Insider Trading in Congress

ECO475

Ariel Khait

1007854047

Joey Liang

1007910682

April 2025

Abstract

In this study we aim to investigate the validity of claims made against congresspeople regarding insider trading on information gained through involvement with congress. This includes up to, but not limited to party involvements, committee involvements, Tenure, and Age. Our regression models have shown that party affiliation is the only statistically significant factor among individual demographics to impact adjusted returns as well as the probability of making a suspicious trade in our 30 day window. We also find that a large number of committee affiliations has significant positive effects on risk adjusted returns, hinting at the misuse of no-yet public information. These finding then lead us to make policy recommendations to try and limit unfair advantage of congressional trading.

I. Introduction

Insider trading is defined by the Merriam-Webster Dictionary (2025) as "the illegal use of information available only to insiders in order to make a profit in financial trading." The most common criticisms of such activity include conflicts of interest, erosion of public trust, and the creation of an unfair advantage.

As a result, the fight to create a fair trading environment has been a persistent issue that many have tried to address. The 1978 Ethics in Government Act mandates public disclosure of the financial and employment history of public officials and their immediate families. More recently, in 2012, President Obama signed the STOCK Act to prevent legislators from using confidential information in financial trades and to require them to disclose trades within 45 days. However, many have found these laws to be largely ineffective, with the average disclosure of our personal trades dataset being 65 days.

Fortune magazine found that among all congressional legislators in 2024, Democratic and Republican lawmakers saw average increases in portfolio value of 31% and 26%, respectively—both outperforming the S&P's market growth of 24.9% (Adamczyk 2025). In fact, over the past decade, many U.S. legislators have consistently outperformed the market, with U.S. Representative Nancy Pelosi beating all major U.S. hedge funds in 2024 except for one (Volenik 2025).

While there has been strong support for the complete prohibition of congressional trading, fewer people have outlined the necessary steps to follow such rhetoric. These calls are

often more slogans than substantive actions. Both Presidents Biden (2025) and Trump (2024) voiced support for stricter oversight and a complete ban on insider trading during their farewell addresses and campaign speeches. However, neither took any concrete action on the issue while in office over the past decade.

Given the potential for bias in Congress's internal investigations, this study aims to re-examine the extent to which legislators have exploited sensitive information since the enactment of the STOCK Act. Through this paper, we seek to identify key traits that make certain members more likely to engage in such illicit practices and to propose a more well-rounded set of regulatory measures to curb the unfair market advantages currently enjoyed by congressional legislators.

The remainder of the paper is organized as follows: Section II reviews the existing literature on the topic, highlighting its shortcomings in building a compelling case for our research focus. Sections III and IV detail the data collection process, describe the experimental setup, and present a summary of our dataset. Section V introduces the results. Finally, Sections VI and VII conclude with a discussion of policy implications and suggestions for future research.

II. Literature Review

While congressional insider trading is an important issue concerning many, little research has been conducted in this area. The limited existing research typically falls into two categories: analyses of whether private information has been utilized in various congressional trading activities and discussions of its ethical and legal implications.

Legislators at Guilt?

Research in this area has primarily focused on whether legislators have been profiting from insider trading, with Ziobrowski et al.'s 2004 study laying the foundation for all subsequent research in this field. By analyzing the long-run abnormal returns of senators' portfolios before and after their trading activities and regressing these excess returns on the coefficient estimates of Capital Asset Pricing Model and the Fama-French Three-Factor Model, the authors found that a portfolio mimicking the stock purchases of U.S. Senators in the mid-1990s, weighted by trade size, outperformed the market by an average of 85 basis points per month in the subsequent periods. In contrast, a portfolio mimicking their stock sales underperformed the

market by 12 basis points per month for the next year (Ziobrowski et al. 2004).

The authors further constructed a hedged portfolio by holding purchased transactions and shorting sales transactions, finding that such a strategy would yield an advantage of nearly one percentage point (0.97%) over the broader market. Examining more specific factors, Ziobrowski et al. (2004) argue that the use of private information in public trading activities is common among all senators who engage in trading, regardless of party affiliation. Seniority also plays a role, as senators with fewer than seven years of experience are more likely to trade unethically compared to those with more than 16 years of service.

More recent studies in this field, however, have produced conflicting results regarding whether legislators' portfolios outperform the market. Hanousek et al. (2022), used a new measurement of insider information, abnormal idiosyncratic volatility, to find that recent Senate trades between 2012 and 2019 have been heavily influenced by information asymmetry, accounting for 3.6% of all recorded trades. Legislators' committee assignments, Age, Tenure, and the locations of corporate headquarters also play significant roles in increasing their misuse of information (Hanousek et al. 2022).

Belmont et al. (2022), using a similar methodology to Ziobrowski but with more comprehensive data suggest that since the passage of the STOCK Act, there is no evidence that legislators from 2012 to 2020 achieved abnormal returns when compared to industry-size benchmarks. Additional factors such as committee assignments and investment size have had an insignificant impact on the overall returns of congressional portfolios.

However, we find the assumptions, data, and statistical methods used in Belmont's study to be problematic. Belmont et al. (2022) used all congressional transactions that took place after 2012 as their dataset, including but not limited to stocks, over-the-counter stocks, stock options, and bonds. However, municipality bonds, one of the most traded financial instruments by legislators according to *CapitalTrades* (2025), are less relevant to insider information. The pricing of Treasury bills (T-bills) is primarily influenced by interest rates, which are set by the Federal Reserve, an independent branch of the U.S. government. Thus, the likelihood of senators receiving early news of rate cuts or hikes is low. As the authors included bond returns in their calculation of total portfolio returns, this naturally lowered the reported abnormal returns since a significant portion of the portfolio is consisted of assets purchased under normal market conditions. This methodological choice likely contributed to the insignificant findings regarding congressional legislators' overall abnormal returns. To avoid this issue, our study

will focus solely on stocks within the S&P 500 index, analyzing individual stocks rather than aggregated portfolios. This approach prevents the masking of insider trading effects and allows for a clearer identification of the legislator associated with each stock in question.

Furthermore, while Belmont et al. examined the impact of committee membership on legislators' trading behavior, their analysis was flawed. The authors limited the variable's scope to 2020, neglecting the possibility of cross-committee influences on abnormal stock returns, where a senator from one committee purchases stocks influenced by the rulings of another. As a result, the dataset matching these criteria was small. When the authors subsequently tested this limited sample against various external factors, the small sample size weakened the statistical power of their results. To address these limitations, we will categorize committees based on their functions and structures and analyze the entire dataset, rather than restricting our study to specific years or narrowly defined committee categories.

Overall, our study will primarily build on the research of Ziobrowski and Hanousek in examining the effects of insider trading within a congressional setting while addressing the problematic assumptions introduced by Belmont et al. To measure the impact of insider information on trading activities, we will use a more straightforward approach: the change in the Sharpe ratio 30 days before and 30 days after stock transactions. Since the Sharpe ratio captures a stock's risk-adjusted return, we find this to be the most direct metric for assessing the effects of insider trading. We selected a 30-day window as our threshold because, under the revised STOCK Act, legislators have up to 45 days to report their trades. Although the average reporting time was 65 days, this figure was skewed by a few senators who took over a year to file their disclosures, significantly inflating the average. Any market movement beyond this period is based on publicly available information. Since most financial disclosures occur within a month, this time frame provides a strong basis for evaluating changes in the Sharpe ratio.

Additionally, Ziobrowski et al. identified several areas for further research, which our study aims to address. The authors suggested further investigation into both the personal financial ties of senators and the influence of the committees they serve on in shaping stock returns. To build on this, we will incorporate committee assignments, state affiliations, and many more as additional variables of interest to determine their potential role in insider trading.

Ethical Implications

Ethical considerations surrounding insider trading have long been debated, with various scholars arguing both for and against its ethical implications. Studies by Klaw and Mayer (2019) suggest that insider trading constitutes a "moral wrong of cheating," as it disrupts market participants' expectations of entering a fair and transparent marketplace. Werhane (1989) examined insider trading through both economic and ethical lenses, contending that it not only disrupts the efficiency of the free market but also calls into question the fundamental purpose of the market system itself. Others, such as Meulbroek (1992) and Gilson (1984), offered a counterview. They argue that the free market is sufficiently robust to account for asymmetries in information, thereby challenging the significance of the ethical and economic concerns raised about insider information's impact on overall market sentiment.

More specifically, on the issue of congressional insider trading, Hanousek et al. (2021) approached the topic through the lenses of social contract theory and virtue ethics. They contend that politicians, given their roles, are subject to higher ethical standards, and those who use non-public congressional information for personal financial gain violate the virtue of "honesty." Hanousek (2021) further argues that while such trades by senators may be legally permissible under the STOCK Act, legality does not equate to ethical justification. In fact, they suggest that such behavior risks eroding public trust and fostering corruption over time.

While our research is not primarily an ethical inquiry, ethical considerations remain important in informing policy recommendations. We acknowledge the broader ethical critiques of insider trading and incorporate Hanousek's perspective on heightened political ethical standards into our policy outlook. By invoking ethical frameworks, we aim to identify policy solutions that restore trust among market participants and contribute to a more efficient and equitable market.

III. Data

To study the effect of insider trading within Congress since the passage of the STOCK Act, we focus our analysis on the period from January 2015 to December 2024. Overall, the data for our research was collected using various sources. Information on congressional trading activity, including senators' names, actions, trade volumes, transaction dates, and disclosure dates, was obtained from Quiver Quantitative, an online platform that tracks political and financial market

activity. Market returns for S&P 500 and its individual stock returns were sourced from Kaggle and cross-verified via Bloomberg. U.S. congressional committee data were retrieved from the U.S. Legislative Department's Biographical Directory and Committee Appointment Notices.

After acquiring the data, we began aggregating and cleaning it. Due to the fact that much of the information was web-scraped, we started by standardizing each entry—breaking down the observations and matching each politician to their party affiliation, State, Age, and Tenure in Congress. We then extracted the size of each transaction and classified it under one of three categories: purchase, sale, or exchange.

To further refine the dataset, we used the pytesseract OCR library to extract text from the 112th to 119th congressional committee assignment reports and mapped each politician to their corresponding general committee, excluding subcommittee assignments due to their small size (typically around 20 members), which we found insufficient for drawing statistically meaningful conclusions in regression analysis. Given the large number of committees, we subsequently created broader categories to group multiple committees together for clearer analysis. Previous Speakers of the House and appointed candidates who have not yet been assigned to a committee were grouped into a special category called 'No Committee.' The exact groupings and the committees they include are presented in the appendix.

Lastly, for the construction of Sharpe Ratios, we used the Kaggle S&P 500 data set to calculate cumulative stock returns 30 days before and after each trade occurs. We imported the annualized effective federal funds rate from the Federal Reserve Economic Data (FRED) database and adjusted it to a 30-day period. The exact calculation of the Sharpe Ratio is discussed in greater detail in the Methodology section below.

IV. Methodology

Sharpe Ratio Calculation

The central part to our analysis is the calculation of the 30-day Sharpe Ratios. This time window was selected to capture the immediate market impact of trades prior to public disclosure, as the average lag between trade execution and reporting was approximately 65 days. We build on the previous section by defining the calculations and transformations preformed on returns to arrive at the adjusted Sharpe Ratio difference metric. We begin by defining the 30 day cumulative returns from date x as $\mu_{(x,30)}$. If the daily returns over the 30-day period were $(\mu_1, \mu_2, ...)$, then

$\mu_{(x,30)}$ would be defined as:

$$\mu_{(x,30)} = \prod_{i=0}^{30}(1+\mu_{x+i}) = (1+\mu_x) \times (1+\mu_{x+1}) \times ... \times (1+\mu_{x+30})$$

Next, we define the effective federal funds rate on day x as r_x. It is converted from an annualized figure to a 30-day effective federal funds rate using:

$$r_x = (1 + \frac{\text{Annualized Effective Funds Rate On Day x}}{100})^{\frac{30}{252}} - 1$$

Lastly, we establish the standard deviation ($\sigma_{(x,y)}$) as such:

$$\sigma_{(x,y)} = \sqrt{\frac{1}{29}\sum_{i=x}^{y}(\mu_i - \mathbb{E}(\mu))^2}$$

Where μ_i is the return on day i, and $\mathbb{E}(\mu)$ is the average return between day x and y. With all the components previously defined, we calculate the trailing 30-day Sharpe Ratio for a trade executed on day t, as follows:

$$\text{Sharpe\_Ratio\_30\_Pre\_Trade} = \frac{\mu_{(t-30,t)} - r_t}{\sigma_{(t-30,t)}} \times \sqrt{\frac{252}{30}}$$

Similarly, we define the Sharpe Ratio for the 30 days after the trade as follows:

$$\text{Sharpe\_Ratio\_30\_Post\_Trade} = \frac{\mu_{(t,t+30)} - r_t}{\sigma_{(t,t+30)}} \times \sqrt{\frac{252}{30}}$$

We multiple the Sharpe Ratios by $\sqrt{\frac{252}{30}}$ in an effort to annualized our risk adjusted returns for interoperability. To conclude our calculations, we examine the difference between the two values as the pre-cursor to our dependent variable:

$$\text{Sharpe\_Difference} = \text{Sharpe\_Ratio\_30\_Post\_Trade - Sharpe\_Ratio\_30\_Pre\_Trade}$$

Adjusted Sharpe Ratios

In order to maximize the number of meaningful observations in our dataset, we look to merge trades that are both purchases and sales. Thus, an issue arises due to the interpretation of a Sharpe difference in both scenarios. For example, a legislator purchasing a stock could see a Sharpe Ratio increase of 0.5 after his purchase. To this individual, it would be considered an overall positive action as he has increased his risk adjusted return. However, for an individual that is selling a stock, a 0.5 increase in the Sharpe Ratio implies they sold at the wrong time since the risk adjusted return increased after the sale of said stock.

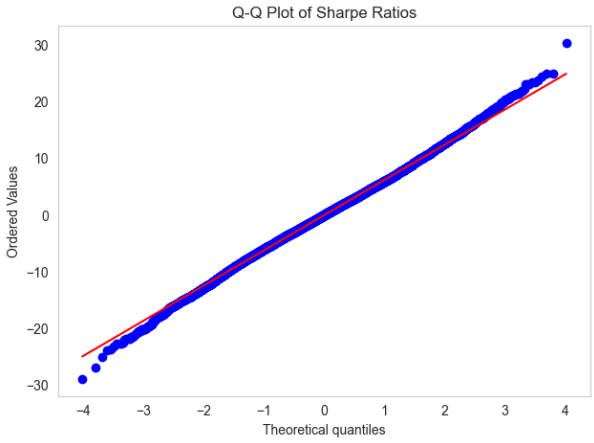
To combat these conflicting interpretations, we created an adjustment to the Sharpe Differences defined in the previous subsection. Our dependent variable: the Adjusted Sharpe Ratios are defined as follows:

$$\text{Adjusted\_Sharpe\_Difference} = \begin{cases} \text{Sharpe\_Difference}, & \text{if transaction was a purchase} \\ -\text{Sharpe\_Difference}, & \text{if transaction was a sale} \end{cases}$$

This allows us to interpret a Sharpe Ratio difference as a positive increase in the individual's wealth and utility while a decrease in Sharpe Ratio difference is associated with a negative impact.

Suspicious Trades

Finally, we define Suspicious Trades as a binary variable that takes on the value of 1 if a trade is deemed suspicious. The distribution of Adjusted Sharpe Ratio Differences was largely normal as seen by its Q-Q plot:



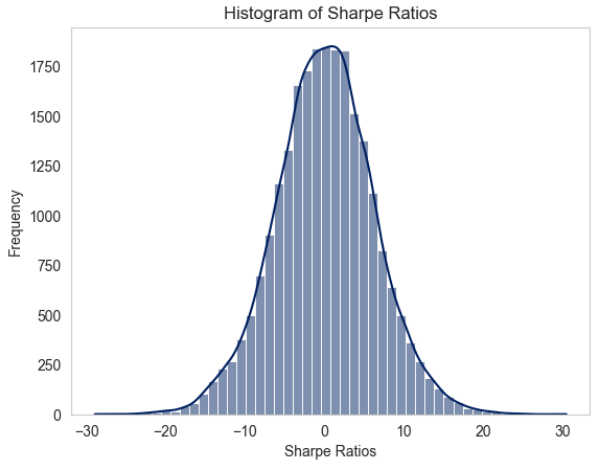
Thus, we define suspicious trades as any trade that exhibited a 96.4th or high percentile Adjusted Sharpe Difference. This definition of suspicious trades is supported by Hanousek et al (2021), who found 3.6% of trades to be suspicious of insider trading in his study. To summarize, we define suspicious trades as such:

$$\text{Suspicious\_Trade} = \begin{cases} 1, & \text{if Adjusted\_Sharpe\_Difference} \geq q_{0.964} \\ 0, & \text{if Adjusted\_Sharpe\_Difference} < q_{0.964} \end{cases}$$

Where $q_{0.964} = \mathrm{P}_{96.4}(\text{Adjusted\_Sharpe\_Difference})$ also known as the 96.4th percentile of Adjusted_Sharpe_Difference.

Summary Statistics

To fully understand the data, we focus on the summary statistics. As previously seen, the quantile-quantile plot has shown the normality of the distribution but in order to fully grasp the behavior of the adjusted Sharpe ratios, we visualize it:



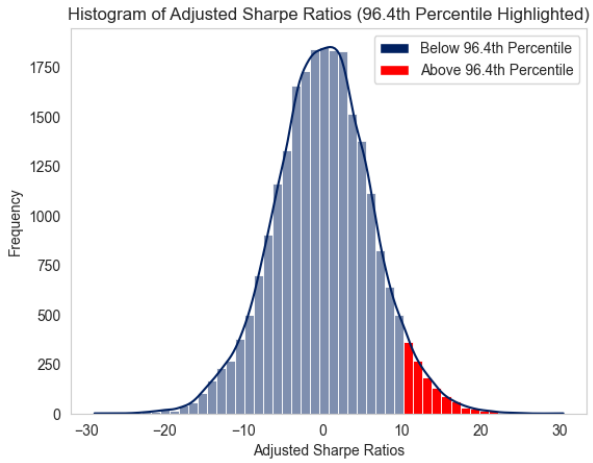
This distribution is categorized by its first four moments:

Mean	**Variance**	**Skewness**	**Kurtosis**
0.0624	38.6176	-0.006	0.3578

Table 1: First four moments of the distribution

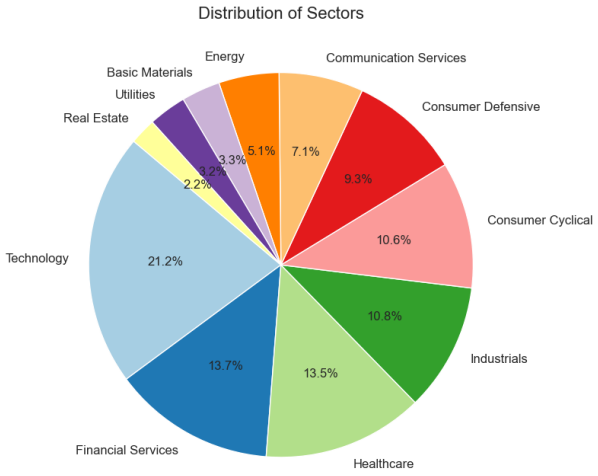
We notice a mean of 0.0624, implying an overall increase in adjusted Sharpe ratios among legislators indicating sign of foul play. However, this data exhibits large variance of 38.6 with a negligible skewness leading to a large variety of Sharpe returns both positive and negative. Finally, it is also important to mention the minimal kurtosis of 0.3578 well below the usual value of a normal distribution. This alludes that extremely high and low adjusted Sharpe ratio differences were very infrequent, meaning their appearance is very significant-the base of our study.

To better visualize our definition of suspicious trades, we color in such trades that are deemed suspicious by the formula listed in the previous subsection to get the following distribution:



Where the 96.4th percentile is 11.356 which is an incredibly large Sharpe increase. By common standards, a good Sharpe ratio is anything above a 1.0, which in this data set an adjusted Sharpe increase of 1.0 is the 55th percentile.

Furthermore, we look to observe the types of securities traded by congresspeople:



We note that at the largest sector of securities traded was Technology with 21.2% of all observations, followed by Financial Services and Healthcare with approximately 13% of observed trades in each. Generally, we can state that we see a large range of trades from different sectors and the performance of one sector didn't dictate the performance of all of our observations.

Refocusing our attention on Table 2:

Table 2: Descriptive Statistics (Continuous Variables)

Variable	Mean	Min	Max	Std. Dev.
Age	63.92	30.00	96.00	12.78
Tenure	9.82	0.00	46.00	9.55
Adjusted Sharpe Ratio	0.06	-28.92	30.46	6.21

We note that these statistics are for the overall trade data including multiple individuals multiple times. However, the average age of individuals who have recorded at least one trade is 63 years, with a tenure of about 12 years.

Next, we look at the different binary variables in Table 3:

Table 3: Descriptive Statistics (Categorical Variables)

Variable	Probability	Number of Occurrence
Senate	20.54%	4,895
Democrat	51.99%	12,388
Matching State	5.89%	1,404
Transportation and Infrastructure	22.41%	5,339
Administration	6.94%	1,653
Healthcare and Social Services	34.64%	8,254
Education and Workforce	21.69%	5,169
Foreign Relations	30.53%	7,274
Environment and Agriculture	50.02%	11,919
Judiciary and Legal Affairs	39.93%	9,514
Budget and Finance	60.15%	14,334
Defense and Security	52.79%	12,579
Economy and Commerce	44.19%	10,530
Suspicious Total	3.6%	858
Total Observations:		23,829

We also wanted to note, congressional members frequently serve on multiple committees simultaneously leading to the sum of probabilities to be larger than one. In our dataset, senators account for approximately 20.5% of observations, mirroring their approximate 18.7% representation in Congress. The data similarly reflects the broader congressional composition, with Democratic-affiliated trades representing 52% of transactions. As discussed previously, trades flagged as suspicious under our methodology constitute 3.6% of the dataset.

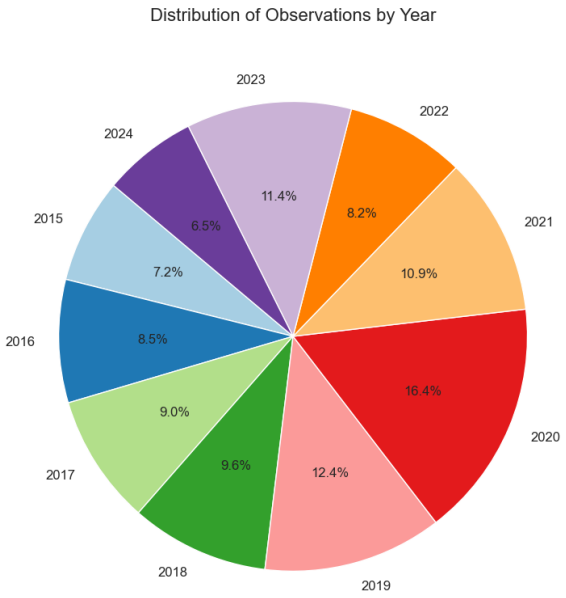
Specifically analyzing the committee categories, we note the following:

Committee	Suspicious Trade	Avg Adj Sharpe Ratio
Budget & Finance	2.14%	0.078
Economy & Commerce	1.68%	0.035
Defense & Security	1.87%	0.0093
Foreign Relations	1.11%	−0.035
Judiciary & Legal Affairs	1.44%	0.058
Healthcare & Social Services	1.23%	−0.011
Education & Workforce	0.74%	−0.035
Environment & Agriculture	1.86%	0.079
House & Senate Administration	0.24%	0.017
Transportation & Infrastructure	0.84%	0.050
No Committee	0.05%	−0.004

Table 4: Suspicious Trading and Adjusted Sharpe Ratios by Committee

As intuition would have it, the Budget and Finance committees have the highest percentage of suspicious trades as well as 0.01 less adjusted Sharpe Ratio than the highest grouping (Environment & Agriculture). These are just dataset averages but are indeed interesting to interpret to gain perspective on what we expect to find with this study.

Finally, we note at the fixed effects as follows:



We look to isolate years where returns where relatively good, which impacted all observations that year. To do this we include fixed year effects in our model where we see a large distribution of trades. We note that in 2020 we saw the largest percentage of trades and suspicious trades with 16.4% and 0.64% respectively. This year was largely defined by the COVID-19 pandemic, during which major legislative packages were passed to address the looming reces-

Year	Suspicious Trade	Avg Adj Sharpe Ratio	Annual S&P500 Return*
2015	0.10 %	−0.027	−0.73%
2016	0.43 %	0.042	9.54%
2017	0.36 %	0.01	19.42%
2018	0.37 %	0.008	−6.24%
2019	0.46 %	0.02	28.88%
2020	0.64 %	0.018	16.26%
2021	0.41 %	0.031	26.89%
2022	0.21 %	−0.022	−19.44%
2023	0.40 %	−0.02	24.23%
2024	0.21 %	0.004	23.31%

**Annual Historical S&P Source: Macrotrends.net*

Table 5: Suspicious Trading, Adjusted Sharpe Ratios, and Market Return by Year

sion. The surge in reported trades during this period may indicate heightened insider trading activity, as financial bailouts and stimulus measures were being approved by U.S. legislators. Furthermore, in 2018, we see an overall market return of -6.24% but legislative trades actually increase adjusted Sharpe ratio on average, which can be another indication of foul play. Lastly, We also saw only 6.5% of trades happen in 2024 as the reporting for that year has not all been published at the time of this paper.

Models

Our base ordinary least squares (OLS) model for this study is as follows:

$$\text{Adjusted\_Sharpe\_Difference} = \beta_0 + \sum_{i=1}^{5} \beta_i \text{Ind}_i + \sum_{i=6}^{15} \beta_i \text{C}_i + \sum_{i=16}^{25} \beta_i \text{X}_i + \varepsilon_i$$

Where we define Ind_i to be the characteristics of an individual making a trade described by Age, Tenure, Party, part of congress and corporate HQ in home state (Matching State). We define C_i as the committee dummy variable for being apart of a group of congressional committees. We also define X_i as the year fixed effects to control for any fluctuations in the overall market impacting all trades equally. This model is utilized to identify the effects of different committee involvements on their adjusted Sharpe difference.

We then further this analysis by focusing on the most profitable or suspicious trades using a Logistic regression and Probit regression specified below:

$$\ln\left(\frac{\mathbb{P}(\text{Suspicious\_Trade}_i=1)}{1-\mathbb{P}(\text{Suspicious\_Trade}_i=1)}\right) = \beta_0 + \sum_{i=1}^{5} \beta_i \text{Ind}_i + \sum_{i=6}^{15} \beta_i \text{C}_i + \sum_{i=16}^{25} \beta_i \text{X}_i$$

$$\mathbb{P}(\text{Suspicious\_Trade}_i = 1) = \Phi(\beta_0 + \sum_{i=1}^{5} \beta_i \text{Ind}_i + \sum_{i=6}^{15} \beta_i \text{C}_i + \sum_{i=16}^{25} \beta_i \text{X}_i)$$

Our analysis examines how committee affiliations affect the probability of making trades we've classified as suspicious under two complementary modeling approaches. The logistic regression's heavier-tailed distribution (kurtosis = 1.2) proves particularly suited for our rare-event context—where suspicious trades represent just 3.6% of observations—as it better accounts for extreme values in the tails of the distribution. Meanwhile, the probit model's standard normal assumption may more accurately reflect the latent decision process underlying congressional trading behavior. While the logit coefficients are predictably larger (typically by a factor of $\frac{\pi}{\sqrt{3}} \approx 1.8$) due to different scaling, both models consistently identify the same substantive relationships and significance patterns. The robustness of including both models gives us greater confidence in our findings, with the logit model providing more conservative estimates for extreme probabilities and the probit offering finer resolution for central tendency effects. The average absolute difference in predicted probabilities between models suggests the distributional choice doesn't regularly alter our conclusions about committee influence but is included for completeness' sake.

Finally, we formally define our model hypothesis as the following test:

$$H_0 : \beta_i = 0$$
$$H_1 : \beta_i \neq 0$$

for all i's included in each regression. We are testing that at different significance levels, involvement in certain committee groups had a non-zero effect on their adjusted Sharpe ratio difference (OLS) and their probability of making a suspicious trade (Logit and Probit).

Model Assumptions

To ensure the validity of our regression models, we address key assumptions across OLS, Logit, and Probit specifications. We mitigate endogeneity concerns by incorporating fixed effects, controlling for unobserved heterogeneity across years. All models are estimated under the assumption of homoskedastic errors, and the Durbin-Watson test indicates extremely low levels of autocorrelation, statistically significant at the 1% level. Linearity in parameters and independence of observations are assumed throughout.

To assess multicollinearity, we apply the Variance Inflation Factor (VIF) test and exclude variables accordingly. Specifically, we omit the binary fixed effect for the year 2015, the corresponding House dummy, and the Republican party dummy. The 2015 exclusion was de-

termined due to the -0.73% cumulative return observed in 2015 being the closest to a baseline of constant returns. In the case of committee involvements, due to the fact that lawmakers can participate in multiple committees, making committee involvement non-dummy variables and not prone to multicollinearity. These coefficients establish baseline categories, allowing for meaningful interpretation of the remaining coefficients relative to these reference groups.

For the Logit and Probit models, we additionally assume the dependent variable follows a Bernoulli distribution and that there is no perfect separation in the data. The functional form is assumed to be correctly specified, and the consistency of marginal effects across both models further supports the robustness of our findings.

V. Results

Our tripartite modeling approach reveals distinct patterns in congressional trading behavior through OLS (Adjusted Sharpe Ratio), Logit, and Probit (suspicious trades) specifications. The results demonstrate significant variation in trading performance and suspicious activity across committee affiliations, party membership, and temporal factors.

Individual Demographics

The only significant effects we observe among individual demographic variables are related to party affiliation. Being affiliated with the Democratic Party is associated with a decrease in the adjusted Sharpe ratio, but this effect is not statistically significant compared to the Republican Party. However, party affiliation does have a statistically significant impact on the likelihood of making a suspicious trade: Democrats are 1.13% less likely to make a suspicious trade in both the Logistic model the Probit model, significant at the 1% level based on the marginal effects. This result is not consistent with the findings of Ziobrowski (2004), who suggests that members of both parties are equally likely to utilize insider information.

Interestingly, we find age has a slight statistically significant relationship with suspicious trading with both Logit and Probit models having a similar t statistics. However, we observe that age and tenure have very insignificant, and small effects on the adjusted Sharpe ratios implying that older, more tenured individuals may have more financial confidence to get away with suspicious trades. Specifically, a 10-year increase in age is associated with a 0.2 percentage point increase in the probability of making a suspicious trade in both Logit and Probit model

while a 10-year increase in tenure corresponds to a 0.1 percentage point increase in that same probability as per the marginal effects.

Regarding institutional roles, we find no significant difference in suspicious trading behavior between members of the House and Senate. Contrary to intuition, a traded company's headquarters is located in the representative's state ("Matching State") does not significantly affect on the adjusted Sharpe ratios of legislative traders. Instead, it has a statistically significant negative effect on the probability of making a suspicious trade possibly due to the legislator wanting to support local companies and subsequent area rather than making a profit. We observe a 0.99 percentage point decrease in the probability of making suspicious trades in both the Logit and Probit models, significant at the 5 percent level. While these variables were included to capture potential proximity-based or institutional differences in behavior, the results suggest that only the Matching State variable plays a meaningful role in influencing suspicious trading activity. When a legislator makes an investment in a company based in their home state, the likelihood of that trade being suspicious actually decreases. This may indicate that legislators are cautious about making unethical trades that could harm both local companies and their own reputations. Additionally, the coefficient of the adjusted Sharpe Ratio being close to zero suggests that these investments were not driven by profit motives, but rather served as a signal of commitment and support to their home-state companies.

Committee Affiliations

Committee affiliation appears to play a nuanced role in suspicious trading behavior. Members of the Transportation and Infrastructure Committees show a statistically significant increase in adjusted Sharpe ratio. In contrast, the Logit and Probit models can't disprove a null effect that being apart of one of the Transportation and Infrastructure committees is associated with an increased probability of making a suspicious trade. This suggests that legislators on this committee may have benefited financially from their trading activity—achieving higher risk-adjusted returns without triggering red flags, likely due to low return profile of Transportation and Infrastructure related projects.

Similarly, members of the Judiciary and Legal Affairs Committees exhibit a statistically significant and consistent positive effect on their adjusted Sharpe differences while showcasing non-significant negative effects when it comes to suspicious trading. Contrary to popular belief, that legislators on legal oversight committees may engage in more cautious or ethically conser-

vative trading behavior, we noted a positive increase in risk adjusted returns potentially due to their deeper knowledge of legal frameworks, and how to avoid raising suspicious on an otherwise very good trade. Unlike the train of thought that the Judiciary Committee may instead foster a stronger culture of compliance, we instead see that information advantages regarding legal framework may be the driver for questionable activity.

Conversely, members of the Economy and Commerce Committees exhibit significantly higher probabilities of engaging in suspicious trading, as indicated by both models. Specifically, membership in the Economy and Commerce Committees increases this probability by 0.57 percentage points in the Logit marginal effect model and an increase the log odds ratio by 16.4% significant at the 1 percent level. Similarly, members of the Budget and Finance committees saw increases in Adj Sharpe Ratio differences of 0.177 significant at the 5% level. These elevated marginal effects and adjusted Sharpe ratio increases suggest that legislators in the Economy and Commerce Committees and Budget and Finance Committees may be more likely to act on privileged or time-sensitive information, given their proximity to market related policy-making.

Finally, we notice that individuals apart of the Foreign Relations, Education and Workforce, Defense and Security, and Healthcare and Social Services Committees notice a significant negative effect on their adjusted Sharpe ratio difference. This is likely due to the information they access being less directly tied to short-term market movements but rather being highly uncertain or long term. Additionally, greater ethical constraints, sector complexity, and limited tradability of their insights may reduce their ability to profit effectively from insider knowledge making the study of these committees over larger pre and post windows a possible subject for further exploration.

Taken together, these results highlight the varied impact of committee affiliation on trading behavior and performance. While some committees, like Economy and Commerce or Budget and Finance, appear to facilitate financially advantageous trading—reflected in higher adjusted Sharpe ratios and elevated probabilities of suspicious activity—others, such as Foreign Relations or Education and Workforce, are associated with under performance. This is potentially due to limited market relevance or greater ethical and institutional constraints on these committee groups. This suggests that access to material information alone is insufficient; rather, the nature of committee responsibilities and how effectively members capitalize on their informational position ultimately shape trading outcomes.

Fixed Effects

Relative to the omitted year 2015, the year fixed effects reveal notable temporal patterns in trading performance and the likelihood of suspicious activity. The adjusted Sharpe ratio (OLS) shows significant improvements in multiple years, with the strongest performance observed in 2016 (0.857), 2020 (0.558), and 2021 (0.664), indicating heightened trading success during these periods. The latter two results may indicate improper use of information by legislator surrounding the COVID-19 pandemic, as previously documented by Kelly (2020) regarding different stimulus programs and packages approved by congress regarding the overall directions of the U.S. COVID policies. We notice a overall significant positive increase in adjusted Sharpe ratio difference and probability of suspicious trade for most years, indicating constant market returns create for opportunities to misuse private information. These patterns reflect evolving market conditions, increased regulatory scrutiny, or shifts in legislators' behavior across different years. Ultimately, we hypothesize that legislators are more susceptible to suspicious trades during times of low economic cyclicality and great consistency in returns.

VI. Policy Implications

The results highlight specific demographic groups that have achieved excessively high Sharpe ratios and appear more susceptible to engaging in suspicious trades. Based on these findings, we propose a set of immediate short-term reforms, as well as long-term policy recommendations, for the U.S. legislative branch to consider.

Short Term Policy Reforms

Increased Congressional Oversight

One immediate short-term reform we propose is to increase scrutiny of congressional insider trading across the entire legislative branch—specifically during periods of economic stability and particularly for legislators serving on the Judiciary and Legal Affairs Committee and the Transportation and Infrastructure Committee.

Our regression analysis shows that participation on these committees leads to an approximately 0.25 increase in the Sharpe ratio, impressive for any portfolios. With tighter focus on members serving at these committees, we hope that it will drive down the chances of those who are participating in illegal insider trading from these departments.

Furthermore, our baseline regression results for year effects show that during periods of market booms, particularly from 2016 to 2020—congressional legislators were more likely to engage in trades that yield significantly higher Sharpe ratios compared to the baseline year, 2015, when the S&P's overall return was approximately 0%. Therefore, in times of market growth, we should not become complacent or allow suspicious activity to fly under the radar. Instead, as these periods are often associated with more prominent illicit activities, as seen in Table 5, harsher regulations and greater scrutiny are necessary.

Reducing the Impact of Insider Trading

When it comes to adjusting individual behavior, game theory usually suggests two solutions: imposing a painful "stick" or offering a rewarding "carrot". In our case of congressional insider trading, this translates to either enforcing harsher penalties for violations of the STOCK act or mandating real-time reporting of congressional trades so the public is immediately aware of the signals legislators may be sending through the market.

Under the former approach, the legislative branch should enforce significantly harsher penalties for insider trading. Currently, the punishment for failing to report an investment under the STOCK Act is merely $200 (Walsh 2024). Given the significant amount of profits legislators can generate from a single trade, this penalty is far too lenient to serve as a deterrent, or as a stick. In fact, in the past decade alone, there have been over 3,000 instances of members of Congress failing to file their financial acitivies on time, accounting for more than 14% of the entire trade. Furthermore, among these late-filed trades, 4.5% achieved a difference in Sharpe Ratio of 10, higher than the 3.6% as identified by Hanousek et al. If we adjust our threshold and consider any trade with a Sharpe ratio increase above 5 or 3 to be suspicious, this rate jumps to 18% and 28% respectively. With increased penalties, perhaps as percentages of the total value of the trade, the cost of insider trading would become steeper. Legislators would need a significantly higher return to justify continuing their unlawful trading activities, which would make such actions easier for the general public to spot and hold them accountable for.

On the other hand, if policymakers opt for transparency, they could mandate the implementation of real-time reporting of congressional trades. This would effectively remove the "surprise" factor from insider trading, giving the market immediate insight into what legislators may have discussed behind closed doors. While this strategy would benefit the public at large, it poses implementation challenges due to concerns about unintentional leaks of confidential

or sensitive information, which could jeopardize national security, a consequence far more severe than insider trading itself. As such, while the "carrot for all" approach may seem more attractive and equitable, it might not be feasible in practice.

Long Term Policy Suggestions

Based on our research, we have identified several viable long-term policy recommendations for the U.S. These suggestions are listed in order of their severity, ranging from those with less immediate impact to those that may require more drastic measures.

Congressional Black-Out Period

First, we suggest prohibiting trading during key legislative windows to help create a fairer market for all investors. The overall structure of the blackout period would mirror that of corporate blackout periods. In the corporate context, executives and employees with access to substantial insider information refrain from buying or selling shares in their portfolios after receiving private information about company performance. The only exception is if the trade is part of a regular, pre-scheduled sale excluded under SEC Rule 10b5-1. This approach, as shown by studies conducted by State Street (2019), does not incur any market costs, demonstrating its effectiveness in targeting insider trading.

Using a similar approach, a law could be passed in Congress that bans trading based on information received from internal meetings for a designated cooling-off period before legislators are permitted to make related trades. This would provide market investors with a fair opportunity to respond to the official release of such information. Our study suggests that certain committee memberships, such as being a part of the Economy and Commerce Committee, and periods of economic boom are more susceptible to insider information misuse. Implementing a trading ban during these critical periods would serve as an added layer of protection against the exploitation of sensitive information by legislators.

The downside of this approach, however, lies in determining whether the trading restrictions should be based on subcommittee-specific information or broader congressional activity. Targeting subcommittees presents a narrower scope, but it significantly complicates the tracking of trades, potentially creating loopholes through which information could be exchanged between legislators from different committees. On the other hand, if the scope were expanded to only include information presented in Congress at large, suspicious trading tied to specific

committees, such as the ones identified in our study, might go unnoticed.

Implementation of Blind Trust

A more severe approach is to mimic that of a Canadian blind trust system, where public servants must either sell their assets in their entirety or place them in a blind trust, where the third-party trustee has complete control of the overall direction of the portfolio, without any guidance or input from the beneficiaries. This system has significantly reduced allegations against Canadian public officials compared to their U.S. counterparts. Nate Erskine-Smith (2024), Minister of Housing, Infrastructure and Communities of Canada, has suggested that the few allegations of Canadian parliamentarian insider trading were often political smears rather than holding any formal ground, highlighting the overall success of the current Canadian system in fighting against the use of insider trading. Based on the effectiveness of blind trusts in Canada, we believe it can serve as an effective tool against insider trading while still allowing members of Congress to participate in the market, though further study is needed to confirm their efficacy, especially regarding the potential sharing of insider knowledge with external friends and family members.

Different policy considerations also present a promising area for future research, where we recommend scholars to further analyze how different countries address legislative insider trading and test their overall effectiveness within their respective governments. Although the extrapolation of such a study might be difficult due to differences in culture and economic structure, it will help us get a sense of which actions could work and provide the groundwork for new legislation within the U.S.

A Complete Ban of Trading related to Committee Assignment

Lastly, we propose a complete ban on congressional trading on companies related to the committees that legislators are serving on. Our results show that serving on committees like Budget and Finance significantly increases the likelihood of suspicious trades. Economic cyclicality plays an even greater role in driving these patterns. Notably, over 60% of all trades were made by members of the Budget and Finance committees. Given these findings, banning subsequent trades from these positions could effectively address the broader issue of congressional trading.

However, this is much easier said than done. Kahneman and Tversky's Prospect Theory (1979) suggests that people are inherently loss averse and will do everything they can in order to

avoid being in the loss space. As congressional legislators have been enjoying the drastic financial gains associated with their congressional trading, many will likely fight hard to push back against having their "free money" taken away. In fact, this is the reason why the past two instances of reforms against insider trading have failed. The Bipartisan Ban on Congressional Stock Ownership Act of 2022 was introduced to the House Committee on Financial Services in 2022. However, no subsequent actions were taken, nor did the bill advance to the next stage of the legislative process. Not surprisingly, Patrick McHenry, the Chair of the Committee on Financial Services, made a suspicious sale, filed seven days outside of the designated window for reporting trades, and avoided a decrease in Sharpe ratio of 12.19 following his trading activities during the COVID-19 Pandemic. While obtaining physical evidence regarding whether McHenry had any ill intentions with the trade is hard to prove, the numbers tell the story.

Therefore, the most straightforward solution is also the hardest to achieve. Even if such legislation were to go through congressionally, it opens the backdoor for legislators to share news with each other regarding upcoming market trends and act in a bloc to threaten the overall credibility of the entire market. Additional ethical training for newly inducted senators could help alleviate such issues; however, as with the effect of a blind trust system, such actions would require more scrutiny under additional studies.

VII. Conclusion

This study provides robust evidence that congressional insider trading remains a persistent issue, despite regulatory efforts like the STOCK Act. Our analysis reveals that legislators, particularly those serving on committees with direct market influence (e.g., Budget & Finance, Economy & Commerce), achieve significantly higher risk-adjusted returns and exhibit elevated probabilities of suspicious trading activity. Notably, democratic legislators are marginally less likely to engage in suspicious trades compared to Republicans, though both parties outperform the market—a trend inconsistent with ethical expectations for public servants.

Temporal patterns further underscore the problem: political trading has created an unfair environment for everyday traders. So much so that new companies such as Quiver Financial allow individuals invest in index funds that replicate legislator's portfolios. These funds have seen constant returns, beating the market up by more than 3 fold (Quiver Financial). The fact that retail investors can only profit to such an extent by copying congressional trades

only reinforces the notion that political access offers a reliable and unfair market advantage.

Limitation

As with any study, our regression model has its own limitations. Firstly, despite implementing additional regressors as suggested by Ziobrowski using more recent data, such as committee assignments and state affiliations, this study may have excluded unforeseen external factors, leading to bias in the overall estimators within our current models. One such factor includes the number of contract awards issued by the U.S. government around the time of a trade. While we were able to scrape the total number of contracts awarded during a 60-day window surrounding each congressional trade from the U.S. procurement databases, this dataset includes purchases made by all U.S. government entities. Since legislators are not expected to interact with such a wide array of information, we did not include this as an independent variable. The time constraints of the project also prevented us from manually sorting the contracts or processing them through computer software. Another potential regressor to consider is the overall size of the trade and whether it has any impact on the econometric model. It could be argued that, given non-public information about the future direction of stock movements, legislators may be more inclined to buy or sell in larger-than-usual amounts to fully capitalize on such an opportunity. We did not include this variable because the current data on congressional transactions does not provide complete information on the net worth of legislators. As a result, simply comparing traded volumes at face value would not allow us to determine whether a legislator allocated a disproportionately large amount of money toward a specific trade. To improve the accuracy of the model, future studies should focus on identifying which contract information is likely accessible to members of Congress, calculating the percentage of net worth involved in each transaction, and incorporating these metrics as additional regressors in the statistical models.

Secondly, when analyzing congressional insider trading, we made the key assumption to focus solely on stocks listed in the S&P 500 due to their relevance to the general public. However, in order to fully grasp the extent of congressional insider trading in the U.S., future research should also examine stocks listed on foreign markets, option markets, and penny stocks. As these markets are typically subject to less scrutiny for suspicious activity, they may offer legislators greater opportunities to exploit loopholes for personal gain. Although collecting data under this broader scope would be challenging, successfully completing such a study would help

deepen our understanding of the dynamics behind congressional insider trading.

Lastly, while our study addressed the question of what types of legislators are more susceptible to insider trading, a more lingering question remains: Why? What motivates someone to risk their public image as a civil servant to engage in unlawful trades? Is it simply for the joy of extra income? Or could it be due to legislators being underpaid? Future research could explore this issue using instrumental variable analysis, where the net asset value of individual members of Congress is used as a proxy for family wealth. This could help determine whether legislators from less wealthy backgrounds are more susceptible to insider trading due to financial need. Research into the underlying motivations behind such actions could inform more targeted and well-rounded policy recommendations.

VIII. Appendix

Table 6: Main Regression Results with Marginal Effects

	Adj_Sharpe_Ratio (OLS)	**Sus_Trade (Logit)**	**Logit ME**	**Sus_Trade (Probit)**	**Probit ME**
Senate	0.143	-0.020	-0.0007	-0.003	-0.0002
	(1.038)	(-0.176)	(-0.176)	(-0.059)	(-0.059)
Democrat	-0.068	-0.327***	-0.0113***	-0.144***	-0.0113***
	(-0.704)	(-3.909)	(-3.884)	(-3.915)	(-3.899)
Age	-0.000	0.007*	0.0002*	0.003	0.0002
	(-0.075)	(1.718)	(1.716)	(1.667)	(1.666)
Tenure	-0.011	0.002	0.0001	0.001	0.0001
	(-1.649)	(0.358)	(0.358)	(0.381)	(0.381)
Matching State	-0.005	-0.286*	-0.0099*	-0.124*	-0.0099*
	(-0.029)	(-1.713)	(-1.713)	(-1.747)	(-1.747)
Budget and Finance	0.177*	-0.010	-0.0003	-0.003	-0.0002
	(1.879)	(-0.120)	(-0.120)	(-0.082)	(-0.082)
Defense and Security	-0.215**	0.022	0.0007	0.011	0.0008
	(-2.157)	(0.251)	(0.251)	(0.286)	(0.286)
Economy and Commerce	-0.012	0.164**	0.0057**	0.072**	0.0057**
	(-0.132)	(2.047)	(2.044)	(2.064)	(2.062)
Education and Workforce	-0.413***	0.036	0.0012	0.017	0.0013
	(-3.630)	(0.364)	(0.364)	(0.385)	(0.385)
Environment and Agriculture	0.164	-0.028	-0.0010	-0.015	-0.0012
	(1.589)	(-0.337)	(-0.337)	(-0.420)	(-0.420)
Foreign Relations	-0.283***	0.022	0.0008	0.013	0.0010
	(-2.921)	(0.277)	(0.277)	(0.353)	(0.353)
Healthcare and Social Services	-0.453***	-0.114	-0.0039	-0.056	-0.0043
	(-3.920)	(-1.148)	(-1.147)	(-1.271)	(-1.270)
House and Senate Administration	0.233	-0.056	-0.0019	-0.024	-0.0019
	(1.160)	(-0.319)	(-0.319)	(-0.309)	(-0.309)
Judiciary and Legal Affairs	0.230**	-0.035	-0.0012	-0.018	-0.0014
	(2.423)	(-0.452)	(-0.452)	(-0.508)	(-0.508)
Transportation and Infrastructure	0.275**	0.129	0.0045	0.060	0.0047
	(2.505)	(1.401)	(1.399)	(1.479)	(1.478)
No Committee	-0.517	-0.209	-0.0072	-0.093	-0.0073
	(-1.332)	(-0.597)	(-0.597)	(-0.623)	(-0.623)
Year_2016	0.857***	1.296***	0.0448***	0.549***	0.0430***
	(4.390)	(5.684)	(5.604)	(5.971)	(5.912)
Year_2017	0.421**	1.085***	0.0375***	0.455***	0.0357***
	(2.125)	(4.615)	(4.570)	(4.799)	(4.766)
Year_2018	0.348*	1.034***	0.0358***	0.433***	0.0339***
	(1.774)	(4.395)	(4.356)	(4.562)	(4.535)
Year_2019	0.514***	1.095***	0.0383***	0.455***	0.0356***
	(2.812)	(4.730)	(4.686)	(4.895)	(4.863)
Year_2020	0.558***	1.142***	0.0396***	0.475***	0.0372***
	(3.168)	(5.081)	(5.028)	(5.289)	(5.249)
Year_2021	0.664***	1.081***	0.0378***	0.448***	0.0351***
	(3.546)	(4.607)	(4.563)	(4.758)	(4.728)
Year_2022	0.197	0.704***	0.0247**	0.290***	0.0227***
	(0.980)	(2.806)	(2.774)	(2.881)	(2.874)
Year_2023	0.184	1.042***	0.0365***	0.432***	0.0339***
	(0.939)	(4.293)	(4.257)	(4.441)	(4.417)
Year_2024	0.431**	0.985***	0.0345***	0.410***	0.0321***
	(2.005)	(3.781)	(3.756)	(3.884)	(3.867)
const	-0.133	-4.665***		-2.374***	
	(-0.371)	(-12.605)		(-15.314)	
N	23829	23829	23829	23829	23829

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Notes: Test statistics in parentheses. Marginal effects (ME) are average marginal effects.

Table 7: Congressional Committees by Category

Category	**Committee**
Budget & Finance	Appropriations
	Budget
	Financial Services
	Joint Committee on Taxation
	Finance
Defense & Security	Armed Services
	Veterans' Affairs
	Homeland Security
	Intelligence*
	Select Committee on the Events Surrounding the 2012
	Terrorist Attack in Benghazi
	United States House Select Committee on Strategic
	Competition between the United States and the Chinese
	Communist Party
	Homeland Security and Governmental Affairs*
Economy & Commerce	Energy and Commerce
	Ways and Means
	Select Committee on Economic
	Disparity and Fairness in Growth
	Joint Economic Committee
	Commerce, Science, and Transportation
	Small Business and Entrepreneurship*
	Banking, Housing, and Urban Affairs*
Education & Workforce	Education and Workforce
	Education and Labor
Environment & Agriculture	Agriculture
	Natural Resources
	Select Committee on the Climate Crisis
	Energy and Natural Resources
	Indian Affairs
	Environment and Public Works
Foreign Relations	Foreign Affairs*
Healthcare & Social Services	Crisis

Category	Committee
	Health, Education, Labor, and Pensions
	Special Committee on Aging
House & Senate Administration	Oversight and Government Reform
	House Administration
	Modernization of Congress*
	Joint Committee on the Library
	Joint Committee on Printing
Judiciary & Legal Affairs	Judiciary
	Rules
	Ethics
	Oversight and Reform
	Select Committee to Investigate the January 6th Attack on the United States Capitol
	Oversight and Accountability
	Rules and Administration
Transportation & Infrastructure	Transportation and Infrastructure

* For differing Senate/House names, the more inclusive name was used.

Work Cited

Literature

Adamczyk, Alicia. "Members of Congress Again Outperformed the Stock Market, Report Shows." *Fortune*, January 8, 2025. https://fortune.com/2025/01/08/congress-stock-trading-pelosi-2024/

Belmont, William, Bruce Sacerdote, Ranjan Sehgal, and Ian Van Hoek. "Do Senators and House Members Beat the Stock Market? Evidence from the Stock Act." *Journal of Public Economics* 207 (March 2022): 104602. https://doi.org/10.1016/j.jpubeco.2022.104602

Biden, Joe. "Remarks by President Biden in a Farewell Address to the Nation." *National Archives and Records Administration*, January 15, 2025. https://shorturl.at/dE42u

Capitol Trades. "Track US Politician Stock Trades." *Track US politician stock*, 2025. https://www.capitoltrades.com/trades

Gilson, Ronald J. "The Mechanisms of Market Efficiency." *Scholarship Archive*, 1984. https://scholarship.law.columbia.edu/faculty_scholarship/895/

Hanousek, Jan, Hoje Jo, Christos Pantzalis, and Jung Chul Park. "A Dilemma of Self-Interest vs. Ethical Responsibilities in Political Insider Trading." *Journal of Business Ethics* 187, no. 1 (October 14, 2022): 137–167. https://doi.org/10.1007/s10551-022-05265-0

Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47, no. 2 (March 1979): 263. https://doi.org/10.2307/1914185

Kelly, Jack. "Senators Accused of Insider Trading, Dumping Stocks after Coronavirus Briefing." *Forbes*, March 20, 2020. https://www.forbes.com/sites/jackkelly/2020/03/20/senators-accused-of-insider-trading-dumping-stocks-after-coronavirus-briefings/

Klaw, Bruce W., and Don Mayer. "Ethics, Markets, and the Legalization of Insider Trading." *Journal of Business Ethics* 168, no. 1 (June 20, 2019): 55–70. https://doi.org/10.1007/s10551-019-04238-0

Merriam Webster. "Insider Trading Definition & Meaning." *Merriam-Webster*, 2025. https://www.merriam-webster.com/dictionary/insider%20trading

Meulbroek, Lisa K. "An Empirical Analysis of Illegal Insider Trading." *The Journal of Finance* 47, no. 5 (December 1992): 1661–1699. https://doi.org/10.1111/j.1540-6261.1992.tb04679.x

State Street. "Buyback Blackout Periods Do Not Negatively Impact Performance." *State Street*, 2019. https://www.ssga.com/library-content/pdfs/etf/us/b27-buyback-blackout-periods-do-not-negatively-impact-performance.pdf

Trump, Donald. "NEW: Trump Calls For Multiple Prosecutions Against Nancy Pelosi." *YouTube*, 2024. https://www.youtube.com/watch?v=qzSOyzG9-Vk

Volenik, Adrian. "Nancy Pelosi Outperformed Nearly Every Hedge Fund in 2024 – Even Beating the Infamous Inverse Cramer Stock Tracker." *Yahoo! Finance*, January 8, 2025. https://finance.yahoo.com/news/nancy-pelosi-outperformed-nearly-every-180016264.html

Walsh, Deirdre. "Bipartisan Senate Group Pushes Ban on Lawmaker Stock Trading." *NPR*, July 10, 2024. https://www.npr.org/2024/07/10/g-s1-8989/bipartisan-stock-trading-ban

Werhane, Patricia H. "The Ethics of Insider Trading." *Journal of Business Ethics* 8, no. 11 (November 1989): 841–845. https://doi.org/10.1007/bf00384525

Ziobrowski, Alan J., Ping Cheng, James W. Boyd, and Brigitte J. Ziobrowski. "Abnormal Returns from the Common Stock Investments of the U.S. Senate." *Journal of Financial and Quan-*

titative Analysis 39, no. 4 (December 2004): 661–676. https://doi.org/10.1017/s0022109000003161

Data

Congressional Trading: `https://www.quiverquant.com/congresstrading/`

S&P Return: `https://www.kaggle.com/datasets/andrewmvd/sp-500-stocks`

Congress Biography: `https://bioguide.congress.gov/`

Senate Committee Assignment: `https://www.senate.gov/committees/committee_assignments.html`

House Committee Assignment: `https://clerk.house.gov/committees`

Fed Funds: `https://fred.stlouisfed.org/series/FEDFUNDS`