

# Parliamentary Positions and Politicians' Private Sector Earnings: Evidence from the UK House of Commons

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Most democracies allow their members of parliament to concurrently be employed in the private sector. A widespread worry is that politicians leverage their current or past posts within parliament, for example, as ministers or committee chairs, to gain lucrative jobs. However, we know little about whether “moonlighting” income is indeed driven by these positions. I analyze comprehensive new panel data on the private sector earnings of all members of the UK House of Commons during 2010–16. Focusing on within-legislator variation, I find that currently holding an influential position does not cause an increase in income from outside jobs. Politicians do see higher earnings soon after leaving their parliamentary posts, but this effect is concentrated among cabinet ministers. The article advances the literature by identifying which political posts lead to financial benefits in the private sector—and when.

In 2014, Sir Malcolm Rifkind, an influential member of the UK parliament (MP) and chairman of its Intelligence and Security Committee, was approached by a communications company called PMR. The agency told him it was seeking to recruit people with “appropriate political or regulatory backgrounds” to join its advisory board. Over the course of two meetings, Rifkind told company representatives that “you’d be surprised with how much free time I have” and suggested that he could use his influential status within parliament to the company’s benefit. Unfortunately for Rifkind, PMR is not a real company, and the people he was meeting with were undercover TV journalists. They filmed the encounters with hidden cameras, and his widely publicized comments caused a public outcry (Channel 4 Dispatches 2015; Newell et al. 2015). A few years earlier, the same TV program had secretly filmed former Minister of Defense Geoffrey Hoon (who remained an MP) as saying: “I’m really looking forward to . . . translating my knowledge and contacts about the sort of international scene into something that, bluntly, makes money.”<sup>1</sup>

These sting operations substantiated a widespread worry about the ability of politicians to hold office and work in the private sector at the same time, which is legal in most democracies: that MPs leverage their (current or former) positions,

for example, as ministers or committee chairs, to gain lucrative moonlighting jobs. If so, this gives corporations access to lawmakers—and thus the ability to potentially exert targeted influence on the policy-making process. Despite the important implications for democratic representation, we know little about the impact of parliamentary positions on politicians’ private sector earnings (cf. Geys and Mause 2013).

In this article, I answer two questions: Is it common for politicians to leverage their *current* influential position within parliament to gain lucrative employment in the private sector, like Malcolm Rifkind appeared to do? And do politicians cash in on their *former* positions, like Geoffrey Hoon tried to? I use the case of the UK House of Commons to estimate the effect of political positions on income from private sector jobs. I hand coded information provided on earnings disclosure forms, which all MPs who have any outside income have to submit, to assemble the most comprehensive and detailed data on politicians’ private sector incomes to date. The data set covers all MPs’ earnings between 2010 and 2016. I combine this with biographical information on members’ positions in parliament. The panel structure of the data allows me to use a design with MP fixed effects to examine the impact of changes in politicians’ positions within the legislature on their

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1. See HC 654–II, published December 9, 2010, <https://publications.parliament.uk/pa/cm201011/cmselect/cmstnprv/654/654ii.pdf>.

private sector earnings. I am thus able to estimate the effect of parliamentary posts on incomes from outside jobs without confounding by MP-specific third variables that may affect both positions and earnings, such as ability, character, or effort.

I find that holding an important position within parliament does not increase MPs' private sector earnings. Being a member of the party leadership team or shadow cabinet has no effect on MPs' income from moonlighting jobs, and neither does chairing (or membership in) a parliamentary committee. Because members of government are expected to give up other appointments, being a minister, minister of state, or parliamentary secretary leads to a decrease in private sector earnings. These (null) effects are also found when looking separately at different types of employment, job titles, industries of employment, or membership in different committees. This provides clear evidence that parliamentary positions in the House of Commons do not lead to higher outside earnings while MPs hold them. Therefore, the case of Malcolm Rifkind is the exception rather than the norm.

I do, however, find that the case of Geoffrey Hoon is the norm. Former ministers, most of whom remain in parliament and thus in my data, substantially increase their private sector earnings soon after leaving their position. The estimated effects imply that their private sector income increases from an average of about £7,000 per year before being a minister to more than £45,000 afterward. For those who worked in the Treasury, ministries dealing with foreign affairs or international development, or the Ministry of Justice, private sector income can reach well above £100,000 per year after they leave their posts. Former ministers take up more consultancies, professional positions, and board memberships in a large variety of industries. Their job titles and industries of employment are not tied to what ministry they served in. By contrast, junior government members (ministers of state, parliamentary secretaries) experience a rebound of private sector earnings to levels similar to before joining government but not beyond. Leaving influential nongovernment posts has no effect. Thus, postposition private sector earnings are highly concentrated among the politicians who held the most important appointments.

This article adds to our understanding of the private sector employment of lawmakers, which is currently studied in two separate strands—"moonlighting" jobs while in office and "revolving door" jobs after leaving office. I advance both strands.

As for the former, the vast majority of democracies allow their MPs to earn an income in the private sector while holding office. Yet we are only starting to learn about this moonlighting employment. Prior studies mostly employ data from a single point in time and examine how widespread and lu-

crative the practice is, what characteristics make MPs more likely to engage in it, and how it correlates with factors like parliamentary effort (see Geys and Mause 2013). The impact of parliamentary positions on politicians' private sector earnings has received little systematic attention. Some studies include indicators as control variables, but their cross-sectional approach means that the results are likely confounded by unmeasured third variables. Using a research design that focuses on within-MP variation—and thus addresses many concerns about confounding—I show that in no instance does holding a powerful position in the House of Commons increase MPs' private sector income.

The article also contributes to the literature on lawmakers' private sector jobs after leaving office. The main challenges of studying such revolving door employment have been (1) the difficulty of obtaining information on the complete earnings of politicians once they leave public office and (2) establishing a relevant counterfactual to a lawmaker who occupied an influential parliamentary position (cf. Dal Bó and Finan 2018). However, most studies in this line of inquiry focus on the United States (e.g., LaPira and Thomas 2017; Lazarus, McKay, and Herbel 2016; Palmer and Schneer 2016), which is one of the few countries that bans its legislators from holding private sector jobs while in office. Thus, postposition employment coincides with postoffice employment in these studies. In countries where politicians can hold other jobs while serving in parliament, postposition employment is often not after leaving office. This fact helps address both main challenges of the revolving door literature. Because most politicians stay in parliament as regular MPs after leaving their powerful position, they remain subject to disclosure requirements. I can therefore analyze complete postposition earnings. Furthermore, it allows me to use a design with MP fixed effects to construct the relevant counterfactual by comparing MPs' earnings before and after holding a position. My results suggest that the positive average treatment effect of holding office on subsequent earnings found in regression discontinuity studies that compare winners and losers of close elections (Eggers and Hainmueller 2009; Palmer and Schneer 2016) is driven by the small subset of the most powerful politicians.

Taken together, the results in this article paint a nuanced picture of the relationship between politicians' careers within and outside parliament. Fears that moonlighting jobs are exploited to strategically funnel money toward MPs in important parliamentary positions in the short term are not borne out, at least in the United Kingdom. However, corporations are hiring the most powerful lawmakers after they have relinquished their ministerial positions. The fact that postposition private sector employment is highly concentrated provides guidance to design policies that limit conflicts of interest,

suggesting that the problem can be effectively addressed by focusing on lawmakers who previously held top positions.

### **POLITICIANS' PRIVATE SECTOR EARNINGS**

It is surprisingly common that politicians are allowed to hold a private sector job concurrently with being a member of the legislature. In 2010, only 18 out of 90 democracies prohibited their representatives from being advisors, officers (CEO, CFO), and board members in companies while serving in parliament. Thus, 80% of democracies permitted MPs to earn a private sector income in at least one of those roles (see fig. 1).

However, there has been relatively little research on this so-called moonlighting. A main reason is the difficulty of obtaining data on politicians' private sector income while in office. Many countries do not have a financial disclosure registry, make disclosure voluntary, or only require income reports in broad and top-coded categories. But examining the parliaments for which it has been possible to assemble data, it is clear that when allowed, the practice is widespread: between a quarter and half of MPs have outside employment in the private sector, where they often earn tens of thousands of dollars per year in addition to their parliamentary salary (e.g., Geys and Mause 2013; Hurka, Daniel, and Obholzer 2018; Merlo et al. 2009).<sup>2</sup>

The normative implications of such employment are contested. On the one hand, critics worry that it represents a way for corporate special interests to funnel money to politicians in important positions and thus to potentially influence their decisions. On the other hand, proponents argue that private sector employment is unrelated to lawmakers' positions in office and instead has the benefit of helping them remain connected to the real world. Thus, it is important to empirically test whether politicians' private sector earnings are connected to their parliamentary position.

### **Current parliamentary positions and private sector earnings**

Are legislators' private sector earnings connected to their current position in parliament? There are good reasons to expect this to be the case. After all, other forms of money in politics are certainly used in this way. For example, a considerable

proportion of campaign contributions in the United States are given to politicians not because of their issue positions or ideology but because they are incumbents (Fournaies and Hall 2014). Congresspersons who join important committees or become party leaders receive more campaign contributions, and once they leave the positions these contributions go to their replacements (Fournaies and Hall 2018; Powell and Grimmer 2016). This strategic spending is not limited to campaign money (e.g., Bertrand et al. 2020). Outside the United States, there is evidence from Italy that, when politicians occupy more powerful positions, their companies receive more business (DellaVigna et al. 2016), and from India that the assets of state legislators increase especially if they serve as ministers (Fisman, Schulz, and Vig 2014). Given these findings, it is plausible that moonlighting follows a similar targeted pattern.

However, there are also good arguments why MPs' private sector earnings may not move in accordance with their political posts. One important difference between the forms of money mentioned above and moonlighting is that the latter requires MPs to put in a significant amount of effort. Important parliamentary posts, such as party spokesperson or committee chair, come with an increased workload. This may prevent politicians from taking on additional duties in the private sector. Leadership positions in parliament also attract additional media attention (Tresch 2009), which may discourage leaders from taking on private sector work. Finally, it could be that companies simply do not strategically hire MPs in important parliamentary positions because they do not see it as a good use of their money or that most politicians moonlight in the job they held before being elected.

Which of those arguments is true is thus an empirical question. However, little attention has been paid so far to examining whether politicians' outside earnings depend on their position in parliament. A small number of studies have included indicators for the latter as control variables, but the results have been inconclusive (e.g., Becker, Peichl, and Rincke 2009; Geys 2012; Geys and Mause 2014). In addition, these estimates rely on cross-sectional variation; it is likely that there are unobserved variables such as MPs' talent or effort that drive both positions in parliament and private sector earnings. We therefore do not know whether earnings increase when MPs occupy more powerful posts.

### **Previous parliamentary positions and private sector earnings**

Rather than earning a lucrative private sector income while holding a powerful position, politicians may instead do so after leaving it. This employment is studied primarily in the

2. Moonlighting jobs are more common among legislators with certain characteristics and at certain points in time (see Geys and Mause 2013, for a comprehensive review). Employing a politician also has been shown to have a positive effect on a company's bottom line (e.g., Cingano and Pinotti 2013), and politicians with outside employment seem to put less effort into their political role (e.g., Gagliarducci, Nannicini, and Naticchioni 2010).

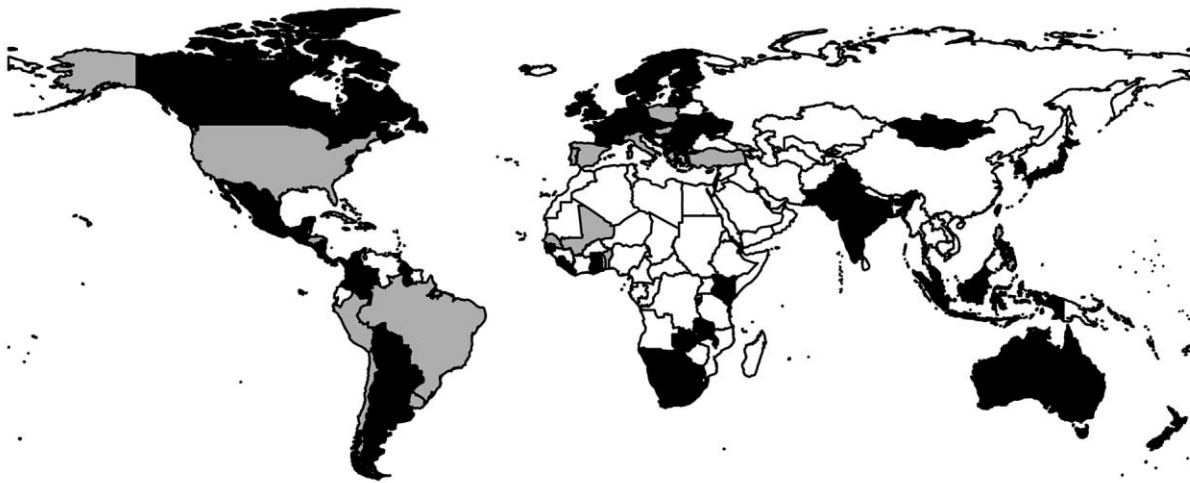


Figure 1. Regulation on whether MPs are allowed to hold private sector employment while in office (2010). *Gray*, Democracies that prohibit MPs from being members of boards of directors, officers (CEO, CFO), and advisors in companies (18 countries). *Black*, Democracies that allow MPs at least one of these three roles (72 countries). *White*, Not a democracy (Polity IV score lower than 6) or no data. Source: Djankov et al. (2010).

United States, which prohibits moonlighting. Legislators thus have to leave electoral politics to move into the private sector through the revolving door. Because they are then private citizens again, they do not have to reveal their income.

As a consequence, studies have to rely on partial earnings data from employment that has to be disclosed, in particular lobbying or board memberships. They find that 40%–50% of former US Congress members take up such positions (de Figueiredo and Richter 2014; LaPira and Thomas 2017; Lazarus et al. 2016; Palmer and Schneer 2019). Much of this employment can be causally attributed to their former political positions. Using a regression discontinuity design, Palmer and Schneer (2016) show that candidates who narrowly won a seat in Congress later have substantially more jobs. A similar dynamic is found in the UK House of Commons (Eggers and Hainmueller 2009).

However, we do not know what effect specific parliamentary positions have on subsequent earnings. Can all MPs cash in on their political role, or are the benefits concentrated among those who held the most important posts? In the US context, politicians who have occupied high-level positions are, descriptively, more likely to become revolving door lobbyists or to serve on boards of directors later (Lazarus et al. 2016; Palmer and Schneer 2016). But again, other factors may determine both political positions and private sector employment. Establishing a relevant counterfactual has been a major challenge for this literature (Dal Bó and Finan 2018). Who should we compare former party leaders or committee chairs to if we want to know how much of a premium they receive in their private sector employment because of their former position?

In countries that permit moonlighting, politicians who leave important parliamentary positions do not have to leave electoral politics. This opens up thus far untapped opportunities to study politicians' postposition employment. For example, David Miliband remained an ordinary MP for three years after stepping down as the UK's minister for foreign affairs. During this time, he was a senior advisor for several companies and a nonexecutive director at a soccer club. He also joined an advisory board and gave paid speeches for £10,000–£25,000 apiece. Instances like this make it possible to construct counterfactual cases for, for example, former ministers or party leaders by comparing their complete postposition earnings to their complete pre-position income. For the first time, we can therefore determine the worth of having held different influential parliamentary positions in the private sector.

#### **EMPIRICAL CONTEXT: UK HOUSE OF COMMONS, 2010–16**

The previous section has shown that key questions remain unanswered: Does holding important parliamentary positions lead to more lucrative private sector employment? And do former political positions lead to higher subsequent earnings? I use the case of the House of Commons between 2010 and 2016 to answer these questions.

The UK parliament consists of 650 members who are elected in a first-past-the-post system. It is an ideal setting for this study for four main reasons. First, MPs are allowed to earn money in the private sector while they are in office. Second, they have to publicly disclose their earnings in detail, which allows me to assemble a high-quality data set. Third,

many MPs who leave their influential positions (e.g., as a government minister) remain in parliament and thus in the data.

Finally, many changes in the status of individual MPs took place during the study period. In early 2010 Labour was the largest party; its leader, Gordon Brown, was prime minister. The Conservatives were the largest opposition party, followed by the Liberal Democrats and a number of smaller parties. The Conservatives made strong gains in the 2010 general election but fell short of a majority. They entered a governing coalition with the Liberal Democrats, and David Cameron became the new prime minister. He reshuffled his cabinet significantly in 2012 and again in 2014, in line with the historically short tenures of UK ministers (Berlinski, Dewan, and Dowding 2007). In the 2015 general election, the Conservative Party again increased its seat share and was able to form a government on its own. Finally, after the shocking result of the Brexit referendum in 2016, Cameron resigned as prime minister and was replaced by Theresa May. At each of these junctures, as well as at other points in time, there were significant changes to MPs' positions. Former government officials were demoted to ordinary MPs, while former backbenchers became ministers or junior ministers. Similarly, throughout the period MPs took up or left frontbench positions, joined or exited parliamentary committees, assumed or relinquished committee chairships, and so on.

Analyzing moonlighting in the House of Commons allows me to address many of the challenges that have vexed the literature so far. Because most politicians stay in parliament after relinquishing their influential positions, it is possible to observe their complete private sector earnings while holding and after leaving their post. And because there is a lot of positional churn within the House of Commons, I can use a research design that focuses on within-MP variation to estimate the effect of political positions on private sector earnings. That is, I can construct a counterfactual by comparing their incomes before taking up a certain position to while being in it and after leaving it.

### Regulation and disclosure of private sector employment

The Code of Conduct of the House of Commons does not prescribe limitations on the kinds of employment that MPs can engage in or what their salary can be, other than that members should not act as paid advocates for their employers.<sup>3</sup> MPs who are members of the government (ministers, minis-

ters of state, parliamentary secretaries) are also subject to the Ministerial Code of Conduct, which states that “when they take up office, Ministers should give up any other public appointment they may hold.”<sup>4</sup> Thus, government members are not permitted to earn money in the private sector and can only do so after leaving it. All other MPs can have outside jobs during and after holding a post.<sup>5</sup>

Outside earnings have to be disclosed within 28 days to the parliamentary commissioner for standards, who publishes the entries in the Register of Members' Financial Interests. A failure to declare income can trigger an investigation by the Committee on Standards, and serious cases can be punished by up to two years in prison (Cowburn 2018). Before 2009, only minimal information was required in the financial disclosures. Starting in the 2009–10 parliamentary session, however, members now have to report the precise amount of each payment they receive, describe the nature of their work, and provide the name and address of the employer.<sup>6</sup> Therefore, we have complete annual information on remuneration for MPs' outside employment from 2010 onward.

### DATA ON MPS' PRIVATE SECTOR EARNINGS

The House of Commons' Register of Members' Financial Interests is unusually comprehensive and detailed. However, the entries do not follow a standardized format: MPs report monthly ongoing payments as well as one-off earnings. Entries are also often updated to reflect changes in remuneration. I therefore hand code all filings to assemble a data set that tracks the annual earnings of all MPs from 2010 to 2016.<sup>7</sup> I record all registered payments that fall under the categories of “remunerated directorships” and “remunerated employment, office, profession etc.” and were earned for work done while in office. Because the focus is on private sector earnings, I do not include MPs' legislative or ministerial salaries or payments for other elected offices, for example, in a town council or the Scottish Parliament. Prime Ministers Gordon Brown, David Cameron, and Theresa May are excluded from the data, since the small number makes a systematic analysis of the impact of their position on private sector earnings

3. See HC 1076, published April 14, 2015, <https://publications.parliament.uk/pa/cm201516/cmcode/1076/1076.pdf>.

4. See the Ministerial Code at <https://www.gov.uk/government/publications/ministerial-code>.

5. Note that the share of MPs who are members of the government and thus affected by the incompatibility rules is only about 15%. The other 85% are not affected by restrictions.

6. The registration threshold is £100 for individual payments or £300 for the total of multiple payments from the same source in a calendar year.

7. Appendix A (the appendix is available online) contains an example declaration and details on the coding. I exclude MPs who left office after the 2010 election since they do not have any variation in their income or position within parliament over time.

impossible. Earnings are adjusted for inflation and reported in constant 2015 pounds.

This data set is the most comprehensive to date on politicians' moonlighting jobs. There are two main limitations. First, the data set does not contain any information on the incomes of people who ran for office but did not win. However, the effect of being in parliament on personal finances has been estimated by other studies in a number of countries, including the United Kingdom (Eggers and Hainmueller 2009). This article instead focuses on comparing the outside incomes of politicians as they take up or leave posts within parliament. A second limitation is that the data set only contains information on politicians' earnings while they are in parliament. This raises the possibility of selection bias for postposition earnings, as those with more lucrative jobs might be more likely to leave parliament (and thus no longer be required to disclose their income). I investigate the potential of this occurring using a second, independent data source below.

### Basic facts about MPs' private sector earnings

I assemble data on the private sector earnings of 845 MPs between 2010 and 2016. Figure 2 shows that incomes from outside jobs are substantial. The solid line in figure 2A gives the total earnings of all MPs, which are £4.6–£6.7 million per year and exhibit a slight upward trend. The sum is lower in the two election years (2010 and 2015). This could reflect election cycle adjustments (Geys 2012) but is also partly a mechanical effect, since legislators who enter or leave parliament only report earnings from part of the year.

The other lines in figure 2A distinguish between three different sources of private sector earnings, which are mutually exclusive and exhaustive. The first category is “regular” employment in which MPs receive a salary for occupying a specified position (see below). This is the most common type of employment. The second category is income from press and publication activities such as newspaper columns, books, or TV appearances. This type of income exhibits an upward trend, especially in the last two years of the data. The third category is income from speeches, for example, to executives at investment banks. Total payments for such activities are relatively low, despite their prominence in public discussion. However, note that the data exclude the incomes of former prime ministers, and Gordon Brown in particular earned a lot of money this way.<sup>8</sup>

Figure 2B shows the extent of outside employment in the House of Commons by plotting the share of MPs who report any annual earnings, which averages 25%–30% per year.

Regular employment is the most common type of job, followed by press appearances and speeches. Appendix section B breaks down the total percentage by demographic characteristics. Private sector employment is more common among men, members of the Conservative Party, university graduates (esp. those from Oxford and Cambridge), and longer-serving MPs.<sup>9</sup> This is consistent with existing cross-sectional evidence (Geys and Mause 2013).

Figure 2C displays the mean annual earnings of MPs who declare nonzero outside money. The average additional income of an MP who engaged in any kind of outside work was £33,800 in 2011 and almost £40,100 in 2016. For comparison, the basic annual salary of a House of Commons member in 2015 was £74,000. The highest mean earnings come from regular employment, although they decline over the observation period. Average incomes from press appearances and speeches are lower but increase sharply after 2014.

Figures 2D and E provide details on MPs' “regular” employment. For each employment spell, I record the start and end years, as well as the job title and industry. The data contain 509 unique MP-employment spells with a total of 1,232 MP-employment years. Figure 2D shows that the most common job titles for MPs are director/chairman/president/partner, followed by consultant/advisor. Many MPs also have more traditional professional jobs, which are often a continuation of their prepolitics employment, especially in the legal profession. Figure 2E shows that most employment spells take place in law firms, followed by the consulting industry as well as finance and banking.

### EMPIRICAL STRATEGY: EXPLOITING CHANGES IN PARLIAMENTARY POSITIONS

The central problem associated with identifying the effect of MPs' current and past parliamentary positions on their private sector earnings is that both variables may be driven by MP-specific third factors. This concern is especially relevant in cross-sectional studies: finding that politicians in important parliamentary positions earn more in the private sector than MPs who do not hold powerful posts does not mean that this income can be attributed to their political status. Instead, both might be driven by factors such as ability or motivation.

To address this challenge, I employ a research design that focuses on variation within individual MPs—that is, whether a change in MPs' status, such as assuming or giving up a committee chairship, leads to a change in their private sector earnings, compared to their colleagues who do not see any change

8. In the 2012–13 parliamentary session, Brown declared payments totaling £1.37 million from delivering speeches (see Morris 2013).

9. In the appendix, I show that these categories of MPs also earn a higher average private sector salary.

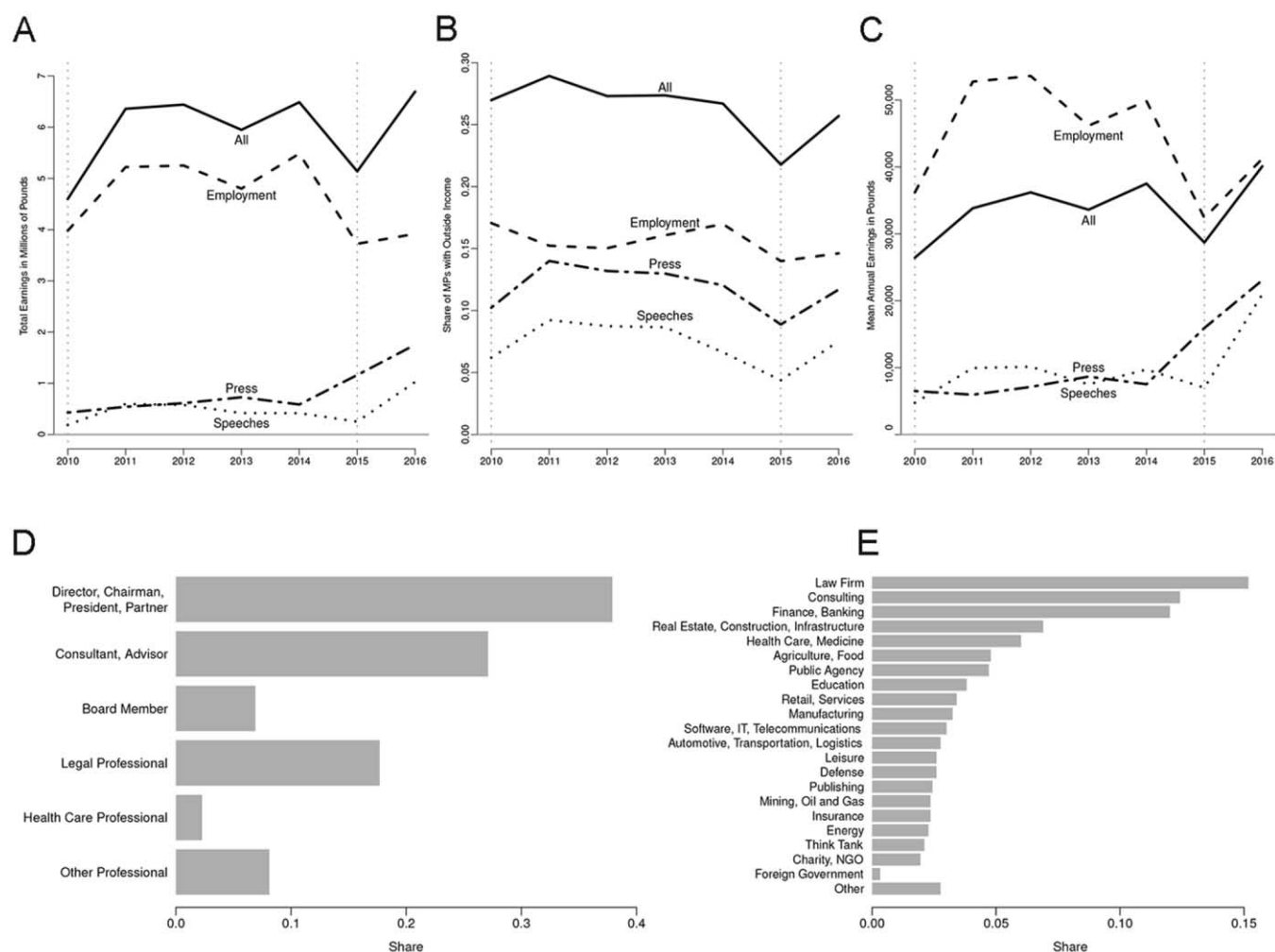


Figure 2. Private sector employment of members of the House of Commons, 2010–16. A, Total private sector earnings; B, share of MPs with private sector earnings; C, mean earnings of MPs with private sector jobs; D, employment: job titles; E, employment: industries. A–C, Dashed vertical lines indicate election years, and earnings are adjusted for inflation.

in their status. I estimate the following two-way fixed effects regression:

$$\log \text{earnings}_{it} = \sum_p \alpha_p \mathbf{1}\{\text{in position}\}_{pit} + \sum_p \beta_p \mathbf{1}\{\text{postposition}\}_{pit} + \lambda X_{it} + \gamma_i + \delta_t + \varepsilon_{it}, \quad (1)$$

where  $i$  denotes individual MPs,  $t$  indexes years, and  $p$  stands for parliamentary positions. The dependent variable is the logged total private sector income of MP  $i$  in year  $t$ .<sup>10</sup> This is regressed on a series of dummy variables that take the value 1 if MP  $i$  holds position  $p$  in year  $t$  and 0 otherwise. A second set of dummy variables take the value 1 if an MP used to hold post  $p$  but no longer does in year  $t$ .

10. I take the log to limit the impact of outliers due to the skewed distribution of the data. I add 1 before taking the log. The results are robust to adding other constants (see app. sec. D.1).

Information on positions comes from detailed biographical data assembled by the parliamentary monitoring website TheyWorkForYou.<sup>11</sup> I code seven different posts. The first is ministers, the heads of government departments who form the cabinet. They are typically drawn from the ranks of parliament. Each minister is assisted by at least one minister of state (also an MP), who deputizes for the minister. MPs serving as parliamentary secretaries occupy the third tier in the hierarchy of government members.

I code four important nongovernmental positions. Members of the shadow cabinet are the highest-ranking MPs in the largest opposition party. Parliamentarians also serve as party spokespersons or party leaders, which I group under the role of “frontbench team.” Finally, the House of Commons has

11. See <https://www.theyworkforyou.com/>.

many committees that consider policy proposals or scrutinize government work; I code whether MPs chair or are regular members of a committee.<sup>12</sup>

Time-variant individual controls are denoted by  $X_{it}$ . These are two dummy variables that capture whether an MP entered or left parliament in that year. They are necessary because, in both cases, MPs' outside incomes are mechanically lower, as they only report earnings from the part of the year in which they were in office. MP fixed effects are given by  $\gamma_i$ . They wash out any time-invariant differences between MPs, including demographic characteristics such as gender, party, and education as well as unobserved differences such as skills, effort, or preexisting wealth.<sup>13</sup> Year fixed effects are denoted by  $\delta_t$ . They wash out time-specific effects that affect all legislators, such as elections or overall employment trends. The model is estimated using ordinary least squares with robust standard errors clustered by MP.

The effects in the two-way fixed effects model are identified by comparing the development of earnings for those who change parliamentary positions to the income development of those who do not change posts. More concretely, the effect of being a minister,  $\alpha_i$ , is estimated by comparing how MPs' moonlighting incomes change as they enter or exit a ministerial position, compared to the development of incomes from colleagues who did not enter or exit a ministry during that period. The effect of having held a ministerial position,  $\beta_1$ , is estimated by comparing the development of incomes of MPs who enter the "former minister" state to the development of earnings of MPs who do not. Because  $\alpha_i$  and  $\beta_1$  are estimated simultaneously, they are interpreted relative to the baseline category of never having been a minister. In addition, the effects are estimated net of the impact that other current or past positions may have on earnings. The parallel trends assumption for identification requires that the earnings of MPs who become, for example, a minister would have followed the

same trend as the income of their nonminister colleagues had they not joined the cabinet. This assumption would be violated if the former were on a trajectory that was different from the latter in a way that manifests itself in both their parliamentary and private sector careers. Below I show that there is no evidence that the parallel trends assumption is violated and that the results are robust to using more flexible treatment effect specifications.

### EFFECT OF PARLIAMENTARY POSITIONS ON MPS' PRIVATE SECTOR EARNINGS

I begin by examining the effect of parliamentary positions on private sector earnings in graphical form. Figure 3 is a simplified version of the regression in equation (1). The left column shows the impact of entering a position. The black lines display the average of the logged private sector earnings of all MPs who took up a given post in the two calendar years before serving in this position, the year it was assumed, and the first two full years of holding it. The gray lines show the private sector incomes of a control group of MPs who did not take up a certain position. To create this line, I first construct a control case for every MP who took up a certain post by selecting all MPs who did not hold this position and computing the average of the logged private sector earnings for this group in the same calendar years as the "treated" MP. The gray line represents the average of all control cases.

The left column makes clear that taking up an influential position within parliament does not lead to an increase in private sector earnings. The first three panels show the effect of entering government positions. As mentioned above, these MPs are subject to the stricter Ministerial Code of Conduct, which advises them to give up all other public appointments. And indeed, MPs who take up a position in the government experience a decrease in private sector income relative to their colleagues who did not become ministers, ministers of state, or parliamentary secretaries. The Code of Conduct thus effectively regulates the outside income of MPs in government. However, the averages are never zero, because some government members still receive private sector payments—in most cases for newspaper columns or royalties from book sales.

The remaining four panels in the left column test the effect of holding other influential parliamentary positions on private sector income. Being on a party's frontbench team, being in the shadow cabinet, or chairing a committee comes with considerable influence and agenda-setting power. However, there is no increase in private sector income relative to the control group for any of these positions. The same is true for committee membership. Taken together, this suggests that in the United Kingdom, powerful parliamentary positions do not lead to short-term increases in private sector earnings. Also

12. Table A1 (tables A1–A10 are available online) provides descriptive statistics for the share of MPs who currently hold or have previously held each position. While the earnings data only span the years 2010–16, I incorporate position information for the MP's entire career. For example, if an MP used to be a minister before 2010,  $I_{\text{postposition}}_{it}$  takes the value 1 for the entire period of observation.

13. The inclusion of MP fixed effects means that the model cannot estimate the effects of MP-specific factors such as gender or partisanship on private sector earnings. This does not imply that these factors do not matter—they clearly do (see Geys and Mause 2013). However, the fixed effects allow me to focus on the impact of parliamentary positions only by controlling for all time-invariant MP-specific potential confounders. For regressions without legislator fixed effects, see app. sec. C. Also note that, because the Conservative Party came to power in 2010 and stayed in government until the end of the data and beyond, it is not possible to analyze a potential conditioning effect of party turnover in government on earnings.



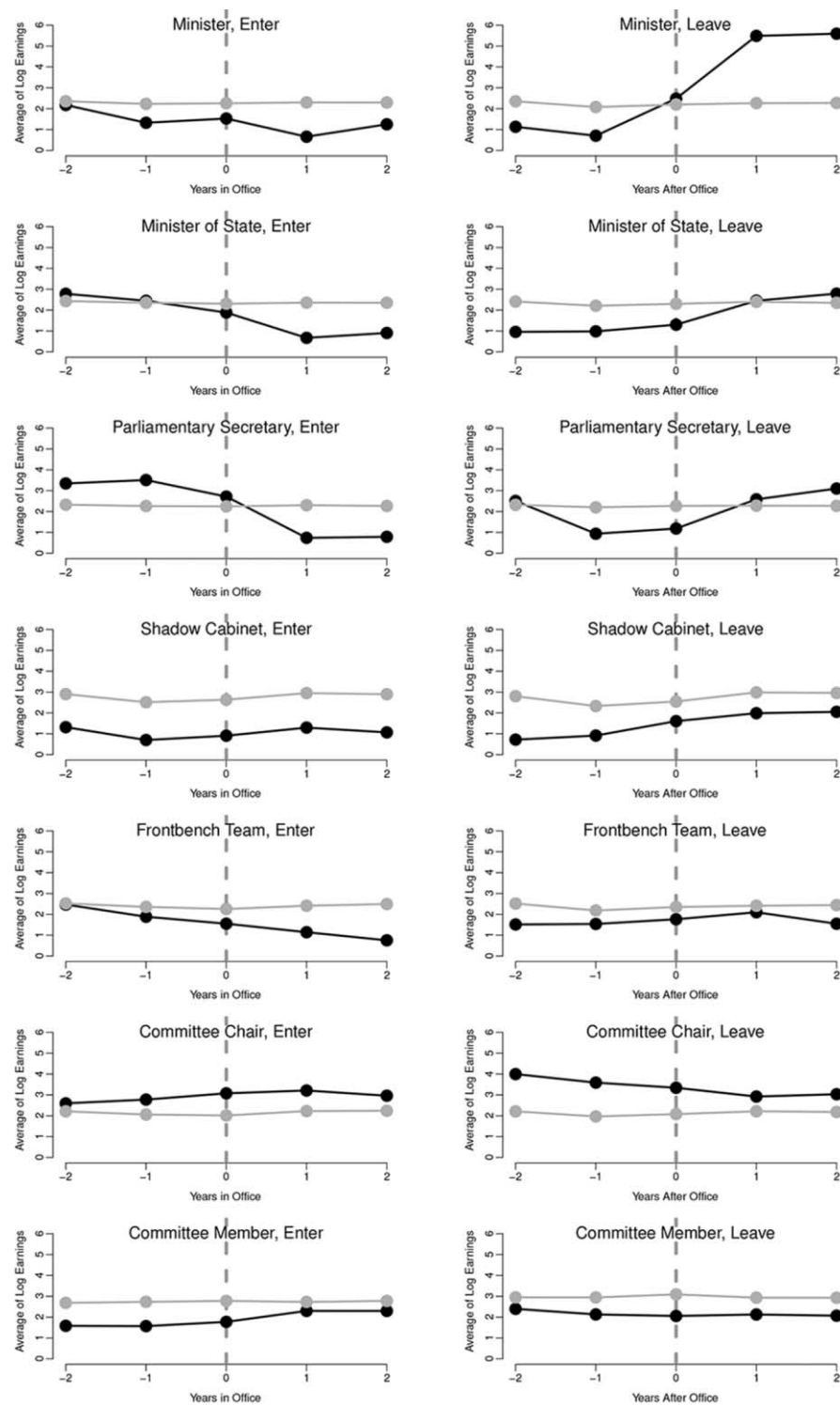


Figure 3. Effect of taking up and leaving a position on private sector earnings. *Left*, Average of log earnings in the two years before taking up a position, the year of assuming it, and the first two years in it. *Right*, Average of log earnings in the last two years of being in a position, the year of leaving it, and the first two years after leaving it. *Black*, Earnings of MPs who took up or left a position. *Gray*, Earnings of MPs who did not take up or leave a position.

note that there are no significantly diverging pre-position earnings trends for any of these positions.

The right column of figure 3 shows the impact of leaving a position, by displaying the average of logged earnings in the

last two full calendar years of holding a post, the year of exiting, and the first two years afterward. Ministers who leave their position experience an immediate and stark increase in their private sector incomes. They draw even with nonministers in

the calendar year in which they exit (usually midyear) and exceed it significantly in the first full year thereafter. Incomes remain at a high level in the second year, suggesting a more long-term shift in earnings. Being a minister thus opens up lucrative private sector opportunities after leaving government.

These postposition opportunities are, however, limited to those who served at the highest level of government. The second and third panels on the right show that the private sector earnings of ministers of state and parliamentary secretaries increase after they leave, but only back to the level of the control group of MPs who never held those positions. There is no postposition change in private sector earnings for members of the shadow cabinet, members of the frontbench team, committee chairs, or committee members. Again, there are no diverging earnings trends before leaving a position.

So far, we only knew that holding office leads to more lucrative private sector employment postposition compared to not holding office (Eggers and Hainmueller 2009). It was not clear whether this average treatment effect applies to MPs more or less equally or whether it is driven by a minority who enjoy large returns while most MPs do not see a boost in private sector earnings. The descriptive results in the right column of figure 3 strongly suggest that the latter is true.

I now estimate the effect of holding and having held different positions on private sector earnings using the regression specification in equation (1). Column 1 in table 1 confirms the findings from the descriptive analysis. Being a minister, minister of state, or parliamentary secretary leads to significantly lower private sector earnings. Being a committee chair, a member of the shadow cabinet, frontbench team, or a parliamentary committee has no effect.

Leaving a ministerial position, however, leads to a clear increase in MPs' private sector earnings. Because the baseline is MPs' outside income before taking up a position, this means that not only do they earn more after leaving the government than when they were in government; they also earn significantly more than before they became a minister. How much more? For MPs who were ministers at some point during the observation period and for whom we can observe pre-position private sector earnings, the average moonlighting income before joining the government is roughly £7,000 per year. Given the coefficients in model 1 of table 1, this decreases to about £1,480 while serving as minister. After they leave the cabinet, however, ex-ministers are expected to have an annual private sector income of around £45,300.<sup>14</sup> This amounts to a more than sixfold increase compared to pre-position levels.

14. Because this is a log-linear model, the effects are calculated as follows:  $7,000 \cdot e^{-1.556}$  for being a minister and  $7,000 \cdot e^{1.867}$  for being an ex-minister

MPs who leave a minister of state position experience a significant increase in private sector income relative to when they were in office ( $\beta_2 > \alpha_2$  with  $p < .01$ ). However,  $\beta_2$  is substantially small and not significantly different from zero, so their new income is similar to their earnings before taking up the position. Parliamentary secretaries also earn more upon leaving ( $\beta_3 > \alpha_3$  with  $p < .01$ ), but again there is no significant increase relative to their pre-position income.<sup>15</sup> Exiting one of the four nongovernment positions does not lead to any increases either. Surprisingly, ceasing to be a committee chair has a negative effect. However, only six MPs left a chairship position between 2010 and 2016, so this estimate is based on a small number of cases.<sup>16</sup>

Models 2–4 in table 1 show the results of estimating equation (1) using the logged earnings from regular work, press contributions, and speeches as separate dependent variables. The basic findings hold for all three types of private sector income, although due to the lower sums in each category their magnitudes are smaller. Because most private sector income comes from regular employment, the effects are largest in that category. But overall, there are few differences in the effect of parliamentary positions on earnings from regular employment, press contributions, and speeches.

The analysis thus reveals two major patterns. First, holding an important position in the House of Commons does not lead to any increase in private sector earnings. Second, only former ministers can expect to “cash in” on their position after they leave it.

### Potential selection out of parliament

Before probing these two main findings further, it is important to address the issue of potential selection bias in the estimates in table 1. One advantage of using the United Kingdom as a case is that politicians who leave an influential position often remain in parliament. This has allowed me to identify the effect of having held a powerful post on subsequent

(7,000 is the average earnings of MPs before becoming a minister, and the numbers in the exponents are the relevant coefficients from table 1).

15. According to the point estimates, the income of ministers of state is expected to go from an observed average of £5,345 preappointment to £900 during their appointment to £9,600 postappointment. For parliamentary secretaries, the numbers are £4,875 (pre), £620 (during), £3,510 (post).

16. According to the observed preappointment mean earnings and the point estimates, the substantive effect sizes for the different positions are as follows: shadow cabinet, £910 (pre), £650 (during), £890 (post); frontbench team, £3,340 (pre), £2,510 (during), £7,530 (post); committee chair, £5,250 (pre), £3,630 (during), £970 (post); and committee member, £2,520 (pre), £2,600 (during), £2,190 (post). However, with the exception of those for postcommittee chair, the estimates are not statistically significant.

Table 1. Effect of Holding and Having Held Different Parliamentary Positions on Private Sector Earnings: Logged Earnings

	Total (1)	Regular Employment (2)	Press (3)	Speeches (4)
Minister	-1.556*** (.569)	-1.285** (.545)	-.460 (.337)	-.542* (.308)
Minister of state	-1.779*** (.495)	-.905* (.505)	-1.063*** (.353)	-.944*** (.342)
Parliamentary secretary	-2.059*** (.379)	-1.227*** (.331)	-.782** (.309)	-.588*** (.222)
Shadow cabinet	-.333 (.218)	-.154 (.183)	-.151 (.115)	-.175* (.096)
Frontbench team	-.283 (.361)	-.065 (.328)	-.409* (.245)	-.057 (.247)
Committee chair	-.368 (.543)	.081 (.519)	-.115 (.348)	-.322 (.218)
Committee member	.031 (.458)	.254 (.378)	-.205 (.242)	-.173 (.148)
Postminister	1.867** (.906)	1.415 (.962)	.765 (.532)	.926 (.573)
Postminister of state	.586 (.895)	.587 (.884)	-.596 (.435)	.147 (.472)
Postparliamentary secretary	-.327 (.633)	.501 (.589)	-.508 (.411)	-.163 (.322)
Postshadow cabinet	-.019 (.324)	.083 (.279)	.016 (.203)	.119 (.178)
Postfrontbench team	.814 (.564)	.689 (.572)	-.079 (.412)	.083 (.310)
Postcommittee chair	-1.691** (.847)	-.879 (.769)	-.744 (.566)	-.276 (.310)
Postcommittee member	-.140 (.488)	.270 (.400)	-.307 (.265)	-.194 (.174)
Enter office	-.503** (.201)	-.155 (.174)	-.239** (.117)	-.313*** (.115)
Leave office	-1.079*** (.260)	-.660*** (.229)	-.625*** (.180)	-.623*** (.165)
MP fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
R <sup>2</sup>	.716	.747	.642	.522
Adjusted R <sup>2</sup>	.652	.690	.562	.414

Note. Standard errors in parentheses clustered at the MP level. Observations = 4,714; Number of MPs = 845.

\*  $p < .1$ .

\*\*  $p < .05$ .

\*\*\*  $p < .01$ .

private sector earnings. However, if politicians do leave parliament, they drop out of the data. This raises the possibility that those who secure the most lucrative jobs after leaving their position choose not to stay in electoral politics. Thus, the real postposition effects could be larger than my estimates.

Two pieces of evidence suggest that this is unlikely to be a large problem. First, it is rare for politicians who leave an important post to immediately exit parliament. Out of all the MPs in the data who stepped down from a ministerial position before 2016, fewer than 15% left parliament in the same year.

Table 2. Number of Private Sector Positions and Selection Out of Parliament

	Stood Down as MP	Remained as MP	<i>p</i>
Minister	5.0	2.3	.15
Minister of state	3.5	2.9	.74
Parliamentary secretary	4.5	3.7	.81

Source. Advisory Committee on Business Appointments.

Note. Mean number of positions taken up by former government members who stood down as MPs and who remained in office.

The percentages are even lower for ministers of state (12%) and parliamentary secretaries (4%).

Second, we can use an independent data source to compare the private sector employment of those who leave immediately and those who remain in parliament. Former government members are required to report any private sector job they accept within two years of leaving their position to the Advisory Committee on Business Appointments, regardless of whether they remain in parliament. While the committee's annual reports do not specify salaries, we can count the number of private sector jobs taken up by former government members and compare whether they differ between those who left parliament and those who remained. Table 2 shows that among former ministers, those who left parliament the same year took up an average of 5.0 jobs, while those who remained MPs only took up 2.3, although this difference is not statistically significant. Former ministers of state and parliamentary secretaries who left parliament had slightly more jobs on average, but neither case is near statistical significance.

Thus, self-selection out of the sample is unlikely to be a large problem. It is possible that leaving a ministerial position has an even greater effect on private sector earnings, so my estimate should be interpreted as a lower bound. However, it is doubtful that the results for ministers of state and parliamentary secretaries would differ considerably if we had information on everyone's earnings. The substantive finding that only politicians who make it to the highest level of politics permanently increase their earnings capacity in the private sector remains intact.

### Robustness checks and additional specifications

In appendix section D, I check the robustness of the findings by estimating a number of additional specifications. I show that the results hold when adding different constants to MPs' income before taking the log. The same is true when analyzing a binary variable indicating whether an MP had private sec-

tor earnings. I also demonstrate that the results hold when excluding MPs who do not hold any kind of parliamentary position during the observation period, when using subgroup-specific year fixed effects, and when employing the weighted two-way fixed effects regression estimator proposed by Imai and Kim (2020). A series of jackknife regressions confirms that outliers are not driving the results.

Finally, I present a model with separate coefficients for the two years before entering/leaving a position, the year of entering/leaving, and the two years after. The more flexible specification does not reveal any discernible earnings trends before taking up or leaving a position for any of the posts. This suggests that the parallel trends assumption required to identify the model in equation (1) is unlikely to be violated. The specification also allows me to explore the temporal dynamics of private sector earnings in relation to entering or leaving a position. Again, the main findings hold using this more flexible specification, which also adds some nuance: politicians' earnings rebound to pre-position levels in the year in which they leave a ministerial position and then exceed them in the following years.

### FURTHER PROBING THE NULL EFFECT OF CURRENT POSITIONS

The first insight of the analysis above was that holding a position in parliament has no significant effect on private sector earnings. I now probe this null finding in more detail and substantiate that MPs in the United Kingdom really do not benefit financially from their current parliamentary posts.

First, the coefficients for the effects of current positions on earnings in table 1 are not statistically significant. However, while the standard errors are relatively large, some of the point estimates are positive. It is therefore possible that the effects are substantially important but imprecisely estimated. In appendix section E.1, I follow the procedure laid out in Rainey (2014) and show that the results are inconsistent with any current position leading to a private sector salary increase that exceeds one-fourth of an MP's basic parliamentary salary. For most posts, significantly smaller increases (£3,000 or less) can be ruled out as well.

Second, it is possible that the null findings may hide important subgroup effects for certain jobs or industries. In appendix section E.2, I estimate equation (1) using the number of jobs an MP holds with a certain title as well as the number of jobs in different industries as dependent variables. In no case do any of the parliamentary position variables have a significant effect.

Third, there may be heterogeneity in earnings increases depending on which committee MPs serve on. To test this possibility, I reestimate equation (1) using separate indicators

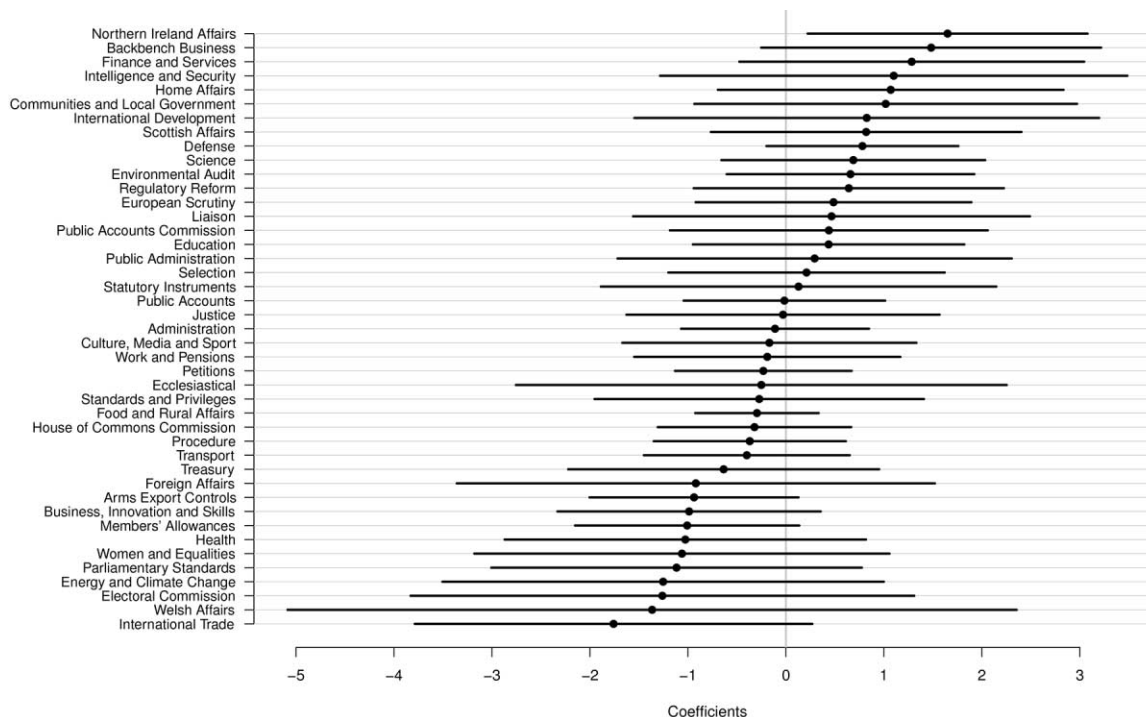


Figure 4. Effect of committee membership on private sector earnings. Point estimates and 95% confidence intervals of being a member of a certain committee.

for different committees. Figure 4 shows point estimates and 95% confidence intervals for currently serving on a specific committee. The type of committee does not play an important role in determining MPs' private sector earnings. The null hypothesis that all coefficients in figure 4 are zero cannot be rejected ( $F = 1.13$ ,  $p = .27$ ). The Northern Ireland Affairs Committee has the largest point estimate, followed by the Backbench Business Committee. Neither of these is especially relevant to private sector companies. At the same time, important committees—such as those overseeing the treasury, arms exports, health care, or transport—have null effects associated with them. If corporations or interest groups strategically hired MPs on the basis of their committee memberships, we would expect to see a more systematic pattern of effects.<sup>17</sup>

Finally, it may be the case that the effect is yet more subtle, and that MPs who serve on some committees are more likely to hold jobs with certain titles or in certain industries. However, in appendix section E.4, I show that there are no substantial effects for any combination of committee and job titles or industries. Therefore we can be confident that MPs in the UK do not leverage their current positions to obtain more lucrative moonlighting jobs.

#### FURTHER PROBING THE EARNINGS OF FORMER MINISTERS

The second main insight above was that cabinet ministers enjoy a significant increase in their moonlighting earnings after leaving their post. I now examine this finding in more detail by answering two questions. First, what kinds of industries hire former ministers, and what kinds of jobs do they obtain? And second, are some government members able to earn higher salaries than others, depending on which ministry they served in?

To answer the first question, I estimate equation (1) with the number of jobs that an MP held in a given year with a certain job title as the dependent variable. Regressions are estimated separately for the number of jobs as director/chairman/president/partner, consultant/advisor, board member, and professional positions.<sup>18</sup> Figure 5A shows the point estimates and 95% confidence intervals for being a former minister.<sup>19</sup> They do not see an increase in the number of directorships they hold compared to before they were ministers, but the point estimates for the other three job titles are positive, although only the coefficient for board memberships is statistically

17. In app. sec. E.3, I show that committee memberships have no systematic effect on postposition earnings either.

18. I combine all professional positions since there are few “switches” (taking up/leaving) for professional legal and health care positions.

19. See app. sec. E.2 for the full results.

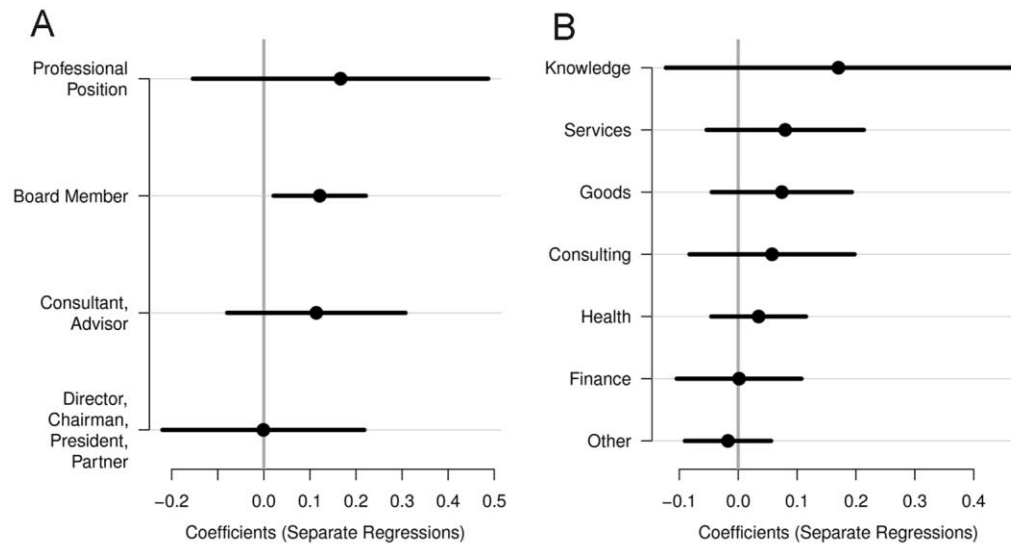


Figure 5. Effect of having been a minister on postposition job titles (A) and industries of employment (B). Point estimates and 95% confidence intervals. All coefficients come from separate regressions.

significant at the 5% level. On average, former ministers are expected to have 0.1–0.2 more jobs in each category than before joining government. This is not a large effect, suggesting that they may take on better-paid, rather than more, private sector positions after leaving their post.

Figure 5B uses an analogous approach, but with dependent variables that count the number of jobs that MPs hold in a certain industry. Because MPs work in many industries, the number of observations in each is often small, so I condense them into seven categories.<sup>20</sup> The point estimates for five of these seven are positive. The largest effect is for jobs in what I term the “knowledge” industries (e.g., law, think tanks, education). However, none of the coefficients is statistically significant. Figure 5 thus shows that the employment of former ministers does not follow a targeted pattern. They do not flock to one or two industries, and they do not all hold similar positions. Instead, former ministers take up a variety of jobs in a number of industries.

A second question is whether MPs’ postposition earnings depend on which department they worked in. I therefore code which department ministers, ministers of state, or parliamentary secretaries served in and reestimate equation (1), replacing the indicators for the three government positions with indicators for the different portfolios. Figure 6 shows the point estimates and 95% confidence intervals for having previously served in a certain ministry. Note that the coefficients pool the effects for ministers and junior ministers. I am unable to reliably estimate portfolio-specific effects for the three lev-

els separately, as these would be based on small numbers of observations.

It appears that MPs’ government portfolios do influence their postposition private sector earnings.<sup>21</sup> The largest effect is found for former Treasury ministers and junior ministers, although there is considerable estimation uncertainty due to the relatively small number of MPs who served in this department. Positive and significant effects can be found for portfolios dealing with foreign affairs/international development and justice. An MP who had private sector earnings of £7,000 before joining the government is expected to earn around £63,300 (justice), £102,200 (foreign, commonwealth, international development, Europe), and £245,500 (treasury) after leaving. At the other end of the spectrum, the point estimates for MPs who held portfolios in regional affairs, the cabinet office, or women and equalities are negative (but not significant).

Finally, is there a connection between which ministry MPs served in and what kinds of jobs—and in which industries—they take up afterward? In appendix section E.5 I estimate a series of models like in figure 6 but using the number of MPs’ positions in different industries, as well as their job titles, as dependent variables. They do not reveal systematic patterns. It is not the case, for instance, that former members of the Health Ministry are most likely to have jobs in the health care industry or that those who served in the Treasury or ministries dealing with trade and business concentrate in the finance

20. See app. sec. E.2 for details.

21. The null hypothesis that all coefficients in fig. 6 are zero can be rejected ( $F = 2.29, p < .00$ ).

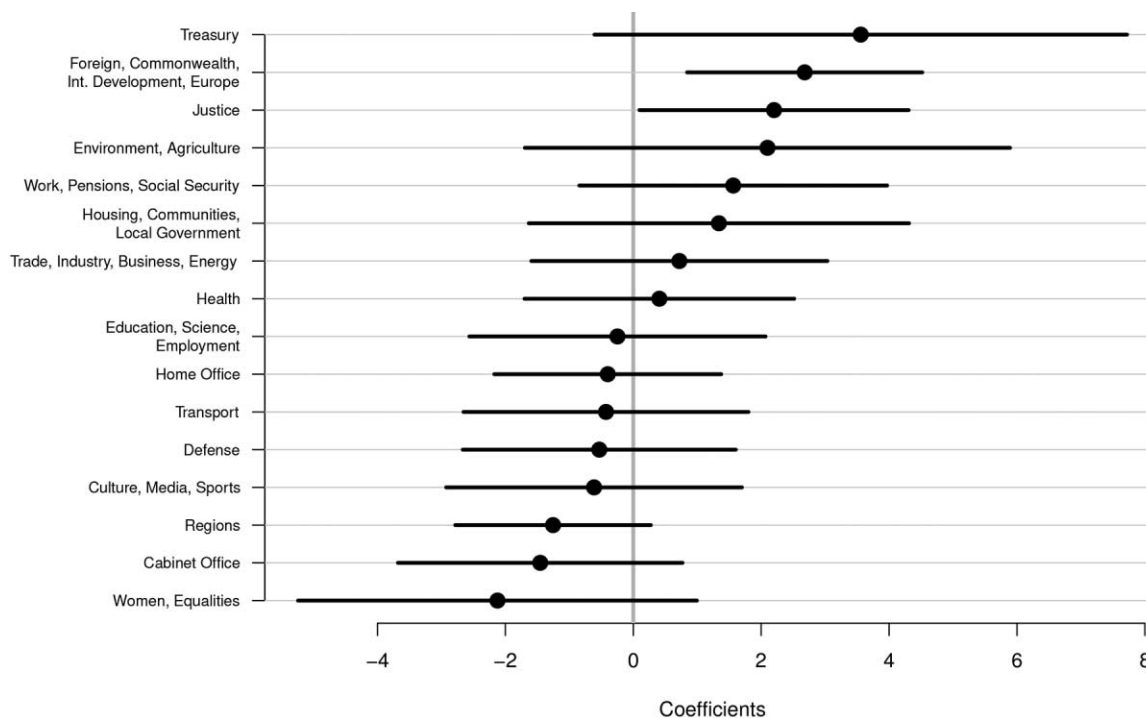


Figure 6. Effect of government ministries on postposition private sector earnings. Point estimates and 95% confidence intervals of having served in a certain government ministry on private sector earnings.

industry. Overall, then, the results suggest that which ministry MPs served in matters for their future private sector earnings but that what kind of work they do (and for whom) is not specifically tied to their past portfolios.

## DISCUSSION AND CONCLUSION

Despite the important potential implications of legislators' moonlighting employment on democratic representation and accountability, we know little about whether it is related to MPs' positions within parliament. I have employed a research design focusing on within-MP variation to analyze newly assembled data from the UK House of Commons, and it shows that holding important parliamentary positions has no impact on private sector earnings. Politicians in powerful posts do see higher moonlighting income right after leaving their positions, but this effect is concentrated among cabinet ministers.

Future research should explore three additional avenues. First, similar analyses should be conducted in other contexts to determine whether there are analogous patterns elsewhere. Doing so will also make it possible to test the impact of additional factors that cannot be examined using the data in this article. For example, do ministers also see a large increase in private sector earnings if the government is taken over by opposition parties? Second, future studies should investigate why formerly powerful politicians (such as ex-ministers) are

able to score high-paying positions. In the American context, subject matter expertise and personal connections are often cited as reasons for employment (de Figueiredo and Richter 2014). But former government members in the United Kingdom do not appear to concentrate in industries they should know more about and in which they should know more people. So why are they hired, and what value do they provide to employers? Finally, it is important to investigate whether having a second income affects MPs' behavior in parliament. For example, do they vote in a different way, or does it affect how much and what kind of information they seek from the government through parliamentary questions?

The findings in this article also have implications for policy design. There is an ongoing debate about how to regulate politicians' private sector jobs and the potential conflicts of interest they may generate. Since the financial benefits of holding a parliamentary position are concentrated among the most powerful MPs, concerns about corruption can be addressed by focusing on a small number of individuals. The United Kingdom can serve as an example, since all former ministers are required to inform a designated committee about any jobs they want to accept within two years of leaving office. The committee hears details about the potential employer and the role the former minister would play and provides guidance about the appropriateness of the terms of employment. While there are questions regarding the extent to which the committee is

able and willing to prevent conflicts of interest, the findings in this article suggest that the idea behind this process is sound. Countries that are concerned about the effect of private sector employment on politicians might consider adopting a similar model to address concerns about conflicts of interest with relatively little effort.

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