Moonlighting Politicians: A Survey and Research Agenda

BENNY GEYS and KARSTEN MAUSE*

Elected representatives in many countries are legally allowed to carry out (un)paid jobs in addition to their political mandate, often referred to as ‘moonlighting’. Despite the important selection and incentive effects such outside positions might engender, academic studies evaluating the prevalence, desirability and/or consequences of politicians’ moonlighting have remained relatively scarce; often due to severe data restrictions. In recent years, however, more stringent disclosure rules have increased data availability, and large-sample analyses are becoming increasingly feasible. Besides surveying recent empirical contributions to this developing research field, this paper also outlines unresolved issues and thereby develops an agenda for future enquiry.

Keywords: moonlighting; outside interests; outside income; shirking; disclosure rules.

Introduction

Members of the British House of Commons, the European Parliament, the German Bundestag as well as members of parliament (MPs) in many other countries around the world are legally permitted to carry out (un)paid sideline jobs in addition to their political mandate. For example, according to the register of interests of the German Bundestag, some MPs have sideline jobs as lawyers or self-employed entrepreneurs, while others hold extra-parliamentary positions in private businesses (for example, member of supervisory board or board of directors), employers’ associations or trade unions. Still others report outside earnings deriving from, for instance, journalism, public lectures or television and radio appearances. Throughout this article, the term ‘moonlighting’ will be used as an umbrella term for any paid or honorary outside job executed by a politician in addition to his/her ‘job’ inside parliament and/or government. Although this follows the existing literature, it will become clear that such general definition (it does not distinguish between the distinct types of outside activities described above) is not always ideal. We will return to this later in the article.

While legal, public debates about politicians’ moonlighting and outside earnings often involve heated discussions on the ethical aspects of such behaviour (Barnett, 2002; Carlin, 2007; Hollingsworth, 1991; Noel-Baker, 1961; Stevenson, 1994). Many observers are anxious about the level of outside income some politicians obtain and take this as an indication that ‘the’ classe politique is more interested in its private well-being than in the health and wealth of the nation.
Others critically point out instances where moonlighting (is perceived to) engender(s) significant conflicts of interest and/or neglect of the politician’s parliamentary duties, sometimes leading to proposals to prohibit moonlighting. In recent years, more stringent disclosure rules – often resulting from public displeasure over politicians’ perceived or real misconduct – have improved data availability concerning politicians’ outside jobs and earnings. Social scientists took this opportunity to delve deeper into the issues addressed in the public debate based on larger samples of politicians.

Against this background, this paper’s intention is twofold: a) to provide a survey of the different strands of the social science literature concerned with moonlighting politicians and b) to put the spotlight on issues that warrant more explicit scholarly attention. To set the stage, the next section gives an overview of the extent and determinants of politicians’ moonlighting in a cross-national perspective. Subsequent sections review research into the aforementioned issues giving cause for public concern: namely, the financial gains from moonlighting, the conflict-of-interest problem, and the impact of moonlighting on politicians’ ‘in-house’ effort. Finally, we reflect on potential positive effects of moonlighting (for example, importing ‘real-world’ experience, attracting highly qualified MPs), and discuss the selection and incentive effects involved in a possible prohibition/restriction of moonlighting.

In each section, an overview of existing empirical evidence is followed by a critical discussion of unresolved questions and interesting areas for further analysis. It should also be noted at the outset that while moonlighting raises obvious ethical questions and concerns (When does moonlighting become unethical conduct? Who has the right to define and enforce this borderline? What are the limits of ethical codes of conduct? Are paid outside interests legitimate? and so on), our analysis concentrates almost exclusively on ‘practical’ issues – such as the actual determinants and/or impact of moonlighting – and does not deal directly with such ethical aspects of the practice. These are the subject of a rapidly growing literature on legislative ethics, and we refer the interested reader to excellent treatments of this material by, for instance, Allen (2008, 2011), Parker (2004), Rosenson (2005), Rush (1997) and Williams (1985).

The Extent and Determinants of Moonlighting

Before considering the possible consequences of politicians’ moonlighting, it is important to get an idea of its prevalence and determinants. Table 1 therefore presents an overview of the degree of moonlighting in the national parliaments of selected countries. Displayed is the share of MPs reporting at least one outside activity in the respective parliament’s official register of interests. When available, also, the share of MPs with extra-parliamentary revenue streams in excess of the minimum requiring publication is reported. Clearly, this is not a random sample as selection into Table 1 was entirely driven by easy online access to the underlying data. Nonetheless, the data stress the obvious, though
<table>
<thead>
<tr>
<th>Country</th>
<th>Sample Details</th>
<th>% of MPs with Extra-parliamentary Activities</th>
<th>Data Source</th>
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<tbody>
<tr>
<td>Austria</td>
<td>183 MPs in <em>Nationalrat</em> (2011)</td>
<td>77% paid outside jobs</td>
<td>Austrian <em>Nationalrat</em> Register of Interests</td>
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<td></td>
<td>62 MPs in <em>Bundesrat</em> (2011)</td>
<td>95% paid outside jobs</td>
<td>Austrian <em>Bundesrat</em> Register of Interests</td>
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<tr>
<td>Denmark</td>
<td>179 MPs in <em>Folketinget</em> (2011)</td>
<td>65% paid outside jobs (incl. directorships) 26% opt out of registration</td>
<td>Danish <em>Folketinget</em> MPs’ websites</td>
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<tr>
<td>Finland</td>
<td>200 MPs in <em>Eduskunta</em> (2011)</td>
<td>84% outside jobs (incl. directorships)</td>
<td>Finnish <em>Eduskunta</em> Register of Interests</td>
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<tr>
<td>Germany</td>
<td>613 MPs in <em>Bundestag</em> (2005–7)</td>
<td>88% outside jobs (incl. directorships) 27% report outside income</td>
<td>German <em>Bundestag</em> Register of Interests</td>
</tr>
<tr>
<td></td>
<td>69 MPs in <em>Bundesrat</em> (2011)</td>
<td>55% outside positions</td>
<td>State governments’ / parliaments’ websites</td>
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<tr>
<td>Ireland</td>
<td>165 MPs in House of Representatives (2010) 60 MPs in Senate (2010)</td>
<td>29% directorships, 39% report outside income^b 48% directorships 63% report outside income^b</td>
<td>Irish <em>Oireachtas</em> Register of Interests</td>
</tr>
<tr>
<td>Netherlands</td>
<td>150 MPs in House of Representatives/Tweede Kamer (2010) 75 MPs in Senate/Eerste Kamer (2011)</td>
<td>69% outside jobs (incl. directorships) 29% only unpaid employment 92% outside positions</td>
<td>Dutch Parliament Register of Interests Parliament’s website</td>
</tr>
<tr>
<td>New Zealand</td>
<td>120 MPs in House of Representatives (2009)</td>
<td>49% directorships</td>
<td>New Zealand Parliament Register of Interests</td>
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<tr>
<td>Norway</td>
<td>187 MPs in <em>Stortinget</em> (2010)</td>
<td>48% paid employment 16% unpaid employment</td>
<td>Norwegian <em>Stortinget</em> Register of Interests</td>
</tr>
<tr>
<td>South Africa</td>
<td>490 MPs in National Assembly and National Council of Provinces (2010)</td>
<td>56% directorships^c</td>
<td>South African Parliament Register of Interests</td>
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<tr>
<td>Switzerland</td>
<td>200 MPs in <em>Nationalrat</em> (2011) 46 MPs in Ständerat (2011)</td>
<td>95% outside interests (incl. directorships) 100% outside jobs</td>
<td>Swiss <em>Nationalrat</em> Register of Interests Swiss <em>Ständerat</em> Register of Interests</td>
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</tbody>
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(Continued)
oft-overlooked, fact that not all politicians have outside jobs, or earn outside income (see also Rush, 1997). Moreover, many outside jobs do not generate income (or, at least, not enough to require publication). Though the presented data is cross-sectional, it must be taken into account that changes in the parliamentary rules can have a significant effect on the extent and nature of moonlighting. This was the case, for example, when paid advocacy was banned by the UK House of Commons in 1996.

Several of the legislatures in Table 1 are bicameral. In those cases, we tried – when available – to include data on both legislative chambers to evaluate potential differences between them. This shows that the proportion of members with extraparliamentary activities in the upper house in Germany (Bundesrat) lies below that in the lower house (Bundestag). This can be explained by the fact that the Bundesrat consists of representatives from the 16 state governments (for example, prime minister, ministers), which are often subject to incompatibility rules. Interestingly, however, in all other cases in Table 1, the proportion of members with extraparliamentary activities in the upper houses is higher than in lower houses (Austria, Ireland, Netherlands, Switzerland, and UK; note that the South African data on both houses could not be separated). One explanation for this interesting pattern may be that members of the upper houses often do not regard their political position as a full-time job. One obvious example concerns UK peers in the House of Lords, many of whom are unconcerned with the political role included in their peerage. In some countries, however, membership of the upper house is explicitly designed as less than a full-time job. This holds most obviously for the Netherlands, where positions in the Eerste Kamer are remunerated as a half-time position. Hence, in both cases, it is the political position that in some sense becomes the ancillary activity.

Hidden behind the general figures in Table 1, however, lies extensive variation in the number of interests held as well as levels of extraparliamentary income earned (see Rush, 1997). This raises a first important question: why do

<table>
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<th>Sample</th>
<th>% of MPs with Extraparliamentary Activities</th>
<th>Data Source</th>
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<tr>
<td>United Kingdom 658 MPs in UK House of Commons (2005–10)(^a)</td>
<td>19% directorships 49% paid employment</td>
<td>House of Commons - Register of Members’ Financial Interests</td>
</tr>
<tr>
<td>828 members in UK House of Lords (2011)</td>
<td>33% directorships 57% paid employment</td>
<td>House of Lords - Register of Lords’ Interests</td>
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\(^a\)Entries into the register are voluntary.
\(^b\)In roughly 25% of the reports of outside income, it exclusively concerns rental income from property.
\(^c\)Many directorships involve ‘dormant’ corporations.
\(^d\)Switzerland has no full-time parliament, while in the Netherlands the Eerste Kamer is organised as a 50% part-time position.
\(^e\)Total number of people to serve as MPs in the 646-seat House.
some politicians engage in moonlighting, while others do not? Large-sample analyses exploring the determinants of political moonlighting are, to the best of our knowledge, currently only available for the national parliaments of Germany, Italy and the UK. Nevertheless, this limited number of analyses already provides a number of interesting common trends as well as disagreements. Firstly, existing studies indicate clear partisan effects in Germany (Geys & Mause, 2011; Mause, 2009; Niessen & Ruenzi, 2010) and the UK (Geys 2011), but not in Italy (Gagliarducci, Nannicini, & Naticchioni, 2010). In Germany and the UK, politicians associated with conservative and/or liberal (in the economic sense) parties are significantly more likely to have outside jobs than politicians from left-wing parties. This seems intuitively reasonable given the traditional constituencies of both types of parties (that is, entrepreneurs and self-employed for right-wing parties and blue-collar workers for left-wing parties). Nonetheless, it is not immediately clear why similar effects appear to remain absent in Italy.

Secondly, gender plays an important role in all three countries. Women are not only significantly less likely to have many outside jobs (Geys, 2011; Mause, 2009) and/or high outside income (Becker, Peichl, & Rincke, 2009; Gagliarducci et al., 2010), socio-demographic characteristics such as age, family status and parliamentary experience are much stronger determinants of moonlighting for women than men in Germany (Geys & Mause, 2011). Still, although the latter findings are interesting in their own right, it remains unclear whether this is due to self-selection effects or potential discrimination (we return to this below).

Thirdly, politicians’ professional background has an important effect. A background in law is associated with more extensive moonlighting and higher outside income in Germany and Italy (though not in the UK), while a teaching or blue-collar background reveals the opposite tendency. While MPs with an economic background are, somewhat surprisingly, not significantly heavier moonlighters in Germany, they are in the UK. Similarly, Italian entrepreneurs and managers are located towards the high end of the outside income scale.

Finally, to the extent that MPs that are directly elected – rather than via a party list – bear more personal responsibility for their electoral fate, it could be hypothesised that significant differences occur in the moonlighting behaviour of both types of politicians. This, however, appears not to be the case – at least not in the German setting analysed in Geys and Mause (2011), Mause (2009) and Niessen and Ruenzi (2010).

Discussion and Open Issues

Clearly, little is thus far known about the determinants of moonlighting behaviour, and even the few existing studies indicate surprising ambiguities – even though they are all concerned with developed democracies and national parliaments. While this suggests that the institutional environment is likely to play an important intervening role, the absence of comparative research in this field implies that we cannot even begin to understand the exact mechanisms at work. Such comparative analyses – also including developing countries or
using regional and/or local governments – are undoubtedly an important avenue for future research.

Moreover, numerous questions remain unanswered. A first refers to the effect of gender. While an interesting observation, the real issue is what drives it: do women have different preferences concerning outside jobs or are they discriminated against in the moonlighters’ job market? As in the literature on glass ceiling effects and gender discrimination in general (for a recent review, see Jackson & O’Callaghan, 2009), separating these two explanations is critical for public policy implications. To address this issue, it may be fruitful to complement current analyses with more detailed study – for example, via (semi-)structured interviews – of participants at both sides of the moonlighting job market in terms of application behaviour, job offering, acceptance/rejection decisions, and the like. No such study has currently been undertaken. Yet it provides an important possibility to look more directly into the recruitment process.

A second question relates to the role of elections. A classic argument in the political economics literature holds that the desire to appear competent prior to elections leads politicians to make popular changes in policies prior to elections (for a review, see Franzese, 2002). As a corollary, one can wonder whether moonlighting is reduced in election years because politicians want to signal prior to election day that they are active, credible parliamentarians (and not, say, corruptible shirkers). Such cycles in moonlighting within the legislative term may also be related to possible cycles in the effort MPs devote to parliamentary activities (we return to the difficulties in measuring parliamentary performance below). Former UK Prime Minister Gordon Brown’s decision to introduce new legislation concerning MPs’ outside jobs a year before the 2010 UK general elections (Savage, 2009; Settle, 2009; Stratton, 2009) and David Cameron’s ensuing announcement that his ‘Shadow Cabinet would give up all outside interests by the end of the year’ (Elliott, 2009) suggest that electoral concerns might affect politicians’ effort levels and moonlighting behaviour.

A closely related question about the role of the media hereby arises. Partisan media sources may well want to schedule the eruption – or resurfacing – of moonlighting scandals close to elections in order to derail the election probabilities of politicians from the opposing camp. Such strategy appears quite common for other forms of MP misconduct. For example, the timing of Channel 4’s undercover ‘Dispatches’ documentary leading to a ‘Cash for Influence’ scandal (‘Ex-ministers’, 2010; Churcher, 2010; Lefort, 2010) – that is, March 2010, less than two months before the May 2010 UK elections – seems less than accidental. Nonetheless, the extent to which the media really follow such strategies also with respect to MPs’ moonlighting remains unaddressed to date.

Moonlighting, Financial Self-Interest and the Returns from Political Office

Following scandals with moonlighting politicians and politicians’ retirement/redundancy payments in Germany, an Infratest Poll in February 2005 indicated
an all-time low share of citizens (17 per cent) trusting their MPs (Schröder, 2005). A similar disenchantment was observed in a spring 2009 Ipsos-MORI opinion poll in the UK. No less than 62 per cent of respondents agreed that ‘MPs put their own interests first’ (ahead of the ‘interests of their party, constituents and country’), 68 per cent believed that most ‘MPs use their power for their own personal gain’, and 68 per cent agreed that ‘most MPs make a lot of money by using public office improperly’ (Ipsos MORI, 2009). While popular beliefs need not be an accurate reflection of politicians’ behaviour, it does imply an important question: what are the financial returns from holding office, and is this what drives our politicians?

**Empirical Evidence**

Rosenson (2003, 2007) shows that politicians’ financial self-interest (measured via historical honoraria income) is an important constraining factor on their willingness to support laws initiated to limit elected representatives’ honoraria income from speechmaking, articles, or appearances. This holds both for US state legislators in the 1960s and 1970s (Rosenson, 2003) and US senators in the 1980s (Rosenson, 2007). However, valuing the option to earn outside income obviously need not reflect an excessive focus on financial self-interest. Several alternative arguments can be made. One holds that outside income acts as a ‘survival insurance’ for MPs’ post-parliamentary life. The uncertainty of political life may indeed make it advisable to retain professional contacts outside parliament and/or set up a rainy-day fund (Norris, 1996). It should be noted, however, that this argument is weakened by the often generous nature of MPs’ retirement packages.

Another alternative explanation is that moonlighting, by reducing MPs’ dependence on re-election to preserve their income, allows them to take an independent stance, even if this implies voting against their party’s and/or their constituents’ interests (Norris, 1996; von Arnim, 2006). Yet from their citizen-principals’ perspective, it is not clear whether such independence should really be applauded. A third alternative interpretation states that, under a setting where MPs’ parliamentary compensation package is limited to avoiding overburdening the state budget, outside opportunities may be important to convince high-ability citizens to run for election nonetheless (Gagliarducci et al., 2010). From this perspective, moonlighting could be interpreted as a reaction to (perceived) underpay and/or a compensation for foregone earnings (Maddox, 2004). We will return to such potential selection effects below.

Still, whatever politicians’ true motivation for moonlighting, they often secure large financial benefits from holding – or having held – office. Quite innovative in this respect is the approach taken by Eggers and Hainmueller (2009a). They use data on the estates of 427 politicians who stood in elections for the British House of Commons between 1950 and 1970 (but who have passed away in the meantime) to evaluate the financial wealth of successful
versus unsuccessful candidates. The identifying assumption is that close elections make for near-random assignment of political office due to the random component in elections (Lee, 2008; see also Querubin & Snyder, 2009), such that wealth differences of near-winners and near-losers most likely derive from obtaining political office. The results – based on matching and regression discontinuity designs – show that, controlling for numerous background characteristics, becoming an elected representative on average almost doubled the wealth-at-death of Conservative MPs, while it had no effect for Labour MPs. Interestingly, most of this additional wealth derives from lucrative outside employment acquired after MPs’ political career; mirroring Diermeier, Keane, and Merlo’s (2005) and Parker and Parker’s (2009) findings that congressional experience significantly increases US politicians’ post-congressional wages.

In similar spirit to Eggers and Hainmueller (2009a), Querubin and Snyder (2009) analyse US census data (1850, 1860 and 1870) on the wealth of 1431 members of the US House of Representatives who served during the period 1845–75. They find evidence of significant monetary returns to a congressional seat only for the early 1860s – when public spending increased rapidly, and transparency and oversight plummeted, due to the Civil War. Lenz and Lim (2009), comparing wealth accumulation of 201 members of the US House of Representatives with that of a matched sample of non-representatives during the period 1995–2005, find little evidence for suspiciously faster wealth accumulation by representatives. This same finding does not appear to hold, however, in Germany. Peichl, Pestel, and Siegloch (2011) indeed show that German politicians benefit from a significant wage gap compared to a matched sample of non-politicians – with a significant part of this wage premium being driven by outside earnings. Finally, in the thus far only study of a non-Western setting, Bhavnani (2009) compares the family finances of a sample of winners and losers in India’s 2003/4 state elections. Although, compared to losing politicians, winners consistently exhibit higher wealth increases over the 4–5 years after election, these effects are statistically insignificant.

Discussion and Open Issues

Existing studies estimating the gain from being a politician often only look at the wealth (at death) of politicians compared to that of losing candidates (Eggers & Hainmueller, 2009a; Querubin & Snyder, 2009). This, however, implicitly assumes that all benefits of being a politician (for example, standing in society) will at some point be translated into financial means. While economists would view this as a reasonable first-hand approximation, this, of course, need not necessarily be true (one can easily imagine various non-pecuniary benefits) – in which case such approaches will offer a biased estimate of the total gain to being a politician. Moreover, studies comparing the income of elected politicians to a matched sample of non-representatives (Lenz & Lim, 2009; Peichl et al., 2011) may not be employing the most appropriate
comparison group. Many of the non-representatives analysed may have had no political aspirations to begin with, which makes them differ from elected politicians in important – but possibly unobserved – ways. This undermines the validity of the results from the matching procedure.

Further, as indicated above, many motivations have been brought forward to rationalise moonlighting behaviour. In the end, however, it remains unclear which of these best describes real-world behaviour – and under which circumstances their importance kicks in. Three potential avenues for future research might help further clarify this. First, one could probe politicians’ motivations more through (semi-)structured interviews, though researchers should thereby account for potentially serious self-reporting biases. Second, one could relate moonlighting behaviour to politicians’ financial situation in cross-sectional analyses. One important explanatory factor – in line with Maddox (2004) – might be politicians’ pre-MP earnings or the value of their outside option; whereby Mincer-type income equations may be usefully employed to provide estimates of the latter (Mincer, 1958, 1974). Another explanatory factor might be MPs’ financial requirements and/or constraints (MPs with, say, large families).

Third, future work should explore whether the fraction of MPs with outside earnings and/or the fraction of outside-to-inside earnings changed over time – and what factors explain such changes: for example, politicians’ remuneration packages relative to private-sector payment schemes, competitiveness of elections, size of the public sector, budgetary transparency, and so on. While such longitudinal research designs have not been extensively employed, the study by Querubin and Snyder (2009) mentioned above clearly illustrates their potential.

Finally, although all previous studies analyse MPs’ wealth and/or income, one oft-travelled alternative route to increase overall household income concerns the employment of direct relatives (spouse and/or children) as secretaries, drivers, campaign aides and the like. While this clearly cannot be considered as moonlighting by politicians, public availability of this information (as is compulsory in, for example, the United Kingdom since April 2008) allows what drives politicians to earn outside income themselves rather than ‘outsource’ this by hiring family members to be addressed.

**Moonlighting and Conflicts of Interest**

While MPs generally argue that, once in parliament, they always act as elected representatives and only pursue the public interest, one obvious potential problem related to moonlighting is conflicts of interest (Chappell, 1981; Norton, 2005; Stigler, 1967; von Arnim, 2006; Young, 2006). Note that moonlighting in this context is often understood to cover not only politicians hired by a firm, but also politicians’ partial or complete ownership of a firm (Bunkanwanicha & Wiwattanakantang, 2009; Faccio, 2006).
Public versus Private Interests: Empirical Evidence

From the perspective of public-choice theory, it seems natural that seeking political influence only occurs in sectors where ‘politics matters’, and should focus on hiring the services of influential, powerful politicians. In support of the former argument, Agrawal and Knoeber (2001) show for a large sample of US firms that board members with political and legal backgrounds are significantly more prevalent in sectors with larger sales to government, higher exports (that is, dependence on trade policy) and larger environmental impacts (subject to pollution abatement regulations). Parker (1992) is one of the first studies to address the latter argument when studying the distribution of honoraria income among members of US Congress (409 representatives and 93 senators) in 1989. He finds that high seniority (long track record), membership on the influential taxation committee and having a ‘position of influence’ (measured via (sub)committee or party leadership) have a significant positive effect on the amount of legislators’ honoraria. Similar findings arise for Germany in Becker et al. (2009) and Geys and Mause (2011). Norris (1996) and Becker et al. (2009) furthermore show that MPs facing a low degree of electoral competition have significantly more outside positions and higher outside earnings, respectively. One possible interpretation – following Snyder’s (1992) finding that long-term considerations play an important role for non-ideological campaign contributors (such as companies, trade associations and cooperatives) – is that these politicians are a safe choice for interest groups desiring a long-term relation with their politician.

Although firms thus clearly prefer to engage influential politicians with (the potential for) lengthy political careers, this does not necessarily imply that they benefit from these connections. There is, however, strong evidence across many countries that firms’ political connections are associated with improved operational (for example, returns on equity and investment) and stock market performance (for overviews, see Faccio, 2006, 2010; Goldman, Rocholl, & So, 2009a; Niessen & Ruenzi, 2010). Positive effects on firm performance have also been demonstrated when business owners themselves come to hold political office (Bunkanwanicha & Wiwattanakantang, 2009; Faccio, 2006).

One interesting approach to establish such effects was pioneered by Roberts (1990). He exploited the unexpected death of US Senator Henry Jackson as the basis of an event study evaluating how it affected stock prices of his ‘constituent interests’. The idea is that an asset’s abnormal return within the event window (its performance compared to the market in the time period under study) indicates the impact of the event on the value of the asset. More recently, Fisman (2001) uses a similar approach to evaluate how rumours about former Indonesian President Suharto’s failing health affected stock market performance of businesses related to his family and closest allies, while Ferguson and Voth (2008) apply it to Hitler’s rise to power in Germany and Faccio and Parsley (2009) investigate an international sample of politicians’ sudden deaths. Monroe (2010), finally,
employs it to evaluate how sudden shifts between divided and unified government affect stock prices of Republican and Democrat ‘constituent firms’ in the US. All these studies find significant abnormal returns for connected firms when news about their political patron hits the market.

Still, while highlighting the apparent value of political connections for firms (or, at least, the market’s belief in such value), the aforementioned results do not directly prove that these firms obtain favours from politicians, or that politicians sway political decisions in ‘their’ firms’ desired direction. It might simply be that firms benefit from moonlighting politicians via the introduction of important additional human and social capital (Lester, Hillman, Zardkoohi, & Cannella, 2008) or, from a reverse-causality perspective, that politicians prefer to work for well-established and high-performing companies for reputational reasons. Recent work has started to address this issue.

Khwaja and Mian (2005), for example, use loan-level data in Pakistan between 1996 and 2002 to show that politically connected firms borrow 45 per cent more in this severely credit-constrained environment and have 50 per cent higher default rates – effects that strengthen when the involved politicians become more powerful (for example, by winning an election). Crucially, this preferential treatment is constrained to government banks, where ‘the organisational design ... enables politicians to threaten bank officers with transfers or removals, or reward them with appointments and promotions’ (Khwaja & Mian, 2005, p. 1373). Faccio, Masulis, and McConnell (2006) show that, compared to similar non-connected companies, connected firms are more likely to be bailed out by the government, which suggests (ab)use of political influence. Francis, Hasan, and Sun (2009, p. 696) illustrate that in the Chinese IPO market, which is strictly regulated by the government in terms of price- and quantity-fixing, politically connected firms obtain a ‘relatively higher offering price, lower underpricing and lower fixed costs during the going-public process’. Finally, Bunkanwanicha and Wiwattanakantang (2009) find that business tycoons holding top political offices in Thailand use their political power to implement/modify regulations and public policies in ways favourable to their firms.

One could argue that these studies analyse settings with weak systems of checks and balances; Faccio (2006) and Faccio and Parsley (2009) indeed show that firm values are more responsive to political connections in corrupt countries. Yet two studies illustrate the more general nature of the aforementioned findings. First, Couch, Atkinson, and Shughart (1992) show that Alabama legislators’ outside earnings from that state’s public colleges and universities have a statistically significant positive effect on state funding per student in these public institutions of higher education (in the period 1987–88). Hence, ‘allowing legislators to be employed directly by a pressure group ... has predictable consequences for public education funding’ (Couch et al., 1992, p. 139). Second, Goldman, Rocholl, and So (2009b) employ an event study approach to analyse the distribution of US government procurement contracts around elections where power changed from one party to another (1994
US midterm and 2000 US presidential elections). They show that companies ‘connected to the winning (losing) party are significantly more likely to experience an increase (decrease) in procurement contracts’ (Goldman et al., 2009b, p. 1).8

Discussion and Open Issues

While the relationship between moonlighting politicians and their employers has attracted some scholarly attention, various questions remain. First, are politicians with the greatest influence on public policy-making more likely to be on the payroll of outside employers than, for example, backbenchers? This could be expected as politicians in important political positions are more interesting to outside employers (see Becker et al., 2009; Parker, 1992), but they might also be more reluctant to seek out and/or accept outside jobs due to real or perceived conflicts of interest (Geys & Mause, 2011) or because of the heavy workload of a leadership position within parliament (Maddox, 2004). Separation of such supply- and demand-side factors is an important task for future work.

Second, does the role or function that politicians hold within a company (for example, owner, board member, or a representative function) matter for the performance of that company? As the overlap in the interests of the politician and the company in these various cases differs significantly, this might become reflected in the company’s overall performance. Such differences might also hold information about the causal mechanisms at work; that is, whether the benefit of politicians lies in, for example, the introduction of human capital (likely to be important for director positions) or social capital (central to representative functions).

Third, while current studies often indicate the importance of political connections, they employ widely diverging definitions thereof (concentrating on, for example, ministers, committee members, MPs). This raises the question to what extent this definition and the resulting coding of the central explanatory variable matter. Or, put differently: which political functionaries are valuable, and does this depend on the institutional, socio-economic or industrial context?

Fourth, albeit closely related to the last point, political connections need not solely derive from employing politicians. Politicians can – and at times do – also employ family members of company owners as research assistant, consultant, campaign aide and the like. Although this does not directly fall under politicians’ moonlighting and is probably easier to hide from public scrutiny, one obvious question is whether such connections bear fruit as well. Moreover, analyses regarding the effect of more ‘traditional’ political connections (politicians employed by outside interests) might generate biased inferences when they ignore the existence – and potential effects – of such alternative connections.

Fifth, most studies providing more direct evidence of (ab)use of political influence derive from countries with low checks and balances. Yet in low-corruption countries the contracting-out of public services, which has become very prevalent since the New Public Management reforms in the 1980s, may
provide an opportunity to evaluate whether the decision to outsource a given service rather than keep provision ‘in-house’ (as well as who gets the service when outsourced) is affected by the political connections of the politicians making such decisions. One pioneering study in this respect is Goldman et al. (2009b). Still, this paper looks exclusively at the national level using US data, while many such decisions are made at the local or regional government level. While some studies have recently started looking into local government procurement decisions (Coviello & Gagliarducci, 2010; Hyytinen, Lundberg, & Toivanen, 2009), none of these takes explicit account of the role played by political connections through moonlighting politicians.

Finally, it remains extremely difficult to ‘prove’ whether any observed effects are truly caused by activities of moonlighting MPs. One promising research strategy here might be to analyse independent secondary sources carefully – for example, media reports (see Bunkanwanicha & Wiwattanakantang, 2009). Alternatively, content analysis may allow whether interest-group positions/statements find their way into ‘their’ politicians’ speeches, enquiries, bills, or policy initiatives to be verified. Such content-analytical approaches recently have been fruitfully applied to measure interest-group influence on European Union policy-making (for example, Klüver, 2009). An alternative empirical strategy is to examine the behaviour of moonlighting politicians using roll-call votes or minutes of committee meetings which affect the organisations linked to these politicians. This is a standard approach to evaluate the effect of campaign contributions on politicians’ parliamentary behaviour (Snyder, 1992), but remains absent in studies evaluating the impact of politicians’ outside jobs. Clearly, this requires appropriate data on roll-call voting or committee meeting minutes, which constitutes a significant bottleneck in many political systems.

Moonlighting and Parliamentary Effort

Given that politicians’ time and energy devoted to outside employment is no longer available for their job as an MP, moonlighting might generate an opportunity-cost problem (Becker et al., 2009; Gagliarducci et al., 2010; Maddox, 2004; Norris, 1996; von Arnim, 2006). Still, whether or not this truly becomes a problem in terms of neglect of parliamentary duties (the issue of ‘working or shirking’; Besley & Larcinese, 2011) depends, to some extent, on individual MPs’ multi-tasking ability. While some MPs may perceive their parliamentary position as a full-time job, others may have sufficient time, ability and energy to undertake outside jobs without overburdening themselves.

Working or Shirking? Empirical Evidence

Analysing the determinants of stress in British MPs, Weinberg, Cooper, and Weinberg (1999) find that MPs’ extra work roles outside of parliamentary life have a significant negative effect on their stress levels (measured via MPs’ perceptions of physical symptoms of stress, such as lack of sleep, exhaustion or
decreased interest in sex) and a significant positive effect on their self-perceived home–work balance. These counter-intuitive results ‘may be explained in terms of the greater capacity of some individuals to cope with increased workload’ (Weinberg et al., 1999, p. 85). This interpretation is supported by the fact that moonlighting MPs exhibit significantly higher levels of so-called Type A behaviour (impatience, time-consciousness, insecurity about status, competitiveness, aggressiveness) that is often associated with workaholics (Friedman, 1996). Hence, moonlighting MPs may simply be highly competitive workaholics capable of dealing with such increased workload.

Yet available large-sample empirical evidence indicates that parliamentary effort does reduce with extra-parliamentary activities and/or income. Gagliarducci et al. (2010), for example, analyse 1763 members of the Italian parliament in the period 1996–2006 and find that politicians with higher outside income show significantly less parliamentary activity in terms of voting attendance and number of bills proposed as main sponsor. A closely related result is presented in Eggers and Hainmueller (2009b) using data on 518 British MPs in the 2005–7 period. They show that outside employment (directorships, consultancies and work in journalism) had a statistically significant negative effect on attendance rates (measured via the percentage of eligible votes personally attended or told).

More indirect evidence is provided by Norris (1996) and Becker et al. (2009). Using samples of British and German MPs respectively, they show that MPs facing a low degree of electoral competition have substantially higher outside earnings. The reason – as argued by Norris (1996) and Becker et al. (2009) – lies in the trade-off between ‘inside’ and ‘outside’ effort. MPs certain of re-election are less constrained by the need to show political initiative in the form of parliamentary and/or constituency work, and thus have more time to allocate to activities generating outside earnings. However, recent theoretical work by Galasso and Nannicini (2011) suggests that these results may also derive from a selection effect. Party competition may lead parties to allocate high-quality candidates – who have fewer absences from parliament – to highly contested districts. Using Italian data, they show that this selection effect dominates the re-election incentive.

Discussion and Open Issues

Overall, available evidence suggests that politicians’ moonlighting negatively affects parliamentary effort. Nonetheless, an important caveat relates to the use of attendance rates, question time, committee memberships or the number of petitions or bills proposed as proxies for parliamentary performance. This ignores the possibility that politicians use their time and effort in other ways beneficial to their citizen-principals. Depending on the institutional framework, they could also be delegating more of their parliamentary work to their staff members (Maddox, 2004). In other words, it is not clear that high (low) attendance and question time imply that an MP does a ‘good’ (‘bad’) job. Such quantitative
performance indicators do not indicate whether the quality of representatives’ exercise of office suffers from moonlighting.

Another important measurement issue concerns the true workload of politicians. All available studies rely on the quantity of outside activities or income, and do not include information about the extent of time and energy MPs invest therein (see also Norris, 1996, pp. 442–443). Yet, clearly, the marginal effect of an additional extra-parliamentary activity may depend on its labour-intensity (or time-consuming nature). To tackle this issue, it may be beneficial to access politicians’ perceptions about moonlighting and their estimates of the time this takes up (Best & Jahr, 2006). The new UK regulations – in force since 1 July 2009 – requiring more detailed declarations of the time spent on (and money earned via) extra-parliamentary activities directly addresses this measurement problem.

Also, while Gagliarducci et al. (2010, p. 695, n. 27) briefly note the possibility that ‘politicians with higher ability may find a way to perform the same amount of private activities without interfering with public office’, it would be worthwhile to explore potential differences in productivity and multi-tasking abilities among MPs in more detail. Surveys building on a self-evaluation of health status (physical and psychological) (for instance, Weinberg et al., 1999) reflect MPs’ subjective evaluation of their ability to deal with time pressure and stress, but outside observers (colleagues, family members, friends, physicians) may be better able objectively to diagnose symptoms of stress and strain. Thus, importing concepts (over-estimation, procrastination, stress) and methods from psychology and medical science may help to explore more deeply the effects of moonlighting on MPs’ performance.

Finally, all empirical studies thus far look at MPs’ outside jobs as having a homogenous effect on parliamentary effort, which is also reflected in the use of ‘moonlighting’ as an umbrella term covering any outside job (see the Introduction). It is conceivable, however, that any effect of outside employment on parliamentary effort holds more strongly for certain outside activities than others (paid vs. unpaid jobs; jobs for private business enterprises vs. jobs for public companies or charitable organisations). Some occupational activities (lawyer or self-employed consultant) might simply be easier to reconcile with a parliamentary job than others. To the best of our knowledge, no empirical study has addressed this.

**The Regulation of Moonlighting: The Ideal Parliament?**

A permanent feature in public and scholarly discussions on politicians’ moonlighting concerns the ways in which one might deal with the potential dangers of such activities (that is, monetary ‘temptations’, conflicts of interest, shirking). One extreme view holds that MPs’ worries about their ‘reputational capital’ (Parker, 2004, 2005) and the potential for sanctioning by voters, journalists and other watchdogs provide sufficient mechanisms to mitigate misconduct (see Rosenson,
2005, for an overview of this literature). Oliver (1997, p. 539) provides an excellent discussion on the ‘limits and advantages of [such] political self-regulation’. At the other extreme, an apparently simple solution is to implement legislation which declares certain – or all – sideline jobs as incompatible with the political mandate (an option recently discussed in the UK and the European Parliament; for example, Brand, 2011; ‘Gordon Brown says’, 2010; Porter, 2009). Similarly, legislation might be implemented which limits 1) the time allowed for moonlighting activities and/or 2) the outside income received from such activities (Gagliarducci et al., 2010; Rosenson, 2007; van Aaken & Voigt, 2009).

Yet the implementation of incompatibility rules may have important side effects. First, defenders of MPs’ moonlighting often argue that it brings non-political experience and qualifications into parliament, which improves the democratic decision-making process. Incompatibility rules may restrict, or prevent, such experience finding its way into parliament (Rush, 1997; von Arnim, 2006). Second, incompatibility rules and outside income limits may have important repercussions in terms of individuals’ (self-)selection into politics. This relates to a growing literature on the self-selection of politicians (for a review, see Besley, 2005). By assuming that the private and public sector are mutually exclusive, most papers in this tradition predict adverse selection effects due to higher opportunity costs, or lower attractiveness of political office, for high-quality individuals (for example, Besley, 2004; Caselli & Morelli, 2004; Messner & Polborn, 2004; Poutvaara & Takalo, 2007). In such a framework, higher parliamentary pay raises the average quality of self-selected politicians. Still, this does not straightforwardly extend to outside income. Indeed, lifting the private–public incompatibility assumption by allowing for MPs’ outside income generation or private-sector capitalisation of political experience may lead to equilibria with positive sorting where a wage increase reduces average politician quality. The reason is that a pay increase in such a setting makes public office relatively more interesting to low-skilled citizens (Diermeier et al., 2005; Gagliarducci et al., 2010; Keane & Merlo, 2010; Mattozzi & Merlo, 2008).

Neither of these hypothesised effects – that is, incompatibility rules preventing relevant experience and/or high-quality individuals from entering parliament – has, to the best of our knowledge, been addressed in empirical work. One approach to do so is analysing parliaments’ composition before and after the implementation of incompatibility rules or outside income limits. Such before/after comparisons have been implemented with respect to disclosure rules. Rosenson (2006) examined the impact of ethics laws and disclosure rules on US state legislators’ recruitment in the 1990s, and the occupational composition of US state legislatures between 1976 and 1995. Her results indicate that financial disclosure laws ‘contributed to fewer candidates running in state legislative primaries’ (Rosenson, 2006, p. 625). Moreover, ‘financial disclosure laws were also associated with a decline in the proportion of business owners serving’ (Rosenson, 2006, p. 625), while representation limits for lawyer-legislators were accompanied by a decline in the proportion of attorneys serving. Hence, these laws not only have a clear negative influence on the decision
to pursue a political career, they also limit the entry into politics of certain occupational groups (depending on the nature of the regulations). Interestingly, however, a more recent study on the effects of disclosure rules in 10 OECD countries by van Aaken and Voigt (2009) fails to substantiate these results. Another approach to investigate the incentive effects of rules prohibiting/restricting moonlighting is to evaluate whether MPs actually lay down their pre-MP job(s) to meet incompatibility rules or outside income limits. In this case, the before/after research design concerns individual politicians’ activities, rather than the overall composition of parliament.

Finally, related empirical evidence addressing the effect of parliamentary pay on candidate selection is inconclusive. Some studies illustrate that higher remuneration attracts better-educated and higher-skilled individuals to politics in Italian and Brazilian local governments (Ferraz & Finan, 2009; Gagliarducci & Nannicini, 2008). While Keane and Merlo (2010) similarly find that a lower parliamentary wage leads to a disproportional exit of high-skilled politicians from the US Congress, they point out that this is not true for those who care about legislative accomplishments. As the latter type are arguably ‘better’ politicians, the quality of parliament would not reduce (increase) following a decrease (increase) in parliamentary pay. In addition, evidence based on data from Italian national MPs suggests that parliamentary salary is negatively associated with politicians’ quality (proxied via their education level; Merlo, Galasso, Landi, & Mattozzi, 2009). Further analyses clearly need to resolve this ambiguity, and evaluate whether such findings likewise hold for outside rather than inside income.

**Conclusion**

Popular discussions on the phenomenon of moonlighting politicians often concentrate on individual cases where MPs’ outside activities led to considerable outside income, serious conflicts of interest, or a reduction of parliamentary effort. Though fulfilling an important ‘policing’ function in the political sphere (Parker, 2004; Rosenson, 2005), the main drawback of this case-by-case approach is that it remains unclear whether instances of misconduct are merely individual outliers, or the tip of a greater iceberg. To uncover general tendencies, one requires analyses of larger samples of politicians. Based on the increased public availability of registers of members’ interests, this has now also become a feasible research strategy. Nevertheless, one of the central observations of this review is that the scientific literature on politicians’ moonlighting is, at present, at best piecemeal. On the one hand, such studies exist only about the parliaments in very few (and mainly developed) countries. While this can be linked to the time-consuming nature of gathering and preparing the necessary individual-level datasets for a large number of MPs, it places severe constraints on the general nature of the findings discussed throughout this article. On the other hand, existing studies on both the potential problems of moonlighting (for example, shirking, conflicts of interest) and its expected benefits (complementarities with political activity, political selection) usually focus on one
particular, narrowly defined research question, and thereby leave many issues unresolved. Several of these open questions have been discussed in the research agenda parts of this article (along with suggestions on how to approach them from an empirical point of view), and we will not repeat them here. Even so, one more element should be stressed. Moving beyond the single-issue studies currently prevalent in the literature will require the development of an overarching theoretical as well as empirical framework within which such further explorations can be conducted. The first step in any such endeavour would require developing a consistent typology of moonlighting activities. Currently, as mentioned in the introduction, the term ‘moonlighting’ is employed as an umbrella term for a wide range of extra-parliamentary activities, which can differ in terms of remuneration, contractual nature of the agreement, regularity of the activity, and so on. As a result, an unpaid weekly column in a local newspaper is often treated at the same level as maintaining one’s doctor’s practice or having a paid advisory function in a multinational firm. While this may be appropriate when dealing with the opportunity cost of moonlighting on politicians’ in-house effort (as it is arguably irrelevant whether an hour is spent on writing a column or in one’s law firm), it is more problematic when considering the potential policy influence of moonlighting activities.

Similarly, it is often implicitly suggested in empirical work that moonlighting ministers are ‘different’ in some sense from moonlighting backbenchers. While one could provide intuitive arguments in favour as well as against such a proposition, an overarching theoretical framework should spell out in more detail why, and in which ways, such differences might be relevant. When such conceptual and methodological ambiguities are addressed, we hope our review – and suggestions – will stimulate further research into this important phenomenon.

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Notes

1. See van Aaken and Voigt (2009) and Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2010), for cross-national comparisons of relevant legislation.

2. This definition adapts the Encyclopaedia Britannica definition of ‘moonlighting’ as ‘working at a second job’. Merriam-Webster’s Collegiate Dictionary (11th ed., p. 806) similarly defines ‘moonlighting’ as ‘to hold a second job in addition to a regular one’.

3. Interestingly, misconduct leading to tighter moonlighting regulations need not necessarily involve moonlighting activities as defined here. The current ‘cash for influence’ scandal hitting the European Parliament is a case in point. While the involved politicians accepted payments to provide a desired service (amendments to proposed regulations), none of them was actually employed by the firms seeking influence (or by a professional lobbying firm for that matter). Nonetheless, while this in essence thus constitutes a lobbying (or bribery) scandal, a ‘European Parliament panel is likely to consider drastic changes to rules of conduct for MEPs, including a ban on MEPs taking supplementary employment’ (Brand, 2011, italics added). A very similar situation occurred in the UK in 2010, where another ‘cash for influence’ scandal (British MPs agreeing to perform lobbying efforts in return for, at times, substantial fees after stepping down from office) instigated calls for a total ban on MPs’ outside activities (‘Gordon Brown says’, 2010).

4. While not addressed directly by Eggers and Hainmueller (2009a), this Conservative–Labour difference might derive at least in part from the fact that the Conservative Party was in power throughout most of their sample period, 1951–64.

5. Although Maddox (2004) shows that individual characteristics predicting labour market value (such as age, education, race and sex) as well as legislative salary predict politicians’ outside careers, he does not estimate the value of politicians’ outside option as such.

6. In line with this proposition, Geys and Mause (2011) show that German politicians with more children tend to amass a higher number of outside jobs.

7. Political connections obviously do not suffice to outperform the competition. Placing former politicians or high-ranking bureaucrats – rather than external managers – at the head of newly privatised firms has been shown to lead to significantly poorer sales and earnings growth, as well as stock market performance, of these firms (e.g. Boubakri, Cosset, & Saffar, 2008; Fan, Wong, & Zhang, 2007).

8. In an early contribution, Muller (1977) shows that the degree of legislative participation (measured via question time and activity in standing committees and debates) in the period 1874–1975 of British Labour MPs sponsored by trade unions is higher than that of non-sponsored ones on issues close to the interests of their sponsors. Obviously, however, higher activity does not necessarily equal political favouritism. Note also that such sponsoring (which usually took the form of support for financing elections expenses rather than personal payments) did not involve extra-parliamentary activity and thus does not directly constitute ‘moonlighting’ as defined in the introduction.

References


