

**Statement of
Senator Susan M. Collins**

“Insider Trading And Congressional Accountability”

**U. S. Senate Committee on Homeland Security and Governmental Affairs
December 1, 2011**

Mr. Chairman, thank you for holding this hearing to examine whether or not current laws are adequate to prevent Members of Congress from engaging in insider trading. I appreciate your inviting Senator Brown and Senator Gillibrand to describe the legislation they have proposed to address this concern. I am a cosponsor of Senator Brown’s bill known as the “STOCK Act.” This hearing is an important step in our efforts to ensure that Members of Congress do not profit from trading on insider information.

Recent press reports on “60 Minutes” and elsewhere demonstrate why we must explore the application of existing laws to Congress, and what actions may need to be taken to close possible loopholes that undermine the public’s confidence in this institution.

Elected office is a place for public service, not personal gain. As demonstrated by the recent press stories, however, there are questions about whether lawmakers have been exempt – legally or practically – from the reach of our laws prohibiting insider trading.

The recent allegations come at a time when the public’s faith in Congress is already extremely low. A recent Gallup poll shows that 69 percent of the American public has little or no confidence in Congress. Other polls show that Americans rate Members of Congress at or near the bottom of the list in terms of perceived honesty and ethical standards.

This erosion of public trust is not confined to Congress, but taints the public’s view of our entire federal system. With the many challenges our nation faces, we must act to restore – and to deserve – the trust of the American people.

And we must address the concerns that underpin the public’s skepticism. We need to assure the American people that we put their interests above our own.

Seven years ago, economist Alan Ziobrowski [pronounced “Zeh-brow-ski”] published a study showing that stock portfolios held by U.S. Senators in the mid- 1990s outperformed the market by nearly 12 percent per year. Mr. Ziobrowski concluded from his data that Senators have “a definite

informational advantage over other investors,” though he also pointed out that his results “should not be used to infer illegal activity.” In his words, “Current law does not prohibit Senators from trading stock on the basis of information acquired in the course of performing their normal Senatorial functions.”

A more recent study by Professor Ziobrowski showed similar, though less dramatic, investment returns for stock portfolios held by Members of the House between 1985 and 2001. At the same time, however, not all experts who have examined the data share his conclusions or his legal interpretations.

In today’s hearing, we will analyze the need for greater clarity in the scope of the insider trading laws. I am also eager to hear the views of the witnesses on the legislation presented by our colleagues to close any loopholes or to remedy a lack of enforcement that may shield Congress from the insider trading laws that apply to other Americans.