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The Double Standard that's Making Congress Rich



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By LIZ PEEK, The Fiscal Times

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Are Americans finally so disgusted by Congress that they will rise up and smack them? Governor Rick Perry thinks so. Hoping to tap into voter frustration and to put his notable gaffes behind him, Perry has proposed chopping salaries for members of Congress. By half!

Why now? The final straw for many Americans was a shocking report by "60 Minutes" that exposed an outrageous double standard: 1) members of Congress and their staffs are not subject to criminal prosecution for trading on confidential and nonpublic information they may acquire in the course of their work and 2) though unable to balance a budget, Congress is nimble indeed at turning "inside" information into a quick profit.

How can this be?

Researcher and Hoover Institution fellow Peter Schweizer's book, *Throw Them All Out*, inspired the news report. Mr. Schweizer set out some time ago to "look at a broad pattern of financial transactions and expose possible insider trading and conflicts of interest," he [explains on his website](#). The revelations of apparently unethical behavior are bipartisan, going after Speaker John Boehner and former Speaker Nancy Pelosi with equal enthusiasm.

The most stunning aspect of this story, however, is that it is not new. Melanie Sloan, executive director of the Center for Responsibility and Ethics in Washington (talk about a heavy load), says, "For at least four years everyone has known all about this." Indeed, various groups have been blowing the whistle on how Congress profits from confidential information for some time. In 1958, the House of Representatives adopted into its Code of Ethics a [statement](#) prohibiting representatives using "any information coming to him confidentially in the performance of governmental duties as a means for making a private profit." I doubt the move was whimsical.

In 2004, Georgia State business professor Alan Ziobrowski conducted a study of trading activity by U.S. senators, finding that their [stock portfolios outperformed the market](#) by 12% per year – results that would make Warren Buffet jealous. During the time under

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review, corporate insiders only beat the market by 6%, while households underperformed by 1.4%. The author reasonably concluded that the senators “are trading on information that the rest of us don’t have.”

Another study, conducted in 2011 by four university professors including Ziobrowski, concluded that House members also were capable of **outperforming the averages** – in their case by 6% per year, between 1985 and 2001. The report noted that Democrats were canner traders than Republicans – a finding that could help explain today's news from the Center for Responsive Politics that seven of the **wealthiest ten members of Congress** are Democrats.

Two democrat representatives – Louise Slaughter and Brian Baird, appalled at the seeming insider trading practices, including that done by an aide to former speaker Tom DeLay, introduced a bill in 2006 which would outlaw the practice and require more immediate disclosure of financial transactions. Called STOCK, for “Stop Trading on Congressional Knowledge,” the bill has died and been resuscitated more frequently than a soap opera diva. The pair re-submitted the measure in 2009, when it was assigned to five separate committees in the House – almost guaranteeing its demise.

Sloan is not surprised that STOCK has languished. “It was hopeless from the get-go,” she says. “The members are not interested in legislating themselves.” However, Sloan says, “We are in a different moment in time.” She points to Congress’s pitiful approval ratings – which actually just hit a new record low of only 9% -- and also recent allegations made by disgraced **lobbyist Jack Abramoff** that insider trading among members of Congress was rampant.

She may be right. Anger over Congress has risen to the point that a slightly incoherent email has been circulating for many months calling for punishment of our incapable legislators. The “e-chain mail” suggests eliminating many of the supposed “perks” now available to legislators, such as “voting themselves pay raises.” This actually does not happen; in fact, many of the action items suggested are based on wrong or out-dated information, such as suggesting that Congress should have to participate in Social Security “like everyone else.” Actually, that has been the case since 1984. Though the message has been debunked many times, it refuses to die.

Despite its inaccuracies, something about this email feels right. Our country faces grave challenges. Instead of knuckling down to serious business, our elected officials spend their time playing political “gotcha.” We want to punish these guys; we view them (or at least the institution) as self-serving, self-perpetuating (over 80% routinely are reelected), ineffectual and purposefully wasteful of taxpayer time and money. Moreover, we pay these people a base salary of \$174,000 per year; with benefits, the package jumps to about \$285,000. According to the Taxpayer Protection Alliance Congressmen make nearly **three and a half times the pay** of the average American worker – a higher ratio than any developed country save Japan.

Voters can constructively vent their displeasure in two ways. First, to squash insider trading, insist that members of Congress put their family’s funds into a blind trust when they take office. That is demanded of many folks who work for the federal government; why not remove temptation from Congress as well? It’s somewhat expensive, but the cost could be underwritten by the government. Scholarly articles on policing insider trading indicate how complicated it is to prove wrongdoing; it would be easier to ban legislators from managing their own money. If legislators find the rule too intrusive, they can return to the private sector – not a bad outcome all around.

This leads to my second recommendation, which is to impose term limits. Some 78% of Americans support limiting the number of years our legislators can serve. There are few issues on which Americans are so united. There are some stalwart supporters of this proposal in Congress, including Senator Jim DeMint who along with 10 GOP colleagues has introduced an **amendment to the U.S. Constitution**, which would limit time in office. This is an uphill battle, requiring a two-thirds majority of both houses and approval by 37 states.

Tough, but not impossible. Judging from the mood of the country, this may finally be the moment.

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