Sorting for K Street:

Post-Employment Regulations and Strategic Wage Setting in Congress

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Abstract

While post-employment regulations are a common tool to slow the revolving door in government, little is known about their effectiveness and consequences. Using the 2007 Honest Leadership and Open Government Act (HLOGA), I argue that policy-makers strategically adjust their behaviors to maintain lucrative career options in the lobbying industry. HLOGA prohibited staffers-turned-lobbyists who earn at least 75% of a Congress member's salary from contacting their ex-employers in Congress for one year. Using data on the complete set of congressional staff (2001-2016), I show that staffers sort below the salary threshold post-HLOGA. Employing various panel data analyses, I also find that selecting out of the regulation increases a staffer's probability to become a lobbyist and ensures a substantial premium in revenues at the beginning of their lobbying career. These results explain why reforms of the revolving door fail and provide insights on institutional determinants of career incentives for non-elected public officials.

Keywords: Lobbying, Revolving door, Congress, Wage sorting

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Supplementary material for this article is available in the appendix in the online edition. Replication files are available in the JOP Dataverse (https://dataverse.harvard.edu/dataverse/jop). The empirical analysis has been successfully replicated by the JOP replication analyst.

As the lobbying industry and its influence have expanded over the years (Baumgartner et al., 2009), lobbying regulations and ethics laws have become ubiquitous. Intentions to regulate lobbyists and their clients range from restrictions – such as rules on post-government employment and limits on gifts for public office-holders – to registration and reporting requirements – including regular disclosure of lobbying and fundraising activities. These regulations help to ensure transparency of interest group influence and can prevent potential conflicts of interest for public officials. Thus, the purpose is to strengthen the accountability of decision-makers and to level the playing field of democratic representation.

At the same time, many lobbying regulations involve opaque exceptions and discretionary cutoffs. For instance, mandatory cooling-off periods for public officials are a common tool to reign in the revolving door between government service and the lobbying industry. 43 US states prohibit former legislators or staff from working as lobbyists for up to two years. Yet, some states exempt uncompensated lobbying with expenses reimbursed, or set thresholds for procurement contracts that determine officials' ability to accept employment with government contractors.[1] Similarly, although federal efforts to restrict the revolving door have been extensive – recently culminating in executive orders from the Obama, Trump, and Biden administrations that impose limits on lobbying for former executive branch employees – these restrictions only apply to senior personnel and have repeatedly been subject to waivers (Drutman, 2013). Similar manipulable thresholds are present in related regulations of money in politics, such as bans on gifts, loans, and other benefits from lobbyists (Kerns and Wood, 2015) or limits to the discretion of procuring entities in allocating government contracts (Palguta and Pertold, 2017; Bosio et al., 2022). These exceptions to lobbying regulations are often seen as a way to balance ethics standards with the government's objective of attracting experienced and qualified individuals to public service and leveraging valuable information for policy-making (Law and Long, 2011; Arnsdorf, 2016). Yet, they

[1]See a survey of US revolving door regulations at https://www.ncsl.org/research/ethics/50-state-table-revolving-door-prohibitions.aspx, accessed on 09/20/2022.

may also open room for unchecked influence peddling, thus jeopardizing the intentions of accountability regulations.

In this article, I shed light on how such discretion impacts the effectiveness of lobbing rules by answering two questions: How do affected public officials strategically react to self-imposed restrictions? And how does this shape the strategy of lobbying firms and their clients? I use the 2007 Honest Leadership and Open Government Act (HLOGA) to study how congressional staffers adjust their behavior to circumvent cooling-off periods and if these strategic adjustments are rewarded with lucrative future employment in the lobbying industry. To minimize possible conflicts of interest, HLOGA prohibited staffers-turned-lobbyists to contact their ex-employers and colleagues in Congress for one year. Yet, it only affected staffers who earn at least 75% of what a member of Congress (MC) is paid annually. I argue that this incentivized staffers to self-select out of HLOGA's coverage to maintain lucrative outside options in the lobbying industry. By keeping their salaries below the cutoff – hence avoiding HLOGA's waiting period – these staffers maintained their attractiveness to the lobbying industry. Therefore, I also expect that "switching" out of the regulation increases the probability that a staffer becomes a lobbyist and increases their revenues as lobbyists during the cooling-off period.

Using data on the entirety of full-time staffers employed in Congress between 2001 and 2016, I present four sets of findings. First, I show evidence that staffers sort below the 75% salary threshold after HLOGA took effect. Second, this bunching is stronger for staffers with connections of especially high value for the lobbying market, namely committee staff and Senate staff. Third, I use a within-staffer panel design using two-way fixed effects to study the relationship between moving below the salary threshold and lobbying employment. The results show that by switching out of HLOGA coverage, staffers can increase their chance to be hired as a lobbyist immediately after leaving Congress by about two percentage points, thereby more than doubling the 1.5% average annual turnover to lobbying among staffers. Last, to study how this behavior influences strategies of lobbying in Congress, I further

examine the revenues generated by staffers-turned-lobbyists and find that those who switch out of coverage attract higher revenues than HLOGA-covered ex-staffers in their first year as lobbyists.

This study adds to our understanding of regulatory policies for government accountability. I highlight a particular dilemma of institutional reforms that affect lawmakers and their staff. Because policymakers have little motivation to thoroughly regulate their own behavior and career options, respective regulatory efforts often include substantial loopholes, thus precluding far-reaching institutional change. Importantly, I show that reforms aimed at strengthening government accountability are particularly vulnerable if they are defined over variables that regulated groups can control (e.g., salary levels). This finding contributes to literature on the impact of political institutions on policymakers' behavior in two main ways. First, a large body of work stresses the importance of institutional rules for democratic accountability, such as government audits (Ferraz and Finan, 2011; Wood and Grose, 2022), term limits (Alt et al., 2011), or court rulings on campaign spending limits (Abdul-Razzak et al., 2020). Yet, this research has predominantly considered policies where the relevant variables are *outside* of officials' choice sets, thus neglecting the vulnerability of accountability reforms to regulatory evasion. Second, several studies show that politicians respond to monetary incentives and regulations of campaign financing when deciding whether to run for office (Groseclose and Krehbiel, 1994; Barber, 2016; Avis et al., 2017; Weschle, 2021). This article, in turn, establishes that institutional features can affect career choices of unelected policymakers – beyond their widely observed impacts on elected officials.

Additionally, this article informs the policy debate on revolving-door restrictions. Imposing ever stricter rules and longer cooling-off periods for public personnel – as subsequent regulations of the Obama, Trump, and Biden administrations mandated – will likely miss the objective. The evidence suggests that ill-designed lobbying reforms may not only distort the incentives for affected officials, but also influence contracting and remuneration in the lobbying market. Reform efforts like HLOGA may merely shift and obscure the channels

through which special interests influence Congress, instead of reducing their pressure. Thus, this research contributes to the growing number of studies looking at the effects of revolving-door regulations (Law and Long, 2011; Cain and Drutman, 2014; LaPira, 2016; Palmer and Schneer, 2019; Weschle, 2021). The study most closely related to my research is Cain and Drutman's (2014) evaluation of HLOGA. Using a difference-in-differences (DiD) design, the authors assess the effectiveness of HLOGA's revolving-door provisions for different types of congressional staffers. The authors find that after HLOGA, "covered" staff (those earning at least 75% of a member's salary) were less likely to become lobbyists within one year than "high-level" staff making between 60% and 75% of a member's pay. Yet, as the authors note themselves, these findings rest on the important assumption that staffers do not manipulate their treatment status by moving between salary bands. My study addresses this issue explicitly, indicating that such regulatory evasion indeed weakens revolving-door rules.[2]

The 2007 Honest Leadership and Open Government Act

Shaken by the scandals around Jack Abramoff, a lobbyist sentenced for fraud and federal conspiracy in relation to his lobbying activities, Congress was determined to regulate the revolving door after the 2006 midterm elections. The resulting HLOGA strengthened lobbying and donation disclosure requirements, strictly limited travel and gifts sponsored by lobbyists, and increased penalties for non-compliance with ethics regulations. Most importantly for this research, HLOGA intended to decrease the flow of personnel between Congress and the lobbying industry by strengthening existing cooling-off periods. Covered officials who go through the revolving door to lobbying are now prohibited from contacting former colleagues in Congress for up to two years, depending on their previous government position. In addition to senators and representatives, the regulation affects only those staff members earning at least 75% of a MC's annual pay rate for at least 60 days in the year before they leave

[2]See Appendix D for a more detailed comparison with Cain and Drutman (2014).

Congress.[3] As the annual pay rate for MCs has been $174,000 since 2009 (Congressional Research Service, 2021), the threshold for staffers leaving Congress after 2009 is $130,500 aggregated annual pay. However, the post-employment restrictions apply in slightly different ways. Former House staffers who meet the threshold are prohibited for one year from communicating with members, committees, and offices for whom they worked in Congress. Following HLOGA, covered Senate staffers, in contrast, cannot contact *any* Senate offices for one year if they become lobbyists (Cain and Drutman, 2014). Importantly, however, for both Senate and House staffers the cooling-off period limited contacts of all covered employees regardless of whether they become, or are hired by, *registered* lobbyists.

It is important to note that federal legislative branch officials were subject to some post-employment restrictions prior to HLOGA, with similar distinctions for employees of different ranks. In particular, the one-year lobbying ban for congressional staffers, including the 75% salary threshold, has been part of the federal criminal code (18 US Code §207) since the Ethics Reform Act of 1989 (Committee on Ways and Means, 1995). Yet, while there were few mechanisms in place to ensure the necessary enforcement of existing restrictions before HLOGA, the 2007 reform significantly strengthened the enforcement of cooling-off periods.[4] HLOGA not only requires that MCs and covered staff inform Congress about ongoing employment negotiations with the private sector within three business days, but also requires the Clerk of the House and the Secretary of the Senate to notify legislative officials of their post-employment coverage restrictions upon leaving Congress and to post the details of such notifications publicly. I, therefore, focus on staffers' strategic wage setting and use of the revolving door after HLOGA.

The law was celebrated as a historic achievement across the aisle. Introduced by Senate

[3]For employees of legislative offices other than personal staff, committee staff, and leadership staff the threshold is the basic rate of pay for level IV of the Executive Schedule (between $149,000 and $160,300 since 2009).

[4]See Appendix A for more details on the specific regulatory changes.

majority leader Harry Reid and co-sponsored by minority leader Mitch McConnell, the lobbying reform pushed both parties to cooperate on a Senate's important first bill for the first time in 32 years (Arnsdorf, 2016). After the law was enacted on September 14, 2007, then-senator Barack Obama praised the law as the "most sweeping ethics reform since Watergate" (Hiltzik, 2015) and Harry Reid promised that "this legislation will slow the revolving door that shuffles lawmakers and top staff between federal jobs and the private sector" (Arnsdorf, 2016). Indeed, some commentators and scholars claim that HLOGA significantly changed lobbying practices and curbed the revolving door in Washington (Rehr, 2012; Cain and Drutman, 2014).

Other research, however, argues that HLOGA is merely a paper tiger because it incentivized affected public officials to simply circumvent the new rules after leaving Congress by avoiding to register as shadow lobbyists (LaPira, 2016; LaPira and Thomas, 2017; Ban et al., 2019) or choosing a different unregulated revolving door (Palmer and Schneer, 2019). In this study I argue that congressional staffers use another loophole of HLOGA to avoid post-employment restrictions: reducing their salary while in Congress to remain below the coverage threshold. Given the limited effectiveness of HLOGA, the various other ways to avoid cooling-off periods, and the law's narrow influence on only a subset of high-earning staffers, the odds might seem stacked against finding that HLOGA pushed staffers to lower their salaries to cash in on their political connections later. Hence, the evidence presented here crucially highlights the influence of the lobbying market on the career choices of public officials in Washington and the importance of political connections for lobbyists on K-Street.

It might seem limiting to focus on the strategic behavior of Congress staffers and thus zoom in on only one particular population affected by HLOGA. However, it is important to note that the grand majority of revolving-door lobbyists have worked in Congress. Among 4,733 revolving-door lobbyists who submitted lobbying reports from 1998 to 2014, 78.2% were congressional staffers, whereas 7.5% were members of Congress and 14.3% were lobbyists from the executive branch (Shepherd and You, 2020). Examining congressional staffers can

therefore inform us about the strategies of an important subpopulation of lobbyists and how incentives to move into the lobbying industry influence their ex ante behavior in government.

Career Incentives of Staff and Wage Setting in Congress

My argument rests on three main assumptions. First, the cooling-off period stipulated in HLOGA only diminishes the attractiveness of ex-staffers for the lobbying market if revolving-door lobbyists are hired primarily for their political contacts as opposed to their policy expertise or knowledge of congressional procedures. Several studies on the revolving door show a strong relationship between lobbyists' connectedness and their revenues, and suggest that lobbying clients value connections more than policy expertise (Blanes i Vidal et al., 2012; Bertrand et al., 2014; LaPira and Thomas, 2014; McCrain, 2018; Ban et al., 2019).

Second, my argument requires that career incentives in general – and the revolving door to lobbying in particular – influence staffers' behavior while they still serve in Congress. This assumption also is borne out by a substantial body of literature showing that the challenging working conditions together with the high premium for political connections in the lobbying industry incentivize staffers to seek more lucrative future careers outside Congress (Salisbury and Shepsle, 1981; Cain and Drutman, 2014; Shepherd and You, 2020).

Third, and most importantly, the argument assumes that senior staffers have sufficient influence on their salaries in Congress. Hiring and wage setting in Congress is very flexible and decentralized, which leaves room for MCs and their staff to adjust staffers' compensation. Both House and Senate members receive annual allowances to pay for official expenses, including personal staff, mail, travel, and office equipment. While some components vary by MC based on the characteristics of their congressional district or state – such as the distance to Washington, DC – both House Members' Representational Allowance (MRA) and Senators' Official Personnel and Office Expense Account (SOPOEA) assign an initially identical amount of resources for use on personnel (Brudnick, 2018). Nevertheless, MCs can substitute between types of expenditures as they see fit.

While there are some regulations governing staffing decisions in Congress – House members cannot employ more than 18 full-time staffers and there are certain caps on maximum pay for both House and Senate staffers[5] – the process gives members and offices of Congress substantial discretion in how they allocate their available resources across staffers and positions. This opens ways for staffers to influence the wage-setting process. As one former staff member put it: "Everything is very flexible in Congress around wages. There's a lot of isomorphism, but there's no formal reason for this to be the case. Staff can negotiate wages, benefits, etc. There's nothing that dictates pay."[6] What is more, there is anecdotal evidence that staffers are able to achieve a certain salary figure. As a committee professional staffer indicated, some mid-level staff avoid moving beyond the "senior staff" salary threshold[7] in order to circumvent the necessity to file quarterly financial disclosure forms, adding that "[staffers] have more discretion to turn down a raise than trying to advocate for a raise."[8] Another senior staffer recounted the strategy of a former colleague who preferred to move into lobbying rather than follow their MC to another committee. During wage negotiations, this staffer told their employer: "Don't give me this particular pay increase, because I don't want to get this extra lobbying ban."[9]

Since HLOGA's restriction affects senior staffers (i.e., chiefs of staff and legislative directors who are often responsible for wage setting themselves), the mechanism of strategic wage

[5]These are $168,411 ($172,500) and $169,459 ($171,315) for personal staff (committee staff) in the House and Senate, respectively. These caps, as well as the annual salary for MCs of $174,000, have remained unchanged since 2009 (Brudnick, 2018).

[6]Email correspondence with former staffer, July 6, 2020.

[7]The triggering salary is at least 120% of the federal GS-15 base level salary, which ranged from $114,468 in 2008 to $135,468 in 2022. Importantly, the threshold does not coincide with the HLOGA threshold in my sample period.

[8]Interview 1, October 28, 2022.

[9]Interview 3, November 12, 2022.

manipulation does not necessarily require MCs and congressional offices to be complicit – a fact corroborated by a committee professional staff member.[10] Additionally, while staffers are well aware of post-employment regulations from annual ethics training sessions and the staff handbook, most MCs and offices are not familiar with the specificities of these rules.[11] Yet, even in cases where congressional members and offices have direct influence on wage negotiations and knowledge about the post-employment regulations, they likely have an interest in supporting staffers in their strategic wage adjustments. Reducing the annual salaries of individual staffers could free up resources for other types of expenditures, such as travel to and from the district. Additionally, recent research shows that the revolving door to lobbying can incentivize congressional staff to showcase their skills, leading to higher legislative productivity for their MCs (Shepherd and You, 2020). More importantly, as former staffers indicated in interviews,[12] lobbyists' political connections are not only an asset for lobbying clients, but also for lawmakers themselves. For MCs, lobbyists often function as "service bureaus" or "adjuncts to staff" who subsidize congressional work with their policy-specific information (Hall and Deardorff, 2006, p.76).

These theoretical and empirical regularities imply several predictions about how HLOGA affected the underlying incentives of the revolving door. It made covered staffers less attractive to the lobbying industry because of the restrictions on whom they can lobby (Cain and Drutman, 2014). Staffers in higher pay grades, in turn, now have an incentive to avoid coverage to maintain valuable outside options in lobbying and reap gains from their personal connections to Congress.

> **Hypothesis 1**: Post-HLOGA, congressional aides set their salary to just below the coverage threshold to avoid revolving-door regulations.

[10]Interview 1, October 28, 2022.

[11]Interview 1, October 28, 2022.

[12]Interview 2, October 28, 2022; Interview 3, November 12, 2022.

Yet, we should see considerable heterogeneity across types of staffers in their sorting behavior. First, the regulation should have more influence on strategic salary manipulation for committee staffers than for personal staff. Previous research not only shows that lobbyists specifically target committees (Bertrand et al., 2014; Hojnacki and Kimball, 1998), lobbying revenues also increase considerably with connections of ex-staffers to congressional committees (Blanes i Vidal et al., 2012; McCrain, 2018). Hence, connections to legislators and staffers in committees are especially valuable for revolving-door lobbyists, and committee staff have higher incentives to be strategic in avoiding these constraints. Additionally, HLOGA is more relevant to committee staff on the margins because their salaries are higher and more committee staff are therefore covered by HLOGA (see Figure 1).

Second, I expect stronger sorting in the Senate than in the House. As indicated above, HLOGA was more restrictive for Senate staff than House staff. Additionally, procedural rights in the Senate concentrate power in the hands of individual senators, granting them more ability to influence legislation (Krehbiel, 1998). Hence, former Senate staffers are likely preferred by lobbying firms because they can offer more power to affect legislation than former House staffers (Lazarus et al., 2016).

> **Hypothesis 2**: Post-HLOGA, sorting around the threshold of 75% of a member's annual salary is stronger for committee staff and Senate staff than for personal staff and House staff.

If staffers intentionally sort out of coverage by revolving-door restrictions, this raises an immediate question: To what extent do staffers benefit from their willingness to restrict their congressional salaries? Avoiding coverage makes staffers more attractive to the lobbying industry because communication with their personal network in Congress is unrestricted. Moreover, since reducing their salary is a costly signal to pave their way into lobbying, staffers may not want to keep their salaries subdued for long periods. Therefore, one may expect that "switching" out of the revolving-door restriction increases a staffer's likelihood to leave Congress for the lobbying sector. Additionally, given the substantial premiums associated

with ties to legislators and colleagues in Congress (Blanes i Vidal et al., 2012; Bertrand et al., 2014; McCrain, 2018), the lobbying industry should place a higher price tag on lobbyists who can fully exploit their connections to Congress. Ex-staffers who successfully switched out of the lobbying restrictions before moving into the lobbying industry likely advertise their coverage status to lobbying firms and clients. Also, firms are aware of who is affected by lobbying restrictions through the public disclosure of post-employment notifications after HLOGA. Hence, staffers who switched out of coverage in their last year in Congress should attract more revenue and larger contracts in their first year in lobbying than HLOGA-covered ex-staffers. This premium should attenuate in later years when the cooling-off period has passed and all staffers-turned-lobbyists can equally leverage their connections to lawmakers in Congress.

> **Hypothesis 3**: Congressional staffers are more likely to join the lobbying sector in years when they move from being covered to being uncovered by HLOGA's restrictions.

> **Hypothesis 4**: Staffers-turned-lobbyists who switched from being covered to being uncovered by HLOGA's restrictions in their last year in Congress attract more revenue than covered lobbyists during the cooling-off period.

Data

To test these hypotheses, I compile data on the full universe of staffers recorded on the congressional payroll system between 2001 and 2016. The information comes from LegiStorm, a for-profit organization that assembles staffer salary data from official statements of disbursement provided by the Clerk of the House and the Secretary of the Senate. In addition to salary information for each staffer and employment period, these records include staff names, positions, the employing office or member, and the length of employment. I remove part-time employees, interns, drivers, and staffers who worked in Congress for less than six

months. The remaining sample includes 59,471 full-time staffers (39,697 after HLOGA).

To calculate staffers' annual salaries and compare them to a member's annual pay, I aggregate salaries for an entire year. To account for the fact that staffers may not work the full year, I follow Cain and Drutman (2014) and calculate daily pay rates based on the number of days worked per calendar year.[13] This results in a staffer-year data set. In each year, a staffer is classified as covered by the revolving-door restriction if her daily pay rate amounts to at least 75% of a member's daily pay rate.[14] For administrative staff, who account for about 14% of my sample, a staffer is covered if her daily pay rate is at least the annual pay for level IV of the Executive Schedule.

Turning to the data on staffers' revolving doors to lobbying, I use information from disclosure reports that lobbyists file with the Senate Office of Public Records. These reports have been publicly available since 1998 and are compiled and released quarterly by the

[13]For each staffer and year, I obtain their total salary across all quarterly disbursements as well as the number of days employed. I then divide the total annual salary by the total number of days worked. Some staffers simultaneously receive salary from several offices. In calculating the number of days worked, I count each day only once.

[14]Note that the coverage rule in HLOGA further specifies a time period (60 days) in which a staffer must earn more than the coverage threshold. To build a consistent staffer-calendar year panel, I follow Cain and Drutman (2014) and do not include the 60-day refinement in the coding of coverage because doing so may cause staffers to artificially drop out of coverage in their last year in office if they leave before 60 working days in that year. This coding, therefore, provides a conservative measure for my main variable of interest (switching out of coverage). Yet, I also provide evidence using two alternative treatment codings that account for the days of coverage in Table E10, E11 and Figure F9. The main analysis is largely robust to these alternative operationalizations, albeit some of the estimates are less precisely estimated.

Center for Responsive Politics.[15] For each lobbying report and lobbyist, these data include the revenue that clients pay lobbying firms for their activities and a description of their previous experience in government if a lobbyist worked for a legislative or executive agency. To identify staffers-turned-lobbyists, I build on Shepherd and You (2020) and merge lobbyists who registered between 1998 and 2017 to the payroll data using lobbyists' names and the details of their past positions in Congress.[16] My final data set of full-time staffers includes 4,527 unique lobbyists, of whom 2,736 worked in Congress after 2007.

For the analysis of lobbyist revenues, I focus on staffers-turned-lobbyists who become lobbyists within one year after leaving Congress. Additionally, for this section of the analysis I follow related work (Blanes i Vidal et al., 2012; McCrain, 2018) and restrict my sample to revolving-door lobbyists who work for lobbying firms. I exclude ex-staffers who exclusively work as in-house lobbyists because lobbying disclosure reports do not list the revenue for these lobbyists explicitly. The sample includes 2,027 individual lobbyists, of whom 1,110 joined the lobbying industry after HLOGA took effect. Note that I only use the restricted sample for the analysis of Hypothesis 4. All other analyses use the full set of staffers-turned-lobbyists, including in-house lobbyists. To estimate lobbyists' revenues by year, I use the weighted measure of aggregate revenues described in Blanes i Vidal et al. (2012).[17] I then build a lobbyist-year panel for the years 2001-2018 by aggregating each lobbyist's weighted inflation-adjusted revenues across all reports per year.

While these data offer very detailed information on staffers' careers in Congress as well as in the lobbying market, some limitations merit additional discussion. Although staffers-

[15] https://www.opensecrets.org/bulk-data, accessed on 04/29/2022.

[16] See Appendix B for a further description of this matching procedure.

[17] For each lobbying report I attribute a share of the total revenue to each lobbyist depending on the number of lobbyists listed on the report. In Figure F3, I show estimation results with the unweighted measure of lobbying revenues. The results remain essentially unchanged.

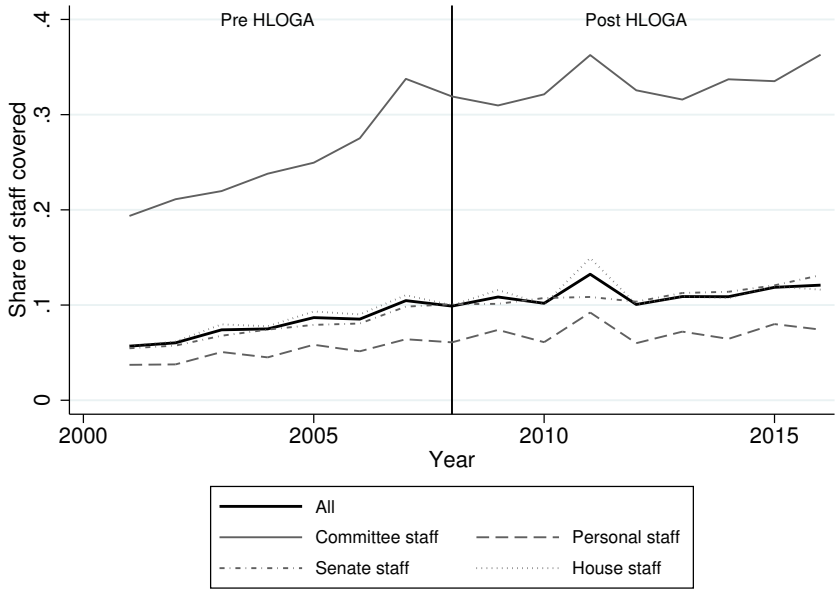
turned-lobbyists are required to register and disclose their previous government positions, I acknowledge that some ex-staffers may fail to register or may deliberately withhold information about their previous government service (Cain and Drutman, 2014; LaPira and Thomas, 2017). While my extensive manual checks of names and positions should alleviate these concerns, the analysis necessarily relies on self-reporting by lobbyists and can only offer inferences on the effects of strategic wage setting on the careers of *registered* lobbyists. Additionally, lobbying revenues are certainly an imperfect measure for lobbyists' value and disregarding in-house lobbyists considerably restricts my sample for the analysis of Hypothesis 4.[18] Yet, I believe that this measure offers a reasonable proxy for lobbyists' value. The amount clients spend on each lobbying contract depends on the performance of lobbyists, and lobbying firms assign their most effective lobbyists to their largest contracts (Blanes i Vidal et al., 2012; McCrain, 2018). Lobbying revenues should, therefore, be closely related to the value of lobbyists servicing the specific contracts.

Table E1 presents summary statistics on staffers' salaries and the revolving door to lobbying. The figures bolster the account of a flexible labor market and wage setting in Congress. On average, a staffer is paid $63,576 per year. Yet, there is considerable variation in annual pay rates for individual staffers. About 0.5% of staffers move from being covered by HLOGA to being uncovered per year. The turnover rate indicates that more than 15% of full-time staffers leave Congress every year, with higher rates in the final years of congressional terms. About one percent of staffers leave for the lobbying market every year.

To illustrate who and how many staffers are affected by HLOGA's coverage rule across time, Figure 1 shows the share of covered staff by office type, chamber, and year. Overall, between 10% and 13% of all staffers were covered post-HLOGA, thus restricting the lobbying ability of about 2,000 staffers each year. Importantly, between 2008 and 2016, a total of 5,772 staffers (15%) were affected by HLOGA. While the coverage rate is lower (6%-9%) for

[18]There are 1,058 ex-staffers who directly moved from Congress to lobbying and exclusively worked as in-house lobbyists after HLOGA.

Figure 1: Number of covered staff over time



Note: Depicted is the share of staffers (by chamber, office type, and overall) who receive annual salaries above the 75% threshold and are thus covered by HLOGA.

personal staff – which is likely due to hard budget constraints that MCs face for their MRAs – this figure is substantially higher for committee staff, ranging between 32% and 36% after HLOGA. The differences in coverage rates for House and Senate staff, in contrast, are not as stark.

Testing for Strategic Sorting

I first present descriptive evidence for Hypotheses 1 and 2. In particular, I use McCrary density estimates (McCrary, 2008) to illustrate sorting by staffers around the 75% salary threshold before and after the introduction of HLOGA and for different types of staffers. This test estimates the density of the running variable separately on both sides of the cutoff and checks whether the density drops substantially at the threshold. The test first estimates a fine-gridded histogram and then uses local linear regressions on both sides of the threshold to smooth the histogram.

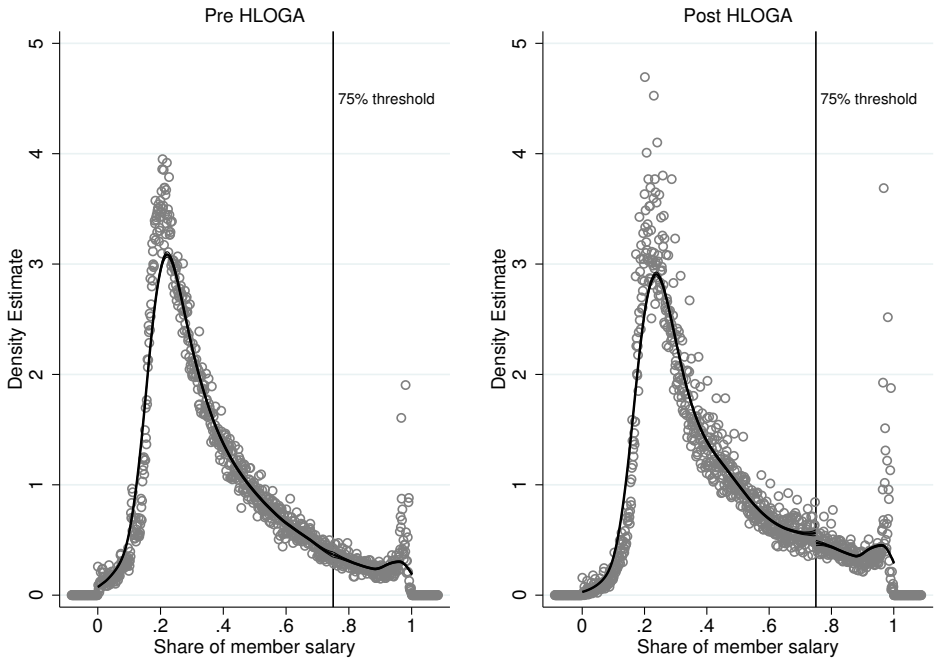
Figure 2 depicts the McCrary (2008) density estimates based on staffers' annual salaries

for the years before (2001-2007) and after (2008-2016) HLOGA. Staffer salaries are shown as shares of a member's annual salary.[19] The distribution of salaries is highly right-skewed, and the general shape differs little between the two time periods. Yet, staffers close to the 75% threshold seem to have behaved differently across the periods: Post-HLOGA, there is a negative and statistically significant discontinuity in the density of staffer salaries at the threshold. The McCrary estimate is -0.18 ($se = 0.04$), indicating that there are about 18% more observations barely below the cutoff than immediately above it. Substantively, while 8,294 staffer-year observations are clustered within the McCrary (2008) optimal bandwidth below the cutoff (i.e., 66-75% of a member's salary) in the post-HLOGA period (2008-2016), only 6,515 staffer-year observations are located within the same bandwidth above the threshold (i.e., 75-84%).Before HLOGA, however, the log densities seem smooth. The McCrary estimate is very small (-0.002) and far from statistically significant ($se = 0.05$).

According to my manipulation hypothesis, the sorting behavior arises from staffers' strategic salary adjustments during their time in Congress. However, one may also think of selection effects that can explain the bunching patterns. For instance, MCs may set the annual salary of *new* hires below the 75% threshold instead of adjusting the pay of existing staff. Similarly, if senior staffers self-select out of Congress because of the reduced attractiveness of these positions after HLOGA, we might observe a similar jump at the cutoff. To further substantiate that the sorting behavior is due to salary adjustments, Figure 3 shows the number of staffers who move across the 75% threshold as a result of salary increases or decreases. Consequently, these figures capture salary adjustments by *existing* staffers as opposed to changes in the income distribution due to entry and exit of staffers. For each salary quantile of staffers, the bars indicate the share of staffer-year observations that con-

[19]Note that I drop 1% of observations that turned out to be strong outliers. In particular, I remove negative salaries and staffer-year observations that are higher than 100% of a member's salary. As the LegiStorm codebook notes, these observations are likely accounting adjustments (e.g., in cases of repayments or large extra benefits).

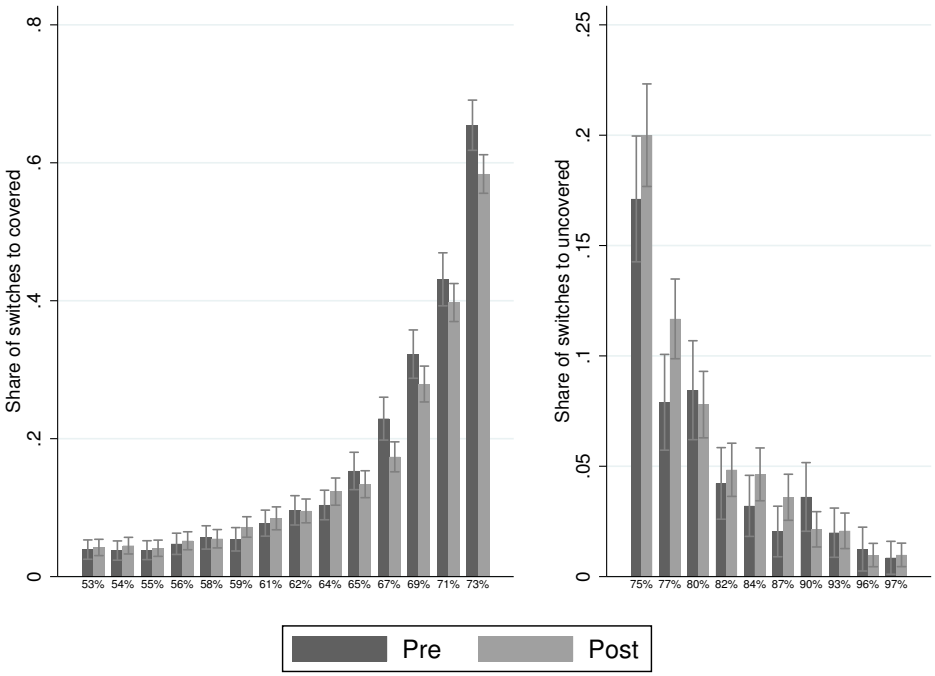
Figure 2: McCrary density estimates, before and after HLOGA



Note: Depicted are estimated densities and local linear regression results of the McCrary analysis before HLOGA (2001-2007) and after HLOGA (2008-2016). Observations on the staffer-year level, $N = 301,485$. 3081 observations (1%) with salaries below zero or above 100% removed.

stitute a switch to being covered (movement from below the cutoff via salary increases) or a switch to being uncovered (movement from above the cutoff via salary reductions). Staffers become more likely to switch into coverage as they approach the 75% cutoff both before and after HLOGA. Yet, for staffers earning between 65% and 75% of a member's salary the number of switches to covered status is consistently and significantly lower after HLOGA than before HLOGA. Hence, staffers close to the 75% cutoff seem to minimize salary increases to remain below the threshold after HLOGA. Additionally, there is some evidence that staffers above the threshold were more likely to reduce their salary to sort below the cutoff post-HLOGA. Except for the quantile earning between 80% and 82% of a member's pay, the share of switches to uncovered is consistently higher for staffers making between 75% and 90% of a member's salary after the reform than before. These descriptive patterns lend some support to the idea that staffers close to the cutoff amount forgo salary increases

Figure 3: Number of switches across the threshold by salary quantiles, before and after HLOGA



Note: Depicted is the share of staffer-year observations that constitute a salary increase/drop across the 75% threshold by quantiles of staffers pre-HLOGA (2001-2007) and post-HLOGA (2008-2016). Each quantile includes about 1,800 staffer-year observations. Labels on the x-axis indicate the lower bound of the quantiles. Administrative staff excluded.

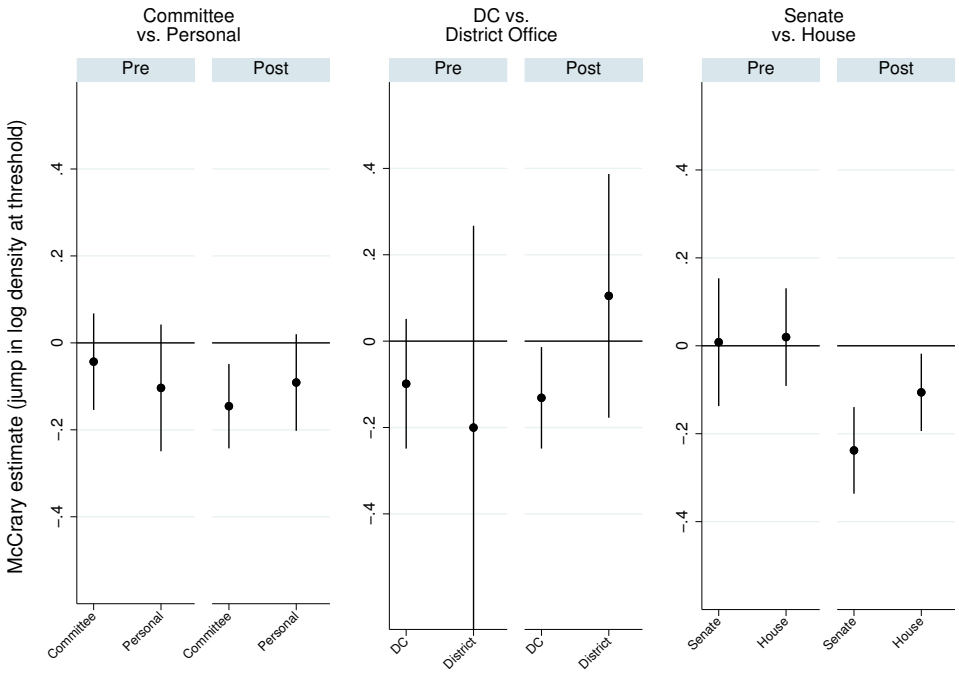
or accept reductions in their salary after HLOGA to sort below the 75% threshold.[20]

To test whether the sorting behavior differs by type of staffers, I run the McCrary analysis for subsamples of congressional aides. The results in Figure 4 provide descriptive evidence for the claim that sorting is stronger among specific types of staffers.[21] First, the overall

[20]Table E2 shows corresponding regression estimates, suggesting that staffers right below the cutoff (65-75% of member pay) were 3 percentage points less likely to switch above the threshold after HLOGA and staffers right above the cutoff were 1.5 percentage points more likely to switch to below the threshold after HLOGA, on average.

[21]Figure F1 further suggests that male staffers, better educated staffers, and staffers with more years of experience in Congress sort more than others. Yet, these differences do not reach statistical significance.

Figure 4: McCrary density estimates by type of staffer, before and after HLOGA



Note: Depicted are McCrary estimates together with 95% confidence intervals for different staffer types, before HLOGA (2001-2007) and after HLOGA (2008-2016). Staffers are classified based on whether they ever worked as this type in a given year.

discontinuity in staffer salaries around the threshold post-HLOGA seems to be mostly driven by committee staffers as opposed to personal staff. While the estimated discontinuity at the threshold is -0.15 for committee staffers, the McCrary estimate is only -0.09 for personal staff and does not reach statistical significance post-HLOGA. However, when distinguishing personal staff by their location (DC staff vs. district/state office staff), those working in Washington show a similar discontinuity of -0.13. As expected, the effect seems to be somewhat stronger for Senate staff than for House staff. The McCrary estimate is -0.24 for the Senate, while staffers in the House only show a discontinuity of -0.11. This difference is marginally significant at the 5% level.[22] For all categories of staffers, the McCrary estimates are small and insignificant for the years before HLOGA took effect.

[22]Since the McCrary estimate is asymptotically distributed normal, we can use a simple t-test for independent samples to compare the density estimates: $\frac{\beta_1-\beta_2}{\sqrt{se_1^2+se_2^2}}$. The test statistic for Senate vs. House staffers is $\frac{-0.238+0.106}{\sqrt{0.050^2+0.045^2}} = -1.959$.

Estimating the Returns to Switching out of Coverage

The Effect of Switching on the Revolving Door

The evidence on staffers' sorting behaviors is consistent with the argument that HLOGA has changed the strategies of staffers when setting their congressional salaries, especially for staffer types whose connections are valuable to the lobbying sector. Yet, whether staffers can in fact land prestigious lobbying jobs by avoiding coverage remains an open question. To analyze whether salary manipulation by staffers is related to their propensity to become lobbyists, I use the following two-way fixed effects design:

$$\text{Lobbying}_{it} = \alpha_{\mathbf{i}} + \beta \text{ Switch to Uncovered}_{it} + \mathbf{X_{it}}'\gamma + \delta_{\mathbf{t}} + \epsilon_{it} \tag{1}$$

Lobbying_{it} is a dummy equal to one if staffer i leaves Congress in year t to become a lobbyist in that same or the next calendar year. Switch to Uncovered_{it} is a dummy that indicates whether the staffer crossed the coverage threshold from above in year t. According to Hypothesis 3, I expect $\beta > 0$. The staffer fixed effects $\alpha_{\mathbf{i}}$ in the model account for staffer-specific time-invariant characteristics, such as their unobserved career ambitions or skills. The time fixed effects $\delta_{\mathbf{t}}$, in turn, absorb common changes to the political system that influence both salary manipulations and employment in the lobbying industry, such as changes in the allowances for members or turnover of congressional terms. I use a linear probability model to estimate the regression equation, with standard errors clustered at the staffer level. The sample for the main analysis spans the years after HLOGA was introduced,

whereas earlier years serve as a placebo period below.[23]

I further account for time-varying characteristics of staffers that may confound the relationship between switching and staffers' future lobbying prospects, such as the density of their networks in Congress. I include a vector of time-varying staffer-specific controls, $\mathbf{X_{it}}$, to condition on the number of days worked in a year and a staffer's full years in office when leaving her position in Congress.[24] Additionally, I control for whether a staffer ever worked for a specific office in a year as committee staff, personal staff, Senate staff, leadership office staff, district staff, or minority party staff.

A few clarifying comments are important. I have argued that HLOGA incentivizes staffers to *sort* below the cutoff to avoid coverage by lobbying restrictions, either by forgoing salary increases or by reducing their annual salary to below the cutoff.[25] Yet, in the panel models I concentrate on the effect of *switching* out of coverage for two main reasons. First, if staffers actively reduce their salaries, this likely sends a particularly strong and credible signal to the lobbying market. Staffers who simply keep their salaries below the cutoff, in contrast, share

[23]In Table E12 I estimate a DiD model where I include both pre- and post-HLOGA periods and interact Switch to Uncovered$_{it}$ with a post-HLOGA dummy. Reassuringly, the results suggest that the effect of switching on lobbying employment is stronger post-HLOGA than pre-HLOGA. However, the estimates are more imprecisely estimated and sensitive to more demanding specifications. I do not opt for a DiD model in my main specification for several reasons, related to my estimand of interest, concerns about parallel trends, and challenges to inference. See Appendix D for a detailed discussion.

[24]For years in office, I only have reliable information for staffers joining Congress after 2001, which is the beginning of my panel. For staffers joining before 2001, I impute the years of experience with LegiStorm's manually entered records of congressional offices for which the staffers worked.

[25]After HLOGA, 796 staffers switched from covered to uncovered, and 3,674 staffers earned between 70-75% of a member's salary.

the asset of unrestricted connections to Congress but they compete against switchers in the lobbying market who previously worked in more superior positions and earned higher salaries. The overall effect of salary manipulations on staffers' success in lobbying is, therefore, likely driven by switchers. The second reason is more practical. While I can illustrate staffers' sorting behaviors using McCrary (2008) estimates, the counterfactual salaries of sorters are unobserved and I cannot cleanly identify individual staffers who forgo salary to remain below the cutoff.[26] Therefore, estimating the effect of sorting in a panel setting is difficult.

Similarly, I use an indicator for switching out of coverage in a year (Switch to Uncovered$_{it}$) instead of a dummy that simply indicates whether a staffer earns a salary above or below the cutoff. This is because the switching indicator is most commensurable with the immediate signaling effect of salary manipulations. Using a coverage indicator as the explanatory variable, in contrast, would capture the average difference in staffers' propensity to become lobbyists in all years when they are covered compared to when they are uncovered by HLOGA.[27]

Table 1 reports the results for the within-staffer design.[28] Models 1-3 show estimates using the sample between 2008 and 2016, while models 4-6 extend the sample back to 2007. This accounts for possible anticipation effects, as several staffers intentionally left Congress in 2007 when HLOGA was already being debated on the floor (Shepherd and You, 2020). The results indicate that switching out of coverage significantly increases a staffer's chance

[26]One could possibly infer unobservable salary trajectories from previous developments. However, this would likely introduce considerable measurement error when distinguishing staffers who strategically subdue their pay from those reaching a natural ceiling.

[27]This is more closely related to the setup in Cain and Drutman (2014) who estimate the direct effect of HLOGA on staffers' propensity to lobby rather than the effect of behavioral responses to the regulation.

[28]Figure F2 shows further descriptive evidence on lobbying rates for different groups of staffers.

to become a lobbyist within a year. The estimated effect is highly consistent across models and predicts that congressional staffers are, on average, between 2-3 percentage points more likely to leave Congress for the lobbying sector when they switch from above to below the threshold. With an annual average lobbying rate of only 1.5% in the sample, these effect sizes suggest that staffers use the revolving door 2-3 times as often as the average staffer after switching to below the cutoff.

Table 1: Regression Models for Becoming a Lobbyist

	2008-2016			2007-2016		
	(1)	(2)	(3)	(4)	(5)	(6)
Switch to Uncovered	0.030***	0.019*	0.022*	0.032***	0.021**	0.022*
	(0.009)	(0.008)	(0.009)	(0.008)	(0.008)	(0.009)
Staffer FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
Position controls		✓	✓		✓	✓
Experience control			✓			✓
Mean of DV	0.014	0.014	0.015	0.015	0.015	0.015
Observations	143,745	143,745	128,067	159,890	159,890	140,194
Number of staffers	37,744	37,744	34,438	41,264	41,264	36,921
R^2	0.014	0.056	0.059	0.012	0.058	0.061

Note: Linear probability OLS regressions with staffer and year fixed effects (not reported); all models include a constant. Position controls include days worked per calendar year and indicators for committee staff, personal staff, majority party staff, minority party staff, DC office staff and leadership office staff. Experience controls include tenure in years as staffer and its squared term. Full models shown in Table E3. Standard errors clustered by staffer in parentheses. *** p<0.001, ** p<0.01, * p<0.05

What is the mechanism of these switches out of coverage? Are staffers who aim for lobbying jobs in the future negotiating lower pay for similar work, or are they willing to accept demotions in titles to increase their lobbying prospects? To address these questions, I use information on the rank of staffer titles based on the hierarchy and chain of command within congressional offices, position qualifications, and position descriptions from Ritchie and You (2021). Using this data, I am able to identify the ranking of 85% (260,449) of staffer-

year observations in my panel.[29] I then regress an indicator of whether a staffer experienced a demotion in rank on whether they switched out of coverage together with staffer and year fixed effects. The results in Table E4 suggest that switching below the cutoff increases the probability of demotion by six percentage points – a meaningful effect relative to an average demotion rate of only 2%. Yet, these estimates also suggest that a substantial amount of switches below the coverage (i.e., $> 90\%$) are not accompanied by a demotion in ranks, but are due to the significant variability of wages *within* titles and ranks. Table E5 sheds more light on this mechanism. For each rank the table depicts intraclass correlation coefficients (ICC) for staffer random intercepts. If all variation in wages for a given rank is explained by differences *between* staffers rather than within staffers, these estimates are expected to be close to one. However, especially for senior ranks, including (deputy) chief of staff and state/district directors, the ICC are below 0.5, thus indicating that the correlation of wages for a given staffer and rank is low. Taken together, both demotions and changes in salary for similar work drive the mechanism of switching out of coverage.

The Effect of Switching on Lobbying Revenues

This evidence supports the claim that staffers' willingness to reduce their congressional pay is rewarded with career opportunities in the lobbying market. But are staffers switching below the cutoff also monetarily compensated once they become lobbyists? To estimate the effect of switching out of coverage on staffers' future revenues as lobbyists, I use the lobbyist-year panel described above and estimate the following OLS model:

$$\begin{aligned}\log \text{Revenue}_{jt} =& \alpha + \beta\ \text{Switcher}_j + \eta\ \text{Years Since Exit}_{jt} + \\ & \theta\ (\text{Switcher}_j \times \text{Years Since Exit}_{jt}) + \mathbf{X_j}'\gamma + \delta_{\mathbf{t}} + \epsilon_{jt}\end{aligned} \tag{2}$$

[29] If staffers have more than one title and rank in a given year, I assign the maximum rank or title with the maximum pay for that year.

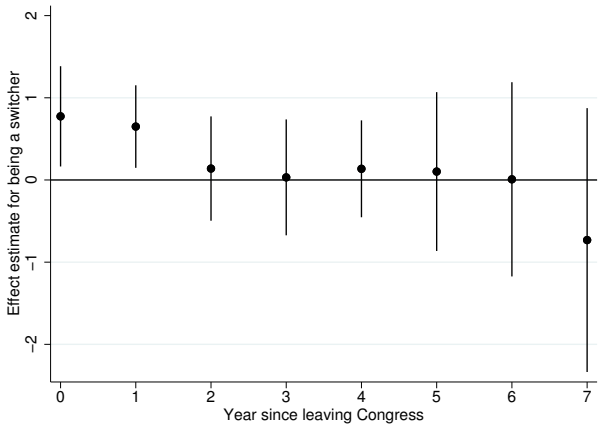
Revenue_{jt} is the revenue attributed to staffer-turned-lobbyist j in year t. As the distribution of this variable is highly skewed, I log this variable to account for skewed residuals. The main independent variable of interest is now the interaction between Switcher_j, an indicator of whether a staffer switched out of coverage in her last year in Congress or remained above the threshold, and Years Since Exit_{jt}, a vector of dummy variables indicating the number of years since a staffer left Congress to become a lobbyist. If Hypothesis 4 holds, I expect β to be positive, whereas the interaction terms should yield negative coefficients θ.[30] Since ex-staffers' characteristic of being a switcher is constant across years as lobbyists, I cannot include lobbyist fixed effects. This raises concerns that unobserved staffer-level characteristics could bias the estimates. However, the fact that switchers and covered staffers are similar regarding their salaries and correlated traits attenuates these concerns. Additionally, I still add all control covariates from Equation (1) as well as year fixed effects. The covariates now correspond to staffers' characteristics in their last year in Congress. In addition, I account for staffers' log maximum pay throughout their Congressional careers.I cluster standard errors on the lobbyist level and restrict the main sample to staffers leaving Congress and joining the lobbying sector after HLOGA took effect in September 2007. Staffers departing Congress in earlier years again serve as a placebo sample below.

Figure 5 shows the marginal effect of being a switcher as compared to being covered by HLOGA by staffers' years after leaving Congress.[31] Staffers who are willing to reduce their congressional salaries to below the cutoff in their last year in Congress attract significantly higher lobbying revenues than covered staffers-turned-lobbyists during the one-year cooling-off period. The estimated parameters of Equation (2) suggest that covered ex-staffers earn a revenue of \$98,481 from lobbying contracts ($\log \widehat{\text{Revenue}}_{jt} = 11.5$) immediately after exiting

[30]Since the cooling-off period is 12 months from the time staffers leave Congress and, therefore, covers part of the first year after exiting Congress, we should observe a significant drop in lobbyist revenue only for Years Since $\text{Exit}_{jt} \geq 2$.

[31]Table E6 reports the full estimation results.

Figure 5: Average marginal effects of being a switcher on log lobbying revenue, by year since leaving Congress



Note: Depicted are average marginal effects of switching below the cutoff in the last year in Congress on annual lobbying revenues with 95% confidence intervals, based on model (3) in Table E6. The baseline is covered staffers earning salaries above the threshold in their last year in Congress. The sample includes congressional staffers joining the lobbying industry after HLOGA (excluding in-house lobbyists). Observations on the lobbyist-year level, $N = 1,950$.

Congress (Years since $\text{Exit}_{jt} = 0$). Staffers who successfully switched below the threshold, in contrast, are estimated to earn \$215,038 in lobbying revenue ($\log \widehat{\text{Revenue}}_{jt} = 12.28$) in that year. Hence, staffers who avoid coverage by HLOGA – and, therefore, may contact any former employers and colleagues in Congress – secure a premium in annual lobbying revenues of about \$116,557. These figures are largely in line with previous estimates of the value of political connections in Washington's lobbying industry (Blanes i Vidal et al., 2012; Bertrand et al., 2014). Interestingly, while switchers receive a similar benefit in the year after leaving Congress, the premium drops considerably after the cooling-off period has expired in the second year after staffers leave Congress and it remains close to zero in later years. While this drop only reaches significance for some of the interactions (see Table E6), the clear and sudden reduction in the effect size provides some evidence for Hypothesis 4.[32] As

[32]Note that the insignificance mainly results from a power issue of the analysis. When expanding the sample to all staffers leaving in 2007 – which adds an additional 186 staffers-turned-lobbyists – the estimates are essentially identical, but the interactions reach significance at conventional levels for almost all interaction terms in the model.

soon as both covered and uncovered staffers-turned-lobbyists may leverage their contacts to Congress, lobbying clients are no longer willing to dig deep into their pockets for staffers who circumvented HLOGA.

Alternative Explanations and Robustness

Since I analyze the effect of strategic behaviors of staffers, the switches out of coverage are by definition non-exogenous. I am, therefore, limited in my ability to identify the effect of strategic salary reductions on careers in the lobbying sector. However, I provide several checks that test my proposed mechanism and help to rule out alternative explanations.

With respect to the effect of switching below the cutoff on the propensity to become a lobbyist, one may be concerned that the estimated results are due to a spurious correlation between movements across the threshold and lobbying (e.g., because staffers' salaries become more variable in their final years). If the effects are in fact due to such mechanical relationships, we would expect that switching below the cutoff also predicts leaving Congress for non-lobbying jobs. Another concern is the turnover of congressional terms. Each Congress normally ends on January 2 and annual budgets for the new Congress are authorized on January 3 (Brudnick, 2018). The main analysis included staffers who left Congress due to congressional turnover in early January. These individuals might possibly drive the results if their annual salary drops in the last few days on Capitol Hill because their compensation is still covered under the budget of the previous Congress. The first plot in Figure F7 demonstrates the robustness of the main results against these alternative explanations.

A second alternative explanation for the effect of switching on becoming a lobbyist could be that pay cuts predict career decisions generally. Staffers who experience a drop in their salary may find outside career options, including lobbying, more attractive. To account for such alternative explanations, I first control for staffers' pay levels and year-to-year differences in pay. Additionally, I estimate the effect of general pay cuts that do not cross the threshold. If the mechanism of strategic salary manipulation holds, we should not find

substantial effects of such general movements on staffers' compensation. The second plot in Figure F7 again shows that accounting for these concerns does not change the main results.

Further, I present additional results using alternative model specifications and estimation samples. To substantiate that the effects of switching on lobbying success are not driven by dynamics of non-switchers in the control group, Table E7 shows results for the sample of staffers who switch to below the cutoff at some point during their tenure in Congress. The point estimates are similar to the main results, although less precisely estimated in this substantially smaller sample of staffers. Next, I augment my main specification slightly to account for possible temporal dependence in the outcome variable of my binary time-series cross-sectional model (Beck et al., 1998). Instead of controlling for staffers' experience in Congress through a continuous variable, I add years worked in Congress as a series of dummy variables to the linear probability model in Equation (1). Reassuringly, the results are virtually unchanged (Table E8).

Finally, I run several placebo analyses. To bolster my claim about staffers' bunching behavior at the 75% salary threshold, Figure F6 shows McCrary density estimates for hypothetical discrete salary thresholds between 20% and 80% of an MC's annual salary. While we find significant jumps in the density of staffers at a few hypothetical cutoffs, it is also evident that the discontinuity is by far the largest at the true cutoff of 75%. I further estimate the panel models for years before HLOGA (Table E9). While the effect of switching out of coverage is still positive, it is smaller in size and insignificant across the specifications. Similarly, Figure F8 shows the effect of being a switcher on lobbying revenues for staffers leaving Congress before September 2007. The estimates are all statistically insignificant and mostly negative.

Conclusion

HLOGA has been one of the major attempts to slow the revolving door in Washington to date. In this study, I have argued that this lobbying reform has important unintended

consequences: it incentivizes some congressional staffers to set their salaries just below the threshold to avert coverage by HLOGA and thus maintain attractive outside options in the lobbying industry. The evidence largely supports this view. After HLOGA was introduced, staffers sort below the 75% cutoff. However, this bunching is strongest for staffers with better outside options (i.e., committee staff and Senate staff). I further find that switching out of HLOGA coverage significantly increases staffers' chances to successfully walk through the revolving door to lobbying and clients seem to reward these staffers-turned-lobbyists with larger contracts and higher revenues in their first year as lobbyists.

These findings have at least three implications for public policy and our understanding of the political economy of special interests. First, the implications go beyond the narrow scope of the particular revolving-door regulations of HLOGA. Various revolving-door laws that US federal lawmakers have enacted since the 1970s have similar exemptions and allow discretion in how they are applied to different officials (Maskell, 2014). For executive branch officials, for example, the federal cooling-off periods only apply to certain senior personnel. Additionally, specific agencies, such as the SEC, managed to receive exemptions from post-employment restrictions for their senior officials and both the Obama and Trump administrations were heavily criticized when granting waivers of their own executive regulations to specific officials (Drutman, 2013). Similarly, while many other OECD countries, including the UK and Japan, as well as several EU institutions, have introduced revolving-door regulations, their cooling-off periods often contain similar loopholes. For instance, the new Ethics Framework at the European Central Bank (ECB) restricts the revolving door for ECB staff, yet the regulation's intensity differs by salary band and task.[33] By highlighting the effects of such inconsistencies in the application of regulatory efforts, this study provides insights into the effectiveness and optimal design of revolving-door regulations.

Second, this study helps to better understand the labor market of public officials and the

[33] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015XB0620(01)&from=SK, accessed on 04/29/2022

incentives to which they react. In particular, the findings highlight the robustness of career incentives provided by the lobbying market and speak to existing evidence that connectedness is a highly valuable asset on K Street (Blanes i Vidal et al., 2012; Bertrand et al., 2014; McCrain, 2018). If a strong imbalance of salaries on and off the Hill persists, staffers will likely continue to avoid revolving-door regulations to capitalize on their connections in the lobbying market.

Last, this study highlights a particular dilemma of institutional reforms that directly affects lawmakers and their staff. While the public outcry about the Abramoff scandal pushed revolving-door regulations onto the national agenda in 2007, MCs remained reluctant to close loopholes in the post-employment restrictions of HLOGA's final bill. To be clear, the evidence indicates that only a relatively small fraction of staffers actively avoid HLOGA's restrictions, and the reform may have somewhat slowed the revolving door overall (Cain and Drutman, 2014). Yet, the results also imply that the problem of self-regulation inherent in such reforms undermines far-reaching institutional change. While one can only speculate about the exact intentions of lawmakers in crafting revolving-door regulations, the attractiveness of shifting part of legislators' expenses to lobbying firms may have made staffers' sorting behavior an intended effect of the law rather than an accidental outcome. Hence, although the resulting incentive distortions for staffers could be avoided by removing arbitrary exceptions from revolving-door regulations, lawmakers may not have sufficient interest in doing so, thus pointing toward broader issues with such regulatory approaches.

Nevertheless, a few caveats about the analysis deserve attention. Due to limitations in cleanly identifying "sorters" (i.e., staffers who strategically avoid salary increases to remain below the threshold), this study could only examine the effect of switching out of coverage on staffers' lobbying careers as opposed to the effect of strategic salary manipulations more broadly. This complicates the analysis of lobbying revenues by reducing statistical power. Additionally, it may lead to an underestimation of the effect of salary manipulation on staffers' revolving doors because sorting staffers are included in the baseline for this analysis.

While switching likely carries a stronger signaling effect than sorting, the results of this study should be interpreted with these caveats in mind and future research might aim at further teasing out the effect of different types of salary manipulations.

Additionally, several possible implications remain unexplored. For instance, the willingness of staffers to forgo salary increases may free up considerable amounts of resources. How do MCs and congressional offices take advantage of this bump in their budgets? Are these additional resources spent on other personnel or redistributed to other types of expenditures? Additionally, the incentive distortions of HLOGA may have further repercussions for the selection and performance of staffers in Congress. On the one hand, by providing incentives for career-oriented staffers above the threshold to self-select out of their positions, HLOGA may have decreased the talent pool among senior staff. On the other hand, by imposing restrictions on staffer salaries, HLOGA may have made congressional positions relatively more attractive for publicly minded personnel with higher efficacy and motivation for congressional work. Hence, prima facie it remains unclear whether and how HLOGA affected the selection of congressional staff and the legislative productivity of offices employing them. I leave these additional questions for future research.

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