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The Private Interests of Public Officials: Financial Regulation in the US Congress

Legislators' private financial holdings affect policy decisions. Due to financial self-interest, we theorize that legislators whose personal investment portfolios include equities from firms affected by proposed policies vote for legislation that benefits those firms. We also theorize that legislators with greater personal exposure to equity investments support policies that benefit equities markets generally. We create a novel data set of legislators' personal stock investments and examine major congressional actions since the 1990s on financial deregulation and market intervention. US House members who own stocks in firms who benefit from financial deregulation vote for deregulation. House members with greater exposure to financial and automotive stocks support the financial and auto bailouts, respectively. General exposure to equities markets is also associated with support for key legislation boosting markets. The normative implications are significant, as legislators' private interests influence decisions in the public sphere.

The true forms of government...are those...which...govern with a view to the common interest; but governments which rule with a view to the private interest...are perversions. –Aristotle (Politics, 2005)

The chance of gain is naturally over-valued. –Adam Smith (Wealth of Nations, 1776)

In legislative representation, there is the possibility for tension between elected officials' private interests and how these private interests are constrained by political institutions and the policymaking process (Mill 1861). Public officials draw on personal

experiences to inform policy choices (Mansbridge 2009). Elected officials consider their own personal preferences when there is uncertainty about the preferences of the public (Yoshinaka and Grose 2011), when the issue is personally salient (Burden 2007), and when political parties or constituencies lack well-crystallized views. Despite this research asserting connections between officials' private preferences and government decisions, most work on legislatures assumes elected officials are motivated by reelection (Mayhew 1974), constrained by party (e.g., Crespín, Rohde, and Vander Wielen 2013; Rohde 2013), or affected by legislative institutions (Fortunato and Provins 2017). Still others examine the association between institutions and stock market or investment outcomes (Beaulieu, Cox, and Saiegh 2012; Pinto 2013; Saiegh 2005) or how wealthy businesspeople are overrepresented in Congress (Carnes 2012, 2013; Witko and Friedman 2008). We know very little about whether individual elected officials make policy in their own private interests.

Do legislators' private financial interests have an impact on public policy? And are public officials more likely to deregulate or "bail out" firms when it has the potential to enhance their stock holdings? We argue that as maximizers of utility, public officials consider their financial self-interest when making choices to support or oppose legislation, while balancing the maximization of other political goals like reelection. Legislators—like regular investors—attempt to make choices that enhance their investments. More specifically, legislators with stock investments in firms that benefit from government intervention are more likely to support bills that benefit those firms. Legislators with significant equity holdings overall also favor legislation that helps these firms if it enhances the overall stock market. Legislators act in the specific interest of their personal financial portfolios' firms and also act in the general interest of the stock market when their portfolios are heavily exposed to stocks relative to other assets. The private financial holdings of elected officials shape how they vote on public policy. Normatively, this is alarming as legislators vote in their own personal financial self-interest.

One critical policy area in which public officials' private interests matter is financial regulation. There is almost no work examining US legislative decision-making on massive government interventions into the finance sector and the economy (although see Fortunato and Turner 2018; Hartog and Monroe 2008).

We examine critical policy decisions made in the US House on government intervention in the economy in the lead-up to and following the 2008 financial crisis. Empirically, we examine all major US House roll-call votes that had direct impacts on the economy from 1999 to 2008.¹ These roll calls and this time period are examined as these are the key votes where deregulatory or interventionist policies had massive implications on the stock market. These major regulatory votes in Congress had immediate behavioral and distributive implications for legislators' personal stock portfolios, as well as for American stockholders. By studying these roll calls, the direct connection between members' financial holdings, public policy decisions, and subsequent government intervention in the economy is examined. The roll calls we study either (1) incentivized the reorganization of sectors that generated trillions of dollars of annual revenue or (2) required direct capital injections of nearly half a trillion dollars to ensure market stability.

Consistent with our theory, US House members owning stock in specific financial or automotive firms are more likely to support legislation helping those firms. We also find that US House members with large proportions of their total investment portfolios favor legislation that enhances the value of the US stock market.

Legislator Preferences, Personal Financial Interests, and Economic Regulation: What We Know

Legislators' personal preferences shape policy choices (Burden 2007; McCarty, Poole, and Rosenthal 2013). In addition to the goal of reelection (Mayhew 1974) and being motivated and constrained by political, partisan, and policy goals (e.g., Cox and McCubbins 2005; Fenno 1973; Moore, Powell, and Reeves 2013), legislators are also informed by their personal backgrounds and experiences (e.g., Butler and Broockman 2011; Carnes 2013; Grose 2011; Haynie 2001; Whitby 1997).

There is some work that associates legislator decisions with personal financial interests, but it is not extensive. The only published study examining legislators' personal investments and the choices of members of Congress is Welch and Peters (1983), who examined personal financial holdings in the agricultural sector. They found no direct effect between financial holdings and agriculture-related votes. In contrast, Grose (2016) has argued that legislators make policy choices based on the extent they are exposed

to the stock market—and he found an association between total equity holdings and roll-call voting in Congress to increase the debt limit. Peterson (2018) argues and finds that officials in an administrative agency make decisions that enhance individual financial interests.

Legislator wealth affects decisions. Griffin and Anewalt-Remsburg (2013) argue that the personal wealth of legislators influence tax roll calls. They find a relationship between overall wealth—as measured by the total net worth of members of Congress—and willingness to support tax breaks. Carnes (2012, 2013) examines class backgrounds of legislators and decision-making, while Witko and Friedman (2008) argue that legislators with business backgrounds are more likely to have pro-business voting records. Heckelman and Dougherty (2010) find a link between the financial interests of US Constitutional Convention delegates and constitutional adoption.

Scholars also examine whether legislators' stock portfolios beat the market (Eggers and Hainmueller 2013; Ziobrowski et al. 2004), how political institutions influence the market (Beaulieu, Cox, and Saiegh 2012; Saiegh 2005), and how changes in legislative party control influence stock prices (Hartog and Monroe 2008; Pinto 2013). Others have focused on the influence of pensions or the ability to convert campaign cash to personal use on the decision to retire (e.g., Groseclose and Krehbiel 1994; Hall and Van Houweling 1995); postlegislature career presence on boards in order to “cash in on...public service” (Palmer and Schneer 2019); or they have studied the decision of legislators to increase their salaries (e.g., Bianco 1994, Clark 1996; Theriault 2004). None of this work, however, has argued that stock exposure and investments in specific firms are associated with legislator policy choices.

Theory: Legislator Personal Financial Interests Influence Policy

We argue that Congress deregulates firms and makes policy decisions in part due to legislators' perceptions of their own economic self-interest. Specifically, we argue that legislators' actions to regulate and deregulate industry are influenced by (1) the legislators' private financial interests in specific firms and (2) whether the legislators are generally more exposed to equity investments in their personal portfolios.

Financial Exposure to the Stock Market Leads Legislators to Support Policy that will Enhance Stock Market Value

Axiomatic in congressional politics is that legislators are self-interested (Mayhew 1974). This self-interest is most commonly articulated as the reelection incentive, and this theoretical logic predicts that most legislator behavior can be explained through this self-interested goal of reelection. Other theories of roll-call voting and decision-making point to the importance of legislators' policy preferences (Poole and Rosenthal 1997). A legislator's ideal policy preference, or ideal point, is a predictor of legislative decision-making (Krehbiel 1988), and this ideal point may be induced by the legislator's self-interested reelection incentive or can also be induced by the legislator's political party.

Ideology is the bundle of policy preferences that legislators have across many issues. Ideology is a strong predictor of legislator behavior on economic policies (McCarty, Poole, and Rosenthal 2013). Legislators vote no on bills when they prefer the status quo policy to the new bill proposal, and they vote yea when their ideological position is closer to the new bill proposal than the existing law. This spatial theory of voting is simple: legislators maximize their utility by making choices closer to their ideological preferences (e.g., Bertelli and Grose 2006). This ideological voting is constrained by legislative parties through negative agenda control (Cox and McCubbins 2005). In fact, parties can also exert influence on the floor over their members, and we expect that many members will rely on their personal financial-interest motivations only in instances in which the party leadership has not demanded a party-line vote from its membership. However, this standard theoretical model in legislative politics assumes that legislators gain utility from policies closer to their ideological preferences, and their revealed behavior is that they make policy choices that are predicted by these ideological preferences. Especially in the policy realm of "the role of government in the economy" and deregulation, party and the ideologies of individual legislators are important (Knott 2012, 87; also see Jenkins and Weidenmier 1999).

We agree that legislators make policy choices based on the location of their ideology and due to party. However, our theory argues that legislators also seek not only to maximize utility via passing policies close to their ideal points, but also that legislators rationally seek to make policies that will maximize their financial

returns. Legislators have a personal financial incentive to vote for policy that will help their investments grow. In addition to the goal of reelection—and resultant predictions that legislators will vote to pass policies they prefer—legislators have a self-interested goal of maximizing returns on their investments and protecting those investments.

Legislators and other public officials would prefer to pass legislation that may positively influence their own investments and asset portfolios. Similarly, in times of economic retrenchment, public officials prefer to make public policy that will help their own investments. In general, legislators are more likely to support significant changes to the role that the government plays in private industry when those policy changes benefit the legislators' financial assets. Legislators “may shape their decisions in office... to maximize future employment prospects” (Palmer and Schneer 2019, 670) on corporate boards, and legislators maximize their financial interests by seeking out corporate board memberships during and after public service (Eggers and Hainmueller 2009). Our theory has similar logic to this research on public officials and corporate board membership upon retirement. In our theory, though, legislators do not always wait until exiting office to maximize financial returns, as they vote on policies that will directly impact those financial returns while in office.

Consider a legislator who is ideologically liberal and generally supports government regulation of the economy. On a purely spatial theory of voting, this legislator will support regulation of industries and oppose deregulation. However, in addition to the legislator's policy preferences, the legislator would also evaluate the impact of legislation on their personal investments. If a liberal legislator had no investments in bank stocks that could benefit from greater deregulation, then the legislator's policy preference would predict they would vote against deregulation. However, per our theory, if a liberal legislator had significant investments in bank and financial stocks, then the legislator is more likely to vote contrary to his or her policy preferences and instead vote to deregulate. By voting for deregulation, the legislator's financial stocks are likely to grow in value. Thus, legislators face dueling incentives: self-interested financial interests would predict voting in favor of the direction perceived to grow the legislators' stock investments, but legislators who vote closest to their ideal policy preferences would seek to maximize policy.² Similarly, conservative legislators driven by financial interests may vote contrary to their ideologies

to support policy that provides significant government intervention in the economy if it helps their financial investments.

When a policy outcome may enhance a legislator's financial investments but is not consistent with the legislator's ideology or electoral interests, legislators will be constrained in their ability to maximize financial interests. Elected officials initially went into office due to interest in public service (Fenno 1978), and they may forgo the choice that is in their financial interest in these cross-pressured situations. In addition, on legislation that is not complex, legislators may not consider their financial interests as greatly as with legislation that is more complex. Less complex policy is easier for constituents to follow and understand and thus hold legislators accountable. However, on legislation that is complex and where the public has uncrystallized views, legislators favor their financial interests. Financial regulation and deregulation are issues that are not simple to most constituents, and the position that will enhance a legislator's financial interests can be explained (Fenno 1978; Grose, Malhotra, and Van Houweling 2015) as good for constituents who are less knowledgeable about the impact of public policies on the economy.

Legislators, like regular investors, prefer to see their financial assets—whether equities, realty, or other property with monetary value—grow rather than decline. When any individual is faced with a decision that could maximize the value of their financial assets, they will make the choice—while also considering other political and electoral constraints—that will increase the value of their assets. There is no reason to expect legislators to differ from typical investors in regard to self-interestedly preferring greater values for assets. Legislators maximize their wealth and the size of their asset portfolios.

Unlike regular investors, legislators make policy choices that have direct and indirect effects on the value of their underlying assets. Congress makes policy that affects financial markets and that regulates and deregulates industries and corporations. Governmental decisions to significantly intervene in the economy or to deregulate private industry have implications for markets. Some major policy choices before Congress have the potential to substantially influence the aggregate stock market, the real estate market, bond prices, and interest rates. These policy interventions are sometimes so wide reaching that they create opportunities for greater, long-term growth in the national economy or short- or medium-term growth in the stock market.

Therefore, legislators heavily invested in the stock market—in both absolute and relative terms—are likely to support legislation to enhance the stock market. Government bailouts of industries in times of economic crisis help prop up the entire market. Similarly, deregulation of the financial sector is likely to lift the stock market. Thus, we posit the following:

H1 (Equity Exposure): Public officials with substantial exposure to equities favor legislation that will prime and pump the stock market, while legislators with less invested in equities markets may not. Legislators with greater exposure to the stock market will vote for public policy likely to increase the overall market's value.

Stock Holdings in Specific Firms Lead Legislators to Support Public Policy Benefiting Those Firms

In addition to general exposure to the stock market influencing US House member decision-making, equity holdings in specific firms impact policy choices. Legislators motivated by financial self-interest will favor policies that benefit firms in which they are invested. This self-interested financial motivation predicts a legislator to vote for the policy that helps the firm or sector even when ideologically they would otherwise be predisposed to oppose the policy. When legislators are exposed to an individual firm's stock, they are more likely to support policy to increase the value of that stock. In economic crises, these same legislators will vote for bills to help the company or industry in order to buttress a sagging stock price.

In the case of some firms, legislators know that legislative actions are likely to affect the firms' stock prices. An example helps motivate our theoretical argument. For instance, during debate over Gramm-Leach-Bliley in 1999, the firms Citibank and Travelers Insurance had taken steps that, with Congress's approval, would result in a merger. The primary obstacle to the completion of the merger was that Congress had not repealed Glass-Steagall, which would have prohibited these two firms from merging as one engaged in traditional banking and the other as an insurance firm. The passage of Gramm-Leach-Bliley had obvious financial ramifications for those investors—including House members—who owned stock in Citibank and Travelers. Had the law not passed,

Citi's stock price likely would have dropped as shareholders anticipated that Congress was going to pass the Glass-Steagall repeal. In this instance, we would expect that legislators holding substantial amounts of stock in Citi or Travelers would in particular vote for passage of this bill.

We anticipate this pattern can be observed in many policy decisions in Congress where specific firms are likely to benefit from passage or failure of legislation. Legislators whose portfolios will increase due to a firm benefiting from a legislative outcome will be more likely to support the policy that favors the firm. This leads us to the following:

H2 (individual stock interests): Legislators who have a personal financial interest in the value of an individual firm's stock increasing will support legislation that helps that specific firm. Legislators not invested in that specific firm are unlikely to consider the underlying price of the firm's stock or personally care about the impact of the legislation on the potential increase or decrease of the firm's stock share value.

Empirical Analysis: Key Congressional Actions Regarding Significant Interventions in the Economy

In considering the association between the financial holdings of public officials and policy outcomes, we analyze five US House roll-call votes from the late twentieth and early twenty-first century that represent significant deregulatory or interventionist actions by Congress in the nation's economy in the contemporary era. These votes are examined because, unlike other roll calls, the policies had immediate and direct impacts on the stock market broadly and on stock prices of individual firms that were regulated in each vote. The first two roll-call votes analyzed occurred during the 106th Congress (1999–2000), a time of general financial optimism in which some members of both parties advocated for the deregulation of financial markets as a tool to promote economic growth and prosperity. The other three roll-call votes occurred in 2008 and are arguably the three most important votes taken in the US House to combat the effects of the global financial crisis. The overall outcome on each roll call, as well as the breakdown of yea versus nay votes broken down by party, appears in

Table 1. All roll calls examined were the key votes required for final passage.³ For four of these five bills, there was a significant amount of support and opposition from both the Democratic and Republican parties, and these were not generally partisan-polarized roll calls. These bills from both the 106th (1999–2000) and 110th Congresses (2007–2008) provide an opportunity to examine the personal financial preferences of House representatives and regulatory choices because the votes did not always fall along traditional partisan lines.⁴ Likewise, both the deregulatory statutes at the turn of the century as well as the bailout legislation during the 2008 financial crisis are unique in that they are direct market interventions by Congress.

Financial Services Modernization Act of 1999

The first roll call we examine is the conference vote for the Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley). This law represented a dramatic overhaul of federal banking regulation by allowing for the functional components of investment banks, commercial banks, and insurance companies to operate as a single institution. The separation of these types of financial firms had been mandated by the Glass-Steagall Act. Once Gramm-Leach-Bliley passed, the result was increased integration

TABLE 1
Outcomes of Roll-Call Votes Included in Analysis

	Democrats		Republicans		Total	
	Yea	Nay	Yea	Nay	Yea	Nay
Gramm-Leach Bliley Act (1999)	155	52	207	5	362	57
Commodity Futures Modernization Act (2000)	158	9	134	51	292	60
Troubled Asset Relief Program Vote #1 (2008)	140	96	65	133	205	229
Troubled Asset Relief Program Vote #2 (2008)	172	64	91	108	263	172
Auto Bailout (2008)	205	20	23	151	237	171

of various financial services framed as an attempt to “enhance competition in the financial services industry.”⁵

Gramm-Leach-Bliley was passed in the wake of the pending creation of Citigroup. Citigroup was formed in a merger between two separate firms, Citicorp and Travelers Insurance, a year prior to the passage of Gramm-Leach-Bliley in apparent violation of Glass-Steagall. This merger, though, was granted a temporary waiver by the Federal Reserve as there was an assumption that Congress may change the law to allow it. Thus, shareholders in Citicorp and Travelers Insurance had an incentive to favor this legislation. Had Gramm-Leach-Bliley not passed, the stock prices of Citicorp and Travelers would have likely gone down precipitously. In contrast, if the bill passed, the now merged firm stock would rise, and the stock market generally would be primed. US House members holding Citicorp or Travelers stock, or with a large amount of exposure to the stock market, would favor this legislation.

Commodity Futures Modernization Act of 2000

The Commodity Futures Modernization Act (CFMA) organized the federal regulation of financial derivatives to allow relaxed levels of scrutiny for transactions involving over-the-counter derivatives, including credit default swaps, by either the Commodity Futures Trading Commission (CFTC) or the Securities and Exchange Commission (SEC). Many argue this deregulation of the derivatives market, combined with lax bureaucratic enforcement during the Bush administration, paved the way for the housing bubble of the 2000s and subsequent housing crisis and stock market crash in 2008.⁶ However, at the time of the bill’s passage, the expectation was the deregulation would lead to major growth in the markets and the financial sector. Legislators owning financial stocks or with extensive stock market exposure would favor this legislation. Of all four bills examined, this one received the least support from Democratic members (see Table 1).

Emergency Economic Stabilization Act of 2008 (two roll calls)

The other roll calls we analyze took place in the chaotic initial months during which the legislative and executive branches of the government began to contend with the fallout of the subprime

mortgage crisis, including its consequences for domestic and global securities markets. These votes by Congress represented massive government intervention in the American economy and the financial sector. The Emergency Economic Stabilization Act of 2008 created the Troubled Asset Relief Program (TARP). The bill authorized the executive branch to purchase failing bank assets in an effort to stabilize the financial sector. The roll call failed initially in the House on September 29, 2008. Continued turmoil in the securities markets, including significant drops for all US stock exchanges, led to more support for the creation of TARP. The second roll call on TARP passed the House on October 3, 2008. This law gave massive amounts of money—initially, \$700 billion was authorized, and eventually nearly \$500 billion was invested—to financial industry firms to guard against collapse. This bill would likely be favored by those who did not want to see the stock market fall and by those with investments in financial institutions that had “failed” prior to October 3.

Auto Industry Financing and Restructuring Act of 2008

The last roll call we analyze is the Auto Industry Financing and Restructuring Act of 2008, colloquially known as the auto bailout. This legislation provided financial relief in the form of emergency loans to the “big three” American auto manufacturers, which were widely believed to be on the brink of failure: General Motors, Ford, and Chrysler. This roll call was the last of the 110th Congress, held on December 10, 2008. This bill clearly provided short-term assistance for automobile companies, so owning stock in one of the “big three” automakers would make a legislator more likely to support the bill.

Data for the Key Independent Variables: Personal Financial Investments of Legislators

Since 1978, US members of Congress and other federal officials have been required to file financial disclosure forms. Members are required to report individual holdings and dollar amounts of all assets. Four research assistants and the authors read and coded the financial disclosure reports filed during 1999–2000 and 2007–2008 (the years corresponding to these major roll calls on regulation of the financial sector and the American economy). While the

financial disclosure forms are available as PDFs, these forms are often handwritten by the members or their staffs so the research assistants manually coded the data. We coded the total amount of dollars invested in assets across a number of categories: stocks, mutual funds, retirement accounts, real estate holdings, cash accounts, bonds, and other.⁷ We also created a dataset of each individual asset held by House members during these two time periods. This original dataset includes over 100,000 individual assets and dollar values. These data are unique and are useful to scholars interested in studying questions of congressional decision-making, personal finance, and public policy.

Past work analyzing the personal wealth of members of Congress has simply relied upon aggregated wealth data already available from the Center on Responsive Politics (e.g., Griffin and Anewalt-Rensburg 2013). Given our interest in equity ownership and stock ownership of specific firms, which the Center does not code well, we were required to uniquely code each asset across all House members.⁸ In the instances of incomplete disclosure forms, we excluded those members from analyses below. We used the original asset-legislator dataset and asset classifications to construct our key independent variables. No scholar has analyzed individual stock holdings in specific firms and roll-call votes.

Empirical Models

In order to analyze the relationship between legislators' stock holdings and their votes on financial legislation, we estimate five logit models: one for each of the roll-call votes described above. In all five models, the unit of analysis is the US House representative and the dependent variable is coded 1 if the legislator voted yea and 0 if nay.⁹ Descriptive statistics for all measures used across these models appear in Appendix A in the online supporting information.

Model 1

In the first model, we analyze the vote for the Financial Services Modernization Act (Gramm-Leach-Bliley), which allowed for the integration of commercial and investment banking. The first independent variable of interest measures legislator ownership in stocks that will benefit directly from passage of

Gramm-Leach-Bliley. Because the Act was required to permit the merger of Citicorp and Travelers Insurance, we measure whether legislators voting on the Act owned *Citi or Travelers Stock*. This variable is measured as the proportion of legislators' stock holdings in Citicorp or Travelers and tests Hypothesis 2 (individual stock interests). If legislators vote based on their private financial interests, legislators with significant personal financial stakes in the continued existence of a merged Citicorp/Travelers will vote for this bill. Had Gramm-Leach-Bliley failed, Citicorp's temporary waiver lapsed, and the merger been voided, stock in either or both corporations would likely have lost value.

The second and third independent variables of interest measure each House member's overall exposure to equities markets. These variables are (1) the amount of *Total equities*, which represents the total dollar value of each legislator's holdings in equities (stocks, mutual funds, and retirement accounts), measured in 100,000s of dollars; and (2) the *Proportion held in equities*, which measures the proportion of a legislator's total assets held in such equities.¹⁰ Together, these two variables measure both absolute and relative exposure to equities markets and form our test of Hypothesis 1 (equity exposure). With the passage of the bill, there was anticipation that the stock market would increase and thus legislators with significant amounts of equities (both absolutely and proportionately) are more likely to vote for enactment of Gramm-Leach-Bliley.

We employ a number of control variables in Model 1 to account for other factors or characteristics of the legislators that might have affected their votes on Gramm-Leach-Bliley. The first, *Party*, is coded as 1 for Democrats and 0 for Republicans. We expect that Democrats would have been less likely to vote for Gramm-Leach-Bliley than Republicans because Democrats often prefer more government regulation. We control for *Ideology* as measured by the first-dimension DW-NOMINATE score, and we expect that liberal members of Congress would be more likely to vote against the deregulation of banks. We account for the *Median household income* for households in each legislator's congressional district to control for the influence of constituency wealth (measured in 10,000s of dollars). Members of Congress from high-income districts tend to favor deregulation and may be likely to vote for Gramm-Leach-Bliley. We also include a variable for the *Democratic presidential vote share* in the district. Legislators from more Democratic districts may be more likely to oppose Gramm-Leach-Bliley. Additionally,

we account for legislators' *Total assets* measured in 100,000s of dollars, and we expect that legislators with more total wealth were more likely to vote in favor of financial deregulation. This is an important control variable to make sure the personal financial variables testing our theory are not proxying for overall wealth (Carnes 2013). We include two additional variables measuring district economic characteristics: the *Unemployment rate* in each member's district, as well as the percentage of constituents in each member's district employed in the financial sector (*Financial employment*). These measures and other employment-related variables in subsequent empirical models were obtained from the US Census for the time period of the Congress in which the vote was recorded.¹¹ These variables allow us to account for district-level economic circumstances that might have made members of Congress more or less amenable to financial deregulation (and, in the 2008 models, to government intervention in the market). Last, we account for the potential of industry influence in Congress by including a variable that measures *Contributions from the financial sector*, measuring (in tens of thousands of dollars) the campaign contributions received by each House member from financial industry PACs (the source for these data was from the Center for Responsive Politics).¹²

Model 2

In the second model, we analyze the relationship between legislators' personal finances and their roll-call votes for the Commodity Futures Modernization Act, which "ensured virtually no regulation of the complex financial instruments known as derivatives, including credit swaps, contracts that would encourage risky investment practices at Wall Street's most venerable institutions" (Lipton and Labaton 2008). To test Hypothesis 2 (*individual stock interests*) in Model 2, we measure legislator investments in large bank stocks using the variable *Big bank stocks*, which was not included in Model 1. This variable measures the proportion of members' personal portfolios held in equities from the five largest American financial institutions and is included because legislators who are shareholders in the largest banks are the ones most likely to favor and benefit from this policy change. While numerous financial institutions could potentially engage in more extensive derivatives trading using credit-default swaps after passage of the CMFA, the largest banks were the ones most interested

in this deregulatory reform. Five banks—Citi, JP Morgan Chase, Bank of America, Wachovia, and HSBC—engaged in the bulk of the risky credit-default swaps in the wake of the CFMA, and these banks were also proponents of the CFMA deregulations prior to the vote. These banks anticipated increasing profits from the CFMA, and thus we anticipate legislator shareholders in these same banks would be more likely to support the bill. The variable was calculated by adding together the total dollar value of legislators' stock holdings in Citi, JP Morgan Chase, Bank of America, Wachovia, and HSBC and dividing this amount by the total dollar amount of stock holdings. Thus, the *Big bank stocks* variable is the proportion of a legislator's stock holdings in the five banks.

To test Hypothesis 1 (equity exposure), we once again include variables measuring legislators' *Total equities* and *Proportion held in equities* and expect that legislators with larger absolute and relative dollar amounts of equities (stock, mutual fund, and retirement account assets) were more likely to vote for the passage of the CFMA. Our theory suggests that simply owning large amounts of equities is associated with anticipated personal benefits upon ensuring the deregulation of the derivatives market, as this deregulation would likely prime the stock market.

As in Model 1, we account for legislators' *Party* and *Ideology* and expect that Democrats and liberals were more likely to vote against the deregulatory CFMA. Similarly, we control for the district *Median household income* and expect that House members from wealthier districts were more likely to vote for passage of the CFMA, as were legislators with more wealth, measured as *Total assets*. We also account for other district-level characteristics, such as partisanship—by including the *Democratic presidential vote share* and expect that members from more Democratic districts were less likely to support the CFMA—and economic conditions—by including variables for *Unemployment rate* and percentage of *Financial employment* in the district. Last, we include a measure of each member's *Contributions from the financial sector*, measured in tens of thousands of dollars in contributions made to the member's most recent campaign.

Model 3

In the third model, we consider the September 2008 roll call on the Emergency Economic Stabilization Act of 2008, in which

the House rejected a proposal to create TARP. The dependent variable is the vote on this legislation, coded 1 for yea, 0 for nay. To examine Hypothesis 2 (individual stock interests) with respect to the Emergency Economic Stabilization Act, we include the independent variable *Financial stocks*, which measures the legislator's 2008 proportion of stock holdings in financial companies that had gone under or that were forced to substantially restructure to avoid bankruptcy before the TARP vote.¹³ We expect that legislators with a greater proportion of stocks held in financial companies that failed during the crisis were more likely to vote in favor of the financial bailout. This variable is a good measure of legislator exposure to specific firms as those legislators owning these specific stocks likely noticed the considerable reduction of their holdings in the lead-up to the TARP vote. To test Hypothesis 1 (equity exposure), we again consider the legislators' *Total equities* and *Proportion held in equities* and expect larger absolute and relative equity holdings to be associated with support for TARP. Legislators with more of their investments in equities stood to gain from a massive injection of government funds into the financial sector.

In addition to the independent variables of interest, we account for the same independent variables unrelated to asset holdings as in Models 1 and 2. We include the legislator's *Party* and *Ideology*, although our expectations based on partisanship and ideology are two directional. On one hand, Democrats and liberals are generally in favor of increased government involvement in the private sector, so we might anticipate them to be more likely to support TARP. On the other hand, Democrats and liberals may not have wanted to "bail out" this particular industry, and many Republicans may have been willing to vote for TARP due to the GOP's ties to the financial industry. We anticipate that higher *Median household income* in the legislator's district will be associated with greater likelihood of having supported the creation of TARP given high-income citizens' exposure to the market. The *Democratic presidential vote share* variable may be positively or negatively correlated with the TARP vote as the Republican president supported TARP although many Democrats also favored the bill. We control for both the *Unemployment rate* in the district and district *Financial employment*. Last, we control for the amount of campaign *Contributions from the financial sector* in the most recent campaign, measured in 10,000s of dollars, and legislator *Total assets*.

Model 4

The fourth model is the same as the third model except the dependent variable is the second roll-call vote for the Emergency Economic Stabilization Act of 2008, which *passed* the House on October 3, 2008, with votes coded 1 for yea and 0 for nay. Our expectations for all independent variables remain the same as in Model 3.

Model 5

The fifth and final model considers the bailout of the American automotive industry. The dependent variable is the legislator's vote on the Auto Industry Financing and Restructuring Act of 2008, coded 1 for yea and 0 for nay. To test Hypothesis 2 (individual stock interests), we include a variable measuring legislators' ownership interests in the publicly traded automotive manufacturers who received assistance as part of the auto bailout, General Motors and Ford.¹⁴ We measure the proportion of legislators' stock assets that are held in these *Automotive stocks*, and we expect higher proportions of automotive stock to be associated with a greater likelihood of voting in favor of the bailout as legislators with GM and Ford stock have a vested personal financial interest in the continued existence of the two companies in question. Likewise, to test Hypothesis 1 (equity exposure), we again consider the legislators' *Total equities* and *Proportion held in equities* and expect that legislators who hold a higher amount of assets (whether absolutely or relatively) in equities will support the auto bailout. Those with higher amounts invested in equities may view stock price declines in this industry as a warning sign that could spill over to the broader stock market.

We control for the legislators' *Party*, *Ideology*, and *Total assets* and expect that liberals, Democrats, and members with more wealth were more likely to support the auto bailout due to Democrats' and liberals preferences for government involvement in the economy. We anticipate that lower *Median household income* in the district may be associated with support for the bill given the blue-collar identification of the American auto industry. On the other hand, higher-income individuals are more likely to be exposed to the stock market or even own these companies' stocks, so constituency income may be positively correlated with the auto

bailout vote. We expect *Democratic presidential vote share* to be associated with legislators voting for the Act because of the class nature of the auto industry and Democratic constituents' preferences for economic intervention. We account for *Unemployment rate* and *Auto industry employment* in the district, and we expect higher values of either will make supporting the auto bailout more likely. We include variables measuring the *Contributions from AFL-CIO* and *Contributions from Auto industry PACs*, measured in tens of thousands of dollars in contributions, received by each legislator's most recent campaign, based on the expectation that those members of Congress receiving more donations from each group would be more likely to support the bailout (see Moore, Powell, and Reeves 2013).¹⁵

Results: Legislator Stock Ownership and Exposure are Associated with Roll-Call Voting

The results of these five logit models are presented in Table 2. Each column in the table presents the results of one of these five models as discussed further below. In addition, in Appendix B in the online supporting information, we also present plots indicating estimated effect sizes for several key independent variables in Table 2's five empirical models. We find general support for our hypotheses regarding legislators' personal financial interests. We find the strongest support for Hypothesis 2 (individual stock interests) that House members who own stock in companies that are directly subject to regulatory or deregulatory actions vote in keeping with their personal financial interests. In addition, in four of the five models we find support for Hypothesis 1 (equity exposure) that absolute or relative investment in equities is associated with support for policy decisions. However, the direct stock ownership in specific firms subject to the policy is more consistently related to legislator decisions on policy than is general equity exposure.

Financial Deregulation: Private Interests Influence Public Policy Choices

The results in Table 2, column 1, indicate that members of Congress who owned stock in Citi or Travelers—the two companies whose pending merger effectively set the agenda for banking deregulation in the 106th Congress (1999–2000)—were significantly more

TABLE 2
Estimated Likelihood of Support for Financial Regulation

	Model 1	Model 2	Model 3	Model 4	Model 5
Independent Variables	Fin. Svcs. Modernization Act (1999)	Comm. Futures Modernization Act (2000)	Troubled Asset Relief Program #1 (2008)	Troubled Asset Relief Program #2 (2008)	Auto Bailout (2008)
<i>Citi/Travelers stock</i>	15.849* (11.460)				
<i>Big bank stock</i>		1.630 (1.415)			
<i>Financial stock</i>			1.593** (0.958)	1.420* (0.988)	
<i>Automotive stock</i>					15.789*** (4.916)
<i>Total equities</i>	0.003 (0.009)	0.012** (0.007)	0.005 (0.006)	0.003 (0.005)	0.070*** (0.022)
<i>Prop. total equities</i>	0.576 (0.545)	-0.581 (0.525)	0.512* (0.360)	0.579* (0.375)	0.599 (0.679)
<i>Party</i>	1.548 (1.411)	-5.219*** (1.166)	-0.500 (0.825)	-0.805 (0.851)	0.949 (1.615)
<i>Ideology</i>	4.074** (2.165)	-8.637*** (1.695)	-1.797* (0.925)	-1.921* (0.984)	-3.296* (2.060)
<i>Median HH income</i>	-0.235 (0.242)	-0.141 (0.255)	0.168** (0.092)	0.061 (0.093)	0.129 (0.145)
<i>Dem. pres. vote</i>	-0.023 (0.025)	0.004 (0.026)	-0.010 (0.014)	0.005 (0.016)	0.078*** (0.030)

(Continues)

TABLE 2
(Continued)

Independent Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	Fin. Svcs. Modernization Act (1999)	Comm. Futures Modernization Act (2000)	Troubled Asset Relief Program #1 (2008)	Troubled Asset Relief Program #2 (2008)	Auto Bailout (2008)
<i>Total assets</i>	0.002 (0.003)	-0.003 (0.003)	-0.004 (0.004)	-0.002 (0.004)	-0.054 (0.017)
<i>Unemployment rate</i>	-1.634 (10.242)	-2.206 (14.176)	11.285* (7.723)	9.446 (7.655)	12.636 (15.910)
<i>Fin. employment</i>	0.424 (10.106)	6.830 (10.886)	3.219 (5.885)	13.230** (6.532)	
<i>Finance contrib.</i>	0.216*** (0.091)	0.014 (0.024)	0.036*** (0.009)	0.029*** (0.009)	
<i>Auto employment</i>					2.339 (6.543)
<i>AFL/CIO contrib.</i>					0.881* (0.686)
<i>Auto PAC contrib.</i>					2.009*** (0.579)
Intercept	2.559 (1.889)	5.946 (1.940)	-1.670 (1.158)	-1.567 (1.171)	-5.556 (2.345)
N	397	334	417	418	393
χ^2	36.98	48.39	59.19	60.63	123.65

* $p \leq 0.10$; ** $p \leq 0.05$; *** $p \leq 0.01$.

likely to vote in favor of the Gramm-Leach-Bliley Act, which provided for the full-scale integration of commercial banks, investment banks, and insurance companies. Legislators take into account their personal financial interests when considering final passage votes on matters of financial deregulation (supporting Hypothesis 2 [individual stock interests]). We did not find an association between total or proportional holdings in equities and legislator votes for Gramm-Leach-Bliley. More conservative legislators and those who received more contributions from the financial sector were more supportive of Gramm-Leach-Bliley.¹⁶ These results are also graphically presented in Figure B1 in Appendix B in the online supporting information, which allows for side-by-side comparison of the effects of personal stock ownership, party, ideology, district employment, and campaign contributions on likelihood of support for the FSMA.

The results in Table 2, column 2, regarding passage of the Commodity Futures Modernization Act of 2000 are somewhat less conclusive. Ownership of stock in the largest American banks is not significantly associated with an increased likelihood to vote for passage of the CFMA, as the *Big bank stocks* variable is statistically insignificant. The *Total equities* variable, however, was statistically significant and, as expected, positively associated with the CFMA vote, suggesting that those members with greater exposure to equities markets were supportive of deregulating derivatives. The mixed evidence for our hypotheses is perhaps not surprising given the context of this vote. There is a complication in analyzing the passage of the CFMA due to its inclusion in an appropriations package because it becomes significantly more difficult to consider individual legislators' preferences regarding the CFMA as opposed to their preferences regarding the other provisions of the appropriations bill. The factors with the largest effects in Model 2 significantly associated with votes to pass the CFMA, however, were legislators' party—as the minority Democratic party was significantly less likely to support passage of the bill—and ideology—as conservatives were significantly less likely to support passage of the bill. This can also be seen in Figure B2 in Appendix B in the online supporting information.

Legislators' Personal Finances and the Bailouts During the 2008 Financial Crisis

The results presented in Table 2, columns 3 and 4, analyze both votes for TARP in the wake of the 2008 financial crisis and

suggest that legislators with more exposure to financial stocks and to the stock market broadly were more likely to support the massive bailout of the US financial sector presented by the Emergency Economic Stabilization Act of 2008 and the creation of TARP. Legislators authorized the Treasury department to spend billions of dollars to rescue these financial institutions, as well as their own asset portfolios. The effects of the key independent variable of stock ownership on predicted likelihood of support based on Models 3 and 4 can be seen in Figures B3 and B4 (in Appendix B in the online supporting information), as well, compared against the effects of party, ideology, district employment, and campaign contributions.

This result holds across both the failed TARP vote on September 29 and the second, successful vote on October 3 after the continued decline of American securities indices. In both Models 3 and 4, legislators with (1) greater amounts of their personal stock holdings allocated in *Financial stocks* and (2) greater proportions of their overall assets held proportionately in equities were more likely to support creation of TARP. Legislators expected that the proposed government assumption of specific assets and equity during those turbulent first weeks of the economic crisis could counteract or mitigate any depreciation in their personal investments, whether in failed financial institutions specifically or in equities markets broadly.

In what may reflect both the difficulty of predicting votes on financial regulation based on standard political variables as well as the turbulent political climate surrounding the 2008 financial crisis, legislator party is not significantly associated with a greater likelihood of supporting the creation of TARP in either the results of Model 3 or Model 4. More liberal members, however, supported TARP in both votes. Higher median household income in the districts was associated with a greater tendency to support the creation of TARP in the first vote but not the second, suggesting that legislators during the first vote took into account their constituency preferences when considering whether to support this massive financial intervention by the government, but that the effect of district income was muted by the time of the second vote due to the heightened exigency of the economic conditions. Namely, during the intervening days between first (September 29) and second (October 3) TARP votes, the Dow Jones Industrial Average dropped more than it had since the Great Depression, threatening the entire American financial sector.

The results in Table 2, column 5, suggest that once again, personal financial interests played a role in determining how legislators voted on the Auto Industry Financing and Restructuring Act of 2008. These results are also presented graphically in Figure B5 in Appendix B in the online supporting information. Members of Congress who owned more *Automotive stocks* in the publicly traded American automotive manufacturers that would be “bailed out” (GM, Ford) were significantly more likely to vote in favor of passing the Act.¹⁷ In other words, legislators’ decision-making regarding large-scale regulation and intervention in the economy is significantly associated with the legislators’ ownership interests in the very companies subject to regulation, intervention, and potential rescue. House members who held a large amount in equities were also significantly more likely to vote in favor of the auto bailout, showing that equity exposure is associated with willingness to extend funds to the automotive sector, which makes up a significant enough proportion of the American economy that its failure or decline might have negative consequences for equities markets.

Partisanship played a role in legislators’ decision-making regarding the auto bailout, but indirectly. While there was no difference in likelihood of supporting the auto bailout based on members’ own partisanship, those members of Congress from more Democratic districts (based on election outcomes during the preceding presidential election) were significantly more likely to support the auto bailout than members from more Republican districts, which may reflect underlying Democratic preferences regarding government aid for the auto industry. Legislators who received more campaign contributions from both AFL-CIO and automotive industry PACs were more likely to support the bailout, suggesting that industry interests at least in part influenced legislator choices as well. This result is consistent with the finding in Moore, Powell, and Reeves (2013).

Across all five models, variation in district-level employment across relevant industries and economic sectors is at best weakly associated with legislators’ decision-making on deregulatory legislation and government intervention in financial markets. Indeed, other than the increased likelihood of legislators with greater levels of employment from the financial sector in their districts voting for the second TARP bill, in no case examined here were members of Congress more likely to make decisions based on district employment characteristics as we might expect given the importance of constituency factors in legislator voting. While a surprising null

effect, it is important to bear in mind that industrial employment levels of their districts are not the only measure of constituency interests. We find an association between two other constituency-level independent variables and roll-call votes in several models. The district median income and district presidential vote are both associated with roll-call vote decisions in some, but not all, models. Also, because voters choose representatives based at least in part on congressional candidate party and ideology, and party and ideology are strongly associated with legislator vote choices across our models, it may be that these partisan and ideological variables are the key direct predictors of roll-call voting on these industry regulations and constituency interests have less direct influence. Especially on individual roll calls, as we analyze here, it may be that personal financial preferences, party, and ideology—all legislator-specific factors—are more important than constituency factors.

Summarizing the Results: Legislator Stock Ownership in Individual Firms is Associated with Votes Favoring those Firms

Having examined five meaningful congressional votes related to financial regulation and government intervention in the economy, it is useful to calculate the predicted probabilities while varying our key variables of interest to give a sense of the magnitude of our findings. As noted earlier, support for Hypothesis 2 (individual stock interests) was found in four of the five models.¹⁸ To estimate the magnitude of the effects, we report predicted probabilities from these logit models estimated in the preceding section.

Table 3 summarizes the change in predicted probabilities based on all four models displayed in Tables 2 in which variables measuring individual stock ownership interests met traditional levels of statistical significance. The variables of interest were *Citi or Travelers stocks* in Model 1 (examining the Financial Services Modernization Act), *Financial stocks* in Models 3 and 4, and *Automotive stocks* in Model 5. We compute the predicted probabilities when a legislator owns no stock in these companies and compare it to the predicted probabilities when a legislator has holdings in these companies one standard deviation above the mean proportion of holdings for all legislators. We then take the difference in each pair of predicted values to estimate the increase in likelihood of support for each piece of legislation based on variation in individual stock ownership.

TABLE 3
 Legislator Ownership of Individual Stocks and Increased Propensity to Vote for Roll Call

Roll-Call Vote	Independent Variable Measuring Individual Stock Interests Hypothesis	Percentage point change in likelihood of voting yea on bill between 0% stock holdings and stock holdings one standard deviation above mean
<i>Gramm-Leach-Bliley Act</i>	<i>Citi or Travelers stocks</i>	1.1%-point increase
<i>Economic Stabilization Act</i> , vote 1 (did not pass)	<i>Financial stocks</i>	5%-point increase
<i>Economic Stabilization Act</i> , vote 2 (passed)	<i>Financial stocks</i>	5%-point increase
<i>Auto Bailout</i>	<i>Automotive stocks</i>	8%-point increase

Note: These are differences in predicted probabilities from Models 1, 3, 4, and 5 varying the stock-holding independent variable while holding all other variables at their means.

As seen in Table 3, the magnitudes of the effects of individual stock ownership by legislators in companies likely to be affected by pending legislation are not insubstantial. For the Financial Services Modernization Act, if a legislator owned Citi or Travelers stock in a proportion one standard deviation greater than the mean legislator, they were 1.1 percentage points more likely to vote for the bill than the legislator who did not own these two stocks. In both TARP votes, having owned stock in banks that failed or that were significantly restructured (e.g., the merger between Bank of America and Merrill Lynch) led to a 5 percentage point increase in voting for the creation of TARP. Further, in the case of the auto bailout, owning *Automotive stocks* at a proportion one standard deviation above the mean led to an 8 percentage point increase in the likelihood of voting for the bill. The magnitudes suggest that personal ownership by legislators in specific equities plays a key role in their decision-making on whether to support the legislation. The effect size of personal financial holdings is smaller for the Financial Services Modernization Act vote, but is larger for TARP and the auto bailout votes.

Conclusion

In general, the results indicate that decision-making in Congress regarding regulation and deregulation of the financial industry and economy depends on much more than the traditional political determinants of legislator behavior. Legislators' financial self-interest, and in particular the amount of their personal investments in the industries subject to regulation, oversight, and intervention, play a larger role than district characteristics and play a role that is relatively large even when compared to the impact of legislator party. These results suggest important normative considerations of how legislators' roles as representatives are impacted by their personal preferences. On these high-profile votes in the lead-up to and during the financial crisis, legislators relied on their private interests to make decisions. This is particularly significant in the context of the policy choices examined here, as they represented unusually large direct market interventions by Congress in the American economy. The deregulation of financial services, as well as the extension of hundreds of billions of dollars in toxic asset relief, are uncommon votes but extremely important for American society in the scope of economic consequences. That legislators were systematically more likely to support legislation

based on their personal-asset-allocation choices implicates normative concerns regarding whether and when collective decision-making by elected officials advances the public interest.

Political scientists know that legislators are self-interested seekers of reelection and demonstrate self-interest in other choices made in their capacity as representatives. What we argue is that they are also financially self-interested. Members have the ability to consider their own personal preferences and personal financial interests when making decisions. Other scholars have argued that personal preferences and backgrounds of legislators, such as the race or religious affiliation of legislators, are associated with roll-call choices. Our findings, though, are much more normatively troubling than this work on legislator personal preferences. When racial or religious minority legislators cast roll calls to express personal preferences, these roll-call choices are often reflective of minority-group status. When legislators consider their personal investments in making public policy decisions, this behavior simply benefits the legislators personally and other shareholders. Legislators making policy choices in their own financial self-interest do so not to benefit marginalized racial or religious communities to which they identify, but instead to benefit financial interests. Legislator personal preferences based on financial self-interest is more normatively concerning as it is driven by a public official's personal economic bottom line.

We have presented a theoretical argument that is new in the literature: House members behave in ways that will help their personal financial interests. While it is unlikely they choose public service in order to protect their assets, once in office the drive for financial enhancement and protection is important. More research should be done on the financial holdings of members of Congress and their decisions, and more work is also needed to probe how frequently personal financial interests—separate from constituency or party—drive members' decisions. According to our theory, decisions on which committees to serve, committee voting, roll-call voting on other policies, and other policy actions by elected officials are likely influenced by elected officials' financial interests. Future research could also examine if legislators purchase stocks of companies in their home states or constituencies more frequently than elsewhere, perhaps as a signal to constituents.¹⁹ Further, our empirical analyses are associational, given that personal financial investments are not randomly assigned to

legislators. Thus, we must be cautious in our interpretation of the results, but we encourage future scholars to consider ways to more causally identify the empirical relationship between financial investments and policymaking, as well as to apply our argument to observational analyses of roll calls or other financial regulations happening before or after the era we examine.

Future research should also examine whether members of Congress are punished for this self-interested behavior. Given reelection rates of incumbents, we may surmise they are not. Most US House members are electorally safe, and even with increasing partisanship in US House elections (Jacobson 2015), most members still win reelection. This electoral safety provides an opportunity for House members to vote in the interest of their stock market investments. Further, even though these were all major votes, the relative complexity of many issues in financial policy make it harder for constituents to observe and make the link between members' financial holdings and roll-call votes. The transparency required since Watergate for House members to disclose their personal financial holdings is a good government reform; however, if constituents cannot observe and connect the roll-call votes of members to their financial holdings, it allows for members to act on financial self-interest.

Finally, this self-interested behavior was legal. In 2012, the STOCK Act was passed. This Act mostly prohibits trading on inside information developed through their work in Congress. Of course, the associations between financial holdings and roll-call voting we uncover here would not have necessarily been prohibited even by this Act. If a member has held an asset for some time and then votes for a bill that would increase the value of the stock asset, this would not be a violation of the law as it is not a trade based on inside information but instead a protection of existing assets. Further, it is not prohibited by law for members of Congress who are exposed to the stock market generally to allow this exposure to influence their policy decisions. Future policymakers may want to consider prohibitions against voting on bills when members own a very large amount of stock in firms or industries influenced by the bill, even if they are not actively trading such stock. On the other hand, prohibitions on equity ownership may deter many people from running for office. Policy proposals to limit the ability of members to vote in ways that enhance their financial interests may cause some good candidates on other dimensions not to run.

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NOTES

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1. The five major roll calls on public policy with massive government intervention in the nation's economy in the lead-up to and right after the 2008 financial crisis are: the Gramm-Leach-Bliley bill in 1999 (which repealed Glass-Steagall) and the passage of the Commodity Futures Modernization Act of 2000 (which involved substantial deregulation to the financial industry); the two 2008 votes on the Troubled Assets Relief Program (TARP, which bailed out major banks) and the Auto Industry Financing and Restructuring Act in 2008.

2. Another implication of our theory is that legislators may vary in their levels of financial-interest motivations. Those motivated most by financial interests, instead of or in addition to reelection seeking, are the legislators most likely to seek postcongressional employment in consulting and lobbying for firms compared to continuing in other forms of public service over the long run. Legislators motivated the most by private financial gain while in office are also much more likely to seek lucrative postcongressional employment opportunities in order to continue to seek returns on their time in office.

3. In instances where conference was needed, we analyze the roll call on the conference report. In other cases with no conference where the House and Senate texts were identical, we look at the final passage vote on the House side.

4. It is for this reason that we do not analyze the Dodd-Frank Act, the other major piece of financial regulation during this era. Unlike the roll calls we analyze, Dodd-Frank's final passage was generally along party lines. This is a limitation of our work. It suggests that party leadership may demand votes on legislation curbing the influence of financial interests. However, when leadership allows for party members to drift from the party position, we are most likely to see the role of financial interests.

5. This quotation is from the text of the Act.

6. The CFMA was initially proposed as a standalone bill, but this bill never made it to the floor of the House. Nevertheless, the CFMA passed both houses of Congress after its inclusion as part of an appropriations bill at the end of the calendar year 2000. This appropriations bill—with the CFMA inserted at the 11th hour on the House floor—was the last roll call of the 106th House on December 15, 2000. Because the CFMA was part of a broader appropriations bill, it is possible the relationships between our key variables measuring legislators' financial interests may be weaker than when examining the other roll calls (which were stand-alone bills). Also, a large segment of House members did not vote on the bill as it was held in December after Election Day (hence the much lower N in this roll-call analysis below relative to other roll calls analyzed).

7. The “other” category included uncommon assets that did not fall into any of these categories.

8. The Center for Responsive Politics does offer some asset codings, but their coverage is incomplete and there were many coding errors in the Center's data on asset labelings. Thus, we collected and coded our own original data based on the raw personal financial disclosure forms that US House members are required to complete.

9. Legislators who abstained are excluded from the analyses.

10. The *Proportion held in equities* measure includes the value of all equities (individual stocks, mutual funds, and retirement accounts) and not just individual stocks; this value of all equities is divided by total asset holdings. We theorize passage of this and other bills will influence equities holdings broadly and not just those investments by legislators in individual stocks.

11. These variables for the roll-call analyses in the 106th Congress come from the 2000 census SF3 sample data. For the roll calls examined in the 110th Congress, the data come from the US census ACS one-year estimates from 2008.

12. The Center for Responsive Politics codes FEC data and reports the total dollar amount raised by each House member from “finance, insurance, and real estate” sector PAC donations, and this is used for this variable.

13. The companies which had “failed” or that had to restructure prior to the TARP roll-call votes were ABN AMRO Group, Northern Rock, Bear Stearns, Catholic Building Society, Countrywide Financial, Alliance & Leicester, Roskilde Bank, Fannie Mae/Freddie Mac, Derbyshire Building Society, Cheshire Building Society, Merrill Lynch, American International Group, Lehman Brothers, HBOS, Washington Mutual, Lehman Brothers, Bradford and Bingley, Fortis, Dexia, and Wachovia. This variable is the dollar value of these financial stocks implicated by TARP divided by the dollar value of all stocks.

14. Chrysler also received benefits from the auto bailout, but no US House member had shareholder interests in this company in 2008.

15. These data come from Moore, Powell, and Reeves (2013). The auto industry PAC measure is the total of Ford, Chrysler, and GM PACs to each individual legislator and the total AFL-CIO PAC contributions to each individual legislator. For exact details on these district-level measures, please see Moore, Powell, and Reeves (2013), who used Center for Responsive Politics data. The

auto industry employment variable is also measured at the district level using NAICS codes, the same used by Moore, Powell, and Reeves (2013).

16. We also estimated the same model on the procedural roll call that came before this final passage roll call analyzed in Table 2. Appendix C in the online supporting information examines this procedural roll call, where conferees were instructed. As shown in Appendix C, the results are substantively quite similar with a large effect between owning Citi or Travelers stock and support for the procedural roll call.

17. We also estimated the same model on the procedural roll call (setting the rules of debate on the bill) that came before this final passage roll call analyzed in Table 2, column 5. Appendix D in the online supporting information examines this procedural roll call, and the results are substantively quite similar. For instance, legislators who owned GM/Ford stock were much more likely to vote for the procedural roll call. With this bill, and with the others, we do not analyze cosponsorship as a dependent variable as there were very few cosponsors.

18. Some legislators may be passive investors, and only more active investors may be subject to the expectations of the financial interests hypotheses. See Appendix E in the online supporting information for additional analyses on a subset of legislators who may be more active investors.

19. We examined the correlation between the members' stock holdings in firms (using the variables *Citi or Travelers stocks* [for the 1999 Financial Services Modernization Act model]; *Bank stocks* [for the 2000 Commodity Futures Modernization Act model]; and *Financial stocks* [for the 2008 TARP roll calls]) and district-level employment in the financial industry. We also looked at the correlation between the members' stock holdings in automotive stocks and district level-automobile employment [in 2008, during the auto bailout roll call]. The correlation coefficient in all instances was extremely low between member-level holdings in specific firms and district-level employment. Similarly, the correlations between members' stock holdings in these firms and the *Ideology* and *Party* variables was also very low.

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Supporting Information

Additional supporting information may be found in the online version of this article at the publisher's web site:

Appendix A. Summary Statistics

Appendix B. Figures of Predicted Probabilities from Models Shown in Table 2

Figure B1. Difference in Predicted Probability of Support for Financial Services Modernization Act ("Gramm-Leach-Bliley") based on results in Table 2, column 1)

es at Wall Street's most venerable instituti

Figure B2. Difference in Predicted Probability of Support for Commodity Futures Modernization Act (based on results in Table 2, column 2)

Figure B3. Difference in Predicted Probability of Support for TARP (first vote; based on results in Table 2, column 3)

Figure B4. Difference in Predicted Probability of Support for TARP (second vote; on results in Table 2, column 4)

Figure B5. Difference in Predicted Probability of Support for Auto Bailout (based on results in Table 2, column 5)

Appendix C. Logit Model Examining the Procedural Vote (roll call 355, 1999) that Preceded the Final Passage Vote on the Financial Services Modernization Act of 1999

Appendix D. Logit Model Examining the Procedural Vote (roll call 688, 2008) that Preceded the Final Passage Vote on the Auto Industry Financing and Restructuring Act of 1999

Appendix E. Supplementary Analyses Excluding Members with Greatest Mutual Fund Investments

Table E1. Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act)

Table E2. Commodity Futures Modernization Act of 2000

Table E3. Emergency Economic Stabilization Act of 2008 (TARP), First Vote

Table E4. Emergency Economic Stabilization Act of 2008 (TARP), Second Vote

Table E5. Auto Industry Financing and Restructuring Act of 2008 (Auto Bailout)