliaments from areas with valuable mineral deposits. Querubin and Snyder (2013) demonstrate larger gains among members of parliamentary committees that handled large procurements in the nineteenth century US Congress. Second, the wealth premium is also affected by party membership: politicians who belong to pro-business parties enjoy higher asset growth (Eggers and Hainmueller, 2009; Bhavnani, 2012). Third, extralegal wealth grows faster for politicians who receive a low salary (Klašnja, 2015), and for more experienced officeholders (Fisman, Schulz, and Vig, 2014; Klašnja, 2015).

However, there are also contexts in which officeholders do *not* earn significantly more than their nonpolitician peers, or at least not more than we would expect given their official salary. These null findings come from high-income democracies such as Sweden (Berg, 2020*a*, 2020*b*), Norway (Cirone, Cox, and Fiva, 2020), South Korea (Jung, 2020), and the United States (Eggers and Hainmueller, 2013, 2014).

In summary, while the empirical study of politicians' enrichment in office is still in its infancy, it has produced several valuable insights. First, with sufficient creativity, it is possible to measure politicians' enrichment in office. Second, politicians accumulate more resources in office than those who fail to win an election in some contexts, but not in others. Third, personal enrichment tends to be higher among more powerful and more business-friendly politicians. And finally, while studies do not focus on the sources of this money, the fact that asset growth is higher for politicians on committees in charge of large procurements or for those from

[4] Given the nature of the data used, such studies are typically unable to identify the source of the money.

[5] Some studies alternatively use a difference-in-differences design.

mining areas suggests that, to the extent that the money comes from outside interest groups, instrumental motivations such as access and influence are prominent.

2.3 CAMPAIGN SPENDING

Democratically elected politicians do not only use money for their personal enrichment. To stay in office, every few years, they must run for reelection, which often requires considerable financial expenditures. In programmatic contexts, campaign spending is mostly allocated to advertisements, rallies, or get-out-the-vote campaigns. In non-programmatic contexts, candidates spend money on many of these aspects but also try to win votes through material handouts such as cash, food, (adult) beverages, or small-scale infrastructure projects (Kitschelt, 2000; Kitschelt and Wilkinson, 2007). To finance all of these, politicians need money.

Most formal–theoretical studies model campaign spending as part of an instrumental exchange relationship. Donors contribute to politicians, who in response "distort" policy. Politicians, in turn, use the campaign contributions to try to persuade people to vote for them. This mechanism is most clearly articulated in the seminal model by Grossman and Helpman (1994, 2001).[6] Formal accounts of campaign contributions have been extensively used to study campaign spending restrictions and public financing (Prat, 2002; Coate, 2004*a*, 2004*b*; Ashworth, 2006; Roemer, 2006) as well as other topics such as inequality and redistribution (Campante, 2011).

Empirically, campaign spending is the most well-researched of the three types. It is primarily studied in the context of the United States, both because it plays an important role there and because ample data is available. Two major questions in the literature are: What do politicians get out of campaign spending? And what effect does campaign money have on politicians' behavior and on policy?

First, why do politicians want campaign money? The obvious answer to this question is of course that it helps them win elections. However, in the American context, studies for a long time found that there is no

[6] See also Ben-Zion and Eytan (1974); Bental and Ben-Zion (1975); Rose-Ackerman (1978); Denzau and Munger (1986); Austen-Smith (1987); Baron (1994). For a more subtle way for special interests to influence policy without having to rely on any kind of contract, see Fox and Rothenberg (2011).

correlation between campaign spending and vote shares (e.g. Jacobson, 1978, 1985). These non-findings have been used to claim that money does not influence election outcomes.

However, such arguments ignore the fact that spending is strategic and depends on, for example, how close a race is expected to be. A new generation of studies account for this endogeneity and find that more campaign spending leads to increased vote shares. For example, Huber and Arceneaux (2007) exploit the fact that some citizens who live on the border of battleground states watch TV stations from those states and are thus subject to more political advertising than other voters in their state. They find that such ads have a strong persuasive effect. Gerber et al. (2011) partner with a gubernatorial campaign and randomly determine how much advertising money is spent at different times in different parts of the state, and also find strong effects on voting preferences. Hall (2016) examines the effect of corporate campaign spending bans and finds that if a party's share of campaign contributions grows by one percentage point, its share in the legislature increases by half a percentage point. Other studies in the US context have come to similar conclusions (e.g. Gerber, 1998; Erikson and Palfrey, 2000; Jacobson, 2015). In addition, there is accumulating evidence that (costly) efforts to mobilize citizens to turn out on election day are successful (for an overview, see Green and Gerber, 2015).

Outside the United States, research on campaign finance is much more scarce (cf. Fisher and Eisenstadt, 2004; Scarrow, 2007), partly because data is less readily available and forensic methods have to be used to detect it (e.g. Sukhtankar, 2012; Kapur and Vaishnav, 2018). The studies that do exist find that political competition increases the demand for campaign money (e.g. Golden and Chang, 2001; Chang, 2005), and that campaign spending translates into vote shares (e.g. Pattie, Johnston, and Fieldhouse, 1995; Cox and Thies, 2000; Samuels, 2001*b*; Maddens et al., 2006; Benoit and Marsh, 2010; Fink, 2012).

There have also been long-standing doubts over whether clientelistic vote-buying efforts are successful, given the lack of monitoring implied by secret ballots (Nichter, 2008). While there are indirect ways to ensure that groups of voters do not simply take money or gifts and then vote as they please, it is true that these methods are imperfect and that vote-buying strategies can be inefficient (e.g. Brusco, Nazareno, and Stokes, 2004; Stokes, 2005; Gingerich and Medina, 2013). However, there is evidence that investing in a vote broker is associated with a significant increase in vote shares (Gingerich, 2014*a*); that candidates often rely on buying turnout rather than votes, which is easier to monitor (Nichter, 2008; Gans-Morse, Mazzuca, and Nichter, 2014); and that voters are key to perpetuating clientelistic exchanges by demanding goods and services from the parties they vote for (Nichter, 2018).

In addition, material spending does not need to involve a reciprocal relationship in which the benefit for voters is contingent on them casting their ballot for a certain party or candidate. Some parties and candidates provide costly social services as an electoral strategy, giving them inroads into communities to gain voters' trust and build long-term relationships, which can reap dividends on election day (Thachil, 2014). And even ad hoc distributions of material goods are often not contingent upon reciprocity. Rather, parties and candidates can be trapped in a prisoner's dilemma, where they spend money because they fear that they will otherwise be out of the running (see e.g. Björkman, 2014; Chauchard, 2018). In summary, there is good evidence that more campaign spending, clientelistic or not, helps politicians win elections.

The second major question in the literature is how campaign spending affects politicians and policy. Or, put the other way around, what do campaign donors receive in return for their money? Grossman and Helpman (2001) distinguish between two motives. The first is the influence motive: a donor wants to induce a politician to move policy toward its unpopular ideal point, and the contribution compensates for the electoral penalty the politician will incur as a result.[7] The second is the electoral motive, where donors find it in their interest to boost the chances of politicians whose policy positions they prefer.

There is empirical evidence supporting both motivations. The electoral motivation is dominant among individual small-scale donors and among issue groups, such as antiabortion or environmental organizations. Almost all individual US donors state that they give to candidates they ideologically agree with and that they hope to affect the election outcome. Issue groups also exhibit donation patterns that are consistent with an electoral motivation (Barber, 2016).

However, this logic does not apply to contributions from more pragmatic entities such as corporations (La Raja and Schaffner, 2015; Barber, 2016).[8] Can their behavior instead be explained by the influence motive? Do they hope, or even expect, that their large donations will influence the candidate or party on issues they care about?

7 See also Baron (1994).

8 On the interaction between individual small-scale donors and corporate donations, see Li (2018).

Many citizens are convinced that special interests use their financial prowess to "buy" favorable policy. And many politicians believe the same. For example, former US presidential candidate Bob Dole declared: "I've always believed when people give big money, they – maybe silently – expect something in return."[9] Chris Collins, a former member of Congress, explicitly confirmed this when he explained his support for a tax cut bill by stating that "[m]y donors are basically saying, 'Get it done or don't ever call me again'."[10] Walt Minnick described a more subtle relationship with his donors:

> I had some meetings I was pretty uncomfortable at with the lender, the payday-loan kind of lender. … They contributed to my campaign. … And so that's an example of – there weren't any people who were applying for payday loans that came in to see me. The consumer side of that doesn't contribute a nickel.[11]

For a long time, however, empirical studies found no connection between campaign money and policy outcomes. Ansolabehere, de Figueiredo, and Snyder (2003) review almost forty studies and find that only about a quarter of them have a significant and "correctly" signed coefficient.[12]

More recent studies in the United States, however, have determined that campaign contributions can result in access and influence. Many donations are strategically directed to incumbents, members of important committees, and party leaders, especially by highly regulated business groups (Fouirnaies and Hall, 2014, 2016, 2018; Powell and Grimmer, 2016; Fouirnaies, 2018). Consistent with these strategic donation patterns, campaign donors have an easier time securing meetings with politicians than non-donors (Kalla and Broockman, 2016). Newer research that examines specific industry-relevant legislation, rather than aggregated roll-call votes, also challenges the conclusions of earlier studies that campaign contributions have small or null effects on legislators' voting behavior (e.g. de Figueiredo and Edwards, 2007; Mian, Sufi, and Trebbi, 2010, 2013; McKay, 2018).[13] Finally, companies that make larger contributions, especially to parties in government, have higher stock returns (Jayachandran, 2006; Cooper, Gulen, and Ovtchinnikov, 2010; Gaikwad, 2013; Huber and Kirchler, 2013; Akey, 2015).[14]

[9] "Bob Dole Looks Back," *AARP Bulletin*, July/August 2015.
[10] "GOP Lawmaker: Donors are Pushing Me to Get Tax Reform Done," *The Hill*, November 7, 2017.
[11] "461: Take the Money and Run for Office," *This American Life*, March 30, 2012.
[12] See also Stratmann (2005).
[13] For a similar finding on lobbying, see Kim (2017).
[14] See, however, Fowler, Garro, and Spenkuch (2020); Fouirnaies and Fowler (2022).

Other studies have reported evidence that large campaign contributions result in access and influence in other countries as well. For example, Brazilian firms specializing in public works projects that donate to winning candidates of the ruling party experience a considerable boost in contracts allocated to them (Boas, Hidalgo, and Richardson, 2014). More broadly, Brazilian firms that contribute to elected federal deputies enjoy higher stock returns (Claessens, Feijen, and Laeven, 2008). Contributors to Colombian mayoral candidates are more likely to receive a government contract, especially if they donate more money (Ruiz, 2020; Gulzar, Rueda, and Ruiz, 2021); the same dynamic has been found in the Czech Republic (Titl and Geys, 2018). Finally, there is also evidence that contributions in a number of advanced industrial countries are driven by pragmatic considerations (McMenamin, 2012).

In summary, the literature on campaign finance is much more voluminous than the one on personal enrichment. It finds that spending money on election campaigns helps candidates and parties get elected – or, at the very least, that they are not successful if they do not spend money. The evidence is somewhat mixed regarding whether campaign donations affect policy outcomes. While few effects have been observed for legislators' most visible actions, such as roll-call votes, more subtle impacts have been found, such as on specific legislation relevant to an industry. This is confirmed by the behavior of financiers, who donate strategically and benefit financially.

2.4 GOLDEN PARACHUTE JOBS

Many countries have experienced the rise of a new phenomenon in recent decades: politicians who leave office and take a position in the private sector. This is often referred to as "revolving door" employment, but this can lead to confusion, as others use the same term to describe movement in the other direction – from the private to the public sector (e.g. Gromley, 1979; Makkai and Braithwaite, 1992; Adolph, 2013; Lucca, Seru, and Trebbi, 2014). I therefore use the term "golden parachute employment" instead, which makes it clear that the focus is on moving from politics to the private sector. It is related to *pantouflage* ("parachuting out"), the French expression for the phenomenon, and to the Japanese *amakudari* ("descent from heaven").

Golden parachute employment gives politicians the opportunity to improve their personal financial situation *after* leaving office. While a few formal models examine the practice in the context of regulators (Che, 1995; Salant, 1995; Dal Bó, 2006), little theoretical work focuses on politicians. There are models that study politicians' moves into the private sector, but they focus on cases in which the remuneration for the outside job is set exogenously and unrelated to decisions made while in office (Besley, 2004, 2005; Diermeier, Keane, and Merlo, 2005; Mattozzi and Merlo, 2008; Keane and Merlo, 2010). No theoretical model that I am aware of explicitly ties politicians' moves into the private sector to their time and position in office.

As a consequence, the empirical literature has surged ahead. Just like in the case of campaign contributions, studies of golden parachutes focus mostly on the American context, where many ex-legislators are employed as lobbyists. These jobs pay very well (Etzion and Davis, 2008; Blanes i Vidal, Draca, and Fons-Rosen, 2012; Bertrand, Bombardini, and Trebbi, 2014), so it is not surprising that in recent years, more than half of the members of Congress who left office later registered as lobbyists (Lazarus, McKay, and Herbel, 2016). In addition, former representatives also often serve on boards of directors (Hillman, 2005; Lester et al., 2008; Palmer and Schneer, 2016, 2019).

Why do companies hire former politicians? Previous research has focused on their human capital. The central debate in this strand of the literature is whether *what* or *who* they know is more important (Bertrand, Bombardini, and Trebbi, 2014; de Figueiredo and Richter, 2014). Earlier studies found that lobbyists who used to be in politics have more expertise and better knowledge than their career lobbyist counterparts (Salisbury et al., 1989; Heinz et al., 1993; Esterling, 2004; Parker, 2008). However, the empirical basis for most of these studies is surveys of former legislators, which tell us what they think their role is rather than their employers' actual motivation when hiring them.[15]

More recent work instead analyzes what politicians-turned-lobbyists do rather than what they say they do. It finds evidence that they are mostly sought after for their extensive networks of connections within the legislature (Hillman, 2005; Blanes i Vidal, Draca, and Fons-Rosen, 2012; Bertrand, Bombardini, and Trebbi, 2014; LaPira and Thomas, 2014, 2017). In other words, companies hire ex-politicians because they can influence their former colleagues.[16]

[15] An exception is Esterling (2004), which presents case studies that focus on the passage of laws in areas where policy expertise is well developed. However, it is not clear that we can generalize findings from research-driven policy areas to the broader universe of laws (see Hill, 2005).

[16] Consistent with these conclusions, there is evidence that golden parachute employment has positive effects for companies. Former politicians are most likely to be found in

However, golden parachutes may also work in another way, which is probably best exemplified by the former lobbyist Jack Abramoff, who admitted that he regularly promised congressional staffers lucrative employment in the future:

> Now the moment I said that to them or any of our staff said that to 'em, that was it. We owned them. And what does that mean? Every request from our office, every request of our clients, everything that we want, they're gonna do. And not only that, they're gonna think of things we can't think of to do.[17]

Shepherd and You (2020) provide systematic evidence supporting this logic in the context of the US Congress, showing that staffers who later become lobbyists are, *before they exit*, more likely to grant access to lobbyists and to push more legislation that is beneficial to future employers. This logic likely applies to politicians as well, as expressed by an anonymous member of Congress: "Committee assignments are mainly valuable as part of the interview process for a far more lucrative job as a K Street lobbyist. You are considered naïve if you are not currying favor with wealthy corporations under your jurisdiction."[18]

It is easy to find anecdotes of politicians taking up lucrative positions with companies that benefited from their decisions in office. The Nord Stream consortium, which later employed Gerhard Schröder, would not exist if the latter had not given the go-ahead to build a pipeline through the Baltic Sea while he was the chancellor of Germany. Another example is David Cameron, who during his time as British prime minister allowed the businessman Lex Greensill to work in Downing Street as a senior adviser. After leaving office, Cameron was then employed by Greensill as a paid adviser and lobbied ministers on behalf of the company.[19]

To be clear, it is probably rare that such future jobs are *explicitly* offered in exchange for current access. But the same is true for campaign contributions, which are usually not a blatant quid pro quo, but instead a continuous exchange based on an (implicit) mutual understanding. If

industries that are subject to greater government regulation (Hillman, 2005). Having former politicians as lobbyists is associated with greater chances of political success (Baumgartner et al., 2009; Lazarus and McKay, 2012; Makse, 2017) and improves firms' bottom lines (Hillman, Zardkoohi, and Bierman, 1999; Goldman, Rocholl, and So, 2009; Luechinger and Moser, 2014).

17 "Jack Abramoff: The Lobbyist's Playbook," *60 Minutes*, May 30, 2012.

18 "Confessions of a Congressman," *Vox*, July 12, 2015.

19 "The David Cameron Scandal: Just How Sleazy Is British Politics?" *Financial Times*, April 16, 2021.

future jobs affect politicians' current actions in office, the mechanism is likely to be similarly subtle. For example, the simple prospect of such future employment may be enough to affect legislators, as a *New York Times* editorial worries:

> [M]ost incumbent members, as they go about their daily routine of casting votes and attending committee meetings, must have in the back of their minds an awareness that they are likely to go into the influence-peddling business in the future. This knowledge inevitably influences – and arguably corrupts – their votes on legislation crucial to the interests most likely to hire them after they leave the halls of Congress.[20]

Egerod (2019) provides systematic evidence that the prospect of landing a golden parachute job indeed influences politicians' behavior while in office. Comparing changes in voting behavior during the last term of US senators who retire vis-à-vis those who go on to take up a position in the private sector, he shows that the latter converge to the ideological position of companies in their future sector of employment. This suggests that there is not only a demand-side effect for ex-politicians' expertise or connections, but that politicians actively seek out these post-politics jobs, and that it influences their behavior *while still in office*.

Research on golden parachute employment outside the United States is more sparse and focuses mostly on demonstrating how common and lucrative it is. The practice is widespread in the United Kingdom (Eggers and Hainmueller, 2009; González-Bailon, Jennings, and Lodge, 2013), Germany (Dörrenbächer, 2016; Würfel, 2018; Claessen, Bailer, and Turner-Zwinkels, 2021), Ireland (Baturo and Arlow, 2018), the Netherlands (Claessen, Bailer, and Turner-Zwinkels, 2021), and among presidents and prime ministers in general (Musella, 2015; Baturo and Mikhaylov, 2016; Baturo, 2017).

In many countries, the United States being an exception, legislators are also allowed to hold a private sector job *while* in office. Given that this entails employment but happens while in office, this kind of money could be characterized as either golden parachute employment or enrichment in office. However, in separate work, I find that these jobs are unrelated to politicians' *current* positions. Instead, the only increase in private sector earnings happens for ministers *after leaving* their government position, but while still being in parliament (Weschle, 2021*b*). Thus, these kinds of jobs are best grouped into the golden parachute category.

[20] "The Trouble with That Revolving Door," *New York Times*, December 18, 2011.

Of the three types of money in politics, the literature on golden parachute employment is the newest. Nevertheless, its findings so far are similar to those on the other types: The practice is lucrative for politicians and helps them achieve their goals. It also has consequences for policy and thus helps employers realize their instrumental interests.

2.5 WHAT'S MISSING IN THE STUDY OF MONEY IN POLITICS

We have learned a lot from the literatures on the three different ways in which money enters politics. Thanks to creative research designs and careful analyses of high-quality data, we can now quantify the extent to which holding political office affects wealth. We also have a better understanding of why people or groups make campaign contributions, how they affect politicians' decisions, and how much they help win over voters. Finally, research has made headway in documenting the existence of golden parachute jobs and identifying the determinants behind it, as well as its consequences.

And yet, a crucial thing is missing: a connection between them. Studies on personal enrichment focus exclusively on politicians' asset gains during their time in office, research on campaign finance looks only at money spent on elections, and the golden parachute literature only tracks politicians moving into the private sector. The different forms of money in politics are treated as separate phenomena and are studied in separate books and articles – usually by different people.

Figure 2.2 illustrates just how few connections the literature draws between them. I examine all twenty-nine articles on the subject of money in politics that appeared in the three top political science general interest journals between 2010 and 2019.[21] I count the number of times each article mentioned word combinations relating to personal enrichment, campaign spending, and golden parachute employment, and then compute the relative share of mentions.[22]

[21] American Political Science Review, American Journal of Political Science, Journal of Politics.

[22] Words were chosen by examining word combination frequencies of all articles together, which ensures that I use the terms used by the authors. For personal enrichment, they are: bribe(s), bribery, wealth accumulation, wealth increase, rent seeking. For campaign spending: donation(s), donor(s), contributor(s), contribution limit(s), campaign contribution(s), campaign finance, citizens united, pac contribution(s), pac spending, contribution(s) from, contribution(s) to, campaign spending, challenger spending, incumbent

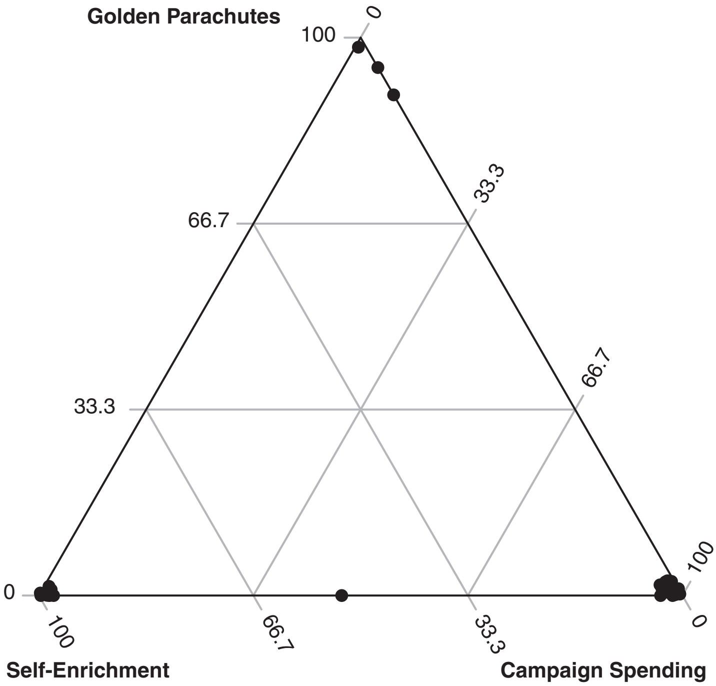

FIGURE 2.2 *Three types of money in politics in political science journal articles.* Share of words related to personal enrichment, campaign spending, and golden parachute jobs in twenty-nine articles about money in politics published in three general interest political science journals between 2010 and 2019. Articles that only mention one form are located in the corners (points are jittered for better visual representation). A hypothetical article that mentions each form the same number of times would be located in the center at the intersection of the gray lines marked with 33.3

The vast majority of papers (twenty-one out of twenty-nine) are located in the corners of the ternary plot, meaning they *only* mention one form and *never* any others (points are jittered for better visual representation). Not only does this mean that articles study a single type in isolation, it also indicates that they do not draw connections to the other forms or discuss the literature that studies them. Of the eight papers that mention more than one type, seven focus overwhelmingly on one form and mention a second one a few times (10 percent or less). Only one article mentions two forms of money in relatively equal proportions, and none

spending, corporate pac. For golden parachute employment: board service, revolving door, corporate board(s), boards per year, serve on boards.

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mentions all three. Figure 2.2 thus clearly illustrates the siloed nature of the inquiry into money and politics to date.

To be clear, this is not a criticism of these studies or of any others that only focus on one type. They provide important insights, and all articles must omit discussions of many interesting connections. However, this siloed approach creates a number of blind spots. By narrowing the focus of our attention to specific mechanisms, we only get a partial equilibrium understanding and miss out on the bigger, general equilibrium picture.

This leaves us with a number of unanswered questions. How exactly are the different types of money connected? Under what conditions is each form present? What does having less of one form mean for the others? And what are the downstream consequences for democracy if a particular type is more prevalent? Because we do not have an integrated account of all three types, we do not have answers to these questions. In the next chapter, I lay out a theory that provides them.