

The Rich Get Richer in Congress

CNN Newsroom with Randi Kaye

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KAYE: The rich have always been well represented on Capitol Hill, but never more than today. While less than 1 percent of Americans qualify as millionaires, almost half the current members of Congress do.

And take a look at this. A "Washington Post" analysis of lawmakers' finances shows the median net worth of House members surged from roughly \$280,000 in 1984 to \$725,000, 15 years later. That's not even including home equity. By contrast, the net worth of ordinary Americans, again not counting homes, dropped from \$20,600 to \$20,500.

Wealth in Congress has even outpaced that of the richest 10 percent of everybody else. So, what is going on here? Alan Ziobrowski is a professor at Georgia State University who studies one intriguing piece of this puzzle, lawmakers' stock portfolios.

Professor, welcome to the program. You found lawmakers outperform the general public in stock picks. How much are we talking about here?

ASSOC. PROF. ALAN ZIOBROWSKI, GEORGIA STATE UNIVERSITY: We're talking about, for members of the Senate, we're talking about 1 percent a month or 12 percent a year. For members of the House, about half that much, or 6 percent a year.

KAYE: And what should we -- what should we make of that?

ZIOBROWSKI: Well, our analysis suggests that they're trading on information that the rest of us simply don't have, which is certainly given their position in terms of the things that they deal with every day, it certainly makes sense.

KAYE: So they're trading on non-public information because they're not held to the same rules?

ZIOBROWSKI: Yes, they're not held to the same rules as us. They're -- well, they're held to the same rules as us, but the bottom line is that they have information that the rest of us don't have. Basically the things that they deal with every day include things like tax policy, regulation and also federal spending. And the result, of course, is that they're the first ones to know the tax laws are going to change, or the regulations are going to change. But that affords them tremendous opportunities in terms of their ability to trade.

KAYE: Right. So what is the answer here? What do you think should be done? What needs to be done?

ZIOBROWSKI: Well, back in 2005, the Stock Act was proposed. The Stock Act was basically designed to outlaw trading by members of the Congress and their staffs. And in addition to that, it also required immediate or not immediate (INAUDIBLE) as to what the trade. (INAUDIBLE) and that sort of died until the (INAUDIBLE) --

KAYE: All right, I think we've lost the connection there.

Professor, thank you very much for the information.