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"CAPTAIN GAINS" ON CAPITOL HILL

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ABSTRACT

Using transaction-level data on US congressional stock trades, we find that lawmakers who later ascend to leadership positions perform similarly to matched peers beforehand but outperform them by 47 percentage points annually after ascension. Leaders' superior performance arises through two mechanisms. The political influence channel is reflected in higher returns when their party controls the chamber, sales of stocks preceding regulatory actions, and purchase of stocks whose firms receiving more government contracts and favorable party support on bills. The corporate access channel is reflected in stock trades that predict subsequent corporate news and greater returns on donor-owned or home-state firms.

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1 Introduction

Stock trading by members of 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 insinuate 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 find mixed results. Ziobrowski, Cheng, Boyd, and Ziobrowski (2004) and Ziobrowski, Boyd, Cheng, and Ziobrowski (2011) document unconditional outperformance by both House and Senate members. Cherry, Heitz, and Jens (2017) find that Senators earned significant sell-side abnormal returns prior to a *60 Minutes*

[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] Business 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.

exposé in 2011. Similarly, Huang and Xuan (2023) document positive abnormal returns to members of Congress before the STOCK Act's passage in 2012. In contrast, Eggers and Hainmueller (2013) document that, between 2004 and 2008, the average member of Congress would have earned higher returns in a passive index fund. In a follow-up study, they further suggest that members earn marginally higher returns on politically connected firms (Eggers and Hainmueller, 2014). More recently, Belmont, Sacerdote, Sehgal, and Van Hoek (2022) find that members underperform the market between 2012 and 2020. To the best of our knowledge, no existing study has specifically examined whether trades by congressional leaders differ meaningfully from those of other members.

In this paper, we examine congressional leaders' stock investment outcomes at the transaction level relative to "regular" members, with special attention to properties of the traded firm (e.g., whether these firms contributed to members' campaigns or are located in their home state) and informational content of leaders' trades (e.g., whether they predict future legislative actions, party voting, and corporate new items). If leaders and "regular" members differ in their trading outcomes, this may be one way to reconcile the contrasting findings in the literature.

To allow for the possibility that the leaders and "regular" members differ in their abilities that are correlated with their trading returns, we examine whether a given congressional member's ascension to a congressional leadership position has any impact on their trading performances. Specifically, we match each congressional leader to a "regular" member of Congress based on the year they started in Congress, their political affiliation, the chamber they first started in, congressional tenure, sex, and age. This gives us a treated

(members who became congressional leaders) and a control group (otherwise similar "regular" members who did not become leaders). We then study whether ascension to leadership positions improves stock trading returns in a quasi-difference-in-differences framework.

While we acknowledge that ascension to congressional leadership is not randomly assigned, several features of our setting mitigate concerns that unobserved traits drive our results. Leadership contests are primarily shaped by political ambition and intra-party dynamics (Black, 1972; Fox and Lawless, 2005; Keane and Merlo, 2010), not by considerations related to personal trading gains. Moreover, senior lawmakers—often committee chairs or ranking members before ascension—already hold substantial outside options that promise large financial returns independent of stock trading. For instance, Billy Tauzin, former chair of the House Energy and Commerce Committee, became CEO of PhRMA—the drug industry's top lobbying group at the time—the day after leaving Congress in 2004, earning "at least $2 million a year" from the lobbying group.[5] Similarly, Phil Gramm, former Senate Banking Committee chair, took a vice chairman position at UBS immediately after leaving the Senate in 2002.[6] Although he refused to dicuss his UBS compensation, he acknowledge that "it's a little better" than what he was making in the Senate.[7] These cases underscore that senior lawmakers already enjoy lucrative post-congressional opportunities; enhancing personal stock-trading performance is therefore unlikely to be a key incentive for seeking leadership roles.

[5] USA Today by William M. Welch, December 15, 2004, "Tauzin switches sides from drug industry overseer to lobbyist", https://usatoday30.usatoday.com/money/industries/health/drugs/2004-12-15-drugs-usat_x.htm.

[6] CNN by Dana Bash, October 7, 2002, "Career change: Gramm turns to banking", https://www.cnn.com/2002/ALLPOLITICS/10/07/gramm.banking/index.html.

[7] Edwardsville Intelligencer, October 6, 2002, "Gramm to Become Investment Banker", https://www.theintelligencer.com/news/article/Gramm-to-Become-Investment-Banker-10521322.php.

Methodologically, we match leaders to non-leaders based on tenure, party, chamber, sex, and age, and include an array of controls to ensure comparability across observable characteristics. We then employ a difference-in-differences framework with individual fixed effects, which absorb time-invariant unobservables—such as ability, risk preferences, or network quality—that could jointly influence both leadership selection and trading outcomes. Consequently, any systematic change in trading performance around the timing of ascension is most plausibly attributed to newly acquired access to political information and influence rather than pre-existing traits. We therefore view leadership ascension as a quasi-exogenous shift in informational access and political power, offering a credible setting to estimate the causal impact of political advancement on lawmakers' trading performance.

Based on a Congressional Research Service report,[8] we define congressional leaders as the Speaker of the House (1), each party's House and Senate floor leaders (4), party whips (4), and conference/caucus chairpersons (4). Since the Senate Democratic floor leader always concurrently serves as the chair of the Senate Democratic Caucus, this gives us a total of 12 leadership positions. Between 1995 and 2021 (our sample period), there were a total of 47 individuals who have been a congressional leader; 20 of whom made stock trades both before and after ascension to leadership. We exclude the President Pro Tempore, the Deputy President Pro Tempore, and the Acting Deputy President Pro Tempore of the Senate, as these positions are largely ceremonial.[9]

[8] Congressional Research Service, September 4, 2019, "Party Leaders in the United States Congress, 1789-2019", https://www.everycrsreport.com/reports/RL30567.html.

[9] The vice president is not counted as a congressional leader for the purpose of this project as we do not have comparably detailed stock trading data.

Since we focus on Congressional leaders, this is necessarily a small set of individuals by construction. However, they are also disportionately important political leaders in terms of their power and impact (see, for example, Cox 2001). In addition, leaders are precisely the individuals for whom informational and trading advantages are most plausibly concentrated. In terms of the impact of a small sample size, the primary statistical concern is a low power: we may fail to detect statistically significant abnormal trading returns by Congressional leaders even if that is true. As our subsequent results will show, this concern about the low statistical power does not turn out to be a problem. Although the number of leaders who trade both before and after ascension is necessarily small (twenty lawmakers over more than two decades), this narrow scope reflects the institutional reality that congressional leadership positions are few and highly concentrated. Our sample represents the *entire universe* of congressional leaders who engaged in stock trading on both sides of ascension between 1995 and 2021, rather than a selected subset. The findings should thus be interpreted as evidence on a small but exceptionally powerful group of lawmakers rather than as representative of Congress as a whole. This focus is admittedly a double-edged sword: we sacrifice breadth and generalizability for depth and focus. Yet, given that the most consequential political and economic decisions often originate at the top of the legislative hierarchy, understanding how personal financial incentives intersect with leadership power is critical. The behavior of these few individuals can have outsized implications for policymaking and public trust.

Focusing on this select group also provides a unique empirical advantage. By tracing the same individuals before and after their rise to formal leadership, we can isolate how changes in political power translate into changes in trading performance—an important and previously unexplored angle. While prior studies (e.g., Ziobrowski et al., 2004, 2011; Eggers and

Hainmueller, 2013; Cherry, Heitz, and Jens, 2017; Belmont et al., 2022; Huang and Xuan, 2023) examine Congressional trading generally, none isolates the impact of gaining formal leadership power in a quasi-experimental framework. Thus, even though the size of our treated group is small by necessity, we believe the conceptual importance and sharpness of the setting justify the design.

Our baseline finding is that both congressional leaders in their pre-leadership years and their matched "regular" members underperform the benchmark by similar magnitudes, but leaders outperform "regular" members by up to 47 percentage points per year after assuming leadership positions. Importantly, whilst we observe a huge improvement in leaders' trading performance as they ascend to leadership roles, the matched "regular" members' stock trading performance does not improve much.[10]

We hypothesize two possible channels of improvement of trading returns for leaders. The first is the political information and influence channel—trading on advanced knowledge of, and expanded influence over, the legislative agenda and/or regulatory actions. For example, the Speaker of the House and the majority leader of the Senate have agenda-seeting powers—deciding if and when a particular bill will be put to a vote in their respective chamber. In 2021, the American Innovation and Choice Online Act and the Open App Markets Act were introduced in Congress with bipartisan support. These two antirust bills, introduced by lawmakers (Hank Johnson, Richard Blumental, David Ciciline, and Amy Klobuchar) not in a leadership position, were designed to prevent Big Tech companies from preferencing their own

[10] In any case, if some members of the control group also achieve positive abnormal trading returns, then our difference-in-differences specification may underestimate the true abnormal returns of the congressional leaders.

products at the expense of their competitors and to prevent Apple (App Store) and Google (Google Play Store) from engaging in anti-competitive practices in mobile app market. In spite of the bipartisan support, Senate Majority Leader Chuck Schumer refused to bring the bills for a vote on the floor by reneging on his earlier promise to do so.[11] Without ever conducting a private whip count, Schumer claimed that this was because he did not believe the measure had the 60 votes to overcome a filibuster, despite lawmakers believing they had enough vote to pass the bills.[12] This example demonstrates the enormous power that a Congressional leader has either to withhold or push forward a vote that could affect the financial fundamentals of publicly listed firms. Coincidentally, Paul Pelosi—husband of then-House Speaker Nancy Pelosi—bought shares and call options in both Alphabet and Apple, owners of the Google Play Store and the App Store, in the months leading up to Schumer shelving these bills. This highlights the fact that, even if leaders do not exercise these powers to aid their trades, they still have advanced knowledge related to the legislative agenda and/or regulatory actions that they could trade on.

The second is the corporate access channel—better access to non-public corporate information (e.g., potential lawsuits, large R&D breakthroughs, etc.) by the leaders. While corporations might wish to ingratiate all politicians, there is a cost in sharing non-public information about corporate fundamentals, including the possibility of legal liabilities. If firms have to decide which subset of politicians to share the information based on some notion of a

[11] Time by Eric Cortellessa, December 22, 2022, "Schumer Kills Bills Big Tech Feared Most, But Boosts Budgets of Agencies Targeting Them", https://time.com/6243256/schumer-kills-antitrust-big-tech-bills/.

[12] The American Prospect by David Dayen, January 26, 2023, "How Chuck Schumer Deep-Sixed the Tech Antitrust Bills", https://prospect.org/power/2023-01-26-chuck-schumer-tech-antitrust-bills/.

cost-benefit ratio, they may prioritize congressional leaders ahead of "regular" members of Congress.

Our empirical results support both channels' existence. To evaluate whether congressional leaders exploit legislative or regulatory information, or actively shape policy outcomes to enrich themselves, we employ four complementary tests. We first examine whether leaders earn higher returns when their party controls their chamber, and whether their trades anticipate future regulatory actions. We then explore whether their party's voting behavior and the allocation of federal procurement contracts align with their recent trade, potentially suggesting that leaders may be leveraging their political power to influence economic outcomes in ways that advance their personal financial interests.

We find that, after ascension, leaders exhibit much improved returns on trades that are made when their party controls their chamber. This is consistent with leaders' exploiting their advanced knowledge of and influence over the legislative agenda and/or regulatory actions when their party is the majority party in their chamber (Cox, 2001). To probe further the underlying mechanisms, we examine whether the trades by congressional leaders are able to predict subsequent regulatory actions (e.g., SEC investigations). We find that the answer is yes: leaders' stock sales are able to predict the number of congressional hearings and regulatory actions over the next year, although their purchases are not.

To distinguish between trading on insider information and actively shaping legislative outcomes to benefit personal portfolios, we conduct two additional tests. First, we examine whether the leader's party votes in ways that support the firms traded by leaders. We find that, after ascension, a leader's party is significantly more likely to vote in favor of (against)

bills that benefit (harm) those firms whose stocks were bought by the leader. These results suggest that congressional leaders may not only trade on privileged knowledge, but also shape policy outcomes to enrich themselves. Second, using data from the Federal Procurement Data System, we find that firms purchased by leaders experience a significant increase in federal contract awards, particularly non-competitive (i.e., sole-source) contracts, over the following one to two years. Given the large volume of daily contract awards, this pattern is more consistent with selective influence than passive foresight.

To assess whether leaders' trading advantages stem from privileged access to firm-level information, we conduct two complementary tests. First, we examine whether leaders earn higher abnormal returns when trading in connected firms. Second, we test whether leaders' trades predict the direction of future corporate news, such that purchases (sales) precede more positive (negative) announcements, particularly those under executives' control.

We find compelling evidence consistent with the corporate access channel. Specifically, after ascension, congressional leaders earn significantly higher abnormal returns on trades involving firms that either contribute to their campaigns or are headquartered in their home states—relationships likely to grant privileged access to firm-specific information. These results suggest that firms may be more inclined to share sensitive information with members who now hold greater political power.

To better understand the source of this informational advantage, we examine whether leaders' trades predict future firm-specific news. We find that leaders' stock purchases (sales) reliably forecast a higher incidence of positive (negative) corporate news over the following year. Notably, the same individuals did not exhibit this predictive ability prior to becoming

leaders. Furthermore, when we distinguish between corporate news likely known in advance by company executives (e.g., dividend increases) and those arising from external or unpredictable events (e.g., lawsuits), we find that only the former are anticipated by leaders' trades. This pattern is consistent with leaders receiving non-public information directly from corporate insiders. The finding that leaders can foresee news released by corporate executives —but not outside shocks—supports the interpretation that corporate insiders selectively share privileged information with politically powerful lawmakers.

Overall, our findings indicate that both the political information and influence channel and the corporate access channel play a role in explaining the trading success of congressional leaders. Given that these mechanisms are not mutually exclusive, it is perhaps unsurprising that both appear operative.

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. In particular, Eggers and Hainmueller (2013) and Belmont et al. (2022) document the opposite—members of Congress underperform the market during 2004-2008 and 2012-2020, respectively. Our buy-and-hold abnormal return (BHAR) graph for congressional members as a whole is similar to that in Belmont et al. (2022).[13] Cherry et al. (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 before key legislations exited legislative committees and in trades by more senior senators. Our results echo but go beyond these

[13] Our results demonstrate greater economic magnitudes, which possibly stems from the different methods in calculating BHARs, the adoption of a different sample period, and/or a different sample selection method.

findings. While Cherry et al. (2017) uses party leadership as a subsample in pre-/post-*60 Minutes* exposé returns, we adopt a difference-in-differences framework, exploiting within-individual changes—before and after leadership ascension—to mitigate concerns about unobserved individual heterogeneity. In addition, as ascension to leadership positions is a shock largely free of selection bias in the context of trading returns, we are able to establish a stronger causal relation between political powers and personal trading performance compared to cross-sectional correlational comparisons. We further expand on the existing literature by identifying the channels behind leaders' improved performance.

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 congressional leaders also achieve better trading returns in certain stocks more than others. 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.

Trading by members of Congress is also related to two important themes in the corporate insider trading literature. If members are exploiting their access to congressional knowledge, then we may view this a form of insider trading by politicians. The first theme

relates to the performance of insider trades. Papers on this matter are largely in consensus that insider trades earn significant positive abnormal returns (Lorie and Neiderhoffer, 1968; Jaffe, 1974; Finnerty, 1976; Keown and Pinkerton, 1981; Meulbroek, 1992; Lakonishok and Lee, 2001; Jeng, Metrick, and Zeckhauser, 2003; Fidrmuc, Goergen, and Renneboog, 2006; Marin and Olivier, 2008; Alldredge and Cicero, 2015; Ahern, 2017; Ali and Hirshleifer, 2017). In particular, using a hand-collected network map of insider traders' social relationship, Ahern (2017) documents a prodigious return of 35 percentage points over 21 days, with traders central to the network earning even higher return. Our findings suggest that congressional leaders act like central traders. Marin and Olivier (2008) documents stock price hikes (plumets) after insider purchases (sales) at the individual stock level. Our contribution is to document that, a particular subset of, but not all, politicians, seem to benefit disproportionately from insider trading. Additionally, this paper identifies the legislative branch of the government is an important source of information that is orthogonal to common sources of insider information (e.g., short sellers) documented in the exisiting literature.

The second theme relates to the timing of insider trades. In the pioneering model of Kyle (1985), insiders are camouflaged by the existence of noise traders. Cheng and Lo (2006) find insiders strategically time their trades around voluntary policy disclosures to maximize trading profits. Other researchers noted that managers generally time the disclosure of price-sensitive information, such as earnings announcements (Patell and Wolfson, 1982; Damodaran, 1989; Gennotte and Trueman, 1996; Doyle and Magilke, 2009; Michaely, Rubin, and Vedrashko, 2014; Niessner, 2015). The timing of information release by corporate insiders is akin to the idea of political influence by congressional leaders in our setting.

We contribute to the literature on politicians' stock trading by establishing an arguably causal relation between political powers and trading returns. In doing so, we shed light on the seemingly contrasting conclusions between news media and recent academic research. Our findings are also analogous to many features of corporate insider trading documented in the literature. Although we do not have "smoking gun" types of evidence on insider trading or violation of the STOCK Act, our findings are consistent with congressional leaders exhibiting such behavior. As such, our findings carry policy implications regarding the ongoing debate as to whether the STOCK ACT is enough to solve the problem of politician's potential insider trading behavior or whether additional rules are needed.

2 Data

Congressional members are mandated to release their financial transactions annually before 2012, and within 45 days of the transaction after the passage of the STOCK Act in 2012. Trades are obtained from lawmakers' annual financial disclosures and periodic transaction reports (the latter is only available after 2012 under 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. Our sample period is between 1995 and 2021, as most members' annual financial disclosures were only available from 1995.

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 mid-point 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.

Congressional members' constituency and committee assignment data are obtained from the Official Congressional Directory. Lawmakers' biographical information is obtained from various sources, including but not limited to personal websites, media outlets, and the National Archives. Firms' financial variables are obtained from Compustat. Political contribution and lobbying data are obtained from OpenSecrets.

Regulatory actions and corporate news items are obtained from S&P's Key Developments—a repository of business news released by media outlets, firms, and regulatory agencies. Expanding on Child, Massoud, Schabus, and Zhou (2021), we define regulatory actions not only as opening of an inquiry or investigation into a firm's activities, and enforcements, fines, or penalties issued by the regulator, but also congressional hearing appearances by the firm's CEO and/or chairperson. This is because congressional hearings are more directly influenced by the leaders, as compared to other forms of regulatory actions, such as SEC investigations.[14] Data on congressional hearings are obtained from the Library of Congress. We classify positive corporate news as announcements related to strategic alliances, raising corporate guidance, raising dividends, plans for stock repurchases, being the target of

[14] Our results are similar if we restrict to Child et al.'s (2021) definition of regulatory actions (see Table 4 panel B).

an acquisition, exiting bankruptcy, and inclusion to major indices. We classify negative corporate news as announcements related to bankruptcy, delayed SEC filings, delisting, lowering corporate guidance, decreasing or cancelling dividends, cancellation of stock repurchase, lawsuits and legal issues, restatement of financial reports, auditor going concern doubts, delayed earnings announcements, debt defaults, and exclusion from major indices.

Summary statistics of the members' trades are presented in Table 1 panel A. Our sample of trades is evenly divided before and after assuming leadership. For lawmakers who became a leader, 53 percent of their trades occurred after assuming leadership positions on average. For the matched control group, 48 percent of sample trades occurred after their matched members became a congressional leader. Distribution of trades by year and political party is presented in Figure 1. We observe no significant difference in the number of trades made by the two parties. However, there is a significant decrease in the number of trades following the passage of the STOCK Act in 2012 (discussed in more details in Section 3.4).

3 Empirical Setup and Results

We compute risk adjusted BHARs using the market model, the Carhart four-factor model, and the Fama-French five-factor plus momentum model. They all yield similar conclusions in our context. We report the results with the last model (Fama-French five-factor plus momentum) in the main text and relegate others to Online Appendix Tables A7 and A8. For ease of interpretation, sell transactions' abnormal returns are calculated as the negative of the BHAR of an otherwise identical buy transaction.

3.1 Ascension to Leadership and Trading Performance

We define leadership in Congress as the Speaker of the House (1), each party's House and Senate floor leaders (4), party whips (4), and conference/caucus chairpersons(4). Since the Senate Democratic floor leader always concurrently serves as the chairperson of the Senate Democratic Caucus, this gives us a total of 12 leadership positions. A detailed table of leadership positions is presented in Table A1 in the Online Appendix. Our treatment group includes all members who first assumed one of the 12 leadership position during our sample period and traded in publicly listed stocks both before and after their ascension. To construct our control group (of members that never became a leader), for each would-be-leader, we identify another member who (i) started in Congress in the same year, (ii) shares the same political affiliation, (iii) started in the same chamber, (iv) is of the same sex, (v) had similar congressional tenure, and (vi) is of a similar age. Matching is done sequentially from (i) to (vi).[15] In other words, we aim to have the politicians in the control group to match their corresponding treatment goup members in terms of political tenure, orientation and observable personal characteristics as closely as possible. Our final sample consists of 40 lawmakers, with 20 acsending to leadership positions during our sample period. Leaders and matched "regular" members' demographic information are presented in Table 1 panel B. Differences in means for all variables in panel B are statistically insignificant at the 10 percent level, indicating that the two group are indeed similar in personal characteristics.

We formally examine how becoming a congressional leader impacts members' trading performance with the following specification:

[15] We arrive at the same control group if we adopt a points-based system of matching, where each of the six matching criteria is award one point, and the regular member with the highest total points is selected into the contro group.

$$R_{i,j,k,t} = \beta_1 Leadership_{i,t} + \beta_2 W_{i,j,t} + \beta_3 X_{i,t} + \beta_4 Z_{j,t-1} + \alpha_i + \eta_j + \delta_t + \varepsilon_{i,j,k,t}, \quad (1)$$

where i, j, k, and t index congressional member, firm, transaction, and year, respectively. R is the BHAR over the next 10, 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 state as the lawmaker),[16] and *Oversight* (an indicator for if the firm's industry potentially falls under the jurisdiction of the lawmaker's congressional committee).[17] X is a set of lawmaker characteristics, including an indicator for if the trade occurred when the lawmaker's party controls the chamber they sit in (*Chamber*), an indicator for if the trade occurred when the lawmaker's party controls the White House (*WH*), an indicator for being a chair or ranking member of a congressional committee (*Chair/Rank (Any)*), an indicator for being a chairman or ranking member of a congressional committee that has oversight over a top-10 industry in terms of lobbying expenditure between 1998 and 2021 at the time of the transaction (*Chair/Rank (Hi-Lobby)*),[18] an indicator for being married (*Married*), *Ln*(*Net Worth*), an indicator for sitting on a powerful committee (*Power*

[16] We use state for both House members and senator under the assumption that House leaders' influence likely expands beyond their own congressional district. Futhermore, we discover that House members rarely trade in firms located in their own congressional district (less than five percent of their trades), but roughly 15 percent of their trades are in firms located in their state. We map firm headquarter ZIP codes to congressional districts using the linking table provided by the US Census Bureau.

[17] Mapping between Fama-French 49 industries and congressional committees are provided in Table A9.

[18] Data on industries' lobbying expenditures after 1998 are available from OpenSecrets. The top 10 largest lobbying industries are (i) health, (ii) FIRE, (iii) miscellaneous business, (iv) communication and electronics, (v) energy and natural resources, (vi) transportation, (vii) agriculture, (viii) defense, (ix) construction, and (x) labor recruitment. Mapping between industries and congressional committees can be found in Table A9.

Cmte),[19] an indicator for sitting on a committees that has oversight of a top-10 lobbying industry (*Hi-Lobby Cmte*), number of committee assignments (*Cmte Number*), an indicator for sitting in the House of Representatives (*House*), *Ln*(*Tenure*), *Ln*(*Age*), and the number of children (*Children*). Z is a set of firm financial variables, including *Leverage*, *Ln*(*Assets*), *Altman Z* , *Profitability*, *BM*, *Ln*(*Lobbying*), and *Ln*(*Donation*). We also include the natural logarithm of transaction value (*Ln*(*Txn Value*)) as a control.[20] Detailed variable definitions may be found in Online Appendix Table A2.

The results of equation (1) are presented in Table 2. We observe that ascension to a congressional leadership position is associated with a significant improvement in trading performance across all windows. For instance, the treatment effect of ascsension on trading performance is 29.0 percentage points for purchases and 24.5 percentage points for sales over six months (columns 3 and 7).[21] This is consistent with Cherry et al. (2017), who finds that among all congressional groups (e.g., individual committees, powerful committees,

[19] 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).

[20] As a separate exercise, we use transaction value as the dependent variable in equation (1). Results presented in Table A3 indicate that ascension to leadership is followed by an increase in buy transactions' value by approximately 180%, but no significant change in sell transactions' value. Results are similar for raw and CPI-adjusted values.

[21] A potential drawback of our pooled transaction-level regression design is that it gives equals weights to larger and smaller trades. We therefore examine equation (1) after constructing a trade value-weighted politican-year panel. W and Z are dropped due to the nature of the panel design. The results in Table A4 in the Online Appendix demonstrate similar findings. Another concern is that our results could be driven by a few individuals. As a robustness check, we drop the top 5 or 10 most frequent traders, as well as the top 5 to 10 most successful trades (measured by the average 250-day returns) from our sample. We then repeat equation (1) and report the results in Table A5 of the Online Appendix; the findings are similar. Finally, we reexamine equation (1) using various sub-sample periods. The results are presented in Table A6 of the Online Appendix and also indicate similar finidngs.

above/below-median seniority), party leaders exhibited the best skills in selling just before price drops.

Generally speaking, the ascension effect is economically stronger for purchases than for sales. This is consistent with the findings of the corporate insider trading literature (Lakonishok and Lee, 2001; Jeng et al., 2003; Alldredge and Cicero, 2015). Another interesting finding is that ascension's positive effect on trading performance is not short-lived. In fact, performance continuous to improve up to 12 months after the trade. This indicates that leaders are unlikely to be trading solely on price-sensitive events.

Another interesting observation from Table 2 is that, although the coefficient of *Chair/Rank (Any)* is mostly insignificant, the coefficient of *Chair/Rank (Hi-Lobby)* is economically and statistically significant in many columns. The key difference between the two indicators is that whereas the former acknowledges all committees, the latter focuses on committees that are of greater relevance for businesses. We define relevance through industries' revealed preference to lobby. Specifically, if an industry is willing to lobby larger sums of money (i.e., among the top 10 largest lobbying industries between 1998 and 2021), then it stands to reason that this industry has a greater dependency on government actions. Hence, the finding that chairpersons and ranking members of committees that has oversight over high-lobbying industries are more likely to outperform the benchmark is perhaps unsurprising. This pattern holds true if we separate *Chair/Rank (Hi-Lobbying)* into two variables, respectively indicating trades made by a chairperson (majority party) or a ranking member (minority party) of a committee with oversight over a top-10 lobbying industry. This finding also lends support

to the political information and influence channel—that advanced knowledge of and political influence over the legislative agenda aids lawmakers' personal trading performance.

We also examine a dynamic version of equation (1) to help visualize the ascension effect on trading returns over time. Specifically, we estimate the following:

$$R_{i,j,k,t} = \sum_{k=-9}^{9} d_k \, Leadership_{i,t}^{k} + \beta_2 W_{i,j,t} + \beta_3 X_{i,t} + \beta_4 Z_{j,t-1} + \alpha_i + \eta_j + \delta_t + \varepsilon_{i,j,k,t}, \qquad (2)$$

where the indicator variable, $Leadership^k$, equals to one for trades made by leaders in the sub-period year k, and zero otherwise. Subscripts and other terms share the same definition as in equation (1). The dependent variable is restricted to the 250-day BHAR, but results are similar for other windows (i.e., 10, 60, 120 trading days). Year 0 is defined as the first year in which the lawmaker became a congressional leader. The point estimate, d_k, is plotted in Figure 2. The point estimate of year $t - 1$ is normalized to zero. We observe no obvious pre-trend in abnormal returns leading up to year 0, but a sharp increase following lawmakers' ascension to leadership. This suggests that congressional members' trading returns increase significantly after assuming leadership positions.

3.2 Channels for Improved Performance—Political Information and Influence

Having documented a significantly positive treated effect of ascension to leadership on trading performance, our next question is the channels behind this effect. We hypothesize two possible channels—political information and influence, and corporate access. We start by studying the political information and influence channel. Congressional leaders influence and have advanced knowledge of the legislative agenda and/or regulatory actions (e.g., the Speaker of the House and the majority leader of the Senate have the exclusive power of determining what bills will

be put to a vote by the entirety of their respective chamber), which may be used to benefit their personal wealth.[22]

To test this channel, we conduct four complementary analyses. We first examine whether leaders earn higher returns when their party controls either their chamber or the White House, and whether their sales predict subsequent regulatory actions such as hearings or investigations. We then test whether leaders' party voting patterns and federal procurement allocations align with the leaders' recent trades, indicating potential use of political power to shape economic outcomes in ways that benefit their portfolios.

We start by modifying equation (1) by introducing an interaction term between *Leadership* and measures of political influence (*Chamber* and *WH*) and between *Leadership* and measures of lawmakers' connectedness to traded firms (*Donation*, *Location*, and *Oversight*). Our first set of results related to political information and influence channel are presented in Table 3. We observe that being in the majority party of a chamber has a positive marginal effect on the ascension effect (panel A). For example, 120-day abnormal returns of purchases are 13.6 percentage points higher for trades executed when the leader's party controls they chamber they sit in (panel A column 3). Furthermore, panel A results also shed some light on disentangling the effects of agenda-setting powers and political influence on trading returns. First, we see that leaders are able to generate significant positive abnormal returns even when

[22] The phenomenom of lawmakers exploiting their legislative powers for personal benefits has been documented in the literature. For example, 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. Zhou (2023) documents banks that lend to firms located in the home state of the Senate Banking Committee's chairman enjoy fewer regulatory investigations and fines over the next one to three years.

their party is not the majority party in their chamber. Given that minory leaders do not have agenda-setting powers, only political influence and advanced legislative information, we may infer that the latter are sources behind the positive ascension effect. Second, we observe that majority leaders are able to generate even higher returns than minority leaders do, thereby indicating that agenda-setting powers, in addition to political influence and information advantage, may also be a driver of the positive ascension effect.

Leaders' party having control of the White House does not aid leaders in generating higher abnormal trading returns (panel B). This may be explained by the possibility that, for the legislative items pursued by a president in the same party as the congressional leaders, the leaders' discretion over the legislative agenda is narrowed (Rutledge and Larsen-Price, 2014). Overall, the results in the table support the interepretation that the power to influence the legislative agenda and/or regulatory actions is a source of the ascension effect for congressional leaders' stock trading performance.

To reinforce the evidence on this channel, we examine whether trades by members after their ascension to leadership are able to predict subsequent regulatory actions. Specifically, we test if leaders' stock purchases (sales) are able to predict the number of subsequent regulatory actions better than those of "regular" members. To do so, we replace the dependent variable in equation (1) with the number of regulatory action news over a series of news windows (i.e., 10, 60, 120, and 250 trading days). Table 4 panel A reveals that, after ascension to leadership, leaders' stock sales can predict the number of regulatory actions over the next three to twelve months. For example, leaders' stock sales predict an increase of 1.06 regulatory actions (or 1.2 standard deviations) over the next twelve months (panel A column 8). In other

words, leaders are able to sell before the announcements of regulatory actions against the firm. Moreover, leaders' sales do not predict regulatory action news over the next ten days. This is not unreasonable as trading immediately before a news release could draw unwanted attention. Interestingly, leaders' purchses are not followed by fewer regulatory actions (panel A columns 1 to 4). Combined, these suggest that although leaders are possibly not influencing regulatory actions for the purpose of their trading profits, they may well be trading on insider political information, hence the ability to sell before regulatory actions are made public.

In Table 4 panel B, we separately examine congressional hearings and other regulatory actions as two distinct categories of actions. The results indicate that both congressional hearings and other regulatory actions increase significantly after leaders' sales, suggesting that both agenda-setting powers and political influence play a role in generate leaders' abnormal returns.

Overall, the results presented in Tables 3 and 4 are consistent with the political information and influence channel. These patterns raise a critical distinction: are congressional leaders merely trading on non-public information that they are privy to as lawmakers, or are they actively shaping policy outcomes to benefit their own portfolios? To address this, we turn to two additional tests that explore whether leaders' trades anticipate federal contract allocations and whether their party votes in ways that systematically favor their trading positions.

We begin by examining whether congressional leaders' trades are accompanied by favorable legislative behavior from their party. To do so, we first identify all bills introduced for floor consideration (i.e., bills that exited congressional committees) over our sample period,

obtained from the Library of Congress. We then focus on those with meaningful implications for the economy or businesses, excluding, for example, ceremonial resolutions or commemorative naming bills. For each transaction, we examine all such relevant bills introduced within the next 10, 60, 120, and 250 trading days. For each transaction–bill pair, we use a large language model (ChatGPT) to assess whether the bill is likely to have a positive, negative, or neutral/null economic impact on the traded firm. We then examine the direction of the party vote—whether the majority of the member's party voted for or against the bill. A transaction is considered to be aligned with a bill if the party's vote would have financially benefited the member, based on the bill's assessed impact and the trade direction. Specifically, for stock purchases, alignment occurs when the party supports beneficial bills or opposes harmful ones; for stock sales, alignment occurs when the party opposes beneficial bills or supports harmful ones. For each transaction, we construct a variable called *Aligned*, which captures the number of aligned bills within the 10-, 60-, 120-, and 250-day windows. This variable provides a measure of how closely party legislative behavior aligns with the financial interests implied by the member's trade.

We assess whether party legislative behavior aligns more closely with the financial interests implied by leaders' trades by replacing the dependent variable in equation (1) with *Aligned*. The results, reported in Table 5, show that the number of aligned bills rises significantly following leaders' purchases over the 60-, 120-, and 250-day windows. For example, within 250 days of a leader's trade, an average of 1.74 more bills that benefit (harm) the traded firm receive support (opposition) from the leader's party, relative to trades by non-leaders—representing a 1.06 standard deviation increase. Consistent with our findings on regulatory actions, we observe no significant increase in aligned bills within the first 10 days following a

trade, possibly reflecting a deliberate delay to reduce scrutiny. This pattern of delayed alignment is also observed in our analysis of the corporate access channel.

Notably, the alignment effect is concentrated in purchase transactions; we find weak evidence that party votes systematically support (oppose) bills that would harm (benefit) firms sold by leaders. This asymmetry mirrors our findings on procurement contracts, where firms bought by leaders experience favorable post-trade outcomes, but those sold by leaders do not experience unfavorable outcomes (discussed in more details later). One possible explanation is that leaders have limited incentive to expend political capital to harm companies in which they no longer hold a financial interest, choosing instead to selectively promote the interests of firms they remain invested in.

Anecdotal evidence also supports our finding. As a senior lawmaker and later Secretary of Health and Human Services, Tom Price actively traded healthcare stocks while sponsoring or supporting bills that directly affected those companies during his time in Congress. In one notable instance in 2016, he purchased shares in Zimmer Biomet, a medical device firm, just days before introducing the HIP Act—a bill that would delay a regulation unfavorable to the company. Price also held financial interests in other healthcare firms, including receiving a discounted private offering from Innate Immunotherapeutics, a biotech company at the center of Congressman Chris Collins' insider trading scandal in 2017.[23]

In the second test, we examine whether leaders' trades predict future federal procurement activity using data from the Federal Procurement Data System. Specifically, we

[23] New York Times by Katie Thomas, January 13, 2017, "Australian Drug Maker Has Low Profile but Powerful Backers in Washington", https://www.nytimes.com/2017/01/13/health/innate-immunotherapeutics-tom-price.html.

modify equation (1) by replacing the dependent variable with three measures of contracting outcomes: the natural logarithm of total procurement contract value ($Ln(Proc)$), the change in contract value scaled by firm revenue ($\Delta Proc$), and the fraction of non-competitive contracts (i.e., sole-source contracts, where no competitive bidding is involved) relative to total contract value ($NonComp$). The results are presented in Table 6. We find that firms purchased by congressional leaders see a significant increase in federal contracts over the subsequent one to two years across the three measures (columns 1 to 3).[24] In contrast, firms sold by leaders do not experience a significant decline in federal contracting (columns 4 to 6). Importantly, the rise in non-competitive (sole-source) contracts—an indicator of preferential treatment due to the absence of a competitive bidding process—suggests that these gains may not be driven purely by firm fundamentals or market competition, but instead from discretionary allocation.

While it is possible that leaders possess insider knowledge about which firms are likely to receive federal contracts, a more plausible interpretation is that some of these contracts are influenced by the leaders themselves. The federal government awards thousands of contracts each day, yet leaders do not broadly invest in all firms that go on to receive awards.[25] Rather, they appear to selectively trade in a narrow set of firms that subsequently benefit from favorable contracting outcomes. This pattern is more consistent with targeted political influence than with passive anticipation, suggesting that some leaders may be shaping, not

[24] In panel B, we measure all three dependent variables as the sum over the next two year (relative to the previous two years' total, if applicable). Specifically, *Ln(Proc)* is the natural logarithm of the next two years' total contract value; $\Delta Proc$ is the change in total contract value from years t and *t-1* to years *t+1* and *t+2*, normalized by the total revenue in years t and *t-1*; *NonComp* is the total non-competitive contract value over the next two years, normalized by the total contract value over the same period.

[25] According to data from the Federal Procurement Data System, the federal government awarded 6.7 million contracts in 2023.

merely foreseeing, the allocation of federal resources. Taken together, the evidence is consistent with the idea that leaders' trades may be informed not only by foresight, but by their ability to influence the allocation of federal resources.

Anecdotal evidence is consistent with this interpretation. Most recently, Florida Congressman Cory Mills is under investigation by the House Ethics Committee for potential violations related to federal contracting and financial disclosure. Mills is alleged to have maintained ownership stakes in companies that secured approximately $1 million in federal contracts while he was serving in Congress. According to a March 2025 report by the Office of Congressional Conduct, there is "substantial reason to believe" Mills entered into or benefited from federal contracts during his term and also failed to cooperate with the investigation or fully disclose relevant financial interests.[26] The investigation remains ongoing at the time of writing, as the committee evaluates whether these ties represent a serious conflict of interest or breach of public trust. There are also other instances of members of Congress influencing federal contracts, including the 2005 Cunningham scandal, where Congressman Duke Cunningham pleaded guilty to receiving $2.4 million in bribes from two defense contractors—Mitchell Wade[27] and Brent Wilkes[28]—in return for steering over $240 million in Pentagon contracts to these contractors.

Taken together, our findings show that congressional leaders not only trade ahead of impactful regulatory actions, but also appear to benefit from their party's legislative support

[26] See https://ethics.house.gov/wp-content/uploads/2025/03/OCC-Report-and-Findings.pdf.
[27] Los Angeles Times by Tony Perry, November 29, 2005, "Rep. Cunningham Pleads Guilty to Bribery, Resigns", https://www.latimes.com/archives/la-xpm-2005-nov-29-me-duke29-story.html.
[28] Washington Post by Charles R. Babcock, February 21, 2006, "Earmarks Became Contractor's Business", https://www.washingtonpost.com/wp-dyn/content/article/2006/02/20/AR2006022001154.html.

for firms in which they hold positions and increased federal procurement contracts awarded to firms they purchase. These findings suggest that leaders' abnormal returns stem not only from early access to political developments, but also from their ability to influence the policy and resource allocation process in ways that enhance their personal financial outcomes. These findings suggest that leaders' stock trading can lead to a change in the legal/regulatory environment facing the underlying firms.

3.3 Channels for Improved Performance—Corporate Access

Another channel for leaders' improved trading returns may be their expanded access to corporate insider information following ascension. Leaders are more likely to gain access to non-public corporate information (e.g., potential lawsuits, large R&D breakthroughs, etc.) from the relevant firms, as the latter may voluntarily offer such information in exchange for favors that may now be more easily conferred. While firms may curry favor with all politicians, they may have to be very selective if sharing non-public information is costly to the firms (including the possibility of civil or criminal punishments). A cost-benefit calculation may lead the firms to prioritize congressional leaders over "regular" members of the congress, partly because the leaders control the legislative agenda and wield greater political influence.

To test this channel, we first examine whether leaders earn higher abnormal returns when trading in connected firms—those that have contributed to their campaigns or are headquartered in their home states—where access to private corporate information is most plausible. Second, we examine whether leaders' trades predict subsequent corporate news in the same direction as their transactions, such that purchases (sales) are followed by more positive (negative) announcements, particularly those under executives' control (e.g., dividend

changes or earnings revisions). These tests together assess whether congressional leaders' informational advantage arises from selective access to insider corporate information rather than from general market awareness.

We again start by modifying equation (1) by introducing an interaction term between *Leadership* and measures of lawmakers' connectedness to traded firms (*Donation*, *Location*, and *Oversight*). The results presented in Table 7 indicate that leaders' superior performance may also be partly attributed to their access to non-public corporate information. We observe that the interaction terms between *Leadership* and both *Donate* and *Location* are largely significantly positive (panels A and B), indicating that part of the positive ascension effect may be explained by trades in these firms. For instance, after ascension to leadership, congressional members' 250-day purchases and sales BHARs of firms that have donated to their election campaigns in the past three years respectively climbed by 20.9 and 15.0 percentage points more than that of other firms (panel A columns 4 and 8). Similar patterns are found for trade of firms located in lawmakers' home states—a finding echoed by Cherry et al. (2017), who also documents a marginally higher abnormal returns when senators trade home-state company stocks. We do not observe a significant modifying effect from *Oversight* (panel C). This is unsurprising, as congressional leaders typically do not sit on many committees. For instance, the Speaker of the House traditionally does not sit on any committee. Overall, Table 7's results are consistent with our hypothesis that better access to non-public corporate information is one source of ascension's positive effect on trading performance.

To corroborate the existence of the non-public corporate information channel, we adopt a similar strategy to that used in Table 4. In particular, in Table 8 panel A, we replace the

dependent variable in equation (1) with the number of positive (for buy transactions) and negative (for sell transactions) corporate news items over the next 10, 60, 120, and 250 trading days. From Table 8 panel A, we see that, after ascension to leadership, leaders' trades can predict corporate news of the corresponding direction over the next three to twelve months. For example, leaders' stock purchases (sales) predict an increase of 2.28 (3.15) pieces of positive (negative) corporate news (or 0.43 and 0.40 standard deviations, respectively) over the next twelve months (columns 4 and 8). In other words, leaders are able to buy before the release of positive corporate news and sell before the release of negative corporate news. Again, just like leaders' trades do not predict non-public regulatory action news within a very short time horizon, their trades do not predict corporate news over the next ten days. Overall, Table 8 panel A's results are consistent with leaders exploiting their privileged access to non-public corporate information after ascension to leadership.

In Table 8 panels B and C, we respectively disaggregate positive and negative news into two categories—those that are known to the corporate executives before their public announcements (e.g., dividend changes, stock repurchase changes, debt defaults, SEC filing delays, earnings announcement delays, bankruptcy) and those that may be outside the purview of the executives (e.g., competitors' legal or operational setbacks, analyst recommendation changes, index consitituent changes). The results show that leaders' stock pucrhases (sales) forecast significantly more executives-released positive (negative) news items (panels B and C columns 1 to 4), but have no explanatory power over other future news items not in executives' control (panels B and C columns 5 to 8). These suggest that leaders are likely to be learning about insider corporate information from the executives, rather than from sources outside the

firm. It is also consistent with the notion that executives may be voluntarily offering non-public information to congressional leaders in a *quid pro quo* relationship.

These findings are also support by anecdotal evidence. In 2017, while at a White House picnic, Congressman Chris Collins received a non-public email from the CEO of Innate Immunotherapeutics, a biotech company, about a failed drug trial. Collins was caught on camera to call his son immediately after receiving the email, enabling his son to sell shares in the company before the news became public, avoiding over $700,000 in losses.[29] Collins was later convicted of insider trading and lying to the FBI, making him the first sitting member of Congress to face such charges. He was sentenced to 26 months in prison and later pardoned by President Trump in 2020. In another case, Paul Pelosi—husband of then-Speaker Nancy Pelosi—bought shares and call options in Alphabet and Apple, respective owners of the Google Play Store and the App Store, in the months leading up to Senate Majority Leader Chuck Schumer, a fellow Democrat, effectively shelving bipartisan antitrust bills aimed at curbing the dominant positions of mobile app platforms.

In sum, our findings provide consistent evidence that congressional leaders' superior trading performance is partly attributable to preferential access to material non-public corporate information. Leaders are more likely to earn higher returns when trading the stocks of those firms that are politically connected through campaign contributions or geographic proximity, and their trades systematically anticipate corporate news events under the control of the executives. These patterns point to a channel in which firms selectively share insider

[29] Washington Post by Renae Merle, January 17, 2020, "Ex-congressman Chris Collins sentenced to 2 years on insider-trading, false-statements charges", https://www.washingtonpost.com/business/2020/01/17/former-rep-chris-collins-be-sentenced-insider-trading-case/.

information with powerful lawmakers—likely in hopes of favorable treatment—underscoring the unique informational advantage conferred by leadership status in Congress.

3.4 Leaders' Trades and the STOCK Act

The Stop Trading on Congressional Knowledge Act (STOCK Act), enacted on April 4, 2012, was designed to prohibit congressional members profiting from non-public information obtained through their congressional work, including via insider trading. While the focus of our paper is on exploiting ascension to leadership, it is nevertheless interesting, as an extension, to explore whether leaders' performance is impacted by the STOCK Act. Note that the financial penalty for violating the STOCK Act is small: the fine is typically $200 and records of violators are not made public.[30] But there could be a reputational punishment if political opponents in Congress leak news about the violations.

There is some evidence to suggest that the STOCK Act is useful in what it was designed to do: stopping insider trading in Congress. By looking at trading and portfolio holding data between 2010 and 2013, Huang and Xuan (2023) find the average congressional member loses their positive abnormal trading returns in the year following the passage of the STOCK Act. Echoing Tahoun (2014), Huang and Xuan (2023) also discover that over the same period, members' portfolio companies also lose significant federal procurement contract. There is also evidence suggesting that the Act curbed non-public information flowing out of Congress. Gao and Huang (2016) find that for hedge fund managers connected to lobbyists, their ability to

[30] Campaign Legal Center, January 26, 2022, "We Need Stronger Oversight of Congressional Stock Trades", https://campaignlegal.org/cases-actions/we-need-stronger-oversight-congressional-stock-trades.

outperform passive benchmarks on politically-sensitive stocks disappears in the 12 months after the STOCK Act's enactment.

We also examine the effectiveness of the STOCK Act among congressional leaders, who may react differently from regular members given their seniority and political powers. From Figure 1, we see a general decline in trading frequency by our sample of congressional members after the enactment, a pattern that is consistent with Cherry et al. (2017). Indeed, as noted earlier, the existing literature appears to suggest that the STOCK Act has eliminated superior trading performance of congressional members if there ever was one.

To examine the effect of the STOCK Act on congressional leaders, we modify equation (1) to include the interaction between *Leadership* and *Post-STOCK*, an indicator for if the trade is made after the enactment of the STOCK Act. From Table 9, we see that the STOCK Act has possibly weakened congressional leaders' trading performance, but any such evidence is very weak. Interestingly, we find no decline in the average CPI-adjusted trade size after the STOCK Act's enactment ($63K before vs. $61K after, in 2021 dollars, with t-statistic for the difference being 0.07). The limited impact of the STOCK Act on curbing leaders' abnormal returns suggests that regulatory attention and enforcement may have overlooked the distinct advantages held by congressional leaders relative to rank-and-file members.

3.5 Calendar-Time Portfolio Regressions

As an alternative to the BHAR analysis used so far, we adopt a calendar-time portfolio approach (i.e., Jensen's alpha approach) to examine the effect of ascension on lawmakers' trading performance. This alternative methodology does not allow us to examine relations

between trading performances and features of trades (e.g., whether it is related to a donor firm), but can serve as a robustness check for the main results.

We divide all trades into four groups: treated lawmakers before they became leaders (Leaders Pre), treated lawmaker after they became leaders (Leaders Post), control lawmakers before their matched peer became leaders (Regular Pre), and control lawmakers after their matched peer became leaders (Regular Post). We then estimate each group's daily alpha across three portoflios—buys, sells, and hedged (buy minus sell)—using the Fama-French five-factor plus momentum model as our benchmark model, and assuming a holding period of 250 trading days. That is, we assume the stock enters our portfolio on the day of transaction and remains there for 250 trading days.

From Table 10, we see that, after ascension to leadership positions, congressional leaders exhibit an increase in their daily alphas by approximately 7.5 basis point for both purchases and sales (panel A columns 1-2 and 5-6). The hedged portolio also exhibit a similar pattern—an improvement of 6.9 basis points (panel A columns 9 and 10). The findings are qualitatively similar when we examine market value- and trade value-weighted portfolio constructions (panels B and C). For the control group of otherwise similar "regular" members, we observe no obvious changes in their alphas for all three portfolios under all three weight schemes. These results are consistent with our main finding that ascension to leadership carries a dramatic improvement in the stock trading performance.

To explore whether these abnormal returns are exploitable by outside investors, we replicate the above portfolio analysis using the publicly disclosed transaction dates rather than the actual transaction dates. Under the STOCK Act, members of Congress are required to

disclose their securities transactions within 45 calendar days of execution. For each post-STOCK Act trade, we construct portfolios assuming an investor could trade on the date of disclosure, rather than the actual (but unobservable to the public) execution date. The results are presented in Table 11. We observe that leadership ascension's performance improvement of these "disclosure-date" portfolios are marginally weaker (in terms of statistical significance) than that of the execution-date portfolios. These results suggest that although the performance of leaders' trades is partially attenuated when observed with delay, there is still economically meaningful information in the disclosed trading activity. Thus, even with reporting lags, congressional leaders' trades appear informative and potentially exploitable by attentive market participants.

These results confirm that the improvement in leaders' trading performance following ascension is not an artifact of the BHAR approach, but persists under a calendar-time portfolio framework. Moreover, the fact that disclosure-date portfolios continue to generate positive abnormal returns, albeit with slightly weaker significance, reinforces the view that leaders' trades contain systematically valuable information, even when observed with delay.[31] Together, these findings provide additional support for the robustness and economic relevance of our main results.

4 Conclusion

[31] Two ETF products currently track congressional members' stock trades: the Subversive Unusual Whales Democratic ETF (ticker: NANC) and the Subversive Unusual Whales Republican ETF (ticker: KRUZ). However, no ETF tracks congressional leaders' trade, possibly because the existing literature until this paper has not zoomed in on the special characteristics of the leaders' trade. Perhaps this paper will inspire a new ETF product to be created.

This paper documents that members of Congress exhibit significantly improved stock trading performance only after ascending to congressional leadership positions. Because competing for congressional leadership is largely driven by political ambition rather than personal trading gains, ascension serves as a plausibly exogenous shock to information access and influence, allowing us to estimate the causal effect of leadership status on trading outcomes. Prior to ascension, future leaders and matched non-leaders display similar returns. After ascension, however, leaders outperform their matched peers by up to 47 percentage points per year.

We hypothesize two mechanisms behind this sharp improvement: (i) advanced knowledge of, and influence over, the regulatory and legislative agenda, and (ii) enhanced access to non-public corporate information. Our results support both channels. On the political side, leaders earn higher returns when their party controls the chamber they sit in, highlighting the role of partisan control in amplifying both access and influence. Furthermore, leaders' sales predict future regulatory actions, including investigations and congressional hearings. We also find that, following trades, the leader's party is more likely to vote in favor of (against) legislation that benefits (harm) the firms the leader recently bought, consistent with agenda-setting or legislative coordination. Morevoer, firms purchased by leaders subsequently receive more federal procurement contracts, particularly non-competitive contracts, suggesting selective influence over government resource allocation. On the corporate access side, leaders earn significantly higher abnormal returns when trading in firms that have previously contributed to their campaigns or are headquartered in their home states. Moreover, their trades predict the direction of future firm-specific news—particularly announcements likely known to executives in advance, such as dividend changes or earnings delays—suggesting that

leaders benefit from privileged access to internal corporate information after attaining leadership status.

We also examine the role of the STOCK Act and find little evidence that it curbed leaders' trading performance. While trade frequency declined after its passage, possibly due to heightened public scrutiny, leaders continute to earn abnormal returns. To assess the robustness of these results beyond the BHAR framework, we conduct calendar-time portfolio regressions. We find that leaders' post-ascension trades generate significantly higher risk-adjusted returns. These effects persist—albeit with slightly reduced statistical significance—when portfolios are constructed using disclosure dates rather than actual trade execution dates, suggesting that even publicly available information about leaders' trading activity may contain exploitable signals for outside investors.

While the findings of this paper are necessarily indirect, they raise concerns about the use of institutional power for private financial gain. In an era of growing political skepticism, stronger enforcement or reform of the STOCK Act may be necessary to preserve the integrity of public office and rebuild trust in government.

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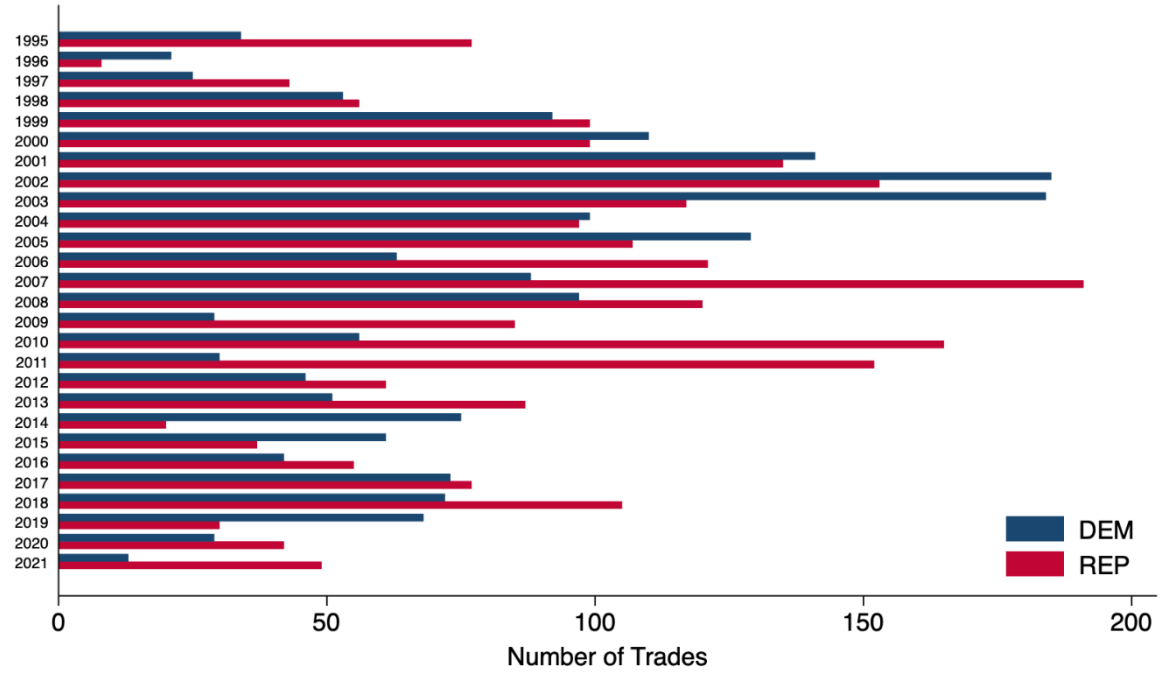

Figure 1: Distribution of trades made by members of Congress who became a congressional leader between 1995 and 2021 and that of their matched "regular" members. The blue and red bars represent trades made by Democratic and Republican lawmakers, respectively.

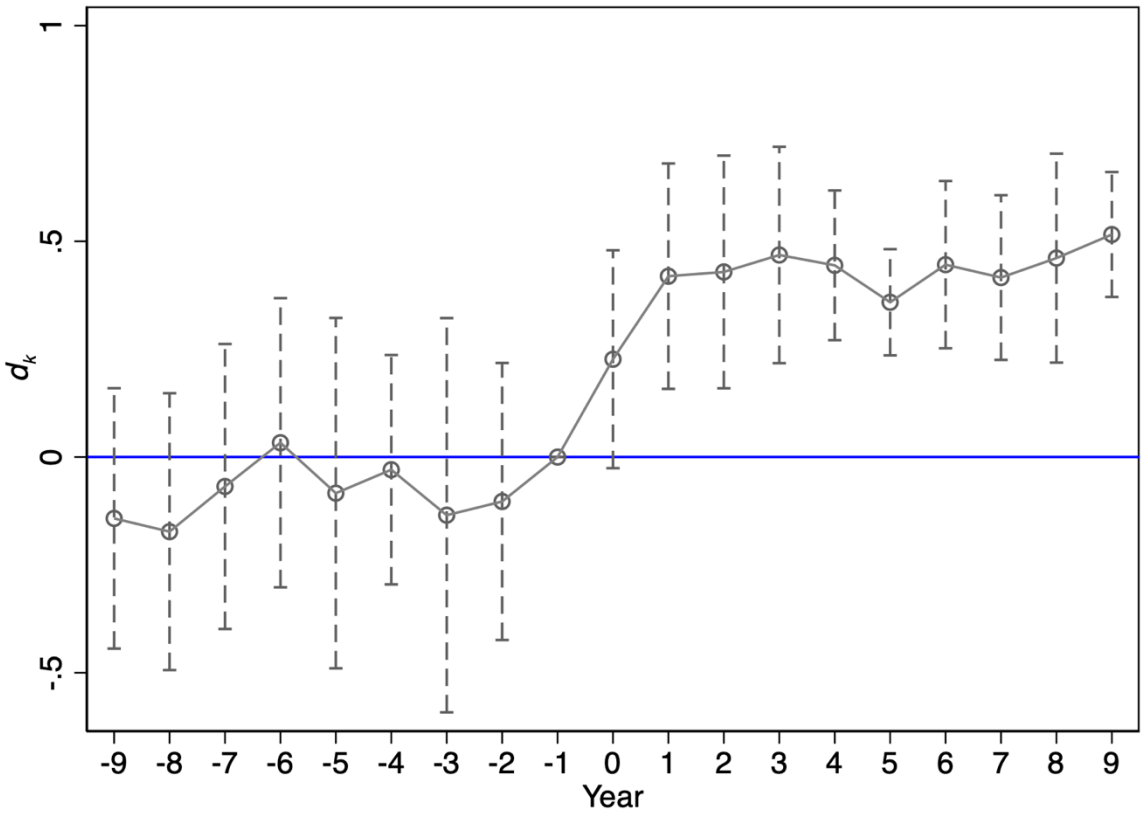

Figure 2: Estimated dynamic quasi-difference-in-differences coefficient, d_k, of equation(3), with vertical dashed lines representing 90 percent confidence intervals. The point estimate of the year in which the lawmaker became a congressional leader (Year 0) is normalized to zero. BHAR over the 250 days following each trade is the dependent variable and calculated using the Fama-French five-factor plus momentum as the benchmark model.

Table 1 Summary Statistics

Transaction-level summary statistics. Panel A is at the transaction level. Panel B is at the individual lawmaker level. Detailed variable definitions can be found in Table A2. Test of mean difference is based on the *t*-test. Sample period is between 1995 and 2021.

	Mean	SD	p10	p50	p90	Mean	SD	p10	p50	p90	Mean Diff
Panel A: Transactions	Leaders (N = 1227)					Regular Members (N = 3124)					
Donate	0.29	0.45	0.00	0.00	1.00	0.21	0.41	0.00	0.00	1.00	0.08***
Location	0.16	0.36	0.00	0.00	1.00	0.07	0.26	0.00	0.00	0.00	0.08***
Oversight	0.02	0.14	0.00	0.00	0.00	0.15	0.36	0.00	0.00	1.00	-0.13***
Chamber	0.36	0.48	0.00	0.00	1.00	0.51	0.50	0.00	1.00	1.00	-0.16***
WH	0.45	0.50	0.00	0.00	1.00	0.47	0.50	0.00	0.00	1.00	-0.02
Chair/Rank (Any)	0.23	0.42	0.00	0.00	1.00	0.19	0.39	0.00	0.00	1.00	0.03**
Chair/Rank (Hi-Lobby)	0.00	0.04	0.00	0.00	0.00	0.07	0.25	0.00	0.00	0.00	-0.07***
Power Cmte	0.84	0.36	0.00	1.00	1.00	0.68	0.47	0.00	1.00	1.00	0.16***
Hi-Lobby Cmte	0.13	0.33	0.00	0.00	1.00	0.65	0.48	0.00	1.00	1.00	-0.52***
Cmte Number	2.11	1.57	1.00	2.00	5.00	3.21	1.35	1.00	3.00	4.00	-1.10***
House	0.73	0.45	0.00	1.00	1.00	0.40	0.49	0.00	0.00	1.00	0.33***
Ln(Tenure)	2.51	0.75	1.61	2.71	3.14	2.54	0.73	1.39	2.77	3.22	-0.03
Married	0.99	0.09	1.00	1.00	1.00	0.89	0.31	0.00	1.00	1.00	0.10***
Ln(Net Worth)	12.50	5.90	0.00	14.66	17.53	11.33	6.62	0.00	14.71	16.74	1.17***
Ln(Age)	3.98	0.25	3.64	4.08	4.25	4.09	0.12	3.93	4.09	4.22	-0.11***
Children	3.40	1.03	3.00	3.00	5.00	3.07	1.93	1.00	3.00	7.00	0.33***
Leverage	0.21	0.22	0.00	0.13	0.57	0.23	0.22	0.01	0.16	0.58	-0.02***
Ln(Assets)	10.82	1.88	8.02	11.06	13.14	10.21	2.21	6.91	10.60	12.66	0.60***
Altman Z	8.36	53.20	0.38	3.57	10.29	4.92	11.66	0.41	3.03	9.08	3.44**
Profitability	0.27	0.15	0.09	0.25	0.45	0.24	0.16	0.05	0.23	0.44	0.03***
BM	0.32	0.28	0.07	0.26	0.72	0.41	0.48	0.09	0.32	0.84	-0.09***
Ln(Lobby Fee)	8.35	7.31	0.00	12.78	15.98	8.09	7.26	0.00	12.10	15.95	0.25
Ln(Donation)	5.86	5.99	0.00	0.00	12.98	5.89	5.94	0.00	6.91	12.96	-0.03
Ln(Txn Value)	9.62	1.47	8.99	8.99	12.07	9.26	0.78	8.99	8.99	10.39	0.36***
Panel B: Lawmakers	Leaders (N = 20)					Regular Members (N = 20)					
Birth Year	1954	9.23	1941	1953	1965	1949	8.33	1939	1948	1961	4.65
Congress Start Year	1995	8.32	1983	1997	2005	1995	9.08	1981	1994	2006	0.85
DW-Nominate	0.08	0.45	-0.45	0.34	0.56	0.04	0.43	-0.45	0.05	0.55	0.04
Female	0.10	0.31	0.00	0.00	0.50	0.10	0.31	0.00	0.00	0.50	0.00
Master PhD	0.70	0.47	0.00	1.00	1.00	0.70	0.47	0.00	1.00	1.00	0.00
Business Edu	0.30	0.47	0.00	0.00	1.00	0.20	0.41	0.00	0.00	1.00	0.10
Top 20	0.20	0.41	0.00	0.00	1.00	0.25	0.44	0.00	0.00	1.00	-0.05
Work FIRE	0.15	0.37	0.00	0.00	1.00	0.10	0.31	0.00	0.00	0.50	0.05

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 2 Congressional Leadership and Abnormal Returns

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves buy-and-hold abnormal returns (BHARs) over hypothetical investment horizons (in trading days). *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. 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 period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Leadership	0.043**	0.151***	0.290***	0.474***	0.036***	0.171***	0.245***	0.417***
	(0.02)	(0.05)	(0.07)	(0.15)	(0.01)	(0.03)	(0.05)	(0.10)
Lawmaker-Firm Relations								
Donate	-0.008**	0.002	0.021	0.074	0.012***	0.034**	0.047***	0.101***
	(0.00)	(0.01)	(0.02)	(0.05)	(0.00)	(0.01)	(0.02)	(0.03)
Location	0.007	0.016	0.006	0.045	0.018**	0.036*	0.058**	0.076
	(0.01)	(0.02)	(0.02)	(0.07)	(0.01)	(0.02)	(0.03)	(0.05)
Oversight	-0.014***	-0.007	-0.015	-0.035	0.008	0.015	0.043**	0.071
	(0.00)	(0.01)	(0.02)	(0.04)	(0.00)	(0.02)	(0.02)	(0.05)
Lawmaker Characteristics								
Chamber	0.003	0.012	0.038*	0.139***	-0.001	-0.002	-0.009	-0.007
	(0.00)	(0.01)	(0.02)	(0.03)	(0.00)	(0.01)	(0.02)	(0.03)
WH	0.014***	0.009	0.007	-0.001	0.001	0.010	0.014	0.047
	(0.00)	(0.01)	(0.02)	(0.04)	(0.00)	(0.01)	(0.02)	(0.04)
Chair/Rank (Any)	0.013	-0.019	0.033	0.090	-0.009	0.000	-0.028	-0.116*
	(0.01)	(0.03)	(0.04)	(0.08)	(0.01)	(0.02)	(0.03)	(0.06)
Chair/Rank (Hi-Lobby)	0.031**	0.106**	0.127	0.078	0.031*	0.064*	0.053	0.204
	(0.02)	(0.05)	(0.09)	(0.13)	(0.02)	(0.04)	(0.06)	(0.13)
Power Cmte	-0.004	0.019	-0.001	-0.076	0.000	-0.013	-0.002	-0.001
	(0.01)	(0.02)	(0.03)	(0.07)	(0.01)	(0.02)	(0.03)	(0.05)
Hi-Lobby Cmte	-0.008	0.044	0.016	0.032	-0.026**	-0.026	-0.061	-0.065
	(0.01)	(0.03)	(0.04)	(0.07)	(0.01)	(0.02)	(0.05)	(0.09)
Cmte Number	-0.002	-0.005	-0.006	0.008	0.001	-0.004	0.019	0.011
	(0.00)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)	(0.02)	(0.03)
House	-0.011	-0.001	-0.031	0.021	0.016	-0.011	0.066	0.099
	(0.02)	(0.04)	(0.05)	(0.13)	(0.02)	(0.04)	(0.06)	(0.10)
Ln(Tenure)	0.009	-0.007	-0.021	-0.011	-0.012	-0.039*	0.005	-0.005
	(0.01)	(0.03)	(0.03)	(0.08)	(0.01)	(0.02)	(0.04)	(0.07)
Married	0.002	-0.038	-0.045	0.100	-0.052	0.008	0.032	-0.040
	(0.02)	(0.06)	(0.10)	(0.21)	(0.04)	(0.05)	(0.10)	(0.17)
Ln(Net Worth)	0.000	-0.001	-0.002	-0.004	0.000	0.001	0.004**	0.002
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Ln(Age)	-(0.29)	-(0.75)	-(0.16)	(0.06)	(0.17)	(0.51)	(0.68)	(1.40)
	(0.21)	(0.69)	(0.97)	(1.39)	(0.19)	(0.49)	(0.63)	(1.18)
Children	0.019**	(0.00)	(0.02)	-(0.03)	(0.01)	-0.051**	-(0.02)	-0.138**
	(0.01)	(0.02)	(0.04)	(0.06)	(0.01)	(0.02)	(0.03)	(0.07)
Firm Characterstics								
Leverage	-0.046	-0.049	0.037	0.139	0.052	-0.051	-0.200**	-0.680***
	(0.04)	(0.06)	(0.14)	(0.26)	(0.03)	(0.04)	(0.08)	(0.18)
Ln(Assets)	-0.006	-0.044***	-0.057***	-0.116***	0.003	0.039***	0.071***	0.095***
	(0.01)	(0.01)	(0.02)	(0.04)	(0.01)	(0.01)	(0.02)	(0.03)
Altman Z	-0.001***	-0.003***	-0.005***	-0.007***	-0.001	0.001	-0.001	0.002
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Profitability	0.019	0.291**	0.493**	0.471*	-0.009	-0.038	0.049	-0.029
	(0.05)	(0.11)	(0.19)	(0.28)	(0.04)	(0.08)	(0.14)	(0.26)
BM	0.012	-0.036	-0.054	0.058	-0.012**	0.001	0.029*	0.039
	(0.01)	(0.03)	(0.05)	(0.10)	(0.01)	(0.02)	(0.02)	(0.04)
Ln(Lobby Fee)	0.000	0.000	-0.001	0.001	0.000	0.000	0.000	-0.004
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Ln(Donation)	-0.001	0.002**	0.002	-0.003	0.000	-0.002	-0.001	0.002
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Ln(Txn Value)	-0.002	-0.003	-0.006	-0.009	0.002*	0.005	0.011	0.007
	(0.00)	(0.01)	(0.01)	(0.03)	(0.00)	(0.00)	(0.01)	(0.01)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.49
N	2044	2044	2044	2044	2307	2307	2307	2307
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3 Leadership Trading Performance and Political Influence

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves BHARs of trades made during times of greater political influence. *Chamber* is an indicator for if the trade occurred when the lawmaker's party controls the chamber they sit in. *WH* is an indicator for if the trade occurred when the lawmaker's party controls the White House. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. 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. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Chamber								
Leadership	0.039**	0.108*	0.198**	0.471***	0.026**	0.154***	0.222***	0.368***
	(0.02)	(0.06)	(0.07)	(0.15)	(0.01)	(0.04)	(0.05)	(0.11)
Leadership * Chamber	0.006	0.063**	0.136**	0.004	0.033***	0.056**	0.078**	0.160
	(0.02)	(0.03)	(0.06)	(0.07)	(0.01)	(0.03)	(0.04)	(0.10)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.49
Panel B: White House								
Leadership	0.043**	0.147***	0.246***	0.462***	0.033**	0.178***	0.265***	0.439***
	(0.02)	(0.05)	(0.07)	(0.17)	(0.01)	(0.04)	(0.06)	(0.11)
Leadership * WH	0.000	0.012	0.136**	0.036	0.011	-0.021	-0.068	-0.076
	(0.02)	(0.02)	(0.05)	(0.12)	(0.01)	(0.03)	(0.04)	(0.08)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.49
N	2044	2044	2044	2044	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 4 Congressional Leadership and Regulatory Actions

Transaction-level regression results showing that compared to otherwise similar "regular" members, trades by members after ascension to leadership are able to predict subsequent regulatory actions and congressional hearings. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. Panel A columns 1 to 4 (5 to 8) examine whether stock purchases (sales) are able to predict the number of subsequent regulatory actions related to the firm. Panel B columns 1 to 4 (5 to 8) examine whether stock sales are able to predict the number of subsequent congressional hearings (other regulatory actions) related to the firm. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

News Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A	**Buy & Regulatory Actions**				**Sell & Regulatory Actions**			
Leadership	-0.036	-0.007	0.009	0.173	-0.057	0.526***	0.786***	1.064***
	(0.08)	(0.30)	(0.25)	(0.33)	(0.06)	(0.15)	(0.14)	(0.22)
Adj. R-sq	0.34	0.33	0.35	0.31	0.35	0.32	0.36	0.36
N	2044	2044	2044	2044	2307	2307	2307	2307
Panel B	**Sell & Congressional Hearings**				**Sell & Other Regulatory Actions**			
Leadership	-0.055	0.132	0.344***	0.533***	-0.002	0.394***	0.441***	0.531***
	(0.06)	(0.13)	(0.12)	(0.14)	(0.01)	(0.07)	(0.09)	(0.15)
Adj. R-sq	0.35	0.31	0.32	0.31	0.21	0.33	0.37	0.36
N	2307	2307	2307	2307	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 5 Congressional Leadership and Legislative Behavior

Transaction-level regression results showing that compared to otherwise similar "regular" members, trades by members after ascension to leadership are followed by future party-level legislative voting behavior that aids the leaders' trades. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. The dependent variable, *Aligned*, measures the number of aligned bills introduced for floor consideration. For buy (sell) transactions, a bill is aligned if the majority of the member's party votes in favor of a bill expected to benefit (harm) the traded firm, or votes against a bill expected to harm (benefit) the firm. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
Legislation Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Leadership	0.058	0.516***	0.885***	1.744***	-0.002	0.057	0.160	0.382**
	(0.05)	(0.14)	(0.21)	(0.41)	(0.02)	(0.09)	(0.11)	(0.19)
Lawmaker-Firm Relations								
Donate	0.004	-0.069	-0.055	-0.099	-0.023*	-0.022	0.009	0.037
	(0.02)	(0.05)	(0.09)	(0.18)	(0.01)	(0.04)	(0.06)	(0.12)
Location	-0.013	0.015	-0.035	0.064	-0.015	-0.028	-0.189*	-0.362**
	(0.02)	(0.08)	(0.13)	(0.26)	(0.02)	(0.05)	(0.10)	(0.16)
Oversight	0.011	-0.080	-0.039	0.043	0.027	0.010	0.035	0.076
	(0.02)	(0.06)	(0.09)	(0.20)	(0.02)	(0.05)	(0.07)	(0.14)
Lawmaker Characteristics								
Chamber	-0.014	0.011	-0.035	-0.058	-0.001	0.048	0.02	0.065
	(0.01)	(0.04)	(0.05)	(0.09)	(0.01)	(0.04)	(0.05)	(0.09)
WH	-0.006	-0.016	-0.011	0.062	-0.004	-0.007	-0.011	0.032
	(0.02)	(0.04)	(0.07)	(0.13)	(0.01)	(0.03)	(0.04)	(0.09)
Chair/Rank (Any)	0.031	0.065	0.014	0.127	-0.035*	-0.090**	-0.163**	-0.281*
	(0.02)	(0.07)	(0.09)	(0.22)	(0.02)	(0.04)	(0.07)	(0.16)
Chair/Rank (Hi-Lobby)	-0.060	-0.274	-0.335	-0.295	-0.009	-0.118	-0.257	-0.399
	(0.06)	(0.23)	(0.28)	(0.53)	(0.03)	(0.14)	(0.23)	(0.49)
Power Cmte	-0.014	0.005	-0.070	-0.231	0.002	0.028	-0.083	-0.142
	(0.02)	(0.05)	(0.09)	(0.18)	(0.01)	(0.03)	(0.07)	(0.11)
Hi-Lobby Cmte	-0.060	-0.125	-0.274	-0.557	-0.002	-0.014	-0.001	0.073
	(0.06)	(0.12)	(0.20)	(0.38)	(0.02)	(0.07)	(0.10)	(0.20)
Cmte Number	0.009	0.030	0.050	0.105	0.013	0.010	-0.020	-0.005
	(0.01)	(0.03)	(0.06)	(0.12)	(0.01)	(0.03)	(0.05)	(0.09)
House	-0.038	0.082	0.282	0.422	0.042	0.076	0.031	0.027
	(0.04)	(0.10)	(0.22)	(0.43)	(0.03)	(0.13)	(0.21)	(0.40)
Ln(Tenure)	-0.070	0.069	0.193	0.546*	0.018	-0.016	-0.067	0.019
	(0.05)	(0.08)	(0.14)	(0.27)	(0.02)	(0.07)	(0.08)	(0.17)
Married	0.023	0.131	-0.341	-0.916***	-0.024	0.212	0.418	0.343
	(0.05)	(0.13)	(0.23)	(0.29)	(0.05)	(0.25)	(0.29)	(0.67)
Ln(Net Worth)	0.006**	0.013***	0.028***	0.058***	0.002	-0.002	-0.010*	-0.009
	(0.00)	(0.00)	(0.01)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)
Ln(Age)	(0.45)	-3.381*	-5.719**	-9.776*	-(0.28)	-2.949**	-5.298***	-9.138**
	(0.92)	(1.97)	(2.74)	(5.39)	(0.54)	(1.12)	(1.84)	(3.89)
Children	(0.02)	(0.06)	0.220*	(0.31)	(0.04)	0.097**	(0.12)	(0.30)
	(0.02)	(0.09)	(0.11)	(0.23)	(0.03)	(0.05)	(0.09)	(0.22)
Firm Characterstics								
Leverage	-0.092	-0.081	-0.349	-0.597	0.044	-0.222	0.155	0.015
	(0.07)	(0.31)	(0.42)	(0.70)	(0.07)	(0.14)	(0.28)	(0.47)
Ln(Assets)	0.000	-0.029	-0.060	-0.076	-0.012	-0.048	-0.108*	-0.162
	(0.01)	(0.05)	(0.06)	(0.13)	(0.01)	(0.04)	(0.06)	(0.13)
Altman Z	-0.001	-0.002**	-0.001	-0.004	0.004**	0.003	0.004	0.007
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Profitability	0.111	0.288	0.453	1.168	-0.018	0.065	-0.079	0.528
	(0.09)	(0.26)	(0.40)	(0.71)	(0.06)	(0.25)	(0.35)	(0.57)
BM	-0.010	0.098	0.167	0.446*	0.003	-0.072**	-0.013	-0.080
	(0.03)	(0.08)	(0.10)	(0.25)	(0.01)	(0.03)	(0.05)	(0.09)
Ln(Lobby Fee)	-0.002	0.005	0.008	0.015	0.002	0.003	0.007	0.018
	(0.00)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)	(0.01)	(0.02)
Ln(Donation)	0.003	-0.005	-0.002	-0.004	0.002	0.003	0.002	0.005
	(0.00)	(0.01)	(0.01)	(0.02)	(0.00)	(0.01)	(0.01)	(0.02)
Ln(Txn Value)	-0.010	-0.006	0.005	-0.059	-0.002	0.010	0.031	0.020
	(0.01)	(0.03)	(0.04)	(0.09)	(0.01)	(0.02)	(0.04)	(0.07)
Adj. R-sq	0.02	0.01	0.02	0.02	0.04	0.03	0.02	0.01
N	2044	2044	2044	2044	2307	2307	2307	2307
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 6 Congressional Leadership and Federal Procurement Contracts

Transaction-level regression results showing that compared to otherwise similar "regular" members, trades by members after ascension to leadership are able to predict future federal procurement contract awards. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. Columns 1 to 3 and 4 to 6 respectively examine contracts in the one (panel A) and two years (panel B) after the transaction. *Ln*(*Proc*) is the natural logarithm of the total federal procurement contract value plus one. *ΔProc* is the change in federal procurement contract value from year *t* to *t+1* relative to the revenue in year *t*. When measured over two years, it is the change in total contract value from years *t* and *t-1* to years *t+1* and *t+2*, normalized by the total revenue in years *t* and *t-1*. *NonComp* is the total non-competitive (sole-source) contract value normalized by the total contract value over the same period. When measured over two years, it is the total non-competitive contract value over the next two years, normalized by the total contract value over the same period. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy			**Sell**		
Dep. Variable:	**Ln(Proc)**	**ΔProc**	**NonComp**	**Ln(Proc)**	**ΔProc**	**NonComp**
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Next 1 Year						
Leadership	1.951*	0.010**	0.108	-0.726	-0.001	0.025
	(0.96)	(0.00)	(0.08)	(0.82)	(0.01)	(0.04)
Adj. R-sq	0.88	0.26	0.67	0.89	0.04	0.64
Panel B: Next 2 Years						
Leadership	1.944**	0.023***	0.176*	-0.594	0.003	-0.012
	(0.85)	(0.01)	(0.09)	(0.70)	(0.01)	(0.03)
Adj. R-sq	0.88	0.19	0.72	0.89	0.09	0.67
N	2044	2044	2044	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y

$^{*}\ p < 0.1,\ ^{**}\ p < 0.05,\ ^{***}\ p < 0.01$

Table 7 Leadership Trading Performance and Firm Connectedness

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves BHARs of trades of connected firms. *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 state as the lawmaker. *Oversight* is an indicator for if the firm's industry potentially falls under the jurisdiction of the lawmaker's congressional committee. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. 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. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Donation								
Leadership	0.034**	0.099*	0.257***	0.385**	0.032**	0.143***	0.219***	0.365***
	(0.02)	(0.05)	(0.07)	(0.15)	(0.01)	(0.04)	(0.05)	(0.11)
Leadership * Donate	0.022*	0.121***	0.079	0.209***	0.011	0.082***	0.076**	0.150**
	(0.01)	(0.03)	(0.08)	(0.07)	(0.01)	(0.02)	(0.03)	(0.06)
Adj. R-sq	0.16	0.45	0.54	0.59	0.30	0.47	0.56	0.50
Panel B: Location								
Leadership	0.043**	0.135**	0.262***	0.422***	0.033**	0.143***	0.239***	0.354***
	(0.02)	(0.05)	(0.07)	(0.14)	(0.01)	(0.03)	(0.06)	(0.10)
Leadership * Location	0.004	0.107	0.184***	0.342*	0.015	0.155***	0.036	0.337***
	(0.03)	(0.07)	(0.05)	(0.17)	(0.01)	(0.03)	(0.06)	(0.09)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.5
Panel C: Oversight								
Leadership	0.043**	0.151***	0.290***	0.474***	0.038***	0.178***	0.251***	0.443***
	(0.02)	(0.05)	(0.07)	(0.15)	(0.01)	(0.03)	(0.05)	(0.09)
Leadership * Oversight	0.006	0.062*	0.041	0.033	-0.023	-0.095	-0.074	-0.358**
	(0.01)	(0.04)	(0.05)	(0.09)	(0.02)	(0.06)	(0.08)	(0.15)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.49
N	2044	2044	2044	2044	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

$^{*}\ p < 0.1$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Table 8 Congressional Leadership and Corporate News

Transaction-level regression results showing that compared to otherwise similar "regular" members, trades by members after ascension to leadership are able to predict subsequent corporate news items. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. Panel A columns 1 to 4 (5 to 8) examine whether stock purchases (sales) are able to predict the number of subsequent positive (negative) corporate news items. Panel B columns 1 to 4 (5 to 8) examine whether stock sales are able to predict the number of subsequent executive-released (other) negative corporate news items. Example of executive-released news items include dividend decreaeses, stock repurchase cancellations, debt defaults, SEC filing delays, earnings announcement delays, bankruptcy, and other news items known to the executives before their public release. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

News Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A	**Buy & Positive News**				**Sell & Negative News**			
Leadership	0.197*	0.821**	1.092**	2.283**	0.008	0.593*	1.674**	3.151***
	(0.11)	(0.30)	(0.42)	(0.94)	(0.09)	(0.32)	(0.63)	(1.16)
Adj. R-sq	0.04	0.37	0.50	0.59	0.28	0.42	0.50	0.55
N	2044	2044	2044	2044	2307	2307	2307	2307
Panel B	**Buy & Exec-Released Positive News**				**Buy & Other Positive News**			
Leadership	0.239**	0.861***	1.214***	2.368**	-0.043	-0.040	-0.122*	-0.085
	(0.11)	(0.31)	(0.40)	(0.92)	(0.03)	(0.04)	(0.07)	(0.14)
Adj. R-sq	0.01	0.34	0.47	0.57	0.04	0.11	0.07	0.03
N	2044	2044	2044	2044	2044	2044	2044	2044
Panel C	**Sell & Exec-Released Negative News**				**Sell & Other Negative News**			
Leadership	0.055	0.522*	1.616**	3.118***	-0.047	0.071	0.058	0.034
	(0.07)	(0.31)	(0.60)	(1.11)	(0.04)	(0.07)	(0.08)	(0.12)
Adj. R-sq	0.23	0.41	0.49	0.55	0.06	0.13	0.18	0.30
N	2307	2307	2307	2307	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 9 Leadership Trading Performance after the STOCK Act

Transaction-level regression results showing that compared to otherwise similar "regular" members, leaders' trades are marginally less profitable after the passage of the STOCK Act. *Post-STOCK* is an indicator for if the trade is made after the passage of the STOCK Act. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. 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. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Leadership	0.047***	0.147***	0.309***	0.508***	0.040***	0.178***	0.256***	0.422***
	(0.02)	(0.05)	(0.06)	(0.15)	(0.01)	(0.04)	(0.05)	(0.10)
Leadership * Post-STOCK	-0.023	0.018	-0.102*	-0.182	-0.038***	-0.069	-0.110	-0.059
	(0.02)	(0.04)	(0.06)	(0.11)	(0.01)	(0.06)	(0.09)	(0.10)
Adj. R-sq	0.16	0.44	0.54	0.59	0.30	0.47	0.56	0.49
N	2044	2044	2044	2044	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 10 Congressional Leadership and Abnormal Returns (Jensen's Alpha Approach)

Calendar-time portfolio regressions showing that ascension to leadership is associated with an improvement in daily alpha. Over the same period of time, no significant we do not observe significant improvements in alphas of otherwise similar "regular" members. *Pre* and *Post* indicate trades before and after ascension to leadership. For "regular" members, these correspond to ascension of their matched peers. The benchmark model is the Fama-French five-factor plus momentum model. We assume the stock enters the portfolio on the day of transaction and remain there for 250 trading days. Sell transactions' returns are calculated as the negative of the returns of an otherwise identical buy transaction. Sample period is between 1995 and 2021. Robust standard errors are in parentheses.

	Buy				**Sell**				**Hedged**			
	Leader		**Regular**		**Leader**		**Regular**		**Leader**		**Regular**	
	Pre	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel A: Equal Weight												
Alpha (%)	-0.015	0.060***	-0.013	-0.016	-0.052***	0.022*	-0.045***	-0.032***	-0.043***	0.026**	-0.026***	-0.027***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
MKT - RF	0.986***	1.005***	1.012***	1.087***	-1.040***	-1.044***	-1.006***	-1.012***	-0.058**	-0.323***	-0.014	-0.201***
	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.03)	(0.03)	(0.01)	(0.02)
SMB	0.160***	-0.103***	0.143***	0.084***	-0.023	0.059**	-0.101***	0.074***	0.021	-0.123***	0.002	0.061***
	(0.03)	(0.03)	(0.02)	(0.03)	(0.02)	(0.03)	(0.02)	(0.02)	(0.03)	(0.03)	(0.01)	(0.02)
HML	-0.05	-0.01	0.088***	0.160***	-0.305***	0.167***	-0.307***	-0.070***	-0.311***	-0.131***	-0.044***	-0.001
	(0.04)	(0.04)	(0.03)	(0.03)	(0.04)	(0.03)	(0.02)	(0.02)	(0.05)	(0.03)	(0.02)	(0.02)
RMW	-0.240***	0.043	-0.147***	-0.173***	0.021	-0.009	-0.074***	-0.096***	-0.165***	-0.118***	-0.109***	-0.191***
	(0.04)	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)	(0.02)	(0.03)	(0.04)	(0.04)	(0.02)	(0.03)
CMA	-0.213***	-0.083	-0.114***	-0.509***	0.122**	-0.305***	0.014	-0.094***	0.231***	0.099	-0.159***	-0.165***
	(0.05)	(0.05)	(0.04)	(0.06)	(0.05)	(0.05)	(0.03)	(0.04)	(0.06)	(0.06)	(0.02)	(0.04)
UMD	-0.367***	0.046**	-0.338***	-0.193***	0.199***	0.247***	0.156***	0.159***	-0.075***	0.185***	-0.067***	0.089***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)
Adj. R-sq	0.69	0.63	0.78	0.78	0.77	0.69	0.80	0.79	0.04	0.22	0.05	0.16
Panel B: Market Value Weight												
Alpha (%)	-0.002	0.063***	-0.005	-0.022**	-0.024**	0.022	-0.007	-0.012	-0.022**	0.015	-0.004	-0.014
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
MKT - RF	0.954***	1.027***	1.023***	1.025***	-1.031***	-1.054***	-1.059***	-1.031***	-0.281***	-0.149***	-0.068***	-0.458***
	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)
SMB	-0.304***	-0.293***	-0.199***	-0.180***	0.173***	0.296***	0.230***	0.270***	-0.083***	-0.144***	-0.053**	0.137***
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.03)	(0.04)	(0.02)	(0.02)
HML	-0.175***	-0.100***	0.073**	0.191***	-0.313***	0.261***	-0.198***	0.209***	-0.398***	0.003	0.089***	0.126***
	(0.04)	(0.04)	(0.04)	(0.03)	(0.04)	(0.03)	(0.03)	(0.02)	(0.03)	(0.04)	(0.03)	(0.02)
RMW	-0.170***	0.037	-0.099***	-0.056	-0.182***	-0.135***	-0.191***	-0.258***	-0.300***	-0.105**	-0.238***	-0.275***
	(0.04)	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)	(0.03)	(0.03)	(0.03)	(0.05)	(0.03)	(0.03)
CMA	-0.391***	-0.244***	-0.443***	-0.531***	0.182***	-0.302***	0.111***	-0.329***	0.089*	0.039	-0.421***	-0.416***
	(0.06)	(0.05)	(0.05)	(0.06)	(0.05)	(0.06)	(0.04)	(0.03)	(0.05)	(0.07)	(0.04)	(0.05)
UMD	-0.223***	0.042**	-0.216***	-0.103***	0.142***	0.150***	0.125***	0.057***	-0.078***	0.152***	-0.038**	0.108***
	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)
Adj. R-sq	0.69	0.63	0.78	0.78	0.77	0.69	0.80	0.79	0.04	0.22	0.05	0.16
Panel C: Trade Value Weight												
Alpha (%)	-0.017	0.058***	-0.009	-0.007	-0.042***	0.013	-0.034***	-0.029**	-0.045***	0.011	-0.014	-0.030***
	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)
MKT - RF	0.970***	1.028***	1.009***	1.057***	-1.011***	-1.071***	-1.045***	-1.034***	-0.021	-0.025	-0.248***	-0.270***
	(0.02)	(0.02)	(0.01)	(0.03)	(0.02)	(0.03)	(0.01)	(0.01)	(0.03)	(0.03)	(0.02)	(0.02)
SMB	0.162***	-0.199***	0.124***	0.085**	-0.179***	0.056	-0.046*	0.171***	0.109***	-0.214***	0.049**	0.140***
	(0.03)	(0.03)	(0.02)	(0.04)	(0.03)	(0.04)	(0.03)	(0.03)	(0.03)	(0.04)	(0.02)	(0.02)
HML	-0.071*	-0.283***	0.037	0.187***	-0.392***	0.195***	-0.522***	-0.029	-0.153***	-0.187***	-0.363***	0.046*
	(0.04)	(0.04)	(0.03)	(0.05)	(0.05)	(0.04)	(0.04)	(0.03)	(0.05)	(0.04)	(0.04)	(0.03)
RMW	-0.183***	-0.026	-0.101***	-0.099**	-0.008	-0.016	-0.082**	-0.216***	0.047	0.058	-0.116***	-0.173***
	(0.04)	(0.05)	(0.03)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.05)	(0.05)	(0.03)	(0.03)
CMA	-0.198***	0.001	-0.090*	-0.498***	0.015	-0.242***	0.244***	-0.230***	0.469***	0.217***	0.078**	-0.170***
	(0.06)	(0.06)	(0.05)	(0.09)	(0.07)	(0.07)	(0.05)	(0.04)	(0.07)	(0.07)	(0.04)	(0.04)
UMD	-0.317***	0.001	-0.259***	-0.176***	0.016	0.121***	0.198***	0.133***	-0.088***	0.105***	0.112***	0.096***
	(0.03)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)
Adj. R-sq	0.69	0.63	0.78	0.78	0.77	0.69	0.80	0.79	0.04	0.22	0.05	0.16
N	4967	5641	5606	5927	5146	5908	5747	6029	5255	5992	5768	6029

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 11 Congressional Leadership and Disclosure-Date Abnormal Returns (Jensen's Alpha Approach)

Calendar-time portfolio regressions showing that ascension to leadership is associated with an improvement in daily alpha. Over the same period of time, no significant we do not observe significant improvements in alphas of otherwise similar "regular" members. *Pre* and *Post* indicate trades before and after ascension to leadership. For "regular" members, these correspond to ascension of their matched peers. The benchmark model is the Fama-French five-factor plus momentum model. Congressional members are required to disclosure their trades within 45 calendar days of execution following the STOCK Act. We assume the stock enters the portfolio on the day of disclosure and remain there for 250 trading days. Sell transactions' returns are calculated as the negative of the returns of an otherwise identical buy transaction. Sample period is between 1995 and 2021. Robust standard errors are in parentheses.

	Buy				**Sell**				**Hedged**			
	Leader		**Regular**		**Leader**		**Regular**		**Leader**		**Regular**	
	Pre	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**	**Pre**	**Post**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Panel A: Equal Weight												
Alpha (%)	0.017	0.042***	0.023	-0.019	-0.017	0.026*	-0.011	-0.009	-0.034	0.041**	-0.015	0.001
	(0.04)	(0.01)	(0.03)	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.04)	(0.02)	(0.02)	(0.01)
MKT - RF	0.771***	0.993***	0.995***	1.023***	-1.104***	-1.064***	-0.952***	-0.996***	-0.079	-0.412***	0.184***	-0.415***
	(0.05)	(0.02)	(0.04)	(0.03)	(0.04)	(0.02)	(0.04)	(0.01)	(0.07)	(0.04)	(0.04)	(0.04)
SMB	-0.081	-0.156***	0.153**	0.148***	0.184***	0.074**	-0.023	0.038**	-0.174*	-0.014	-0.090*	0.070**
	(0.08)	(0.03)	(0.07)	(0.03)	(0.07)	(0.03)	(0.06)	(0.02)	(0.10)	(0.04)	(0.05)	(0.03)
HML	-0.107	0.085**	0.206**	0.164***	-0.137	0.089**	-0.123*	-0.248***	-0.029	-0.157***	0.02	-0.163***
	(0.12)	(0.04)	(0.09)	(0.03)	(0.09)	(0.04)	(0.07)	(0.02)	(0.13)	(0.05)	(0.06)	(0.04)
RMW	0.200	-0.114***	-0.051	0.006	-0.600***	-0.176***	-0.220***	-0.035	-0.122	-0.342***	-0.185**	-0.135***
	(0.13)	(0.04)	(0.11)	(0.04)	(0.15)	(0.04)	(0.08)	(0.02)	(0.18)	(0.06)	(0.07)	(0.03)
CMA	-0.088	-0.151**	-0.178	-0.200***	0.695***	0.000	-0.12	-0.083***	-0.432*	0.060	-0.198**	-0.058
	(0.18)	(0.06)	(0.13)	(0.05)	(0.23)	(0.07)	(0.12)	(0.03)	(0.23)	(0.09)	(0.10)	(0.05)
UMD	0.112*	0.108***	-0.055	-0.211***	-0.129**	0.120***	0.087**	0.035***	-0.214***	-0.002	-0.068*	-0.017
	(0.06)	(0.02)	(0.05)	(0.02)	(0.06)	(0.02)	(0.04)	(0.01)	(0.07)	(0.03)	(0.04)	(0.02)
Adj. R-sq	0.69	0.63	0.78	0.78	0.77	0.69	0.80	0.79	0.04	0.22	0.05	0.16
Panel B: Market Value Weight												
Alpha (%)	0.012	0.035**	0.028	-0.004	-0.016	0.017	0.025	-0.002	-0.042	0.033*	0.026	0.007
	(0.04)	(0.02)	(0.03)	(0.01)	(0.03)	(0.02)	(0.02)	(0.01)	(0.04)	(0.02)	(0.02)	(0.01)
MKT - RF	0.750***	1.003***	1.017***	0.986***	-1.094***	-1.123***	-0.956***	-1.085***	-0.124*	-0.508***	-0.239***	-0.600***
	(0.05)	(0.02)	(0.05)	(0.02)	(0.05)	(0.02)	(0.04)	(0.01)	(0.07)	(0.03)	(0.05)	(0.04)
SMB	-0.068	-0.251***	0.03	-0.145***	0.257***	0.201***	0.076	0.276***	-0.137	0.049	0.097	0.162***
	(0.09)	(0.04)	(0.07)	(0.03)	(0.08)	(0.03)	(0.06)	(0.02)	(0.10)	(0.03)	(0.06)	(0.04)
HML	-0.08	-0.134***	0.049	-0.035	-0.224**	0.241***	-0.036	0.166***	-0.031	0.045	0.003	0.066*
	(0.12)	(0.04)	(0.10)	(0.03)	(0.11)	(0.04)	(0.07)	(0.02)	(0.13)	(0.04)	(0.07)	(0.04)
RMW	0.170	0.054	-0.198	0.065	-0.765***	-0.268***	-0.153	-0.132***	-0.236	-0.225***	-0.124	-0.197***
	(0.14)	(0.04)	(0.12)	(0.04)	(0.21)	(0.04)	(0.09)	(0.02)	(0.20)	(0.05)	(0.09)	(0.03)
CMA	-0.14	-0.197***	-0.174	-0.171***	1.113***	-0.014	-0.408***	-0.234***	-0.295	0.035	-0.304**	-0.204***
	(0.20)	(0.07)	(0.16)	(0.06)	(0.31)	(0.08)	(0.14)	(0.04)	(0.26)	(0.08)	(0.13)	(0.06)
UMD	0.146**	0.063**	0.017	-0.204***	-0.06	0.026	0.154***	-0.001	-0.175**	0.005	0.159***	-0.036*
	(0.06)	(0.03)	(0.05)	(0.02)	(0.08)	(0.02)	(0.04)	(0.01)	(0.07)	(0.03)	(0.04)	(0.02)
Adj. R-sq	0.30	0.70	0.40	0.76	0.61	0.71	0.45	0.90	0.01	0.30	0.06	0.55
Panel C: Trade Value Weight												
Alpha (%)	0.020	0.036*	0.019	-0.02	-0.043	0.023	-0.011	-0.012	-0.042	0.042*	-0.017	-0.001
	(0.04)	(0.02)	(0.03)	(0.01)	(0.03)	(0.02)	(0.02)	(0.01)	(0.04)	(0.02)	(0.02)	(0.01)
MKT - RF	0.752***	0.978***	0.986***	1.009***	-1.059***	-1.111***	-0.960***	-1.011***	-0.006	-0.017	0.151***	-0.437***
	(0.05)	(0.03)	(0.05)	(0.04)	(0.04)	(0.03)	(0.04)	(0.01)	(0.07)	(0.05)	(0.04)	(0.03)
SMB	-0.095	-0.199***	0.216***	0.295***	0.059	0.047	-0.05	0.026	-0.202**	-0.053	-0.111**	0.149***
	(0.08)	(0.05)	(0.07)	(0.05)	(0.07)	(0.06)	(0.06)	(0.02)	(0.09)	(0.05)	(0.05)	(0.03)
HML	-0.105	-0.364***	0.132	0.277***	0.048	0.114**	-0.108	-0.152***	0.057	-0.203***	-0.018	-0.008
	(0.12)	(0.05)	(0.10)	(0.05)	(0.10)	(0.05)	(0.07)	(0.02)	(0.12)	(0.06)	(0.06)	(0.03)
RMW	0.185	-0.001	0.023	0.049	-0.463***	-0.292***	-0.247***	-0.068***	-0.051	-0.084	-0.180**	-0.115***
	(0.14)	(0.05)	(0.11)	(0.05)	(0.12)	(0.05)	(0.08)	(0.02)	(0.15)	(0.07)	(0.08)	(0.03)
CMA	-0.082	-0.173**	-0.125	-0.181***	0.169	0.163*	-0.15	-0.147***	-0.590***	0.105	-0.193*	-0.102**
	(0.18)	(0.08)	(0.14)	(0.07)	(0.18)	(0.10)	(0.12)	(0.04)	(0.20)	(0.10)	(0.10)	(0.05)
UMD	0.102*	0.047	-0.013	-0.134***	-0.141**	0.010	0.097***	0.058***	-0.189***	0.004	-0.03	0.072***
	(0.06)	(0.03)	(0.05)	(0.03)	(0.07)	(0.03)	(0.04)	(0.01)	(0.07)	(0.04)	(0.04)	(0.02)
Adj. R-sq	0.34	0.63	0.41	0.74	0.59	0.63	0.47	0.89	0.02	0.02	0.04	0.45
N	659	2456	1168	2532	566	2586	1166	2567	907	2610	1323	2567

$^{*}\ p < 0.1$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Online Appendix

Table A1 Congressional Leadership Positions According to the Congressional Research Service

Position	Chamber	Party
Speaker of the House	House	DEM / REP
House Democratic Floor Leader	House	DEM
House Republican Floor Leader	House	REP
House Democratic Party Whip	House	DEM
House Republican Party Whip	House	REP
House Democratic Caucus Chair	House	DEM
House Republican Conference Chair	House	REP
Senate Democratic Floor Leader & Caucus Chair	Senate	DEM
Senate Republican Floor Leader	Senate	REP
Senate Democratic Party Whip	Senate	DEM
Senate Republican Party Whip	Senate	REP
Senate Republican Conference Chair	Senate	REP

Table A2 Variable Definitions

Variable	Definition	Data Source
Aligned	The number of aligned bills introduced for floor consideration. For buy (sell) transactions, a bill is aligned if the majority of the member's party votes in favor of a bill expected to benefit (harm) the traded firm, or votes against a bill expected to harm (benefit) the firm.	Library of Congress
Altman Z	Altman Z-score, a measure of financial distress.	Compustat
Birth Year	The lawmaker's birth year.	Library of Congress
BM	Book-to-market ratio, calculated as book value of equity divided by market value of equity.	Compustat
Business Edu	Equals to one if the lawmaker has a degree in a business-related discipline, zero otherwise.	Library of Congress, Google Search
Chair/Rank (Any)	Equals to one if the lawmaker was a chairman or ranking member of a congressional committee at the time of the transaction, zero otherwise.	Official Congressional Directory
Chair/Rank (Hi-Lobby)	Equals to one if the lawmaker was a chairman or ranking member of a congressional committee that has oversight over a top-10 industry in terms of lobbying expenditure between 1998 and 2021 at the time of the transaction, zero otherwise. The top 10 largest lobbying industries are (i) health, (ii) FIRE, (iii) miscellaneous business, (iv) communication and electronics, (v) energy and natural resources, (vi) transportation, (vii) agriculture, (viii) defense, (ix) construction, and (x) labor recruitment. Mapping between industries and congressional committees can be found in Table A9.	Official Congressional Directory, OpenSecrets
Chamber	Equals to one if the trade occurred when the lawmaker's party controls the chamber they sit in, zero otherwise.	Official Congressional Directory
Children	The number of children the lawmaker has at the time of the transaction.	Official Congressional Directory, Google Search
Cmte Number	The number of congressional committees the lawmaker sat on at the time of the transaction.	Official Congressional Directory
Congress Start Year	The year in which the lawmaker firsted served in the US Congress.	Official Congressional Directory
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.	OpenSecrets
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.	Voteview[1]
Female	Equals to one if the lawmaker is a female, zero otherwise.	Official Congressional Directory

[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 A2 Variable Definitions (cont'd)

Variable	Definition	Data Source
Hi-Lobby Cmte	Equals to one if the lawmaker was a member of a congressional committee that has oversight a top-10 industry in terms of lobbying expenditure, zero otherwise. See *Chair/Rank (Hi-Lobby)* for more details.	OpenSecrets
House	Equals to one if the lawmaker was a House member at the time of the transaction, zero otherwise.	Official Congressional Directory
Ln(Age)	The natural logarithm of the age of the lawmaker at the time of the transaction.	Official Congressional Directory
Ln(Assets)	The natural logarithm of the sum of the book value of debt and the market value of equity.	Compustat
Ln(Donation)	The natural logarithm of the firm's affiliated political action committee's total political contributions plus one.	OpenSecrets
Ln(Lobby Fee)	The natural logarithm of the firm's total lobbying expenses plus one.	OpenSecrets
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.	Personal Financial Disclosure, OpenSecrets
Ln(Proc)	The natural logarithm of the total federal procurement contract value plus one.	Federal Procurement Data System
Ln(Tenure)	The natural logarithm of the number of years (rounded to the next year) since the lawmaker first became a member of Congress.	Official Congressional Directory
Ln(Txn Value)	The natural logarithm of the trade's transaction value, estimated as the median of the reported range.	Personal Financial Disclosure, Period Transaction Report
Leadership	Equals to one if the trade occurred when the lawmaker holds one of the 12 leadership positions, zero otherwise.	Official Congressional Directory
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.	Compustat
Location	Equals to one if the firm is located in the same state as the lawmaker, zero otherwise.	Official Congressional Directory, Compustat
Married	Equals to one if the lawmaker was married at the time of transaction, zero otherwise.	Library of Congress, Google Search
Master PhD	Equals to one if the lawmaker has a Masters or Doctorate degree, zero otherwise.	Library of Congress, Google Search
NonComp	The total non-competitive contract (i.e., sole-source contract) value normalized by the total contract value over the same period. When measured over two years, it is the total non-competitive contract value over the next two years, normalized by the total contract value over the same period.	Federal Procurement Data System
Oversight	Equals to one if the firm's industry potentially falls under the jurisdiction of the lawmaker's congressional committee, zero otherwise.	Official Congressional Directory, Compustat

Table A2 Variable Definitions (cont'd)

Variable	Definition	Data Source
Post-STOCK	Equals to one if the trade is made after the passage of the STOCK Act, zero otherwise.	N/A
Power Cmte	Equals to one if the lawmaker was a member of a powerful congressional committee at the time of transaction, 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).	Official Congressional Directory
Profitability	Profitability, calculated as EBITDA divided by sales.	Compustat
Top 20	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.	Official Congressional Directory, Google Search, US News Rankings
WH	Equals to one if the trade occurred when the lawmaker's party controls the White House, zero otherwise.	N/A
Work FIRE	Equals to one if the lawmaker had work experience in finance, insurance, real estate, or owned/operated his/her own business, zero otherwise.	Official Congressional Directory, Google Search
ΔProc	The change in federal procurement contract value from year t to $t+1$ relative to the revenue in year t. When measured over two years, it is the change in total contract value from years t and $t-1$ to years $t+1$ and $t+2$, normalized by the total revenue in years t and $t-1$.	Federal Procurement Data System

Table A3 Congressional Leadership and Transaction Values

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership is followed by larger buy, but not sell, transaction values. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. *Ln(Txn Value)* is the natural logarithm of the transaction value. *Ln(Adj Txn Value)* is the natural logarithm of the CPI-adjusted transaction value using 2015 as the base year. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy		**Sell**	
Dep. Variable:	**Ln(Txn Value)**	**Ln(Adj Txn Value)**	**Ln(Txn Value)**	**Ln(Adj Txn Value)**
	(1)	(2)	(3)	(4)
Leadership	1.061***	1.061***	0.214	0.213
	(0.20)	(0.20)	(0.16)	(0.16)
Lawmaker-Firm Relations				
Donate	-0.001	0.000	-0.010	-0.009
	(0.06)	(0.06)	(0.07)	(0.07)
Location	0.289**	0.289**	0.610***	0.609***
	(0.14)	(0.14)	(0.18)	(0.18)
Oversight	-0.123	-0.123	0.103	0.103
	(0.07)	(0.07)	(0.08)	(0.08)
Lawmaker Characteristics				
Chamber	0.089	0.089	0.057	0.057
	(0.08)	(0.08)	(0.09)	(0.09)
WH	-0.093	-0.093	0.061	0.061
	(0.06)	(0.06)	(0.05)	(0.05)
Chair/Rank (Any)	-0.233	-0.234	-0.234**	-0.234**
	(0.14)	(0.14)	(0.11)	(0.11)
Chair/Rank (Hi-Lobby)	0.238	0.238	0.449	0.445
	(0.15)	(0.15)	(0.30)	(0.30)
Power Cmte	-0.029	-0.029	-0.041	-0.041
	(0.11)	(0.11)	(0.08)	(0.08)
Hi-Lobby Cmte	-0.155	-0.156	0.227	0.226
	(0.21)	(0.21)	(0.19)	(0.19)
Cmte Number	-0.078	-0.079	0.069	0.070
	(0.06)	(0.06)	(0.05)	(0.05)
House	-0.470**	-0.472**	0.445***	0.447***
	(0.18)	(0.18)	(0.16)	(0.16)
Ln(Tenure)	0.107	0.106	0.040	0.041
	(0.14)	(0.14)	(0.16)	(0.16)
Married	-0.239	-0.240	-0.389	-0.386
	(0.21)	(0.21)	(0.28)	(0.28)
Ln(Net Worth)	-0.008	-0.008	-0.013	-0.013
	(0.01)	(0.01)	(0.01)	(0.01)
Ln(Age)	-(1.65)	-(1.64)	-(3.00)	-(3.02)
	(4.54)	(4.55)	(2.68)	(2.68)
Children	(0.19)	(0.19)	(0.03)	(0.03)
	(0.12)	(0.12)	(0.09)	(0.09)
Firm Characterstics				
Leverage	-0.743*	-0.743*	-0.292	-0.294
	(0.44)	(0.44)	(0.29)	(0.30)
Ln(Assets)	-0.005	-0.005	0.079	0.079
	(0.04)	(0.04)	(0.05)	(0.05)
Altman Z	0.001	0.001	0.001	0.001
	(0.00)	(0.00)	(0.00)	(0.00)
Profitability	-0.462	-0.465	1.070***	1.068***
	(0.44)	(0.44)	(0.25)	(0.25)
BM	-0.041	-0.041	-0.170***	-0.169***
	(0.11)	(0.11)	(0.06)	(0.06)
Ln(Lobby Fee)	-0.004	-0.004	-0.010	-0.010
	(0.01)	(0.01)	(0.01)	(0.01)
Ln(Donation)	0.010**	0.010**	0.017*	0.017*
	(0.00)	(0.00)	(0.01)	(0.01)
Adj. R-sq	0.66	0.67	0.58	0.58
N	2044	2044	2307	2307
Politician FE	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table A4 Congressional Leadership and Abnormal Returns (Politician-Year Panel)

Politician-year panel regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves buy-and-hold abnormal returns (BHARs) over hypothetical investment horizons (in trading days). The dependent variable is the transaction value-weighted BHARs over a given politician-year. *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. *Ln(Txn Value Yr)* is the natural logarithm of the the total buy (sell) transaction value over a given politican-year in columns 1 to 4 (5 to 8). 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 period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Leadership	0.051**	0.131	0.489***	0.814***	0.053***	0.238***	0.292***	0.728***
	(0.02)	(0.09)	(0.14)	(0.15)	(0.01)	(0.04)	(0.10)	(0.11)
Chamber	0.002	-0.005	0.013	0.063	-0.004	0.017	0.046**	0.066
	(0.01)	(0.02)	(0.04)	(0.07)	(0.01)	(0.02)	(0.02)	(0.04)
WH	0.004	0.019	0.017	-0.033	-0.007	-0.021	-0.028	-0.040
	(0.01)	(0.02)	(0.02)	(0.09)	(0.01)	(0.01)	(0.03)	(0.05)
Chair/Rank (Any)	0.008	0.020	0.132	0.151	-0.006	-0.004	-0.053	-0.041
	(0.02)	(0.05)	(0.09)	(0.11)	(0.02)	(0.02)	(0.04)	(0.08)
Chair/Rank (Hi-Lobby)	0.035**	0.059	0.048	0.114	0.032	0.085	0.194***	0.234
	(0.01)	(0.04)	(0.05)	(0.12)	(0.02)	(0.06)	(0.06)	(0.14)
Power Cmte	0.009	0.008	0.024	0.012	-0.002	-0.013	-0.019	-0.048
	(0.01)	(0.02)	(0.03)	(0.06)	(0.01)	(0.02)	(0.03)	(0.04)
Hi-Lobby Cmte	-0.030*	-0.045	-0.008	0.204**	-0.022*	-0.019	0.031	0.128
	(0.02)	(0.04)	(0.06)	(0.08)	(0.01)	(0.04)	(0.05)	(0.11)
Cmte Number	-0.001	-0.005	-0.018	-0.020	-0.010**	-0.009	-0.019	-0.025
	(0.00)	(0.01)	(0.02)	(0.04)	(0.00)	(0.01)	(0.03)	(0.03)
House	-0.014	-0.024	-0.117	-0.083	-0.025	-0.005	-0.061	-0.050
	(0.02)	(0.06)	(0.08)	(0.14)	(0.02)	(0.05)	(0.08)	(0.11)
Ln(Tenure)	-0.015	-0.049	-0.096	-0.084	0.007	0.005	0.004	0.126*
	(0.02)	(0.04)	(0.06)	(0.10)	(0.01)	(0.02)	(0.06)	(0.07)
Married	0.000	0.059	0.068	0.241	0.012	-0.032	-0.006	-0.006
	(0.03)	(0.05)	(0.09)	(0.19)	(0.03)	(0.07)	(0.11)	(0.19)
Ln(Net Worth)	0.000	0.001	-0.001	0.003	0.000	-0.001	0.000	-0.001
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Ln(Age)	0.191	-0.648	-0.446	-0.096	-0.862***	-0.274	0.208	0.167
	(0.20)	(0.71)	(0.96)	(1.42)	(0.19)	(0.53)	(0.99)	(1.48)
Children	0.014	-0.032*	0.015	0.005	0.026***	-0.008	0.072*	0.008
	(0.01)	(0.02)	(0.03)	(0.09)	(0.01)	(0.02)	(0.04)	(0.06)
Ln(Txn Value Yr)	0.000	-0.009	-0.023	-0.010	0.005	0.010	0.005	0.033
	(0.01)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)	(0.01)	(0.02)
Adj. R-sq	0.01	0.40	0.49	0.48	0.13	0.44	0.48	0.44
N	224	224	224	224	224	224	224	224
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y

$^{*}\ p < 0.1$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Table A5 Congressional Leadership and Abnormal Returns (Excluding Top 5/10 Most Frequent/Successful Traders)

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves buy-and-hold abnormal returns (BHARs) over hypothetical investment horizons (in trading days). *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. Panels A and B respectively exclude the five and ten traders with the most number of trades over our sample period. Panels C and D respectively exlucde the five and ten traders with the highest average returns (over 10, 60, 120, and 250 days). 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. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Excl. Top 5 Freq								
Leadership	0.079***	0.178***	0.329***	0.349**	0.036*	0.150***	0.187***	0.288***
	(0.02)	(0.05)	(0.08)	(0.14)	(0.02)	(0.04)	(0.06)	(0.10)
Adj. R-sq	0.16	0.49	0.55	0.64	0.26	0.41	0.53	0.51
N	1075	1075	1075	1075	1310	1310	1310	1310
Panel B: Excl. Top 10 Freq								
Leadership	0.062**	0.162**	0.339***	0.379*	0.041	0.177***	0.189***	0.356***
	(0.03)	(0.06)	(0.09)	(0.21)	(0.03)	(0.04)	(0.06)	(0.13)
Adj. R-sq	0.21	0.44	0.52	0.63	0.29	0.42	0.53	0.53
N	859	859	859	859	1084	1084	1084	1084
Panel C: Excl. Top 5 Ret								
Leadership	0.043***	0.151***	0.268***	0.481***	0.040***	0.170***	0.215***	0.427***
	(0.02)	(0.05)	(0.07)	(0.17)	(0.01)	(0.04)	(0.06)	(0.12)
Adj. R-sq	0.16	0.42	0.52	0.57	0.3	0.44	0.51	0.46
N	1948	1948	1948	1948	2125	2125	2125	2125
Panel D: Excl. Top 10 Ret								
Leadership	0.063**	0.269***	0.160	0.399	0.038**	0.128***	0.289***	0.510***
	(0.02)	(0.07)	(0.13)	(0.25)	(0.02)	(0.03)	(0.08)	(0.15)
Adj. R-sq	0.14	0.36	0.46	0.54	0.27	0.36	0.44	0.41
N	1759	1759	1759	1759	1842	1842	1842	1842
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

$^{*}\ p < 0.1$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Table A6 Congressional Leadership and Abnormal Returns (Various Sub-sample Periods)

Transaction-level regression results showing that compared to otherwise similar "regular" members, ascension to leadership improves buy-and-hold abnormal returns (BHARs) over hypothetical investment horizons (in trading days). *Leadership* is an indicator for if the trade occurred when the lawmaker holds a congressional leadership position. Panels A, B, and C each adopt a 15-year rolling window, respectively covering the first, middle, and final 15 years of our sample period. 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. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy				**Sell**			
BHAR Window:	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**	**[0, 10]**	**[0, 60]**	**[0, 120]**	**[0, 250]**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: 1995 - 2010								
Leadership	0.036	0.170***	0.367***	0.498**	0.039***	0.210***	0.273***	0.468***
	(0.03)	(0.06)	(0.08)	(0.22)	(0.01)	(0.05)	(0.06)	(0.13)
Adj. R-sq	0.15	0.43	0.55	0.59	0.31	0.47	0.53	0.47
N	1440	1440	1440	1440	1559	1559	1559	1559
Panel B: 2000 - 2015								
Leadership	0.072***	0.113**	0.260***	0.355***	0.054***	0.207***	0.289***	0.380***
	(0.02)	(0.05)	(0.06)	(0.10)	(0.02)	(0.03)	(0.05)	(0.09)
Adj. R-sq	0.19	0.49	0.58	0.61	0.32	0.51	0.58	0.54
N	1422	1422	1422	1422	1673	1673	1673	1673
Panel C: 2006 - 2021								
Leadership	0.051	0.253**	0.488**	1.123***	0.060***	0.082	0.079	0.110
	(0.03)	(0.12)	(0.23)	(0.19)	(0.02)	(0.06)	(0.08)	(0.17)
Adj. R-sq	0.13	0.51	0.58	0.64	0.31	0.54	0.65	0.60
N	980	980	980	980	1186	1186	1186	1186
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y

$^{*}\ p < 0.1$, $^{**}\ p < 0.05$, $^{***}\ p < 0.01$

Table A7 Leadership Trading Performance (Market Model)

Transaction-level regression results summary of Tables 2, 3, 7, and 9. BHARs are calculated using the market model. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy							Sell						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Panel A: [0, 10]														
Leadership	0.033*							0.044***						
	(0.02)							(0.01)						
Leadership * Chamber		0.021							0.049***					
		(0.02)							(0.01)					
Leadership * WH			0.003							0.023*				
			(0.02)							(0.01)				
Leadership * Donate				0.030***							0.018**			
				(0.01)							(0.01)			
Leadership * Location					0.017							0.030***		
					(0.02)							(0.01)		
Leadership * Oversight						0.004							-0.004	
						(0.01)							(0.02)	
Leadership * Post-STOCK							-0.026							-0.007
							(0.02)							(0.02)
Adj. R-sq	0.17	0.17	0.16	0.17	0.16	0.16	0.16	0.32	0.32	0.31	0.31	0.31	0.31	0.31
Panel B: [0, 60]														
Leadership	0.169***							0.158***						
	(0.05)							(0.04)						
Leadership * Chamber		0.119***							0.133***					
		(0.03)							(0.03)					
Leadership * WH			0.049							0.075***				
			(0.03)							(0.02)				
Leadership * Donate				0.149***							0.097***			
				(0.03)							(0.02)			
Leadership * Location					0.175***							0.167***		
					(0.05)							(0.03)		
Leadership * Oversight						0.041							-0.030	
						(0.04)							(0.05)	
Leadership * Post-STOCK							0.033							-0.016
							(0.05)							(0.05)
Adj. R-sq	0.44	0.44	0.43	0.44	0.44	0.43	0.43	0.47	0.47	0.46	0.47	0.47	0.46	0.46
Panel C: [0, 120]														
Leadership	0.284***							0.254***						
	(0.08)							(0.05)						
Leadership * Chamber		0.154***							0.140***					
		(0.05)							(0.05)					
Leadership * WH			0.122							-0.023				
			(0.08)							(0.05)				
Leadership * Donate				0.153**							0.116***			
				(0.07)							(0.04)			
Leadership * Location					0.134**							0.130**		
					(0.05)							(0.05)		
Leadership * Oversight						0.032							0.045	
						(0.05)							(0.06)	
Leadership * Post-STOCK							0.017							-0.091
							(0.06)							(0.10)
Adj. R-sq	0.51	0.51	0.50	0.51	0.5	0.50	0.50	0.51	0.51	0.51	0.51	0.51	0.51	0.51
Panel D: [0, 250]														
Leadership	0.338**							0.405***						
	(0.15)							(0.10)						
Leadership * Chamber		0.176							0.297***					
		(0.12)							(0.11)					
Leadership * WH			0.144							-0.003				
			(0.14)							(0.08)				
Leadership * Donate				0.317***							0.226***			
				(0.09)							(0.06)			
Leadership * Location					0.257							0.474***		
					(0.16)							(0.07)		
Leadership * Oversight						0.045							-0.028	
						(0.10)							(0.17)	
Leadership * Post-STOCK							-0.140							0.097
							(0.17)							(0.14)
Adj. R-sq	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.46	0.45	0.45	0.45	0.46	0.45	0.45
N	2044	2044	2044	2044	2044	2044	2044	2307	2307	2307	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table A8 Leadership Trading Performance (Carhart Four-Factor Model)

Transaction-level regression results summary of Tables 2, 3, 7, and 9. BHARs are calculated using the Carhart four-factor model. Control variables include those presented in Table 2. Sample period is between 1995 and 2021. Standard errors are clustered by lawmaker and in parentheses.

	Buy							Sell						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Panel A: [0, 10]														
Leadership	0.041**							0.036***						
	(0.02)							(0.01)						
Leadership * Chamber		0.021							0.040***					
		(0.01)							(0.01)					
Leadership * WH			0.009							0.026**				
			(0.02)							(0.01)				
Leadership * Donate				0.024**							0.015*			
				(0.01)							(0.01)			
Leadership * Location					0.022							0.028***		
					(0.02)							(0.01)		
Leadership * Oversight						0.002							-0.010	
						(0.01)							(0.02)	
Leadership * Post-STOCK							-0.013							-0.016
							(0.02)							(0.01)
Adj. R-sq	0.17	0.16	0.16	0.17	0.16	0.16	0.16	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Panel B: [0, 60]														
Leadership	0.170***							0.157***						
	(0.05)							(0.03)						
Leadership * Chamber		0.115***							0.115***					
		(0.03)							(0.03)					
Leadership * WH			0.061*							0.037				
			(0.03)							(0.03)				
Leadership * Donate				0.153***							0.093***			
				(0.03)							(0.02)			
Leadership * Location					0.156**							0.181***		
					(0.07)							(0.03)		
Leadership * Oversight						0.009							-0.041	
						(0.04)							(0.04)	
Leadership * Post-STOCK							0.069							-0.008
							(0.06)							(0.06)
Adj. R-sq	0.43	0.43	0.43	0.44	0.43	0.43	0.43	0.48	0.48	0.48	0.48	0.48	0.47	0.47
Panel C: [0, 120]														
Leadership	0.264***							0.276***						
	(0.07)							(0.05)						
Leadership * Chamber		0.099**							0.146***					
		(0.05)							(0.04)					
Leadership * WH			0.069							0.035				
			(0.05)							(0.04)				
Leadership * Donate				0.126							0.097**			
				(0.09)							(0.04)			
Leadership * Location					0.272***							0.203***		
					(0.05)							(0.05)		
Leadership * Oversight						0.090							0.032	
						(0.05)							(0.07)	
Leadership * Post-STOCK							0.011							-0.010
							(0.08)							(0.09)
Adj. R-sq	0.52	0.51	0.51	0.52	0.52	0.51	0.51	0.54	0.53	0.53	0.53	0.53	0.53	0.53
Panel D: [0, 250]														
Leadership	0.320**							0.428***						
	(0.13)							(0.10)						
Leadership * Chamber		0.152*							0.242**					
		(0.09)							(0.11)					
Leadership * WH			0.205*							0.059				
			(0.12)							(0.08)				
Leadership * Donate				0.257***							0.219***			
				(0.08)							(0.05)			
Leadership * Location					0.328**							0.433***		
					(0.13)							(0.08)		
Leadership * Oversight						-0.048							-0.085	
						(0.09)							(0.12)	
Leadership * Post-STOCK							-0.075							0.087
							(0.13)							(0.11)
Adj. R-sq	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.48	0.47	0.47	0.47	0.47	0.47	0.47
N	2044	2044	2044	2044	2044	2044	2044	2307	2307	2307	2307	2307	2307	2307
Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Politician FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year-Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table A9: 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
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
Petroleum and Natural Gas	Natural Resources	Energy and Natural Resources Environment and Public Works
Pharmaceutical Products	Energy and Commerce	Health, Education, Labor, and Pensions

Table A9: Mapping between Fama-French 49 Industries and Congressional Committees (cont'd)

FF49 Industry	House Committee	Senate Committee
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