

Evidence Card: Arguments Against Banning Congressional Stock Trading

Team Policy Evidence Sheet

Tag Line

Congressional insider trading bans would create endless investigations and force staff to withdraw from legitimate investing

Verbal Citation

Jim Harper, director of information policy studies at the Cato Institute, in his March 16, 2008 blog post "Sunlight Is the Best Disinfectant" on techliberation.com, argues that H.R. 2341, the Stop Trading on Congressional Knowledge Act, would be problematic because "a bar on congressional-insider trading would most likely cause one of the following results: 1. It would be honored in the breach; 2. It would lead to endless (perhaps politically motivated) investigations of our representatives and their staffs; or 3. It would force many or most congressional employees to withdraw from investing as a prophylactic against 2," suggesting that while the motivations behind such a ban are "utterly pure," the enforcement would create significant problems including widespread noncompliance, politically motivated investigations, or mass withdrawal from legitimate investments.

What the evidence says in context

Jim Harper, director of information policy studies at the Cato Institute, analyzes H.R. 2341, the Stop Trading on Congressional Knowledge Act, arguing that while the motivations behind banning Congressional insider trading are "utterly pure," the enforcement would create significant problems. He identifies three likely outcomes: the ban would be ignored, it would lead to endless politically motivated investigations of representatives and their staffs, or it would force congressional employees to withdraw from investing as a precaution. Harper warns that compliance would deprive congressional staff of normal income sources and investment participation that keeps their experience aligned with other Americans.

Impact

Banning Congressional stock trading would either be ineffective through widespread noncompliance, create endless politically motivated investigations that distract from governance, or force congressional staff to abandon legitimate investment activities. Such restrictions would deprive government employees of normal income sources and investment experience while creating constant legal harassment rather than addressing real corruption. The ban would ultimately harm congressional operations and staff financial well-being without providing meaningful investor protection.

Webpage or Book Title

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"Sunlight Is the Best Disinfectant"

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