

Smart or Corrupt: Informed Trading in the U.S. Congress

This paper assesses whether U.S. Congress members use information privileges from their membership in legislative committees to trade stocks. The challenge therein lies in the identification of information-conflicted transactions. To achieve this, I build a comprehensive data set connecting politicians' transactions, committee information, and affected stock prices. In two complementary analyses, I first employ a difference-in-differences approach to see if committee membership status impacts a politician's portfolio performance over time. Second, I estimate whether conflicted transactions precede public legislative revelations in the short term. My empirical approaches provide a comprehensive and novel assessment of transactions that are related to committee privileges.