



House committee members question stock trading ban proposals

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Members of the House Administration Committee raised questions Thursday about proposals to prohibit lawmakers from trading stocks.

The lukewarm response to the idea points to a potential struggle to craft legislation, even as a congressional stock trading ban has widespread public support.

A few of the panel's Democrats voiced support or a desire to explore the proposal further. Some of the committee's Republicans attacked the proposal, arguing that it would imperil less wealthy lawmakers' finances.

Speaker Nancy Pelosi (D-Calif.) tasked the committee with examining potential overhauls to existing stock trading rules after several lawmakers faced insider trading allegations and more than 50 lawmakers recently failed to disclose their stock trades within the required timeframe.

The hearing raises questions about just how quickly and aggressively lawmakers will move to restrict their own finances. To date, the two most popular stock trading ban bills in the House each have roughly 60 co-sponsors.

Rep. Rodney Davis (R-Ill.), the committee's ranking member, lamented that many stock trading proposals would require lawmakers to either divest from their stocks or put them in a qualified blind trust. He said blind trusts are expensive to set up and maintain, and selling off an entire portfolio would incur a substantial tax hit.

"The choice for those who are not independently wealthy is going to be limited compared to those who are wealthy and can afford a qualified blind trust," Davis said.

Liz Hempowicz, one of the committee's witnesses who leads public policy at the Project on Government Oversight, responded by noting that the executive branch has long implemented a similar requirement for senior officials, and that officials who divest are often able to defer capital gains taxes.

Rep. Barry Loudermilk (R-Ga.) said that stock trading ban proposals would strip the rights of lawmakers to "participate in a free market society" and argued that new laws wouldn't prevent "bad players" from continuing to trade stocks.

Rep. Zoe Lofgren (D-Calif.), the committee's chairwoman, described the hearing as an opportunity to learn more about the gaps in current disclosure rules. She declined to back any specific proposals, but noted that in addition to members of Congress, federal judges have come under scrutiny for conflicts of interest arising from their stock holdings.

"Frankly, I've been asked by several reporters: what is the work product that is going to emerge from this hearing? And I've been honest to say: we don't know," Lofgren said, adding that she has never personally owned stock and needs to learn more about the issue.

Three of Thursday's witnesses — Hempowicz, Citizens for Responsibility and Ethics lawyer Donald Sherman and Indiana University law professor Donna Nagy — called on Congress to swiftly pass a bill to prohibit lawmakers and their spouses and dependent children from trading individual stocks.

"While some members may be worried about the nuisance of these measures, or the impact they may have on their dependent children's trust structures, these concerns do not trump the public's right to know, with certainty, that the people they choose to write their laws are acting on their behalf — and not in service of their own financial interests," Sherman told lawmakers.

Jennifer Schulp, director of financial regulation studies at the libertarian CATO Institute, argued that individual stock restrictions might discourage talented individuals from running for office, a viewpoint some GOP lawmakers have reiterated.

Public outcry over congressional stock trading picked up after Sen. Richard Burr (R-N.C.), then the chairman of the Senate Intelligence Committee Chairman, unloaded up to \$1.7 million in stocks after a classified COVID-19 briefing and just before the pandemic ravaged the market.

A January poll from conservative advocacy group Convention of States Action found that 70 percent of Democrats, 78 percent of Republicans and nearly 80 percent of independents say members of Congress should not be allowed to trade stocks.

The poll was taken shortly after Pelosi, whose husband is a prolific and highly successful trader, expressed opposition to a stock trading ban during. She has since shifted her view, tasking lawmakers with crafting a stock trading reform bill before the end of the year, but House Democratic leaders remain wary of a comprehensive ban.

Senate Majority Leader Charles Schumer (D-N.Y.) has voiced support for a stock trading ban but said his Democratic colleagues should come to a consensus before bringing a bill to the floor.

Fourteen different stock trading reform bills are circulating through Congress, according to testimony from Congressional Research Service official Jacob Straus.

The TRUST in Congress Act, sponsored by Reps. Abigail Spanberger (D-Va.) and Chip Roy (R-Texas), would require all members of Congress and their immediate family to place their stocks into a blind trust.

The Ban Conflicted Trading Act, a separate measure led by Reps. Raja Krishnamoorthi (D-Ill.), Alexandria Ocasio-Cortez (D-N.Y.) and Joe Neguse (D-Colo.), would focus on lawmakers and their senior congressional staffers.

The chief Democratic sponsors of those bills held a press conference Thursday urging lawmakers to swiftly work out the differences between stock trading proposals and craft a final bill before November's midterms.

“Let's not lose this opportunity. Time is running out. Campaign season is upon us. Many bills are being lined up for the majority leader in the Senate,” said Sen. Jeff Merkley (D-Ore.), who is pushing for a stock trading bill in the Senate. “To compete with that, we have to consolidate the different ideas we have about this bill and then coordinate it with the House and Senate.”