

THE WEALTH OF CONGRESS

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INTRODUCTION

“Congress is loaded,” declared Andrew Katz in a post for *Time* magazine’s blog.¹ *Time* was not alone in its assessment. Responding to a report from the Center for Responsive Politics that found, for the first time in 2012, a majority of members of Congress were millionaires,² news outlets from National Public Radio,³ to *Reason* magazine,⁴ to the *Washington Times*,⁵ and everything in between ran headlines announcing the finding that at least 268 members of Congress, a little more than half of the body, exceeded the million-dollar mark based on their 2012 disclosure statements.⁶

For some, the news did not come as a shock. Various sources had previously noted academic work suggesting that members of Congress may have plenty of opportunities to enrich them-

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1. Andrew Katz *Congress Is Now Mostly A Millionaires’ Club*, TIME (Jan. 9, 2014); <http://time.com/373/congress-is-now-mostly-a-millionaires-club> [<https://perma.cc/Y7AP-9NV3>].

2. Russ Choma, *Millionaires’ Club: For First Time, Most Lawmakers are Worth \$1 Million-Plus*, OPEN SECRETS (Jan. 9, 2014), <http://www.opensecrets.org/news/2014/01/millionaires-club-for-first-time-most-lawmakers-are-worth-1-million-plus> [<https://perma.cc/6NND-WUAS>].

3. Carly Cody, *Majority In Congress Are Millionaires*, NPR (Jan. 14, 2014), <http://www.npr.org/sections/itsallpolitics/2014/01/10/261398205/majority-in-congress-are-millionaires> [<https://perma.cc/GKN3-73V8>].

4. Ira Stoll, *Are Members of Congress Too Rich?*, REASON (June 6, 2016), <http://reason.com/archives/2016/06/06/are-congressmen-too-rich> [<https://perma.cc/HNL3-CTEZ>].

5. Cheryl K. Chumley, *Millionaires club: More than half in Congress now have the big bucks*, WASH. TIMES (Jan. 10, 2014), <http://www.washingtontimes.com/news/2014/jan/10/millionaires-making-more-half-congress-now-have-big-bucks> [<https://perma.cc/FNW8-PVUL>].

6. Choma, *supra* note 2.

selves at work.⁷ Hoover Institute Fellow Peter Schweizer published a *New York Times* bestseller in 2011 that catalogued the dozens of ways Congressional members fill their pockets in ways that, while unseemly, are by and large legal and downright common practice.⁸

Others, however, largely attributed the high number of millionaires on Capitol Hill to selection effects. Basically, the claim goes, richer people get elected to Congress because it is so costly to run for election and because those who win elections tend to be especially talented people. "Campaigns have become so taxing we elect millionaires," according to Craig Holman of Public Citizen.⁹ "You can't run for Congress unless you have some money stocked away," explained Stephen Fuller, a public policy professor at George Mason University.¹⁰ The congressional salary is "pretty good money, but . . . actually less than what many members would be making in a position of similar prestige and responsibility in the private sector."¹¹

While it may be true that those in Congress are selected on characteristics that are at least related to wealth or income producing ability, in this Article, I present results that are difficult to square with the growing wealth of members of Congress being an artifact of selection effects alone. I show, using data from the required Congressional disclosures, that even when one conditions on higher levels of baseline wealth for members of the House of Representatives, those members still accrue relatively large rates of return on their wealth while they serve in Congress. Further, while it may be possible that, among their talents, these individuals are simply particularly good at man-

7. See, e.g., John Ransom, *How to Go to Congress and Become a Millionaire*, TOWNHALL (May 26, 2011), http://finance.townhall.com/columnists/johnransom/2011/05/26/how_to_go_to_congress_and_become_a_millionaire [https://perma.cc/V8WM-DEJG]; Stephanie Condon, *Why Is Congress a Millionaires' Club*, CBS NEWS (Mar. 27, 2012), <http://www.cbsnews.com/news/why-is-congress-a-millionaires-club> [https://perma.cc/LTL9-8BEV].

8. PETER SCHWEIZER, *THROW THEM ALL OUT* (2011).

9. Arthur Delaney, *Living Large on Capitol Hill*, HUFFINGTON POST (July 31, 2012), http://www.huffingtonpost.com/2012/07/31/living-large-on-capitol-h_n_1726102.html [https://perma.cc/BR94-R2NA] (quoting Holman).

10. Eric Boehm, *Most in Congress are millionaires, but not because they're getting rich off the system*, WATCHDOG (Jan. 14, 2014), <http://watchdog.org/123522/congress-millionaires-theyre-getting-rich-system> [https://perma.cc/9GRA-WR9Z] (quoting Fuller).

11. *Id.* (paraphrasing Fuller).

aging their financial portfolios or happen to be married to individuals who are particularly adept at amassing wealth, if I compare Representatives' rates of returns to the upper echelon of wealth holders in the United States generally, the Representatives substantially outpace other very wealthy people. Presumably, the non-member wealthy also are quite talented financially and, yet, the average wealth of representatives grew over the 2004–2014 period in real terms at a rate almost 7 times that of the 95th percentile of US wealth holders. Over an average 9-year career for a Representative,¹² this translates to an average Representative having about 25% more wealth than the average U.S. resident who started the 9-year period in the same wealth cohort as the Representative.

While this study cannot determine the specific sources of these extraordinary returns, much less isolate causality, these descriptive findings are quite striking. Further, as discussed below, given the large leeway Representatives have in their financial disclosures, and the presumptive incentive to understate financial gains rather than overstate them, it is possible even these gaudy return numbers might understate the growth of Congressional wealth during the time period studied.

As shown below, the basic finding is largely invariant to party. Republicans start out wealthier on average, but Democrats enjoy slightly better appreciation of their wealth. I also do not find strong differences based on which committees the Representatives serve. Interestingly, I do not find similar growth among the even wealthier members of the Senate.

In the Sections that follow, I first discuss the source of the data including some background and details regarding the Congressional disclosure rules in Section I. In Section II, I analyze the change in wealth in both the House and the Senate during the period 2004–2014. Section III provides a comparison of the congressional results with the evolution of wealth at the top end of the U.S. distribution during the same time period. Section IV offers some concerns about the accuracy of the disclosure data, suggesting that the foregoing results may be understated, and Section V concludes.

12. MATTHEW ERIC GLASSMAN & AMBER HOPE WILHELM, CONG. RESEARCH SERV., RL41545, CONGRESSIONAL CAREERS: SERVICE TENURE AND PATTERNS OF MEMBER SERVICE, 1789-2015, at 3–4, (Jan. 3, 2015) <http://www.fas.org/sgp/crs/misc/RL41545.pdf> [<https://perma.cc/566M-A3A6>].

I. THE DISCLOSURE OF CONGRESSIONAL WEALTH

The disclosure of the financial condition of legislators is viewed as an important check on government corruption and self-dealing, as well as a necessary condition to ensure transparency and good government in general. The World Bank reports that 78% of countries covered in its database require public officials to regularly disclose their assets and liabilities, and 91% of those with disclosure rules cover their legislatures. However, only 43% of the countries make this information available to the general public.¹³

The congressional wealth data in this article come from the Center for Responsive Politics website *Open Secrets*. Annual income and wealth disclosures are required under Title I of the Ethics in Government Act of 1978¹⁴ for members of Congress, as well as various congressional staffers, candidates for elected federal positions, Supreme Court Justices, and various individuals in the executive branch, including cabinet members, as well as the President and Vice President.¹⁵ House members must file their disclosures with the Clerk of the House of Representatives,¹⁶ and Senators must file with the Secretary of the Senate: Office of Public Records.¹⁷ Annual disclosures must be filed by May 15; failure to file on time results in a late filing fee of \$200,¹⁸ although extensions are available on a discretionary basis from the relevant ethics committee.¹⁹

13. Press Release, World Bank, Only 43% of Countries Disclose Public Officials' Financial Assets, Says World Bank (Nov. 8, 2012), <http://www.worldbank.org/en/news/press-release/2012/11/08/only-forty-three-percent-countries-disclose-public-officials-financial-assets-says-world-bank> [<https://perma.cc/7ZG2-VQ73>].

14. 5 U.S.C. app. §§ 101–11 (2012).

15. *Id.* § 101.

16. *Id.* § 103(h)(1)(A)(i)(I). For instructions governing the disclosures in the House, see H. COMM. ON ETHICS, INSTRUCTION GUIDE (2016), <http://ethics.house.gov/sites/ethics.house.gov/files/Instructions.pdf> [<https://perma.cc/D2FG-RUT6>] [hereinafter HOUSE INSTRUCTIONS].

17. 5 U.S.C. app. § 103(h)(1)(A)(i)(II). For instructions governing the disclosures in the Senate, see S. SELECT COMM. ON ETHICS, PUBLIC FINANCIAL DISCLOSURE REPORT FOR THE UNITED STATES SENATE EFD INSTRUCTIONS 15 (Mar. 2017), https://www.ethics.senate.gov/public/index.cfm/files/serve?File_id=D8A43EB3-CF5B-479A-81F6-0C9CE4E2F03F [<https://perma.cc/74LZ-A8P2>] [hereinafter SENATE INSTRUCTIONS].

18. 5 U.S.C. app. § 104(d).

19. *Id.* § 101.

For both the Senate and the House, members must report any source of earned income where the aggregate payment is greater than \$200.²⁰ The source of spousal earned income above \$1000 must be disclosed but the amount is not required.²¹ Members of Congress also need not declare their congressional salaries,²² as well as income from a handful of other sources, such as government retirement benefits or social security proceeds.²³

In terms of assets, members must disclose the value of any asset whose value exceeded \$1,000²⁴ or generated income greater than \$200 in the course of the year.²⁵ For example, reportable assets include real property, non-federal retirement accounts and pensions, various financial assets, collectibles, and intellectual property.²⁶ Valuations are to be based on good faith estimates of the fair market value of the asset at the close of the disclosure period.²⁷ Various assets are excluded from the disclosure requirement, including “real property not held for investment purposes . . . non-interest-bearing [bank] accounts, . . . [and] [p]ersonal property . . .”²⁸ Additionally, in both chambers, assets held in a “qualified blind trust”²⁹ or “excepted trust” need not be disclosed.³⁰ Such trusts must meet various conditions, including that they were not established by the member or his or her spouse, and that the specific holdings of the trust are unknown to the member and the member’s spouse.³¹

In addition to the member’s and member’s spouse’s assets, liabilities owed by the member, the member’s spouse, the member’s dependent children that exceed \$10,000 at any point during the year must be disclosed.³² Both chambers have a number of exclusions. For example, while House members

20. *Id.* § 102(a)(1)(A).

21. *Id.* § 102(e)(1)(A).

22. *Id.* § 102(a)(1)(A).

23. *Id.* § 102(i).

24. *Id.* § 102(a)(1)(A).

25. *Id.* § 102(c).

26. *Id.* § 102(a)(3)–(5), (8).

27. *Id.* § 102(a)(3).

28. HOUSE INSTRUCTIONS, *supra* note 16, at 22.

29. *Id.* § 102(f).

30. SENATE INSTRUCTIONS, *supra* note 17, at 14–15.

31. *Id.*; *see also* 5 U.S.C. app. § 101(f) (describing requirements for a “qualified blind trust”).

32. 5 U.S.C. app. § 101(a)(4).

must disclose mortgages secured by their personal residence if the mortgage exceeds \$10,000, Senators are not required to disclose such mortgages.³³

Although these income and wealth disclosures are meant to create a transparent picture of a members' financial position, clearly the exclusions have the potential to impede any attempt to get an accurate and relevant picture of an elected official's financial position. For example, for the median American, the primary residence makes up a large fraction of total wealth,³⁴ but is omitted from mandated disclosures entirely.

To make matters worse, the disclosures use very broad ranges for the valuations of assets and income. For example, in House member Darrell Issa's 2015 disclosure,³⁵ the first three assets listed in Schedule A are real property where the valuations provided are \$500,001–\$1,000,000, \$5,000,001–\$25,000,000, and \$1,000,001–\$5,000,000.³⁶ Additionally, he lists a number of financial assets as being valued at \$25,000,001–\$50,000,000, and some others valued at \$50,000,000-plus (which is the top category provided in the disclosures).³⁷ The valuation categories for spousal assets top out at \$1,000,000-plus.³⁸ The ranges for the valuation of liabilities are similarly broad³⁹ and, therefore, of limited value.

Such wide valuation ranges make it virtually impossible to know a member's net worth with any real precision, even under the best possible circumstances. However, there is suggestive evidence that there are significant errors in many of the disclosures. For example, an article in *Roll Call* suggests that initial congressional financial disclosures have about a 25% error rate, as indicated by subsequent amendments.⁴⁰ Although

33. SENATE INSTRUCTIONS, *supra* note 17, at 23–24.

34. See, e.g., Jesse Bricker et al., *Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances*, FED. RESERVE BULL. (Sept. 2014), at 1, <https://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf> [<https://perma.cc/AT89-NDGX>].

35. Darrell Issa, Financial Disclosure Report, 2015, http://pfds.opensecrets.org/N00007017_2015.pdf [<https://perma.cc/B6GK-PGRS>] (filed June 24, 2016).

36. *Id.* at 1.

37. *Id.* at 1–4.

38. 5 U.S.C. app. § 102(e)(1)(F) (2012).

39. *Id.*

40. Amanda Becker, *Financial Disclosure Reports Show 25% Error Rate*, ROLL CALL (May 9, 2011), http://rollcall.com/issues/56_119/financial-disclosure-congress-205462-1.html [<https://perma.cc/6WPY-XFQ6>].

the Ethics in Government Act allows for financial penalties (up to \$50,000) and the potential for prison time (up to one year) for falsifying the information in the disclosures⁴¹ and the False Statements Accountability Act of 1996 also provides for fines and up to a five year prison term,⁴² it is not clear that the disclosures are monitored very rigorously, given that primary oversight of the disclosures resides with internal congressional ethics committees, although the independent Office of Congressional Ethics established by the House in 2008⁴³ potentially provides a safeguard against abuse. However, even the Office of Congressional Ethics ultimately just reports its findings and recommendations to the House Committee on Ethics.⁴⁴

Despite these concerns, if the disclosures are reasonably consistent across time or any errors are random over time, it is possible to examine the disclosure data to determine whether there is a systematic tendency for wealth to grow over time as individuals serve in Congress.

II. THE GROWTH OF CONGRESSIONAL WEALTH

As discussed above, the congressional disclosure data are not ideal. In addition to leaving out much of the relevant information regarding a member's household wealth, the categorical nature of the disclosures, wherein members only need to declare values in fairly wide ranges, ensures that any analysis of congressional wealth will be noisy. The coding done by the Center for Responsive Politics provides three different measures of a member's wealth. The minimum value treats all assets as taking the lower value of the category reported and the higher value of the category reported for disclosed liabilities. For very high value assets, those valued above \$50 million dollars for assets held by the member and over \$1 million for assets held by the member's spouse are coded as being worth \$50,000,001 and \$1,000,001, respectively. Otherwise, for the maximum value, assets are valued as the higher number in the

41. 5 U.S.C. app. § 104(d); *see also id.* § 104(b) (directing the ethics committees to refer potential violations to the Attorney General).

42. 18 U.S.C. § 1001(a) (2012).

43. H.R. Res. 895, 110th Cong. (2008).

44. *About*, OFFICE OF CONG. ETHICS, <https://oce.house.gov/about> [<https://perma.cc/W2TB-66GM>] (last accessed May 19, 2017).

categorical range reported, and liabilities are valued as the lower number in the range reported. The so-called average value is determined by the midpoint between the minimum and maximum value measures for the member.⁴⁵

Table 1 provides the average values for the Representatives' minimum, average, and maximum wealth measures by year for the period 2004–2014. These dollar amounts are nominal, that is, they do not include any adjustments for changes in the price level over time.

Table 1: Average Wealth Measures for Members of the House of Representatives

Nominal Dollars			
	Minimum Value	Average Value	Maximum Value
2004	1,882,756	4,244,714	6,606,671
2005	1,833,068	4,502,780	7,172,492
2006	1,892,218	5,079,274	8,266,330
2007	2,078,468	5,675,164	9,271,860
2008	1,600,751	4,739,307	7,877,863
2009	1,794,504	5,034,149	8,273,796
2010	2,350,687	5,927,844	9,505,002
2011	2,298,144	6,525,782	10,800,000
2012	2,375,403	5,948,607	9,521,810
2013	2,882,484	7,189,139	11,500,000
2014	2,951,400	7,612,982	12,300,000
Average Growth Rate	4.60%	6.02%	6.41%

Over the decade from 2004–2014, the average wealth of members of the House (using the average value or midpoint measure applied to each Representative in the given year and then averaged over the entire body for that year) grew from \$4.2 million to more than \$7.6 million. This translates to 6% in terms of annual growth on average over the period. The growth rate was a little

45. See *About the Personal Finances Data & CRP's Methodology*, OPEN SECRETS, <http://www.opensecrets.org/pfds/methodology.php> [https://perma.cc/T5BF-3FS3] (last accessed May 19, 2017).

lower using the minimum wealth measure to calculate the averages (4.6% per year) and a little higher when the maximum value is used to construct the averages (6.4%).

The values in Table 1 may not be very informative, however. Although the period examined is one of relatively low inflation, generally speaking, to purchase a bundle of goods that cost \$1 in 2004 (the beginning of the period examined) would have cost \$1.25 in 2014.⁴⁶ Thus, some fraction of the growth rates presented above is actually just due to generic price inflation in the economy over the period.

To give a better sense of the change in actual value, or purchasing power, over time, Table 2 presents the same information adjusting each year to reflect value in terms of 2013 prices.⁴⁷

Table 2: Average Wealth Measures for Members of the House of Representatives

Real Dollars (2013 Base)			
	Minimum Value	Average Value	Maximum Value
2004	2,321,870	5,234,704	8,147,539
2005	2,186,513	5,370,988	8,555,463
2006	2,186,534	5,869,306	9,552,079
2007	2,335,241	6,376,272	10,400,000
2008	1,732,006	5,127,910	8,523,815
2009	1,948,578	5,466,378	8,984,178
2010	2,511,322	6,332,926	10,200,000
2011	2,380,062	6,758,394	11,100,000
2012	2,410,197	6,035,738	9,661,280
2013	2,882,484	7,189,139	11,500,000
2014	2,904,287	7,491,455	12,100,000
Average Growth Rate	2.26%	3.65%	4.03%

46. See *Consumer Price Index Data from 1913 to 2017: All Urban Consumers – (CPI-U) 1913–2017*, US INFLATION CALCULATOR, www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008 [https://perma.cc/Y62X-ZSVU].

47. 2013 dollars is selected as the benchmark to facilitate comparisons to U.S. wealth data, last collected in 2013. See *infra* Section III.

Once this price effect is removed from the data, we can see that the average Representative's wealth (using the midpoint or average measure) grew from \$5.2 million in 2004 (reflecting 2013 purchasing power) to \$7.5 million in 2014 (again reflecting 2013 purchasing power). This real growth rate, that is, the growth rate in real purchasing power, exceeds an average of 3.6% per year. Once again, if the minimum wealth measure is used, the rate is lower (2.3%) and if the maximum wealth measure is used, the growth rate is higher (4%).

The growth of nominal and real growth for each of the three Congressional wealth measures is shown in Figures 1–3 below. To aid in visualization, the observations are connected using locally weighted regression techniques that allow for the possibility of non-linear trends. As is apparent from each of the three graphs, while all of the measures have grown, the growth has not been entirely uniform over time.

Figure 1: Minimum Wealth Estimates

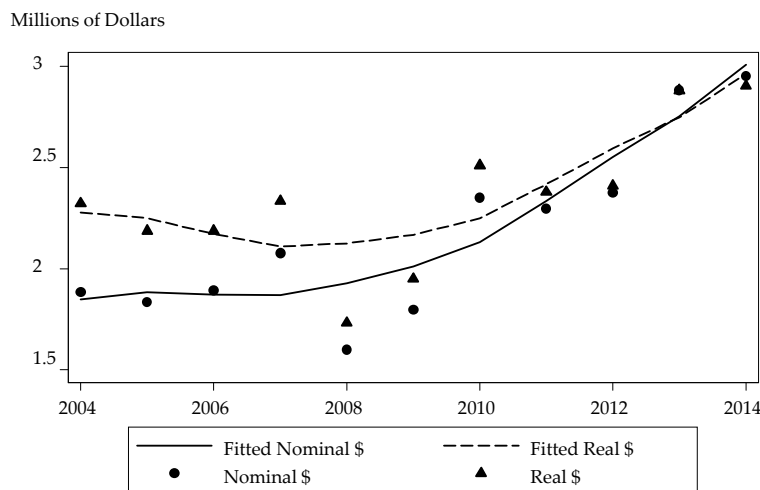


Figure 2: Average Wealth Estimates

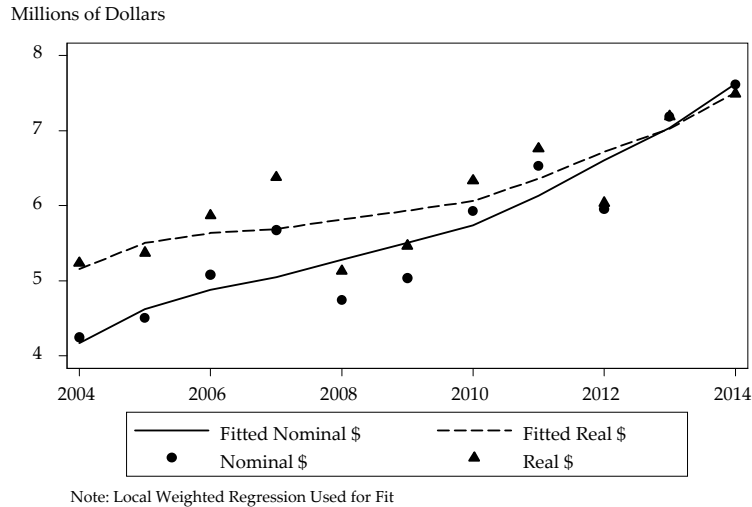
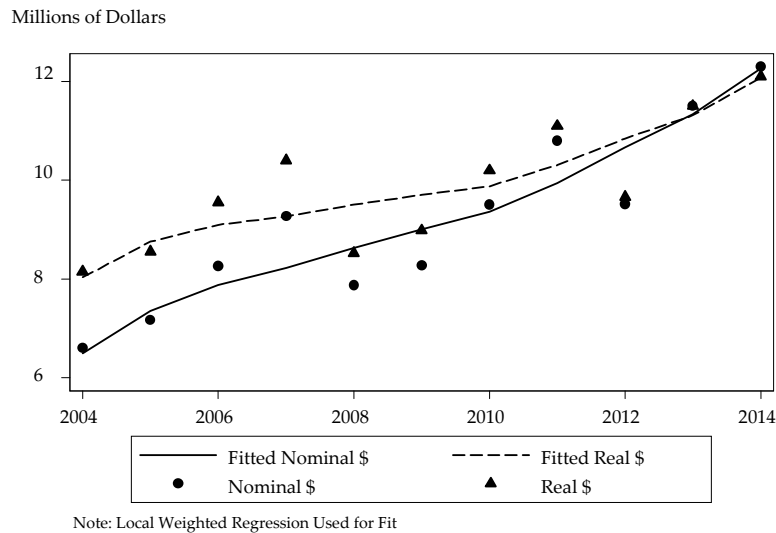


Figure 3: Maximum Wealth Estimates



The average year-to-year comparison, while interesting, potentially conflates two separate issues. As indicated above, some observers conjecture that the appearance of a richer group of members of Congress might be driven by selection

effects.⁴⁸ More specifically, perhaps, the financial demands of running for and securing a seat in Congress increasingly favor individuals who are already rich. On the other hand, some of the appearance may be driven by individuals gaining wealth while they hold or because they hold their seat.

The data do not support the hypothesis that there is a trend of richer individuals entering the House. Table 3 presents the average wealth of House members in 2004 in 2013 dollars and then compares it to the average wealth of freshman House members in each of the subsequent elections, again, all in 2013 dollars. In two elections, the in-coming Representatives actually had a lower average net worth, in one election the net worth was about the same as the 2004 average, and in two elections the average net worth of newcomers was higher. What's more, in three of the elections, the average wealth of the more senior members was higher than the average wealth of the freshman Representatives. This suggests that compositional changes are not driving any growth in House member wealth.

Table 3: Wealth of Newcomers Compared with Baseline House Wealth

Real Dollars (2013 Base)		
2004 Average	5,234,704	
	Freshmen	Non-Freshmen
2005 Average	4,086,041	5,498,843
2007 Average	5,887,154	6,436,028
2009 Average	8,072,867	5,174,364
2011 Average	4,589,959	7,237,407
2013 Average	8,757,428	6,887,545

To separate these two influences more rigorously, I estimated a so-called fixed effects regression wherein a separate intercept parameter (or baseline) is estimated for every House member in the dataset. Effectively, this removes any influence of richer people simply becoming House members over time. I also estimate individual time period effects for each year (ex-

48. See *supra* notes 9–11 and accompanying text.

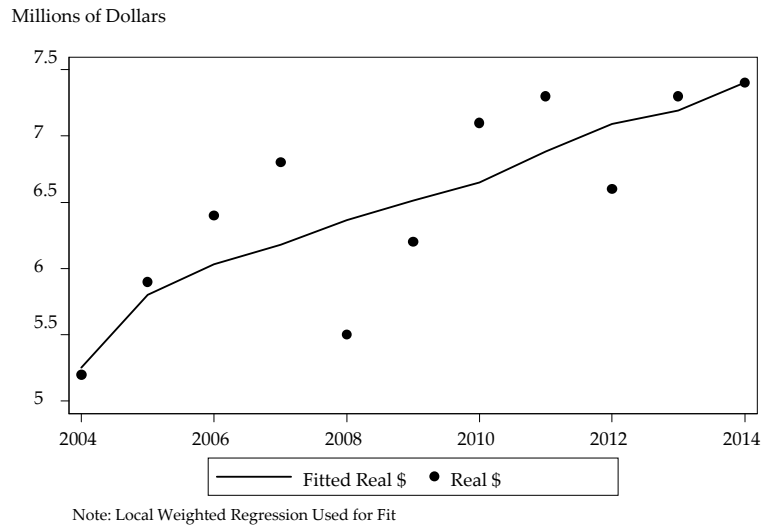
cept for the first year, 2004). The estimates for these individual year effects can be treated as the average increase in wealth (above a member's baseline) for the given year relative to the base year of 2004. For the base year comparison, I simply use the average wealth of House members in 2004. The cumulative average wealth estimates implied by this exercise are provided in Table 4 below.

Table 4: Average Wealth Net of Membership Changes

Real Dollars (2013 Base)	
2004	5,234,704
2005	5,875,250
2006	6,444,549
2007	6,817,500
2008	5,546,110
2009	6,173,796
2010	7,070,276
2011	7,322,380
2012	6,630,425
2013	7,267,662
2014	7,365,050
Average Growth Rate	3.47%

Table 4 indicates that the real purchasing power of House member wealth (as measured by the midpoint metric) grew from \$5.2 million in 2004 to \$7.4 million in 2014, and this growth is net of any influence from a changing composition of House members or increasing price levels. This suggests, relative to the earlier annual average growth estimate of 3.65%,⁴⁹ virtually all of the growth in wealth is attributable to existing members getting richer. Figure 4 below shows these changes graphically, again with an estimated non-linear locally weighted trend line to examine the general year-to-year trajectory of wealth.

49. See *supra* tbl. 2.

Figure 4: Wealth Estimates Net of Membership Changes

Although there are a few downturns in wealth (most notably the large decline in 2008 likely associated with the financial crisis), the trend is strongly upward and fairly steady. In Table 5, I break down the analyses by party.

Table 5: Average Wealth Net of Membership Changes by Party

Real Dollars (2013 Base)		
	Democrats	Republicans
2004	3,202,262	7,082,274
2005	3,387,131	8,139,393
2006	4,359,892	8,305,964
2007	4,269,393	9,212,836
2008	3,114,262	7,790,720
2009	3,640,589	8,652,420
2010	3,904,654	10,192,558
2011	4,086,242	10,436,040
2012	4,037,184	9,228,528
2013	4,745,886	9,689,127

2014	5,469,708	9,291,377
Average Growth Rate	5.50%	2.75%

Table 5 uses the same fixed effects procedure as used above applied separately to all members in the dataset based on whether the individual is a Republican or a Democrat. While members of both parties exhibited healthy average annual growth rates, the rate of growth for Democrats was twice the rate for Republicans. On the other hand, Republican members start from a higher average baseline, so it is not possible to credibly conclude much on the basis of party regarding the general growth of House member wealth. While Democrats may be more successful in leveraging their position to accumulate wealth at a higher rate, it is not possible to rule out that Republican growth rates are lower because the absolute value of the gains to be made from the office are somewhat fixed, and, therefore, generate smaller proportional returns relative to the higher starting base of wealth.

Another possibility is that opportunities to accrue wealth differ based on the committees on which a Representative serves. For example, there has been some speculation and evidence that members of Congress exploit their foreknowledge about the passage of regulations to make well-timed trades that generate above market returns. Ziobrowski et al. examine the patterns with which Senators bought and sold stocks during the period of 1993–1998, finding statistically significant positive abnormal returns upon purchases that, if a portfolio mimicked these purchases, is equivalent to above market returns of 0.85% per month, while a similar portfolio that tracked sales by Senators would generate monthly above market returns of 0.12%.⁵⁰ Similar research using the trading activity of House members found similar results. Specifically, they found that a portfolio that mirrored the trades of House members would generate above market returns of about 6% annually.⁵¹ Interestingly, and perhaps consistent with my findings above regarding rates of

50. Alan J. Ziobrowski et al., *Abnormal Returns from the Common Stock Investments of the U.S. Senate*, 39 J. FIN. & QUANTITATIVE ANALYSIS, 661 (2004).

51. Alan J. Ziobrowski et al., *Abnormal Returns from the Common Stock Investments of Members of the U.S. House of Representatives*, 13 BUS. & POL., no. 1 (2011).

growth by party, they found for both the Senate and the House that the extent to which the members beat the market was larger for Democrats. These results, or at least their generality, has been called into question by Eggers and Hainmueller, who show that for the period 2004–2008, members of Congress would have performed better financially by investing in a passive index fund than trading actively as they did.⁵² Anecdotes, however, do suggest that members of Congress use their non-public information to make opportunistic trades. Schweizer collects quite a few such anecdotes and notes some especially lucky trades made by members of Congress during the financial crisis of 2008, both in terms of selling earlier than most when insiders knew that things were worse than the public thought and then buying the right stocks before bailout decisions had been made public.⁵³

Perhaps one way to investigate the possibility that this kind of insider trading is driving the wealth results presented above is to break the averages down along committee membership lines. Table 6 recreates the foregoing wealth analysis parsing the sample by committee. That is, I re-run the basic fixed effects regression on a sample composed of all the individuals who served on a given committee during the sample period.⁵⁴

52. Andrew C. Eggers & Jens Hainmueller, *Capitol Losses: The Mediocre Performance of Congressional Stock Portfolios*, 75 J. POL. 535 (2013).

53. SCHWEIZER, *supra* note 8.

54. The committee membership data come from Charles Stewart III & Jonathan Woon, *Congressional Committee Assignments, 103rd–114th Congresses, 1993–2017: House*, http://web.mit.edu/17.251/www/data_page.html#2 [<https://perma.cc/9UZX-ZFGA>] (last accessed May 19, 2017).

Table 6: Average Annual Growth in House Member Wealth by Committee Membership (Net of Membership Change Effects)

Real Dollars (2013 Base)			
Committee	2004 Average	2014 Average	Annual Growth Rate
Education & Labor	3,951,156	9,422,950	9.08%
Armed Services	2,785,470	5,716,886	7.45%
Science & Technology	1,637,908	3,197,146	6.92%
Homeland Security	9,743,212	18,672,662	6.72%
Judiciary	2,100,121	3,895,638	6.37%
Budget	3,044,908	4,822,537	4.71%
Oversight & Gov. Reform	5,062,636	7,078,066	3.41%
Foreign Affairs	5,604,912	7,651,303	3.16%
Ways & Means	7,061,198	9,610,125	3.13%
Agriculture	7,573,322	9,968,156	2.79%
Transportation & Infrastructure	5,018,072	6,592,273	2.77%
Natural Resources	3,456,058	4,266,900	2.13%
Energy & Commerce	6,253,352	7,553,026	1.91%
Veterans Affairs	2,036,611	2,440,872	1.83%
Small Bus.	2,905,788	3,118,602	0.71%
Financial Services	5,359,157	5,397,267	0.07%
Appropriations	5,121,276	3,681,891	-3.25%

No clear pattern emerges. If such insider trading were driving the wealth effects, we might predict that such opportunities would be largest in the Financial Services Committee. In fact, there is almost zero growth among that committee's members during the entire sample period. While it is possible that the other committees have just as many or more opportunities to engage in such informed trading behavior, these results are not particularly enlightening.

While the evidence is fairly compelling that House members do add significantly to their wealth while they serve in Congress, the data do not offer any credible insights as to the specific sources of those wealth gains. As of yet, we also have no way to judge whether such gains are particularly large relative the gains that similar rich people experienced during this time period. Perhaps, as hinted at in the introduction, House members are talented folks and, so, we should not be particularly surprised that their net worth grows significantly over time. Before engaging in that calibration in the next section, I present similar analyses (though with noticeably different results) for Senators.

Table 7: Average Wealth Measures for Members of the Senate

Nominal Dollars			
	Minimum Value	Average Value	Maximum Value
2004	9,297,659	14,500,000	19,600,000
2005	8,620,107	14,600,000	20,500,000
2006	8,246,720	14,100,000	20,000,000
2007	9,463,898	17,100,000	24,700,000
2008	7,638,789	13,700,000	19,800,000
2009	7,034,082	13,200,000	19,500,000
2010	6,763,826	13,400,000	20,000,000
2011	5,492,716	11,900,000	18,400,000
2012	7,128,707	12,800,000	18,400,000
2013	5,198,997	10,900,000	16,600,000
2014	4,764,071	10,200,000	15,700,000
Average Growth Rate	-6.49%	-3.46%	-2.19%

Although, as suggested before, nominal amounts provide little information, two things do jump out relative to the amounts for the House in Table 1. First, members of the Senate are substantially wealthier, on average, than the members of the House, regardless of which wealth measure is used. Second, the rates of growth for the wealth of Senators are uniformly negative.

Table 8: Average Wealth Measures for Members of the Senate

Real Dollars (2013 Base)			
	Minimum Value	Average Value	Maximum Value
2004	11,500,000	17,800,000	24,200,000
2005	10,300,000	17,400,000	24,400,000
2006	9,529,418	16,300,000	23,100,000
2007	10,600,000	19,200,000	27,800,000
2008	8,265,138	14,900,000	21,400,000
2009	7,638,023	14,400,000	21,100,000
2010	7,226,035	14,300,000	21,400,000
2011	5,688,504	12,400,000	19,000,000
2012	7,233,124	13,000,000	18,700,000
2013	5,198,997	10,900,000	16,600,000
2014	4,688,022	10,100,000	15,400,000
Average Growth Rate	-8.58%	-5.51%	-4.42%

Once again, we find that in real terms, the average Senator is substantially wealthier than the average Representative, but, on average, Senate wealth declined, which was something not observed in the House. Figures 5–7 below show the extent of this downward trend more clearly.

Figure 5: Minimum Senate Wealth Estimates

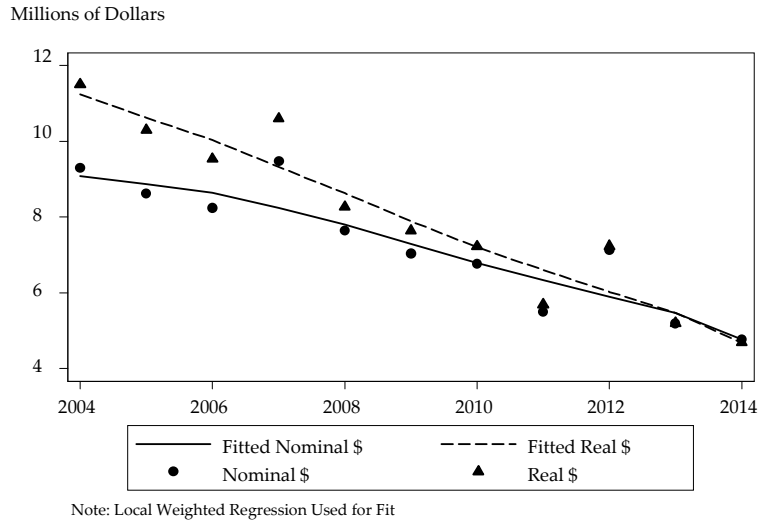


Figure 6: Average Senate Wealth Estimates

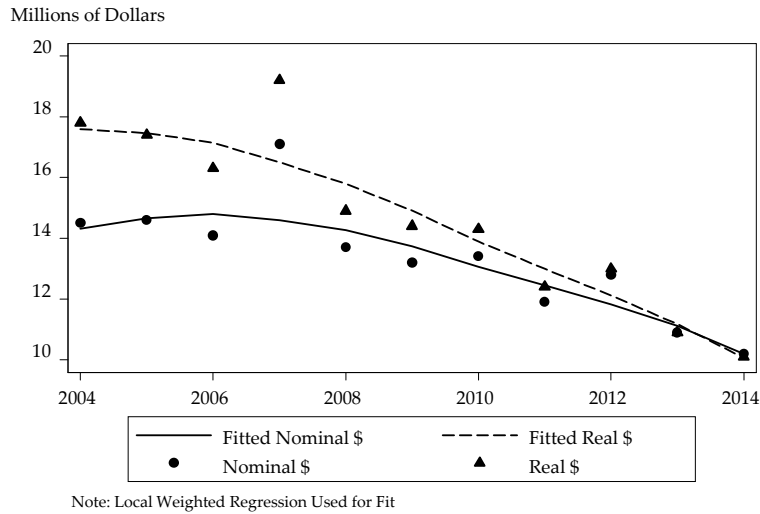
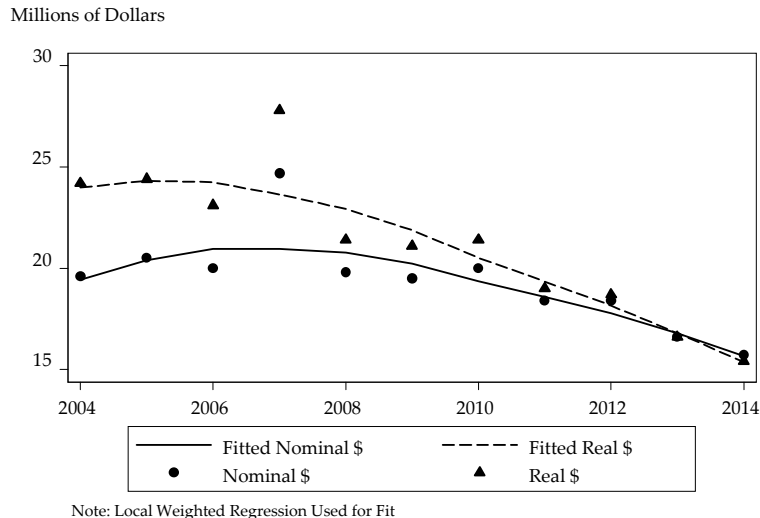


Figure 7: Maximum Senate Wealth Estimates



As was the case with the year-by-year averages for the House, such numbers are a mixture of wealth changes arising because new people are elected to Senate and changes in the wealth of sitting Senators. As was the case with the House, there is no clear pattern with respect to how the wealth of new Senators relates to the wealth of existing Senators. Sometimes, the newcomers are wealthier and sometimes they are not.

Table 9: Wealth of Newcomers Compared with Baseline Senate Wealth

Real Dollars (2013 Base)		
2004 Average	17,800,000	
	Freshmen	Non-Freshmen
2005 Average	3,331,761	18,700,000
2007 Average	11,900,000	19,900,000
2009 Average	29,400,000	13,000,000
2011 Average	14,300,000	12,100,000
2013 Average	2,813,768	11,900,000

As above,⁵⁵ Table 10 attempts to completely account for the effect of a changing Senate composition on average Senate wealth by providing estimates from a model that includes individual baseline controls for each Senator in the database, leaving the individual year variables to pick up the average deviation from the baseline year 2004 calculated across all individuals holding a Senate seat in the given year.

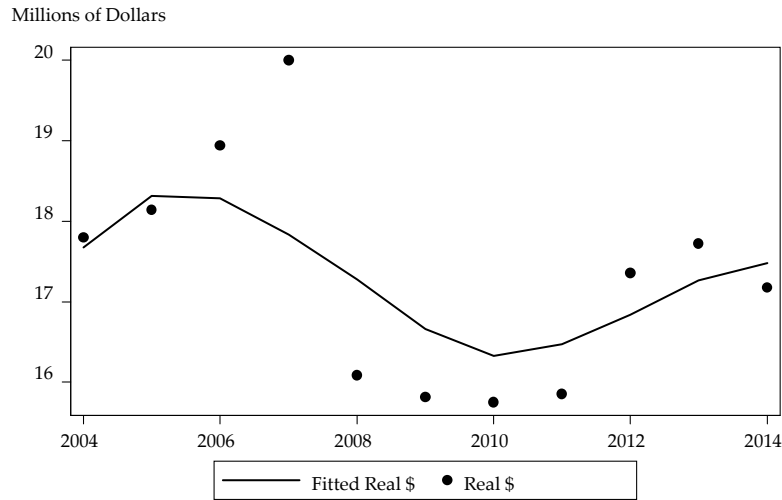
Table 10: Average Senate Wealth Net of Membership Changes

Real Dollars (2013 Base)	
2004	17,800,000
2005	18,137,378
2006	18,938,699
2007	20,000,407
2008	16,087,580
2009	15,813,237
2010	15,748,498
2011	15,855,084
2012	17,355,025
2013	17,722,459
2014	17,174,533
Average Growth Rate	-0.36%

Here, as distinct from the results for the House, we find the during the sample period, much of the change in wealth year-to-year is due to membership changes, as opposed to steady changes in wealth for Senators during their Senate tenure. This is conveyed graphically in Figure 8 below.

55. See *supra* tbl. 4.

Figure 8: Senate Wealth Estimates Net of Membership Changes



Note: Local Weighted Regression Used for Fit

The Senate graph is in striking contrast to the strong sustained upward trend in wealth seen among the Representatives.⁵⁶ Contrary to the party breakdown for the House, in the Senate, Democrats have a much higher initial baseline wealth, but their average growth during the 2004–2014 period is negative, whereas the growth rate for Republicans is slightly positive.

56. See *supra* fig. 4.

Table 11: Average Senate Wealth Net of Membership Changes by Party

Real Dollars (2013 Base)		
	Democrats	Republicans
2004	26,700,000	9,965,386
2005	27,098,935	10,305,459
2006	29,861,392	9,304,129
2007	29,848,883	11,267,721
2008	23,162,903	10,066,592
2009	23,214,089	9,697,323
2010	22,406,394	10,348,286
2011	23,923,704	8,985,260
2012	26,556,775	9,292,328
2013	25,658,624	11,091,261
2014	25,333,316	10,361,723
Average Growth Rate	-0.52%	0.39%

For the Senate, I omit the analysis by committee. Since there does not seem to be much interesting information about Senate wealth that is detectable by even the aggregate data, it is extremely unlikely that anything credible would be revealed by looking at the relatively small Senate committees.

While I have no strong explanation for the basically stable Senate wealth, certainly none that can be tested with the current data, it is possible that the more lenient Senate disclosure rules,⁵⁷ coupled with the significantly higher wealth, make a systematic examination of the Senate disclosure data unlikely to yield any clear picture.

III. CONGRESSIONAL WEALTH IN CONTEXT

The meaning of the foregoing numbers about the growth of wealth among members of Congress is somewhat elusive. The fact that the rich people in the House of Representatives got richer during the 2004–2014 span is hard to understand with-

57. See, e.g., SENATE INSTRUCTIONS, *supra* note 17, at 23–24.

out more context. Hopefully the legislators of the U.S. are talented people who would do a good job husbanding their wealth and adding to it whether they were politicians or not. In this Section, I match the 2004 wealth baseline with its percentile equivalent in data on wealth in U.S. households to judge the House members' performance against other presumptively economically sophisticated investors.

The data on U.S. wealth come from the Federal Reserve's Survey of Consumer Finances.⁵⁸ This is a comprehensive survey regarding the elements of a household's wealth, using fairly large sample sizes and a rigorous survey methodology.⁵⁹ The surveys are performed every three years. The 2004, 2007, 2010, and 2013 surveys cover households in the same period as the congressional disclosure data used above. For the following exercises, I use the Summary Extract Public Data⁶⁰ (though the conclusions would be comparable if the internal data were used or if the full survey were used). All dollar amounts for each year of the survey have been deflated using a 2013 base, so the survey numbers are comparable to the 2013 dollar values used for the congressional wealth estimates presented above. For continuity between the two datasets, I recalculate all average annual growth rates based on a 2013 endpoint. The average House wealth from the fixed effects model that accounts for changing chamber membership⁶¹ and associated growth rates are presented in Table 12 below with only the years corresponding to Federal Reserve survey years in order to focus attention on the comparisons between the two datasets.

58. *Survey of Consumer Finances*, FED. RESERVE, <http://www.federalreserve.gov/econresdata/scf/scfindex.htm> [<https://perma.cc/6GU9-G47R>] (last accessed May 19, 2017).

59. *See id.*

60. *Id.*

61. *See supra* tbl. 4 and accompanying text.

Table 12: Average Wealth Net of Membership Changes

Real Dollars (2013 Base)	
2004	5,234,704
2007	7,051,677
2010	7,350,335
2013	7,195,684
Average Growth Rate	3.60%

One might first attempt to compare the House members with other people who had comparable incomes. In 2004, the salary of a member of Congress was a nominal \$158,100,⁶² which is equivalent to \$194,974 in 2013 prices. This wage income level is equivalent to the wage income of approximately the 96th percentile in the 2004 Survey of Consumer Finances. This wage income level is above the 99th percentile among U.S. households. In 2007, members' salaries were \$165,200⁶³ (\$185,646 in 2013 dollars). In 2010, the salary was \$174,000 (\$185,890 in 2013 dollars) and the 2013 salary was the same.⁶⁴ However, many of the individuals in the House have working spouses and the unit of analysis for wealth in the Survey of Consumer Finances is the household, so I also provide a comparison using households where the wage income was twice the congressional salary of \$316,200 (\$389,948 in 2013 dollars). To provide the comparison, I find the average wealth for households above the wage income level of the congressional household in the given year. I deduct the value of the household's primary residence and add back the balance of any debt secured by that residence since, at least prior to 2013, these items were not required in the House members' disclosures.⁶⁵

62. *About Member of Congress Salaries*, LEGISTORM, https://www.legistorm.com/member_of_congress_salaries.html [<https://perma.cc/JDP5-3JBS>] (last accessed May 9, 2017).

63. *Id.*

64. *Id.*

65. See Stop Trading on Congressional Knowledge (STOCK) Act, § 13, Pub. L. No. 112-105, 126 Stat. 291, 300 (2012) (amending Ethics in Government Act to require disclosure of mortgages on personal residences).

Table 13: Average Net Worth for households at or above the Congressional Salary in the Given Year

Real Dollars (2013 Base)		
Income Used For Comparison	Congressional Salary and Above	Double the congressional Salary and Above
	Average Wealth Excluding Primary Residence and Associated Debt	
2004	3,155,765	8,842,473
2007	3,439,329	7,867,802
2010	3,099,171	6,224,551
2013	2,933,954	6,336,128
Average Annual Growth	-0.81%	-3.64%

The income-defined comparators experienced much less growth in their household wealth than did the House members. In fact, the comparators' wealth declined. This income-based comparison, however, may be inapt since the two comparison income levels are associated with baseline 2004 wealth levels that are either too low or too high relative to the House members' 2004 baseline wealth.

Instead, perhaps, it makes sense to choose the comparators directly on the basis of baseline 2004 wealth. Table 14 does just that, though I provide comparisons based on many definitions of net wealth. As above, one of the definitions excludes the primary residence and its associated debt since these things were not required prior to the 2012 STOCK Act for members of Congress.⁶⁶ However, the Center for Responsive Politics notes that some members included these items even in their pre-2013 disclosures, and, in those cases, the Center included the amounts in their wealth measures.⁶⁷

66. *Id.*

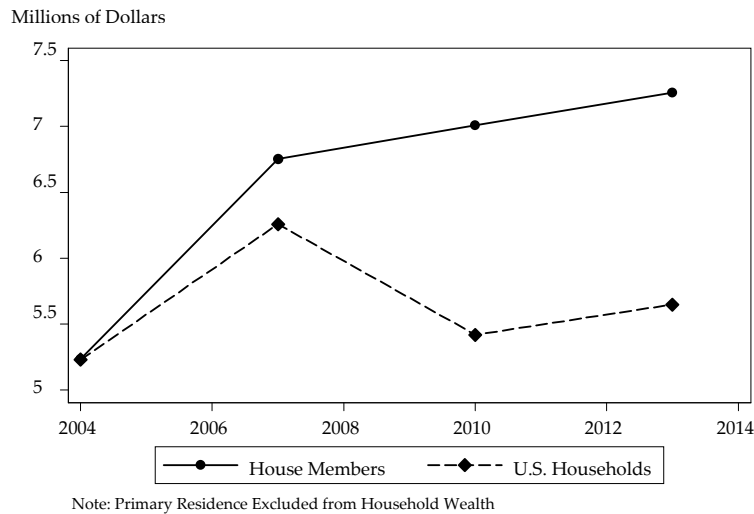
67. *About the Personal Finances Data & CRP's Methodology*, *supra* note 45.

Table 14: Average Wealth of Similarly Situated U.S. Residents: House Comparison

Real Dollars (2013 Base)				
	Average Total Net Wealth	Home Value Excluded	Home Equity Excluded	Home Equity Included in 2013 Only
2004 Percentile	93.5th	94.9th	94.6th	94.6th
2004	5,230,805	5,229,255	5,230,839	5,230,839
2007	6,197,031	6,258,066	6,232,947	6,237,971
2010	5,373,483	5,423,090	5,452,602	5,452,602
2013	5,471,454	5,646,464	5,629,145	5,646,464
Average Annual Growth	0.50%	0.86%	0.82%	0.85%

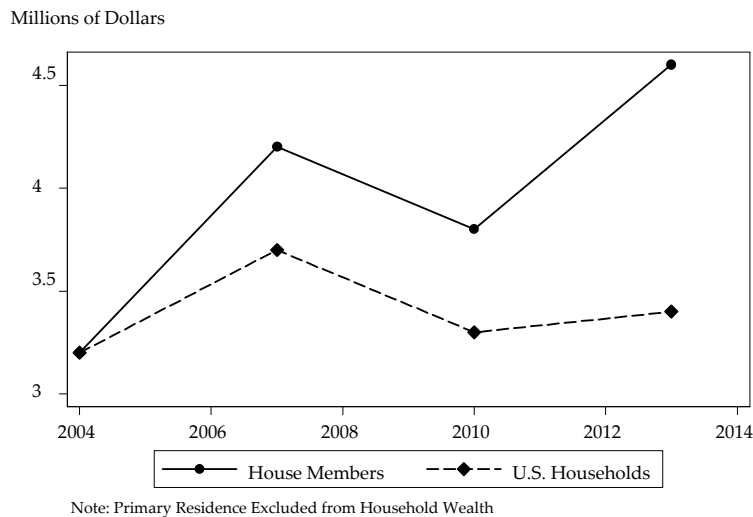
The growth enjoyed by House members was not broadly shared by other wealthy people. This departure post-2004 is quite visible in Figure 9.

Figure 9: House of Representatives Members' Wealth Compared to U.S. 95 Percentile



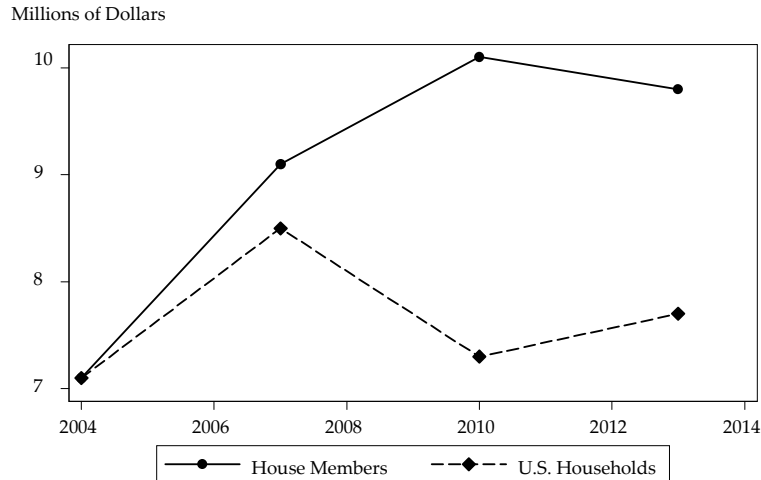
While the 2004 to 2007 growth was comparable between the two groups, House members recovered and even thrived after the financial crisis, whereas the comparison households have yet to really recover. Such a pattern is consistent with the narrative provided by Schweizer regarding the trading activities of political insiders before the markets crashed. Many members of Congress displayed remarkable luck picking the right stocks on the cheap once the government decided on, but had not yet announced, plans to help certain firms, such as Citigroup.⁶⁸ Figures 10–11 break out these data by party affiliation.

Figure 10: House Democrats' Wealth Compared to U.S. 90.2 Percentile



68. SCHWEIZER, *supra* note 8.

Figure 11: House Republicans' Wealth Compared to U.S. 99.6 Percentile



Note: Primary Residence Excluded from Household Wealth

Regardless of the specific source of the gap between the growth rates of House members' wealth and the growth rates enjoyed by similarly situated people who are not members of the House, the gap itself is striking from a descriptive standpoint. Depending on what is included in the net worth measure, House members' wealth grew anywhere from 4 to 7 times as quickly as did their wealth comparators. The difference between an average growth rate of 0.86% and one of 3.7% would generate an average premium in wealth over a Representative's average 9-year tenure of around 25% that would not be experienced by a similarly wealthy person without the advantage of being a member of the House.

Another way to situate the observed growth is to determine which U.S. wealth percentiles have the same average value of wealth as the average House member's wealth. Table 15 below provides these comparisons for the various definitions of wealth used above.

Table 15: Comparable Wealth Percentiles: House Comparison

Real Dollars (2013 Base)			
	Average Total Net Wealth	Home Value Excluded	Home Equity Excluded
2004	93.5	94.9	94.6
2007	94.2	95.4	95.2
2010	95.6	96.4	96.2
2013	95.6	96.3	96.2

As we saw earlier, Senate wealth did not growth during this time period. It is still useful to view Senate wealth in context, so similar comparisons are provided below.

Table 16: Average Wealth of Similarly Situated US Residents: Senate Comparison

Real Dollars (2013 Base)				
	Average Total Net Wealth	Home Value Excluded	Home Equity Excluded	Home Equity Included in 2013 Only
2004 Income Percentile	99th	99.23th	99.2th	99.2th
2004	18,600,000	18,600,000	18,600,000	18,600,000
2007	21,200,000	21,600,000	21,500,000	21,500,000
2010	18,200,000	18,600,000	18,600,000	18,600,000
2013	18,900,000	19,500,000	19,300,000	19,500,000
Average Annual Growth	0.18%	0.53%	0.41%	0.53%

Figure 12: Senate Wealth Compared to U.S. 99 Percentile

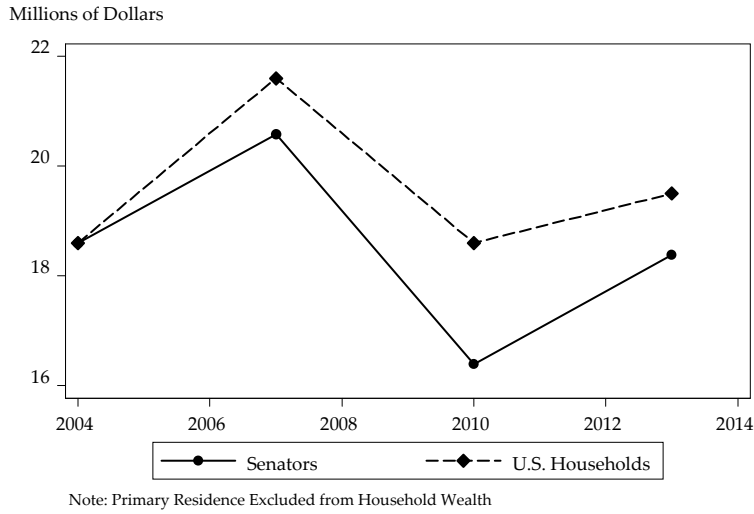


Figure 13: Senate Democrats' Wealth Compared to U.S. 99.6 Percentile

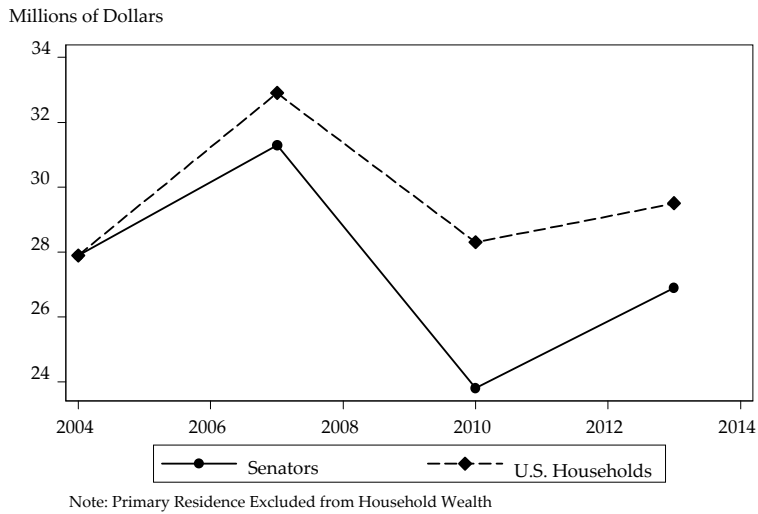
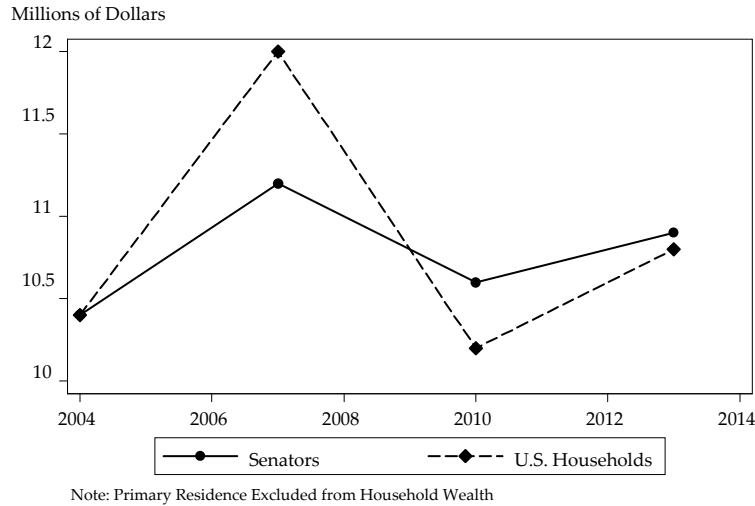


Figure 14: Senate Republicans' Wealth Compared to U.S. 97.9 Percentile

As is clear from Figure 10, Senate members' wealth follows basically the same pattern as that of their comparators in the U.S. population; even if Senators did lose some ground relative to their counterparts, the growth (or decline for the Senators) was close to zero for both groups. If we examine which percentiles of the wealth distribution generate comparable average wealth in Table 17 below, other than the close call in 2010 (on only one of the measures), Senators remained solidly among the one-percenters in terms of wealth.

**Table 17: Comparable Wealth Percentiles:
Senate Comparison**

Real Dollars (2013 Base)			
	Average Total Net Wealth	Average Total Net Wealth—Primary Residence Excluded	Average Total Net Wealth—Primary Residence and Associated Debt Excluded
2004	99.0	99.2	99.2
2007	99.0	99.1	99.1
2010	98.8	99.0	99.0
2013	99.0	99.1	99.1

IV. CONCERNS

As discussed above, the congressional disclosure data are extremely noisy, given the large ranges used to report asset and liability values. Further, their exclusion of the value of primary residences as well as other non-income producing real property leads to a significant understatement of the net worth of members of Congress. To the extent that these issues simply add random noise to the estimates of a member's net worth, or to the extent that these issues have a constant effect on the wealth estimates, the previous calculations of the growth of congressional wealth will be unbiased. However, if the degree to which the disclosed figures depart from reality is changing systematically over time, the growth estimates will be problematic. Although there is no obvious reason to believe these errors are changing systematically over time, I cannot rule the possibility out either.

Another issue involves the exclusion of spousal income. The failure to include spousal income potentially understates the degree to which serving in Congress can help to enrich a household.⁶⁹ However, this issue too will only bias the growth

69. For example, there was speculation that Michelle Obama's promotion to the position of vice president of external affairs for the University of Chicago Hospital system in March 2005 was meant to capitalize on her husband's recent election to the Senate. Her promotion reportedly increased her salary from \$121,910 in 2004 to \$316,962 in 2005. See Mike Dorning, *Employer: Michelle Obama's Raise Well-Earned*, CHI. TRIB. (Sept. 27, 2006), <http://articles.chicagotribune.com/2006-09->

calculations if the degree to which serving in Congress helps a spouse's job prospects is changing systematically over time.

Beyond these data issues, a deeper shortcoming of the foregoing analysis is the inability to identify the causal mechanism through which members of the House may be getting richer while they serve. Because such a mechanism cannot be identified, the results in this Article should be taken as descriptive in nature. Perhaps future research can provide insight into what is driving the growth in House members' net worth.

V. CONCLUSION

Conventional wisdom indicates that members of Congress are getting richer. One story holds that as it becomes more expensive to run for Congress, selection effects ensure that richer people get elected. Another story suggests that members enrich themselves during their tenures by exploiting the valuable information and connections they have by virtue of their offices. A different story yet simply suggests that the kind of people who win seats in Congress are talented people, and we should not be surprised that talented people do a good job managing their money.

The results presented in this Article do not exactly resolve which of these stories is correct, if any. However, as a descriptive matter, the results in this paper confirm the notion that House members, at least, did indeed get richer during the 2004–2014 period. This was not due to richer individuals securing House seats throughout the period. Instead, it does appear to have been that individuals in the House got richer as they served. The growth rates they enjoyed outpaced the growth seen by very wealthy private citizens. The effect was not differentiated by party affiliation or by committee membership. The growth was enjoyed across the House, and it was especially pronounced relative to other wealthy individuals in the U.S. after the economic downturn of the late 2000s.

While these descriptive results may appear to support the hypothesis that it is all about leveraging privileged information, such a conclusion has trouble explaining why similar results were absent for Senate members. Unfortunately, data limitations, such as the imprecision of the disclosures themselves, as well as the

normal problems of causal inference (such as an inability to observe truly comparable individuals both inside and outside of Congress), make it difficult to draw strong conclusions about the source of growth enjoyed by House members.