Location, Location, Location: Senate Trading and Seat Proximity

Dane M. Christensen, Hengda Jin, Beverly R. Walther, and Laura A. Wellman*

Abstract

Using the distance between two Senators' desks to capture the proclivity to share information, we find that when two Senators sit closer together in the Senate Chamber, they are more likely to trade stocks in the same industry and earn larger returns, especially when they belong to the same political party. This association varies with Senators' information sources and power, and the scrutiny they face. We perform multiple identification tests to support our inference that Senators share private trading information gleaned from their positions in Congress. Moreover, we provide the first evidence on the career benefits associated with sharing information.

Keywords: Social finance, Information flow, Word of mouth communication, Congressional trading, U.S. Senate, Personal trading

JEL Classification: D72, D85, G11, G14, G28, M41, M48

*Christensen, danec@uoregon.edu, University of Oregon Lundquist College of Business; Jin, hjin@mays.tamu.edu, Texas A&M University Mays Business School; Walther (corresponding author), bwalther@kellogg.northwestern.edu, Northwestern University Kellogg School of Management; Wellman, wellman@uoregon.edu, University of Oregon Lundquist College of Business. We thank an anonymous reviewer, Anil Arya, John Chalmers, Jonathan Craske (discussant), Yonca Ertimur, Annie Farrell, Jarrad Harford (editor), Iftekhar Hasan, Sohee Kim, Mihir Mehta, Nafis Rahman, Jordan Schoenfeld, Ewa Sletten, Andrew Snyder, Suhas Sridharan, Ahmed Tahoun, Muktak Tripathi (discussant), Andy Van Buskirk, Jasmine Wang (discussant), Matthew Wieland, and seminar participants at Florida State University, Fordham University, Miami University, The Ohio State University, University of California-Berkeley, University of Colorado-Boulder, University of Hong Kong, University of Oklahoma, the AAA FARS Midyear Meeting, the HARC Conference, and the AAA Annual Meeting for helpful comments. We appreciate the information provided by Chris Liu on measuring seat distance. We are grateful for the financial support from the Kellogg School of Management at Northwestern University, Pennsylvania State University, Texas A&M University, University of Oregon, and University of Utah. Errors or omissions are our responsibility.

I. Introduction

We examine the role of social interactions between U.S. Senators in stock trading decisions. We study this setting not only because it allows for more powerful tests to examine the sharing of information that leads to trading, but also because there are ongoing concerns that members of Congress benefit from information obtained from their political position. We proxy for interactions between Senators, and changes in those interactions over time, through changes in the physical location of each Senator's desk relative to other Senators in the Senate Chamber (see Chown and Liu (2015), Masket (2008), Harmon, Fisman, and Kamenica (2019)). We expect these interactions spur information sharing both within and outside the Chamber, in person and via other means, as Chown and Liu (2015) have documented that Senators that sit closer together are more likely to co-sponsor legislation together. Using this setting, we examine whether the likelihood of executing similar stock trades is related to the degree of Senator interactions. We also investigate whether the information shared is public or private, and the source of information, to more directly speak to the concerns about Congressional trading. Finally, we analyze the motivations to share information and the potential benefits that accrue to sharing information, and in doing so, provide the first empirical evidence on career-related benefits from sharing information.

Despite prior evidence that individuals share trading information through social networks or because of the geographical proximity of their home (Hong, Kubik, and Stein (2004), (2005), Cohen, Frazzini, and Malloy (2008), (2010), Pool, Stoffman, and Yonker (2015), Huang, Hwang, and Lou (2021)), it is an open question whether Senators share information that would lead to executing similar stock trades. Although members of Congress have been required to file an annual statement providing a listing of their trades since the passage of the Ethics in

Government Act of 1978, public scrutiny over their trading activities has increased dramatically in recent years. The passage of the STOCK Act in 2012 made members of Congress explicitly subject to insider trading regulations (Christensen, Mikhail, Walther, and Wellman (2017), Stephan, Walther, and Wellman (2021)). This increased scrutiny may discourage Senators from discussing any trading-relevant information.

We investigate whether Senators are likely to share information and the outcomes of sharing information by analyzing their stock trading activities. Specifically, for each trade made by a Senator while Congress is in session, we identify whether any other Senators also traded a stock in the same industry within five trading days. We focus on co-trading at the industry level as the legislation passed by the Senate, and thus the value-relevant information Senators may have access to, predominantly affects industries rather than individual firms (Cohen, Diether, and Malloy (2013)). We limit our analysis to trades made while Congress is in session to increase the likelihood that any similarity in trading activities can be attributed to Senators' word-of-mouth interactions.

Consistent with information sharing between Senators, we find that when two Senators are more likely to interact (i.e., sit closer together in the Senate Chamber), they are more likely to trade stocks in the same industry within a five-trading day window. In our estimations, we control for time-invariant factors for each Senator pair that may be correlated with their trading activities by including Senator-dyad fixed effects, in addition to various control variables and Congress and stock fixed effects. Thus, *changes* in the extent of interactions between Senators are driving this result, making it unlikely that it is due to an omitted factor such as seniority or pre-existing relationships with other Senators. We further document that this association between seat proximity and co-trading is concentrated where the two Senators belong to the same political

party, consistent with homophily effects in social interactions (e.g., Pool et al. (2015), Huang et al. (2021), Hwang (2023)). Thus, our subsequent analyses focus on same party interactions.

To provide greater confidence that our results are due to the sharing of information between Senators while serving in Congress, we perform three additional tests. First, we employ an identification strategy that exploits the timing of Senate elections to capture exogenous variation in likelihood a given Senator will be present in Washington DC. Every two years, one out of three Senators is up for re-election. In the last year of a Senator's term, Senators spend a much greater amount of time campaigning in their home state and are thus often away from Washington DC (Fenno (2002), Chown and Liu (2015)). These campaign-induced absences should reduce the degree of interactions between Senators and thus also reduce the sharing of information. Consistent with this prediction, we find that there is no association between seat proximity and co-trading for those Senator pairs when one or both Senators are spending more time in their home district because they are campaigning for re-election. Second, to ensure these null results are not driven by a general lack of trading when Senators are campaigning, we examine whether the number of monthly trades executed by a Senator is lower when that Senator is busy campaigning. We do not find any evidence suggesting that this is the case. Third, we perform a falsification test and document that the association between seat proximity and co-trading does not hold when Congress is not in session. The lack of association in this falsification test is consistent with reduced interactions and/or reduced access to valuable political information when Congress is out of session. These analyses jointly validate our interpretation that the co-trading we document is due to variation in the sharing of information through interactions, as proxied by changes in seat proximity.

Next, to investigate the nature of the information being shared, we document that there is no association between co-trading based on Senator interactions and recent public news. We further find that the association between interactions and co-trading is weakened as the degree of scrutiny faced by Senators increases (Tahoun (2014)). This time-series variation with scrutiny is consistent with the information they are sharing potentially being private.

Consistent with the sharing of private information, we also find that co-trades executed by Senators that are more likely to interact (e.g., sit closer together) yield positive and significant market-adjusted returns of 1.1%. We further document that the profitability of co-trades increases by 42 basis points for each meter closer that Senators sit together. Thus, co-trading linked with greater interactions between Senators tends to be more informed than the typical trading done by Senators.

To identify the possible source of this private information, we investigate the cross-sectional variation in the association between the degree of interactions and co-trading with industry oversight arising from the committees on which the Senator serves (Mehta and Zhao (2020), Mehta, Srinivasan, and Zhao (2020), Stephan et al. (2021)). Our evidence suggests that Senators share information obtained through legislative activities. Specifically, when the Senator has oversight over an industry, the relation between the likelihood of co-trading and seat proximity becomes stronger. This cross-sectional finding mitigates the concern that our findings are due to common information shocks leading to common Senatorial trading.

To provide additional support for the conclusion that Senators share privileged industry information gleaned from their committee work, we analyze Senator trades in stocks likely affected by Congressional activities in narrow windows when the availability of private information is high. Specifically, we examine co-trading in energy-related stocks shortly after

hearing dates of the Senate's Energy and Natural Resources Committee where the first Senator trading is a member of that committee. Using an event study design, we find that the association between co-trading in energy stocks and the degree of Senator interactions is indeed greater shortly after an Energy and Natural Resources Committee hearing if the first Senator trading is on that committee and the second Senator trading is not on the committee. In a falsification test, we observe that this finding does not hold for co-trading in non-energy related stocks after these same committee meetings. These analyses hold constant all other factors that may be correlated with the extent of interactions between two Senators and the likelihood of co-trading and only vary whether one Senator has access to private information about this industry. As such, these results provide more support for our inference that Senators share privileged information obtained through their positions in Congress and decide (either individually or in concert) to trade stocks based on this information.

We also investigate what motivates Senators to share information. We first examine if Senators share information to curry favor with or signal competence to other Senators in their party, consistent with impression management (Berger (2014), Hwang (2023)). In this analysis, we focus on the relative power of the Senators. We measure the power of each Senator based on the Senator's committee rankings and relative voting power (Cooper, Gulen, and Ovtchinnikov (2010)). We predict that Senators with less power are more likely to share information with Senators with more power in an effort to curry favor and gain status. Consistent with this prediction, we find that the association between our proxy for the degree of Senator interactions and co-trading is stronger when the information transfer is from a Senator with relatively lower power to a Senator with relatively higher power.

We next examine if sharing private information benefits a Senator's career at some point in the future. While many career benefits may accrue to Senators who share information, we examine one specific benefit: developing or strengthening relationships with powerful Senators that results in the assignment to higher ranking committees. We focus on committee assignments because it is observable and represents one important means where politicians can increase their influence and visibility, as well as interact with other powerful leaders.[1] We document that both the number and the percentage of highly ranked ("Super A") committees a Senator is assigned to is positively associated with the number of co-trades that the Senator had in the *prior* Congress in which they were the first trader (and thus the one who likely had the information to share). The extent of Super A committee assignments is also positively associated with the average co-trading profitability earned by those other Senators in the prior session (i.e., the second traders who likely received information).[2] These findings suggest that one career benefit associated with sharing information through interactions is an increase in the power of the Senator's position, either because sharing information conveys the Senator's expertise or because of a strategic "quid-pro-quo" relationship where one Senator provides private information in exchange for more exclusive committee assignments.

This paper contributes to several streams of literature. First, we contribute to the social finance literature that investigates information exchange through relationships and networks and its impact on individuals' trading activities (e.g., Cohen et al. (2008), (2010), Hong et al. (2004), (2005), Hvide and Östberg (2015), Pool et al. (2015), Hirshleifer (2020), Kuchler and Stroebel (2021), Han, Hirshleifer, and Walden (2022), Huang et al. (2021), Chi, Hung, Lin, and Tseng

[1] See "The Importance of Committees" at http://www.ushistory.org/gov/6c.asp.
[2] The career benefits we document are consistent with the sharing of valuable information and are not consistent with Senators' independent exposure to common information.

(2025), Hwang (2023)).[3] Our use of the physical location of each Senator's desk provides a powerful setting to detect the likelihood of interactions that can lead to the sharing of information by allowing us to identify who could plausibly communicate with whom. Further, the desk inhabited by each politician is rearranged regularly for reasons other than those related to stock trading, providing time-series variation in the likelihood that two Senators will interact (Chown and Liu (2015)). Our placebo tests also provide compelling support for causal interpretations.

We also contribute to this literature by documenting that word-of-mouth communication can lead to improved trading performance. In our setting, Senators who co-trade based on information likely received from a colleague earn significant abnormal returns. This finding contrasts with much of the literature that finds that word-of-mouth information tends to harm retail investors' stock market performance (e.g., Hvide and Östberg (2015), Huang et al. (2021), Chen and Hwang (2022), Hwang (2023)). The presence of significant abnormal returns suggests that in our setting, Senators are not biasing the information they share (in contrast to, e.g., Hirshleifer (2020) or Han et al. (2022)) but rather are conveying information that is useful for trading. One potential explanation for why our findings differ from prior studies is that we study a setting where networks have access to privileged political information.

We also contribute to this literature by examining the nature and source of information shared, as well as the motivations for sharing information. Our tests identify private information gleaned from policy developments and Congressional oversight as one source of information

[3] One branch of this literature uses shared social experiences as the proxy for interactions (e.g., Cohen et al. (2008), (2010), Hong et al. (2004)). Our study is more similar to a different branch of this literature that proposes that geographical proximity facilitates information transmission (e.g., Hong et al. (2005), Hvide and Östberg (2015), Pool et al. (2015), Huang et al. (2021), Chi et al. (2025)). Our paper complements this research by using a micro-level measure of proximity that captures how close two individuals sit at work, rather than broader measures such as the general co-location of individuals' homes or assignment to the same workplace or unit. Moreover, our study relying on changes in seat distance to identify changes in the extent of interactions.

being shared. Moreover, our results support the impression management motivation for sharing information by documenting that less powerful Senators are more likely to share information with their more powerful colleagues (Berger 2014). Further, our analysis of the assignment to higher ranking committees in the next Congress is the first empirical evidence illustrating career benefits for individuals relaying private, value-relevant information to a colleague.

Our analyses also contribute to the literature that investigates the benefits members of Congress earn through stock trading. This literature has examined two possible motives for Congressional trading: 1) building relationships with constituent firms (Tahoun (2014), Eggers and Hainmueller (2014)) and 2) profiting from privately acquired information (e.g., Ziobrowski, Cheng, Boyd, and Ziobrowski (2004), Ziobrowski, Boyd, Cheng, and Ziobrowski (2011), Stephan et al. (2021), Abdurakhmonov, Snider, Ridge, and Hasija (2023)). Our findings contribute to this second literature by suggesting that politicians not only trade on information obtained through their positions, but also communicate this information to other Senators, who in turn also trade. We further propose an additional self-interested incentive to engage in information sharing that complements the impression management motive: furthering one's own career.

Lastly, our study speaks to ongoing concerns that members of Congress benefit from information obtained through their political positions. The passage of the Stop Trading on Congressional Knowledge (STOCK) Act on April 4, 2012 made it illegal for members of Congress to trade stocks based on privileged political information obtained through their positions.[4] Since its passage, many have criticized that the Act did not go far enough, and that the

[4] Section 10(b) of the Securities Exchange Act of 1934 contains the regulations over insider trading, where "illegal insider trading refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, on the basis of material, nonpublic information about the security" (https://www.sec.gov/fast-answers/answersinsiderhtm.html). Those providing the material, nonpublic information (the "tipper") are also subject to prosecution by the SEC, even if they are unaware that the individual(s) (the "tippee") traded on the material, nonpublic information received. The SEC prosecutes approximately

lax ethics rules still allow members of Congress and their households to profit on privileged information (Bravender, Levinthal, Hall, and Wang (2021), Broadwater (2021), Metzger (2021), (2022), Walsh (2022), Werschkul (2022), Diaz (2022)). To address these concerns, several bi-partisan bills have been introduced in the House and Senate between 2021 and 2026 (e.g., S.564, H.R.1579, S.3504, S.3494, H.R.345, H.R.7008). If passed, these bills would prohibit members of Congress from trading in individual stocks, similar to the provisions in the AICPA code of conduct concerning auditors' investing in client stocks. While we are unable to pinpoint precisely the exact information being shared and thus are unable to determine if Senators are sharing and trading on information in violation of insider trading laws, the results we document would not be expected if the information being shared were public.[5] Thus, we believe the findings of our study could be informative for those considering legislation as one means to eliminate trading on privileged political information. Further, our evidence on the sharing of industry-level information suggests additional restrictions on trading in industry-level funds may be warranted.

II. Data and Descriptive Statistics

In this section, we describe the data and key variables we use to test the relation between Senator interactions and co-trading.

A. Congressional Trading Data

Each Senator is required to file a report annually with the Senate Office of Public Records to provide information about their personal finances and financial transactions. Senators

50 insider trading cases annually (Patel and Putnins (2023)). Although the STOCK Act made politicians subject to insider trading rules, it did not prohibit members of Congress from selectively releasing private political information (Christensen et al. (2017)).

[5] One possibility is that the politicians engaging in co-trades are simply combining multiple pieces of information that in isolation do not represent privileged information but collectively represent valuable information for trading (Cheynel and Levine (2020)). We are unable to fully rule out this mosaic of information explanation for our findings.

must provide a detailed listing of the purchase, sale, or exchange of individual stocks, mutual funds, and treasury bills, interest and dividends received, and information on other financial transactions. We obtain a list of Senators' individual stock and exchange-traded fund (ETF) purchases and sales from Stephan et al. (2021), which they extracted from the Center for Responsive Politics (CRP) and the Senate Office of Public records.[6] In our analysis, we focus on the period between April 5, 2012 and December 31, 2018. We begin our sample after the passage of the STOCK Act in April 2012 to ensure that the rules governing Congressional trading activities (1) do not change during our sample period, and (2) are relevant to the current environment. Our sample period ends in 2018 as that is the last year we have data on trading and congressional activity. Moreover, COVID-19 lockdown restrictions in the following election cycle limited in-person interactions. In our main analysis, we only use trades that are executed while Congress is in session as we are interested in the flow of information between Senators when they are most likely to interact.

B. Degree of Interaction Measure: Seating Proximity

Our proxy for interactions between each Senator pair is the physical distance between their two desks in the Senate Chamber.[7] As noted previously, we expect these interactions spur information sharing both within and outside the Senate Chamber (Chown and Liu 2015). As illustrated in Chown and Liu (2015), the area where Senators sit within the Chamber is roughly 12 meters by 24 meters and contains a desk (bolted to the floor) for each of the 100 Senators.[8]

[6] We thank the authors for sharing their dataset. In our analyses, we include transactions in individual stocks along with ETFs that focus on a specific industry. Other types of ETFs (e.g., market-index ETFs) are excluded from our analyses. All inferences hold if we do not include ETF transactions in our sample.

[7] We focus on the distance between desks in the Senate Chamber, instead of the relative location of the Senators' offices, based on the findings in Chown and Liu (2015) that seat distance in the Senate Chamber is associated with the likelihood that two Senators' co-sponsor bills, whereas office-location effects are not systematically associated with the likelihood of co-sponsoring legislation (Rogowski and Sinclair (2012)).

[8] The physical space within the Chamber is divided roughly equally between the two political parties, with Republicans sitting on the right side and Democrats sitting on the left side. After each election, desks are released for redistribution due to within-party

Senators pick their Chamber desk by seniority within each political party, and as a result, junior Senators often end up in the distal wings of the Chamber. While Senators generally prefer to sit "front and center in the Chamber" (Chown and Liu ((2015), p. 182)), Senators often have idiosyncratic reasons for desk assignments, which provides needed variation between seniority and seating assignments.[9] For example, Senator Kennedy always sat at the back of the Chamber to allow for easy access to the Cloakroom because of his back issues (Chown and Liu (2015)). Since elections occur every two years and each Senator serves a six-year term, a Senator will move locations multiple times during a single term, allowing variation in the distance between each pair of Senators. Furthermore, seating assignments can also change within a two-year window due to other circumstances (e.g., Senator deaths, resignations). Notwithstanding these considerations, Senators can influence where they sit, thereby raising a potential "reflection" problem where any observed co-trading is driven by endogenous desk choice rather than interpersonal communications. The fixed effects in our empirical design and falsification tests below mitigate this reflection concern (see Sections III.B and III.C).

Following Chown and Liu (2015), we obtain the physical location of each Senator's desk, as well as the beginning and end dates of the Senator's assignment to that desk, from the scale diagrams available at the Senate's website (see Appendix A for an example).[10] During our sample period, there are 14 different seating arrangements. Using Python, we transpose each Senator's desk location into Cartesian space, and use the coordinates to construct *ChamberDistance*, the distance between Senator *i* and Senator *j* in meters (see Chown and Liu

turnover (e.g., lost elections, retirements) or winning a seat from the other party. Once desk assignments are determined, the desks are unbolted from the floor, moved, and re-bolted to reflect the new party counts.

[9] Chown and Liu (2015) identify 102 Senators in their sample that are in the upper quartile of seniority and who consistently sit away from the center of the Chamber.

[10] The seating maps can be obtained from https://www.senate.gov/art-artifacts/decorative-art/furniture/senate-chamber-desks/chambermap.cfm.

(2015) for additional details). During this period, we find that an average of 13.67% of Senators change locations with a new seating arrangement, and of those Senators that move, the average change in location is 3.67 meters (untabulated).

Although we can obtain the physical location for every Senator's desk at any given point in time during our sample period, we eliminate Senators that do not engage in at least one trade of an individual stock during our sample period. We impose two additional requirements to identify information-based trades. First, to eliminate trades executed for liquidity purposes, we eliminate observations where the Senator traded in 10 or more individual stocks on a single day. Second, to eliminate trades that are part of a routine trading strategy, we follow Cohen, Malloy, and Pomorski (2012) and eliminate trades by a Senator in the same individual stock placed in the same calendar month for at least three consecutive years; our results are unchanged if we do not impose this requirement.[11] After imposing these requirements, our sample contains 445 Senator-year observations, representing 81 unique Senators and 5,114 trades. The fact that we do not have all 100 Senators represented in our sample each year is likely due to some Senators' holding their investments in blind trust, trading exclusively in mutual funds, or providing incomplete data (Stephan et al. (2021)).

To examine the relation between the distance between desks in the Senate Chamber and co-trading, we employ a dyad-trade level structure. Specifically, for each trade in our sample executed by a Senator (referred to as Senator *i*), we construct observations for each pairing of Senator *i* with every other Senator in our sample in that year (referred to as Senator *j*). The resulting sample used in our empirical analyses consists of the 307,427 dyad-trade level

[11] Cohen et al. (2012) studied corporate insiders who might need to liquidate regularly their large holdings in their employer for liquidity purposes. Senators may also have significant holdings in a single stock from their employer prior to public service (e.g., Senator David Perdue was the former CEO of Dollar General).

observations. Table 1 provides descriptive statistics for this sample. As shown in Table 1, the desks of two Senators are, on average, approximately 10.152 meters apart, consistent with the mean distance of 9.992 meters in Chown and Liu (2015).

[Insert Table 1 here.]

C. Politician Characteristics

For each politician in our sample, we construct measures of their seniority and oversight. Using data from Charles Stewart's website on Senate Membership, we define *Seniority* as the number of years that individual has been a member of the Senate.[12] The mean (median) level of *Seniority* for the 445 Senator-year observations in our sample is 10.744 (7.000) years (not tabulated).

We measure a Senator's oversight over a given industry using firm-level lobby reports from LobbyView.org. These reports provide both the identity of the firm and a code corresponding to the issue the firm is lobbying about. Using the crosswalk in Appendix A3 of Bertrand, Bombardini, and Trebbi (2014), we link the issue codes in each lobby report to the Senate committee with oversight over those issues and then link those lobby reports to individual Senators based on committee membership. We measure *HighOversight* as an indicator variable that equals one if the Senator has oversight for at least one of the top three most frequently lobbied issues in an industry, zero otherwise. As shown in Table 1, 59.4% of the Senators have oversight over the industry to which the traded firm belongs.

D. Outcome Measure of Information Flow: Co-Trading

We investigate an outcome of the flow of information between two Senators by examining whether two Senators whose desks are physically closer are more likely to execute

[12] Charles Stewart makes these data available at: http://web.mit.edu/17.251/www/data_page.html.

similar trades. We measure similarity in trading as executing stock trades in firms belonging to the same industry (based on Fama-French 12 industry classifications) within a short period of time.[13] We focus on trading at the industry level to measure similarity under the assumption that the private political information that Senators may possess is more likely to pertain to an entire industry rather than a single firm. The motivation for this assumption stems from the fact that the majority of legislation affects industries, and legislation is rarely drafted and enacted against a single firm (Cohen et al. (2013)). Thus, we define *CoTrade* as an indicator variable that equals one if Senator *j* trades a stock in the same industry within five trading days of a trade executed by Senator *i* for a stock in that industry, zero otherwise.[14] As shown in Table 1, the frequency of co-trading stocks within the same industry in the same five-day period is relatively rare; 2.4% of our dyad-trade level observations (or 7,523 observations) represent co-trades.

III. Empirical Results

A. Chamber Distance and Senator Co-Trades

To examine the association between the likelihood of co-trading stocks within the same industry and seat distance, we estimate the following linear probability model for our dyad-trade level sample:

$$CoTrade_{ij,t} = \alpha_0 + \alpha_1 ChamberDistance_{ij,t} + \alpha_2 SenioritySum_{ij,t} + \alpha_3 CoMembership_{ij,t} + \alpha_4 CoSponsorship_{ij,t} + Fixed\ Effects + e_{ij,t} \quad (1)$$

[13] In our analyses, we do not require both Senators to trade in the same direction (i.e., both buy or both sell) because industry-level information could represent good news for one firm in the industry and bad news for another, depending on the circumstances. For example, there were clear winners and losers within the healthcare industry during the health care reform debate. Similarly, environmental policies have differing implications for renewable and fossil fuel firms. Thus, it is possible that two Senators could use the same political information to execute trades in different stocks in opposite directions. With that said, we assessed the sensitivity of our findings to requiring both Senators to trade in the same direction and found qualitatively similar results.

[14] CRSP assigns the same SIC code (6726) to all ETFs. We manually classified each ETF into the appropriate Fama-French 12 industry classification based on its focus. As we are interested in industry-level trading, we retained industry-specific ETF trades and dropped broader market ETFs trades from the sample.

where *CoTrade* is an indicator variable equal to one if Senator *j* traded a stock in the same industry within 5 trading days of trade *k* executed by Senator *i* at time *t*, zero otherwise; and *ChamberDistance* is the distance between the desks of Senators *i* and *j* at time *t*. In estimating equation (1) and subsequent models, we divide Chamber distance by 1,000 for ease of interpretation. In equation (1), we expect α_1, the coefficient on *ChamberDistance,* to be negative if two Senators that sit closer together are more likely to co-trade stocks in the same industry.

Our primary tests use a linear measure of distance in contrast to other work where interactions are proxied by being located in the same city (Hong et al. (2005)) or neighborhood (as measured by Pool et al. (2015) as living within 2.6 normalized miles of each other or by Huang et al. (2021) as living within 3 miles of each other), working in the same plant (Hvide and Östberg (2015)), or being assigned to the same military unit (Chi et al. (2025)). In our setting, the physical space involved tends to be much smaller than in those studies. For robustness, we ensure our results hold using logarithmic or categorical measures of distance below.

Following Chown and Liu (2015), we include in equation (1) the following dyad-level characteristics at time *t*: the sum of seniority between Senators *i* and *j* (*SenioritySum*), the number of committees that Senators *i* and *j* both sit on (*CoMembership*), and the number of bills that Senators *i* and *j* both sponsor (*CoSponsorship*).[15] We also include Congress, stock, and Senator dyad fixed effects to control for spurious co-trades. The Congress fixed effects control for time-period factors correlated with co-trading, such as the health of the economy, which could influence trading by all Senators in general; the stock fixed effects control for time-invariant firm characteristics correlated with co-trading, such as whether the company is commonly traded by everyone (e.g., Apple); and Senator dyad fixed effects control for time-

[15] These variables control for co-trading as a result of exposure to common information rather than the sharing of information.

invariant characteristics of Senators *i* and *j* correlated with co-trading, such as whether both Senators are wealthy and simply trade more often. Also note that by including dyad fixed effects, our model estimation relies on variation in the seat distance between the same two Senators over time. The results from estimating equation (1) hold if we use alternative fixed effect structures and/or clustering approaches.[16]

Panel A of Table 2 provides the results for estimating equation (1). As shown in column 1, the estimated coefficient on *ChamberDistance* is -1.276, which is significant ($p < 0.01$). The negative coefficient indicates that the likelihood of co-trading in the same industry is significantly higher when Senators are more likely to interact (e.g., the distance between their desks in the Senate Chamber decreases). The coefficient on *ChamberDistance* remains significantly negative after we include politician-dyad control variables in addition to Congress, Senator dyad, and stock fixed effects (column 2). The results are similar when we measure distance using the logged value, *Ln(1+ChamberDistance)* (column 3). In column 4, we replace *ChamberDistance* with two categorical measures for distance; *ChamberDistance0-5m* (*ChamberDistance5-10m*) equals 1 if the two Senator's desks are 0 to 5 (5 to 10) meters apart, 0 otherwise. We find that the likelihood of co-trading increases when the two Senators sit within 5 meters of each other (coefficient on *ChamberDistance0-5m* = 0.007, $p < 0.01$).

[Insert Table 2 here.]

By contrast, the estimated coefficients on our control variables, *SenioritySum* and *CoMembership*, are insignificant. The insignificant coefficient on *CoMembership* is puzzling, as one would expect that sitting on more common committees would be more likely to increase co-

[16] In our sample, each trade by a Senator generates multiple observations, which capture whether any of the other Senators also trade in that industry shortly thereafter. Because these observations are clearly not independent of each other, we cluster the standard errors by trade. Our results are also robust to clustering the standard errors by stock or by Senator, or double clustering by trade and Senator. Our results are also robust to including dyad and trade fixed effects in lieu of dyad, Congress, and stock fixed effects.

trading. One possible explanation is that the variation in *CoMembership* is limited, reducing the power to detect an association between *CoTrade* and *CoMembership*.

In untabulated analyses, we assess the sensitivity of these results to the window used to identify co-trading. We continue to find a negative and significant coefficient on *ChamberDistance* if we shorten the window to 3 trading days (-0.995, t-statistic = -5.10, $p <$ 0.01) or expand the window to 10 trading days (-1.388, t-statistic = -5.08, $p < 0.01$).[17] This finding suggests that Senators who interact more (as proxied by sitting closer together in the Chamber) are more likely to share industry-related information that they in turn use to make trading decisions.

B. Chamber Distance and Senator Co-Trades Conditional on Party Affiliation

We further probe the association between seating proximity and co-trading conditional on the party affiliation of the Senator dyad. Prior work in social finance has documented homophily in social networks; that is, individuals prefer to interact with those who share their backgrounds, preferences, or beliefs (Pool et al. (2015), Huang et al. (2021), Hwang (2023)). Thus, we hypothesize that Senators who sit closer together and belong to the same political party are more likely to exchange information than Senators who belong to opposite political parties.[18] This hypothesis is also motivated by evidence on the increased polarization of U.S. Senators over time (Lewis, Poole, Rosenthal, Boche, Rudkin, and Sonnet (2021)), suggesting that Senators would be less likely to convey trading information outside their party lines.

To test this conjecture, we split our sample based on whether the two Senators in the dyad belong to the same political party, and re-estimate equation (1) on the two subsamples.

[17] Our results also hold if we expand the window to measure co-trading to 30 trading days (untabulated).
[18] Consistent with Senators in the same party interacting more, the mean of *CoSponsorship* is 40.96 (24.51) if the two Senators belong to the same (different) political parties ($p < 0.01$, untabulated).

Panels B and C of Table 2 provide the results of these estimations. As shown in Panel B, the estimated coefficient on *ChamberDistance* is significantly negative if the two Senators belong to the same political party.[19] The magnitude of the coefficient in column 1 indicates that as the two Senators' desks move one meter closer together, which is the average distance between a Senator's desk and their closest neighbor, the likelihood of co-trading increases by 0.18%. This effect represents a 7.86% increase in the unconditional likelihood of co-trading.[20] The negative coefficient also holds in column 3 when we consider a logged distance measure. Further, in column 4, the estimated coefficients on both categorical measures of distance (*ChamberDistance0-5m* and *ChamberDistance5-10m*) are both significant ($p < 0.01$) and increasing in magnitude as Senators sit closer together.

By contrast, when the two Senators belong to different political parties (Panel C), the estimated coefficient on any of the distance measures considered is insignificantly different from zero. Thus, our findings appear to be concentrated where the two Senators belong to the same political party. One potential concern is that these insignificant results are not driven by homophily but rather the fact that on average, two Senators sitting in the same political party sit closer together than two Senators sitting in different political parties.[21] However, the insignificant coefficient on *ChamberDistance0-5m* in Panel C indicates that two Senators of opposing political parties that sit within 5 meters of each other are not more likely to co-trade.

[19] To see if these results pertain to only one political party (e.g., Republican party), and not the other party (e.g., Democratic party), we further divide the subsample into Democrat co-trades and Republican co-trades. In untabulated analyses we find that the tenure of our results are unchanged for both parties.
[20] We calculated this percentage increase as 0.18% / 2.29%, where 2.29% is the mean of *CoTrade* in the same party subsample.
[21] The mean of *ChamberDistance* is 6.05 meters if the two Senators belong to the same political party, compared to 14.81 meters if they belong to different political parties ($p < 0.01$, untabulated). With the exception of the difference in *CoSponsorship* (discussed in footnote 18) and *ChamberDistance*, the mean and median of all other variables are similar across the two subsamples.

Thus, our insignificant results are consistent with a lack of homophily inhibiting information sharing across parties.

To provide additional support that the results in Table 2 are due to the sharing of information as proxied by micro-geographical proximity, we next perform a falsification test where we re-estimate equation (1) using trades executed when Congress is *not* in session. We maintain that the degree of Senator interactions as well as Senators' access to private political information from their legislative activities is lower when Congress is not in session. Thus, if our results are driven by unmodelled factors correlated with our proxy for interactions, we should continue to find *ChamberDistance* loading even when the Senators are not at their Chamber desks. In untabulated analyses, however, we find that the estimated coefficient on *ChamberDistance* is not significantly different from zero ($p > 0.10$) for trades executed when Congress is not in session. Although one limitation of this analysis is the smaller sample size (n = 6,309), this falsification test is consistent with the results in Table 2 being attributable to Senators sharing information related to legislative activities when they are more likely to interact with each other.

Taken together, the analyses in Table 2 are consistent with our conjecture that politicians who share similar ideological beliefs (as measured by party affiliation) are more likely to also share industry information that leads them to execute similar trades. Given that the results are concentrated for Senator dyads belonging to the same party, we focus on this subsample in subsequent analyses.

C. Identification: Campaign Re-Election

To provide even more persuasive evidence that our results capture information sharing, we next employ an identification strategy that exploits variation in the timing of Senator

elections to capture exogenous variation in likelihood a given Senator will be present in Washington DC. This test is designed to capture when the degree of interactions between a given pair of Senators is lower for exogenous reasons. An institutional characteristic of the U.S. Senate is that although Senators serve six-year terms, every two years a subset of Senators must go up for re-election. In the year before Senators face an upcoming re-election, they spend a greater amount of time in their home state to campaign for re-election, and thus less time in Washington DC (Chown and Liu (2015), Fenno (2002)).[22] These campaign-induced absences should reduce word-of-mouth interactions and thus the sharing of information. Therefore, if our results in Panels A and B of Table 2 are due to sharing of information, we expect the relation between seat proximity and co-trading to be mitigated within a Senator dyad when one or more of the Senators are campaigning.

An advantage of this analysis, relative to the not-in-session falsification test in Section III.B, is that only a subset of the Senator pairs is identified at any point in time as being likely away from the Senate Chamber. To perform this test, we augment equation (1) with an indicator variable, *EitherSenatorCampaigning* (*BothSenatorsCampaigning*), that equals 1 if year *t* is the last year of a six-year term for either (both) Senator(s) in the dyad and the trade occurs between November 1 of year *t*-1 and October 31 of year *t* (i.e., the 12 month window prior to the election).[23] We then interact this variable with our variable of interest, *ChamberDistance*. If our

[22] Consistent with this notion, Chown and Liu (2015) find that relation between *ChamberDistance* and the likelihood of co-sponsor legislation decreases when one or both Senators are up for re-election. We further corroborate the assumption that Senators are absent more often in the year prior to re-election by regressing the percentage of roll call votes that a Senator misses during the month on an indicator variable equal to one during the 12 months prior to when a Senator is up for re-election during that month (*Re-election*), Senator fixed effects, and Congress fixed effects, and we cluster standard errors by year-month. As expected, we find that the coefficient on *Re-election* is positive and significant (t= 2.31, $p < 0.05$, untabulated).

[23] All results hold if we use the period January 1 through October 31 of year *t* to indicate if the trade occurs when the Senator is more likely to be away from Washington DC due to election campaigning (untabulated).

prediction is correct, we expect the coefficient on the interaction term to be positive and significant.

Table 3 Panel A provides the results of this analysis for the same political party subsample. Consistent with Table 2, the estimated coefficient on *ChamberDistance* is negative and significant ($p < 0.01$). By contrast, in column 1, the coefficient on the interaction term, *ChamberDistance* × *EitherSenatorCampaigning,* is 0.704 (t = 2.51, $p < 0.05$), indicating that the negative association between seat proximity and the co-trading is attenuated when one Senator is likely away from Washington DC due to re-election campaigning. When both Senators are up for re-election and thus it is even more likely that at least one is not in Washington DC, we find that the negative association between seat proximity and co-trading is completely offset for these dyads. Specifically, in column 2, the coefficient on *ChamberDistance* × *BothSenatorsCampaigning,* is 1.976 (t = 2.38, $p < 0.05$), and the F-statistic testing if *ChamberDistance* + *ChamberDistance* × *BothSenatorsCampaigning* equals 0 is 0.02 ($p > 0.10$).

[Insert Table 3 here.]

To ensure that these findings are not due to a general reduction in trading activities when a Senator is campaigning for re-election, we examine whether the number of monthly trades executed by a Senator is lower when that Senator is busy campaigning. Specifically, we regress the raw number of trades (or the log of one plus the number of trades) executed by a Senator in a month on an indicator variable equal to one if the month falls within the 12 month window just prior when that Senator is up for re-election (*SenatorCampaigning)*, Senator fixed effects, and year-month fixed effects, and we cluster standard errors by Senator. In Panel B of Table 3, we find that the coefficient on *SenatorCampaigning* is not significantly different from zero ($p > 0.10$) regardless of the dependent variable used. This finding mitigates the concern that our

results in Panel A are driven by an overall lack of stock trading when a Senator is on the campaign trail.

IV. Nature and Source of Information

While the results in Tables 2 and 3 suggest that Senators who are more likely to interact share industry-related information that leads them to trade stocks, the results are silent on the nature and source of information shared. In this section, we perform two broad sets of tests to shed light on these issues. First, we examine whether our results are consistent with Senators' trading on public or private information. Second, we investigate variation in our results with different potential information sources available to Senators. Further, we utilize an identification strategy focusing on a single industry in short windows to support the inference that Senators share private information obtained through their political positions.

A. Nature of Information

The results in Tables 2 and 3 cannot distinguish whether the information shared that led to co-trading is publicly available or private. To investigate this question, we perform three sets of analyses. First, we construct measures of recent public news events and examine whether the propensity for two Senators who sit close to each other to trade stocks in the same industry varies cross-sectionally with these public news measures. Second, we examine whether the likelihood that two Senators who sit close to each other trade stocks in the same industry varies over time with the scrutiny Senators face. Third, we examine whether the profitability of co-trades executed by Senators is higher when the two Senators sit close to each other.

1. Publicly Available Information

One explanation for the results in Tables 2 and 3 is that Senators who interact with each other informally discuss recent news events which in turn leads each Senator to trade based on *publicly* available information. To examine if our results are consistent with the sharing of publicly available information, we construct two measures of news events based on the buy-and-hold abnormal return in the five trading days *before* Senator *i* trades. These proxies rely on the market incorporating any public, value-relevant news events in prices. The first measure, |*PastReturn*|, is the absolute value of the abnormal return over days (-5, -1) for the individual stock in which Senator *i* trades on day 0. The second, |*PastIndReturn*|, is the absolute value of the abnormal return for the industry over days (-5, -1) in which the stocks traded by Senators *i* and *j* belong. We then augment equation (1) with a main effect and an interaction effect for our measure of public news events. If Senators who sit closer together co-trade following significant public news events (as evidenced by a large magnitude of the abnormal firm-specific or industry return), we expect the interaction term to be negative.

Table 4 presents the results of this analysis. Regardless of whether a firm-specific (column 1) or industry-level (column 2) measure of news is used, the estimated coefficient on the interaction term with *ChamberDistance* is not significantly different from zero ($p > 0.10$).[24] These findings suggest that our results in Tables 2 and 3 are unlikely to be driven by the sharing of *public* information.

[Insert Table 4 here.]

[24] The interaction term remains insignificant if we instead use the signed buy-and-hold abnormal return (results not tabulated).

2. Scrutiny

We next examine whether time-series variation in the scrutiny faced by Senators influences the association between co-trading and Senator interactions. Based on the findings in Tahoun (2014), we predict that if Senators are trading on *private* information shared by a colleague, this behavior would be less likely in periods when Senators are under greater scrutiny by the Senate Ethics Committee. To capture such scrutiny, we gather data on alleged violations reported by the Senate Ethics committee.[25] From these Annual Reports of the Select Committee on Ethics, we collect the number of alleged violations and the number of preliminary inquiries in each year. The mean (median) number of alleged violations over our sample period is 73.57 (57.00), while the mean (median) number of preliminary inquiries conducted is 6.85 (5.00).[26] We use these time-series variables as our proxies for scrutiny.

To test our prediction, we include in equation (1) the main effect of scrutiny and the interaction of *ChamberDistance* and scrutiny.[27] Table 5 provides the results of this analysis. We consider two measures of scrutiny: the number of alleged violations (*AllegedViolations*) in each year or the number of preliminary inquiries (*PreliminaryInquiries*) conducted. For both scrutiny measures, we find that the main effect of scrutiny is significantly negative ($p < 0.01$), consistent with the likelihood of co-trading being lower when scrutiny is high. Further, the interaction term of scrutiny and *ChamberDistance* is positive and significant ($p < 0.01$) in both panels, indicating that the association between co-trading and the distance between two Senator's desks is

[25] Although we would like to identify specific Senators that faced scrutiny, the Senate Ethics Committee, in contrast to the House, does not release information about a given investigation. Rather, each year the Senate Ethics Committee releases a report with summary data on their activities for the year. We were unable to locate specific Senators in our sample under investigation from the three sources (Judicial Watch, the Citizens for Responsibility and Ethics in Washington, and the Office of Congressional Ethics) that Tahoun (2014) used to identify politicians in his sample under investigation for a possible ethics violation.
[26] In all preliminary inquiries conducted, the Ethics Committee always concluded no ethics violations occurred.
[27] Given that this scrutiny variable is an annual measure, we are unable to include time-period (e.g., Congress) fixed effects in this estimation.

mitigated when scrutiny is high. This finding corroborates our inferences from Table 4 and suggests that Senators share private information used for trading with other Senators that sit close to them on the Chamber floor.

[Insert Table 5 here.]

3. Private Information and Co-Trade Profitability

To provide further evidence supporting the sharing of private information, we examine the association between the profitability of co-trades and *ChamberDistance*. If Senator *i* shares information that is not yet reflected in price with a Senator that sits in close proximity that leads them to co-trade, we expect that the association between profitability of Senator *j*'s trades and *ChamberDistance* would be negative. Following Blackburne, Kepler, Quinn, and Taylor (2021) who examines the profitability of insider trading, we measure the profitability of the co-trades (*BHAR*) as the sum of the buy-and-hold market-adjusted return for purchases (buy-and-hold return times negative one for sales) over (0, +180), where day 0 is the date of the trade of the Senator in the dyad who trades second.

Panel A of Table 6 provides the mean and median *BHAR* conditional on whether the two Senators sit closer together than the median value of *ChamberDistance* in the same party subsample. This univariate analysis indicates that co-trades executed by Senators that sit closer together yield a mean (median) return of 1.1% (0.4%). This positive and significant average market-adjusted return contrasts with the average underperformance of all trades executed by members of Congress during the post-STOCK Act period (Belmont, Sacerdote, Sehgal, and Van Hoek (2022)). It also contrasts with the general finding that word-of-mouth communication tends to harm individual investors' stock performance (e.g., Hvide and Östberg (2015), Huang et al. (2021), Chen and Hwang (2022), Hwang (2023)). Further, compared to Senators that sit farther

apart, we find that Senator *j* earns roughly an incremental 1% return on co-trades when that Senator sits closer to Senator *i* ($p < 0.10$). Using hand collected data of the trade range selected on the forms that Senators file for their trading activities, we estimate that the co-trades executed by Senators that sit closer together generate an average gain of $819.49 over the 180 days after the trade, compared to an average loss from co-trades executed by Senators that sit further apart of -$4,331.14 (t-statistic = 2.96, $p < 0.01$, results not tabulated).[28] The average gain from co-trades executed by Senators that sit closer together increases to $2,378.91 when we only consider trades that are greater than $15,000.[29] These estimates are comparable to those reported in Stephan et al. (2021). They report that the average trade executed by a politician likely to have privileged access to a brokerage's sell-side research earns an incremental $33 ($680) in the 5 (365) days after the trade. Collectively, these findings suggest that while all trades executed by Senators may not be informed, the subset of co-trades executed by Senators that are more likely to interact appear to be based on private information that is shared.

[Insert Table 6 here.]

Panel B of Table 6 provides the results of the multivariate estimation of *BHAR* on *ChamberDistance* and fixed effects. Consistent with the results in Panel A, we find that the estimated coefficient on *ChamberDistance* is negative (-4.176, t = -2.25, $p < 0.05$).[30] In economic terms, these results suggest that when two Senators belong to the same party, the

[28] Senators are not required to report the exact number of shares traded or the dollar value of the trade in their mandatory filings. Rather, on the form, Senators must select a pre-specified range in which the dollar value of trade falls. We use the median of the range selected for each trade as a proxy for the dollar value of shares traded. We estimate the profitability of each co-trade as the median of the range times the 180-day buy-and-hold market-adjusted return for purchases (buy-and-hold market-adjusted return times negative one for sales).

[29] The vast majority of Senator trades reported are in the [$0-$1,000] or [$1,001-$15,000] range (see https://www.insiderfinance.io/congress-trades). In our sample of unique individual co-trades, 71.59% fall within these two brackets. The remaining 28.41% involve trades above $15,000, with the largest trades in our sample falling in the [$1,000,001–$5,000,000] range.

[30] In untabulated analyses, we find that the estimated coefficient on *ChamberDistance* is not significantly different from zero ($p > 0.10$) in the subsample where the two Senators belong to different political parties, consistent with the findings in Panel C of Table 2.

average profitability of their co-trades increases by 42 basis points for each meter closer together their seats move in the Senate Chamber. Given that some trades executed by politicians are done for reasons unrelated to trying to earn short-term trading profits (Tahoun (2014)), which should reduce the average profitability that we observe, these results seem reasonable and economically meaningful. Coupled with the findings in Tables 4 and 5, these results suggest that Senators belonging to the same party that sit close to each other share private information that results in more profitable co-trading.

To shed light on the nature of events that could lead to the evidence we document, we performed an in-depth investigation for an observation from our sample. On March 25, 2013, Senator Mark Begich (AK – D) executed a trade in the technology sector, earning an estimated 121.61% in buy-and-hold abnormal return in the subsequent 180 days. This trade followed a hearing for the Commerce, Science, and Transportation committee on which Senator Begich served. Specifically, on March 7, 2013, the Commerce, Science, and Transportation committee hearing debated the merits of developing a cybersecurity partnership between the private and public sector.[31] This hearing laid the groundwork for Senate Bill S. 1353 – Cybersecurity Enhancement Act of 2014, which was later introduced on July 24, 2013 and eventually signed into law on December 18, 2013.[32] On March 26, 2013, the day after Senator Begich's trade, Senator Kay Hagan (NC – D) also executed a trade in the technology sector, earning an estimated 23.8% in abnormal returns in the following 180 days. Both companies traded by Senators Begich and Hagan later received government contracts following the passage of the Cybersecurity Enhancement Act.[33] Neither Senator Begich nor Senator Hagan were connected to

[31] See https://www.commerce.senate.gov/2013/3/the-cybersecurity-partnership-between-the-private-sector-and-our-government-protecting-our-national-and-economic-security.
[32] See https://www.congress.gov/bill/113th-congress/senate-bill/1353/all-actions.
[33] For more information, see https://www.fpds.gov/ezsearch/fpdsportal.

the traded firms. Further, unlike Senator Begich, Senator Hagan did not belong to the Commerce, Science, and Transportation committee. However, both Senators sat close to each other in the same row on the Senate floor and would have used the same aisle to enter and exit the Chamber, suggesting that Senator Begich had the opportunity to share private information gleaned from the March 7, 2013 committee hearing with Senator Hagan through social interactions. This anecdote supports our inferences from Tables 4 to 6 that Senators share private information that leads them to co-trade. Further, it suggests that one possible reason we find improved stock market performance, in contrast with the general finding that retail investors do not benefit from word-of-mouth communications, is that we study a setting where professional networks have access to privileged political information (Kuchler and Stroebel (2021), Hwang (2023)). We next investigate whether the evidence is consistent with this source of information being shared.

B. Private Information Source: Committee Oversight

In this section, we examine a potential source of private information that varies across Senators and arises from a Senator's political position: information obtained through a Senator's committee assignments (Mehta and Zhao (2020), Mehta et al. (2020), Stephan et al. (2021)). In our tests, we consider the oversight of Senator *i*, the first Senator in the dyad that trades, under the assumption that the first Senator trading possesses information that they may share with their fellow Senators. We maintain that a finding that the relation between *CoTrade* and *ChamberDistance* is stronger when a Senator is more likely to have access industry related information is consistent with the source of that information being their position in Congress.[34]

[34] In untabulated tests, we also consider information obtained through political connections with individual firms (Wellman (2017), Jagolinzer, Larcker, Ormazabal, and Taylor (2020), Ovtchinnikov, Reza, and Wu (2020), Christensen, Morris, Walther, and Wellman (2023), Ferracuti, Michaely, and Wellman (2025)). We define *ConnectedFirm* as an indicator variable that equals one if the Senator received campaign contributions form a PAC sponsored by the firm in the twelve months before the trade, zero otherwise. In our sample, 8.8% of our dyad-trade observations correspond to the first Senator trading having connections with the firm whose underlying stock is traded. We include in equation (1) a main effect and an interaction term for *ConnectedFirm*. The

To examine the effect of committee oversight, we identify whether the first Senator trading in the Senator dyad (Senator *i*) serves on a committee that has a high degree of oversight over the industry in which the firm whose stock is being traded belongs. We define *HighOversight* as an indicator variable that equals 1 if the Senator sits on a committee that has oversight over at least one of the top three issues lobbied by this industry in that year, 0 otherwise. The results discussed below hold if we base this indicator variable on the top five issues lobbied by the industry (untabulated).

To examine the cross-sectional variation in the relation between *CoTrade* and *ChamberDistance* with oversight, we include in equation (1) a main effect and an interaction effect for *HighOversight*. Table 7 provides the results from this analysis. The estimated coefficient on the interaction term, *ChamberDistance* × *HighOversight*, is negative and significant ($p < 0.01$). These results indicate that the likelihood of two Senators co-trading is not only higher if they are more likely to interact, but even higher if the first Senator trading sits on a committee with oversight over that industry. This finding is consistent with the first trader sharing private information obtained through committee assignments.

[Insert Table 7 here.]

C. Identification: Committee Hearing Event Study

Our evidence so far supports the inference that Senators share private information they obtain from their committee assignments for trading purposes. While we are unable to rule out all possible explanations for the significant associations we document, our results in Tables 2 through 7 include numerous fixed effects to control for unmodeled factors that could influence our results. Notably, with the inclusion of dyad fixed effects, we rely on *changes* in the distance

estimated coefficient on *ChamberDistance* × *ConnectedFirm* is not significantly different from zero, suggesting that connections to firms within an industry are not the source of the information shared.

between two Senators to document the effect of changes in the degree of interactions on co-trading. Thus, any omitted variable must be correlated with the change in seat distance between two Senators to account for our findings. Moreover, the documented cross-sectional and time-series variation in Tables 5 and 7 mitigates the concern that a common information shock drives Senators to trade in similar stocks. In this subsection we provide additional support for our inferences by focusing on trading following specific committee hearing dates. In contrast to our prior analyses, the benefit of these analyses is that we can identify the specific Senators that had access to those hearings, the stocks that are potentially affected by the hearings, and trading by Senators in the affected stocks. These features provide a strong setting to identify the transfer of information obtained from committee assignments between two Senators.

For these tests, we focus on the activities of the Energy and Natural Resources Committee of the Senate because the firms affected by the actions of this committee can be reasonably identified (those belonging to the energy industry). Further, during our sample period there were numerous Congressional actions related to this industry, making it a fruitful setting to examine trading on shared political information. We hand-collect hearing dates for this committee from the official website of the Senate Committee on Energy and Natural Resources and membership of this committee over our sample period from Charles Stewart's website.[35] Using this sample, we examine whether two Senators who sit closer together are more likely to co-trade in energy stocks shortly after an Energy and Natural Resources Committee hearing if the first Senator trading is a member of the Energy and Natural Resources Committee. To test this, we estimate the following model:

[35] https://www.energy.senate.gov/hearings.

$$
\begin{aligned}
EnergyCoTrade_{ij,t} = {} & \beta_0 + \beta_1 ChamberDistance_{ij,t} + \beta_2 EHearingWindow + \\
& \beta_3 ChamberDistance \times EHearingWindow + \beta_4 ECommitteeMember + \\
& \beta_5 ChamberDistance \times ECommitteeMember + \\
& \beta_6 EHearingWindow \times ECommitteeMember + \\
& \beta_7 ChamberDistance \times EHearingWindow \times ECommitteeMember + \\
& \beta_8 SenioritySum_{ij,t} + \beta_9 CoMembership_{ij,t} + \\
& \beta_{10} CoSponsorship_{ij,t} + Fixed\ Effects + e_{ij,t}
\end{aligned}
\tag{2}
$$

where *EnergyCoTrade* is measured the same as our *CoTrade* measure before, except it only equals one when two Senators co-trade in the energy industry (according to Fama-French 12 industry classification), zero otherwise; *EHearingWindow* is an indicator variable equal to one if the trade by Senator *i* (i.e., the first trader) occurred within 10 trading days following a hearing date of the Energy and Natural Resources Committee; and *ECommitteeMember* is an indicator variable equal to one if Senator *i* (i.e., the first trader) is a member of the Energy and Natural Resources committee at time *t*. This model allows us to compare the likelihood of co-trading in energy stocks during a specified window conditional on access to privileged hearing information. Specifically, our variable of interest is the three-way interaction; we predict that the coefficient on *ChamberDistance* × *EHearingWindow* × *ECommitteeMember* is negative if the likelihood of co-trading in energy-related stocks is higher during the short window after an Energy and Natural Resources Committee hearing for two Senators who sit closer together if the first Senator trading is a member of the Energy and Natural Resources Committee.

Table 8, column 1 provides the results from estimating equation (2). As predicted, the estimated coefficient on *ChamberDistance* × *EHearingWindow* × *ECommitteeMember* is negative and significant for co-trades occurring shortly after a committee hearing date (-0.542, t = -2.29, $p < 0.05$). In economic terms, this result suggests that when two Senators move one desk closer together, the likelihood of co-trading in energy stocks after a committee hearing increases by 26.92% when the first Senator trading is on that committee relative to when that Senator is

not on that committee. One possible explanation for this finding is that both Senator *i* and *j* serve on the Energy and Natural Resources Committee and simply receive common information from those committee meetings, which they did not share with each other, but instead independently traded on that common information. To rule out that alternative explanation, the estimation in column 2 further requires that second Senator trading is not a member of the Energy and Natural Resources committee. We continue to find that the estimated coefficient on *ChamberDistance* × *EHearingWindow* × *ECommitteeMember* is negative and significant in column 2. The results of these analyses indicate that Senators who sit closer together are more likely to co-trade in energy stocks shortly after an Energy and Natural Resources Committee hearing if the first Senator trading is a member of the Energy and Natural Resources Committee. These findings provide support for our inference that Senators share information gleaned from their positions in Congress.

[Insert Table 8 here.]

If these findings are driven by sharing information obtained from the energy committee hearings, these results should *not* hold if we instead were to examine co-trading in non-energy industries after these same energy committee hearings. To investigate this, we perform a falsification test in columns 3 and 4 of Table 8, where we replace the dependent variable with *NonEnergyCoTrade*, an indicator variable that equals one if both Senators co-trade stocks in any industry other than the energy industry, zero otherwise. We find that the estimated coefficient on *ChamberDistance* × *EHearingWindow* × *ECommitteeMember* is insignificant, as expected. This insignificant finding holds regardless of whether the second Senator is on the Energy and Natural Resources committee. This null result is consistent with the co-trading in energy-related stocks

documented in columns 1 and 2 being attributable to the information Senator *i* obtained from the committee hearing and sharing it with Senator *j*.

V. Motivations to Share Information

The results in Section IV suggest that Senators of the same party who sit close together on the Chamber floor share private information gleaned from their political positions that they use in trading. A natural question is what motivates Senators to engage in this behavior? One motivation identified by prior literature on word-of-mouth communication is impression management. Under impression management, individuals share information to garner status and to signal their expertise and that they are "in the know" (Berger (2014), Hwang (2023)). In this section, we examine if there is evidence consistent with Senators sharing information in an attempt to signal expertise and gain status with other Senators. We also examine if there are any career benefits associated with sharing private, value-relevant information with colleagues.

A. Currying Favor with Powerful Senators

We begin to explore potential reasons for why a Senator might share information with other Senators by examining if there is evidence consistent with Senators sharing information in an attempt to curry favor and establish stronger relationships with other Senators. To do so, we examine cross-sectional variation in the relation between co-trading and seat proximity based on the relative power of the two Senators in the dyad. Following Cooper et al. (2010), we use data from Charles Stewart's website on committee membership and measure the power of each Senator *i* in year *t* based on the Senator's committee rankings, incumbent status, and relative

voting power.[36] The mean (median) of *Power* in our sample of 445 Senator-year observations is 16.78 (10.41) (not tabulated). We calculate the difference in *Power* between the two Senators in the dyad (*PowerDiff*) to measure the relative difference in power in that year. Since *PowerDiff* is defined as Senator *i*'s power minus Senator *j*'s power, *PowerDiff* is negative if Senator *i* is less powerful than Senator *j*. The mean (median) difference is power is -3.487 (-1.795) in our dyad-trade level sample (not tabulated), indicating that, on average, the Senator that first executes the trade in our sample is less powerful than the second Senator in the dyad.

If a Senator engages in information sharing in order to curry favor with more powerful colleagues, we expect that the association between co-trading and seat proximity would be stronger when the first Senator trading (that is, the Senator with information) is less powerful than the Senator that subsequently trades on the information that was shared. This reasoning would lead to a positive coefficient on *ChamberDistance* × *PowerDiff*.

Panel A of Table 9 provides the results of this analysis. Consistent with our predictions, we find that the association between *CoTrade* and *ChamberDistance* is stronger when the Senator in possession of the information (Senator *i*) has lower power than the second trader (Senator *j*). Specifically, the coefficient on *ChamberDistance* × *PowerDiff* is 0.035 (t = 2.07, $p < 0.05$). This finding suggests that one reason information sharing occurs is that a less powerful Senator is trying to curry favor and gain status with a more powerful Senator. We examine a benefit of sharing information with more powerful Senators next.

[Insert Table 9 here.]

[36] We calculate $Power_{it}$ as $\frac{NCV_{it}}{NOV_{it}} \times \left[\sum_{m=1}^{M} \frac{Median\ committee\ rank_{mt}}{Committee\ rank_{mt}}\right]_i$ where NCV_{it} is the number of votes that candidate *i*'s party holds in office at time *t*; NOV_{it} is the number of votes that candidate *i*'s opposing party holds in office at time *t*, *Median committee rank*$_{mt}$ is the median number of members on a given committee *m* of which candidate *i* is a member, and *Committee rank*$_{mt}$ is candidate *i*'s rank on committee *m* (see Christensen et al. (2017)).

B. Career Benefits Associated with Information Sharing

In this section, we posit that sharing private information used for trading is one way in which a Senator can garner status and signal their expertise in order to benefit their careers at some point in the future. One potential benefit is an increase in their assignments to highly ranked committees. In the Senate, there are 20 permanent committees and four joint committees (in addition to the occasional temporary committee), whose membership is roughly allocated between political parties based on the percentage of representation in the Senate. Prior to the start of each Congress, the leaders of the party conferences determine committee assignments. The Senate committees are divided into three categories (Class A, B, and C) based on relative importance. The most important and exclusive of the Class A committees are referred to as the "Super A" committees.[37]

We examine whether Senators who are likely to have shared value-relevant information with other Senators have a greater amount of their committee assignments in the next Congress on the most important committees. We use two variables to measure the extent of a Senator's committee assignments on the highest ranked committees. The first is the number of Super A committees that the Senator is assigned to in the next Congress (*SuperA#*). The second measure is the number of Super A committees as a percentage of their total number of committees that the Senator is assigned to in the next Congress (*SuperA%)*.

We consider two measures of the extent of value-relevant information sharing by Senators. The first measure, *CoTradeScaled,* is the number of co-trades with Senators in their party in the prior Congress in which they were the first trader (e.g., Senator *i*) divided by the total

[37] Super A committees include Appropriations, Armed Services, and Finance (the Republican Conference also includes Foreign Relations as a Super A committee). Additional detail on the committees and assignments is available at https://www.senate.gov/artandhistory/history/common/briefing/Committees.htm#3.

number of individual trades executed by that Senator in the prior Congress. The second measure, *CoTradeOtherProf*, is the average profitability earned by all Senators *j* from co-trades executed with Senator *i* in the prior Congress.[38] In other words, this measure captures the extent to which the first Senator initiated trades that actually generated profits for the second trader. We maintain that if the second trader is making money on the trades, then the second trader is more likely to have an incentive to help the first trader obtain a more exclusive committee assignment. Using these measures, we then estimate the following model:

$$SuperA_{i,t} = \gamma_0 + \gamma_1 CoTradeMeasure_{i,t-1} + \gamma_2 Seniority_{i,t-1} + \gamma_3 NumCommittee_{i,t-1} + \gamma_4 CommitteeScore_{i,t-1} + Fixed\ Effects + e_{i,t} \quad (3)$$

In addition to including Congress fixed effects to control for time-period factors, we also include controls for other factors that may affect the percentage of highly ranked committees a Senator is assigned to. These variables include *Seniority*, as more senior Senators may have gained greater insights from their experience and thus are more likely to be assigned to more exclusive committees; *NumCommittee*, as the number of committees on which the Senator sits at the end of the previous Congress may reflect their knowledge, power, and influence; and the ranking of the committees they previously served on, as measured by *CommitteeScore*.[39] Since equation (4) examines the assignment of committees in the next Congress based on their co-trading and committee characteristics in the prior Congress, we are only able to include returning Senators in the estimation.

Panel B of Table 9 provides the results from these estimations. As predicted, the estimated coefficient on *CoTradeScaled* in is positive and significant in column 1 for *SuperA#* (0.031, t = 1.70, $p < 0.10$) and in column 2 for *SuperA%* (0.011, t =2.01, $p < 0.05$). We find

[38] In situations where a Senator generates zero co-trades, we set *CoTradeScaled* and *CoTradeOtherProf* to zero.
[39] In this sample, the mean (median) value of *CommitteeScore* is 2.85 (2.80), reflecting that Senators on average sit on 0.25 Super A committees and 2.01 Class A committees (results not tabulated).

stronger results where we measure the extent of information sharing as the average profitability earned by other (i.e., second) Senators executing co-trades in the prior Congress. In column 3 (column 4), the estimated coefficient on *CoTradeOtherProf* is 1.850 (0.475) ($p < 0.01$) after including control variables and Congress fixed effects.

The estimations in Panel B include characteristics of Senators from their time in Congress to control for factors, such as expertise, that likely influence their assignments to Super A committees. In Panel C, we also include controls for characteristics of Senators' educational achievements and employment before they served in Congress. To do so, we reviewed each Senator's biographical sketch and created a series of indicators for educational achievements (i.e., whether the Senator had earned a graduate degree), amount of prior work experience (as proxied by the Senator's age when first elected to Congress), and area of prior work experience (as proxied by the field(s) of the Senator's prior work experience).[40] The estimated coefficient on *CoTradeScaled* becomes insignificant in column 1 when we use *SuperA#* as the dependent variable, but remains significant in column 2 for *SuperA%* (0.009, t = 1.73, $p < 0.10$). As in Panel B, the results are stronger when we consider *CoTradeOtherProf*; the estimated coefficient in column 3 (column 4) is 1.595 (0.384) ($p < 0.05$). Thus, our measures of the extent to which Senators share value-relevant information remain significant determinants of being appointed to the most highly ranked committees even after controlling for proxies of Senators' expertise and experience.

Taken together, these results suggest that Senators who share information that is used in trading benefit by being assigned to the highest ranked committees in the next Congress. There

[40] The biographical sketches are available at bioguide.congress.gov. We coded indicator variables for the following twelve fields of prior work experience: law, military, business, farming, education, medical, social work/non-profit, real estate, entertainment, finance/banking, government, and engineering.

are two possible explanations for this finding. One, consistent with the impression management motivation, is that Senators signal their expertise and gain status by sharing information, and Senators who are viewed as experts are more likely to be assigned to more exclusive committees. An alternative explanation is that there is a strategic "quid-pro-quo": Senators are willing to share private insights on an industry's near-term future with their colleagues who earn abnormal returns from trading on that privileged information. In turn, Senators that share information are rewarded with committee assignments that give these Senators positions of greater influence. While the collective evidence is more consistent with strategic motivations, we are unable to completely rule out that impression management plays a part in explaining why Senators share information.

VI. Conclusion

This study examines the role of social interactions between U.S. Senators in stock trading decisions. We find that Senators are more likely to co-trade in the same industry when they are more likely to interact (as measured by how close they sit together on the Senate Chamber floor). To provide support for our inferences, we employ an identification strategy based on campaigning prior to re-election to capture exogenous variation in the likelihood Senators interact and share information related to legislative activities, and a falsification test on trades executed when Congress is not in session. We also find no evidence that the association between seat proximity and co-trading varies with recent public news, but this association does vary systematically with the degree of scrutiny faced by Senators for ethics violations. Further, the profitability of co-trades is greater when Senators sit closer together. Taken together, these findings suggest that Senators share private information with Senators that sit in close proximity.

Further, we document cross-sectional variation in the association between seat proximity and co-trading with Senatorial committee oversight, consistent with the source of this private information being industry information obtained from their committee work. This inference is supported by an event study analysis examining co-trading in energy stocks in a short window after Senate Energy and Natural Resources committee hearings. We also examine motivations for why Senators share information. Our evidence suggests that Senators share information to curry favor with more powerful Senators. We also document a career benefit from engaging in these activities: the assignment to more highly ranked committees. This result is the first evidence on the career-related benefits of engaging in information sharing in the social finance literature.

References

Abdurakhmonov, M.; R. E. Snider; J. W. Ridge; and D. Hasija. "Perceptions of Political Self-Dealing? An Empirical Investigation of Market Returns Surrounding the Disclosure of Politician Stock Purchases." *Strategic Management Journal*, 44 (2023), 1168-1198.

Belmont, W.; B. Sacerdote; R. Sehgal; and I. Van Hoek. "Do Senators and House Members Beat the Stock Market? Evidence from the STOCK Act." *Journal of Public Economics*, 207 (2022), 104602.

Berger, J. "Word of Mouth and Interpersonal Communication: A Review and Directions for Future Research." *Journal of Consumer Psychology*, 24 (2014), 586-607.

Bertrand, M.; M. Bombardini; and F. Trebbi. "Is it Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process." *American Economic Review*, 104 (2014), 3885–3920.

Blackburne, T.; J. Kepler; P. Quinn; and D. Taylor. "Undisclosed SEC Investigations." *Management Science*, 67 (2021), 3403-3418.

Bravender, R.; D. Levinthal; M. Hall; and A. Wang. "Members of Congress Publicly Blast Facebook but Quietly Invest their Savings in the Social-Media Giant." *Business Insider*, (2021), Available at: https://www.businessinsider.com/congress-holding-stocks-facebook-twitter-disney-fox-news-2021-12.

Broadwater, L. "Ethics Investigators in Congress Increasingly Run into Walls." *The New York Times*, (2021), Available at: https://www.nytimes.com/2021/12/28/us/politics/congress-ethics-investigations.html.

Chen, H., and B. Hwang. "Listening in on Investors' Thoughts and Conversations." *Journal of Financial Economics*, 145 (2022), 426-444.

Cheynel, E., and C. Levine. "Public Disclosures and Information Asymmetry: A Theory of the Mosaic." *The Accounting Review*, 95 (2020), 79-99.

Chi, C.; T. Hung; M. Lin; and K. Tseng. "Social Influence on Household Equity Investment: Evidence from Randomized Military Drafts." Working Paper, Academia Sinica (2025).

Chown, J., and C. Liu. "Geography and Power in an Organizational Forum: Evidence from the U.S. Senate Chamber." *Strategic Management Journal*, 36 (2015), 177-196.

Christensen, D. M.; M. Mikhail; B. R. Walther; and L. A. Wellman. "From K Street to Wall Street: Political Connections and Stock Recommendations." *The Accounting Review*, 92 (2017), 87-112.

Christensen, D. M.; A. Morris; B. R. Walther; and L.A. Wellman. "Political Information Flow and Management Guidance." *Review of Accounting Studies*, 28 (2023), 1466-1499.

Cohen, L.; K. Diether; and C. Malloy. "Legislating Stock Prices." *Journal of Financial Economics*, 110 (2013), 574-595.

Cohen, L.; A. Frazzini; and C. Malloy. "The Small World of Investing: Board Connections and Mutual Fund Returns." *Journal of Political Economy*, 116 (2008), 951-979.

Cohen, L.; A. Frazzini; and C. Malloy. "Sell Side School Ties." *Journal of Finance*, 65 (2010), 1409–1437.

Cohen, L.; C. Malloy; and L. Pomorski. "Decoding Inside Information." *Journal of Finance*, 67 (2012), 1009-1043.

Cooper, M. J.; H. Gulen; and A. V. Ovtchinnikov. "Corporate Political Contributions and Stock Returns." *Journal of Finance*, 65 (2010), 687-724.

Diaz, D. "Ossoff, Hawley Introduce Bills that Would Ban Lawmakers from Trading Stocks." *CNN*, (2022), Available at: https://www.cnn.com/2022/01/13/politics/lawmakers-jon-ossoff-josh-hawley-ban-stocks-trading-office/index.html

Eggers, A., and J. Hainmueller. "Political Capital: Corporate Connections and Stock Investments in the U.S. Congress, 2004-2008." *Quarterly Journal of Political Science*, 9 (2014), 169-202.

Fama, E., and K. French. "Common Risk Factors in the Returns on Stocks and Bonds." *Journal of Financial Economics*, 33 (1993), 3-56.

Fenno, R. *Home Style: House Members in Their Districts.* Boston, MA: Longman Publishing Group (2002).

Ferracuti, E.; R. Michaely; and L. A. Wellman. "Political Activism and Market Power." *Journal of Financial and Quantitative Analysis*, 60 (2025), 2879-2920.

Han, B.; D. Hirshleifer; and J. Walden. "Social Transmission Bias and Investor Behavior." *Journal of Financial and Quantitative Analysis*, 57 (2022), 390-412.

Harmon, N.; R. Fisman; and E. Kamenica. "Peer Effects in Legislative Voting." *American Economic Journal: Applied Economics*, 11 (2019), 156-180.

Hirshleifer, D. "Presidential Address: Social Transmission Bias in Economics and Finance." *Journal of Finance*, 65 (2020), 1779-1831.

Hong, H.; J. Kubik; and J. Stein. "Social Interaction and Stock-Market Participation." *Journal of Finance*, 59 (2004), 137-163.

Hong, H.; J. Kubik; and J. Stein. "Thy Neighbor's Portfolio: Word-of-Mouth Effects in the Holdings and Trades of Money Managers." *Journal of Finance*, 60 (2005), 2801-2824.

Huang, S.; H. Hwang; and D. Lou. "The Rate of Communication." *Journal of Financial Economics*, 141 (2021), 533-550.

Hvide, H., and P. Östberg. "Social Interaction at Work." *Journal of Financial Economics*, 117 (2015), 628-652.

Hwang, B. "The Impact of Word-of-Mouth Communication on Investors' Decisions and Asset Prices." In *Handbook of Financial Decision-Making*, G. Hilary and D. McLean, eds. Northampton, MA: Edward Elgar Publishing Inc. (2023), 171-191.

Jagolinzer, A.; D. Larcker; G. Ormazabal; and D. Taylor. "Political Connections and the Informativeness of Insider Trades." *Journal of Finance*, 75 (2020), 1833-1876.

Kuchler, T., and J. Stroebel. "Social Finance." *Annual Review of Financial Economics*, 13 (2021), 37-55.

Lewis, J. B.; K. Poole; H. Rosenthal; A. Boche; A. Rudkin; and L. Sonnet. *Voteview: Congressional Roll-Call Votes Database*, (2021), Available at: https://voteview.com/.

Masket, S. "Where You Sit is Where You Stand: The Impact of Seating Proximity on Legislative Cue Taking." *Quarterly Journal of Political Science*, 3 (2008), 301-311.

Mehta, M. N.; S. Srinivasan; and W. Zhao. "The Politics of M&A Antitrust." *Journal of Accounting Research*, 58 (2020), 5-53.

Mehta, M. N., and W. Zhao. "Politician Careers and SEC Enforcement Against Financial Misconduct." *Journal of Accounting and Economics*, 69 (2020), 101302.

Metzger, B. "Pelosi Rejects Stock-Trading Ban for Members of Congress." *Business Insider*, (2021), Available at https://www.yahoo.com/news/pelosi-rejects-stock-trading-ban-170954629.html.

Metzger, B. "House Majority Leader Steny Hoyer Says He's 'Not Sure that it's Necessary' to Ban Lawmakers from Stock Trading Because Insider Trading is Already Illegal." *Business Insider*, (2022), Available at: https://www.businessinsider.com/steny-hoyer-not-sure-necessary-ban-lawmakers-trading-stock-2022-1

Ovtchinnikov, A. V.; S. W. Reza; and Y. Wu. "Political Activism and Firm Innovation." *Journal of Financial and Quantitative Analysis*, 55 (2020), 989-1024.

Patel, V., and T. Putnins. "How Much Insider Trading Happens in Stock Markets?" Working Paper, University of Technology Sydney (2023).

Pool, V.; N. Stoffman; and S. Yonker. "The People in your Neighborhood: Social Interactions and Mutual Fund Portfolios." *Journal of Finance*, 70 (2015), 2679-2731.

Rogowski, J., and B. Sinclair. "Estimating the Causal Effects of Social Interaction with Endogenous Networks." *Political Analysis*, 20 (2012), 316-328.

Stephan, A.; B. Walther; and L. Wellman. "Profiting From Connections: Do Politicians Receive Stock Tips from Brokerage Houses?" *Journal of Accounting and Economics*, 72 (2021), 101401.

Tahoun, A. "The Role of Stock Ownership by US Members of Congress on the Market for Political Favors." *Journal of Financial Economics*, 111 (2014), 86–110.

Walsh, D. "A Push to Ban Members of Congress from Trading Individual Stocks Gains Momentum." *National Public Radio*, (2022), Available at: https://www.npr.org/2022/01/19/1073865837.

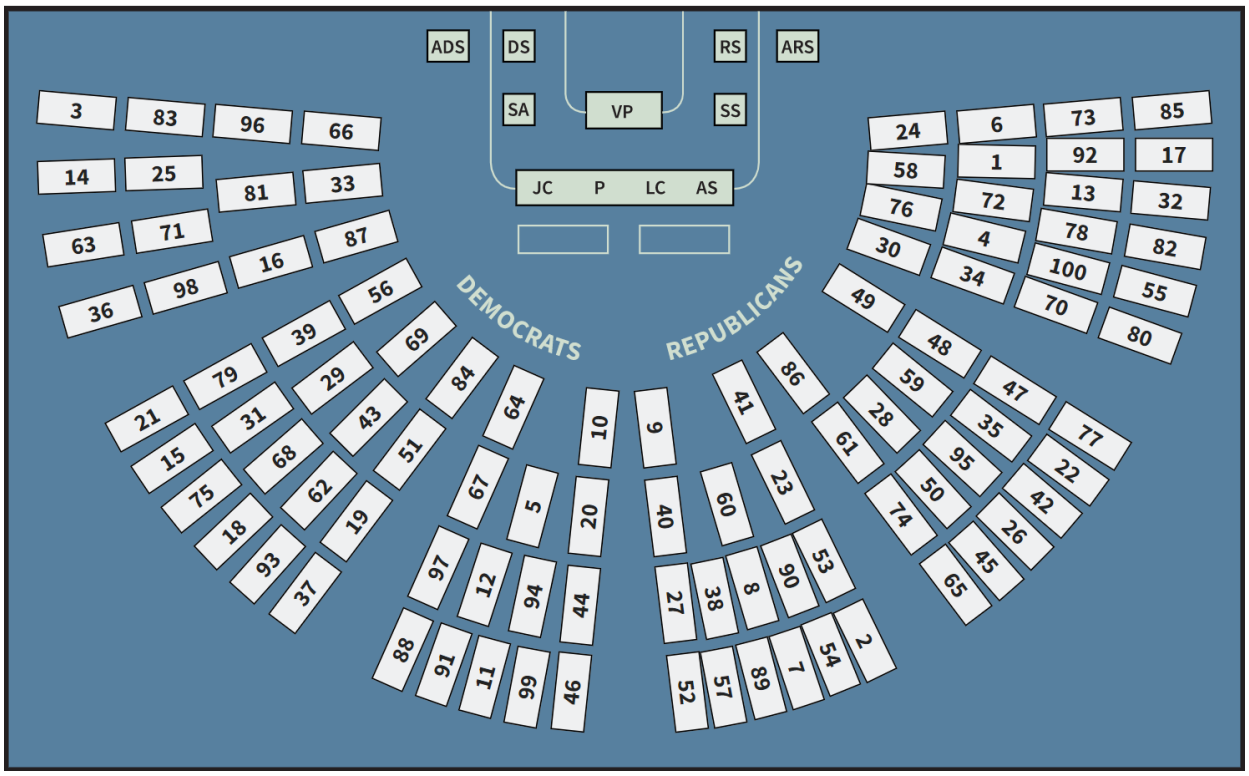
Wellman, L. "Mitigating Political Uncertainty." *Review of Accounting Studies*, 22 (2017), 217-250.

Werschkul, B. "Sen. Kelly: The Insider Trading Happening in Congress is 'Not Right'." *Yahoo Finance*, (2022), Available at: https://www.yahoo.com/finance/news/sen-kelly-the-insider-trading-happening-in-congress-is-not-right-152331646.html.

Ziobrowski, A.; P. Cheng; J. Boyd; and B. Ziobrowski. "Abnormal Returns from the Common Stock Investments of the U.S. Senate." *Journal of Financial and Quantitative Analysis,* 39 (2004), 661-676.

Ziobrowski, A.; J. Boyd; P. Cheng; and B. Ziobrowski. "Abnormal Returns from the Common Stock Investments of Members of the U.S. House of Representatives." *Business and Politics*, 13 (2011), 1-22.

Appendix A
Example of Senate Seating Diagram
114th Congress. First Session (January 6, 2015 to December 18, 2015)



Appendix B
Variable Definitions

Variable	Definition	Data Source
AllegedViolations	The number of alleged violations of Senate rules received in a Congress.	Select Committee on Ethics
BHAR	The 180-day buy-and-hold market-adjusted return for a purchase and the 180-day buy-and-hold market-adjusted return times negative one for a sale.	CRSP
BothSenators Campaigning	An indicator variable that equals one if both Senator *i* and Senator *j* are in the last year of their six-year terms in year *t*, and the trade occurs between November 1 of year *t*-1 to October 31 of year *t*, zero otherwise.	Charles Stewart
ChamberDistance	The geographical distance between Senators *i* and *j* in the Senate Chamber.	Senate.gov
ChamberDistance0-5m	An indicator variable that equals one if *ChamberDistance* is less than 5 meters, zero otherwise.	Senate.gov
ChamberDistance5-10m	An indicator variable that equals one if *ChamberDistance* is between 5 and 10 meters, zero otherwise.	Senate.gov
CoMembership	The number of committees that Senators *i* and *j* both sit on in a Congress.	Charles Stewart
CommitteeScore	The average committee score for each Senator. Super A, other Class A, Class B, and Class C committees were assigned a score of 4, 3, 2, and 1, respectively.	Charles Stewart
CoSponsorship	The number of bills that Senators *i* and *j* sponsored together in a Congress.	LobbyView
CoTrade	An indicator variable equal to one if Senator *j* trades a stock in the same industry that Senator *i* traded within 5 trading days, zero otherwise.	CRP
CoTradeOtherProf	Average of the total profitability earned by all Senators *j* from co-trades executed with Senator *i* in the prior Congress.	CRSP
CoTradeScaled	The number of co-trades with Senators in their party in the prior Congress in which they were the first trader divided by the total number of individual trades executed by that Senator in the prior Congress.	CRP

Appendix B (continued)
Variable Definitions

Variable	Definition	Data Source
ECommitteeMember	An indicator variable equal to one if Senator *i* is a member of Energy and Natural Resources committee in year *t*, zero otherwise.	Charles Stewart
EHearingWindow	An indicator variable equal to one if Senator *i* trades 10 trading days following a hearing date of the Energy and Natural Resources Committee, zero otherwise.	Energy and Natural Resources Committee
EitherSenator Campaigning	An indicator variable that equals one if either Senator *i* or Senator *j* is in the last year of their six-year term in year *t*, and the trade occurs between November 1 of year *t*-1 to October 31 of year *t*, zero otherwise.	Charles Stewart
EnergyCoTrade	An indicator variable equal to one if Senator *j* trades a stock in the energy industry within 5 trading days after Senator *i* traded an energy stock, zero otherwise.	CRP
HighOversight	An indicator variable that equals one if Senator *i* has oversight for the top 3 most frequently lobbied issues in an industry, zero otherwise.	LobbyView
Ln(1+ChamberDistance)	The natural log of one plus *ChamberDistance.*	Senate.gov
NonEnergyCoTrade	An indicator variable equal to one if Senator *j* trades a stock in the same non-energy industry that Senator *i* traded within 5 trading days, zero otherwise.	CRP
NumCommittee	The number of committees on which the Senator sits at the end of the previous Congress.	Charles Stewart
|*PastReturn*|	The absolute value of the five-day buy-and-hold abnormal return of the stock traded by Senator *i* over (-5, -1), where day 0 is the trading date for Senator *i.*	CRSP
|*PastIndReturn*|	The absolute value of the five-day buy-and-hold abnormal return of the industry in which the stock traded by Senator *i* belongs over (-5, -1), where day 0 is the trading date for Senator *i.*	CRSP
PowerDiff	The difference between Senator *i*'s power and Senator *j*'s power. Senator power is calculated following Christensen et al. (2017).	Charles Stewart
PreliminaryInquiries	The number of alleged violations for which the Committee staff conducted a preliminary review in a Congress.	Senate website

Appendix B (continued)
Variable Definitions

Variable	Definition	Data Source
SenatorCampaigning	An indicator variable equal to one during the 12 months prior to when the Senator is up for re-election, zero otherwise.	Charles Stewart
Seniority	The total number of years that a Senator has served in the Senate.	Charles Stewart
SenioritySum	The sum of seniority between Senators *i* and *j* in a Congress.	Charles Stewart
SuperA%	The number of Super A committee assignments divided by total number of committee assignments.	Charles Stewart
SuperA#	The number of Super A committee assignments.	Charles Stewart
Trades	The number of trades a Senator executed in a month.	CRP

Table 1
Descriptive Statistics

This table presents summary statistics for the main variables at the dyad-trade level. All variable definitions appear in Appendix B.

	N	Mean	Std	p25	Median	p75
CoTrade	307,427	0.024	0.155	0.000	0.000	0.000
ChamberDistance	307,427	10.152	5.898	5.183	9.268	14.842
SenioritySum	307,427	20.648	13.550	10.000	18.000	28.000
CoMembership	307,427	0.799	0.765	0.000	1.000	1.000
CoSponsorship	307,427	33.255	16.727	21.000	30.000	42.000
HighOversight	307,427	0.594	0.491	0.000	1.000	1.000

Table 2
Chamber Distance and Senator Co-Trading

This table reports results from the estimation of equation (1) on the entire sample (Panel A), the subsample where the two traders belong to the same political party (Panel B), and the subsample where the two traders belong to different political parties (Panel C). The dependent variable is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. All variable definitions appear in Appendix B. All specifications include Congress, Senator dyad, and stock fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Entire Sample

	1	2	3	4
	CoTrade	*CoTrade*	*CoTrade*	*CoTrade*
ChamberDistance	-1.276***	-1.276***		
	(-5.61)	(-5.61)		
Ln(1+ChamberDistance)			-0.008***	
			(-4.29)	
ChamberDistance0-5m				0.007***
				(3.61)
ChamberDistance5-10m				0.002
				(1.52)
SenioritySum		-0.001	-0.001	-0.001
		(-1.38)	(-1.37)	(-1.34)
CoMembership		-0.001	-0.001	-0.001
		(-0.74)	(-0.88)	(-0.69)
CoSponsorship		0.000**	0.000**	0.000**
		(2.47)	(2.56)	(2.54)
Congress FE	Yes	Yes	Yes	Yes
Dyad FE	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes
N	307,427	307,427	307,427	307,427
Adjusted R^2	0.18	0.18	0.18	0.18

Table 2 (continued)
Chamber Distance and Senator Co-Trading

Panel B: Same Political Party Subsample

	1	2	3	4
	CoTrade	*CoTrade*	*CoTrade*	*CoTrade*
ChamberDistance	-1.815***	-1.820***		
	(-5.80)	(-5.82)		
Ln(1+ChamberDistance)			-0.009***	
			(-4.43)	
ChamberDistance0-5m				0.012***
				(4.47)
ChamberDistance5-10m				0.006**
				(2.57)
Controls	No	Yes	Yes	Yes
Congress FE	Yes	Yes	Yes	Yes
Dyad FE	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes
N	163,413	163,413	163,413	163,413
Adjusted R^2	0.17	0.17	0.17	0.17

Panel C: Different Political Party Subsample

	1	2	3	4
	CoTrade	*CoTrade*	*CoTrade*	*CoTrade*
ChamberDistance	-0.375	-0.309		
	(-1.17)	(-0.95)		
Ln(1+ChamberDistance)			-0.002	
			(-0.55)	
ChamberDistance0-5m				-0.005
				(-1.53)
ChamberDistance5-10m				-0.002
				(-1.20)
Controls	No	Yes	Yes	Yes
Congress FE	Yes	Yes	Yes	Yes
Dyad FE	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes
N	144,014	144,014	144,014	144,014
Adjusted R^2	0.18	0.18	0.18	0.18

Table 3
Chamber Distance and Re-Election

Panel A reports results from the estimation of equation (1) augmented with variables representing whether the Senator is spending more time in their home district and away from their Chamber desk due to re-election considerations. The dependent variable is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. The specification is estimated using Senator dyads belonging to the same party. It includes Congress, Senator dyad, and stock fixed effects and standard errors are clustered by trade. Panel B reports results from the estimation of regressing the raw number of trades (or the log of one plus the number of trades) executed by a Senator in a month on an indicator variable for whether that Senator is campaigning during that month. The specification includes Senator and year-month fixed effects, and standard errors are clustered by Senator. All variable definitions appear in Appendix B. T-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Chamber Distance and Re-Election

	1 *Co-Trade*	2 *Co-Trade*
ChamberDistance	-1.914***	-1.865***
	(-6.06)	(-5.94)
EitherSenatorCampaigning	-0.006***	
	(-3.06)	
ChamberDistance × EitherSenatorCampaigning	0.704**	
	(2.51)	
BothSenatorsCampaigning		-0.015***
		(-3.08)
ChamberDistance × BothSenatorsCampaigning		1.976**
		(2.38)
Controls	Yes	Yes
Congress FE	Yes	Yes
Dyad FE	Yes	Yes
Stock FE	Yes	Yes
N	163,413	163,413
Adjusted R^2	0.17	0.17

Panel B: Monthly Senator Trades and Re-Election

	1 *Trades*	2 *Ln(1+Trades)*
SenatorCampaigning	-0.229	-0.025
	(-1.12)	(-0.56)
Senator FE	Yes	Yes
Year-Month FE	Yes	Yes
# of Obs.	4,464	4,464
Adjusted R^2	0.61	0.53

Table 4
Chamber Distance and Senator Co-Trading:
Cross-Sectional Analyses on Public Information Sources

This table reports results from the estimation of equation (1) augmented with the absolute value of the past stock or industry return measures. The dependent variable is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. All variable definitions appear in Appendix B. All specifications are estimated using Senator dyads belonging to the same party and include Congress, Senator dyad, and stock fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

	CoTrade	*CoTrade*
ChamberDistance	-1.978***	-1.782***
	(-6.02)	(-5.34)
|*PastReturn*|	-0.031	
	(-1.41)	
ChamberDistance × |*PastReturn*|	5.249	
	(1.56)	
|*PastIndReturn*|		0.046
		(0.52)
ChamberDistance × |*PastIndReturn*|		-4.252
		(-0.32)
Controls	Yes	Yes
Congress FE	Yes	Yes
Dyad FE	Yes	Yes
Stock FE	Yes	Yes
N	163,303	163,413
Adjusted R^2	0.17	0.17

Table 5
Chamber Distance and Senator Co-Trading: Time-Series Analyses on Scrutiny

This table reports results from the estimation of equation (1) augmented with variables to represent scrutiny faced by Senators in that year. The dependent variable is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. All variable definitions appear in Appendix B. All specifications are estimated on Senator dyads belonging to the same party and include Senator dyad, and stock fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

	CoTrade	*CoTrade*
ChamberDistance	-2.534***	-2.542***
	(-7.05)	(-7.36)
AllegedViolations	-0.000***	
	(-5.65)	
ChamberDistance × *AllegedViolations*	0.012***	
	(3.56)	
PreliminaryInquiries		-0.001***
		(-5.07)
ChamberDistance × *PreliminaryInquiries*		0.127***
		(4.15)
Controls	Yes	Yes
Congress FE	No	No
Dyad FE	Yes	Yes
Stock FE	Yes	Yes
N	163,413	163,413
Adjusted R^2	0.17	0.17

Table 6
Profitability of Co-Trades Conditional on Chamber Distance

Panel A of this table provides the mean and median buy-and-hold return of co-trades for the subsample where both traders are in the same political party conditional on whether the distance between the two Senators is more or less than the median distance in the same party subsample (5.776 meters). The t-statistic for the test of differences in the mean and the Z-statistic for the test of differences in the median are provided. Panel B reports results from the estimation of equation (1) on the subsample where both traders are in the same political party. The dependent variable in Panel B is the total buy-and-hold return of co-trades. All variable definitions appear in Appendix B. Standard errors are clustered by year-month in Panel B and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Univariate Analysis

	Mean	*Median*
ChamberDistance < median distance	0.011	0.004
ChamberDistance ≥ median distance	-0.001	-0.011
Test of Difference	1.68*	2.37**

Panel B. Multivariate Analysis

	BHAR
ChamberDistance	-4.203**
	(-2.26)
Congress FE	Yes
Politician FE	Yes
Stock FE	Yes
N	3,745
Adjusted R^2	0.08

Table 7
Chamber Distance and Senator Co-Trading:
Cross-Sectional Analyses on Sources of First Trader's Information

This table reports results from the estimation of equation (1) augmented with variables representing whether the first trader has high committee oversight over the industry. The dependent variable is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. All variable definitions appear in Appendix B. All specifications are estimated on Senator dyads belonging to the same party and include Congress, Senator dyad, and stock fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

	CoTrade
ChamberDistance	-1.362***
	(-3.80)
HighOversight	0.000
	(0.21)
ChamberDistance × *HighOversight*	-0.723***
	(-2.88)
Controls	Yes
Congress FE	Yes
Dyad FE	Yes
Stock FE	Yes
N	163,413
Adjusted R^2	0.17

Table 8
Chamber Distance and Senator Co-Trading: Event Study Around Energy & Natural Resources Committee Hearing Dates

This table reports results from the estimation of equation (2). The dependent variable in columns 1 and 2 (columns 3 and 4) is whether two Senators co-trade stocks in the energy industry (a non-energy industry) during a five-day window. The specifications in columns 1 and 3 are estimated on all Senator dyads belonging to the same party, while the specifications in columns 2 and 4 further require that the second Senator trading is not a member of the Energy and Natural Resources Committee. All variable definitions appear in Appendix B. All specifications include Congress and Senator dyad fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

	EnergyCoTrade		*NonEnergyCoTrade*	
	1	2	3	4
ChamberDistance	-0.156**	-0.198**	-1.626***	-2.523***
	(-2.01)	(-2.07)	(-4.88)	(-5.94)
EHearingWindow	-0.000	-0.000	0.002	0.003*
	(-0.89)	(-0.96)	(1.12)	(1.87)
ChamberDistance × *EHearingWindow*	0.078	0.120*	-0.274	-0.567**
	(1.28)	(1.73)	(-1.23)	(-2.18)
ECommittee	-0.010	-0.012	0.017	0.008
	(-1.55)	(-1.49)	(1.48)	(0.54)
ChamberDistance × *ECommittee*	0.533	0.677	-0.021	0.727
	(1.43)	(1.43)	(-0.02)	(0.46)
EHearingWindow × *ECommittee*	0.004***	0.006***	-0.007	-0.008
	(2.59)	(2.63)	(-1.06)	(-1.04)
ChamberDistance × *EHearingWindow* × *ECommittee*	-0.542**	-0.678**	1.315	1.787
	(-2.29)	(-2.38)	(1.20)	(1.35)
Controls	Yes	Yes	Yes	Yes
Congress FE	Yes	Yes	Yes	Yes
Dyad FE	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes
N	163,413	129,064	163,413	129,064
Adjusted R^2	0.05	0.06	0.17	0.18

Table 9
Motivations to Share Information

Panel A reports results from the estimation of equation (2) augmented with variables to represent whether the first trader has higher or lower power than the second trader. The dependent variable in Panel A is whether two Senators co-trade stocks in the same Fama-French 12 industry during a five-day window. All specifications in Panel A include Congress, Senator dyad, and stock fixed effects. Standard errors are clustered by trade and t-statistics are reported in parentheses. Panel B reports results from the estimation of equation (3), while Panel C augments equation (3) with additional control variables for the age the Senator was first elected to Congress, indicator variables for the fields in which the Senator worked prior to being elected, and whether the Senator holds a graduate degree. In Panels B and C, the dependent variable in columns 1 and 3 is the number of a Senator's Super A committee assignments, while it is the ratio of a Senator's Super A committee assignments to the Senator's total number of committee assignments in columns 2 and 4. In columns 1 and 2, we measure the extent of information sharing in the prior Congress as the number of co-trades with Senators in their party in the prior Congress in which they were the first trader, scaled by the number of individual trades executed by that Senator in the prior Congress. In columns 3 and 4, we measure the extent of information sharing as the average profitability that the second Senator earns from trading. In Panels B and C, standard errors are clustered by Senator and t-statistics are reported in parentheses All variable definitions appear in Appendix B. ***, **, and * denote two-tailed significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Chamber Distance and Senator Co-Trading: Cross-Sectional Analysis on Senator Power

	CoTrade
ChamberDistance	-1.748***
	(-5.28)
PowerDiff	0.000
	(0.46)
ChamberDistance × *PowerDiff*	0.035**
	(2.07)
Controls	Yes
Congress FE	Yes
Dyad FE	Yes
Stock FE	Yes
N	163,413
Adjusted R^2	0.17

Table 9 (continued)
Motivations to Share Information

Panel B: Career Benefits of Information Sharing with Controls for Congressional Experience

	1	2	3	4
	SuperA#	*SuperA%*	*SuperA#*	*SuperA%*
CoTradeScaled	0.031*	0.011**		
	(1.70)	(2.02)		
CoTradeOtherProf			1.850***	0.475***
			(2.79)	(2.95)
Seniority	0.006***	0.004***	0.006***	0.004***
	(2.84)	(5.09)	(2.70)	(4.90)
NumCommittee	0.108*	0.008	0.110*	0.009
	(1.77)	(0.58)	(1.85)	(0.63)
CommitteeScore	0.666***	0.219***	0.681***	0.223***
	(3.27)	(4.42)	(3.39)	(4.51)
Congress FE	Yes	Yes	Yes	Yes
N	263	263	263	263
Adjusted R^2	0.12	0.29	0.14	0.30

Panel C: Career Benefits of Information Sharing with Controls for Congressional Experience, Prior Work Experience, and Education

	1	2	3	4
	SuperA#	*SuperA%*	*SuperA#*	*SuperA%*
CoTradeScaled	0.023	0.009*		
	(1.18)	(1.73)		
CoTradeOtherProf			1.595**	0.384***
			(2.26)	(2.64)
Seniority	0.004	0.003***	0.004	0.003***
	(1.47)	(3.86)	(1.42)	(3.82)
NumCommittee	0.093*	0.004	0.096*	0.005
	(1.77)	(0.31)	(1.84)	(0.36)
CommitteeScore	0.543***	0.191***	0.557***	0.194***
	(3.00)	(4.55)	(3.09)	(4.55)
Controls for Age Elected, Work Experience Fields, and Graduate Degree	Yes	Yes	Yes	Yes
Congress FE	Yes	Yes	Yes	Yes
N	263	263	263	263
Adjusted R^2	0.17	0.34	0.18	0.34