

**A Trojan Horse in Congress:**

**Publicly Elected Officials Use the Stock Market for Personal Gain**

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Defense Date: April 7, 2025

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## **Abstract**

Members of the United States Congress are elected to serve the public good, yet many simultaneously maintain substantial portfolios of individual stocks. While legislative transparency laws such as the STOCK Act are designed to discourage insider trading and bolster public trust, questions remain about the extent to which members personally benefit from privileged information or exploit weak enforcement. In this research, I draw on data from Quiver Quantitative and the Center for Effective Lawmaking to empirically examine what types of members are more likely to actively trade stocks and what types are more likely to earn returns that beat market averages. My findings show that net worth and electoral vulnerability play significant roles in predicting members' trade volume, but not trade performance. The ten wealthiest members by net worth trade significantly more than their congressional peers, and those in tighter races are associated with greater returns in excess market averages. These findings raise new concerns about how personal financial incentives may shape legislative behavior and challenge the ideal of selfless public service. By combining congressional trading data with institutional, ideological, and electoral characteristics, this research offers a new type of analysis of congressional stock trading activity.

## **Introduction: Background**

On April 4th, 2012, President Barack Obama signed into law the Stop Trading on Congressional Knowledge (STOCK) Act. At the time, this new law surfaced as a landmark piece of legislation intended to increase transparency and prevent insider trading among members of Congress. The STOCK Act requires members to publicly disclose their financial transactions within 45 days of execution, under the intended premise that sunlight is the best disinfectant. Yet, more than a decade after its passage, growing concerns remain regarding the extent to which lawmakers are leveraging privileged information for personal financial gain. While public disclosures were intended to safeguard against unethical behavior, they have also made it easier to track patterns in congressional trading, some of which raise serious red flags. These trading patterns may suggest ethically dubious behavior, but they seldom offer concrete proof of insider trading.

The opportunity for conflict of interest is immense. Members of Congress routinely receive non-public information about legislation, industry forecasts, regulatory changes, and foreign policy events—all of which can affect the stock market. Although the STOCK Act aimed to deter insider trading by increasing transparency, it left unmarred a core dilemma: lawmakers are still permitted to trade stocks virtually unabated. There has been little systematic investigation into how members continue to trade, who benefits most, and whether existing rules are meaningfully enforced. The paradox of legal permissibility amid equivocal ethics raises a question central to my research: are members of Congress using their positions for personal gain in ways that do not violate the letter of the law?

To investigate this question, I collected and merged two novel datasets: member-level stock trade data from Quiver Quantitative (sourced from public financial disclosures), and institutional and legislative data from the Center for Effective Lawmaking. By combining these datasets, I was able to run ordinary least squares (OLS) models to assess how member characteristics, including party, gender, ideology, net worth, electoral security, and institutional status, predict both stock trading volume and trading performance.

### **Introduction: A Trojan Horse in Congress**

The ideal of representative democracy holds that public servants are elected to act in the best interests of their constituents, exercising their judgment to create policy that promotes the common good. In the U.S., members of Congress (MoC) are endowed with remarkable power: they draft and pass laws, oversee federal agencies, and allocate trillions in government spending. With this power comes influence, and with influence comes temptation.

Members of Congress occupy a unique position in American society. Not only do they shape national policy and direct the flow of federal funds, but they also have early and often exclusive access to non-public information through committee hearings, classified briefings, and direct communication with corporate stakeholders. While the STOCK Act aimed to create accountability, it did not bar MoC from participating in the stock market. In fact, senators and representatives can legally trade stocks as freely as ordinary citizens, so long as they comply with the STOCK Act's disclosure rules.

In practice, the STOCK Act was designed to hold MoC accountable to the public eye. In reality, however, this law may function more as a trojan horse: signaling reform while ignoring structural faults in the system. The aim of this research is not to uncover a “smoking gun” telltale of insider trading. Instead, it examines patterns of behavior that, while legal, may be ethically fraught. Trading in proximity to legislative action, particularly among members with committee influence or electoral pressure, invites scrutiny even when it falls short of provable misconduct. At a time when public trust in government is fragile, such behavior fuels perceptions of self-dealing that undermine democratic legitimacy.

In 2023, a Pew Research survey found that a majority of Americans believe members of Congress serve their own interests rather than the public's. This erosion of trust is not merely theoretical; it poses real risks to democratic legitimacy. When lawmakers profit from trades made in proximity to major legislative decisions, it creates the appearance of impropriety, if not the substance. The STOCK Act, in its current form, may serve more as a shield than a true deterrent.

Further complicating matters is the challenge of enforcement and interpretation. The ethics committees responsible for oversight have limited resources, and violations are often treated as administrative errors rather than ethical breaches. In practice, many members file late disclosures and face minimal consequences. The lack of accountability incentivizes opacity. In such an environment, members with substantial portfolios may feel emboldened to trade aggressively, knowing that the cost of being caught is low, and the probability even lower.

This institutional laxity creates fertile ground for the central puzzle of this research: who trades, how often, and with what success? Prior research has noted the theoretical potential for abuse but has often lacked the granularity of data required to investigate patterns at the

individual member level. With the rise of third-party watchdogs like Quiver Quantitative, however, this is beginning to change.

In this research, I examine the potential for insider trading by members of Congress, specifically analyzing which factors may make some members more likely to engage in behavior that suggests the misuse of privileged information. Previous research has demonstrated that MoC, on average, outperform the typical market average by 5-10% annually, a margin that has drawn increasing scrutiny from academics, journalists, and the public alike. Yet, despite the implementation of the STOCK Act, concrete proof of illegal activity remains elusive. Instead, I am left to examine broad-stroke evidence: trading behaviors that correlate suspiciously with legislative action, committee appointments, leadership positions, and member tenure.

This research is situated at the intersection of political accountability and financial ethics. It evaluates the extent to which individual characteristics and institutional factors influence trading behavior in Congress. By drawing from transaction data sourced from Quiver Quantitative and legislative records from the Center for Effective Lawmaking, this research applies a quantitative time-series regression analysis to assess correlations between MoC characteristics and their financial performance in the stock market. The findings aim to contribute to a deeper understanding of the incentives and opportunities for unethical behavior within America's legislative branch.

Finally, this research explores the broader implications of congressional trading on public trust and policy debates. Should lawmakers be barred entirely from stock trading, as some proposed reforms suggest? Or can stricter accountability measures, like enhanced disclosure and oversight, provide sufficient safeguards? In weighing these competing perspectives, this research

engages with existing literature on abnormal idiosyncratic volatility and insider trading signals while proposing new frameworks for assessing risk and accountability in legislative behavior.

## **Review of Relevant Literature**

### **I. The Strategic Use of Private Financial Power**

The ethics of congressional stock trading—while only recently becoming a mainstream political debate—have long troubled political scientists and legal theorists. One of the earliest and most methodologically influential studies in this field is Ziobrowski et al. (2004), which used a sample of U.S. Senators' financial disclosures from 1993 to 1998 to empirically test whether these elected officials were able to earn abnormal stock market returns. By applying the Carhart four-factor model, a standard in financial economics for estimating risk-adjusted performance, the authors discovered that Senators, on average, outperformed the market by approximately 12% annually. This level of alpha, or excess return, could not be explained by general investment acumen or market trends. Instead, the study posited that these gains likely resulted from access to non-public information, either directly or indirectly acquired through committee meetings, lobbyist communication, or privileged briefings. Their methodological rigor and clarity of inference laid the foundation for subsequent empirical research, pushing political scientists to take seriously the idea that private financial enrichment may be quietly embedded in the institution of Congress itself.

In more recent years, Hanousek et al. (2021, 2022) have offered a potent critique of the STOCK Act's limitations. The 2021 study employs an event-study design and examines

abnormal idiosyncratic volatility (AIV) in the days surrounding trades by members of Congress. AIV serves as a proxy for informed trading, allowing the researchers to infer whether a legislator may have possessed market-moving information prior to executing a trade. Their statistical analysis demonstrates a repeated pattern: trading by members often coincides with sharp, unexplained changes in stock-specific volatility, even after controlling for broader market events. In their 2022 follow-up, Hanousek and colleagues enrich their model by incorporating political variables such as tenure length, committee power, and party status. Their findings indicate that seniority and leadership roles correlate with higher levels of suspicious trading behavior, suggesting that institutional power—not just proximity to market-sensitive information—may be a critical enabler. This insight is highly germane to my research, which explores how characteristics like legislative effectiveness and vote share might also condition trading patterns.

Blau, Griffith, and Whitby (2021) move beyond member-level behavior to investigate how legislative trades affect overall market dynamics. Their approach is quantitative and comparative, using matched-pair analyses to examine stocks that are actively traded by MoC versus those with no political activity. Their hypothesis is that markets penalize information asymmetries created by congressional trading, leading to elevated spreads and volatility. Their findings support this claim: securities with legislative involvement show statistically significant increases in both price dispersion and bid-ask spreads, especially around policy-relevant events. Blau et al. frame this as a violation of market fairness, coining the term "non-corporate insider trading" to highlight the distinct risks posed by politically informed actors. Their methodology provides a bridge between political economy and financial regulation, and helps justify why the stakes of my research go beyond Congress itself.

Other scholars approach the topic through a behavioral lens. Choi (2021), though focused more generally on fund trading, introduces a compelling argument about overconfidence and cognitive bias in financial decision-making. Using a combination of survey data and portfolio analysis, Choi shows that individuals with privileged information often believe themselves immune to market error. This psychological overreach can encourage riskier or more frequent trading, particularly in opaque environments where regulation is weak. Though not directly tied to Congress, Choi's insights suggest that disclosure laws like the STOCK Act may fail not because of insufficient detail, but because they do not account for the psychological drivers of exploitation. When applied to elected officials, the implication is that some may genuinely believe their actions are defensible, even when they clearly raise ethical concerns.

One of the most technically sophisticated contributions comes from Bogousslavsky, Fos, and Muravyev (2024), who introduce a machine learning-derived metric called Informed Trading Intensity (ITI). This tool uses high-frequency trade and liquidity data to detect potential instances of insider trading across multiple markets. Though their study does not focus exclusively on Congress, the conceptual relevance is substantial. ITI enables researchers and regulators to analyze patterns of activity that would otherwise evade traditional econometric methods. In a political context, tools like ITI could prove essential for future oversight of congressional trading. Their model exemplifies the next generation of transparency tools—ones that do not rely solely on self-reported data but instead use data-driven algorithms to identify misconduct. This methodological advancement opens the door to more rigorous, real-time enforcement of laws like the STOCK Act or any future legislation.

## II. Public Perceptions, Institutional Trust, and the Limits of Reform

Public perception is a central axis in the debate over congressional insider trading. Ethical violations are not merely legal problems; they are public legitimacy crises. According to a 2023 Pew Research Center survey, 80% of Americans believe that members of Congress prioritize their own financial interests over the public good. This deep mistrust, echoed in rising public support for bans on congressional stock trading, places insider trading at the core of a larger democratic deficit. The erosion of trust in public institutions undermines not only legislative legitimacy, but the very norms that undergird participatory governance.

The Campaign Legal Center (Marsco, 2022) documents extensive failures of the STOCK Act, noting that late disclosures, vague reporting standards, and limited enforcement create conditions for repeated violations. Their research includes case studies of high-profile figures, such as Senator David Perdue, who conducted nearly 2,600 trades in a single term—many involving companies under the jurisdiction of Senate committees on which he served. Using investigative and legal analysis, the Center shows how these conflicts often go unpunished, reinforcing a culture of impunity.

The New York Times (2022) has amplified these concerns through extensive journalistic work, identifying 97 members of Congress who traded stocks in companies directly influenced by their committee assignments. While not peer-reviewed, these investigations bring empirical weight to the public conversation and underscore a key point: that transparency without enforcement offers no real deterrent. Their data-driven analysis shows that disclosure is often performative, with members facing minimal reputational or legal costs.

This body of research helps contextualize the findings in this research. If the public assumes the system is rigged and policymakers face little consequence, then even well-intentioned reforms may fall flat. My data show that wealthy and electorally insecure members trade more aggressively, suggesting that incentives for personal gain and institutional survival may overpower abstract legal norms. The gap between legal transparency and behavioral deterrence is therefore not just a technical flaw but a structural failing.

To address this, legislative solutions such as the ETHICS Act (Ending Trading and Holdings in Congressional Stocks) and the PELOSI Act (Preventing Elected Leaders from Owning Securities and Investments) propose far more sweeping reforms. The ETHICS Act, introduced by Senator Jeff Merkley in 2023, would prohibit MoC, their spouses, and dependents from owning or trading individual stocks, requiring all assets to be placed in blind trusts. The ironically named PELOSI Act, reintroduced by Senator Josh Hawley in 2023, similarly aims to prevent conflicts of interest by banning trading among those who hold power to move markets.

Both bills signal a new regulatory philosophy: one that does not rely on transparency or ethics oversight but simply removes the temptation entirely. Whether these proposals become law or not, they reflect growing public and scholarly consensus: that self-regulation is no longer a sufficient safeguard. In the context of my research, these policy proposals provide a critical backdrop for interpreting patterns of member behavior. When structural opportunities for enrichment are embedded in the system, reform may need to be equally systemic.

Finally, competing schools of thought on congressional stock trading capture the tension between private rights and public duties. Proponents of market access argue that MoC should retain the right to invest freely, so long as they disclose and abstain from insider activity. But

others argue that the very possibility of exploitation and the appearance of impropriety is enough to warrant prohibition. This debate is ultimately about institutional design: whether representative democracy should be optimized for liberty or legitimacy.

Insider trading is not only an economic act but a deeply political one. It affects market fairness, legislative integrity, and public trust. This research draws from and contributes to this literature by empirically investigating how MoC characteristics—such as wealth, electoral vulnerability, and legislative power—interact with patterns of trading behavior.

### **Research Design and Methodological Framework**

This research is grounded in a quantitative, member-level analysis of stock trading by U.S. legislators. At its core are two research questions: (1) What types of members of Congress are more likely to trade stocks while in office? and (2) What types of members are more likely to earn excess returns relative to the market? These questions reflect both behavioral and structural concerns about incentives, access, institutional roles, and the ethical boundaries of financial self-interest within a public role.

To investigate these questions, I merged two key datasets. The first, Quiver Quantitative, is a third-party watchdog that scrapes and standardizes financial disclosures filed by members of Congress under the STOCK Act. Quiver Quantitative revolutionizes the tracking of disclosure data by cleaning, digitizing, and categorizing by trade size, company sector, and date, allowing for a fine-grained catalog of congressional trading behavior across time. The second source, the Center for Effective Lawmaking (CEL), is a research initiative co-managed by the University of

Virginia and Vanderbilt University. The CEL quantifies legislative effectiveness across several dimensions, including bill sponsorship, floor passage, and committee activity, offering a robust measure of a member's institutional influence.

These two sources serve as the empirical backbone of this project. Quiver Quantitative allows for precise modeling of financial behavior, while CEL contextualizes this behavior within a member's institutional role. By merging them, I created a dataset capable of examining the intersection between public power and private gain. A third source, OpenSecrets, provided the foundation for a custom variable: net worth. Because comprehensive wealth data is often opaque or inconsistently reported, I limited this control variable to the ten wealthiest members of Congress from the 115th Congress, identified by OpenSecrets. These individuals were flagged with a dummy variable (Top Ten Net Worth = 1), providing an approximation of how extreme personal wealth may influence financial behavior in office.

The unit of analysis is a member-Congress pair, meaning each observation captures a single legislator in a single two-year Congress term. To maintain analytical clarity, I restricted the time frame to the post-STOCK Act era (2012 onward), ensuring all trade disclosures fall within the 112th to 117th Congress. The range of the CEL data only reached the 117th Congress, so I had to bookend my data according to this limitation. My approach captures both active traders and non-traders, allowing me to model the likelihood and outcomes of trading as distinct behaviors.

The dependent variables are twofold. First, Trade Volume captures total trade activity by a given member in a session. This serves as the outcome for Model 1.1. Second, Trade Success calculates excess return: how much profit a member earned beyond what a benchmark index

would predict. I coded the Trade Success response variable to capture both sales and purchases. To do so, I accounted for their profit margin relative to market averages (from Quiver Quantitative) and flipped the sign of sale transactions to capture a financial gain. Trade Success is the dependent variable in Model 2.1, to which I applied a logarithm to tighten its spread, given the high variability of the data.

The independent variables reflect a multidimensional view of congressional identity. These include party (Democrat = 1), gender (Female = 1), chamber (Senator = 1), ideology (DW-NOMINATE first dimension), leadership roles (measured through a CEL-based benchmark score), legislative effectiveness (CEL's LES 1.0), electoral competitiveness (vote share and categorized vote margins), and my Top Ten Net Worth dummy variable.

Together, these data and variables permit an exploration of who engages in stock trading and who succeeds at it. My models aim not merely to identify statistical relationships, but to generate insight into the structural incentives and personal attributes that may shape private financial behavior within the highest levels of public service.

## **Empirical Analysis and Regression Results**

### **I. Predictors of Trade Volume**

The first two models focus on the number of stock trades executed by a Member of Congress during a given congressional term. Model 1.1 includes a continuous measure of electoral performance (percent of vote received), and a categorical vote margin variable. The rest of the control variables remain consistent.

Model 1.1   MoC Trade Volume		
	Dependent Variable: Trade Count	
	(1)	(2)
Democrat	8.238 (8.913)	7.815 (8.902)
Female	1.321 (3.334)	1.220 (3.331)
Senator	-7.711 (9.214)	-7.789 (9.205)
Ideology Score	4.899 (9.846)	4.761 (9.843)
Top Ten Net Worth	38.666*** (11.298)	37.300*** (11.299)
Vote % Received	-0.287*** (0.108)	
Vote Margin: Cat 2		-9.707*** (3.660)
Vote Margin: Cat 3		-11.567*** (3.674)
Vote Margin: Cat 4		-12.919*** (3.777)
Benchmark Score	4.495* (2.427)	5.058** (2.432)
Legislative Effectiveness	-1.591 (1.333)	-1.712 (1.332)
Constant	22.371** (9.308)	11.890* (6.203)
Observations	2,648	2,648
R <sup>2</sup>	0.009	0.012
Adjusted R <sup>2</sup>	0.006	0.008
Residual Std. Error	66.138 (df = 2639)	66.067 (df = 2637)
F Statistic	3.035*** (df = 8; 2639)	3.202*** (df = 10; 2637)
Significance levels	* p<0.1; ** p<0.05; *** p<0.01	

Across both models, one variable stands out sharply: net worth. The top ten wealthiest MoC from the 115th Congress—captured by a dummy variable created from OpenSecrets data—trade significantly more than their peers. In Model 1.1, the Top Ten Net Worth coefficient is approximately 38.67 and 37.30 respectively, and both are statistically significant at the 0.01

level . This finding underscores the role of personal financial capacity as a facilitator of trading behavior, a point echoed by prior research but shown here with high empirical clarity.

Another notable finding is the consistent negative relationship between electoral security and trade volume. In Model 1.1, each additional percentage point in vote share is associated with a statistically significant decrease in trading activity. In the second regression, those in vote margin categories 2 through 4 trade significantly less than those in the most competitive category (category 1). The decreasing coefficients across categories—from -9.71 to -12.92—suggest a strong linear pattern: safer seats correspond to lower trading engagement .

While the ideology, gender, and party variables were included for robustness, none reached statistical significance. Interestingly, being a Senator is associated with fewer trades than being a Representative (approx. -7.71), but this result is not statistically significant. However, the benchmark score is significant and positive in both models, indicating that members with higher formal influence are more likely to trade.

These models paint a portrait of the high-volume trader as wealthy, institutionally powerful, and electorally vulnerable. This is consistent with theories that suggest personal gain may become more appealing under political threat—and more achievable when institutional standing offers access to privileged information.

## **II. Predictors of Excess Return**

The third model analyzes what predicts trading success, operationalized as the logged excess return earned on trades during a congressional term. The dependent variable, Trade

Success, was constructed to account for abnormal returns net of public benchmarks. Importantly, this model includes only members who actually reported trades.

<b>Model 2.1   MoC Trade Success</b>	
Dependent Variable: Log of Excess Return	
Democrat	1.080 (1.204)
Female	0.449 (0.442)
Senator	0.810 (1.404)
Ideology Score	1.795 (1.371)
Top Ten Net Worth	-0.198 (0.762)
Vote % Received	0.012 (0.014)
Benchmark Score	-0.035 (0.296)
Legislative Effectiveness	0.020 (0.183)
Constant	1.432 (1.214)
Observations	198
R <sup>2</sup>	0.021
Adjusted R <sup>2</sup>	-0.020
Residual Std. Error	2.385 (df = 189)
F Statistic	0.507 (df = 8; 189)
Significance levels	* p<0.1; ** p<0.05; *** p<0.01

Model 2.1 produces no statistically significant predictors. Neither high net worth, party, gender, ideology, nor institutional factors explain variance in logged excess returns. This non-finding is important. It suggests that while wealthy or electorally insecure members may trade more often, this does not necessarily translate to superior trading outcomes. One possible

interpretation is that profit-maximizing trades may be constrained by the limitations of public disclosures, fear of ethical violations, or the randomness of market dynamics. Alternatively, returns may be smoothed over time or dispersed across accounts, reducing the detectability of outperformance in a two-year window.

The R-squared for Model 2.1 is just 0.021, and the F-statistic is non-significant, further confirming the limited explanatory power of these predictors on return outcomes. These results should not be read as suggesting that insider trading is absent, but rather that it is not easily captured using aggregate measures of logged returns under current transparency conditions.

Taken together, the results indicate a measurable pattern in congressional trading behavior: wealthy and electorally vulnerable members tend to trade more, especially those with greater institutional clout. However, none of these attributes predict financial success in the market. This duality—of access without necessarily advantage—points to the complexity of financial behavior in Congress and the limits of current disclosure regimes in capturing illicit performance. The discussion that follows will consider the implications of these patterns for ethics enforcement, institutional reform, and future research.

## **Discussion of Findings**

The empirical findings from the regression models offer layered insights into how Members of Congress approach financial markets under the veil of public service. To frame this analysis with more precision, I refer to the two trade volume models as Model 1.1 and the return-based model as Model 2.1. This framing underscores the structural focus of the study: not

simply whether members trade, but what kinds of members are positioned to do so—and whether those patterns reveal anything about privilege, ethics, and institutional design.

At a high level, Model 1.1 shows significant, consistent findings: personal wealth and electoral insecurity are robust predictors of trading activity. Members who belong to the top ten wealthiest individuals in the 115th Congress trade substantially more than others. In both models, the coefficient for Top Ten Net Worth is large, positive, and statistically significant at the 0.01 level. This finding validates one of the central assumptions of this research: access to capital creates access to financial opportunities, even in the regulated space of legislative behavior. It suggests that wealth not only permits trading but may incentivize it, particularly when regulation is perceived as toothless.

Yet the presence of wealth alone is insufficient to explain the complete behavioral pattern. In both models, electoral safety—measured through either continuous vote share or categorical vote margin—is strongly and negatively associated with trade volume. Safer incumbents trade less; vulnerable incumbents trade more. The coefficients across the vote-categorized regression in Model 1.1 display a clear directional trend, with each vote margin category showing decreased trade volume relative to the baseline. This suggests that the electoral environment itself may incentivize financial activity—not despite its risk, but perhaps because of it. When reelection becomes uncertain, the calculus of personal gain changes. One possible interpretation is that these members are engaging in what political theorists might call temporal extraction: maximizing personal gain before the window of opportunity closes.

This finding is deeply important for how we understand institutional trust and congressional ethics. It flips a common narrative—that fear of reelection or public exposure

constrains misbehavior. Instead, the data suggest that risk encourages risk, and that members in jeopardy may be more likely to leverage their access to financial information as a fallback or parachute.

Meanwhile, Model 2.1 yields a surprising and revealing non-finding. No variables reach statistical significance—not net worth, not ideology, not gender, not institutional power. On the surface, this could be interpreted as a reassuring result: perhaps Congress is behaving ethically after all. But that conclusion would be premature. In fact, the null results in Model 2.1 may be the most troubling. They suggest not that insider trading isn't happening, but that it may be undetectable given current data constraints. The 0.021 R-squared tells us that virtually none of the variance in logged excess returns is explained by member characteristics.

This could result from several methodological or behavioral factors. First, the excess return variable may suffer from measurement dilution; returns are aggregated over two-year periods and benchmarked against public indices that may not reflect intra-trade timing advantages. Second, members may be diversifying their gains across multiple portfolios or accounts, reducing the visibility of outperformance in the reported data. Third, profit may not be the primary goal—information advantage could be used for strategic hedging, sectoral rebalancing, or other forms of non-detectable risk management. The logic of insider advantage may therefore be subtler than previously assumed.

The absence of predictive power in Model 2.1 also challenges the foundational logic of deterrence. If unethical behavior produces no observable payoff, then enforcement may seem unnecessary. But this logic is circular: lack of evidence is not evidence of absence. It may instead be a symptom of the STOCK Act's inadequacy. As demonstrated in earlier sections, members

frequently delay disclosure or report trades vaguely, and many face no consequences for omissions. Thus, any analysis built on these disclosures may be working with a partial dataset—accurate enough to detect volume patterns but too imprecise to capture market manipulation or financial timing.

Another layer of insight comes from the benchmark score, which was consistently significant in Model 1.1 but not in Model 2.1. This further supports the notion that institutional power facilitates trading behavior but does not guarantee trading success. Members with seniority, committee leadership, and majority control appear more likely to engage in financial activity. However, that engagement does not necessarily translate into better performance. This bifurcation between access and advantage is critical: it suggests that legislative insiders may trade frequently due to confidence, access, or incentive—but not necessarily with any strategic edge.

These findings are also notable in light of prior literature. Ziobrowski et al. (2004) found that Senators dramatically outperformed market averages, a finding replicated in part by later studies like Hanousek et al. But my results do not support that outperformance research. Whether due to regulatory reform, shifts in behavior post-2012, or methodological differences, the excess returns once attributed to Congress are not found here. This suggests either a real behavioral change or a shift in tactics—perhaps from high-return trades to more dispersed or indirect financial strategies.

That said, the non-significance of ideological variables—including DW-NOMINATE scores—also warrants reflection. The absence of partisan or ideological effects implies that congressional trading is not a left-right phenomenon, but an institutional one. The logic of

financial self-interest appears to cut across party lines. In this sense, congressional trading may be best understood not as a partisan pathology but as a structural vulnerability of American governance. It speaks to a deeper moral hazard embedded in the dual roles members occupy—as public servants and private actors.

This structural perspective also casts doubt on the effectiveness of current transparency laws. If the STOCK Act cannot reliably deter or detect suspicious trading, then its utility may be symbolic rather than functional. The appearance of oversight may suffice to quell public concern, but the behavioral patterns identified in Model 1.1 suggest that members have little fear of enforcement. This emboldens trading among those with both the motive (insecurity, wealth) and means (institutional access) to exploit their positions.

In total, these findings support a core theoretical proposition: that the American legislative system tolerates, and may even encourage, subtle forms of economic self-interest. While media narratives often highlight egregious or criminal cases, the true story may be one of legal exploitation—where members work within the rules to engage in behavior that, while not provably illicit, raises profound ethical concerns. The Trojan Horse metaphor thus remains apt: behind the polished façade of congressional service, there exists a quiet but pervasive logic of private gain.

### **Limitations to Original Research**

A core challenge of studying congressional trading is the reliability and completeness of the underlying data. While Quiver Quantitative has done commendable work in scraping and

structuring the financial disclosures mandated by the STOCK Act, these disclosures are frequently incomplete, vague, or delayed. Numerous reports from the Campaign Legal Center and independent watchdog groups have shown that many members fail to file their disclosures on time or report trades in sufficiently broad ranges (e.g., \$15,001–\$50,000), making it difficult to assess precise financial behavior. As a result, the variable used for excess return (Trade Success) is constructed from imperfect inputs, and may fail to detect meaningful subtleties in timing, asset type, or trade size. Consequently, while my analysis identifies robust patterns in trade volume, it is more constrained in its ability to isolate profit-seeking behavior.

This study is limited to the post-STOCK Act era, beginning in 2012. While this aligns with the contemporary policy landscape and reflects the intent of the legislation to increase transparency, it also excludes a critical comparative window. Notably, prior research such as Ziobrowski et al. (2004) found striking excess returns in the pre-STOCK Act period. Without including those earlier years, it is difficult to assess whether the post-2012 findings represent a behavioral shift in response to regulation or merely a shift in reporting or enforcement. The absence of a temporal comparison group limits causal inference.

The Top Ten Net Worth dummy variable is a binary indicator based on the top ten wealthiest members in the 115th Congress, sourced from OpenSecrets. While useful for approximating the role of extreme personal wealth, this is a blunt instrument. It excludes potentially influential members outside the top ten and does not capture liquidity, diversification, or hidden wealth (such as through family trusts or business assets). The binary design also risks oversimplifying the relationship between wealth and trading behavior, reducing a continuous socio-economic spectrum to a high/low dichotomy.

Like most behavioral models, the regressions used in this research assume that members of Congress act rationally and are motivated by identifiable incentives—such as personal wealth accumulation, electoral security, or institutional access. But political behavior is often shaped by ideology, loyalty, or other non-material factors that resist quantification. The absence of significant findings in Model 2.1, for example, could indicate that financial gain is not the only or even primary motivation for trading. It could also suggest that insider behavior is so nuanced—or so well concealed—that existing variables fail to capture its logic.

This research relies on excess returns as a proxy for success, a standard borrowed from financial economics. But this interpretation may be too narrow for political actors. For example, a member may trade not to outperform the market, but to avoid losses, diversify holdings, or send signals to donors or constituents. In this context, the absence of statistically significant predictors in Model 2.1 does not necessarily imply a lack of insider behavior. Instead, it may point to the need for more politically attuned theories of economic behavior within public institutions.

Although the dataset includes both traders and non-traders, it does not fully account for the selection dynamics that might influence whether a member chooses to trade in the first place. Some members may avoid trading due to ethical concerns, political risk, or personal financial illiquidity. Others may use proxies—such as family members or financial intermediaries—to conduct trades on their behalf, effectively removing themselves from direct scrutiny while still reaping potential benefits. These dynamics create a selection effect that may bias interpretations of who trades and why.

## Conclusion

This research has explored the intersection of private financial behavior and public office through the lens of congressional stock trading. Using data from Quiver Quantitative and the Center for Effective Lawmaking, I assessed which types of Members of Congress are more likely to engage in trading, and which—if any—earn abnormal financial returns. My findings point to a paradox of power: those who are wealthiest, most electorally vulnerable, and institutionally privileged are also those most likely to trade. Yet this trading activity does not appear to result in measurable financial success, as defined by abnormal returns.

These findings complicate traditional narratives around congressional misconduct. Insider trading, in the classic sense, may not be the dominant mode of exploitation in the post-STOCK Act era. Instead, members appear to engage in what could be described as "opportunistic legality"—trading in ways that are legally permissible but ethically questionable. This behavior exploits the structural gaps between disclosure and deterrence, between public expectation and institutional accountability.

This research also contributes to a growing body of literature that questions the sufficiency of transparency-based ethics regimes. While the STOCK Act was heralded as a landmark in legislative ethics, its implementation has been marred by noncompliance, vague standards, and minimal enforcement. The ETHICS Act and PELOSI Act offer more stringent alternatives, including outright bans and mandatory blind trusts. My data support the need for such reforms—not because trading necessarily leads to profit, but because the behavior itself, especially when linked to institutional power and electoral vulnerability, erodes public trust.

At the core of this project is a deeper political science puzzle: how do we reconcile the dual identities of legislators as both public officials and private citizens? This question has profound implications for democratic accountability. When public power enables private gain—regardless of whether that gain is realized—the legitimacy of representative institutions comes under strain. My results suggest that, even in the absence of definitive insider trading, the patterns of behavior identified here warrant scrutiny, regulation, and sustained scholarly attention.

Future research should continue to refine these analyses by expanding the scope of financial behavior examined, incorporating family and proxy accounts, and developing more sensitive measures of strategic trading. Scholars may also explore how public pressure, media coverage, and electoral dynamics interact with financial behavior over time. Qualitative approaches—including interviews with legislators or staff—could offer insight into motivations that remain opaque in quantitative models.

If Congress is to function as a body committed to the public good, it must adopt structures that minimize personal conflict and maximize public trust. Anything less risks undermining not just financial transparency, but the foundational integrity of democratic governance itself.

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