

Organized Interests & the Revolving Door: The political and economic effects of hiring revolvers in the European Union

Benjamin Egerod
University of Copenhagen
benjamin.carl.egerod@ifs.ku.dk

Jens van der Ploeg
University of Copenhagen & University of Amsterdam
jvp@ifs.ku.dk

Anne Rasmussen
University of Copenhagen, Bergen University & Leiden University
ar@ifs.ku.dk

Paper prepared for presentation at the conference of the European Union Studies Association in Denver, May 9-11, 2019

Abstract

A growing literature examines the flow of public officials into the private sector, a phenomenon commonly referred to as the revolving door. While concerns have been raised that hiring former bureaucrats increases the risk of regulatory capture, existing research has either not analyzed the consequences of hiring revolvers or has primarily relied on indirect, economic measures, such as the revenue earned by the new employers. In this paper, we combine newly released data on the career trajectories of European Union officials and politicians with data on high-level meetings with the Commission as well as procurement contracts from the European Union. We leverage this novel database in a number of difference-in-difference designs that investigate whether hiring former EU staff and politicians increases the number of high-level meetings and the size of procurement contracts a new employer can expect to receive. While we find that hiring revolvers strongly increases access to decision-makers, the positive effects are relatively short-lived and mainly driven by lobby firms and companies, whereas other types of organized interests do not benefit. Similarly, the effects on the likelihood and size of public procurement contracts are instantaneous and strongly attenuated by shocks to the system having different effects across group types and actors coming from different countries. Whereas our paper certainly does not dismiss the criticism of the revolving door, we present less of a grim picture of the phenomenon than has been painted by some of its critics. By conducting the first study of the political effects of the revolving door on access to decision-makers, we shed new light on the political effects of the revolving door beyond the economic gains for the lobbyists themselves. At the same time, our study constitutes the first quantitative investigation of the consequences of hiring revolvers in the EU.

Introduction

There is no lack of criticism of the European Union, which has been argued to suffer from a democratic deficit. It is often portrayed as being too preoccupied with administrative, technical and economic issues and inaccessible to the ordinary citizen (e.g. Williams 1990; Featherstone 1994). Even though the EU construction has also been defended by political theorists (Moravcsik 2002), the image of the EU as a technocratic and nontransparent political system whose vast majority of representatives lack a democratic mandate is widespread¹. To ensure support for the future of the EU, President of the European Commission Jean-Claude Juncker therefore made the democratic legitimacy of his Commission one of the primary aims of his term when he started in 2014. One of the commitments he made was to enhance transparency regarding contact with external stakeholders and lobbyists by presenting new initiatives to strengthen lobby registration and to regulate the flow of European Commissioners to lobbying positions. Some have argued that such initiatives were long overdue. An

¹ <https://www.economist.com/special-report/2017/03/23/how-to-address-the-eus-democratic-deficit>

Alter-EU report for example documented 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 Commissions but that similar patterns were seen for high-level officials from the EU institutions in general². Concerns have been voiced in the public debate that hiring former EU insiders can be a way of buying influence on European public policy for professional lobbyists, firms and other organized interests³.

Academic literature has also increasingly paid increasing attention to the flow of public officials into the private sector, a phenomenon commonly known as the revolving door. Scholars of public administration and political economy have for example argued that the revolving door could lead to regulatory failure or capture when regulators become lenient towards the sector they are about to revolve to (Bernstein 1955; Gormley 1979; Cohen 1986; Makkai and Braithwaite 1992). Similarly, scholars of organized interests have turned attention to revolving door lobbying arguing that ex public officials can provide privileged information and connections to their private sector organizations (McKay 2012; LaPira and Thomas 2014; Coen and Vannoni, 2016; LaPira and Thomas 2017; McCrain 2018).

The literature provides several explanations for why public officials go through the revolving door and why public sector organizations are keen on hiring them. Companies and other organized interests are expected to benefit from the connections of revolvers (LaPira and Thomas 2014), their substantive *expertise* (Coen and Vannoni 2016), and may also be able to use revolvers to boost their *legitimacy* (El Nayal and Van Oosterhout, 2019). At the same time, few studies to date have examined the consequences of the revolving door. Notable exceptions include studies of the US and Japan documenting that organizations or companies hiring revolvers experience increases in *revenues* (Blanes i Vidal 2012; McCrain 2018) or *government contracts* (Asai et al., forthcoming). We also know that US firms hiring revolvers also pay lower *effective tax rates* and are less likely to be *audited* (Egerod, 2018) and that revolvers in the US *perceive* themselves to be more *influential* (McKay 2012). Yet, apart from this handful of studies, we know little about whether hiring revolves pays off for organizations and firms.

Moreover, while concerns have been raised about the disproportionate access that revolvers might have to policymakers and bureaucrats, existing research has tended to ignore actual access. Instead, it has used more indirect indicators to measure the consequences of hiring revolvers such as revenue and perceived influence. The study of the consequences of hiring revolvers can therefore benefit from a strong causal design that simultaneously considers the impact of revolving door lobbying on a varied set of indicators including both direct and more indirect measures. In this paper, we address this gap by considering the impact of revolving door lobbying on both access and revenue from

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

³ <https://www.theguardian.com/commentisfree/2016/sep/02/politics-politicians-revolving-door-barroso-ferro-corporate-pay>

government contracts in the first study of the impact of the revolving door in the European Union. Obtaining access to a political system is often an important step towards getting political influence (Binderkrantz et al. 2015; Bouwen 2004; Eising 2007). According to a famous Washington saying, “If you’re not at the table, you’re on the menu” (Schlozman, Verba, & Brady, 2012, 309).

Our analyses combine data on the private sector career trajectories of European Union officials and politicians from both the Commission, European Parliament and the Council’s permanent representations with data on access to the Commission, through participation in high-level meetings. Using difference-in-difference designs, we investigate whether hiring a former EU employee or politician increases the number of high-level meetings. Importantly, the highly dense and granular data on meetings with the Commission allows us to estimate flexible models with interactions between group and year fixed effects. This powerful specification allows us to control for not only invariant group-level factors but also any unobserved factor that varies from year to year. Moreover, we supplement these analyses with an investigation how hiring a revolver affects an organization’s likelihood of obtaining procurement contracts and grants from the European Union.

We find that hiring a revolver buys lobbying organizations more high-level meetings with the Commission. Yet, we also point that the effects of hiring former EU officials and politicians are generally only observed during the first year of the hiring, indicating either short duration of these positions or a fast decline of the relevance of the assets provided by these actors. The exception to this rule is for lobbyists hiring Commissioners where effects on access can only be found after the 18 months cooling-off period. Moreover, we see that the effects on meetings with the Commission are mainly driven by contract lobbying firms and companies that hire revolvers. In contrast, other types of organized interests do not experience benefits with respect to access. Finally, we again find no long-lasting effects of hiring revolvers for the likelihood and size of procurement contracts and grants. These economic effects are short-lived and strongly attenuated by shocks to the system having different effects across group types and actors coming from different countries. Overall our findings present a somewhat of a less pessimistic picture of hiring revolvers than the one presented by some think tanks and commentators. While, they do not allow us to dismiss all fears of the potential consequences of hiring ex EU politicians and officials, they indicate that the effects are often short-lived and only apply to professional lobbyists and firms. Our study underlines the value of drawing attention to both the political and economic effects of the revolving. In addition, it provides valuable input for ongoing discussions of the effectiveness of the existing cooling-off policy for European Commissioners as well as for discussions whether to extend such regulation to other types of EU staff and politicians.

Existing Literature & theoretical framework

Several studies are concerned with explaining why public officials go through the revolving door and why they are valuable employees for organized interests. Organized interests refer to a broad range of non-state organizations attempting to influence public policy, including business groups and trade unions but also professional lobbyists, think tanks and companies (see Baroni et al. 2014 for a discussion on how to define organized interests). Existing studies on the revolving door focus largely on explanations concerning the *connections* and *expertise* of revolvers. As an example, LaPira and Thomas (2014) study the diversity of the clients of lobbyists in the United States and show that lobbyists with a public sector background have more diverse clienteles than other lobbyists, which indicates that they are largely hired for their connections rather than their expertise. In addition, Coen and Vannoni (2016) have directly studied career paths of lobbyists in Brussels. They uncover three general career paths: private sector employment, European public sector - or national public sector employment and argue that each type of career path is linked to different types of information required from lobbying organizations. Besides information and political connections, revolvers can also be hired to attract legitimacy or improve the reputation of an organization (El Nayal and Van Oosterhout, 2019). According to LaPira et al. (2014) organizations facing strong lobbying competition in their environment are more likely to hire revolvers to gain an advantage.

Rather than considering *why* and *when* organizations hire former public officials, a handful of studies have starting looking into the actual *consequences* of the revolving door. US studies have stressed the importance of connections when it comes to benefiting from hiring revolvers. An example is Blanes i Vidal et al.'s work (2012) documenting that the firms, for which former congressional staffers work, experience declines in revenue after their connected senators retire. McCrain (2018) similarly shows that revolving door lobbyists with one standard deviation more staff connections on Capitol Hill, on average have 18 per cent more revenue during their first year. Other US studies have used different indicators to measure the impact of the revolving door. Rather than looking at revenue, Egerod (2018) looks at taxation and auditing and shows that companies that hire an ex-Member of Congress tend to pay lower effective taxes in the two following years and are less likely to be audited. McKay (2012) adds to this story by demonstrating that not only do the lobbyists seem to have financial gains from hiring lobbyists, revolvers also generally perceive themselves as more influential even if whether they in fact are still needs to be studied. Finally, a recent study by Asai et al. (forthcoming) indicates that, not only US firms, but also Japanese firms potentially benefit from revolvers: firms in Japan in the construction sector are awarded more government contracts after hiring former public officials.

Even though the measures used in this handful of studies indirectly gauge at the political consequences of the revolving door, neither revenue nor self-perceived influence are direct indicators of this. We argue that, to look at political consequences of hiring revolvers, a first logical step is to investigate *the access* that organizations gain to policy makers. While access does not constitute actual

influence, it is widely recognized that access might be an important precondition for influence (Binderkrantz et al. 2015; Bouwen 2004; Eising 2007). It is therefore not surprising that policy makers are often selective in whom they interact with to gain policy input and restrictive in their provision of access to the policy process. Access can be defined as ‘instances where a group has entered a political arena (parliament, administration, or media) passing a threshold controlled by relevant gatekeepers (politicians, civil servants, or journalists)’ (Binderkrantz et al. 2017, p. 16). In these exchanges, policy makers can benefit from the expertise, financial resources, as well as the legitimacy of interest organizations (Bouwen 2002; Hall and Deardorff 2006; Dür and Mateo, 2016). In return for these goods, organized interests might get an improved opportunity to steer policy in a way preferable to the interests of their organization.

Overall, we expect that hiring a revolver results in both increased access to the political process and economic gains for organized interests through several mechanisms. First, revolvers generally have an important *network* in the political arena as discussed in the conceptualization of access above. After revolving, they are thus likely to have close personal ties with the current gatekeepers of the political arena, which should increase the likelihood that their organization gains access and reaps economic benefits from the interaction in the form of for example contract work. Second, revolvers have substantive *expertise* and have experience with the way that the public sector perceives the topics, on which its new employee works. They are likely to be good at translating the knowledge and expertise of their new employer into information that is useful for policy makers. Such technical information is one of the key resources that policy makers demand in their exchanges with lobbying organizations (De Bruycker 2016). Third, revolvers have *experience with the political process* itself, are likely to be well aware of *when* to lobby *whom*, and have experience with *how* to lobby effectively. They have first-hand experience from having been lobbied themselves. They may have been the former gatekeepers deciding which organizations had a seat at the table during previous policy negotiations on a given issue. Fourth, the new employees of the revolver may also act as a signal of *legitimacy* to their political counterparts. Decision-makers, especially those who lack a direct democratic mandate, can benefit from granting access and supporting organized interests rooted in important segments of (civil) society to improve the legitimacy of their policy choices.

We might thus expect both positive political and economic effects of hiring revolvers. However, it is possible that such effects decrease over time and vary between different types of organized interests. For one, many of the discussed assets that give employers hiring revolvers an advantage might deteriorate in value over time. Networks and connections might for example not last forever, especially not in a political environment where there is a high turnover in the kind of officials that deal with specific topic areas. The staff in the Council’s permanent representations is typically only based on Brussels for a fixed set of time and even within the Commission and the Parliament staff rotates between different policy portfolios. In addition, technical expertise may not keep its value

forever. Scientific knowledge needs constant updating in a complex legislative environment with multiple unknowns. We would therefore generally expect that effects of hiring former EU officials and politicians should be strongest in the beginning.

In addition, it is possible that some organized interests benefit more from hiring revolvers than others. The reason might be that even if these organizations all engage in some sort of a resource exchange with decision-makers as we discussed above, the nature of the resource exchange varies for different actor types (Rasmussen et al. 2018). Different actors are not equally dependent on certain resources, such as hiring revolvers. For some organized interests, a key rationale for getting access is their ability to represent either broader societal interests or key segments of society. As mentioned above, it is important for decision-makers to engage in close dialogue with such interests to ultimately increase the legitimacy of their organization and policies. However, what this might mean is that there will always be a strong emphasis on securing access and granting procurement contracts to certain organized interests irrespective how many former ex-officials and politicians they have on their payroll. Such organizations may still hire revolvers but see experience fewer direct benefits of doing so. Yet, for other organized interests with a weaker “representative” and “legitimizing” potential, revolvers might be able to make a stronger difference in terms of which political and economic benefits they get. The extreme example would be the contract lobbyists themselves that are often regarded as professional lobbyists rather than representatives of (important segments of) society. Similarly, specific companies could be another example of an organization type that usually cannot make a “broader representative claim” themselves to be included in deliberations or awarded certain contracts. When deciding on awarding access and economic contracts to the latter groups of actors, decision-makers may be less affected by concerns of boosting legitimacy and stronger influenced by other factors, such as their degrees of professionalization and expertise. For the latter having ex-staffer and politicians from the EU apparatus working for their organization might therefore make a greater difference.

Data

In this study, we rely on several publicly available sources of data. *First*, to identify former European Union officials and politicians that have gone through the revolving door, we rely on a dataset constructed by Corporate Europe Observatory (CEO), titled the RevolvingDoorWatch (Website Corporate Europe Observatory). CEO relied on a combination of desk research and used available online documents provided by the EC to construct a list of EU officials and politicians that later transferred to positions in the private sector. This includes Commissioners, European Commission officials, MEPs, Director-Generals of the Presidency of the EP, Permanent Representatives and

officials working in Permanent Representations⁴. This list contains information about the organizations to which the EU officials and politicians revolved and should be fairly complete for those that have left office during the past 5 years. *Second*, for these organizations, we collect data on their lobby meetings with high-level EU Commissioners from a dataset by Transparency International, called the IntegrityWatch. It combines self-reported lobby meetings that senior staff members of the European Commission have, which are gathered from the webpages of the respective Directives and Commissioners. Since December 2014, public officials have been required to register and disclose information about the lobby meetings in which they take part, including the topics and participants. *Third*, for these same organizations, we collect data from the website of the European Commission on the procurement contracts they receive from the EC, drawing on the Financial Transparency System of the EC, which registers all contracts that are directly managed by the EC and other EU bodies. This dataset excludes funds under shared management with Member States (which accounts for 80 percent of the EU budget).

We use these sources to construct two datasets of, respectively, the monthly number of meetings with high-level Commission staff and public procurement contracts received through the Commission.

Dataset I: access to policymakers

To measure the access that an organization gains to the European 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 European 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 EC in each month in our data. This yields a dataset including 3,128 group-months⁵, where 1,755 meetings were held between the Commission and 77 groups. These data are further described in Table 1. As we can see, the number of meetings averages to approximately one-half each month, while the probability of having a meeting in a given month is about one-in-four. Approximately one-tenth of all months are treated with a connection.

⁴ For the European Commission, our data contains 15 Commissioners, 1 President, 7 ((acting) deputy) Director Generals, 5 heads, 5 (principal/personal/policy) advisors, 3 policy officers, 2 EU Ambassadors, 2 case handlers, 1 project manager, 1 programme manager and 1 administrator. For the European Parliament, our data contains 22 MEPs and 1 Director-General of the Presidency. For our Permanent Representation data, our dataset contains 2 Permanent Representative, 2 attachés, 1 counsellor and 1 head of EU strategy.

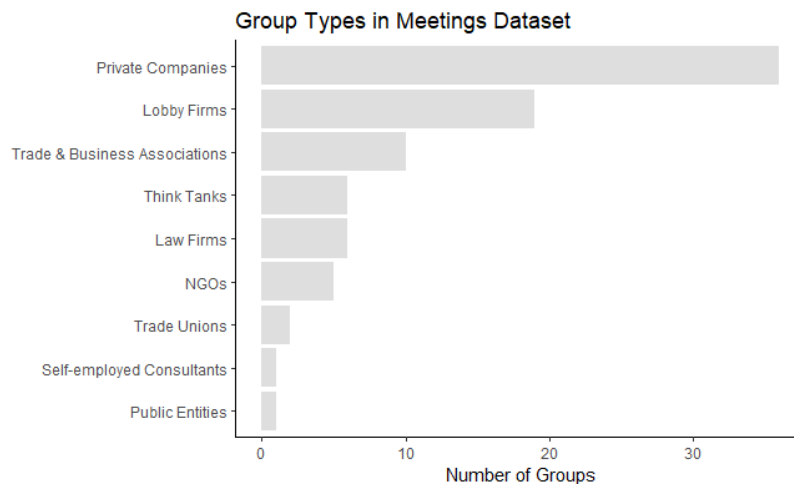
⁵ For a few revolving door positions we were unable to obtain the starting dates of the new position. This induces some missingness in the variable capturing Months with employed revolver. This causes the discrepancy between the number of observations on the meeting variables in Table 1.

Table 1: Descriptive Statistics -- Meetings Data

Statistic	Mean	St. Dev.	Min	Max	N
# Meetings	0.561	1.361	0	14	3,128
Meeting?	0.247	0.431	0	1	3,128
Month with employed revolver	0.108	0.310	0.000	1.000	2,215

Figure 1 shows how different actor types are represented in our meeting data. Apart from less than a handful of public entities and self-employed consultants, these actors all constitute organized interests in a behavioural sense (Baroni et al. 2014) representing non-state organizations attempting to influence public policy. NGOs and Trade Unions account for a considerably lower share of the total number of actors in the dataset than business groups, companies and lobby firms.

Figure 1. Distribution of group types in meeting dataset



Dataset II: funding

To measure the amount of money each organization is able to extract from the European system, we leverage data on public procurement contracts awarded by the European Commission, such as contracts to provide specific consultancy services. Because the data contains fewer entries than the meetings data, we aggregate to yearly totals and compute the total amount of Euros the organization receives in procurement contracts from the Commission. Because there are often several beneficiary organizations, we divide the amount per contract by the number of recipient groups in the contract, before computing the yearly total. Additionally, we transform the variable by taking the natural log. Second, we also use a binary measure of whether or not the group was awarded a contract within any given year. This yields a dataset including 175 group-year observations, where 24 unique groups in our

sample got a share of total of 7,671,784,902 euros. Figure 2 shows the yearly counts of contracts received by groups in our sample, and Figure 3 shows to how many euros the procurement contracts amounted.

Figure 2. Procurement contracts across years

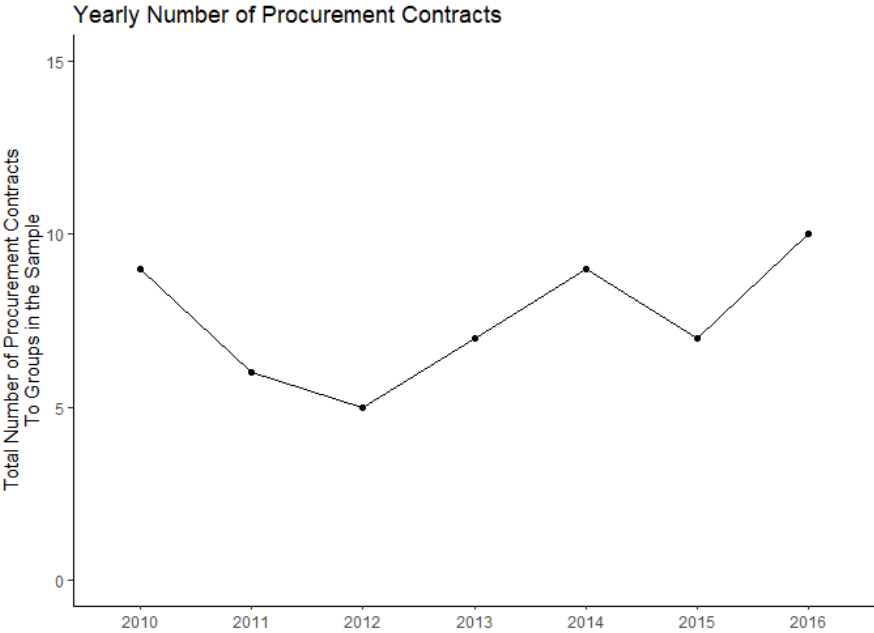


Figure 3. Total Expenditure Procurement

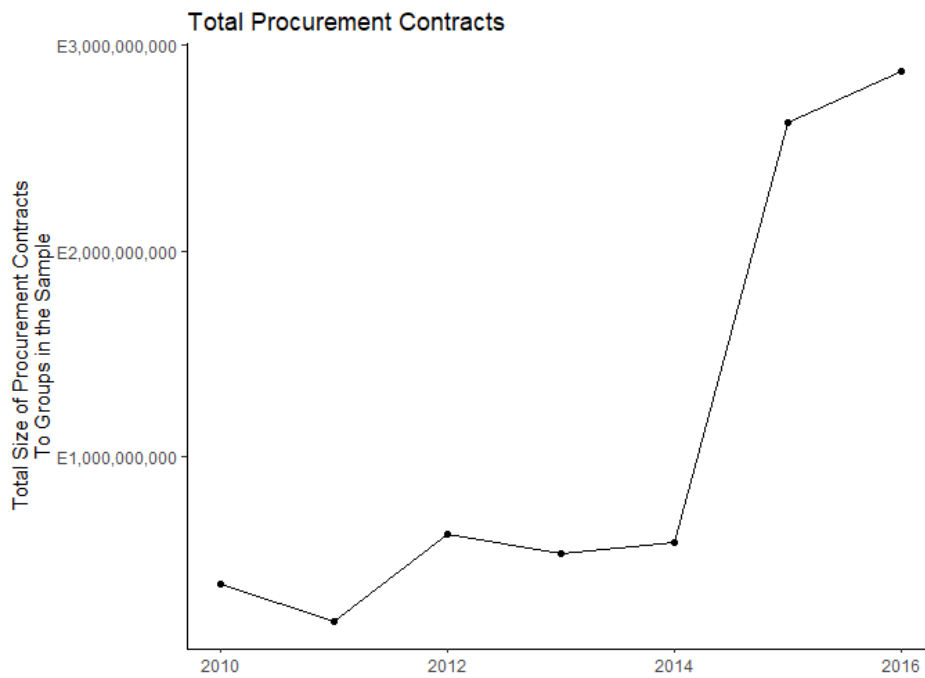
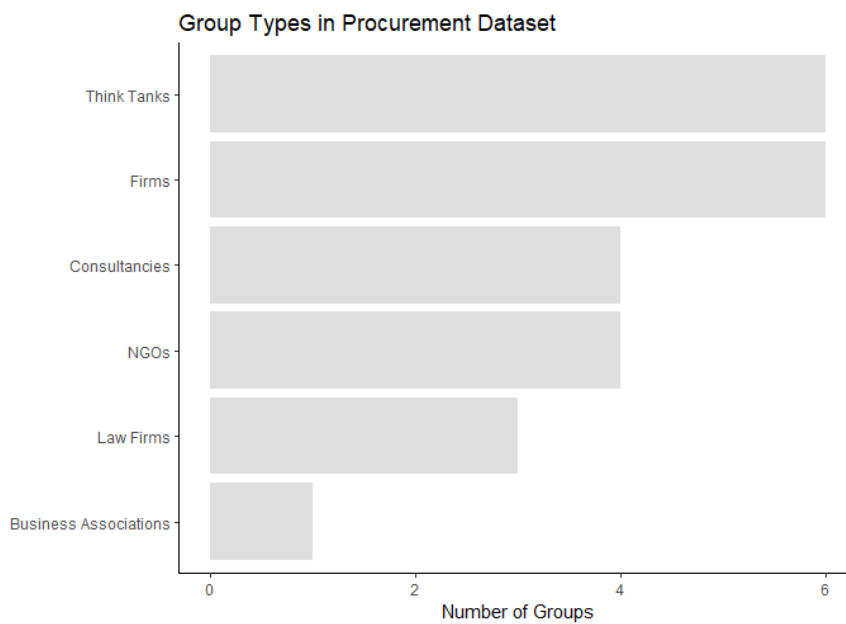


Figure 4 shows the distribution of group types in the data for procurement contracts. While think tanks and firms are the best represented, the differences in the frequencies for different types of actors are smaller than in the meetings data.

Figure 4. Distribution of group types in procurement dataset



Independent variable: hiring of former Commission Employee

Our goal is to estimate the effect of gaining a political connection by hiring a former EU official or politician. We do this by constructing a binary indicator of the year during which the groups hire revolvers. We use this measure in both of our datasets.

To identify the effect of gaining a connection, we estimate difference-in-differences through OLS regression models of the following form:

$$Y_{gt} = \beta connect_{gt} + \gamma_g + \delta_t + I + \epsilon_{gt}$$

Where Y is one of our dependent variables capturing the number of times (or whether) the group meets with the Commission during month t or obtains a procurement contract during year t . $connect$ is our indicator of whether the group hires a revolver in a given period. γ represents a group fixed effect, while δ is set of time fixed effects. The group fixed effect removes all time-invariant factors, while the time fixed effect deals with homogeneous shocks to the system. Additionally, we include I , which is an interaction between the group fixed effects and some higher-level fixed effect. Because the dataset on meetings is both highly granular and dense, we have monthly data clustered within years. This allows us to estimate highly flexible models by including an interaction between group and year fixed effects. This is an extremely powerful specification, because it allows each group to be on a non-parametrically different trend every year. Thereby we not only control for all time invariant factors, but even for any unobserved group-level factor that varies between years.

The observations in the procurement dataset are not as densely distributed, and we use the group-year as our unit of analysis. Therefore, we cannot include an interaction between group and year fixed effects. Instead, in these specifications, I represents an interaction between the group's home country and the group type. While this specification is not as strong as the one we can use in the meetings dataset, it is still very powerful as it adjusts for all shocks to the system that have differential impacts depending on country of origin and group type. This is important, because it is unlikely that shocks like the Great Recession had an equal impact on NGOs and firms.

The inclusion of this set of fixed effects makes this a difference-in-differences model with variation in when groups are treated. Our estimate of interest, β , is identified under the assumption that the meetings and procurement contracts of groups would have followed parallel trends within, had they not hired former EU officials and politicians at that point in time (Goodman-Bacon 2018). Additionally, in the meetings data, trends only have to be parallel within each year. In the procurement data, trends only have to be parallel among the same groups within the same country – each group type in each country is allowed to be in their own trend.

While this does provide us with some leverage for identifying the effect of connections, it does not resolve the inherent problem that it is not random which groups choose to hire former policy-makers. To deal with this, we only include firms that at some point during our period of investigation

choose to hire a former EU official or politician. While this has the consequence that we estimate local effects, it holds constant the type of group that chooses to hire a revolver by using variation in timing alone for identification. Because we only compare groups that at some point will hire revolvers, it is more plausible that the parallel trend assumption will hold. This is a powerful design choice: because it is a very particular type of group that chooses to hire a revolver, we hold all unobserved characteristics regarding that type of actor constant. Additionally, because this type of group is likely to be better at gaining both meetings and procurement contracts compared to the average firm, this local effect is likely to be smaller than a global effect. However, we do not believe that the global effect could be credibly identified, because the groups in the control group would be inherently different from the politically connected firm.

Results

In this section, we present results on how hiring a former EU employee is related to getting meetings with policymakers and success in acquiring procurement contracts.

The Revolving Door and Access to Commission Policymakers

Table 1 shows how the instantaneous effect of hiring former EU officials and politicians is related to getting access to policymakers in the Commission. In column one, we investigate how becoming politically connected is related to the number of meetings (the intensive margin), while we look at the probability of getting a meeting (the extensive margin) in column two. First, we find a sizable increase in the number of meetings amounting to approximately 15 percent. We obtain substantively similar results, when modeling the probability of getting meetings. The likelihood of getting a meeting is 8.7 percentage points higher in a year when a revolver is hired.

To test for pre-trends and to investigate the persistence of the effect, Figure 4 plots models with one and two lags and leads, respectively, on the dependent variable. The results show two interesting patterns: first, that there are no statistically significant pre-trends, and second, that the effect only persists for approximately one year, before the coefficient drops to a level similar to the one prior to hiring.

Table 2: Hiring EU revolvers and Commission Meetings

	<i>Dependent variable:</i>	
	ln # Meetings (1)	Meeting? (2)
Hire EU Employee	0.154* (0.064)	0.087* (0.041)
Group Fixed Effects?	Yes	Yes
Group X * Year Fixed Effects?	Yes	Yes
Time Fixed Effects?	Yes	Yes
Observations (Group-Month)	2,215	2,215

Note: Robust standard errors with group-level clustering in parentheses. * indicates statistical significance at the 5 percent level. Dependent variables: in column 1, the logged monthly number of meetings. In column 2, a binary indicator for monthly meeting.

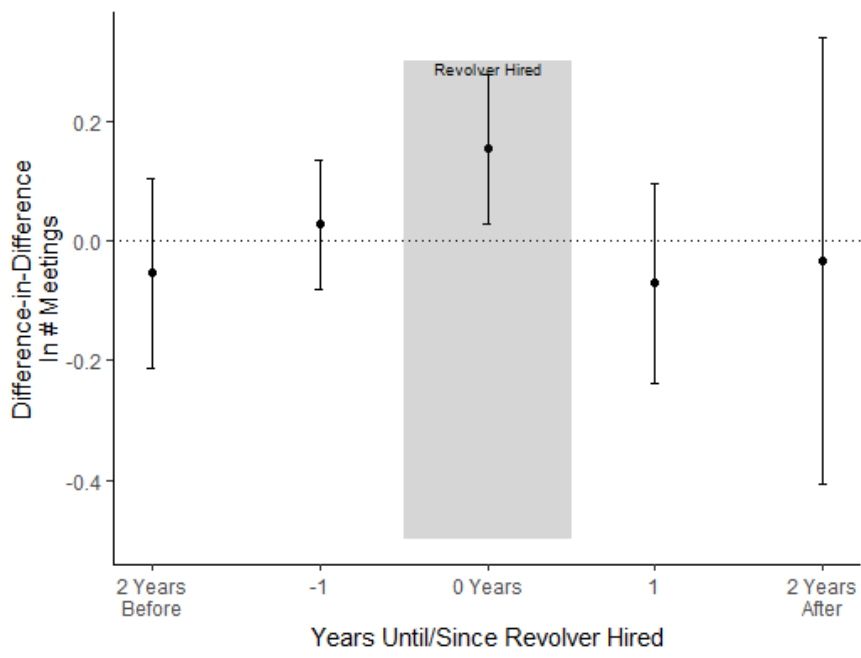


Figure 4: Meetings and Time Until Hiring

Note: Dots are difference-in-difference estimates from regressions of the number of meetings on a dummy for when groups hire revolvers. Confidence intervals are 95 percent, computed from robust standard errors with clustering on the group level.

To test whether these effects differ between the types of organizations former officials revolve to, we rerun the models without lags (i.e. only estimating the effect on the number of meetings in the same year of hiring) for each of the different group types. Here we distinguish between lobbying firms, companies, NGOs, trade and business associations and a residual category containing trade unions, law firms and self-employed consultants. In Figure 5 we can see that the effects are mainly driven by lobbying firms, which do not represent their own interests, but rather lobby on behalf of clients as 'hired guns'. These actors experience an increase in their predicted probability of close to 40 percentage points. This provides some interesting indication that also in the EU, the role of connections and knowledge of the political process is certainly not unimportant and may for some organizations be the prime motivation for hiring revolvers. We also find a sizable effect for private companies, which experience an increase of approximately 15 percentage points in the predicted probability of obtaining a meeting. At the same time, this effect is only statistically significant at the 10 percent level.

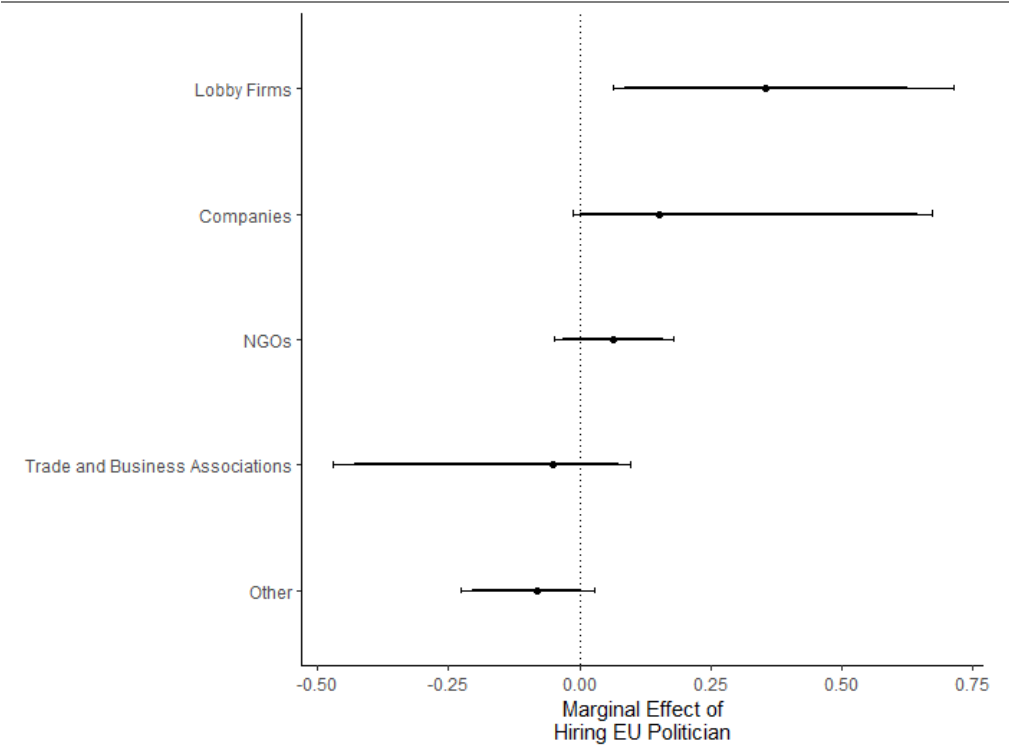


Figure 5: Effects are Driven by Lobby Firms

Note: Dependent variable is the probability of gaining a meeting with the Commission. Results show the marginal effect of hiring an EU revolver for each group type. Point estimates are unstandardized OLS estimates from models including fixed effects for group, month as well as an interaction between group and year. Confidence intervals are derived through a non-parametric bootstrap. Thick lines are the 90th percentiles of the distributions, whereas thin lines are the 95th percentiles.

Employees with a background in political decision-making control both substantive knowledge, which can be useful for current policymakers, and can benefit from possessing political connections. Both can be highly valuable for an access-seeking organization (Bertrand et al 2014). To disentangle the two resources,

we leverage that political connections are likely to decay over time – and more quickly than knowledge capacities. In Figure 6, we use the Hainmueller et al (2018) binning approach to estimate non-linear interactions between hiring a former Commission employee and the time since that employee left politics. We use three bins corresponding to the sample quartiles of time since employment in an EU institution ended.

As we can see, the effect on hiring a revolver on the number of meetings is very clearly driven by revolvers who have only been away from decision-making less than one year. We experience an instantaneous increase in the number of meetings of hiring a revolver of approximately 90 per cent. After the one-year mark, the estimates become indistinguishable from zero in statistical terms. Interestingly, after around three years we see a slight increase in the marginal effect of hiring a revolver again.

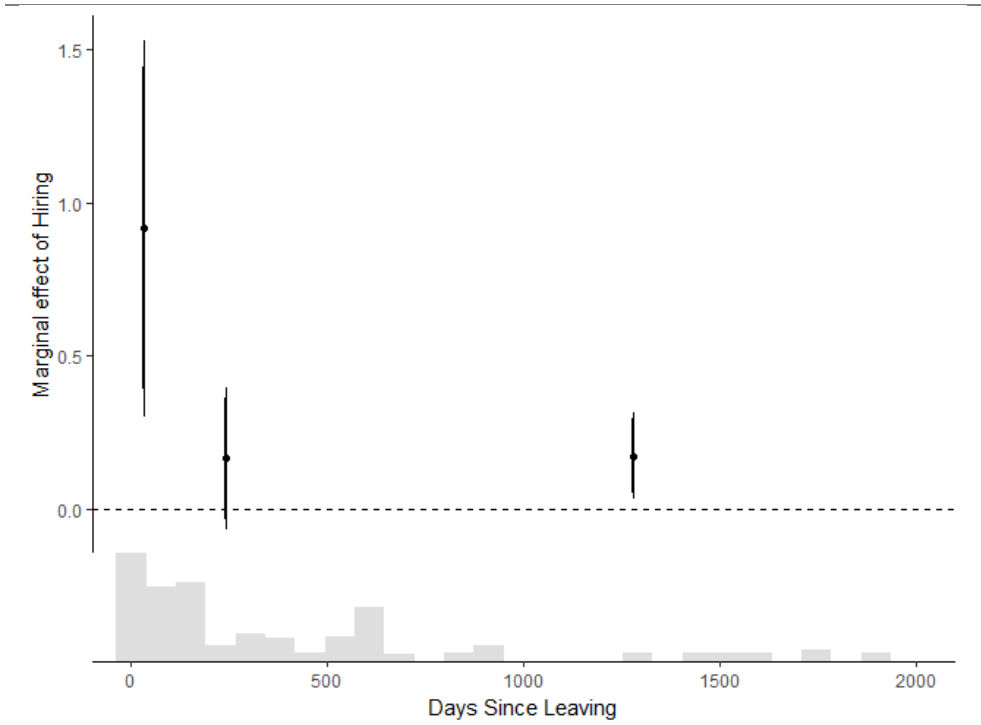


Figure 6: Effects are Driven by Recent Departures

Note: Dependent variable is the logged number of meetings with the Commission. Dots and whiskers represent local marginal effects at the three sample quartiles. Estimates are obtained using the Hainmueller et al (2018) binning estimator. Robust confidence intervals are 95 percent.

Comparing the effects across officials coming from different EU institutions helps interpret this pattern. Figure 7 shows the same graph for each of the three categories of EU officials in our dataset: Members of the Commissioner, Parliament and Permanent Representations. The first column illustrates the effects for former Commissioners. Under the regulation set-up by President Juncker,

former Commissioners are not allowed to take part in any lobbying activities during the first eighteen months after their employment (this has recently been increased to two years for former Commissioners and three years for the President of the Commission⁶, but cases falling under this scheme are not included in our dataset). For this group in our data, we find no effect during the first eighteen months. However, we see a positive effect of hiring a former Commissioner of approximately 13 percent immediately before the cooling off period ends, which then increases to more than 20 percent after it ends. While the former estimate is statistically insignificant at conventional levels, the latter is significant.

For former Members of European Parliament and Members of the Permanent Representations we see a wholly different picture. For those officials there is no cooling-off period to go into lobbying. For both groups, we see a big effect during the first year, which rapidly drops to zero after that. On the one hand, this might be a result of the decay of networks that these former politicians and officials have in the European Commission, which might suggest that political connections may play a more important role in the EU than previously thought (Coen and Vannoni 2016). On the other hand, the value of technical expertise might not be fixed but, similar to “connections”, decrease over time in a legislative environment where scientific developments require constant updating of knowledge. This is a puzzle we cannot disentangle here.

⁶ http://europa.eu/rapid/press-release_IP-18-504_en.htm

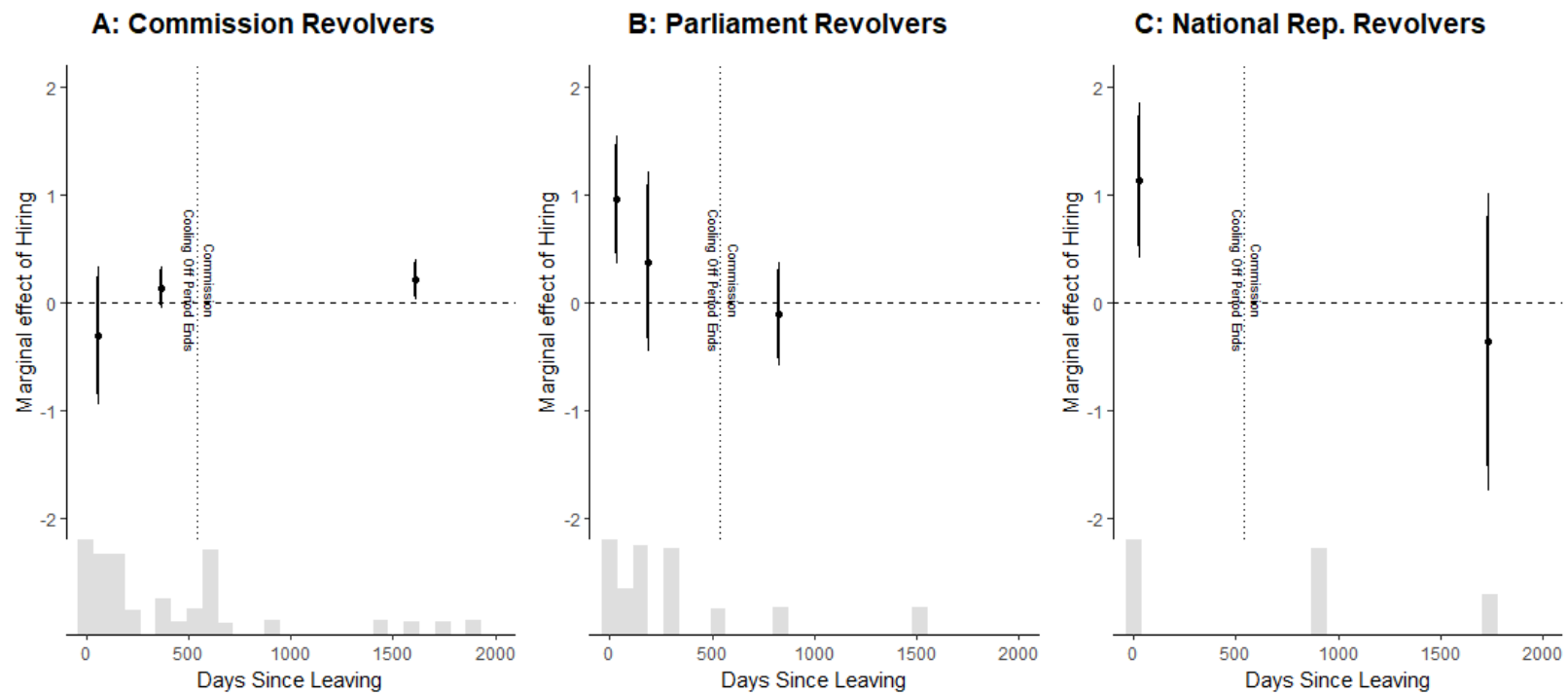


Figure 7: Effects Differ across EU Institution

Note: Dependent variable is the logged number of meetings with the Commission. Dots and whiskers represent local marginal effects at the three sample quantiles. Estimates are obtained using the Hainmueller et al (2018) binning estimator. Robust confidence intervals are 95 percent.

Revolving Door and Public Procurement

We now turn to explore whether newly gained political connections have economic effects as well. In column one and two of Table 3, we investigate whether the firms that hire former EU officials and politicians have a higher probability of gaining European public procurement contracts. In column three and four, we investigate the intensive margin by examining variation in the total weighted amount the company received from procurement contracts. While columns one and three only include fixed effects for group and year, columns two and four allows for differential trends depending on group type and country by including interactions with the year fixed effects. As we can see, we find no evidence of an effect of hiring a revolver on the probability of gaining procurement or the size of a contract in columns one and three. However, when we correct for the possibility of heterogeneous shocks depending on group type and country, we do estimate sizable and statistically significant correlations. Hiring a revolver is associated with an increase amounting to 19 percentage points in the probability of gaining a new procurement contract. Similarly, the hiring of a revolver is associated with a 336 per cent increase in the size of a contract according to model 4. This suggests that the correlation is strongly attenuated by shocks to the system having different effects across group types and actors coming from different countries.

Table 3: Hiring EU revolvers and Public Procurement

	<i>Dependent variable:</i>			
	Procurement Contract?		Contract Size	
	(1)	(2)	(3)	(4)
Hire Revolver	-0.012 (0.122)	0.191* (0.078)	-0.039 (2.243)	3.356** (1.564)
Group FE?	Yes	Yes	Yes	Yes
Year FE?	Yes	Yes	Yes	Yes
Year X Type and Country	No	Yes	No	Yes
Observations	175	175	175	175

Note: Robust standard errors clustered by group and country in parentheses. * and ** indicate statistical significance at the 5 and 1 percent levels, respectively.

While these estimates suggest that hiring revolvers brings about European procurement contracts, Figure 8 shows evidence of differential pre-treatment trends. While too noisy to be statistically significant, an estimate of the same size as the baseline emerges three years prior to the hiring and persists for a couple of years after the revolver takes up her position with the group. The effect disappears three to four years after the revolver is hired. The most straightforward interpretation of this is that groups hire revolvers as an integral part of their strategy to obtain funds through EU

procurement contracts. Their effort to extract these monies, however, preceded the arrival of the revolver, and while the outcome was more uncertain previously it was generally as effective. The arrival of the revolver could play a part in reducing the uncertainty of the process, making our estimates of the effects more precise, but other factors could explain the smaller confidence intervals post-treatment as well. However, we should be cautious with interpreting these estimates as causal effects, as we cannot rule out the confounding effect of overlap between missions and activities by the organized interests and the Commission. Organizations pursuing the same goals as the Commission may be better able to attract funding from the Commission and may be more suitable for previous EU employees and politicians to revolve to. Yet, the fact that we find effects mainly during the year of hiring a revolver and the year following the hire, indicates that this is not the whole story.

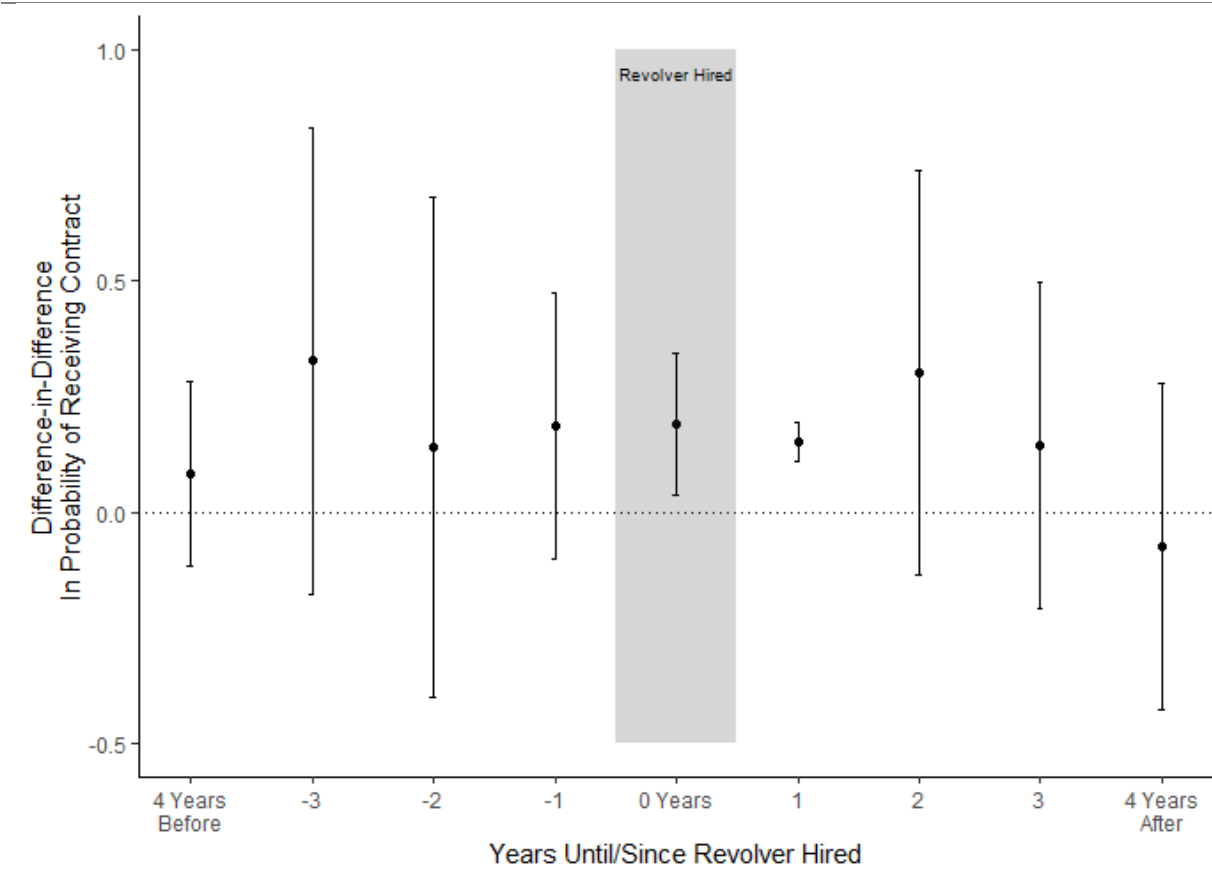


Figure 8: Procurement in Years Leading Up To Hiring of Revolver

Note: Each estimate is from a difference-in-difference model with different lags and leads on the firm’s probability of winning a public procurement contract. Fixed effects for firm, year and year by group type and country are included. Confidence intervals are 95 percent from robust standard errors with clustering on firm and country.

In Figure 9, we investigate how the estimates vary depending on how much time the revolver has spent out of public service. As we can see, the positive correlations is concentrated among revolvers, who are hired within the first two years after leaving public service. While this estimate is too noisy to be statistically significant, it becomes negative after five years, indicating that the average positive

association, indeed, is driven by the recent departures. Because of the differential pre-treatment trend, this does not necessarily suggest that recent departures help groups gain more contracts. It might as well suggest that groups that are interested in gaining public procurement contracts systematically hire the most recent departures.

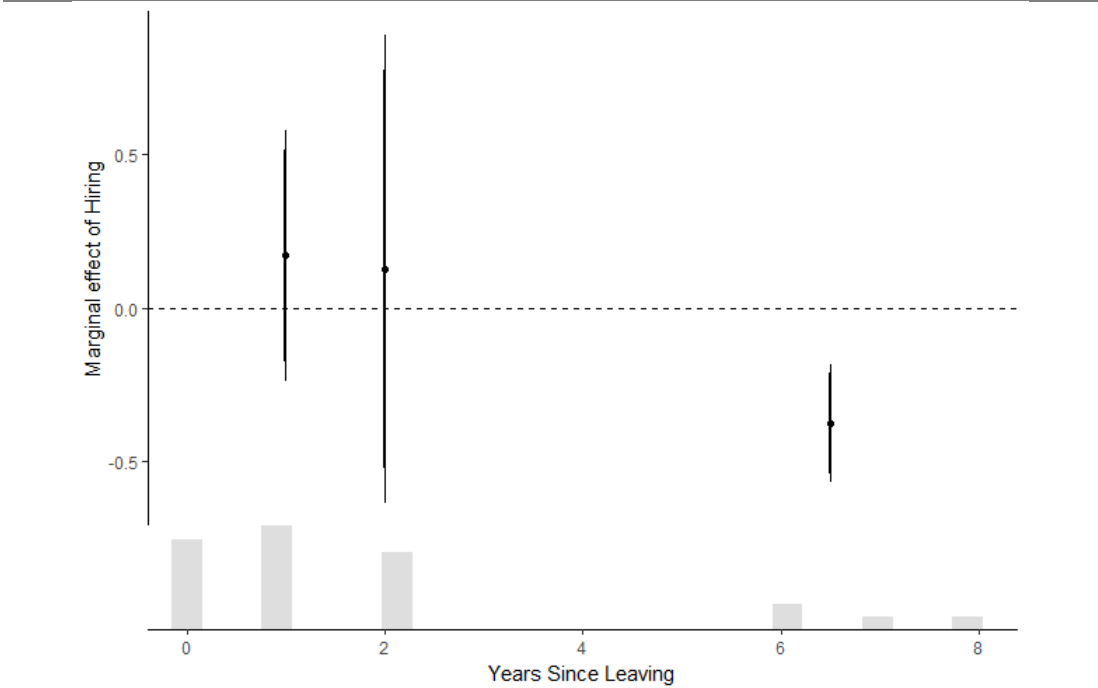


Figure 9: Effects Are Driven by Recent Departures

Note: Dependent variable is the probability of receiving a contract. Dots and whiskers represent local marginal effects at the three sample quantiles. Estimates are obtained using the Hainmueller et al (2018) binning estimator. Robust confidence intervals are clustered at the group-level and are 90 percent (thick) and 95 percent (thin), respectively.

Conclusion

Scholars, as well as politicians, have expressed concerns regarding the revolving door in the European Union and other political systems. When public officials leave office for positions in the private sector, they bring along their political connections and information about the political process, as well as their substantive expertise. This makes them valuable assets for organized interests, such as business associations, NGOs, companies and lobbying consultancies. In this paper, we examined both the political and financial consequences of the revolving door in the EU, by studying meetings with high-level Commission staff and Commissioners that lobbying organizations in Brussels obtain as well as the funding that these organizations receive from the EU. We focused on organizations that at some point between 2008 and 2017 hired former EU officials and politicians and investigated how their number of meetings and public procurement contracts changed after hiring revolvers.

The results indicate that contract lobbyists (i.e. lobbying consultancies or ‘hired guns’) and companies see an increase in the number of meetings that they have when they hire a revolver from the European Commission. However, for the companies this effect is only significant at the 10 per cent level, and for other organized interests we do not find an effect. Furthermore, for the samples of revolvers as a whole we only observe an increase in access in the first year when someone is hired, which may be a result of the revolver leaving for a different position, or a deterioration of her or his network in the Commission. The results regarding public procurement complement these findings. While we do observe an increase in the probability of gaining a European procurement contract as well as their size, the effects in the overall sample again occur early on, i.e. either around the same time or up to one year after the revolver was hired. While this does not rule out that groups use revolvers as an integral part in the strategy for obtaining procurement contracts, their positive payoffs are either instantaneous or short-lived.

Since it is less likely that the knowledge and expertise of the revolver would decay so fast, this could suggest that the political connections that the revolver has, are the most important explanation for increases in the likelihood of access and procurement contracts. This is an interesting finding in line with previous literature suggesting that the role of a political network would be less important for this phenomenon in the context of the European Union (Coen and Vannoni 2016). A relatively high turnover in personnel working with specific policy portfolios in both the institutions and lobby groups may help account for a fast deterioration in the value of a revolver’s old connections. At the same time, fast deterioration of the benefits of hiring a revolver might also occur because the revolver’s technical expertise is not a fixed asset with a stable value but similar to “connections” an asset whose value decreases over time in a legislative environment where scientific developments require constant updating of knowledge. There is therefore scope for disentangling the causal mechanisms accounting for the impact of hiring revolvers further in future research.

Overall, our findings cast less of a grim picture of the revolving door than the one we are often presented with by empirical commentators and think tanks. Clearly, our results do not allow us to rule out that hiring revolvers can lead some players to exert a disproportionate influence over others in the lobbying landscape. Some of the actors often feared the most, contract lobbyists and companies, seem to benefit from hiring revolvers. Yet, their benefits tend not to be long lasting. Moreover, other lobbying actors such as NGOs and trade and business associations do not obtain similar gains from hiring revolvers.

Interestingly, there are some differences in the effects of hiring staff between different EU institutions, which are likely to result from differences in the extent to which their behaviour is regulated. Organization hiring former members of the European Commission, who were prohibited from taking up lobbying activities during the first eighteen months of their new employment in our period of study, only experienced increased access after this cooling-off period. In contrast, for the two

institutions not subject to cooling-off regulation, i.e. the European Parliament and the permanent representations of the member states, we found instantaneous effects of hiring revolvers on access. The regulation of hiring revolving doors from the Commission thus seems to be working. It does not prevent lobbyists from benefiting from hiring former Commissioners and Commission officials altogether. However, the benefits occur later and are generally much smaller in magnitude than the instantaneous effects experienced by organizations hiring MEPs and officials of the Council's permanent representations.

References

- Asai, K., Kawai, K., & Nakabayashi, J. (forthcoming). Regulatory Capture in Public Procurement: Evidence from Revolving Door Bureaucrats in Japan.
- Baroni, L., Carroll, B., Chalmers, A., Marquez, L. M. M., & Rasmussen, A. (2014). Defining and Classifying Interest Groups, *Interest Groups and Advocacy*, 3(2), 141-59.
- Bernstein, M. H. (1955). *Regulating business by independent commission*. Princeton University Press.
- Binderkrantz A. S., Christiansen P. M., & Pedersen H. H. (2015). Interest Group Access to the Bureaucracy, Parliament, and the Media. *Governance* 28, 95-112.
- Binderkrantz, A. S., Pedersen, H. H., & Beyers, J. (2017). What is access? A discussion of the definition and measurement of interest group access. *European Political Science*, 16, 306-321.
- Blanes i Vidal, J., Draca, M., & Fons-Rosen, C. (2012). Revolving door lobbyists. *American Economic Review*, 102(7), 3731-48.
- Bertrand, M., Bombardini, M., & Trebbi, F. (2014). Is it whom you know or what you know? An empirical assessment of the lobbying process. *American Economic Review*, 104(12), 3885-3920.
- Bouwen, P. (2002). Corporate lobbying in the European Union: the logic of access. *Journal of European public policy*, 9(3), 365-390.
- Bouwen P. (2004). Exchanging access goods for access: A comparative study of business lobbying in the European Union institutions. *European Journal of Political Research* 43, 337-369.
- Coen, D., & Vannoni, M. (2016). Sliding doors in Brussels: A career path analysis of EU affairs managers. *European Journal of Political Research*, 55(4), 811-826.
- Cohen, J. E. (1986). The dynamics of the "revolving door" on the FCC. *American Journal of Political Science*, 689-708.
- Corporate Europe Observatory (2018). *Revolving Door Watch*. Retrieved from: <https://corporateeurope.org/revolvingdoorwatch>
- Dal Bó, E. (2006). Regulatory capture: a review. *Oxford Review of Economic Policy*, 22(2), 203-225.
- De Bruycker, I. (2016). Pressure and expertise: explaining the information supply of interest groups in EU legislative lobbying. *JCMS: Journal of Common Market Studies*, 54(3), 599-616.

- Dür, A., & Mateo, G. (2016). *Insiders versus outsiders: Interest group politics in multilevel Europe*. Oxford University Press.
- Egerod, B. C. K. (2018). The Revolving Door and Regulatory Enforcement: Firm-level Evidence on Tax Rates and IRS Audits. *Paper presented at the 2018 Annual Meeting of the MPSA*
- Eising, R. (2007). The Access of Business Interests to EU Institutions: Towards Élite Pluralism. *Journal of European Public Policy*, 14 (3), 384–403.
- El Nayal, O., & Van Oosterhout, H. (2019). *Firms and the State: An Examination of Corporate Political Activity and the Business-Government Interface*. Erasmus University Rotterdam.
- European Commission (2018). *Financial Transparency System*. Retrieved from: http://ec.europa.eu/budget/fts/index_en.htm
- European Commission (2018). *Transparency Register*. Retrieved from: <http://ec.europa.eu/transparencyregister/>
- Featherstone, K. (1994). Jean Monnet and the ‘democratic deficit’ in the European Union. *JCMS: Journal of Common Market Studies*, 32(2), 149-170.
- Goodman-Bacon, A. (2018). *Difference-in-differences with variation in treatment timing*. National Bureau of Economic Research.
- Gormley, W. T. (1979). A Test of the Revolving Door Hypothesis at the FCC. *American Journal of Political Science*, 665-683.
- Hainmueller, J., Mummolo, J., & Xu, Y. (2018). How much should we trust estimates from multiplicative interaction models? Simple tools to improve empirical practice. *Political Analysis*, 1-30.
- Hall, R. L., & Deardorff, A. V. (2006). Lobbying as legislative subsidy. *American Political Science Review*, 100(1), 69-84.
- Juncker, J. C. (2014). A new start for Europe: my agenda for jobs, growth, fairness and democratic change. *Political Guidelines for the next European Commission*, 15.
- LaPira, T. M., & Thomas, H. F. (2014). Revolving door lobbyists and interest representation. *Interest Groups & Advocacy*, 3(1), 4-29.
- LaPira, T. M., Thomas, H. F., & Baumgartner, F. R. (2014). The two worlds of lobbying: Washington lobbyists in the core and on the periphery. *Interest Groups & Advocacy*, 3(3), 219-245.
- LaPira, T.M., & Thomas, H. F. (2017). *Revolving door lobbying: Public service, private influence, and the unequal representation of interests*. University Press of Kansas.
- Makkai, T., & Braithwaite, J. (1992). In and out of the revolving door: Making sense of regulatory capture. *Journal of Public Policy*, 12(1), 61-78.
- McCrain, J. (2018). Revolving Door Lobbyists and the Value of Congressional Staff Connections. *The Journal of Politics*, 80(4), 1369-1383.
- McKay, A. (2012). Buying policy? The effects of lobbyists’ resources on their policy success. *Political Research Quarterly*, 65(4), 908-923.
- Moravcsik, A. (2002). Reassessing legitimacy in the European Union. *JCMS: journal of common market studies*, 40(4), 603-624.

- Rasmussen, A., Mäder, L., & Reher, S. (2018). With a Little Help from the People? The Role of Public Opinion in Advocacy Success. *Comparative Political Studies*, 51(2), 139-64.
- Schlozman, K. L., Sidney, V. & Brady, H. E. (2012). *The Unheavenly Chorus. Unequal Political Voice and the Broken Promise of American Democracy*. Princeton, NJ: Princeton University Press.
- Transparency International EU (2019). *EU Integrity Watch*. Retrieved from: <https://www.integritywatch.eu/>
- Williams, S. (1990). Sovereignty and accountability in the European Community. *The Political Quarterly*, 61(3), 299-317.