

Chapter 1

Introduction

Although important studies of the effects of human capital in the market sector can be expected, I anticipate that the excitement will be generated by studies of its effects in the nonmarket sector.

—Gary S. Becker, *Human Capital*

As the subtitle suggests, this book concerns the marketability of political skills, where *marketability* refers to the speed and ease with which securities can be sold and *securities* represent instruments indicative of ownership or rights to ownership. Applied to politics, then, our inquiry deals with how political skills (or securities) acquired through elected office translate into salable commodities after politicians leave office—or, put more simply, the economic value political skill sets (politicians’ “human capital”) command in the marketplace. These types of questions do not normally preoccupy political scientists, although economists, particularly labor economists, are no doubt quite familiar with such topics. Yet we have fashioned this inquiry to be more than a first shot at an economic analysis of the labor market for politicians. It would be more accurate to say that this book concerns the connection of what politicians do in office to what they do after they leave office and how political institutions operate in this regard. We demonstrate that the acquisition of marketable human capital through institutional service is relevant if not essential for a broader understanding of politics.

The acquisition of human capital within political institutions provides more than just another useful perspective from which to view the actions of politicians while on the job. Of greater significance is the extent to which this approach yields fresh insights into the operations of institutions and the motivations and behavior of politicians, raising imaginative questions about how and why elected officeholders acquire political skills, the economic effects of doing so, and political institutions’ role in that endeavor. In the process, we touch on important issues about Congress and the legislative process, such as the economic imprint of specialized and general training in congressional politics, the allure of lobbying, the effects of special interest money in legislatures, and the impact of generational changes in congressional membership. We hope that readers expecting a simple account of what happens to legislators after they leave Congress will be pleasantly surprised.

Understandably, our analysis supplies different versions of conventional conclusions about politicians, especially legislators; we think of it as only “picking up the other end of the stick” (Kuhn 1996, 85)—that is, expanding the purview of normal or routine inquiry beyond the here and now of politics (for example, elections) to include the postelective careers of officeholders as well. We recognize that theories are merely instruments of inquiry, and other theories may also explain the same set of facts about the postelective employment of legislators. Nonetheless, we are confident that none of these theories can account for the range and diversity of facts, or their interconnectedness, with the degree of simplicity found in applying our set of human capital propositions.

One final point, lest our intentions be misconstrued: we are not attempting to undermine the reelection assumption or any other motivation, for that matter. Nor are we, in the end, hoping to justify the grooming of legislators for lobbying. Ours is merely an earnest desire to better understand why politicians behave in the manner they do and how political institutions shape their actions. We recognize that these are timeless issues in political analysis, but we do not offer our human capital interpretation as the final word on these matters; we expect, however, deservedly or not, that our approach will stir substantial controversy, leading to new questions to explore and revisiting old answers, which is always healthy for inquiry.

Human Capital in Politics

One of the dilemmas tormenting political scientists and economists is trying to explain why candidates literally spend millions of dollars to obtain public offices that provide compensation that amounts to only a fraction of these costs. This paradox has provided fodder for attacks on the blatant corruption of political officials and likewise for assaults on politicians’ rationality. The arguments are straightforward: the only reason rational politicians would spend more to obtain public office than they receive in remuneration is either because they collect quasi-legal pay under the table in addition to their salaries, or because they behave less strategically than rationality would dictate. We believe another explanation exists: political office represents investments that are expected to accrue value, like any other security. Whereas doctors and lawyers spend tens of thousands of dollars acquiring postdoctorate degrees and certifications that will more than offset these exorbitant educational expenses, holding office also represents an investment of a sort—specifically, an investment in on-the-job training—that similarly pays off for

politicians when they leave office. The postelective employment of former fourteen-term Representative Richard Gephardt, for instance, exemplifies some of the ways in which congressional training can payoff.

Most people know that life after Congress can be very lucrative. . . . But few people know what that work entails. In Gephardt's case, it involves an astonishing array of projects. He has brokered labor settlements, cleared the way for corporate acquisitions, represented a foreign country and pushed for cutting-edge health programs—only some of which fit the stereotype of lobbying. . . . *Indeed, a lot of what Gephardt does is an extension of what he used to do, especially in Congress.* Only now he has paying clients from the private sector. (Birnbaum 2007, 1)

In short, politicians spend hefty amounts of money to obtain and stay in public office because they expect a good return on their investments.

The Human Capital Premise

The basic premise underlying our study is that politicians invest their time and themselves in acquiring human capital—that is, skills, knowledge, information, expertise, reputation, and the like—that become embedded or embodied within them. They do so in large part to improve their lot in the future; rational politicians think and plan prospectively, not merely for the next campaign but beyond that, too. “The concept of human capital, or ‘hard core’ of the human-capital research program, is the idea that people spend on themselves in diverse ways, not for the sake of present enjoyments, but for the sake of future pecuniary and non-pecuniary returns” (Blaug 1976, 829). Given this definition, it is easy to see why a leader in human capital research, Ben-Porath (1967, 353), has characterized human capital “as a concept analogous to ‘machines’ in the case of tangible capital.”

We should, however, quickly distinguish human capital from other forms of capital. Human capital is rooted in the investing individual, while nonhuman capital is property income; labor compensation, for example, constitutes the return on investment in human capital, while the return on nonhuman investments, such as research and development, typically occurs in terms of royalties. Nonhuman factors of production include plants and equipment, advanced technological tools, rental space, physical infrastructure, and intangibles such as patents, copyrights, and so forth.

Despite the centrality we attribute to human capital production in politics, we do not feel that this is an all-consuming motivation of politicians, like perhaps reelection (Mayhew 1974); nonetheless, investments in human capi-

tal need not directly enter politicians' utility functions to significantly affect their behavior. Skill accumulation only has to profitably increase the marginal productivity of future employee-politicians, and therefore their potential marketability, to shape politicians' behavior in the present. This is not to deny that politicians' behavior reflects manifold considerations, such as electoral contingencies, constituency preferences, and party. We are merely stating the obvious: if politicians act rationally, we can expect their behavior to be geared toward self-interested ends. Consideration of postelective employment obviously is one such end.

Careers in political office are of course not necessarily short-lived, and particularly not with regard to the subset of politicians studied here—specifically, members of Congress. Therefore, a good case could be made that electorally safe politicians, like Becker's (1968) characterization of criminals, do not fear the occupational risks associated with their jobs. Yet even safe politicians realize that the unexpected may occur (for example, adverse national forces), resulting in the loss of office (Mann 1978). Politicians consequently must plan for the future, which often means anticipating their marketability. Thus, the specter of losing office leads rational, risk-averse politicians to plan for the perils and uncertainties of unemployment.

Human Capital and Politicians' Wealth Gains

Characterizing the behavior of politicians in terms of investments in human capital offers an alternative to the rather pervasive "dark" economic treatments of politicians as wealth maximizers—that is, manipulating their offices for economic gain (see, for example, McCormick and Tollison 1981; McChesney 1987; Rose-Ackerman 1999). It is of course hard to ignore the role of politicians and institutions in engineering wealth transfers and the desire of groups and individuals, including politicians, to obtain such transfers. Wealth gains also enter our model, but in a more subtle and less direct way. Simply put, politicians profit as a consequence of accumulating marketable political skills.

In our model, rational politicians obtain material benefits but do not do so through any devious manipulation of policies or office prerogatives, as in private-gain interpretations. Rather, in our thinking, politicians anticipate the returns that can be obtained through on-the-job investments in human capital and accordingly adjust their activities in office. Legislators then seek out experiences, information, and skills in Congress that enhance their attractiveness to future employers. While unmistakably continuing to reap measurable economic benefit from service in Congress, legislators profit from the skills they have acquired, the contacts they have made, and more generally the human capital they have accumulated.

We recognize that ours may be a relatively docile treatment of the wealth gains obtained vis-à-vis public service employment. For instance, we skirt the issue of the value of the economic returns gained through bribery (see, for example, Rose-Ackerman 1999) or the extortion of rents by avaricious officeholders (McChesney 1987; Parker 1996), but we do not do so out of ignorance of these returns; we recognize that these phenomena, too, constitute economic earnings from officeholding. However, it is virtually impossible to collect reliable and systematic information on these sources of monetary benefit aside from the occasional exposé of bribery in office. Therefore, our treatment of the economic boon derived from public office, like most empirical studies of this phenomenon, will necessarily be incomplete to the extent that bribes and rents constitute a normal return of public office, an empirical question not only beyond the confines of the present analysis but also steeped in considerable controversy. As novel as the study of human capital in politics might be in terms of shifting attention to new questions, what riches might it hold for the study of Congress?

Why Study Human Capital and Congressional Behavior?

Rational-behavior models of legislatures frequently focus on the electoral benefits derived from congressional activities (Mayhew 1974; Fiorina 1989), principal-agent issues (Kalt and Zupan 1984; Peltzman 1984; Denzau and Munger 1986; Lott 1987), or the rents obtained through officeholding (Rose-Ackerman 1978; McChesney 1987; Parker 1996). We add to this repertoire by offering the view that legislatures provide opportunities for members to acquire unique political skills, including knowledge of the intricacies of the federal bureaucracy and the lawmaking process, experience in making public policy, and contacts in government. All of these skills are economically valuable to groups doing business with government, a category that includes most groups in society, from universities to large industries.

Economic Effects of Congressional Experiences

Legislators acquire political skills with the expectation that this human capital can subsequently be rented in the labor market after leaving Congress. Rationality leads legislators to consider their lives (and livelihoods) beyond Congress and the attendant prospects of reentering the labor force; accordingly, legislators prepare for this eventuality during their terms in office by acquiring suitable human capital. Legislative activities provide opportunities

for members to acquire valuable political skills with potential economic pay-offs. Not surprisingly, most legislators avail themselves of these opportunities. These economic returns, realized after leaving Congress, provide an underappreciated rationale for legislators' activities.

Those possessing these political skills have the wherewithal to manipulate governmental policies to promote group goals, which makes them economically valuable to most societal interests. This statement probably is not much of a revelation to members of Congress, if we are to judge by the length of time legislators spend acquiring human capital and the wages left behind when entering office (table 1.1).¹ Indeed, the effects of training on postelective salaries rival those associated with precongressional salaries (chapter 6)²

TABLE 1.1. Mean Salaries for Former Legislators' Precongressional Vocations

Vocation	Mean Salary (\$)	S.D. (\$)	Number of Cases
Lobbyist	268,215		1
Nonprofit/Education	159,903	68,499	16
Private sector and financial	307,480	323,247	76
Lawyer	330,420	251,917	73
Public service (government)	168,909	147,324	48

Source: Authors' survey of former members of Congress, 2004.

Note: Salaries have been converted to 2004 dollars. These salary differences are statistically significant in an analysis of variance (ANOVA) test ($\alpha < .003$). See note 1 to this chapter. S.D. = standard deviation.

1. The salaries reported in table 1.1 are statistically different as determined through a one-way ANOVA ($\alpha < .003$). Unfortunately, however, the Levene statistic is highly significant, indicating that the variances are not homogeneous, thereby complicating the conclusions drawn from the analysis. Consequently, we applied a conservative one-way ANOVA post-hoc test that uses multiple pairwise comparisons—specifically, Tamhane's T2, which is based on the *t*-test and does not rely on equality of variances as one of its assumptions—to test for occupational differences in the salaries of entering legislators. Pairwise multiple comparisons test the differences between each pair of means in terms of their statistical significance. The patterns embedded in the resulting matrix of salary comparisons indicated significant differences among occupations.

Regardless of the test (for example, Tamhane's T2, Dunnett's T3 or C, or Games-Howell) every occupational comparison test reveals significant differences ($\alpha < .05$) with two (of the three) other occupational groupings; the smallest and least significant differences occur between those reporting the lowest precongressional salaries—that is, those entering Congress from educational and philanthropic institutions and public or governmental service. With respect to these post-hoc tests, we have removed the single legislator who was a lobbyist before entering Congress from the analysis, since such tests cannot be conducted when (occupational) categories have fewer than two observations.

2. The salaries of former legislators have been converted in all instances to 2004 dollars. The general formula is:

$$\text{Real Salary (2004 dollars)} = \text{Nominal Salary (year)} / [\text{CPI (year)} / \text{CPI (2004)}].$$

The consumer price index (CPI) is based on statistics calculated by the U.S. Department of Labor, Bureau of Labor Statistics.

despite the latter's incorporation of economically valuable talents and endowments. Individuals may have a knack for politics, but job training in Congress is a first-rate substitute, especially when looking for a job.

Uniqueness of Work Environment

We believe our findings and conclusions are applicable to politicians by and large, although our empirical analysis is based on the career patterns of a particular group of politicians—former members of the U.S. House of Representatives and Senate. We focus on the behavior of ex-legislators both during and after exiting Congress because our theory emphasizes the effects of job training in political institutions in creating marketable political skills. We feel that among all political structures, Congress provides both unique on-the-job learning experiences and the acquisition of novel political skills.

There are of course plenty of examples of members of the Federal Reserve going to work for investment houses, accounting firms hiring former internal revenue administrators, and Justice Department attorneys joining private law firms, and all no doubt merit human capital analysis. But what makes members of Congress unique is the fact that their training experiences are unrivaled. For example, the legislative know-how derived from trading votes, developing expertise about legislative practices and procedures, and drafting legislation represents a rather arresting array of skills that can be obtained through years of congressional service. Thus, legislatures provide settings whereby politicians acquire untold information, skills, and experiences as by-products of their involvement in lawmaking.

Perhaps what is most intriguing about on-the-job training experiences in Congress is that they are applied to important, real-life problems—that is, significant questions and controversies relating to society and everyday life. Such experiences augment members of Congress's attractiveness to potential employers—whether they are philanthropic foundations, educational institutions, municipalities, or trade organizations—because groups willingly lay these problems at the doorstep of government. Despite—or perhaps because of—the uniqueness of their political skills, legislators face a narrow (that is, specialized) market for their services, primarily lobbying.

Why Study the Postelective Employment of Former Legislators?

Even if we admit that analyses of the accumulation of human capital are worthy of inquiry, the question could still be asked: Why study the postelective ca-

reers of legislators in particular? The lack of attention this topic has received might lead to the question of whether it really warrants any study whatsoever. After all, a great deal of scholarly research examines why legislators or politicians retire (see, for example, Hibbing 1982a, 1982b; Hall and Van Houweling 1995; Groseclose and Krehbiel 1994; Coates and Munger 1995; Moore and Hibbing 1998; Theriault 1998; Bernstein and Wolak 2002) or seek higher office (for two early classics on this topic, see Schlesinger 1966; Prewitt 1970). Yet little attention has been dedicated to the postelective careers of politicians as they reenter the workforce (for notable exceptions, see Lott 1990; Parker 1996, 2004; Diermeier, Keane, and Merlo 2005).

Relevance of Information

If, like most employees, rational legislators plan for the future during the present, neglect of postelective concerns seems certain to impoverish our understanding of Congress as well as shortchange our explanations of congressional behavior. We might seek comfort by rationalizing that only a few legislators harbor such postelective designs, but we would be deluding ourselves, since the vast majority of members of Congress do not turn to a life of leisure and relaxation after leaving the institution. Most find other jobs, frequently abandoning their precongressional occupations in the process; as we demonstrate in chapter 5, they can do so because they have accumulated human capital through on-the-job training in congressional politics.

Because many legislators leave Congress to assume income-earning jobs, it stands to reason that they engage in activities to obtain skills increasing the market value of their human capital. As a result, questions naturally emerge about the processes of skill acquisition and the economic value attached to these skills in the marketplace. To address these issues, we are drawn to an examination of the careers of politicians both while in office and after leaving office. Doing so enables us to estimate the effects of different investment strategies on subsequent returns from officeholding, in particular, job mobility and postelective employment earnings. For example, we can link the returns from officeholding to service and experiences in party or committee leadership posts or membership on certain types of committees. Knowledge of the payoffs of various congressional activities helps us better understand the rationale underlying legislators' career choices.

Postelective career considerations may be important for another reason: legislators may currently prepare for their postelective careers not merely by acquiring skills but also by some form of job signaling. Because economic and political employment loom large in postelective planning, accounting for

about 20 percent of the reasons offered by those who acknowledged thinking about what they would do after leaving Congress (table 1.2),³ we might imagine legislators as emitting job signals—for example, by casting votes or transferring to clientele-servicing committees. Such information would be invaluable to potential employers, who, wary of the asymmetries in information and moral hazards that inevitably plague politics (see, for example, Crain, Leavens, and Tollison 1986; Weingast and Marshall 1988), are desperate for reliable evidence of future behavior before making hiring decisions. Legislators' postelective employment choices could provide an opportunity to intercept, isolate, and trace these signals back to in-office actions.

Finally, analyses of the postelective careers of legislators can best address the question of why the latter so readily become lobbyists, as the literature suggests, after leaving office. That is, what types of congressional investments and experiences lead to postelective employment as lobbyists? We might say,

TABLE 1.2. "Was There Anything in Particular That Made You Think about What You Would Do when You Left Congress?"

Reason	Frequency	%
Electoral threat hastened planning	9	3.9
Economic opportunities	16	7.0
Political opportunities	9	3.9
Noneconomic interests	21	9.2
Prior experience and background	24	10.5
Nothing (stated as such)	7	3.1
Blank (no reason given)	20	8.7
Always planned on leaving Congress	3	1.3
Wanted to retire	10	4.4
Other	6	2.6
Never thought about it	97	42.4
Refuse to answer (specified)	7	3.1
Total	229	100.0

Source: Authors' survey of former members of Congress, 2004.

Note: Table title is actual wording of survey question.

3. The exact wording of the question was as follows: "Was there ever a time during your congressional career that you anticipated working at the job you held immediately after leaving Congress?" Those who responded "yes" to this query—that they had given thought to what they might do after leaving Congress—were then asked, "Was there anything in particular that made you think about what you would do when you left Congress?" The figures cited in the text exclude refusals and those who never thought about what they would do after leaving Congress. A total of 104 respondents are therefore excluded from the calculation. The large percentage of former legislators who never thought about what they would do after leaving Congress (42.4 percent, table 1.2) is not unexpected, because service in Congress is a career in most respects and because the electoral advantages of incumbency ensure longevity in office.

to paraphrase Becker's (1968) wry description of criminals, politicians are not born to eventually become lobbyists, as seems so common in today's Congress; rather, they just face different costs and returns and invest accordingly by pursuing on-the-job experiences that are pertinent only to a narrow range of occupations—primarily lobbying.

Legislators as Lobbyists

Some scholars might quibble with our perspective on politics by contending that only during the course of officeholding do politicians really influence policy outcomes. Thus, it is rather irrelevant, or perhaps even foolish, to study politicians' postelective careers, since their out-of-government employment pushes their behavior beyond the threshold of interest for students of politics. We feel that such arguments severely limit our understanding of political decision making by diverting attention away from ways in which politicians influence policy-making after they leave office—for example, through the skillful use of their knowledge and contacts to lobby former colleagues. By characterizing politicians as merely executing the responsibilities of their office (such as casting votes and formulating legislation) or even using their positions for expressing their own opinions (that is, shirking), we give short shrift to another important asset at their disposal in shaping policy—namely, their hands-on experience in government—that makes them effective lobbyists.

Lobbyists are frequently characterized as the handmaidens of special interests. Indeed, if one resilient black mark has stained American democracy, it is the perceived diabolical influence of special interests in politics. They are ubiquitous, frequently lampooned in cartoons, and, with rare exception, vilified in journalistic treatments, but only a fool would doubt lobbyists' effectiveness. We have long recognized that their reach goes well beyond working their will at election time and supplying campaign monies (see, for example, Dahl 1956, 130–33). We now suspect that lobbyists are not above enticing politicians with the prospects of future employment as a means of obtaining benefits in the present (see, for example, Eckert 1981). The rather sordid implication is that politicians who do favors for special interests are rewarded with postelective employment.

Reformers and media investigators have been among the first and loudest to bemoan politicians' willingness to accept postelective employment with the same interests they were responsible for overseeing or regulating while in office. And this argument is echoed throughout the rent-seeking literature. Still, the evidence supporting a postelective employment "bonus" for loyal in-office service to special interests is mostly anecdotal. Without explicit knowl-

edge of how the postelective careers of ex-legislators unfold, it is difficult to assess the validity of this claim or even to challenge it.

Here we offer a contrasting perspective: politicians receive postelective employment through the auspices of special interests, at least partially as a result of the skills they have acquired in politics, which makes them valuable employees. In short, postelective jobs, even as lobbyists, go to the well-trained and not to the useless or the incompetent, no matter the legislative favors supplied to special interests while in office. As we explore the postelective careers of former legislators, we weigh the evidence surrounding two contrasting interpretations of postelective employment: Does postelective employment represent an *ex post facto* payoff for services rendered to special interests while in office, or does it reflect demand for the skills and knowledge accumulated through training in congressional politics? The study of the postelective employment of legislators deals with another equally important issue: the relative economic value of the acquisition of general or specialized political skills.

Specialized and General Training

Scholars long seem to have ignored the obvious fact that Congress couples training in legislative politics with the making of laws; in so doing, we have overlooked the role of political institutions in the production of human capital. Consequently, we have minimized the importance of these structures for enhancing skills relevant to postelective vocations. The significance of congressional structures such as committees and processes such as logrolling is not merely that they determine how policies are enacted; they also equip legislators with the necessary human capital to make something of themselves after leaving Congress.

We are not the least bit surprised by Frisch and Kelly's (2006, 94) well-documented conclusions about congressional committee assignments: "Members are motivated by policy concerns and the desire to accrue political power as much or more than they are concerned about reelection or the need for their committee assignment to reflect some major interest in their district." Frisch and Kelly demonstrate that politicians harbor motivations that stretch beyond those commonly associated with constituency interests and elections; however, the authors failed to notice that such motivations (that is, policy and power) may represent more than just another set of Fenno-like member goals (Fenno 1973). These motivations also underlie the acquisition of specific and general human capital in congressional politics.

Just as the general practitioner still has a role to play in medicine and the

treatment of patients despite vast specialization in medical careers, so, too, the generalist has a role to play in politics, especially congressional politics. Both specialized and general training in congressional politics are important, and both are prized inside and outside of Congress. The arguments about training's effects on the internal workings of Congress are quite familiar: specialists help Congress counter the expertise of the executive branch, while generalists ensure that the specialized operation of the institution does not lose sight of the broader picture—the forest rather than individual trees, so to speak.

But more importantly from our perspective, each constellation of skills produces different types of economic returns. Specialization pays off not merely in lubricating the passage of laws by ensuring expertise, reciprocity, and deference, for example, but also in equipping legislators with skill packages that ensure a degree of job mobility. Those receiving a general education in legislative politics, conversely, receive the largest postelective salaries because their inclusive skill packages provide greater employment options, thereby enabling them to maximize their wages.

The value of specialization has universal appeal within political science as well as economics, especially with respect to the study of Congress, an institution that seems to epitomize specialization and its benefits. We have no quarrel with this conventional interpretation or the reverence generally accorded specialization. However, we feel that general training in congressional politics—that is, the acquisition of broad and inclusive sets of legislative skills—has been underappreciated and therefore undervalued almost everywhere except in the marketplace. The economic trade-offs between specialization and a more general training in congressional politics are best judged by analyzing the returns to these investment decisions; this process leads to an examination of legislators' postelective salaries and to the tracking of their postelective careers.

Structure of the Inquiry

Our analysis is based largely on a mail survey of 229 former members of Congress—214 former members of the House of Representatives and 15 ex-senators—conducted from September through December 2004. Three waves of mailings were employed in obtaining these interviews. Although survey researchers quibble to some extent about what constitutes an acceptable return rate for mail surveys, our rate of return (45 percent) would be considered acceptable according to the standards promulgated by most survey practitioners.

Survey

Our survey respondents were drawn from an original list of 513 (living) former U.S. senators and representatives who were members of a nonprofit organization, the U.S. Association of Former Members of Congress, as of January 2004. In chapter 3, we assess the representativeness of our sample and the membership list from which it was drawn relative to a variety of characteristics possessed by living ex-members of Congress.

The survey probed such issues as salaries before and after entering Congress, types and number of jobs held before and after leaving Congress, skills acquired while in Congress and how they benefited postelective employment, and legislator satisfaction with postelective employment opportunities. These data permit us to develop a panel of legislators and to track their postelective employment histories for a considerable period after they exited the institution. When these survey data are matched with publicly available data about the same legislators, we can tie the postelective careers of representatives and senators to their behavior while serving in Washington, such as their committee assignments.

While our study addresses conventional issues about Congress that others have studied, our analysis is unique in addressing broader issues about the marketability and economic value of elective office. In this regard, we examine three important economic effects of politicians' investments in human capital: (1) the range of skills acquired through on-the-job training opportunities; (2) the mobility in postelective employment resulting from human capital production; and (3) the expected earnings returned by investments in human capital. Each economic effect forms the focus of one of the three substantive chapters (chapters 4–6).

Chapter Outline

Before exploring the effects of legislators' investment decisions in chapters 4–6, we develop a theory that translates the behavior of politicians and the role of political institutions into terms consistent with Becker's (1993) framework for the study of human capital. Chapter 2 explains the concepts, assumptions, and hypotheses in our theory of politicians' investments in acquiring political skills and knowledge. Following the presentation of the theoretical framework, chapter 3 describes the methods underlying the inquiry, addressing issues of sample representativeness and bias, introducing the statistical model, and briefly describing the accompanying independent and dependent variables.

The substantive analysis begins with chapter 4, where we describe the human capital acquired in and marketed after leaving Congress. In addition, we analyze legislators' investments in on-the-job training and how they relate to the breadth of skills acquired through congressional service. Chapter 5 examines how specialized training in congressional politics promotes career mobility. We analyze ex-legislators' precongressional occupations and postcongressional employment and the factors underlying career changes. Here we also examine the pull or attraction of lobbying—the “lobbying trap”—and assess the possibility that lobbying by ex-legislators may be naturally constrained by something akin to a life cycle. Chapter 6 deals with a fundamental question in this inquiry: What is the economic value of congressional service? In particular, how does on-the-job training in congressional politics affect subsequent postelection salaries? This chapter also addresses the extent to which specialized legislator training is subsidized by groups, while those opting for more general training experiences pay most of the campaign bill themselves.

Chapter 7 summarizes the central findings and draws on these results to discuss possible implications for the study of politics in general and of Congress in particular. Some of our most important findings address issues surrounding the postelective employment of ex-legislators as lobbyists. For this reason, we have devoted a section of the final chapter to summarizing our findings about legislator-lobbyists, describing how they refute seamy characterizations of lobbying jobs, assessing the value of reforms on postelective lobbying by ex-legislators, and discussing the extent to which legislators' investments in lobbying skill sets cost society dearly.

Summary and Discussion

The study of the acquisition and marketability of political skills has immense potential to enhance our understanding of the organization and operation of political institutions, the influences injected into policy-making, and legislators' preferences and choices. Investments in human capital seem to be neglected factors in most explanations of congressional behavior, although few observers would deny that congressional activities incur opportunity costs; hence, their incidence is balanced against gains in utility. Accordingly, most legislator decisions (for example, choices regarding committee assignments) are conditioned by expected returns, whether those gains occur in the near term (for instance, electoral safety) or in the distant future (for example, postelective salary or employment). Investments of time and other resources—that is, human capital—are weighed against these expected returns. Where media

attention reduces legislator decisions to immediate, spot-market, quid pro quo transactions, we envision greater complexity induced by considerations of future gain that go beyond the congressional career. Indeed, the study of human capital in politics draws attention away from exclusive focus on how institutions serve in-office purposes in favor of their relevance for acquiring skills and knowledge with economic returns to politicians in the future as well.

Human capital production and the expected returns from it also offer an alternative to conventional explanations for why certain policies seem to dominate the legislative process. Earmarked legislative appropriations and bureaucratic regulations, for example, represent opportunities for legislators to develop as well as to demonstrate their political skills. Such policies have obvious economic implications, and those skilled in manipulating public policies in this fashion are likely to be in demand. But since everyone can claim to have these skills, and moral hazards may cloud evaluation of these assertions, explicit evidence of such effort is necessary; hence, legislators build résumés of their political skills through their daily (policy-related) actions.

Next, our study goes beyond normal treatments of politicians' ability to sell their votes or to extract benefits from groups doing business with government, as the rent-seeking literature implies (see, for example, Parker 1996). We do not contest, however, the arguments that special interests influence politics in such ways. Nonetheless, we believe that the influence of special interests seeps into the political process in additional, perhaps more subtle, ways. Beyond the occupation of lobbyist, the market for legislators' services is rather narrow. Therefore, politicians may adjust their behavior in office through their on-the-job investments in acquiring skills and information about politics in anticipation of the job opportunities that await them, a situation that works to the advantage of special interests, given the limited market for the talents of most ex-legislators.

Since lobbying is where their skills and on-the-job training are most relevant, legislators naturally gravitate to those jobs where their human capital is put to its best use. After all, legislators have already made the necessary investments in acquiring political knowledge and skills. Lobbying thus does not for the most part represent a major occupational transition. We expect, therefore, that legislators will be attracted to lobbying because their skills and training are most appropriate to this vocation and because the market for legislators—if they want to change careers—is somewhat narrow, thereby foreclosing numerous employment options. Just as we have found that going to prison makes criminals more proficient at committing crimes, so too, legislators serving long tenure in Congress are apt to become skilled at lobbying. It is an externality of service in Congress, whether we like it or not.

The objective of this book, however, is not to assail legislators for their appetites for employment as lobbyists; nor is it to characterize them, as some scholars might do, as just waiting for opportunities to prostitute themselves to the first special interest that happens by. Defamation aside, not only are these depictions difficult to substantiate empirically, but they ignore the nature of their human capital. As we have noted, legislators acquire knowledge and skills in using the legislative process, and most corporations, businesses, and nonprofit institutions, like universities, find it necessary to gain access and influence within that process. Even “constituents” such as cities, towns, school districts, transit authorities, and utility agencies find it increasingly necessary to employ individuals (aside from local legislators) who know how to leverage local tax dollars into federal largesse (Rudoren and Pilhofer 2006). Simple legislative skills, acquired through congressional service, seem to be highly valuable to a wide assortment of individuals, groups, and interests. No wonder few ex-legislators stay unemployed for very long (chapter 5).

We conclude by pointing out the obvious: this is not our idea—we have borrowed it from Becker.⁴ We have cultivated, nurtured, and expanded the reach of human capital analysis into politics, which is largely virgin territory. The significance of our inquiry is that it responds to Becker’s challenge, noted in the epigraph to this chapter, to extend the theory of human capital to non-market sectors. We have found this task enjoyable but daunting. We hope we have not done an injustice to his imaginative analysis. We leave it to readers to decide about the persuasiveness of our arguments regarding the role of on-the-job training in Congress, the acquisition of political skills, the job opportunities facing legislators after they leave Congress, the effects of specialized and general training on the postelective earnings of former legislators and their job mobility, and above all the extent to which the study of human capital in politics is worthy of future inquiry.

One final caveat: this is not a book solely about the economics of the political labor force; we hope to show how the study of human capital directly relates to the operations of Congress and the behavior of its members. Ours is not, of course, a complete and exhaustive explanation of these important aspects of congressional politics, but we aspire for far less. We would be quite content if our inquiry provided important clues that engendered a better understanding of the whole story—specifically, why politicians do what they do.

4. If we were handing out authorship of ideas, which we are not, the notion of human capital probably predates Becker’s work (originally published in 1964), as Becker says (1993, 15). Becker also notes the works of Mincer (1962) and Schultz (1961) as influential in this regard. However, we feel that Becker has done more than anyone else to promote this perspective; hence, we feel that our attribution of credit is warranted. Indeed, *Human Capital* (1993) is considered the locus classicus on the topic.