

“Captain Gains” on Capitol Hill

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Abstract

Using information on stock trading by members of the US Congress, we find congressional leaders outperform the benchmark significantly (by nine percentage points a year). Trading on leadership-associated knowledge is a likely factor since “regular” members of the Congress underperform the benchmark during the same period, except on firms in industries their legislative committees oversee. Importantly, congressional leaders do not outperform the market before they become leaders. Leaders are especially good at trading connected firms, defined as those that contribute to their election campaigns or are located in their constituency.

Keywords: Insider trading, Lawmaker trading, STOCK Act

JEL Classifications: G14, D72

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1 Introduction

Stock trading in the US Congress is commonplace. According to MarketWatch, at least 113 members of Congress traded a total of \$355 million of stocks in 2021.¹ This alone is neither illegal nor concerning. However, media reports suggest that lawmakers potentially trade on insider information or otherwise exhibit a conflict of interest. For example, four senators sold shares after closed-door briefings on Covid-19 in January 2020, just before the market crashed that started on February 20.² Furthermore, a *New York Times* analysis found that, between 2019 and 2021, 97 members of Congress traded in financial assets in industries that could be affected by their legislative committee assignment.³ An *Insider* report documented that 78 members of Congress have potentially violated the STOCK Act – a law designed to prevent insider trading in Washington and stop conflicts-of-interest.⁴

In comparison, existing academic studies generally find evidence of lawmakers *underperforming* the market/benchmark, at least after the STOCK Act was enacted in 2012 (e.g., Eggers and Hainmueller, 2013; Belmont, Sacerdote, Sehgal, and Van

¹ MarketWatch by Victor Reklaitis, February 5, 2022, “U.S. lawmakers traded an estimated \$355 million of stock last year. These were the biggest buyers and sellers.”, <https://www.marketwatch.com/story/u-s-lawmakers-traded-an-estimated-355-million-of-stock-last-year-these-were-the-biggest-buyers-and-sellers-11643639354>.

² Bloomberg by David Kocieniewski, March 20, 2020, “Burr Invites Ethics Probe of Stock Sales After Virus Updates”, <https://www.bloomberg.com/news/articles/2020-03-20/senators-sold-stock-after-coronavirus-briefings-in-january>.

³ New York Times by Kate Kelly, Adam Playford, and Alicia Parlapiano, September 13, 2022, “Stock Trades Reported by Nearly a Fifth of Congress Show Possible Conflicts”, <https://www.nytimes.com/interactive/2022/09/13/us/politics/congress-stock-trading-investigation.html>.

⁴ Insider by Dave Levinthal and Madison Hall, January 4, 2023, “78 members of Congress have violated a law designed to prevent insider trading and stop conflicts-of-interest”, <https://www.businessinsider.com/congress-stock-act-violations-senate-house-trading-2021-9>.

Hoek, 2022). In this paper, we attempt to reconcile these contrasting findings by examining the relation between trade performance and properties of the underlying firm at the transaction level. In addition to distinguishing between congressional leaders and other members of the Congress in the cross-section, we also examine whether becoming a congressional leader has any impact on lawmakers' trading performances. As enhancing stock trading performance is unlikely to be a key reason for lawmakers wanting to be a congressional leader, ascension to congressional leadership positions could be considered as an exogenous shock in the regression with stock trading performance as the dependent variable. As such, any changes to lawmakers' trading performance after assuming leadership roles is likely a byproduct of becoming congressional leaders, thereby providing us with a relatively unbiased measure of the treatment effect.

We define the leadership in the House of Representatives as the Speaker, party leader, and party whip for the majority party; the party leader, party whip, and the conference/caucus chairperson for the minority party. This gives us an even number of lawmakers from each party. For the Senate, we define leadership as each party's leader and whip. In short, for each party, we define congressional leaders to be the top three lawmakers from the House and the top two lawmakers from the Senate, thus giving us a total of ten leaders in any given year. Between 1995 and 2021 (the period of one of our datasets), there are a total of 30 individuals who have been a congressional leader.

Our key finding is that congressional leaders do outperform the benchmark substantially (by nine percentage points (pps) a year). Importantly, their stock trading performance is not great before they become leaders, but only improve afterwards. Additionally, between 2019 and 2021, we can also confirm the finding from other studies that “regular” members of Congress underperform the benchmark by an average of seven pps over one year,⁵ except for trades in stocks of firms that lawmakers’ legislative committees oversee. Congressional leaders’ trading is especially profitable on stocks of “connected firms”: those that have contributed to their election campaigns or are located in their state (if senator) or congressional district (if House member).

Earlier studies of lawmakers’ trading by Ziobrowski et al. (2004 and 2011), found their portfolios to outperform the market. However, this conclusion is reversed in later studies. Using trade data between 2004 and 2008, Eggers and Hainmueller (2013) document the opposite – members of Congress underperform the market. This finding is echoed by Belmont et al. (2022) when using data between 2012 and 2020. Our buy-and-hold abnormal return (BHAR) graph for congressional members as a whole is similar to that in Belmont et al. (2022).⁶ Cherry, Heitz, and Jens (2017) focuses on senators and argue that they achieve abnormal returns by avoiding losses through timely stock sales, with the abnormal returns concentrating in trades made

⁵ This is consistent with Eggers and Hainmuller (2013) and Belmont et al. (2022), but contrasts Ziobrowski, Cheng, Boyd, and Ziobrowski (2004) and Ziobrowski, Boyd, Cheng, and Ziobrowski (2004).

⁶ Our BHAR graphs demonstrate greater economic magnitudes, which possibly stems from the different methods in calculating BHARs and the adoption of a different sample period.

before key legislations exited legislative committees and in trades by more senior senators. These are consistent with our findings.

Our study is also related to the literature on lawmakers' portfolio choices and potential conflicts-of-interest. Aiken, Ellis, and Kang (2020) find that liberal lawmakers engage in more socially responsible investments. Eggers and Hainmuller (2014) find that lawmakers invest disproportionately more in local firms and campaign contributors, and are able to generate higher returns on these firms. We show that the stocks that congressional leaders invest in share many of the similar features. Tahoun (2014) finds a *quid pro quo* relation between politicians and firms in the form of more lucrative government procurement contracts being awarded to firms with a stronger ownership-contribution association. Using the 2008 Emergency Economic Stabilization Act as their setting, Tahoun and van Lent (2019) documents that House members are almost 60 percent more likely to vote in favor of government intervention when the financial crisis affected their personal wealth.

We contribute to the literature on politicians' stock trading by shedding light on the seemingly contrasting evidence between news media and recent academic research. We do not have "smoking gun" types of evidence on insider trading or violation of the STOCK Act, but our findings on congressional leaders are consistent with their exhibiting such behavior. As such, our findings also carry policy implications regarding the ongoing debate as to whether the STOCK ACT is enough to solve the problem of politician's insider trading or whether additional rules are needed.

2 Data

Two sets of trading data are utilized. The first contains all stock trades as disclosed by members of Congress between 2019 and 2021. These are crawled from 2iQ's capitoltrades.com. The second set contains all stock trades disclosed by any lawmaker who has ever become a congressional leader between 1995 and 2021. For anyone in the second data set, stock trades even when she is not a leader are also included.

Trades are obtained from lawmakers' annual financial disclosures and periodic transaction reports (the latter is only available after 2012 through the STOCK Act). Annual financial disclosures prior to and including 2018 are obtained from OpenSecrets (previously known as the Center for Responsive Politics). Post-2018 annual financial disclosures and period transaction reports are obtained from the Clerk of the House of Representatives and the Office of the Secretary of the Senate. Transaction values are reported as a range. There are 12 possible ranges: (i) below \$1000, (ii) \$1001 to \$15,000, (iii) \$15,001 to \$50,000, (iv) \$50,001 to \$100,000, (v) \$100,001 to \$250,000, (vi) \$250,001 to \$500,000, (vii) \$500,001 to \$1,000,000, (viii) \$1,000,001 to \$5,000,000, (ix) \$5,000,001 to \$25,000,000, (x) \$25,000,001 to \$50,000,000, and (xi) over \$50,000,000. We use the median of each range as the transaction's value. No trade in our sample exceeded \$50 million. Consolidating trades of the same stock on the same day by the same lawmaker does not affect our findings. Our sample is limited to trades of publicly listed stocks where prices could be found in the CRSP database.

Lawmakers' constituency and committee assignment data are obtained from the Official Congressional Directory. We map firms' headquarter ZIP codes to congressional districts using the linking table provided by the US Census Bureau. Firms' financial variables are obtained from Compustat. Political contribution and lobbying data are obtained from OpenSecrets. Lawmakers' ideology is measured using the first dimension of the DW-Nominate score, obtained from voteview.com. DW-Nominate is a continuous variable between -1 (liberal) and 1 (conservative) that measures the lawmakers' political ideology and constructed using legislative roll-call voting behavior.⁷ It has been used in previous studies to measure political ideology (e.g., Tahoun and van Lent, 2019; Aiken et al., 2020). Lawmakers' biographical information are obtained from various sources, including but not limited to personal websites, media outlets, and the National Archives.

Summary statistics of all lawmakers' trades (between 2019 and 2021) and trades of those that were at any given time a congressional leader (between 1995 and 2021) are presented in Table 1.

3 Empirical Results

We compute risk adjusted BHARs using the market model (MM), the Carhart four-factor model (FF3 + MOM), and the Fama-French five-factor plus momentum model (FF5 + MOM). They all yield similar conclusions in our context. We report the results

⁷ See Lewis, J. B., Poole, K., Rosenthal, H., Boche, A., Rudkin, A., & Sonnet, L. (2023). Voteview: Congressional Roll-Call Votes Database, <https://voteview.com/> for more details.

with the last model (Fama-French five-factor plus momentum) in the main text and relegate others to Online Appendix Tables A3 and A4. For ease of interpretation, sell transactions' abnormal returns are calculated as the negative of the BHAR of an otherwise identical buy transaction.

3.1 All Lawmakers (2019 – 2021)

Figure A1 plots the BHARs of stock purchases and sales of all members of Congress between 2019 and 2021. We observe similar trends between buys and sells, with the patterns similar to those in Belmont et al. (2022). On average, members of Congress underperform the benchmark, by an average of eight pps for buys and six pps for sells over 250 trading days.

We formally examine how trade returns are related to various stock and lawmaker characteristics with the following specification:⁸

$$R_{i,j,s,t} = \beta_1 W_{i,j,t} + \beta_2 X_{i,t-1} + \beta_3 Z_{j,t-1} + \alpha_i + \delta_t + \varepsilon_{i,j,s,t}, \quad (1)$$

where i , j , s , and t index lawmaker, firm (or stock), date, and year, respectively. R is the BHAR over the next 10, 20, 60, 120, and 250 trading days. W is a set of variables linking lawmakers to firms, including *Donate* (an indicator for firms that contributed to the lawmaker's campaign over the past three years; we include donations by the firm's affiliated political action committees (PAC), employees, and any other closely affiliated individuals), *Location* (an indicator for firms located in the same

⁸ Pairwise correlation matrix of lawmakers' trades between 2019 and 2021 are presented in Online Appendix Table A2 Panel A.

congressional district as the House member or the same state as the senator), and *Oversight* (an indicator for if the firm’s industry potentially falls under the jurisdiction of the lawmaker’s congressional committee).⁹ X is a set of lawmaker characteristics, including *Leader*, *Master/PhD*, *Chair/Rank*, *Married*, *Children*, *Female*, *Work FIRE*, *Edu. Business*, *Top School*, *Ln(Net Worth)*, membership in a powerful committee (*Power Cmte*), number of committee assignment (*Cmte. Number*), *DW-Nominate*, *House*, *Ln(Tenure)*, *Investigate*, and *Age*.¹⁰ Z is a set of firm financial variables, including *Leverage*, *Ln(Assets)*, *Altman Z*, *Profitability*, *BM*, *Ln(Lobbying)*, and *Ln(Donation)*. We also include *Ln(Txn. Value)* as a control. Detailed variable definitions may be found in Online Appendix Table A1.

From equation (1) in Table 2, we do not see lawmakers achieving superior performance on trades involving firms that had contributed to their campaigns or are located in their constituency. They do, however, appear to be better at buying stocks of firms in industries that their congressional committees oversee, with an average outperformance of 5.6 pps over 120 days (column 4). The last piece does not necessarily prove insider trading, as lawmakers may have a sounder understanding of the industries they oversee through their committee work. In any case, we do not observe a similar pattern for stock sales, which may be noisier as they could be motivated by other considerations, such as liquidity.

⁹ Mapping between Fama-French 49 industries and congressional committees are provided in Table A5.

¹⁰ In our model, we do not include lawmaker fixed effects as some lawmaker characteristics are time-invariant. Including lawmaker dummies do not alter our findings.

In contrast, congressional leaders achieve higher trading returns across all sample windows. Their average purchase and sales outperformances are 36.2 and 36.5 pps, respectively, over 250 days (columns 4 and 8). Since members of Congress as a whole do not have a stellar trading performance, the leaders' record of trading profits stands out.

Separately, lawmakers with a Masters or PhD degree appear to be better at selecting stocks to buy across all sample windows. For example, their average outperformance is 7.3 pps over 250 days (column 4). This is consistent with Talpsepp, Liivamägi, and Vaarmets (2020), who documents a positive relation between overall academic abilities and relative outperformance in the stock market.

Overall, we find that congressional leaders outperform the market significantly, even though other “regular” members generally do not do that well. This difference perhaps partly reconciles the contrasting findings between recent academic research and media reports.

3.2 Leaders' vs. Non-Leaders' Trades (2019 – 2021)

To shed light on such distinction, we modify equation (1) by introducing an interaction term between W and $Leader$. This allows us to test whether the relation between firm-lawmaker connectedness and returns differ between congressional leaders and other members. We do not interact $Oversight$ and $Leader$ as congressional leaders typically

refrain from chairing or sitting on powerful committees. This is demonstrated by the tradition for the Speaker of the House to not sit on any legislative committee.

In Table 3, we include the interaction terms individually, before including all of them simultaneously in columns 3 and 6. We observe that, across all horizons, leaders are better at buying and selling stocks of firms that have contributed to their campaigns or are located in their constituency. For instance, leaders' trading performance involving firms that previously contributed is respectively 21.1 and 36.7 pps higher than that of other members for buy and sell transactions after 120 days (Panel C columns 1 and 3). After considering *Location*Leader*, the trades involving previous contributors remain 23.5 and 37.4 pps higher for buys and sells, respectively, after 120 days (Panel D columns 3 and 6). This is also true for leaders' trades involving firms that are located in their state (for senators) or congressional district (for House members). Taken together, these results indicate that congressional leaders are better at trading stocks than other members of Congress, particularly at stocks of connected firms.

3.3 Pre- vs. Post-Leadership Trades (1995 – 2021)

Why are congressional leaders able to beat the market? Is it because smarter and intrinsically better stock traders among members of Congress are more likely to become congressional leaders? Or is it because their congressional leadership positions allow them to know more about what and when to buy or sell? To answer these questions, it is useful to examine the trading performances of the same congressional leaders

before they become leaders. If they are intrinsically better investors, we should see better investment performance by them even without being in a leadership position than other “regular” members of Congress.

We assemble a new dataset of trades – those made by lawmakers who were at any time a congressional leader (i.e., a top-three ranking House member or a top-two ranking senator in his/her party) between 1995 and 2021.¹¹ For example, Paul Ryan served as the Speaker of the House between October 2015 and December 2018. Thus, all of his trades between 1995 and 2021 are included in this dataset. In practice, some leaders may have joined Congress after 1995 and left prior to 2021, their trades outside of their time in Congress are not available. From Figure 2, which plots the distribution of leaders’ trades by party and year, we see that congressional leaders from both parties trade a lot throughout the sample period.

We test whether congressional leaders’ trading performance, particularly those involving connected firms, differ between pre- and post-leadership years. Before running any regressions, we inspect their trading performance (BHARs) in the pre- and post-leadership periods in Figure 3. We see that leaders’ average BHAR over 250 days improves from roughly negative five pps as a “regular” member to nine pps after assuming leadership roles.

To formally test pre- and post-leadership performance changes, we modify equation (1) by introducing an interaction term between W and $Post$, an indicator for

¹¹ Pairwise correlation matrix of variables related to congressional leaders’ trades between 1995 and 2021 are presented in Online Appendix Table A2 Panel B.

transactions that occurred after the lawmaker assumed a leadership role. To ensure that findings are driven by lawmakers becoming leaders, rather than their congressional tenure, we include the interaction between W and $Ln(Tenure)$.

The results of our exercise are presented in Table 4. Similar to Table 3, we include each interaction term individually (columns 1 to 2 and 4 to 5) before including all three simultaneously (columns 3 and 6). We observe that the coefficients on $Donate*Post$ and $Location*Post$ are significant across almost all specifications and horizons, suggesting that lawmakers after assuming leadership roles are able to achieve higher BHARs on stocks of connected firms – those that previously contributed to their campaigns and/or are located in their constituency. For example, over a 250-day window, lawmakers' BHARs on purchases and sales of stocks of donor firms are respectively 20.7 and 13.6 pps higher after assuming leadership roles (Panel D columns 1 and 4). These numbers remain significant at 32.6 and 12.6 pps after including $Location*Post$ (Panel D columns 3 and 6). The same is true for the interaction term between $Location$ and $Post$, indicating that lawmakers are able to generate higher BHARs from trading stocks of their local firms after assuming leadership roles.

Overall, Table 4 indicate that not only do lawmakers exhibit superior stock trading performance after assuming congressional leadership positions, their superior performance does not come from their long tenure in the Congress, and is especially concentrated in trading stocks of connected firms.

3.4 Leaders' Trades and the STOCK Act

We also examine how leaders' and would-be-leaders' trading performances are affected by the enactment of the STOCK Act on April 4, 2012. Consistent with Cherry et al. (2017), from Figure 2, we see a general decline in trading frequency after the enactment.

We modify equation (1) to include *Post-STOCK*, an indicator for if the trade is made after the enactment of the STOCK Act, as well as its interaction with *Post*. Results in Table 5 indicate that neither leaders' nor would-be-leaders' BHARs are affected consistently and significantly by the STOCK Act.

4 Conclusion

This paper documents that congressional leaders achieve superior stock trading performance, but not before they become leaders. This differs sharply from typical findings in the literature that "regular" congressional members are not great stock traders (which we also confirm). The STOCK Act of 2012 does not seem to diminish congressional leaders' abnormal trading profits.

The findings of this paper may be circumstantial and need not be evidence of insider trading or violation of the STOCK Act. However, our results are suggestive of potentially problematic trading behavior by members of Congress. After all, the consequences of violations are minimal: the standard fine under the STOCK Act is merely \$200, and no public record of violations exists. With the rise of political skepticism in recent years, modifications to and stronger enforcement of the STOCK Act may help restore public confidence in the political system.

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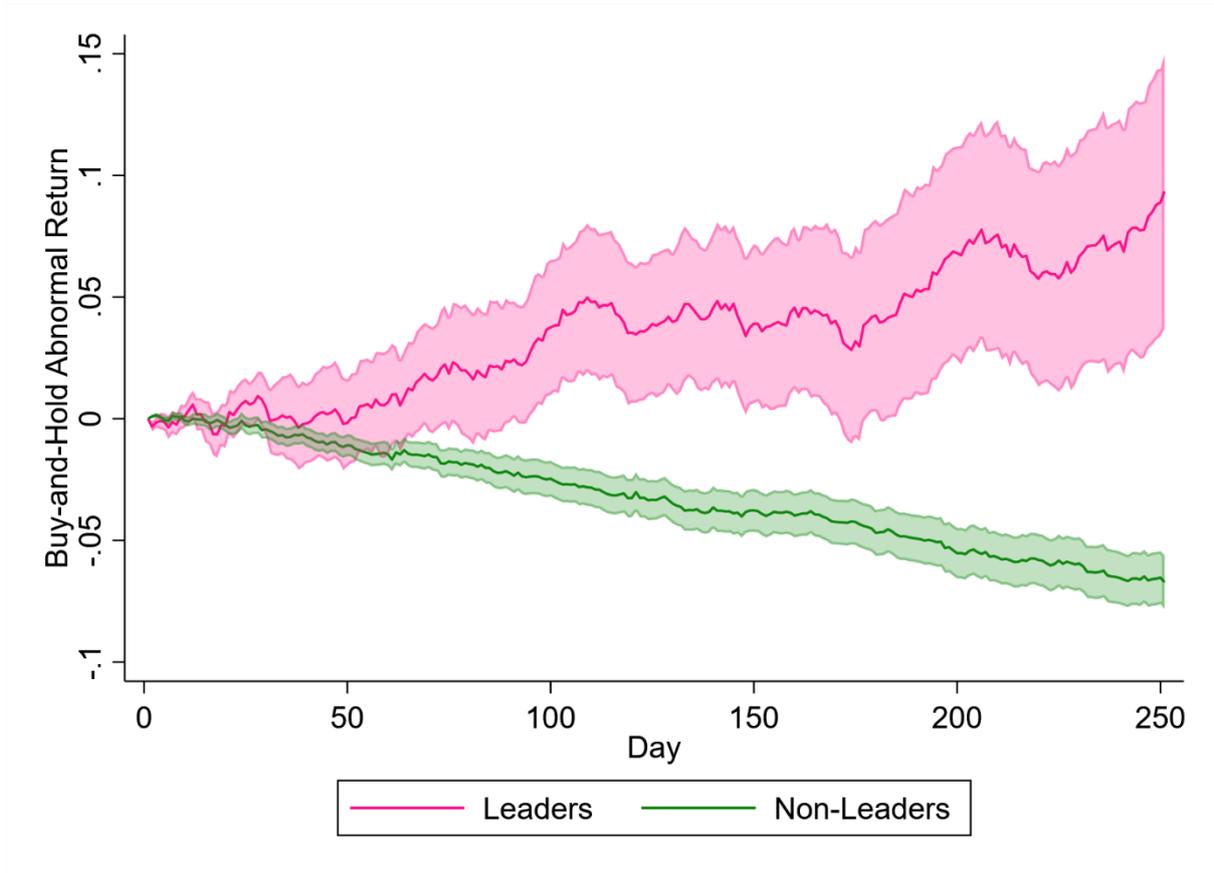


Figure 1: Buy-and-hold abnormal returns (BHARs) of trades by all members of Congress between 2019 and 2021. The shaded regions represent 90% confidence intervals. Congressional leaders are defined as the top three (two) ranking lawmakers in each party in the House of Representatives (Senate). BHARs are calculated using the Fama-French five-factor plus momentum as the benchmark model. Day represents trading days. Day 0 is the day of transaction.

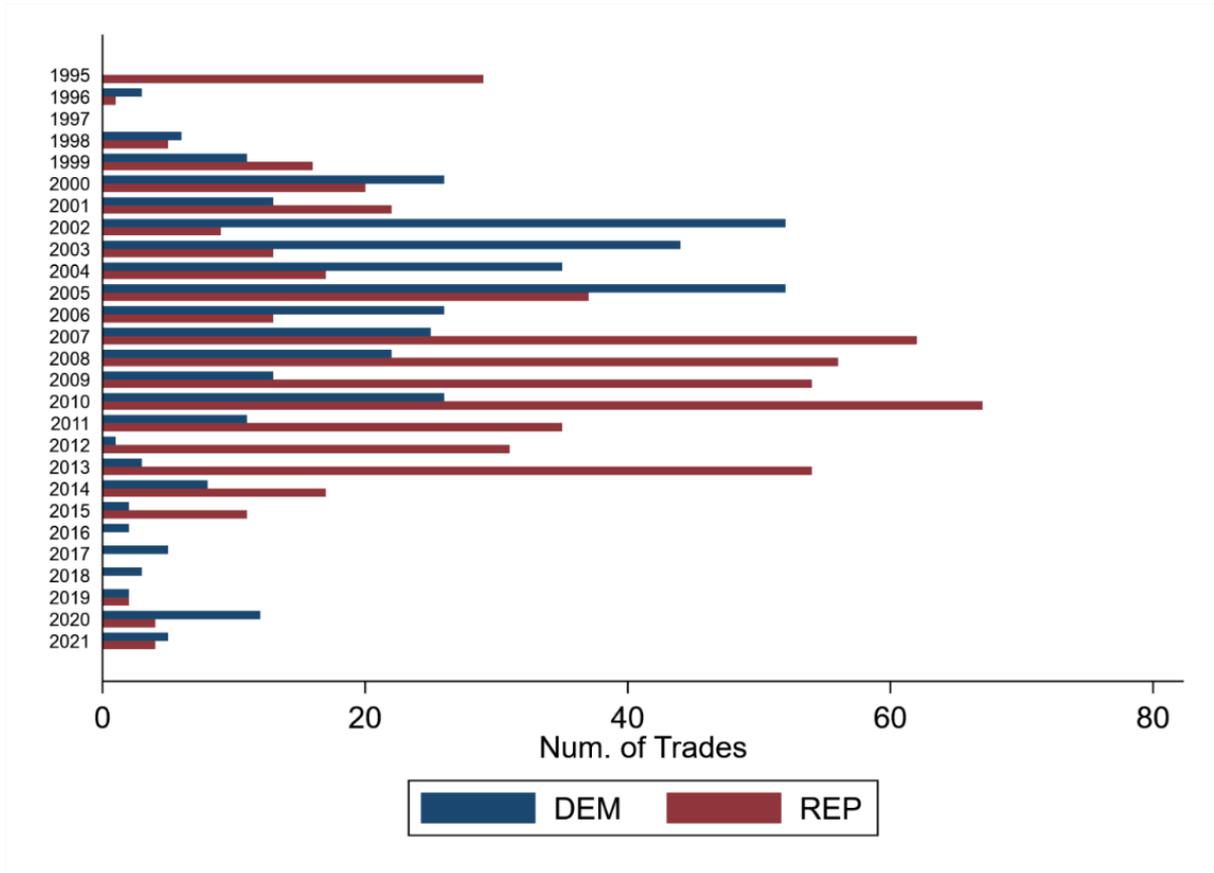


Figure 2: Distribution of trades made by members of Congress who were at any time a congressional leader between 1995 and 2021. The blue and red bars represent Democratic and Republican lawmakers, respectively.

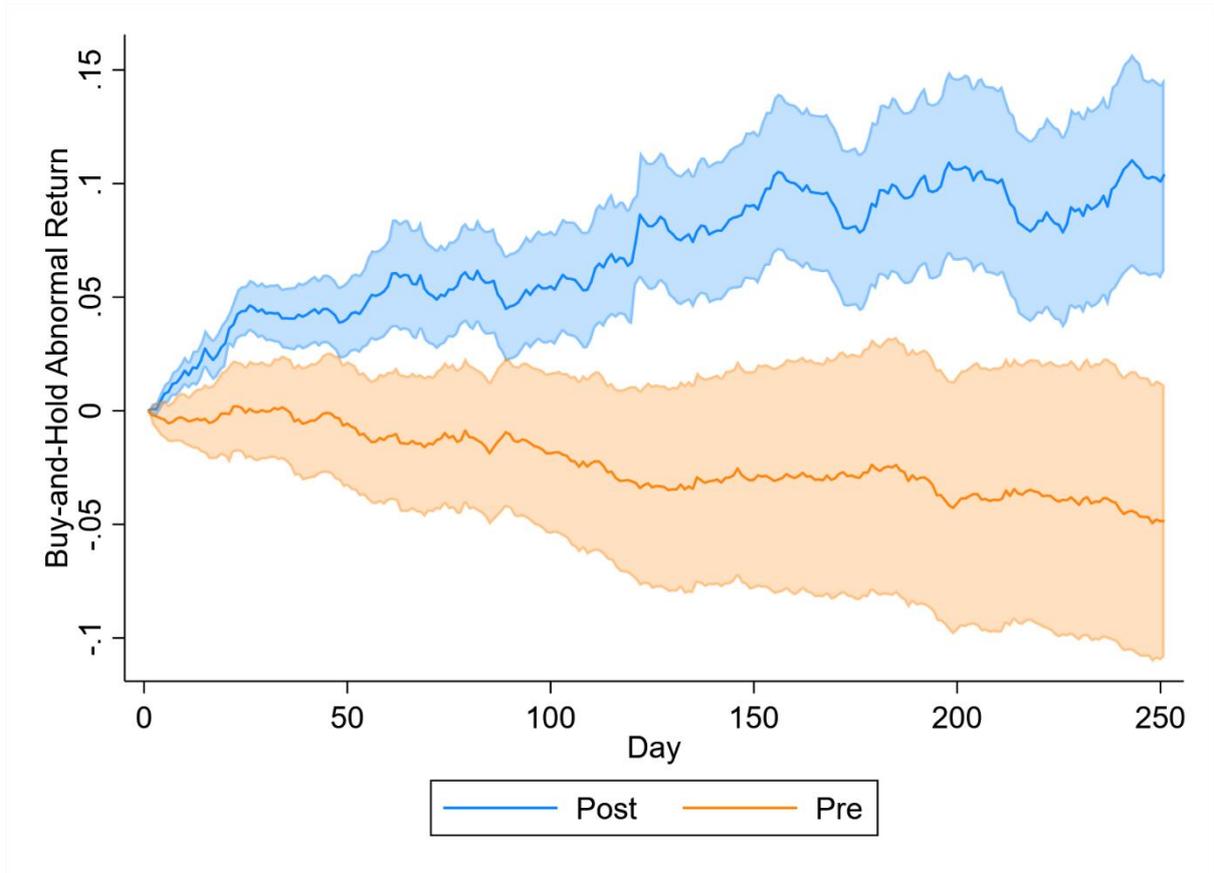


Figure 3: Buy-and-hold abnormal returns (BHARs) of trades by members of Congress who were at any time a congressional leader between 1995 and 2021. Congressional leaders are defined as the top three (two) ranking lawmakers in each party in the House of Representatives (Senate). *Pre* (*Post*) includes all trades made by lawmaker before (after) they assumed a leadership role. The shaded regions represent 90% confidence intervals. BHARs are calculated using the Fama-French five-factor plus momentum as the benchmark model. Day represents trading days. Day 0 is the day of transaction.

Table 1 Summary Statistics

Transaction-level summary statistics. All Trades (2019 – 2021) sample contains 15888 buy and 15019 sell transactions reported by members of Congress between 2019 and 2021. Leaders' Trades (1995 – 2021) sample contains 455 buy and 536 sell transactions reported by members of Congress who were at any time a congressional leader between 1995 and 2021. Detailed variable definitions can be found in Table A1.

	All Trades (2019 - 2021)					Leaders' Trades (1995 - 2021)				
	Mean	SD	p10	p50	p90	Mean	SD	p10	p50	p90
Leader	0.00	0.03	0.00	0.00	0.00	-	-	-	-	-
Post	-	-	-	-	-	0.56	0.50	0.00	1.00	1.00
Master/PhD	0.90	0.29	1.00	1.00	1.00	0.48	0.50	0.00	0.00	1.00
Chair/Rank	0.21	0.41	0.00	0.00	1.00	0.26	0.44	0.00	0.00	1.00
Married	0.98	0.13	1.00	1.00	1.00	0.99	0.08	1.00	1.00	1.00
Female	0.18	0.38	0.00	0.00	1.00	0.17	0.38	0.00	0.00	1.00
Work FIRE	0.62	0.48	0.00	1.00	1.00	0.23	0.42	0.00	0.00	1.00
Ln(Net Worth)	17.16	3.15	14.90	17.75	19.83	15.32	1.60	13.90	15.03	17.54
Power Cmte.	0.55	0.50	0.00	1.00	1.00	0.69	0.46	0.00	1.00	1.00
Cmte. Number	2.40	0.82	2.00	2.00	3.00	2.17	1.81	0.00	2.00	5.00
DW-Nominate	-0.01	0.49	-0.54	-0.21	0.67	0.13	0.44	-0.49	0.40	0.56
Ln(Tenure)	1.63	0.99	0.00	1.61	2.77	2.44	0.79	1.39	2.64	3.14
Ln(Age)	4.01	0.20	3.78	4.04	4.30	3.99	0.24	3.61	4.09	4.20
House	0.93	0.25	1.00	1.00	1.00	0.65	0.48	0.00	1.00	1.00
Investigate	0.03	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business Degree	0.11	0.32	0.00	0.00	1.00	0.22	0.41	0.00	0.00	1.00
Top School	0.44	0.50	0.00	0.00	1.00	0.14	0.34	0.00	0.00	1.00
Children	2.66	1.37	1.00	2.00	5.00	3.41	1.17	2.00	3.00	5.00
Donate	0.14	0.35	0.00	0.00	1.00	0.38	0.49	0.00	0.00	1.00
Location	0.07	0.25	0.00	0.00	0.00	0.07	0.25	0.00	0.00	0.00
Oversight	0.05	0.21	0.00	0.00	0.00	0.02	0.13	0.00	0.00	0.00
Ln(Assets)	10.57	1.76	8.26	10.66	12.71	0.20	0.22	0.00	0.14	0.58
Leverage	0.22	0.18	0.02	0.18	0.48	10.68	2.08	7.38	11.06	13.10
Altman Z	4.47	11.83	0.63	2.97	9.47	6.41	17.32	0.38	3.54	10.05
Profitability	0.25	0.16	0.05	0.23	0.47	0.26	0.15	0.09	0.24	0.44
BM	0.35	0.38	0.04	0.26	0.80	0.34	0.31	0.09	0.28	0.73
Ln(Lobby Fee)	3.86	6.45	0.00	0.00	15.23	10.44	6.81	0.00	14.17	16.25
Ln(Donation)	3.67	5.46	0.00	0.00	12.58	5.83	6.06	0.00	0.00	12.98
Ln(Txn. Value)	11.27	1.49	8.99	11.18	13.24	9.9	1.57	8.99	8.99	12.07

Table 2 Buy-and-Hold Abnormal Returns by Members of Congress (2019 – 2021)

Transaction-level regression results showing how buy-and-hold abnormal returns (BHARs) over hypothetical investment horizons (in trading days) are related to lawmaker characteristics, firm-lawmaker connectedness, and firm characteristics. Buy and sell transactions are shown in columns 1 to 3 and 4 to 6, respectively. BHARs are calculated using the Fama-French five-factor plus momentum model. Sell transactions' BHARs are calculated as the negative of the BHAR of an otherwise identical buy transaction. Sample includes trades disclosed by all members of Congress between 2019 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				Sell			
	[0, 10]	[0, 60]	[0, 120]	[0, 250]	[0, 10]	[0, 60]	[0, 120]	[0, 250]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Lawmaker Characteristics</i>								
Leader	0.035*** (0.01)	0.105*** (0.02)	0.238*** (0.03)	0.362*** (0.05)	0.063** (0.03)	0.156** (0.06)	0.250*** (0.07)	0.365*** (0.09)
Master/PhD	0.008*** (0.00)	0.027*** (0.01)	0.033*** (0.01)	0.073*** (0.02)	0.001 (0.00)	-0.003 (0.01)	-0.018 (0.01)	-0.036* (0.02)
Chair/Rank	0.008* (0.00)	0.004 (0.01)	-0.009 (0.01)	-0.023 (0.02)	0.008** (0.00)	0.013 (0.01)	0.018 (0.02)	-0.007 (0.03)
Married	0.019*** (0.01)	0.023 (0.02)	0.069** (0.03)	0.064 (0.05)	0.012*** (0.00)	-0.004 (0.01)	-0.008 (0.02)	-0.004 (0.03)
Female	-0.004 (0.00)	-0.021** (0.01)	-0.028* (0.02)	-0.044* (0.02)	0.006 (0.00)	0.002 (0.01)	0.006 (0.01)	0.017 (0.02)
Work FIRE	0.001 (0.00)	0.009 (0.01)	0.022** (0.01)	0.040** (0.02)	-0.006** (0.00)	-0.010 (0.01)	-0.017* (0.01)	-0.019 (0.02)
Ln(Net Worth)	0.001* (0.00)	0.000 (0.00)	0.000 (0.00)	0.001 (0.00)	0.000 (0.00)	0.000 (0.00)	0.000 (0.00)	-0.001 (0.00)
Power Cmte.	0.002 (0.00)	-0.006 (0.01)	-0.014 (0.01)	-0.003 (0.02)	0.002 (0.00)	0.008 (0.01)	0.002 (0.01)	0.005 (0.02)
Cmte. Number	0.000 (0.00)	-0.001 (0.00)	-0.008 (0.01)	-0.004 (0.01)	0.000 (0.00)	0.002 (0.00)	0.000 (0.01)	0.002 (0.01)
DW-Nominate	-0.001 (0.00)	0.003 (0.01)	0.015 (0.01)	0.032 (0.02)	0.002 (0.00)	0.007 (0.01)	0.001 (0.01)	-0.009 (0.02)
Ln(Tenure)	-0.003* (0.00)	-0.006 (0.00)	-0.001 (0.01)	0.003 (0.01)	0.000 (0.00)	-0.001 (0.00)	0.002 (0.01)	0.001 (0.01)
Ln(Age)	-0.001 (0.01)	-0.010 (0.02)	-0.019 (0.04)	-0.025 (0.06)	0.007 (0.01)	0.011 (0.02)	-0.005 (0.03)	-0.006 (0.05)
House	0.000 (0.00)	-0.001 (0.01)	0.010 (0.02)	0.034 (0.04)	0.005 (0.01)	0.005 (0.01)	0.002 (0.02)	-0.020 (0.03)
Investigate	-0.002 (0.01)	-0.009 (0.02)	-0.029 (0.03)	0.052 (0.04)	0.002 (0.01)	0.021 (0.02)	0.038* (0.02)	-0.008 (0.03)
Business Degree	-0.006** (0.00)	0.000 (0.01)	0.010 (0.01)	0.037** (0.02)	-0.003 (0.00)	-0.016** (0.01)	-0.009 (0.01)	-0.027 (0.02)
Top School	-0.005* (0.00)	-0.015* (0.01)	-0.020 (0.01)	-0.019 (0.02)	0.006* (0.00)	0.010 (0.01)	0.005 (0.01)	-0.004 (0.02)
Children	-0.001 (0.00)	-0.005* (0.00)	-0.007* (0.00)	-0.011 (0.01)	0.000 (0.00)	0.002 (0.00)	0.005 (0.00)	0.009 (0.01)
<i>Lawmaker-Firm Relations</i>								
Donate	-0.004** (0.00)	-0.010 (0.01)	-0.001 (0.01)	-0.010 (0.02)	-0.002 (0.00)	0.002 (0.01)	0.008 (0.01)	0.000 (0.02)
Location	0.005 (0.00)	-0.001 (0.01)	0.003 (0.02)	-0.046** (0.02)	0.005 (0.00)	-0.012 (0.01)	-0.012 (0.02)	-0.017 (0.03)
Oversight	0.011*** (0.00)	0.036*** (0.01)	0.051*** (0.01)	0.056** (0.03)	0.005 (0.00)	0.014 (0.01)	0.014 (0.01)	0.006 (0.02)

Table 2 Buy-and-Hold Abnormal Returns by Members of Congress (2019 – 2021) (cont'd)

	Buy				Sell			
	[0, 10]	[0, 60]	[0, 120]	[0, 250]	[0, 10]	[0, 60]	[0, 120]	[0, 250]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Firm Characteristics</i>								
Ln(Assets)	-0.021*** (0.00)	-0.173*** (0.01)	-0.353*** (0.03)	-0.689*** (0.06)	0.013*** (0.00)	0.159*** (0.02)	0.278*** (0.04)	0.577*** (0.06)
Leverage	0.072** (0.03)	0.299*** (0.05)	0.593*** (0.09)	0.904*** (0.17)	-0.094*** (0.03)	-0.413*** (0.07)	-0.790*** (0.14)	-1.344*** (0.16)
Altman Z	-0.001* (0.00)	-0.003** (0.00)	-0.002 (0.00)	0.002 (0.01)	0.001** (0.00)	0.003** (0.00)	0.005** (0.00)	0.001 (0.00)
Profitability	0.021 (0.04)	0.104* (0.05)	-0.003 (0.12)	0.280 (0.20)	0.006 (0.02)	-0.060 (0.11)	0.141 (0.12)	-0.122 (0.23)
BM	-0.006 (0.02)	-0.035 (0.04)	-0.005 (0.06)	0.103 (0.10)	-0.010 (0.01)	0.034* (0.02)	0.019 (0.04)	0.142** (0.06)
Ln(Lobby Fee)	-0.001 (0.00)	0.001 (0.00)	0.003 (0.00)	0.000 (0.00)	-0.004*** (0.00)	-0.012*** (0.00)	-0.020*** (0.01)	-0.025*** (0.01)
Ln(Donation)	0.000 (0.00)	0.000 (0.00)	-0.001 (0.00)	-0.003 (0.00)	0.000 (0.00)	0.001 (0.00)	-0.001 (0.00)	0.001 (0.00)
Ln(Txn. Value)	0.000 (0.00)	-0.002 (0.00)	-0.001 (0.00)	0.001 (0.00)	0.000 (0.00)	0.004** (0.00)	0.004 (0.00)	0.014*** (0.00)
<i>N</i>	15888	15888	15888	15888	15019	15019	15019	15019
Adj. R-sq	0.15	0.3	0.35	0.45	0.16	0.27	0.34	0.41
Year FE & Firm FE	Y	Y	Y	Y	Y	Y	Y	Y

Table 3 Differential Trading Performances by Leaders vs. “Regular” Members of the Congress

Transaction-level regression results showing that compared to other members of Congress, congressional leaders achieve higher BHARs, especially on trades related to connected firms over various hypothetical investment horizons (in trading days). *Donate* is an indicator for if the firm contributed to the lawmaker’s campaign over the past three years. *Location* is an indicator for if the firm is located in the same congressional district as the House member or the same state as the senator. Buy and sell transactions are shown in columns 1 to 5 and 6 to 10, respectively. BHARs are calculated using the Fama-French five-factor plus momentum model. Sell transactions’ BHARs are calculated as the negative of the BHAR of an otherwise identical buy transaction. Sample includes trades disclosed by all members of Congress between 2019 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy			Sell		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: [0, 10]</i>						
Donate * Leader	0.022*** (0.00)		0.030*** (0.00)	0.134*** (0.03)		0.141*** (0.03)
Location * Leader		0.045*** (0.01)	0.051*** (0.01)		0.083** (0.03)	0.097*** (0.02)
Adj. R-sq	0.15	0.15	0.15	0.16	0.16	0.16
<i>Panel B: [0, 60]</i>						
Donate * Leader	0.186*** (0.02)		0.225*** (0.02)	0.322*** (0.09)		0.328*** (0.09)
Location * Leader		0.192*** (0.04)	0.234*** (0.04)		0.061 (0.07)	0.094*** (0.04)
Adj. R-sq	0.30	0.30	0.30	0.27	0.27	0.27
<i>Panel C: [0, 120]</i>						
Donate * Leader	0.211*** (0.03)		0.235*** (0.03)	0.367** (0.14)		0.374*** (0.14)
Location * Leader		0.100** (0.05)	0.143*** (0.05)		0.076 (0.07)	0.112*** (0.04)
Adj. R-sq	0.35	0.35	0.35	0.34	0.34	0.34
<i>Panel D: [0, 250]</i>						
Donate * Leader	0.286*** (0.03)		0.294*** (0.04)	0.384* (0.23)		0.404* (0.23)
Location * Leader		-0.010 (0.05)	0.044 (0.05)		0.233** (0.10)	0.273*** (0.07)
Adj. R-sq	0.45	0.45	0.45	0.41	0.41	0.41
N	15888	15888	15888	15019	15019	15019
Lawmaker & Firm Controls	Y	Y	Y	Y	Y	Y
Year FE & Firm FE	Y	Y	Y	Y	Y	Y

Table 4 Leaders' Trade Performance over Their Congressional Career

Transaction-level regression results showing that superior trading performance by leaders only materialize after they become leaders but does not when they are “regular” members. *Post* is an indicator for if a trade is made after the lawmaker assumes a leadership role. Sample includes trades disclosed by all members of Congress who were at any time a congressional leader between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy			Sell		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: [0, 10]</i>						
Donate * Post	0.038** (0.02)		0.035** (0.01)	0.028*** (0.01)		0.026*** (0.01)
Location * Post		0.163*** (0.04)	0.126*** (0.03)		0.071*** (0.01)	0.056*** (0.01)
Donate * Ln(Tenure)	-0.004 (0.01)		-0.004 (0.01)	-0.010 (0.01)		-0.009 (0.01)
Location * Ln(Tenure)		-0.090** (0.04)	-0.063* (0.03)		-0.021 (0.02)	-0.006 (0.02)
Adj. R-sq	0.57	0.56	0.58	0.57	0.56	0.58
<i>Panel B: [0, 60]</i>						
Donate * Post	0.137** (0.05)		0.136** (0.05)	0.059*** (0.02)		0.058*** (0.02)
Location * Post		0.316** (0.11)	0.123* (0.07)		0.059* (0.03)	0.027 (0.03)
Donate * Ln(Tenure)	0.026 (0.04)		0.028 (0.04)	-0.012 (0.02)		-0.012 (0.02)
Location * Ln(Tenure)		-0.072 (0.08)	0.082* (0.04)		-0.015 (0.02)	0.018 (0.03)
Adj. R-sq	0.75	0.69	0.75	0.52	0.50	0.51
<i>Panel C: [0, 120]</i>						
Donate * Post	0.207*** (0.06)		0.204*** (0.06)	0.093*** (0.02)		0.091*** (0.02)
Location * Post		0.462** (0.16)	0.234 (0.15)		0.123** (0.04)	0.074* (0.04)
Donate * Ln(Tenure)	-0.013 (0.06)		-0.011 (0.05)	-0.017 (0.02)		-0.016 (0.02)
Location * Ln(Tenure)		-0.192* (0.10)	-0.019 (0.11)		-0.012 (0.06)	0.039 (0.05)
Adj. R-sq	0.74	0.71	0.74	0.30	0.29	0.30
<i>Panel D: [0, 250]</i>						
Donate * Post	0.323** (0.13)		0.326** (0.13)	0.136*** (0.02)		0.126*** (0.02)
Location * Post		0.316 (0.36)	-0.018 (0.31)		0.292** (0.10)	0.217** (0.09)
Donate * Ln(Tenure)	-0.050 (0.13)		-0.047 (0.12)	-0.052 (0.04)		-0.045 (0.04)
Location * Ln(Tenure)		-0.022 (0.23)	0.227 (0.18)		-0.156 (0.11)	-0.078 (0.09)
Adj. R-sq	0.63	0.61	0.63	0.27	0.26	0.28
<i>N</i>	455	455	455	536	536	536
Lawmaker & Firm Controls	Y	Y	Y	Y	Y	Y
Year FE & Firm FE	Y	Y	Y	Y	Y	Y

Table 5 Trading Performance by Leaders Before and After the STOCK Act

Transaction-level regression results showing that congressional leaders' BHARs are not consistently significantly affected by the enactment of the STOCK Act over various hypothetical investment horizons (in trading days). *Post* is an indicator for if a trade is made after the lawmaker assumes a leadership role. *Post-STOCK* is an indicator for if the trade is made after the enactment of the STOCK Act on April 4, 2012. Buy and sell transactions are shown in Panels A and B, respectively. BHARs are calculated using the Fama-French five-factor plus momentum model. Sell transactions' BHARs are calculated as the negative of the BHAR of an otherwise identical buy transaction. Sample includes trades disclosed by all members of Congress who were at any time a congressional leader between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses. Detailed variable definitions can be found in Table A1 in the Appendix.

	[0, 10]	[0, 60]	[0, 120]	[0, 250]	[0, 10]	[0, 60]	[0, 120]	[0, 250]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Panel A: Buy</i>								
Post-STOCK	-0.008	-0.032	-0.035	-0.077				
	0.01	(0.03)	(0.06)	(0.10)				
Post * Post-STOCK					0.002	0.100***	0.107	0.034
					(0.02)	(0.02)	(0.06)	(0.20)
<i>N</i>	455	455	455	455	455	455	455	455
Adj. R-sq	0.55	0.68	0.70	0.59	0.55	0.69	0.71	0.61
<i>Panel B: Sell</i>								
Post-STOCK	0.007	0.017	-0.002	0.002				
	(0.01)	(0.02)	(0.01)	0.03				
Post * Post-STOCK					0.013	0.035	-0.033	0.002
					(0.01)	(0.03)	(0.04)	(0.05)
<i>N</i>	536	536	536	536	536	536	536	536
Adj. R-sq	0.32	0.48	0.28	0.19	0.55	0.51	0.29	0.26
Lawmaker & Firm Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE				Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y

Online Appendix

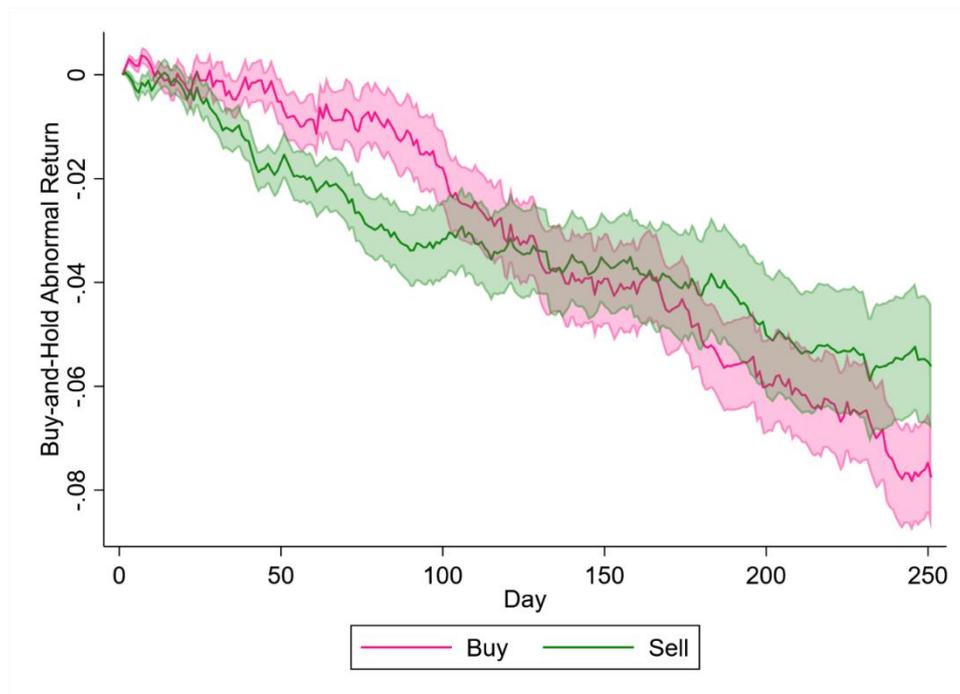


Figure A1: Buy-and-hold abnormal returns (BHARs) of trades by all members of Congress between 2019 and 2021. The shaded regions represent 90% confidence intervals. BHARs are calculated using the Fama-French five-factor plus momentum as the benchmark model. Day represents trading days. Day 0 is the day of transaction.

Table A1 Variable Definitions

Variable	Definition
Altman Z	Altman Z-score, a measure of financial distress.
BM	Book-to-market ratio, calculated as book value of equity divided by market value of equity.
Business Degree	Equals to one if the lawmaker has a degree in a business-related discipline, zero otherwise.
Chair/Rank	Equals to one if the lawmaker was a chairman or ranking member of a congressional committee at the time of the transaction, zero otherwise.
Children	The number of children the lawmaker has at the time of the transaction.
Cmte. Number	The number of congressional committees the lawmaker sat on at the time of the transaction.
Donate	Equals to one if the firm's affiliated PAC, employees, or any other self-disclosed affiliated individuals contributed to the lawmaker's campaign over the past three years, zero otherwise.
DW-Nominate	A continuous measure (between -1 and 1) of lawmaker ideology based on legislative roll-call voting behavior. A score closer to 1 is described as conservative whereas a score closer to -1 can be described as liberal. ¹
Female	Equals to one if the lawmaker is a female, zero otherwise.
House	Equals to one if the lawmaker was a House member at the time of the transaction, zero otherwise.
Ideology	Equals to one if the firm contributed more to the lawmaker's party than the opposing party over the past three years, zero otherwise.
Investigate	Equals to one if the lawmaker was investigated by the House Committee on Ethics or the Senate Select Committee on Ethics, the Department of Justice, or any other regulatory body, zero otherwise.
Ln(Age)	The natural logarithm of the age of the lawmaker at the time of the transaction.
Ln(Assets)	The natural logarithm of the sum of the book value of debt and the market value of equity.
Ln(Donation)	The natural logarithm of the firm's affiliated political action committee's total political contributions plus one.
Ln(Lobby Fee)	The natural logarithm of the firm's total lobbying expenses plus one.
Ln(Net Worth)	The natural logarithm of the lawmaker's net worth as disclosed in his/her annual financial disclosures. Assets and liabilities are estimated as the median of the reported range.
Ln(Txn. Value)	The natural logarithm of the trade's transaction value, estimated as the median of the reported range.
Leader	Equals to one if the lawmaker was a top three ranking House member or top two ranking senator in his/her party at the time of the transaction, zero otherwise.
Leverage	Leverage, calculated as the book value of debt divided by the sum of the book value of debt and the market value of equity.
Location	Equals to one if the firm is located in the same congressional district as the House member or the same state as the senator, zero otherwise.
Married	Equals to one if the lawmaker was married at the time of the transaction, zero otherwise.
Master/PhD	Equals to one if the lawmaker has a Masters or Doctorate degree, zero otherwise.

¹ Lewis, J. B., Poole, K., Rosenthal, H., Boche, A., Rudkin, A., & Sonnet, L. (2023). Voteview: Congressional Roll-Call Votes Database. <https://voteview.com/>

Table A1 Variable Definitions (cont'd)

Variable	Definition
Oversight	Equals to one if the firm's industry potentially falls under the jurisdiction of the lawmaker's congressional committee, zero otherwise.
Post	Equals to one if a trade is made after the lawmaker assumes a leadership role, zero otherwise.
Post-STOCK	Equals to one if a trade is made after the passage of the STOCK Act, zero otherwise.
Power Cmte.	Equals to one if the lawmaker was a member of a powerful congressional committee in the year, zero otherwise. Powerful committees in the House include Appropriations, Budget, Commerce, Rules, and Ways and Means; in the Senate include Appropriations, Armed Services, Commerce, Finance, and Foreign Relations (Paletz, Owen, and Cook, 2012). ²
Profitability	Profitability, calculated as EBITDA divided by sales.
Tenure	The natural logarithm of the number of years (rounded to the next year) since the lawmaker first became a member of Congress.
Top School	Equals to one if the lawmaker graduated from a school ranked in the top 20 in the US according to the 2022 US News Rankings, zero otherwise.
Work FIRE	Equals to one if the lawmaker had work experience in finance, insurance, or real estate, or owned/operated his/her own business, zero otherwise.

² Paletz, D. L., Owen, D., & Cook, T. E. (2012). *21st Century American Government and Politics*. US: Creative Commons.

Table A2 Pairwise Correlation Matrix

Pairwise correlation matrix of variables related to 15871 buy and 14991 sell transactions reported by members of Congress between 2019 and 2021 (Panel A) and 455 buy and 536 sell transactions reported by members of Congress who were at any time a congressional leader between 1995 and 2021 (Panel B). Detailed variable definitions can be found in Table A1.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)		
<i>Panel A: All Trades (2019 - 2021)</i>																														
(1) Leader	1.00																													
(2) Master/PhD	-0.10	1.00																												
(3) Chair/Rank	-0.02	-0.05	1.00																											
(4) Married	0.01	0.00	0.08	1.00																										
(5) Female	0.07	0.01	-0.16	-0.16	1.00																									
(6) Work FIRE	-0.04	0.08	0.27	0.14	-0.38	1.00																								
(7) Ln(Net Worth)	0.02	0.11	0.28	0.09	-0.29	0.31	1.00																							
(8) Power Cmte.	-0.03	-0.14	-0.36	-0.10	-0.20	0.25	-0.05	1.00																						
(9) Cmte. Number	-0.08	-0.03	-0.01	0.05	-0.14	0.29	-0.07	0.32	1.00																					
(10) DW-Nominate	-0.03	-0.14	0.34	0.11	0.06	-0.19	-0.04	-0.51	-0.26	1.00																				
(11) Ln(Tenure)	0.03	-0.08	0.62	0.07	-0.42	0.22	0.17	-0.04	0.02	0.12	1.00																			
(12) Ln(Age)	0.07	-0.28	0.25	-0.10	0.11	-0.34	-0.03	-0.22	-0.11	0.45	0.43	1.00																		
(13) House	-0.02	0.17	-0.10	-0.04	0.02	0.09	0.18	-0.20	-0.60	-0.16	-0.17	-0.31	1.00																	
(14) Investigate	-0.01	-0.10	-0.10	0.03	0.02	-0.08	-0.19	0.08	0.29	0.22	-0.16	0.09	-0.49	1.00																
(15) Business Degree	-0.01	-0.06	-0.02	0.06	0.01	-0.06	-0.24	0.03	0.00	0.07	-0.19	-0.07	-0.09	0.05	1.00															
(16) Top School	-0.04	0.20	-0.36	0.01	-0.20	0.25	0.07	0.44	0.33	-0.68	-0.23	-0.66	0.10	-0.13	0.09	1.00														
(17) Children	0.06	-0.09	0.65	0.29	-0.41	0.40	0.34	-0.26	-0.19	0.37	0.57	0.25	0.03	-0.10	-0.10	-0.35	1.00													
(18) Donate	0.02	-0.02	-0.15	0.03	0.00	0.00	-0.08	0.08	0.08	-0.05	-0.12	-0.07	-0.01	0.04	0.05	0.10	-0.12	1.00												
(19) Location	0.01	-0.01	0.04	0.00	-0.01	0.11	0.05	0.00	-0.09	0.01	0.04	0.00	0.11	-0.05	-0.01	-0.04	0.08	-0.10	1.00											
(20) Oversight	-0.01	-0.08	-0.07	-0.01	0.03	-0.02	-0.14	0.01	0.04	-0.02	-0.04	0.03	-0.06	0.05	0.07	0.02	-0.03	0.09	-0.08	1.00										
(21) Ln(Assets)	0.05	-0.11	-0.20	0.04	0.05	-0.03	-0.10	0.12	0.10	-0.09	-0.04	0.00	-0.06	0.02	0.03	0.16	-0.15	0.31	0.03	0.06	1.00									
(22) Leverage	-0.01	0.02	0.03	0.02	-0.02	0.00	-0.01	-0.01	0.00	0.04	0.02	0.01	-0.01	0.00	0.01	-0.04	0.02	0.02	-0.02	0.01	-0.07	1.00								
(23) Altman Z	0.17	-0.05	-0.01	-0.01	0.01	-0.01	0.01	0.00	-0.02	-0.03	0.00	0.00	0.01	0.00	-0.01	0.02	0.00	-0.04	0.03	-0.01	0.01	-0.13	1.00							
(24) Profitability	0.02	0.06	-0.06	0.02	0.03	-0.04	0.00	-0.03	0.00	-0.02	-0.06	-0.07	0.06	-0.03	-0.02	0.08	-0.07	0.11	-0.33	0.04	0.26	0.03	0.01	1.00						
(25) BM	0.00	0.00	0.02	0.00	0.00	0.01	0.00	-0.01	-0.03	0.01	-0.01	-0.02	0.03	0.00	0.01	-0.01	0.00	0.01	0.01	0.00	-0.04	0.00	-0.01	-0.01	1.00					
(26) Ln(Lobby Fee)	0.01	-0.04	-0.07	0.03	-0.01	-0.01	-0.04	0.04	0.05	-0.06	-0.01	-0.02	-0.02	0.01	-0.01	0.08	-0.05	0.21	-0.10	0.03	0.38	-0.03	-0.02	0.23	-0.02	1.00				
(27) Ln(Donation)	0.01	0.01	-0.06	0.02	-0.08	0.00	-0.05	0.00	0.05	-0.05	0.03	0.02	-0.02	0.00	0.05	0.05	0.00	0.26	-0.18	0.07	0.27	0.05	-0.08	0.23	-0.01	0.29	1.00			
(28) Ln(Txn. Value)	0.06	0.08	0.30	0.08	-0.11	0.19	0.24	-0.19	0.01	0.23	0.14	-0.01	0.00	0.06	-0.16	-0.13	0.27	-0.01	0.07	-0.13	0.06	0.00	0.02	0.02	-0.02	0.04	-0.03	1.00		

Table A2 Pairwise Correlation Matrix (cont'd)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
<i>Panel B: Leaders' Trades (1995 - 2021)</i>																												
(1) Post	1.00																											
(2) Master/PhD	-0.04	1.00																										
(3) Chair/Rank	-0.18	-0.02	1.00																									
(4) Married	0.08	0.07	0.04	1.00																								
(5) Female	0.16	-0.54	-0.22	0.04	1.00																							
(6) Work FIRE	0.08	0.00	-0.29	0.04	-0.33	1.00																						
(7) Ln(Net Worth)	0.22	-0.40	-0.13	0.11	0.74	-0.13	1.00																					
(8) Power Cmte.	-0.48	0.51	0.38	-0.06	-0.44	-0.34	-0.34	1.00																				
(9) Cmte. Number	-0.24	0.57	0.39	-0.08	-0.38	-0.48	-0.29	0.72	1.00																			
(10) DW-Nominate	-0.31	0.03	0.14	-0.08	-0.71	0.54	-0.44	0.14	-0.06	1.00																		
(11) Ln(Tenure)	0.67	-0.35	0.12	0.21	0.31	-0.01	0.42	-0.27	-0.26	-0.24	1.00																	
(12) Ln(Age)	0.76	-0.03	-0.21	0.20	0.45	-0.11	0.43	-0.40	-0.13	-0.65	0.71	1.00																
(13) House	-0.13	-0.72	-0.15	-0.05	0.39	0.38	0.25	-0.50	-0.77	0.22	0.07	-0.25	1.00															
(14) Business Degree	0.02	0.59	0.14	0.04	-0.32	0.32	-0.21	0.21	0.09	0.07	-0.17	-0.14	-0.17	1.00														
(15) Top School	-0.32	0.46	-0.22	0.03	-0.25	0.48	0.07	0.16	0.00	0.37	-0.47	-0.41	0.04	0.50	1.00													
(16) Children	0.23	-0.07	0.12	0.22	0.69	-0.49	0.58	-0.05	-0.02	-0.75	0.34	0.48	-0.06	0.14	-0.19	1.00												
(17) Donate	0.05	-0.12	0.07	0.03	-0.17	0.12	-0.09	-0.06	-0.10	0.25	0.13	-0.05	0.09	-0.08	-0.10	-0.21	1.00											
(18) Location	-0.03	-0.05	-0.17	-0.01	0.20	-0.03	0.20	-0.07	-0.05	-0.11	-0.08	0.05	0.07	-0.11	0.11	0.08	-0.16	1.00										
(19) Oversight	-0.01	0.13	0.07	0.01	-0.07	-0.06	0.00	0.07	0.14	0.03	-0.01	0.01	-0.16	0.04	0.04	0.01	-0.04	-0.01	1.00									
(20) Leverage	-0.11	0.05	0.11	0.02	-0.18	0.14	-0.09	0.07	0.00	0.26	-0.07	-0.17	0.05	0.07	0.15	-0.16	0.18	-0.01	0.07	1.00								
(21) Ln(Assets)	0.12	-0.14	0.24	0.01	-0.15	-0.07	-0.04	-0.01	0.01	0.18	0.24	0.02	0.01	-0.07	-0.21	-0.08	0.42	-0.14	-0.04	0.13	1.00							
(22) Altman Z	-0.05	0.01	-0.04	0.00	0.07	-0.05	0.01	0.03	0.04	-0.10	-0.05	0.01	-0.02	-0.01	-0.02	0.06	-0.08	-0.03	-0.02	-0.20	-0.09	1.00						
(23) Profitability	0.00	0.06	0.16	0.00	-0.17	-0.04	-0.11	0.07	0.06	0.12	0.02	-0.06	-0.07	0.05	-0.05	-0.06	0.23	-0.38	-0.04	0.22	0.44	0.04	1.00					
(24) BM	-0.01	-0.06	-0.03	0.03	-0.04	0.17	-0.03	-0.06	-0.09	0.13	0.01	-0.03	0.10	-0.02	0.06	-0.13	0.08	-0.04	0.04	0.40	-0.13	-0.13	-0.09	1.00				
(25) Ln(Lobby Fee)	0.15	-0.12	0.16	-0.01	-0.13	0.04	-0.08	-0.08	-0.10	0.17	0.23	0.02	0.07	-0.01	-0.16	-0.09	0.53	-0.29	-0.06	0.07	0.62	-0.11	0.38	-0.09	1.00			
(26) Ln(Donation)	0.03	-0.06	0.19	0.01	-0.25	0.08	-0.19	0.02	0.01	0.25	0.08	-0.11	0.00	0.03	-0.12	-0.19	0.56	-0.29	-0.01	0.14	0.46	-0.08	0.31	0.04	0.53	1.00		
(27) Ln(Txn. Value)	0.25	-0.27	-0.20	0.04	0.59	-0.16	0.59	-0.38	-0.25	-0.40	0.27	0.39	0.17	-0.20	-0.03	0.40	-0.04	0.10	-0.01	-0.14	0.09	0.01	-0.02	-0.15	0.06	-0.12	1.00	

Table A3 Differential Trading Performances by Leaders vs. “Regular” Members of Congress (Alternative Benchmarks)

Transaction-level regression results showing that compared to other members of Congress, congressional leaders achieve higher BHARs, especially on trades related to connected firms over various hypothetical investment horizons (in trading days). *Donate* is an indicator for if the firm contributed to the lawmaker’s campaign over the past three years. *Ideology* is an indicator for if the firm contributed more to the lawmaker’s party than the opposing party over the past three years. *Location* is an indicator for if the firm is located in the same congressional district as the House member or the same state as the senator. Buy and sell transactions are shown in columns 1 to 5 and 6 to 10, respectively. BHARs are calculated using the market model (columns 1 and 4), Carhart four-factor model (columns 2 and 5), and the Fama-French five-factor plus momentum model (columns 3 and 6). Sell transactions’ BHARs are calculated as the negative of the BHAR of an otherwise identical buy transaction. Sample includes trades disclosed by all members of Congress between 2019 and 2021. Standard errors are clustered by lawmaker and in parentheses. Detailed variable definitions can be found in Table A1 in the Appendix.

	Buy			Sell		
	MM	FF3+MOM	FF5+MOM	MM	FF3+MOM	FF5+MOM
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: [0, 10]</i>						
Donate * Leader	0.025*** (0.01)	0.036*** (0.00)	0.030*** (0.00)	0.048* (0.03)	0.059*** (0.02)	0.141*** (0.03)
Location * Leader	0.064*** (0.01)	0.106*** (0.01)	0.051*** (0.01)	0.057*** (0.01)	0.041*** (0.01)	0.097*** (0.02)
Adj. R-sq	0.14	0.14	0.15	0.14	0.15	0.16
<i>Panel B: [0, 60]</i>						
Donate * Leader	0.269*** (0.02)	0.205*** (0.02)	0.225*** (0.02)	0.278*** (0.10)	0.254*** (0.09)	0.328*** (0.09)
Location * Leader	0.237*** (0.06)	0.273*** (0.03)	0.234*** (0.04)	0.059*** (0.02)	0.084** (0.04)	0.094*** (0.04)
Adj. R-sq	0.26	0.26	0.30	0.24	0.24	0.27
<i>Panel C: [0, 120]</i>						
Donate * Leader	0.292*** (0.03)	0.219*** (0.02)	0.235*** (0.03)	0.206 (0.13)	0.278** (0.12)	0.374*** (0.14)
Location * Leader	0.259*** (0.10)	0.170*** (0.04)	0.143*** (0.05)	-0.003 (0.03)	0.083** (0.03)	0.112*** (0.04)
Adj. R-sq	0.30	0.30	0.35	0.30	0.30	0.34
<i>Panel D: [0, 250]</i>						
Donate * Leader	0.704*** (0.04)	0.211*** (0.04)	0.294*** (0.04)	0.121 (0.20)	0.289 (0.19)	0.404* (0.23)
Location * Leader	0.393*** (0.11)	0.062 (0.06)	0.044 (0.05)	0.429*** (0.07)	0.666*** (0.05)	0.273*** (0.07)
Adj. R-sq	0.40	0.41	0.45	0.37	0.38	0.41
N	15888	15888	15888	15019	15019	15019
Lawmaker & Firm Controls	Y	Y	Y	Y	Y	Y
Year FE & Firm FE	Y	Y	Y	Y	Y	Y

Table A4 Leaders' Trade Performance over Their Congressional Career (Alternative Benchmarks)

Transaction-level regression results showing that superior trading performance by leaders only materialize after they become leaders but does not when they are “regular” members. *Post* is an indicator for if a trade is made after the lawmaker assumes a leadership role. BHARs are calculated using the market model (columns 1 and 4), Carhart four-factor model (columns 2 and 5), and the Fama-French five-factor plus momentum model (columns 3 and 6). Sample includes trades disclosed by all members of Congress who were at any time a congressional leader between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses. Detailed variable definitions can be found in Table A1 in the Appendix.

	Buy			Sell		
	MM	FF3+MOM	FF5+MOM	MM	FF3+MOM	FF5+MOM
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: [0, 10]</i>						
Donate * Post	0.032*** (0.01)	0.027*** (0.01)	0.035** (0.01)	0.016*** (0.00)	0.017** (0.01)	0.026*** (0.01)
Location * Post	0.127*** (0.03)	0.146*** (0.04)	0.126*** (0.03)	0.055*** (0.01)	0.060*** (0.01)	0.056*** (0.01)
Donate * Ln(Tenure)	-0.006 (0.01)	-0.010 (0.01)	-0.004 (0.01)	-0.008 (0.01)	-0.007 (0.01)	-0.009 (0.01)
Location * Ln(Tenure)	-0.047 (0.03)	-0.066* (0.03)	-0.063* (0.03)	-0.002 (0.01)	-0.006 (0.01)	-0.006 (0.02)
Adj. R-sq	0.48	0.53	0.58	0.62	0.55	0.58
<i>Panel B: [0, 60]</i>						
Donate * Post	0.086*** (0.03)	0.131*** (0.04)	0.136** (0.05)	0.009 (0.02)	0.089*** (0.02)	0.058*** (0.02)
Location * Post	0.068 (0.05)	0.183*** (0.05)	0.123* (0.07)	0.074*** (0.02)	0.154*** (0.04)	0.027 (0.03)
Donate * Ln(Tenure)	0.027 (0.02)	-0.024 (0.02)	0.028 (0.04)	-0.005 (0.01)	-0.015 (0.03)	-0.012 (0.02)
Location * Ln(Tenure)	0.108* (0.05)	-0.034 (0.04)	0.082* (0.04)	-0.018 (0.02)	0.050 (0.04)	0.018 (0.03)
Adj. R-sq	0.61	0.70	0.75	0.41	0.36	0.51
<i>Panel C: [0, 120]</i>						
Donate * Post	0.181*** (0.05)	0.139* (0.07)	0.204*** (0.06)	0.103*** (0.02)	0.087* (0.04)	0.091*** (0.02)
Location * Post	0.189 (0.12)	0.268* (0.15)	0.234 (0.15)	0.183*** (0.06)	0.035 (0.03)	0.074* (0.04)
Donate * Ln(Tenure)	-0.062 (0.04)	-0.029 (0.05)	-0.011 (0.05)	-0.036 (0.02)	-0.026 (0.04)	-0.016 (0.02)
Location * Ln(Tenure)	-0.025 (0.08)	-0.075 (0.14)	-0.019 (0.11)	-0.112 (0.11)	0.027 (0.05)	0.039 (0.05)
Adj. R-sq	0.70	0.68	0.74	0.33	0.40	0.30
<i>Panel D: [0, 250]</i>						
Donate * Post	0.337*** (0.09)	0.196* (0.09)	0.326** (0.13)	0.116** (0.04)	0.135*** (0.04)	0.126*** (0.02)
Location * Post	0.114 (0.25)	0.067 (0.22)	-0.018 (0.31)	0.125** (0.06)	0.294*** (0.09)	0.217** (0.09)
Donate * Ln(Tenure)	-0.211*** (0.06)	-0.038 (0.08)	-0.047 (0.12)	-0.066* (0.03)	-0.058 (0.05)	-0.045 (0.04)
Location * Ln(Tenure)	-0.036 (0.16)	0.048 (0.14)	0.227 (0.18)	0.076 (0.07)	-0.084 (0.13)	-0.078 (0.09)
Adj. R-sq	0.65	0.60	0.63	0.34	0.29	0.28
<i>N</i>	455	455	455	536	536	536
Lawmaker & Firm Controls	Y	Y	Y	Y	Y	Y
Year FE & Firm FE	Y	Y	Y	Y	Y	Y

Table A5: Mapping between Fama-French 49 Industries and Congressional Committees

FF49 Industry	House Committee	Senate Committee
Agriculture	Agriculture	Agriculture, Nutrition, and Forestry
Aircraft	Armed Services Transportation and Infrastructure	Armed Services
Almost Nothing	N/A	N/A
Apparel	Energy and Commerce	Commerce, Science, and Transportation
Automobiles and Trucks	Energy and Commerce	Commerce, Science, and Transportation
Banking	Financial Services	Banking, Housing, and Urban Affairs Commerce, Science, and Transportation
Beer & Liquor	Energy and Commerce	Commerce, Science, and Transportation
Business Services	Financial Services	Finance
Business Supplies	Energy and Commerce	Commerce, Science, and Transportation
Candy & Soda	Energy and Commerce	Health, Education, Labor, and Pensions
Chemicals	Energy and Commerce	Health, Education, Labor, and Pensions
Coal	Natural Resources	Energy and Natural Resources Environment and Public Works
Communication	Transportation and Infrastructure Science, Space, and Technology	Commerce, Science, and Transportation
Computer Hardware	Science, Space, and Technology	Commerce, Science, and Transportation
Computer Software	Science, Space, and Technology	Commerce, Science, and Transportation
Construction	Transportation and Infrastructure	Banking, Housing, and Urban Affairs
Construction Materials	Transportation and Infrastructure	Banking, Housing, and Urban Affairs
Consumer Goods	Energy and Commerce	Health, Education, Labor, and Pensions
Defense	Armed Services Energy and Commerce	Armed Services
Electrical Equipment	Science, Space, and Technology	Commerce, Science, and Transportation
Electronic Equipment	Science, Space, and Technology	Commerce, Science, and Transportation
Entertainment	Judiciary	Judiciary
Fabricated Products	Energy and Commerce	Commerce, Science, and Transportation
Food Products	Energy and Commerce	Health, Education, Labor, and Pensions
Healthcare	Energy and Commerce	Health, Education, Labor, and Pensions
Insurance	Financial Services	Banking, Housing, and Urban Affairs
Machinery	Energy and Commerce	Commerce, Science, and Transportation
Measuring and Control Equipment	Science, Space, and Technology	Commerce, Science, and Transportation
Medical Equipment	Energy and Commerce	Health, Education, Labor, and Pensions
Non-Metallic and Industrial Metal Mining	Natural Resources	Energy and Natural Resources
Personal Services	Financial Services	Finance

Table A5: Mapping between Fama-French 49 Industries and Congressional Committees (cont'd)

FF49 Industry	House Committee	Senate Committee
Petroleum and Natural Gas	Natural Resources	Energy and Natural Resources Environment and Public Works
Pharmaceutical Products	Energy and Commerce	Health, Education, Labor, and Pensions
Precious Metals	Natural Resources	Energy and Natural Resources
Printing and Publishing	Energy and Commerce	Environment and Public Works
Real Estate	Financial Services	Banking, Housing, and Urban Affairs
Recreation	Energy and Commerce	Commerce, Science, and Transportation
Restaurants, Hotels, Motels	Energy and Commerce	Commerce, Science, and Transportation
Retail	Energy and Commerce	Commerce, Science, and Transportation
Rubber and Plastic Products	Energy and Commerce	Commerce, Science, and Transportation
Shipbuilding, Railroad Equipment	Energy and Commerce Transportation and Infrastructure	Banking, Housing, and Urban Affairs Commerce, Science, and Transportation
Shipping Containers	Energy and Commerce	Commerce, Science, and Transportation
Steel Works	Energy and Commerce	Commerce, Science, and Transportation
Textiles	Energy and Commerce	Commerce, Science, and Transportation
Tobacco Products	Energy and Commerce	Health, Education, Labor, and Pensions
Trading	Energy and Commerce	Commerce, Science, and Transportation
Transportation	Energy and Commerce Transportation and Infrastructure	Commerce, Science, and Transportation
Utilities	Transportation and Infrastructure	Energy and Natural Resources
Wholesale	Energy and Commerce	Commerce, Science, and Transportation