# The Contingent Value of Connections

*Appendix*

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# Contents

# A1 Clientele Differences as Revolver Premiums

Using lobbyist pay statistics from a small sample of states, I show that the difference in average client totals between revolvers and non-revolvers is a good proxy for the premium. While revolvers are generally paid more than non-revolvers on a per client basis, the differences are small and statistically indiscernible when compared to the overall differences in total income (for each lobbyist) from all clients.

Most states do not require lobbyists to report their income but it is possible to observe incomes in some. Using such information, one can observe directly the income premiums that revolvers receive for their experience. Unfortunately, among states that do require lobbyists to report their incomes, only a few provide income statistics that are readibly usable.[1] For example, while Virginia requires that lobbyists provide yearly compensation totals, the totals are found in hundreds of reports. Moreover, in several other states that require lobbyists to report incomes (such as Indiana, Texas, or Washington), totals are reported at the level of lobby firms, or only pay categories (i.e., not exact figures) are reported. With such reporting methods, it is impossible to determine the shares of firm revenue that each lobbyist personally received from each client, or the exact compensation amount that each lobbyist received. Nevertheless, for the few states that provide lobbyist income statistics in a usable format, differences in lobbyist incomes shed light onto revolver premiums.

Kentucky, Maine, Maryland, Massachusetts (previously), Mississippi, and South Carolina all provide lobbyist compensation figures on a per client basis and in readily usable formats. For these states, lists of lobbyist-client pairings include salary totals paid from each client to each lobbyist. Using these lists and salaries, and using the legislator lists produced by Klarner et al. (2013) to identify former legislators, I calculated the average total compensation that former legislators received, the average income they received per client, and the averages of

[1] Lobby income statistics in the states have been acquired through surveys to study the gender pay gap in lobbying (e.g., Nownes and Freeman 1998; Bath, Gayvert-Owen, and Nownes 2005), but income-related questions had lower response rates than other questions in the surveys. Moreover, the use of surveys severely restricts the sample from which one may acquire estimates for the value of legislative experience.

these figures for all other lobbyists for all available years. Figure A1 presents the differences in revolver and non-revolver total income (solid lines), and income per client (dashed lines), for four states. Figure A2 presents the same differences in income, but only for Maryland where differences were significantly larger.[2] In both figures, positive values indicate that revolvers were paid more on average. Indeed, in all five states for all years examined, former legislators were paid more in total than other lobbyists. These differences fluctuate over time, with long-term declines in Kentucky, Maine, and South Carolina.[3] On a per client basis, these differences are much smaller. During some years in Maryland, Mississippi, and South Carolina, revolvers were even paid less than other lobbyists, on average, per client. All these trends suggest that former legislators in the states enjoy more income primarily because they represent more clients than other lobbyists.

These trends persist if one examines older data, including from Massachusetts. Figure A3 presents the difference in average total incomes and contract values for revolvers and non-revolvers in three states, at different points in time. Data on lobbyist incomes was obtained (all from archives or libraries) for Massachusetts for every four years between 1984 and 2000, South Carolina for 1989, and Mississippi for 1992. In every state and year examined, former legislators' average total compensation was significantly higher than the average compensation received by all other lobbyists. These differences were smaller on a per client basis.

To provide more specificity regarding the value of legislative experience and further justify the use of clientele size differences as a proxy for the value of experience, I examined more closely the client counts and incomes of all lobbyists from Kentucky, Maine, Maryland, Mississippi, and South Carolina for years 2017 and 2018. I compiled a data set consisting of individual lobbyists, their revolver status (a dichotomous indicator), number of clients,

[2]These differences may be due to the overall size of Maryland's lobbying industry. Between 2013 and 2019, all lobbyists in Maryland were paid a total of between $46 and $53 million per year. In the other four states, this amount never exceeded $28 million.

[3]In Maine, legislative sessions that occur during odd-numbered years consider state budgets. The biennial jitters in revolver income in that state suggest either that revolvers are paid more relative to other lobbyists during non-budget sessions, or that other lobbyists are paid more relative to revolvers during budget sessions.

Figure A1: Revolver Income Premiums in Four States

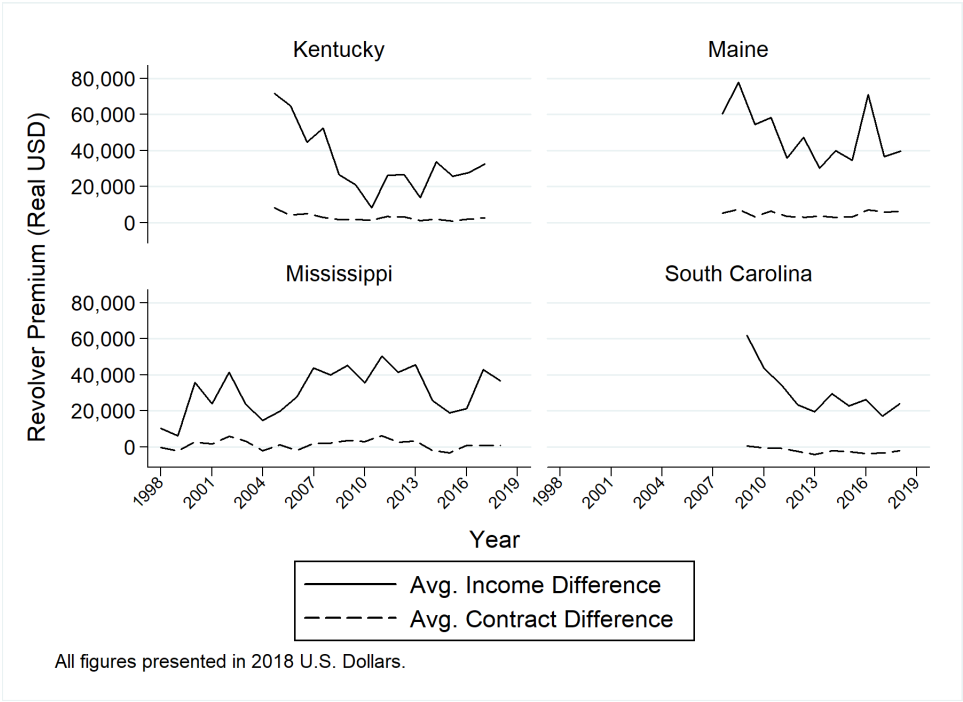



Figure A2: Revolver Income Premiums in Maryland

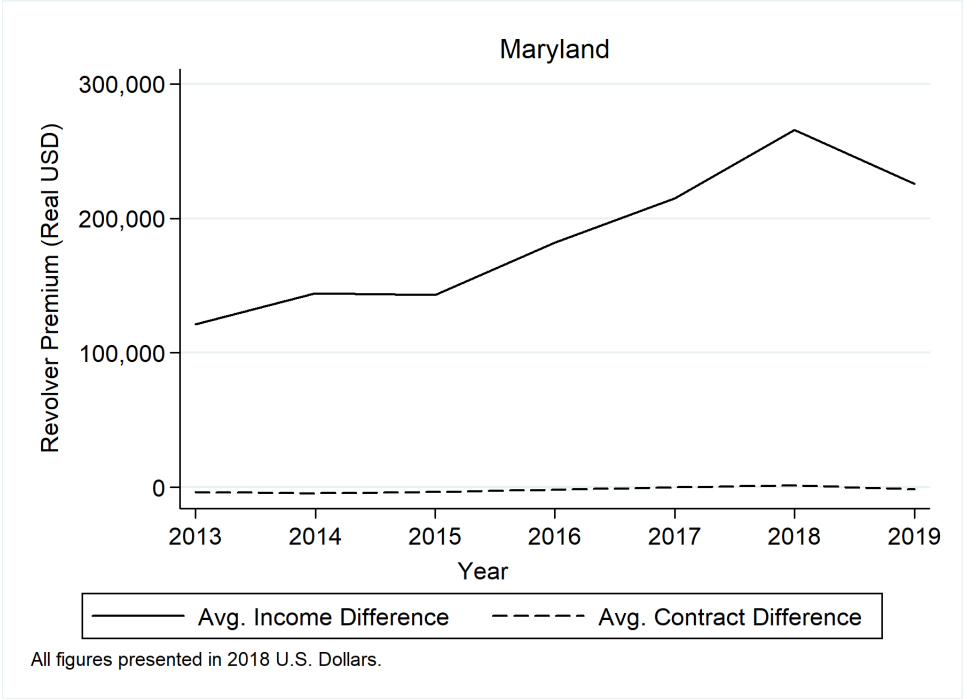
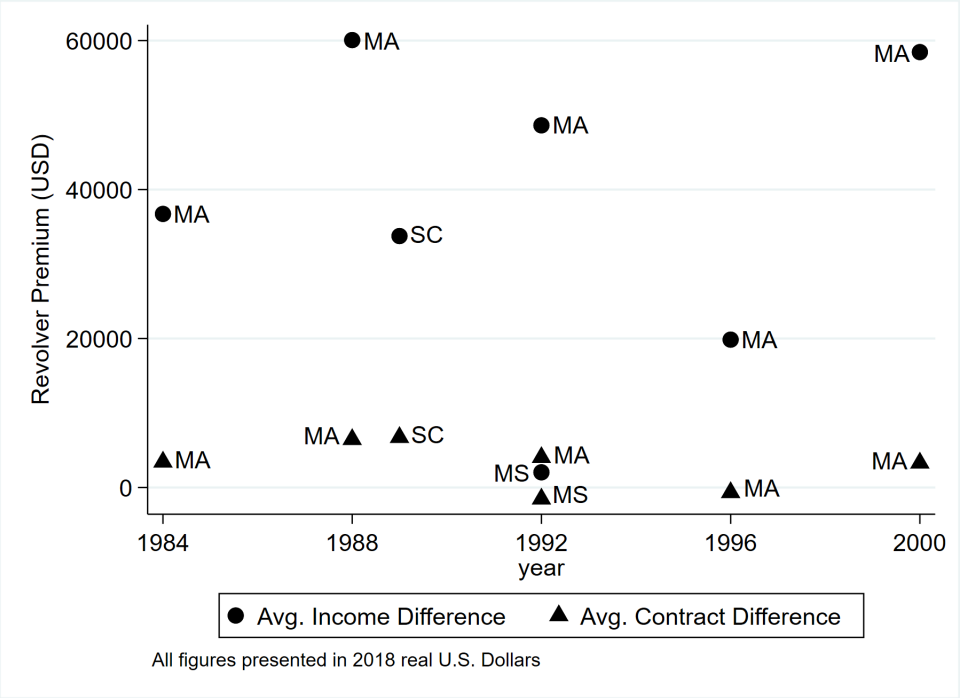


Figure A3: Revolver Income Premiums in Three States




and total income from all clients. Many lobbyists within each state appeared during both years but represented different numbers of clients from year to year. (These lobbyists each appeared twice in my data set: once for each year.) Table A1 reports the results of three least-squares regression equations that each predict a different dependent variable. Fixed effects for each state and year are included in every model but not reported. The results presented in Table A1 provide further support for the notion that differences in clientele sizes is a good proxy for the value of legislative experience. According to the first regression model in the table, former legislators represented nearly five additional clients than non-revolvers on average, ceteris paribus. The second model indicates that former legislators received nearly $74,000 additional dollars per year from clients on average than non-revolvers. The third model's results are most informative: the small difference between revolvers and non-revolvers in incomes received per client is not statistically discernible at traditional levels of significance, despite the large number of observations. Since the third model's dependent variable is the total income received by each lobbyist divided by his total number of clients,

Table A1: Estimated Values of Legislative Experience

| | *Dependent variable*: | | |
|---|---|---|---|
| | Clientele Size | Total Income | Per Client Income |
| Revolver | 4.801** | 73620.59** | 2161.26 |
| | (0.824) | (15298.90) | (1889.26) |
| Constant | 4.762** | 56210.38** | 12340.97** |
| | (0.358) | (6655.97) | (821.94) |
| $R^2$ | 0.023 | 0.014 | 0.017 |
| $F$ Statistic | 16.45 | 10.70 | 13.24 |
| Observations | 4270 | 4270 | 4270 |

Note: standard errors in parentheses.
*p<0.05; **p<0.01 on two-tailed tests.

the lack of statistical significance confirms that (in the absence of compensation statistics) the difference in overall client numbers between revolvers and non-revolvers is a good measure for the value of legislative experience.[4]

[4]It remains unknown why the premium for legislative experience would not be detected within the per client compensation statistics. One explanation: it may be the case that revolving-door lobbyists are hired by clients on a shorter basis (i.e., fewer hours or days) than other lobbyists but at similar rates per client. Under this circumstance and given the regression equation results, former legislators may still represent more clients and receive more total pay. Unfortunately, data from the states generally do not include how much time each lobbyist spent representing each client. Regardless, the possibility that revolvers serve their clients for shorter periods of time would not complicate my use of clientele size differences as a proxy for revolver premiums.

## A2 Additional Results and Specifications

In this section, I present additional results of regression analyses of state-level data. Table A2 reports the results from Table 3 in the main text, along with the period effects. (The model specifications and results are the same as in the main text.) Table A3 reports the results of regression models similar in specification to the regression results from Table 3, but with period effects replaced by year effects.

Table A2: Regression Results: Contingent Connections (State Level)

| | *Dependent variable*: Revolver Clientele Premium | | | |
|---|---|---|---|---|
| | Model 1 | Model 2 | Model 3 | Model 4 |
| Turnover | -0.090** | -0.038* | -0.124** | -0.049* |
| | (0.034) | (0.018) | (0.047) | (0.024) |
| Cooling-off Length | -0.041 | -0.001 | -0.055 | -0.001 |
| | (0.052) | (0.027) | (0.060) | (0.030) |
| Legislature Support | -0.038** | 0.001 | -0.049** | -0.010 |
| | (0.009) | (0.005) | (0.012) | (0.006) |
| Legislators | 0.005 | 0.001 | -0.002 | -0.003 |
| | (0.013) | (0.007) | (0.036) | (0.018) |
| Interest Groups | -0.257 | -1.736 | 3.338 | -0.232 |
| | (2.360) | (1.324) | (3.227) | (1.715) |
| Legislators*Groups | 0.013 | 0.012 | -0.003 | 0.007 |
| | (0.012) | (0.007) | (0.015) | (0.009) |
| Firm Registration | 23.279** | - | 24.152** | - |
| | (2.359) | | (2.750) | |
| Period 2 (c.1959) | -0.833 | -0.290 | - | - |
| | (0.899) | (0.473) | | |
| Period 3 (c.1973) | -0.419 | 0.204 | - | - |
| | (0.858) | (0.452) | | |
| Period 4 (c.1989) | 0.409 | 1.340** | 0.225 | 0.991 |
| | (1.241) | (0.654) | (1.127) | (0.561) |
| Period 5 (c.2009) | 1.421 | 1.709** | 1.117 | 1.397 |
| | (1.412) | (0.742) | (1.446) | (0.718) |
| Constant | 4.819 | 1.870 | 7.021 | 3.221 |
| | (3.257) | (1.723) | (6.212) | (3.091) |
| $R^2$ | 0.717 | 0.622 | 0.752 | 0.674 |
| $F$ Statistic | 5.59 | 3.62 | 4.66 | 3.15 |
| Observations | 193 | 190 | 148 | 145 |
| Years Covered | 1946-2011 | 1946-2011 | 1971-2011 | 1971-2011 |

Note: standard errors in parentheses.
*p<0.05; **p<0.01 on two-tailed tests.

Table A3: Regression Results: Contingent Connections (State Level)

| | *Dependent variable*: Revolver Clientele Premium | | | |
|---|---|---|---|---|
| | Model 1 | Model 2 | Model 3 | Model 4 |
| Turnover | -0.117** | -0.048* | -0.114* | -0.045 |
| | (0.036) | (0.021) | (0.046) | (0.026) |
| Cooling-off Length | -0.014 | 0.014 | -0.029 | -0.010 |
| | (0.052) | (0.029) | (0.058) | (0.032) |
| Legislature Support | -0.046** | -0.008 | -0.047** | -0.014* |
| | (0.010) | (0.006) | (0.011) | (0.007) |
| Legislators | -0.008 | -0.004 | -0.013 | 0.002 |
| | (0.014) | (0.008) | (0.037) | (0.020) |
| Interest Groups | 0.356 | -0.408 | 2.934 | 0.301 |
| | (2.505) | (1.512) | (3.194) | (1.913) |
| Legislators*Groups | 0.007 | 0.007 | -0.005 | 0.005 |
| | (0.012) | (0.008) | (0.015) | (0.010) |
| Firm Registration | 27.889** | - | 28.855** | - |
| | (2.485) | | (2.813) | |
| Constant | 10.107 | 4.087 | 7.633 | 2.191 |
| | (5.199) | (2.930) | (6.863) | (3.837) |
| $R^2$ | 0.797 | 0.698 | 0.825 | 0.714 |
| $F$ Statistic | 5.15 | 3.01 | 5.05 | 2.63 |
| Observations | 193 | 190 | 148 | 145 |
| Years Covered | 1946-2011 | 1946-2011 | 1971-2011 | 1971-2011 |

Note: standard errors in parentheses.
*p<0.05; **p<0.01 on two-tailed tests.

# A3 Works Cited

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