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# The Wealth of U.S. Members of Congress: A Comprehensive Review

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## Historical Trends of Wealth Accumulation

In a comprehensive study from the 115th Congress, the combined wealth of all members at that time amounted to at least \$2.43 billion, marking a 20 percent increase compared to the preceding Congress. This growth occurred during a period when both the Dow Jones Industrial Average and Standard & Poor's 500 Index experienced gains of slightly under 10 percent. Furthermore, the median minimum net worth of today's senators and House members stood at \$511,000 at the beginning of this Congress, reflecting a 16 percent rise over just two years. This figure is five times higher than the median net worth of an American household, estimated at \$97,300 by the Federal Reserve in 2016 [\(Hawkins, 2018\)](#).

Presumably, the non-member wealthy are also quite talented financially, and, yet, the average wealth of representatives grew over the 2004–2014 period in real terms at a rate almost seven times that of the 95th percentile of U.S. wealth holders. Over a typical 9-year career for a Representative, an average Representative will have about 25% more wealth than the average U.S. resident who started the 9-year period in the same wealth cohort as the Representative [\(Click, 2017\)](#).

## Ethical Concerns of Wealth in Congress

Despite the ambitious endeavors of our Congress members, it is worth questioning, as we did at the beginning of this article, how it is possible for people's net worth to skyrocket in very little time. Suspicions of insider trading and tax fraud are attributed to the incredible wealth of our country's leaders.

Concerns regarding politicians engaging in insider trading have persisted over time. Instances of members of Congress leveraging their positions for personal financial advantage have been documented as far back as 1968.

For instance, during the height of the COVID-19 pandemic between early February and early April 2020, twelve senators conducted 227 stock transactions totaling up to \$98 million, while thirty-seven House members executed 1,358 trades amounting to as much as \$60 million. Furthermore, despite nearly a decade since the enactment of the STOCK Act, no member of Congress has faced prosecution under its provisions, suggesting potential enforcement shortcomings.

In April 2012, the U.S. Congress passed the Stop Trading on Congressional Knowledge Act (STOCK Act), clarifying that insider trading regulations apply to members of Congress and their staff. This legislation prohibits the exploitation of non-public information acquired through official duties for financial gain and mandates disclosure of trades exceeding \$1,000 within 45 days [\(Ganousek, Jr. et al., 2022\)](#). Despite these measures, compliance with the STOCK Act has been questioned numerous times.

Several analyses have indicated that stocks purchased by senators tend to outperform the market in the three months following the trade date, with abnormal returns averaging approximately 4.9%. Additionally, abnormal idiosyncratic volatility (AIV) around senatorial trades has been found, suggesting heightened trading activity potentially driven by insider knowledge. Remarkably, AIV during senatorial stock transactions significantly surpasses what was reported on earnings announcement days. The degree of information asymmetry during senatorial stock purchase dates correlates with senators' personal attributes (such as age, tenure, and committee memberships) and legislative activity, impacting the buy-and-hold market-adjusted returns of these stocks. This evidence underscores the impact of politically informed trading on stock prices [\(Ganousek, Jr. et al., 2022\)](#).

## Correlations between Congress Member Investments and Legislative Priorities

Traditionally, advocates for prohibiting congressional stockholding contend that lawmakers' ownership of stocks introduces a significant conflict of interest. Given their substantial influence over government spending and legislation that directly affects various industries, members of Congress may be tempted to shape policy to favor their personal investments.

When such decisions clash with the interests of their constituents, it undermines a fundamental principle of representative democracy: substantive representation. This principle dictates that elected officials should prioritize the desires and beliefs of their constituents, even if it means going against their own personal interests. For instance, a House member whose district has a large elderly population might support legislation to lower prescription drug costs despite owning investments in pharmaceutical companies. Similarly, a senator from a state with significant wind power potential might vote for renewable energy legislation, even if they have investments in the fossil fuel industry.

Studies suggest that lawmakers may prioritize their stockholdings over their duty to constituents. Research indicates that members of Congress often vote in line with their stock portfolios, particularly on financial policies [\(Gallagher et al., 2022\)](#). Additionally, legislators with higher exposure to the stock market tend to favor bills that benefit their portfolios. Given these concerns, experts and activists have focused on advocating for an ownership ban to address conflicts of interest within Congress. Such a ban could directly tackle these conflicts and bring broader changes within Congress and American democracy.

Supporters of a stockholding prohibition highlight its potential to improve congressional ethics and reduce conflicts of interest. Moreover, beyond these benefits, such a ban could positively influence descriptive representation in Congress. Descriptive representation refers to the idea that elected officials should reflect the demographic composition of their constituents, including factors like race, gender, and sexual orientation.

While stock ownership may not directly correlate with overall wealth, members of Congress are disproportionately invested in stocks compared to the general public. This disparity leaves middle—and working-class Americans underrepresented in Congress. Implementing a ban on stock ownership could indirectly address this imbalance by promoting socioeconomic descriptive representation and encouraging wealthy candidates to prioritize public service over financial gain. Such legislation may discourage affluent individuals from running for office, creating more opportunities for candidates from average economic backgrounds.

## Campaign Contributions and Conflicts of Interest

Seeking elected office entails significant financial expenses. Consequently, candidates amass millions of dollars in contributions, a practice mirrored by the political action committees (PACs) formed to support them. Data from the Center for Responsive Politics reveals that candidates during the 2020 presidential cycle accumulated nearly \$4 billion in donations [\(Statistical Summary of 24-Month Campaign Activity of the 2019-2020 Election Cycle, 2021\)](#).

The influence of major donors, lobbyists, and special interests on the decisions made by members of Congress is a concern shared by a significant portion of Americans. Approximately 83% of Republicans and Republican-leaning independents believe that individuals who contribute substantial amounts to campaigns exert excessive influence on congressional decisions, a sentiment echoed by nearly the same proportion of Democrats and Democratic leaners (80%) [\(Americans' Dismal Views of the Nation's Politics, 2023\)](#). Moreover, majorities within both parties express the view that lobbyists, special interest groups, and large employers within lawmakers' districts wield undue influence over congressional decision-making.

Campaign contributions are certainly not the sole source of political influence. However, there has been a historical Democratic reliance on the finance sector for campaign donations. For example, Democratic reliance on insurance alone increased more than eightfold, and contributions from insurance, commercial banks, and the securities sector contributed between 5 and 11 percent of Democrats' campaign receipts throughout the 1990s. These trends suggest a deepening connection between finance and the Democratic Party during that decade, mainly as deregulatory initiatives gained traction. Representative Maurice Hinchey of New York noted in 1999 that the deregulatory efforts were "a brilliant billboard for campaign finance reform. Seldom before has so much money been spent by so few for the detriment of so many" [\(How Campaign Donations Influence the Congressional Economic Agenda, 2018\)](#).

The influence of finance on individual legislators' decisions is evident in various instances. Take Representative Newt Gingrich, for instance, who garnered substantial financial support from the insurance sector, the last of the major financial sectors to endorse deregulatory reforms. Gingrich held considerable sway over which legislation reached the House floor as Speaker. In 1995, when the House Banking Committee passed a deregulatory bill, Gingrich had the opportunity to introduce it for debate. However, fearing increased competition from banks, the insurance sector vehemently opposed the bill, and Gingrich and other insurance industry supporters prevented its advancement. However, Gingrich's stance shifted in 1998 when a reform proposal gained the insurance sector's approval. With insurance backing the bill, Gingrich ushered it to the House floor and navigated it to a favorable vote, although ultimately, the Senate did not support this version of the bill [\(How Campaign Donations Influence the Congressional Economic Agenda, 2018\)](#).

Congress members have such a strong influence on how our markets move due to their positions and their affiliations. Like Gingrich, members will be influenced to take actions in accordance to who might be supporting them or what they are invested in. Politicians have a clear conflict of interest based on the connections between policies they support and their financial conditions. Concerns over the influence of major donors, lobbyists, and special interests are widespread, indicating bipartisan unease regarding their sway over congressional decisions. Addressing the concerns surrounding wealth accumulation and campaign contributions is worthwhile for maintaining the integrity of representative democracy and ensuring that elected officials prioritize the interests of their constituents above personal financial gain.

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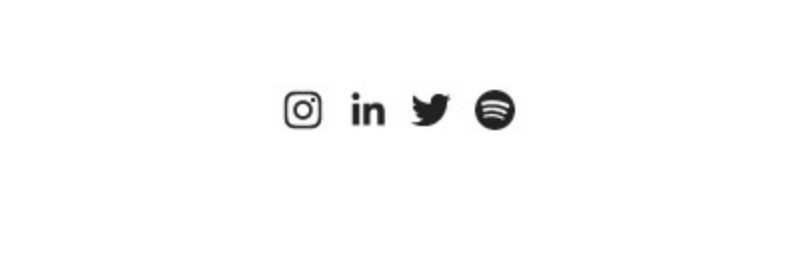
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