Political capital: An analysis of public rent-seeking through the financial legislation

Xiaoting Hao[*] and Yong-Cheol [**]

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Abstract

Both politicians and companies gain from political connections. We find that the representatives of the House who vote for deregulations are more likely to end up in private sector jobs after leaving the Congress. The analysis of voting behavior in a major financial regulation - Gramm-Leach-Bliley Act of 1999 – show the members of the House of Representatives use voting to enhance their career. The results are consistent with public rent-seeking of politicians and show that political capital is as valuable for politicians as for companies.

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[*] Lubar School of Business, University of Wisconsin-Milwaukee, PO Box 742, Milwaukee, Wisconsin 53201-0742, USA.

[**],Lubar School of Business, University of Wisconsin-Milwaukee, PO Box 742, Milwaukee, Wisconsin 53201-0742, USA., ykim@uwm.edu

1. Introduction

Large body of literature in political economy argues that politicians vote for their own self-interests. One of politicians' primary goals is the reelection (Mian et. al (2010) and Benmelech and Moskowitz (2010)). Mian et. al (2010) show that legislators increase the probability of reelection by protecting constituents' economic interest in the case of Foreclosure Prevention Act, while, in the Emergency Economic Stabilization Act, by supporting special interests to ensure higher campaign contributions from the financial industry. Moskowitz (2010) analyzes the introduction of U.S. State Usury Laws in the 19th Century and shows that it coincides with other economic and political policies favoring wealthy political incumbents, particularly when they have more voting power.

Alternative way politicians benefit from voting is to enhance the employability after leaving the Congress (Kane, 1990). Kane (1990) argues that officials in the S&L Resolution Trust Corporation (RTC) tightly protect their reputations and post-government employability. The prevalent phenomenon of "revolving door" [1] - the movements of politicians between public to private sector jobs, and vice versa, especially among regulators, and legislators and top managements of financial service industry -highlights the private incentives of politicians. The following case epitomize the instances of "revolving door". In this study, we show the career incentives of legislators by analyzing the voting records of House representatives in the major financial regulation - the Gramm-Leach-Bliley Act (GLBA) established in 1999.

"A former Texas Sen. Phil Gramm, who joined UBS in 2003, has retired as vice chairman of the firm's investment-bank division but will take on a role as a consultant for the bank. As vice chairman of the investment bank, he served as a senior adviser to investment-banking clients and worked with

[1] In politics, the "revolving door" is a movement of personnel between roles as legislators and regulators and the industries affected by the legislation and regulation. In some cases, the roles are performed in sequence but in certain circumstances may be performed at the same time. (Wikipedia)

governments around the world on behalf of UBS. Previously, Mr. Gramm served six years in the House of Representatives and 18 years in the U.S. Senate. Phil Gramm served as a congressman for both the Democratic and Republican parties, but most recently as a Republican." (Wall Street Journal, Feb. 10, 2012)

Political capital and connections benefit connected parties, firms on the one-hand and government officials and legislators on the otherehand. Political capital, in addition to physical, human and other capital, is found to be one of important factors affecting firm investment and financing decisions and firm value. On the opposite side of political connections, the party and the entity holding political powers have incentives to utilize its leverage to enhance their own self-interests.

Firms invest in political capital and establish connections to garner the benefits of political connections, e.g. Government bailout in financial distress (Duchin and Sosyura (2012), Faccio, Masulis, and McConnell (2006)). Kostovetsky (2015) examines the value of political connections of financial firms by finding that the worse performance and high leverage of financial firms in a state with a US Senator on the Banking Committee was correlated with weakly improved stock returns and reduced bankruptcy probability during the 2008 financial crisis. On the other side of political connections, public officials and legislators use their positions and voting powers to pursue their self-interests. Legislators have strong incentives to help firms that provide jobs to their constituents (e.g., Mian, Sufi, and Trebbi, 2010). Alternatively, members of congress have powerful incentives to manage their own lifetime career either to help their existing business interests or to pursue private sector jobs after leaving the Congress.

Public rent-seeking (shirking) arise due to the self-interest of regulators and public officials, as they are interested in the reputation build-up and post-government employability. Akerlof and Romer (1993) discuss looting and public rent seeking as government employee have incentive to protect their reputation and pursue their own self-interest in regulations and policy making. The benefits come from being hired by private firms after they depart their public jobs. Boldrina and Levine (2004), in the context

of the protection of intellectual property, show that government planners composed of self-seeking individuals acting in their own interests pursue public rent-seeking through the legal system.

Several studies show the public rent-seeking actions in financial regulations. Benmelech and Moskowitz (2010) posit that private interests and public rent-seeking rather than public interests protecting the underserved are main motives of regulation. They show that U.S. State Usury Laws in the 19th Century coincide with other economic and political policies favoring wealthy political incumbents, particularly when they have more voting power. Bank regulator may have incentive to acquire reputation as a capable monitor rather than social welfare when regulator is uncertain about its ability to monitor bank's asset choices. The self-interest of regulator distorts the regulatory actions such as the timing of bank closures (Boot and Thakor (1993)). Kane (1990), in the discussion of S&L Resolution Trust Corporation (RTC), consider the agency relation between principal taxpayers and agent (RTC), argue that incentive conflicts create agency costs. These officials have an understandable desire to promulgate simple rules and procedures that tightly protect their reputations and post-government employability from being damaged by the actions of the RTC.

Following the literature that shows that legislators use their rule making power and voting to pursue their own self-interests, we hypothesize that legislators use their voting to enhance their careers and personal businesses ahead of public interests. We investigate their voting behavior in the major financial regulation - the Gramm-Leach-Bliley Act established in 1999. Legislators are classified in two agent types, one who pursue public interests and other type is private interests or public rent seekers. Public rent-seekers are defined as legislator who has private firm connections before elected. Consistent with the self-interests of congressional representative, we show that the career incentives of political agents and legislators are one of key determinants in the legislations of the major U.S. financial regulation.

Our empirical strategy is to take logistic regressions of voting (yes=1 and no=0) and the holding of private sectors jobs after leaving the (holding private sector jobs=1 and 0 otherwise) 10 years after leaving the Congress. Main test of the hypothesis relies on the second logistic regression of private sector job holding with voting as one of regressors. The results show statistically significant and positive coefficient of voting in the second regression. The yes voting for the GLBA show positive influence on the likelihood of gaining private sector jobs. To address the potential endogeneity, e.g. party affiliation can affect both voting and private sector holding, we use residual from the first regression of voting in the second regression of private sector job holding. The coefficient to residual from voting regression is either insignificant or marginally significant depending on the methodology of residual calculations. The results with voting residual show that the statistically significant and positive sign of voting on the private sector jobs are robust after controlling for possible confounding effects. As a further robustness we use interaction dummy of voting with other control variables and find none of interaction dummies is significant.

The remainder of the paper proceeds as follows: Section 2 reviews the literature on political capital and develops main idea for the paper. Section 3 describes the sample and variables. In Section 4 and 5, we discuss the results related to the self-interest of congressional representative in financial legislations. Section 6 concludes.

2. Literature on political capital

Firms benefit from increasing the value and performance and take additional risk crating moral hazard by establishing political connections. Firms build up political capital and connections through some channels: lobbying, influence of regulations and businessperson entering into politics.

Lobbying firms improve financial performance and firm value relative to non-lobbying firms. Chen, et al. (2009) measure the relationship between the financial performance of firms, and corporate lobbying. They find that there is a positive relationship between corporate lobbying expenditures and

accounting earnings and cash flows from operation. They also find that the more intense the lobbying relative to the size or sales becomes, the better the returns of those firms are. In 2005, the top 20 firms spent more than a $160 million on lobbying, with the top five firms account for 42%. The data that was used for this study are the Center for Responsive politics, COMPUSTAT, and CRSP. The number of firms involved in lobbying increased from 6.54% in 1998 to 11.79% in 2005 (10).

Another method of research used in this study, was to compare the returns of firms with the highest lobbying intensity, and non-lobbying firms. It was found that the firms with the highest lobbying intensity consistently outperformed the non-lobbying firms when the focus was on excess returns. The 3-year portfolio that included these high intensity lobbying firms also earned an average of 35.9% return in the first year, compared to 29.7% return for the non-lobbying firms. This study concluded that while lobbying might help with the financial performance of a firm, it only works for firms that have been willing to commit to the highest lobbying intensities (26). However, lobbying only has its greatest effect in the short term, as the excess returns that it produces tend to diminish as time goes by.

The benefits to lobbying firms also come from potential rescue when firms fall into financial troubles from taking extra risks creating moral hazard. Kostovetsky (2015) highlights the incentives that political connections create for firms to take on extra risks. He measures the effects of firms' political connections, through various regression measures of the risk exposures on the political connections. The focus of the data was from 2002 until just after the financial crisis of 2008. His reasoning behind this was that the effects of risk exposure on politically connected firms would not be apparent in normal times, but rather in rare events like the recent financial crisis. Using data from the Official Congressional Directory, OpenSecrets.org, Boardex data, Compustat, and the Center for Research in Security prices, Kostovetsky creates various tables that prove, and support his argument. Through this study, Kostovetsky found that firms with political connections had higher leverage ratios than firms with no political connections in 2008, and that even though they were more leveraged and had more risk they were less likely to go

bankrupt due to their political connections that helped them also increase their stock returns during the crisis.

Second channel of creating political connections is by influencing the regulations. Igan, et al. (2011) examines the behavior of lenders that lobbied versus those that did not from 2000-2007, and their performance in 2008. The data set was constructed specifically to measure the lobbying activities that "specifically aimed at rules and regulations of consumer protection in mortgage lending, underwriting standards, and securities laws" (195). The data collected comes from various sources, such as data from the Home Mortgage Disclosure Act (HDMA), reports from the Secretary of the Senate's Office of Public Records (SOPR), Metropolitan Statistical Area (MSA) data, Compustat, Loan Performance, and the Treasury through the Office of Financial Stability. The study concludes several things concerning lobbying and lenders. First, those lenders that lobbied the most were also the lenders that originated the mortgages with high loan-to-income ratios (LIR), and as a result were able to grow their loan portfolios the fastest. However, those portfolios that grew quickly from 2000-2006 were also the ones that had the higher delinquency rates in 2008. Figure 1 highlights the main differences between lobbying, and non-lobbying lenders. The biggest differences are, lobbying firms were more likely to be subprime, grew faster, and were less likely to be regulated by HUD. Also, to no surprise, the majority of the bailout money for lenders went to lenders that lobbied. The results of the studies in this paper conclude that the political influence that these lenders and the rest of the financial industry had was a contributing factor towards the financial crisis by allowing them to take on more risk, as they knew that if things were to go south the government would bail them out.

The third channel of building up political connections is more direct – a business person entering into political positions. Faccio (2006) asks the questions of what kind of characteristics countries with common political connections share, and if those very connections add any value to the companies. The main way this study was performed was by observing the various companies, and observing the value of those companies, as well as the impact that the announcements had on their prices. For each of the 47

countries that were observed, the names of all officers, executives, and other top-level employees at the companies was cross checked with the official websites of each country to determine whether a connection exists. The study concludes that, for the largest 50 firms in each market, 6.2% of them were found to have a political connection. This suggests that larger firms tend to have political connections more often. In the second part of the study, where the reaction in the stock market is observed, Faccio argues that the only times that a reaction will occur in the stock market concerning a political connection is if the announcement is a surprise. So, going off that argument, Faccio uses the "Stephen J. Brown and Jerold B. Warner (1985) standard event study methodology to calculate the market-adjusted CARs for the five-day period around the announcement dates" (p.383). The study finds that there is an abnormal return of 1.43% following the announcement of a new political connection. It was also concluded that whenever a businessperson enters politics, there is an average excess return of 2.29% for those firms that are connected. To conclude, "stock prices increase significantly, however, when a business person enters politics, suggesting that rent seeking is, as one might expect, much less of a problem in this case" (p.385).

Firms are one side of political connections and firms increase financial performance and value and bailed out from extra risk-taking. Politicians are the linkage on the opposite side of political connections and they use political powers to pursue their self-interests and public rent-seeking. This study investigates the career incentives of politicians in providing assistance to firms, more specifically, the voting behavior of legislators in financial regulations.

3. Sample: Data and variables

This study investigates the incentive and self-interest of the members of the House of Representatives use by analyzing the voting behavior in the major financial regulations - the Gramm-Leach-Bliley Act established in 1999 (S.900). The Gramm-Leach-Bliley Act (GLBA), also known as the Financial Services Modernization Act of 1999, is an act of the 106th United States Congress (1999–2001). It allows banks to engage in any combination of financial

activities - investment banking, commercial banking, and insurance and other financial activities. It is a major de-regulation repealing the Glass–Steagall Act of 1934, which is enacted after the Great Depression of 1929. We analyze voting records of the members of the House of Representatives on the GLBA to investigate the incentives of legislators. Public rent-seekers put their personal interests at the forefront and use their political positions and activities to pursue self-interests. There are various channels and forms to seek out personal interests: reelection, pork barrels, campaign contributions, support private sectors related to the politicians, and so on. In this paper, we use the employability after leaving the Congress as a proxy for public rent-seeking and use the roll call voting on the financial regulations as a means and ways of pursuing self-interests by political actions. We hypnotize that public rent-seekers use voting to enhance their employment in private sectors after leaving the Congress.

We collect data manually from various sources. CV (Curriculum Vitae) of members of the Congress is collected from https://www.marquiswhoswho.com/ that records details of career path. Voting record and other personal information come from the U.S. Congress website: www.congress.gov. Contribution of PAC and the subcommittee and other related information are gathered from the http://opensecrets.org. We begin by collecting the names of 435 house representatives from the 106th Congress who participated in the roll call votes for bill S. 900 (Gramm-Leach-Bliley Act). There were 9 roll call votes listed under the Congress website, from which 2 (V355 and V570) were voted in the House. According to the Congress website (https://www.congress.gov/bill/106th-congress/), V570 is the final passage of the bill. The vote is on agreeing to the conference report. V355 is on motion that the House instruct conferees. The purpose of the two votes are very similar (both for the Financial service moderation act) but

V570 is the final vote. We focus on the voting of V570 as it is for the final passage of the bill and the roll call the Act is denoted as GLBA.

Table 1 shows the summary of the final roll call of GLBA and how we created the deregulation dummy variables from these votes. The votes outcome "Yeas" for the final roll call are in favor of deregulation and are given 1 for the deregulation dummy variable. Among the 362 yes votes, 207 are from republicans and 155 are from democrats, and among the 57 no votes, only 5 are from republicans and 52 from democrats.

Main hypothesis of this paper is to test whether the voting choices impact the congress member's future career paths, i.e. whether legislators use their voting to pursue their career into private sectors. The time frame of our study is from 1990 (10 years prior to the vote) to 2009 (10 years after the vote), and for each year during our time frame, we classify the congress member's work experience before and after the GLBA Act into several categories according to the type of organizations they worked for: G (government organizations), F (corporate organizations), E (educational organizations), H (hospital and medical related organizations), and M (missing data). Under the category F, we further separate the congress member's work experience into subcategories according to the positions they hold: B (lobbyist), A (advisors), L (lawyers), O (owners or founders), and C (CEO, employees, managers, and others). From the recordings of each year, we are able to generate four main dummy variables based on the congress member's work experience before and after the vote:

Corporate position before: indicator variable that equals to 1 if the congress member worked under corporate organizations within 10 years before the vote;

Corporate position after: indicator variable that equals to 1 if the congress member worked under corporate organizations within 10 years after the vote;

Corporate position (narrow) before: indicator variable that equals to 1 if the congress member worked under corporate organizations, i.e. same as "Corporate position before" excluding

lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise;

Corporate position (narrow) after: indicator variable that equals to 1 if the congress member worked under corporate organizations, i.e. same as "Corporate position after" excluding lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise;

The last two dummy variables are intended to capture a stricter definition of corporate jobs compared to the first two dummy variables since in the former we exclude positions such as lawyers, lobbyists, and advisors.

The main hypothesis of the paper is that public-rent seeking legislators use their voting to pursue their employment in private sectors. The empirical strategy is to analyze in two steps: logistic regression on voting and the logistic regression on private sector employment after leaving the congress.

The first step is to check legislators' individual characteristics in their voting behavior. The study employs a logistic regression model to examine the personal characteristics that contribute to congress member's decision to vote for the deregulation bill. The empirical model is identified in the following equations (1) and (2):

$$\begin{aligned} Roll\ call = {} & \beta_0 + \beta_1 \times Corporate\ position\ before\ + \beta_2 \times Party + \beta_3 \times Gender + \beta_4 \times Law\ school \\ & + \beta_5 \times College + \beta_6 \times Doctoral\ Degree + \beta_7 \times Book\ author \\ & + \beta_8 \times Civic\ Experience + \beta_9 \times Public\ Tenure + \beta_{10} \times Age \\ & + \beta_{11} \times Financial\ committee + \beta_{12} \times Number\ of\ Comittees + \beta_{13} \times Total\ PAC \\ & + \beta_{14} \times FinancialPAC/TotalPAC \\ & + \varepsilon \end{aligned} \quad (1)$$

Second step is to test whether voting influences their employment in private sector after leaving the Congress, i.e. whether the voting outcome impact the congress member's future career choices. Mainly we test whether the yes vote would increase the likelihood that the

congress member will choose to work in the private sector within 10 years after the vote. The logistic model we employ is identified and specified in the equation (3) and (4):

$$\begin{aligned} Corporate\ position\ after \\ &= \beta_0 + \beta_1 \times Roll\ call + \beta_2 \times Corporate\ position\ before + \beta_3 \times Party \\ &+ \beta_4 \times Gender + \beta_5 \times Law\ school + \beta_6 \times College + \beta_7 \times Doctoral\ Degree \\ &+ \beta_8 \times Book\ Author + \beta_9 \times Civic\ Experience + \beta_{10} \times Publick\ Tenure\ 2 \\ &+ \beta_{11} \times Age2 + \varepsilon \qquad (2) \end{aligned}$$

We repeat the two-step regression with Corporate position (narrow) before (after) replacing broader definition of corporate positions in the initial regressions.

Almost all studies of roll-call voting find party affiliation is one of the most important factors in influencing the outcome of legislations. For example, Snyder et. al (2000) find strong evidence of party influence in both the House and the Sen- ate, in virtually all congresses over the period 1871-1998. The variable "Party" is the data on party affiliation, a dummy variable where republican equals 1 and democrats equals 0. In addition to the party affiliation, political contributions have a strong influence on the legislation and policies. Claessens et. al (2008) show that contributions help shape policy on a firm-specific basis in the analysis of Brazilian firms that provided contributions to (elected) federal deputies, and the economic costs of this rent seeking over the two election cycles to be at least 0.2% of gross domestic product per annum. Mian et. al (2010) find Special interests in the form of higher campaign contributions from the financial industry increase the likelihood of supporting the Emergency Economic Stabilization Act. We use Total PAC and the ratio of Financial PAC over Total PAC as measures of political contribution to each members of the House. In addition to the party affiliation and political contributions, ideological or policy orientations, representatives' preference are also considered to be relevant in roll-call voting. While literature in political science use Nominate (Nominal Three-Step Estimation) based on spatial model, we use various data to gauge the ideology and

preferences of the members of the Congress by age, gender, personal civic experience. To measure the political capital, we use the length of public tenure, if it takes time to build political capital like physical capital by corporations. All the variables used in the above equations are described in Appendix.

We also performed variations of equation (2) in the second stage regression, in which we used the residuals from the first stage regression with roll-call voting as dependent variable and substitute the variable roll call with residuals from the first step regression. The residuals represent the unexplained portion of voting outcome after we control for factors that influence roll-call voting such as party, PAC, and the congress member's prior work experience and personal characteristics.

4. Empirical analysis

Table 1 describes information of S. 900—106th Congress: Gramm-Leach-Bliley Act. The Gramm–Leach–Bliley Act (GLBA), also known as the Financial Services Modernization Act of 1999, is an act of the 106th United States Congress (1999–2001). It repealed part of the Glass–Steagall Act of 1933, removing barriers in the market among banking companies, securities companies and insurance companies that prohibited any one institution from acting as any combination of an investment bank, a commercial bank, and an insurance company. The final Conference Report Agreed to by House is V570. The Act is passed by bipartisan support with 207 republican and 155 democrats.

In Table 2 we show descriptive statistics of voting as well as the Curriculum Viète information of each representative of House. 86.4% of the 419 congress members voted for the passage of GLBA, while 13.6% voted against it. In terms of party support, 98% of 215

republican and 75% of 203 democrats voted "yes' for the Act. The work experience 10 years before the Vote in 1999 shows that 27.4% of the members worked in private sectors within 10 years before the vote and 24.9% worked in private sectors within 10 years after the vote. If we follow a narrow definition of Corporate position, i.e. corporate positions excluding the career such as lobbyist, advisors, lawyers, and owners, 12.2% from the 106th congress held CEOs, employees, managers, or other positions in a corporation within 10 years before the vote, while 11.8% held similar positions within 10 years after the vote. There is a stark difference between republican and democrats in Corporate position before the Vote, with more republican held Corporate position both before and after the Vote. The average Political Action Committee (PAC) donation for the year 1999 to 2000 is $378,293, and on average 16.3% of the donation is from the financial industry. During our sample year, 13.6% of the congress members were on the Banking and Finance Committee, and on average, a typical congress member was assigned 2 committees. In the 106th congress, there are 225 republicans and 209 democrats, and 381 of them are male. 61.1% of the members had civic experiences listed on the CV. On average, the members had 8.4 years of experience in the congress before the vote. The average age in the voting year is 53 years. Overall, Table 2 shows that republicans are more likely to vote yes for the deregulation bill, work in private sectors within 10 years before and after the vote, have higher percentage of PAC donation coming from the financial sector, and be on more committees.

Table 3 reports the sample comparison of group who votes yes or no on the GLBA. The results suggest that congress members who voted yes for the deregulation bill are more likely to work in corporations before and after the vote, have raised higher PAC money during the voting year, have higher percentage of Political Action Committee (PAC) money raised from the

financial sector, and be republicans. The members who have published books and served more years in congress are less likely to vote for the Act.

Table 4 reports the correlation coefficients among some of the main variables. Main interest is the correlation of voting and corporate position after leaving the Congress with other variables. First, we look at the correlation of voting with other variables. The two variables about corporate position experience - corporate position before the vote and corporate position after the vote - are significantly correlated with the voting outcome, suggesting that the voting outcome might be related with the congress members' career choices before and after the vote. The other variables that are correlated with the voting outcome include the amount of PAC donation, the percentage of the donation from the financial industry, the party affiliation and gender of the member, whether the member is also a book author, and how long the member has served in the congress. Second, we describe the correlation of corporate position after the vote with other variables. The correlation coefficient of corporate position after the vote is statically significant with party affiliation, total PAAC, Financial PAC, financial committee and gender.

Table 5 and 6 are the results of logistic regression to test our hypothesis that argues that legislators use congressional voting to enhance their career after leaving the congress. We use logistic regressions in two steps – one for roll-call voting and second for corporate position after the vote. First, we run a logistic regression as specified in model (1), where we study the factors that contribute to the congress members' voting decision. The results are presented in Table 5. In Panel A of Table 5 we use a broad definition of corporation positions before the vote. The results show that the decision to vote for the deregulation bill is positively correlated with party affiliation, suggesting that republicans are more likely vote yes for the deregulation bill. The

results also suggest that the congress members who had larger PAC donation amount and higher percentage of donation from the financial industry are more likely to vote yes for the deregulation bill. However, the members that had longer public tenure, or on the Banking and Finance Committee are less likely to vote for the deregulation bill.

Interestingly, longer serving House members are less likely to vote for yes with the statistically significant coefficient of negative 0.06 for PUB-TEN. The dummy variable for corporate position before the vote is not associated with the voting outcome after we control for other variables, suggesting that the congress member's prior work experience in the corporate position is not associated with their voting decision. The results of logistic regression on voting is consistent with the literature in political science.

When we follow a narrow definition of corporate work experience. In Panel B of Table 5, party affiliation. Is still significant with gender, age and book author. However, it's observed that holding CEOs, employees, managers, or other positions in a corporation within 10 years before the vote is not significantly correlated with the voting outcome. In summary, from the logistic regression model (1) we find that the variables that impact the voting decisions are party affiliation (positive), the amount of PAC donation (positive), the percentage of PAC donation from the financial industry (positive,) being on the Banking and Finance Committee (negative) and public tenure (negative).

We then study our main hypothesis whether the congress members who voted yes for the deregulation bill are more likely to have corporate careers after leaving the Congress in Table 6. The logistic regression results for model (2) are presented in Table 6. Consistent with our hypothesis that public rent-seeking legislators use voting to enhance their employment in private sectors. In Panel A of Table 6, we find that the voting outcome is positively correlated with the

congress member's career choice after the vote. More specifically, the congress members who voted yes for the deregulation bill are more likely to work in the corporate position within 10 years after the vote. The positive coefficient of roll-call voting is statistically significant at 5 percent. The base line odds of corporate job are calculated as exponential of intercept, exp (-2.0649) = 12.68%. The yes roll-call voting increases the odds by more than 3 times to 41.12% (= exp (-2.0649) x exp (1.1761)). In Panel A of Table 6, we can also observe that representatives of the House who hold corporate positions in the 10 years before the vote, and republicans are more likely to hold corporate position after the vote. Corporate position before the vote increase the odds of getting corporate position after the vote to 23.15% (= exp (-2.0649) x exp (0.6017)), while republicans increase the odds to 19.82% (= exp (-2.0649) x exp (0.4465)).

When we use a narrow definition of corporate career as the dependent variable -the congress member held CEOs, employees, managers, or other positions in a corporation within 10 years after the vote. The results are similar with varying statistical significance. The voting has positive influence on the job afterwards and is still significant at 10 percent. The coefficient of roll call is statistically significant with positive value of 1.17. In addition, congress members who had taken private positions before the vote are more likely to land at private career after the vote. Party affiliation is still statistically significant at 10 percent. The results of corporation position (narrow) after the vote is presented in Panel B of Table 6. The results are similar to the Panel A with marginal changes in the statistical significance.

5. Endogeneity issue

One of the concern of the results in Table 6 in testing the hypothesis of public rent seeking is endogeneity issues. The results in table 6 can be spurious and confounding if the

factors, e.g. party affiliation, affect both roll-call voting and the corporate position after leaving the Congress. To address the endogeneity, in Table 7, we repeat the regression in Table 6, except that, instead of using the original voting outcome as independent variables, we use the residuals from the regression of roll call voting in equation (1). Here we focus on the broad definition of corporate positions before and after the vote. We present the regression results of three different types of residuals: the response residuals, which is calculated as the actual outcome minus the predicted probability from the regression; the Pearson residual, and the deviance residual. The residuals are designed to capture the component of voting outcome unexplained by the independent variables under equation (1). The results suggest that the unexplained portion of voting outcome is still significant in predicting the congress member's future career choices when we use the response residual and the deviance residual, but the significance level is lessened compared to the results in Table 6. When we use the Pearson residual, the voting outcome is no longer significant in predicting the congress member's future career choices.

The results of table 6 and 7 indicate that roll-call voting has positive influence on the corporate position after leaving the Congress by increasing the odds of landing in corporate position 3 times than base line. Furthermore, the positive influence of roll-call voting is independent of other variables such as party affiliation and the influence of corporate position before the vote. Those two factors have positive influence on the odds of working in corporate positions independent of its effect on roll-call voting.

To address endogeneity issue alternatively. we use interaction terms to test whether certain characteristics of the congress member impact the likelihood of them to use voting to pursue careers in the corporate positions. The first interaction term we use is roll-call voting and Party. We want to study whether republicans (or democrats) are more likely to use voting to

pursue careers in the corporate position after the vote. The results are presented in Table 8. The interaction term of roll-call voting, and party is not significant in predicting the career choices of the congress members, suggesting that party affiliation is not related with the tendency of using voting to pursue careers. The statistical significance of roll-call voting and corporate position before remains at 5%. When we use interaction term between roll-call voting and corporate position before, the interaction term is not significant, the significant of roll-call voting and party remains at 10%. The insignificance of interaction term implies that the positive influence of party, corporate position before on the logistic regression of corporate position after having independent effects on the career choice of representatives of House after leaving the Congress.

6. Conclusion

Do politicians have incentives and self-interests to use their position and political activities to enhance their careers? Specifically, do legislators use voting to purse private sector career after leaving the Congress? To test the legislators' public rent-seeking behavior to pursue private interests, we analyze the voting records on major financial deregulation - the Gramm-Leach-Bliley Act established in 1999 (S.900) and corporate position after leaving the Congress. We find that the representatives of House who vote for deregulations are more likely to end up in corporate jobs after leaving the Congress. The analysis of voting behavior in a major financial regulation - Gramm-Leach-Bliley Act of 1999 – show the members of Congress use voting to enhance their career. The results are not driven by endogeneity, i.e. party affiliation affects roll-call voting and the positive influence on corporate position after the vote. We find that the positive effect of roll-call voting is independent of other factors that potentially affect both roll-call voting and the corporate position after the vote. The results are consistent with public rent-

seeking of politicians and show that political capital is as valuable for politicians as for companies.

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Appendix
List of Variables

Variables	Definition
Roll call	Indicator variable that equals to 1 for yes vote and 0 for no vote of roll call on GLBA
Corporate position before the vote	Indicator variable that equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise;
Corporate position after the vote	Indicator variable that equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise;
Corporate position (narrow) before the vote	Indicator variable that equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; i.e. same as "Corporate position before the vote" excluding lobbyists, advisors, or attorneys
Corporate position (narrow) after the vote	Indicator variable that equals to 1 if the congress member worked under corporate organizations after the vote and 0 otherwise, i.e. same as "Corporate position after the vote" excluding lobbyists, advisors, or attorneys.
Party	Indicator variable that equals to 1 for republican, 0 for democrats, and missing otherwise;
Total PAC	Total PAC money for 1999 – 2000;
Financial PAC/Total PAC	The percentage of total PAC money from the contribution from the finance, insurance, and real estate sector.
Number of Committees	The total number of committees the congress member was on in the year of the vote.
Financial Committee	Indicator variable that equals to 1 if the congress member was on the Banking and Finance committee in 1999 and 0 otherwise.
Public Tenure	The difference between voting year 1999 and the Congress member's first year in Congress;
Public Tenure 2	The difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress;
Education background	
Law school	Indicator variable that equals to 1 for finishing JD and 0 otherwise;
College	Indicator variable that equals to 1 for finishing undergraduate degrees and 0 otherwise;
Doctoral Degree	Indicator variable that equals to 1 for finishing doctoral degrees and 0 otherwise;
Book Author	Indicator variable that equals to 1 if the congress member is also a book author and 0 otherwise;
Civic Experience	Indicator variable that equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise;
Gender	Indicator variable that equals to 1 for males and 0 for females;
Age	The difference between the voting year 1999 and the birth year of the Congress member;
Age 2	The difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year;

Table 1
S.900 - Gramm-Leach-Bliley Act House Roll Call Votes

This table reports the summary of the final roll call of Gramm-Leach-Bliley Act of 1999 (GLBA) and how we create the deregulation dummy variable from these votes.

Roll Call	Gramm-Leach-Bliley Act of 1999 (V570)
Date-time	11/4/1999-11:15 pm
Congress	106th
Content summary	Final vote for the Gramm-Leach-Bliley Act of 1999 (V570) also known as Financial Services Modernization Act "Yea" is a vote in favor of the financial deregulation
Deregulation Dummy (number of votes)	1- Yeas (362, consisting 207 republicans and 155) democrats) 0- Nays (57, consisting 5 republicans, 52 democrats, and 1 independent) Missing - Not voting (15)

Table 2

Descriptive Statistics

This table reports the summary statistics of the main variables used in the analysis. Roll call equals to 1 for yes vote and 0 for no vote of the final roll call of GBLA; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Corporate position (narrow) after equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public tenure is the difference between voting year 1999 and the Congress member's first year in Congress; Age is the difference between the voting year 1999 and the birth year of the Congress member; Public Tenure 2 is the difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress; Age 2 is the difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year; Total PAC is the total PAC donation in dollars for 1999 – 2000; Financial PAC/Total PAC is the percentage of total PAC money from the contribution in the finance, insurance, and real estate sector. Number of committees is the total number of committees the congress member was on in the year of the vote; Financial committee equals to 1 if the congress member was on the Banking and Finance committee in 1999 and 0 otherwise.

	Sample Statistics			Republicans			Democrats			Difference	
Variables	N	Mean	Std Dev	N	Mean	Std Dev	N	Mean	Std Dev	Diff (R-D)	t stat
Roll call (yes=1, no=0) *	419	0.864	0.343	215	0.977	0.151	203	0.749	0.435	0.228	7.08
Corporate position before*	434	0.274	0.447	226	0.358	0.481	207	0.184	0.388	0.175	4.18
Corporate position after*	434	0.249	0.433	226	0.327	0.47	207	0.164	0.371	0.163	4.02
Corporate position (narrow) before*	434	0.122	0.328	226	0.186	0.39	207	0.053	0.225	0.133	4.38
Corporate position (narrow) after*	434	0.118	0.322	226	0.164	0.371	207	0.068	0.252	0.096	3.18
Party (Republican =1, Democrat =0) *	433	0.522	0.5	226	1	0	207	0	0	1	-
Total PAC ($)	429	378,293	270,047	221	371,908	304,946	207	386,278	227,622	-14,370	-0.55
Financial PAC/Total PAC	426	0.163	0.116	219	0.196	0.125	206	0.129	0.095	0.067	6.24
Number of Committee	434	2.039	0.899	226	2.235	0.999	207	1.826	0.723	0.408	4.9
Financial Committee*	434	0.136	0.343	226	0.146	0.354	207	0.121	0.327	0.025	0.77
Public Tenure (years)	434	8.454	7.569	226	8.261	7.094	207	8.667	8.086	-0.406	-0.55
Public Tenure 2 (years)	434	16.488	7.563	226	15.996	7.081	207	17.019	8.055	-1.024	-1.4
College*	434	0.929	0.258	226	0.912	0.285	207	0.947	0.225	-0.035	-1.44
Law School*	434	0.359	0.48	226	0.345	0.476	207	0.377	0.486	-0.032	-0.68
Doctoral Degree*	434	0.083	0.276	226	0.088	0.285	207	0.077	0.268	0.011	0.42
Book Author*	434	0.115	0.32	226	0.111	0.314	207	0.116	0.321	-0.005	-0.17
Civic Experience*	434	0.611	0.488	226	0.637	0.482	207	0.58	0.495	0.058	1.22
Gender (male =1, female=0) *	434	0.876	0.33	226	0.929	0.257	207	0.816	0.388	0.113	3.53
Age (years)	432	53.051	9.888	225	52.8	10.462	206	53.301	9.259	-0.501	-0.53
Age 2 (years)	432	61.095	9.838	225	60.533	10.204	206	61.675	9.423	-1.141	-1.2

* indicates dummy variables

Table 3
Comparison of group who votes yes or no on the GLBA

This table reports the sample comparison results for congress members who voted yes, no, or abstain for the final roll call of GLBA. Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Corporate position (narrow) after equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public tenure is the difference between voting year 1999 and the Congress member's first year in Congress; Age is the difference between the voting year 1999 and the birth year of the Congress member; Public Tenure 2 is the difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress; Age 2 is the difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year; Total PAC is the total PAC donation in dollars for 1999 – 2000; Financial PAC/Total PAC is the percentage of total PAC money from the contribution in the finance, insurance, and real estate sector. Number of committees is the total number of committees the congress member was on in the year of the vote; Financial committee equals to 1 if the congress member was on the Banking and Finance committee in 1999 and 0 otherwise.

Variables	Yes	No	Abstain	Diff (Yes-No)		t-stats
Corporate position before*	0.29	0.158	0.333	**0.132**	**	2.09
Corporate position after*	0.268	0.07	0.467	**0.198**	***	4.78
Corporate position (narrow) before*	0.133	0.07	0.067	0.062		1.62
Corporate position (narrow) after*	0.127	0.018	0.267	**0.11**	***	4.42
Party (Republican =1, Democrat =0)*	0.58	0.089	0.733	**0.491**	***	10.58
Total PAC ($)	399,091	275,197	275,059	**123,894**	***	4.37
Financial PAC/Total PAC	0.175	0.093	0.161	**0.082**	***	7.88
Number of Committee	2.052	1.895	2.267	0.158		1.26
Financial Committee*	0.133	0.14	0.2	-0.008		-0.16
Public Tenure (years)	7.967	10.614	12	**-2.647**	**	-2.06
Public Tenure 2 (years)	15.983	19.07	18.867	**-3.087**	**	-2.36
College*	0.925	0.947	0.933	-0.022		-0.6
Law School*	0.367	0.298	0.4	0.069		1.01
Doctoral Degree*	0.083	0.07	0.133	0.013		0.33
Book Author*	0.094	0.211	0.267	**-0.117**	**	-2.06
Civic Experience*	0.622	0.544	0.6	0.078		1.12
Gender (male =1, female=0)*	0.884	0.789	1	0.095		1.66
Age (years)	52.823	54.25	54.067	-1.427		-1.2
Age 2 (years)	60.85	62.714	60.933	-1.864		-1.34

* indicates dummy variables

Table 4
Pearson Correlation Coefficients
Prob > |r| under H0: Rho=0

This table shows Pearson correlations among some of the main variables. Figures in bold indicate that they are significant within the 10% significance level. Roll call equals to 1 for yes vote and 0 for no vote; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public tenure is the difference between voting year 1999 and the Congress member's first year in Congress; Age is the difference between the voting year 1999 and the birth year of the Congress member; Total PAC is the total PAC donation in dollars for 1999 – 2000; Financial PAC/Total PAC is the percentage of total PAC money from the contribution in the finance, insurance, and real estate sector. Number of committees is the total number of committees the congress member was on in the year of the vote; Financial committee equals to 1 if the congress member was on the Banking and Finance committee in 1999 and 0 otherwise.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Roll call (1)											
Corporate Position before (2)	**0.102** *0.037*										
Corporate Position after (3)	**0.159** *0.001*	**0.196** *<.0001*									
Party (4)	**0.335** *<.0001*	**0.196** *<.0001*	**0.188** *<.0001*								
Total PAC (5)	**0.157** *0.001*	0.043 *0.371*	**0.196** *<.0001*	-0.027 *0.583*							
Financial PAC/Total PAC (6)	**0.243** *<.0001*	0.068 *0.163*	**0.110** *0.023*	**0.288** *<.0001*	**0.126** *0.009*						
Number of Committee (7)	0.062 *0.208*	**0.151** *0.002*	0.016 *0.733*	**0.227** *<.0001*	**-0.113** *0.020*	**0.083** *0.087*					
Financial Committee (8)	-0.008 *0.873*	0.058 *0.231*	**0.083** *0.085*	0.037 *0.442*	0.044 *0.368*	**0.391** *<.0001*	**0.245** *<.0001*				
Public Tenure (9)	**-0.121** *0.013*	**-0.334** *<.0001*	0.073 *0.131*	-0.027 *0.579*	0.025 *0.600*	-0.051 *0.291*	**-0.200** *<.0001*	**-0.134** *0.005*			
Civic Experience (10)	**-0.128** *0.009*	-0.044 *0.362*	0.026 *0.589*	-0.008 *0.862*	0.013 *0.792*	-0.029 *0.550*	0.008 *0.862*	0.046 *0.335*	**0.127** *0.008*		
Gender (11)	0.055 *0.265*	**0.131** *0.006*	0.066 *0.169*	0.059 *0.222*	-0.021 *0.666*	-0.001 *0.982*	-0.013 *0.795*	0.041 *0.394*	0.027 *0.579*	-0.037 *0.437*	
Book Author (12)	**0.097** *0.048*	0.028 *0.557*	**0.088** *0.068*	**0.171** *0.000*	-0.012 *0.804*	0.040 *0.411*	**0.086** *0.072*	-0.054 *0.260*	**0.150** *0.002*	0.027 *0.579*	-0.015 *0.760*

Table 5
Logistic Regression of the Roll Call

This table reports estimation results of cross-sectional logistic regression of the final roll call of GBLA outcome variable on congress members' personal characteristics. Roll call equals to 1 for yes vote and 0 for no vote; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public tenure is the difference between voting year 1999 and the Congress member's first year in Congress; Age is the difference between the voting year 1999 and the birth year of the Congress member; Total PAC is the total PAC donation in dollars for 1999 – 2000; Financial PAC/Total PAC is the percentage of total PAC money from the contribution in the finance, insurance, and real estate sector. Number of committees is the total number of committees the congress member was on in the year of the vote; Financial committee equals to 1 if the congress member was on the Banking and Finance committee in 1999 and 0 otherwise. '***', '**', and '*' represent significance at 1%, 5%, and 10% levels, respectively.

Panel A: Dependent variable: Roll call

Parameter	Estimate		Standard Error	Wald Chi-Square	Pr > ChiSq
Intercept	-1.283		1.408	0.830	0.362
Corporate position before*	-0.324		0.480	0.454	0.500
Party (Republican =1, Democrat =0)*	2.835	***	0.591	23.032	<.0001
Total PAC ($)	0.000	***	0.000	12.449	0.000
Financial PAC/Total PAC	8.467	***	2.587	10.713	0.001
Number of committees	0.088		0.248	0.126	0.723
Financial Committee*	-1.169	*	0.605	3.731	0.053
Public Tenure (years)	-0.061	**	0.028	4.769	0.029
College*	-0.450		0.759	0.352	0.553
Book Author*	-0.772		0.497	2.409	0.121
Civic Experience*	0.347		0.362	0.915	0.339
Gender (male =1, female=0)*	0.235		0.455	0.267	0.605
Age (years)	0.016		0.021	0.572	0.450

Pseudo R square: 0.2196

* indicates dummy variables

Panel B: Dependent variable: Roll call

Parameter	Estimate		Standard Error	Wald Chi-Square	Pr > ChiSq
Intercept	-1.019		1.454	0.518	0.472
Corporate position (narrow) before*	-0.917		0.736	1.261	0.262
Party (Republican =1, Democrat =0)*	3.032	***	0.647	22.055	<.0001
Total PAC ($)	0.000		0.468	0.032	0.858
Financial PAC/Total PAC	8.320		0.399	0.417	0.519
Number of committees	0.048		0.773	0.500	0.479
Financial Committee*	-1.220		0.675	0.477	0.490
Public Tenure (years)	-0.060		0.508	2.663	0.103
College*	-0.458		0.361	1.028	0.311
Book Author*	-0.748	**	0.028	4.441	0.035
Civic Experience*	0.345		0.022	0.402	0.526
Gender (male =1, female=0)*	0.153	***	0.000	12.819	0.000
Age (years)	0.014	***	2.554	10.809	0.001

Pseudo R square: 0.2216

* indicates dummy variables

Table 6
Logistic Regression of Corporate Position after the Roll Call

This table reports estimation results of cross-sectional logistic regression of the corporate position after the final roll call of GBLA on congress members' voting decision and personal characteristics. Roll call equals to 1 for yes vote and 0 for no vote of the final roll call of GBLA; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Corporate position (narrow) after equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public Tenure 2 is the difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress; Age 2 is the difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year. '***', '**', and '*' represent significance at 1%, 5%, and 10% levels, respectively.

Panel A: Dependent variable: Corporate position after

Parameter	Estimate		Standard Error	Wald Chi-Square	Pr > ChiSq
Intercept	-2.0649	**	1.1274	3.3545	0.067
Roll call (yes=1, no=0) *	1.1761	**	0.5587	4.4319	0.0353
Corporate position before*	0.6017	**	0.2721	4.8884	0.027
Party (Republican =1, Democrat =0) *	0.4465	*	0.2573	3.0116	0.0827
Public Tenure 2 (years)	-0.00474		0.0214	0.0488	0.8252
College*	-0.2404		0.4375	0.3019	0.5827
Book Author*	0.2107		0.3924	0.2882	0.5914
Civic Experience*	0.2238		0.2549	0.7711	0.3799
Gender (male =1, female=0) *	0.499		0.4235	1.3882	0.2387
Age 2 (years)	-0.0149		0.015	0.9946	0.3186

Pseudo R square: 0.0723

* indicates dummy variables

Panel B: Dependent variable: Corporate position (narrow) after

Parameter	Estimate		Standard Error	Wald Chi-Square	Pr > ChiSq
Intercept	-2.8968	*	1.7006	2.9014	0.0885
Roll call (yes=1, no=0) *	1.8189	*	1.0651	2.9164	0.0877
Corporate position before*	1.3681	***	0.3949	12.0031	0.0005
Party (Republican =1, Democrat =0) *	0.3394		0.368	0.8507	0.3564
Public Tenure 2 (years)	-0.0118		0.0304	0.1498	0.6987
College*	0.00286		0.6002	0	0.9962
Book Author*	0.6		0.4798	1.5642	0.211
Civic Experience*	-0.1689		0.3411	0.2452	0.6205
Gender (male =1, female=0) *	0.8798		0.658	1.7874	0.1812
Age 2 (years)	-0.0327		0.0202	2.62	0.1055

Pseudo R square: 0.0812

* indicates dummy variables

Table 7
Logistic Regression of Corporate Position after the Roll Call with Residuals

This table reports estimation results of cross-sectional logistic regression of the corporate position after V570 variable on residual from Equation (1) and personal characteristics. P-value is reported in parenthesis next to each variable. Roll call equals to 1 for yes vote and 0 for no vote of the final roll call of GBLA; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Corporate position (narrow) after equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public Tenure 2 is the difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress; Age 2 is the difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year. Response residual is the actual voting outcome – the predicted probability; Pearson residual is the response residual divided by the square root of the variance function; Deviance residual is the measure of deviance contributed from each observation. '***', '**', and '*' represent significance at 1%, 5%, and 10% levels, respectively.

Dependent variable: Corporate position after

Parameter	**Response residual**			**Pearson residual**			**Deviance residual**		
Intercept	-1.270		(0.211)	-1.246		(0.221)	-1.302		(0.201)
Response residual from Equation (1)	0.917	*	(0.082)						
Pearson residual from Equation (1)				0.293		(0.136)			
Deviance residual from Equation (1)							0.364	*	(0.089)
Corporate position before*	0.596	**	(0.030)	0.596	**	(0.030)	0.594	**	(0.031)
Party (Republican =1, Democrat =0) *	0.617	**	(0.016)	0.595	**	(0.019)	0.623	**	(0.015)
Public Tenure 2 (years)	-0.010		(0.649)	-0.009		(0.673)	-0.009		(0.672)
College*	-0.145		(0.748)	-0.138		(0.760)	-0.145		(0.749)
Book Author*	0.177		(0.651)	0.178		(0.648)	0.186		(0.633)
Civic Experience*	0.218		(0.400)	0.208		(0.421)	0.214		(0.408)
Gender (male =1, female=0) *	0.646		(0.143)	0.643		(0.144)	0.633		(0.151)
Age 2 (years)	-0.015		(0.326)	-0.015		(0.316)	-0.015		(0.321)
Pseudo R square	0.0654			0.0642			0.0651		

* indicates dummy variables

Table 8

Logistic Regression of Corporate Position after with Interaction Terms

This table reports estimation results of cross-sectional logistic regression of corporate position after on congress members' voting decision and personal characteristics. In this regression, we include the interaction terms with party and corporate position before. P-value is reported in parenthesis next to each variable. Roll call equals to 1 for yes vote and 0 for no vote of the final roll call of GBLA; Corporate position before equals to 1 if the congress member worked under corporate organizations within 10 years before the vote and 0 otherwise; Corporate position after equals to 1 if the congress member worked under corporate organizations within 10 years after the vote and 0 otherwise; Corporate position (narrow) before equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years before the vote and 0 otherwise; Corporate position (narrow) after equals to 1 if the congress member worked under corporate organizations but didn't hold titles including lobbyists, advisors, or attorneys in a corporation within 10 years after the vote and 0 otherwise; Party equals to 1 for republican, 0 for democrats, and missing otherwise; Gender equals to 1 for males and 0 for females; Law school equals to 1 for finishing JD and 0 otherwise; College equals to 1 for finishing undergraduate degrees and 0 otherwise; Doctoral degree equals to 1 for finishing doctoral degrees and 0 otherwise; Book Author equals to 1 if the congress member is also a book author and 0 otherwise; Civic experience equals to 1 if the Congress member has civic experience listed on his/her resume and 0 otherwise; Public Tenure 2 is the difference between the congress member's last year and the first year in congress. If the member didn't leave Congress by 2009, we set the Public Tenure 2 as the difference between 2009 and his/her first year in Congress; Age 2 is the difference between the member's last year in Congress and his/her birth year. If the member didn't leave Congress by 2009, we set the Age 2 as the difference between 2009 and the birth year. Response residual is the actual voting outcome – the predicted probability; Pearson residual is the response residual divided by the square root of the variance function; Deviance residual is the measure of deviance contributed from each observation. '***', '**', and '*' represent significance at 1%, 5%, and 10% levels, respectively.

Dependent variable: Corporate position after

Parameter					
Intercept	-2.212	*	(0.058)	-2.025	* （0.077）
Roll call*	1.333	**	(0.036)	1.119	* （0.079）
Roll call x Party	-0.843		(0.530)		
Roll call x Corporate position before				0.222	（0.860）
Corporate position before*	0.596	**	(0.029)	0.389	（0.753）
Party (Republican =1, Democrat =0) *	1.263		(0.339)	0.447	* （0.082）
Public Tenure 2 (years)	-0.005		(0.826)	-0.005	（0.818）
College*	-0.249		(0.570)	-0.237	（0.588）
Book Author*	0.207		(0.598)	0.217	（0.582）
Civic Experience*	0.228		(0.372)	0.223	（0.382）
Gender (male =1, female=0) *	0.493		(0.245)	0.500	（0.238）
Age 2 (years)	-0.015		(0.330)	-0.015	（0.326）
Pseudo R square	0.0731			0.0724	

* indicates dummy variables