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# Extremists Not on Board: Labor Market Costs to Radical Behavior in Elected Office

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Board appointments represent highly lucrative career opportunities for former politicians. We investigate how board service relates to the strength of ideological partisanship for former members of Congress. We find that strong ideological partisanship is associated with a lower likelihood of being appointed to a board after Congress and that this holds for both liberals and conservatives. In addition, we use a difference-in-differences design to show that when the supply of senators willing to accept a directorship increases, firms become less likely to appoint ideological extremist senators to their boards. The results show that extremist legislators are effectively shut out of one of the most lucrative postelective career paths, placing a cost on radical behavior.

What are the consequences for highly partisan behavior in Congress? While there is an electoral punishment for extremist candidates in general elections (Hall 2015), few accountability mechanisms exist for legislators in safe seats or who have decided not to run for reelection (Snyder and Ting 2003). However, if legislators are punished on the postelective labor market for highly partisan behavior in office, the so-called revolving door between business and politics could limit the ideological gap between legislators and their constituents (Parker 2004). A growing number of studies examine career implications for former politicians and staff (McCrain 2018) in the lobbying industry, but perhaps overlooked are the opportunities for former legislators to serve on corporate boards (Palmer and Schneer 2019). We know that simply serving in elected office increases the chance of getting a board seat (Palmer and Schneer 2016). However, we know little about what types of legislators are in higher demand, and particularly how ideological partisanship is perceived, in the director labor market. In this short article, we investigate this question.

We leverage comprehensive data on board membership among publicly traded firms in the United States, combined with data on the legislative behavior of former members of Congress (MCs). We present two sets of main findings. First, we show that MCs with more partisan voting records are less likely to gain board seats after leaving Congress. The estimates show that those with the strongest ideological partisanship are effectively shut out of lucrative board service.<sup>1</sup> However, it is possible that our descriptive results are driven by simultaneous supply and demand effects. Essentially, the director labor market is a double-sided matching process, in which corporate board seats must be offered but also accepted by former MCs. A former legislator with strong qualities may have more appealing career opportunities and choose to pursue them instead of board service.

In the second set of analyses, we exploit the fact that the Honest Leadership and Open Government Act (HLOGA) provided an exogenous increase in the number of senators willing to accept corporate board seats (Palmer and Schneer 2019). This shock to supply is essential to our identification strategy,

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1. For brevity, we refer to MCs with the strongest ideological partisanship as “ideological extremists” or “extremists” in the remainder of the article.

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mitigating endogeneity concerns with our initial set of results. The difference-in-differences (DID) results confirm our initial findings, showing that extremist senators are much less likely to join corporate boards after the passage of the HLOGA.

Additional exploratory analyses suggest that firms want to buy into the positive reputation of moderates, while avoiding the partisan branding associated with appointing strong ideologues. Importantly, an implication of our findings is that corporate hiring practices have the potential to place a cost on highly partisan behavior in Congress.

### IDEOLOGICAL EXTREMISTS AND BOARD SERVICE

While legislators can obtain a variety of lucrative postelective positions, few pay as well relative to the required work hours as service on a corporate board.<sup>2</sup> Therefore, these positions are highly attractive to former MCs (Palmer and Schneer 2019). Which types of legislators are valuable to corporate boards? Previous research has focused on the unique skill sets that MCs obtain from their careers in politics (LaPira and Thomas 2017). We raise the possibility that the strength of legislators' ideology may also play a role in director appointments.

There are two possible forces at work. First, firms may appoint former MCs to their boards to buy into the legislators' public image and credibility. Appointing ideological extremists to the board could signal that the firm values their brand of partisanship. Consumers, investors, and other professionals react negatively when firms are revealed to have an opposite partisan alignment (Panagopoulos et al. 2020). Thereby, the firm could risk shunning certain groups of consumers and investors when appointing extremist politicians as directors. Conversely, by appointing centrists, the firm can buy into their reputation of moderation and working across the aisle. This would suggest that firms not only avoid ideological extremists but also actively seek political moderates for corporate directorships.

Second, when putting the optimal board together, firms may look for directors who see themselves as team members instead of those who promote dissent (Hill 1995). From this perspective, firms may favor legislators who are in the party's mainstream instead of those on the fringes of the party. This line of reasoning suggests firms would prefer appointing legislators who are party loyalists, avoiding both extremist and centrist legislators who often publicly disagree with the party's

position. While both hypotheses imply that extremist MCs would be less likely to be offered corporate directorships, the "public image" hypothesis suggests that centrist legislators would be preferred over party loyalists, whereas the "team member" hypothesis proposes that party loyalists would be more likely to gain board seats than centrists.

### DATA AND METHOD

To study politicians' board service, we use the BoardEx database, which includes comprehensive data on board memberships of publicly held firms. We have data on board service from 2000 to 2020. For our dependent variables, we use two binary indicators capturing whether MCs immediately gain a board seat in the same year that they leave office (Immediate Seat) or within five years of their leaving Congress (Seat within 5 Years).<sup>3</sup> To observe the full five years of postpolitical board careers, we study only legislators who leave Congress from 2000 to 2015. We rely on Stewart and Woon (2017) to obtain this universe of MCs. In total, 570 MCs leave during our sample period, out of which there are 553 MCs with nonmissing values for board service and ideological partisanship. When including controls, our sample includes 525 MCs. Further details on sample construction are provided in appendix A.

To measure ideological partisanship, we draw on legislators' voting records by using the DW-NOMINATE (McCarty, Poole, and Rosenthal 1997) roll call ideal points. Liberals receive negative NOMINATE values, and conservatives have positive values. We use data from Volden and Wiseman (2014), who calculate the absolute distance in DW-NOMINATE scores between a legislator and the chamber median. We average these ideological partisanship scores over the legislator's tenure. Higher scores on our measure indicate a more partisan voting record for both ideological leanings. In addition, we include a number of controls capturing important aspects of legislative behavior, which we expect to be related to postelective board service. Descriptions of these variables are provided in appendix B.

### RESULTS

In a preliminary analysis, we examine the bivariate relationship between DW-NOMINATE scores and the probability of immediate board service. The results are presented in figure 1, which shows the stark contrast between moderates and political extremists in their probabilities of gaining postelective board seats. Moderates on both sides of the aisle are much

2. According to our own calculation using data from ExecuComp, average director compensation was \$230,000 in 2020. According to a 2015 survey by the National Association of Corporate Directors, the average director spends about 250 hours per year on board-related responsibilities. A summary of the report can be found at [https://www.kornferry.com/content/dam/kornferry/docs/article-migration/Briefings31\\_OTH\\_OnTheBoard\\_14-15.pdf](https://www.kornferry.com/content/dam/kornferry/docs/article-migration/Briefings31_OTH_OnTheBoard_14-15.pdf).

3. For example, if an MC's term ends on January 3, 2015, we capture whether the MC gains a board seat in 2015 and whether the MC gains a board seat from 2015 to 2020.

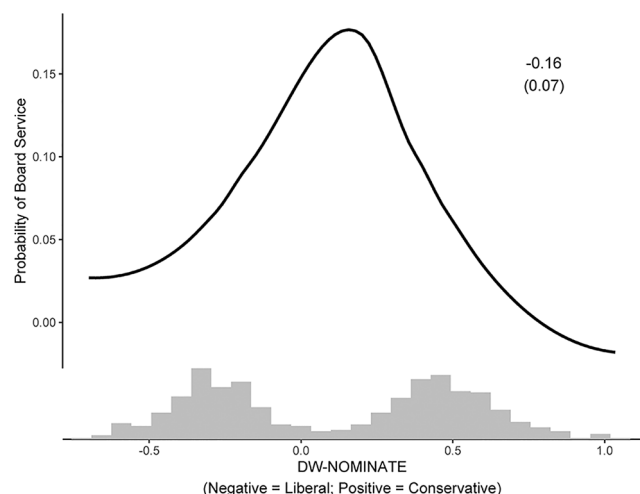


Figure 1. Bivariate relation between ideology and board service:  $N = 553$ . LOESS line shows the relation between left-right ideology and the probability of a board seat. In the top-right corner is the AME from a logistic regression of board service on our measure of ideological partisanship. The distribution of DW-NOMINATE scores is in figure B.1.

more likely to gain board service than those in the party's mainstream and those on the far left or far right.

To continue our analysis in a multivariate setting, we estimate two logistic regressions of the following form:

$$\log\left(\frac{\pi_i}{1 - \pi_i}\right) = \alpha + \beta \text{IdeologicalPartisanship}_i + X_i\gamma + \varepsilon_i,$$

where  $\pi$  is the probability that legislator  $i$  obtains Board Service, measured through one of our two binary indicators of getting a board position (1) immediately or (2) within five years; IdeologicalPartisanship is the absolute distance in DW-NOMINATE scores between a legislator and the chamber median;  $X$  is a vector of controls;  $\alpha$  is the intercept; and  $\varepsilon$  is the error term.

Table 1 shows the association between partisanship and board service in logit coefficients and in average marginal effects (AMEs).<sup>4</sup> The estimated effects are substantial—a 1 standard deviation increase in ideological partisanship is associated with a 5% decrease in the probability of immediate board service ( $0.187 \times 0.270$ ). This represents a remarkable drop, given that the unconditional average probability of an immediate board seat is 7%.

To better understand our main findings, we conduct a number of additional analyses. First, in appendix C.1, we show that compared to party loyalists, extremists are less likely and moderates are more likely to gain board seats. This is more consistent with the public image hypothesis rather than the team member hypothesis. Second, we show the (predicted)

probabilities of board service across the distribution of ideological partisanship (app. C.2). We present suggestive evidence that the association between partisanship and board service is driven by electorally successful legislators (app. C.3).

Next, we examine whether the results are driven by ideological selection from the private sector. We find no strong association between firm and legislator ideologies and that firms are almost always more ideologically moderate than the appointed legislators (app. D.1). In addition, we show that while the association is stronger among Democrats it remains very sizable among Republicans and Independents (app. D.2), which suggests that our results are not driven by ideological sorting but that extremists of any color are unlikely to get board seats.

Finally, to ensure that our results are robust, we show that the strength of the association does not differ between chambers (app. E.1) or decrease as time passes since the legislator has left office (app. E.2). We also find that the results are robust to using grouped duration models (app. F.1), to excluding large numbers of observations (app. F.2), and to the choice of covariates included in the model (app. F.3).

#### THE HLOGA AND THE DISAPPEARANCE OF EXTREMIST SENATOR DIRECTORS

The descriptive results we observe are challenging to interpret because of simultaneous supply and demand effects in director labor markets. Specifically, the fact that extremist directors do not gain board seats could be because either (1) they are not offered board seats by firms or (2) they are busy with other commitments and refuse these seats even when offered. Disentangling these effects is challenging. In this section, we use the HLOGA reform in an attempt to address this issue.

The HLOGA imposed a number of requirements and restrictions on MCs, one of which is key to our identification strategy. The HLOGA increased the cooling-off period before a senator was allowed to register as a lobbyist from one to two years. However, it kept the cooling off period at one year for House members. Unable to work in lobbying during this cooling off period, senators may look to board service as an appealing alternative for their postpolitical careers. Palmer and Schmeer (2019) use a DID design to show that the HLOGA led to a 9-percentage-point increase in rates of board service for senators. We find similar effects in our sample. This exogenous increase in senators' willingness to accept corporate board seats helps us in two ways: (1) it should give firms a greater pool of former senators to choose from, allowing them to select politician directors with more desirable characteristics, and (2) if we observe fewer board seats for extremist senators post-HLOGA, it is less likely due to their refusing these seats and more likely due to their not being offered seats.

4. The full regression model is in app. B.2.

Table 1. Politician Characteristics and Board Service

	Immediate Seat		Seat within Five Years	
	Log Odds (1)	AME (2)	Log Odds (3)	AME (4)
Ideological partisanship	-6.579*** (2.066)	-.270*** (.082)	-3.303*** (1.099)	-.337*** (.109)
State fixed effects?	Yes	Yes	Yes	Yes
Controls?	Yes	Yes	Yes	Yes
Log likelihood	-72.591	-72.591	-171.561	-171.561

Note. Standard errors in parentheses.  $N = 525$ .

\*\*\* Significant at the 1% level.

Following Palmer and Schneer (2019), we estimate the effect of the HLOGA through a DID linear probability model that interacts indicators of the Senate and the post-HLOGA period.<sup>5</sup> However, we estimate how the effect of the HLOGA varies across the distribution of our ideological partisanship measure using the Hainmueller, Mummolo, and Xu (2019) binning estimator. This estimates the DID separately within the sample quartiles of ideological partisanship. In appendix G.1 we show that the results are robust to different ways of splitting the data.

Figure 2 presents the results. A table with estimates is in appendix G.3. As we can see, there is a large negative effect of the HLOGA's passage on board service for ideological extremists, that is, the senators above the 75th percentile in ideological partisanship scores. These results indicate that as the HLOGA increases the supply of former senators willing to accept board seats, firms are able to be more selective and seem to actively avoid appointing ideological extremists as directors, which is consistent with both the public image and team member hypotheses. We do observe a positive effect of the HLOGA on the probability of centrists gaining board seats, but this effect is noisy and not statistically significant, possibly due to the small sample size. Taking into account the previous descriptive results, the overall evidence suggests that public image considerations play an important factor in the firm's director hiring process.

We conduct a number of additional analyses to further investigate our findings. First, in appendix G.2 we investigate, and find no evidence of, differential trends before HLOGA. Second, we examine whether extremist senators choose to decline board service because they have better job prospects with

think tanks and news channels. In appendix G.4, we find no evidence that our DID results are driven by a shift toward taking jobs in these fields. Finally, in appendix G.5, to mitigate concerns with the small sample size, we examine all voluntary retirements instead of only board seats and use a panel data set tracking all MCs over time. If there are fewer lucrative positions available to extremist senators, we should see fewer voluntary retirements among this group. Indeed, the results indicate that the HLOGA has decreased voluntary retirement among extremist senators markedly.

## CONCLUSION

Board service is among the most lucrative postpolitical career opportunities for former legislators. In this article, we provide evidence that publicly traded companies avoid appointing ideological extremists to their boards. This effect holds true across chambers of Congress, regardless of party affiliation, and does not decrease over time. Importantly, we find that the loss of board seat opportunities for extremists is not compensated by better prospects for jobs with think tanks or news channels. Overall, it appears that the average firm could be playing a moderating role in the American political system (Bonica 2014).

Two important questions emerge from this short article. First, it appears that extremist senators are aware of the labor market consequences of their behavior, as they seem to delay voluntary retirements after the passage of the HLOGA. Future research should examine whether extremist legislators moderate their behavior as they approach their retirement, increasing their appeal as candidates for lucrative board service opportunities. Second, we conjecture that firms appoint legislators to buy into their public image and credibility. As such, it may be worthwhile to investigate the impact of appointing moderate politicians to the boards: Do they create

5. The HLOGA was passed by the 110th Congress. Our data give us four congressional pre- and posttreatment periods, respectively.

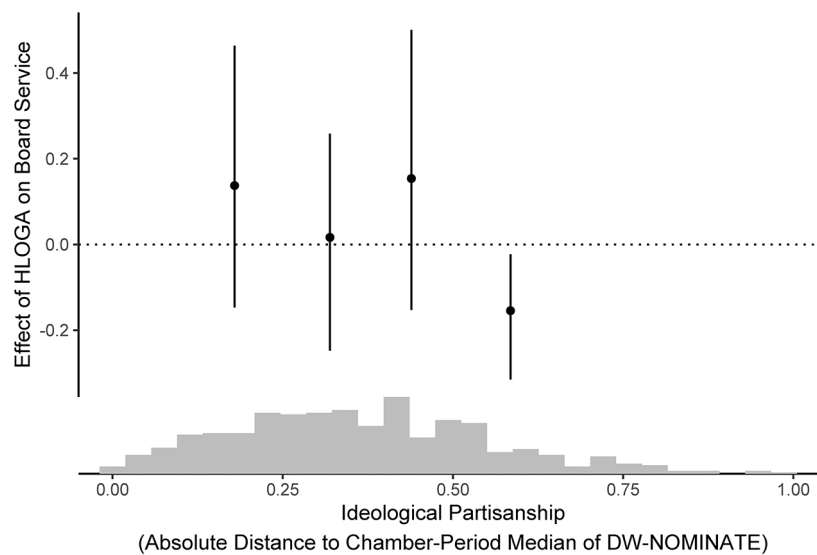


Figure 2. Increased supply of senators decreases the odds that extremists serve on boards. Average treatment effect on the treated within bins across the distribution of ideological partisanship. Bootstrapped 95% confidence intervals with 2,000 samples are shown.

value for the appointing firms? These are important questions that should be explored further in future studies.

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