



INSTITUTE FOR POLITICS  
AND SOCIETY

# Conflicts of Interest within the US

POLICY PAPER | June 2016

# Conflicts of Interest within the US

Policy Paper – Lisa Nguyen, June 2016

*“For congressional members, there is no statute of limitation on stupidity” - Anonymous*

*“You either die a hero or you live long enough to see yourself become the villain” – Dark Knight, 2012*

## Introduction

If one can give a proper analogy of conflict of interest, one can use the analogy of a doctor of being employed by a pharmaceutical corporation and prescribing said medication to patients. Additionally, if one includes in the culture and the wrong inducements, this can even create more of a hazardous environment to the well-being of the nation. Carlo V. di Florio, the Director of Compliance Inspections and Examinations of the SEC, defines a conflict of interest as, “...as a scenario where a person or firm has an incentive to serve one interest at the expense of another interest or obligation” (Florio, 2012)<sup>1</sup>. As such, when firms or corporations choose to engage in decisions that, may technically, follow the letter of the law but not the spirit of the law, it becomes intrinsically difficult for constituents to keep faith in the government and/or business. Di Florio believed that even those who may believe and professes to be clear of conflicts, they may still be led astray in multiple areas such as cultural pressure, financial enticements, herd mentality or personal weakness – i.e. poor judgment, self-delusion and/or vanity (Florio, 2012). If the government is unable to manage and reduce the conflicts of interest, there may be an increase of financial crises and scandals.

From the early 1930s, the Pecora hearings held by the Senate Committee on Banking Currency has shown that there is an immense collection of self-dealing and other conflicts of interest throughout the financial markets such as banking or financial companies providing affiliates and affiliate-underwritten securitizations.

Conflicts of interest is not confined in the financial markets but is pervasive throughout society. For US lawmakers, although insider trading is still prohibited by those in Congress, it is still legal for legislators to sponsor bills that could be advantageous to the corporations and sectors in which their family members could invest in. According to Kindy (2012), there have been over 70 Congress members that have exploited this loophole; an increase of 456 percentage point increase since the study was conducted in February 2016. For example, a California congressman facilitated in securing tax breaks for racehorse owners and then proceeded to buy seven racing horses for himself when the new laws came into being. In another case, a Wyoming congresswoman co-sponsored a bill to expand the time limit of federal grazing permits that ranchers such as her husband, who is one of the beneficiaries, rely on to feed cattle (Kimberly Kindy, 2012).

---

<sup>1</sup> SEC is the US Securities and Exchange Commission.

In 2004, the economic disparity between the Republicans and the Democrats was at \$932,024 to 646,003, respectively. Nevertheless, by 2010, the wealth difference between the two parties' median net worth has essentially disappeared in a span of 6 years. In 2009, during the recession, the Democrats' median net worth was actually higher than the Republicans legislators' median net worth. In 2010, the outside salary of a minimum of 150 lawmakers declared on their financial forms that they received more income from outside contracts and investments than their congressional salaries (Kimberly Kindy, 2012).

This policy paper will provide a review of the conflicts of interest within the US legislative branch and judicial. Most of the conflicts of interest within the legislative and executive branch stem from financial and business industries. Although there are regulations put in place to limit the conflicts of interest, unfortunately, there have been numerous cases of exploitation. Although there have been numerous policy papers on various conflicts of interest, there has not been an in-depth analysis of conflicts of interest in the US in the following sectors<sup>2</sup>.

## Different Types of Conflicts of Interest

In all states' constitutions, there is either a statute or a law, that addresses the prospective conflicts of interests for legislators, where the conflicts of interest are stated that law makers may not have a personal or private interest in a particular matter that is before the legislators. If there is a personal interest, however, the legislator is supposed to recuse himself/herself and abstain from voting on said measure. To ensure that there are no conflicts of interest, members of the legislative branch are supposed to recuse themselves. Additionally, the member of legislator with said conflict of

interest is to disclose this information to other members. Nevertheless, the penalties for conflicts vary between different chambers and states' bodies. Unfortunately, government oversight is weak and legislators are left to police themselves to decide whether or not there is a conflict.

There are a multitude of varying types of conflicts of interest such as nepotism and revolving door. According to the National conference of state legislators (NCSL), a minimum of 33 states have included a provision that states, there is to be a "cooling off period" before the former legislator can work as a lobbyist (National Conference of State Legislators, 2015). According to NCSL stated, "Also known as revolving door laws, statutes range from Maryland, where the ban is until the conclusion of the next regular session to eight states that ban former legislators for two years.<sup>3</sup>

Moreover, another type of conflict of interest is nepotism. Approximately less than half of the states in the US has restrictions on nepotism and even then, there are varying degrees. In states that have not outright place restrictions, said states have conflicts of interest restrictions placed on them depending on the interpretation of the law. Moreover, numerous states have regulated the degree of separation between lawmakers and the relative they may choose to employ. Nevertheless, states that do not have an outright specific regulation on nepotism prohibition has outright stated hiring guidelines.

## Policy Problems

According to the US Congress Ethics Committee, those who enter Congress must divest themselves of assets and private investment. Although members are not to fully rid themselves of assets and private investments, there are some selective divestiture of property can become problems

---

<sup>2</sup> The tables and figures can be found within the Appendix.

<sup>3</sup> These eight states are Alabama, Colorado, Florida, Iowa, Kentucky, Louisiana, Montana and New York.

for the legislator. US Congress Ethics Committee stated, "...a Member of Congress must exercise judgment concerning legislation across the entire spectrum of business and economic endeavours. Requiring divestiture may also insulate legislators from the personal and economic interest held by their constituents..." (Committee on Ethics, 2016). To ensure there are no conflicts of interest, the cases are reviewed on a case by case basis by the Committee. Additionally, members of Congress are expected to publically disclose their property, financial interest and investments to regulating potential conflicts of interest. Moreover, in the case of investment salaries, the Commission believes that the likely conflicts of interest can be controlled by the electoral process and through public disclosure.

In the House of Representatives, there are rules that prohibit members from utilizing their powers to benefit themselves such as building their personal fortunes. For instance, in the case of Wisconsin Republican Tom Petri, sought and relied upon a company in which Petri owns millions of stock in. If found guilty of conflicts of interest, the House Representative ethics committee will send a letter "scolding" said representative (Hess, 2014).

Nevertheless, there is a difference between US Congress and members within a state legislative branch. Within the state legislative branches, there are two types of legislatures: part-time and full-time. Part-time legislatures believe that they bring an additive value to the legislative branch such as bringing "real-world experiences" and may also disincentives the failings that may inhabit those that are career politicians (Kusnetz, 2013). However, they are also plagued by corruption. The NCLS' report has shown that many of these reviews are feeble and futile.

However, there are failings and corruptive influences to those that are part-time legislators. For instance, in New Mexico, the legislative branch meets only 60 days during the odd years and 30 days on even years.

Legislators earn a salary of \$154 per day while in session, otherwise, they will not receive any salary. Although other states pay their lawmakers, a minimal salary, only ten state legislatures have full-time status. The other 41 states hold their legislative branch part-time and therefore, those legislators must hold other jobs during the rest of the year (Kusnetz, 2013).

Kusnetz's findings show that "insurance agents vote on insurance bills, doctors vote on health care bills and school administrators vote on education funding bills" (Kusnetz, 2013). In the most extreme scenario, some legislators are even lobbyists or are the head of the legislative branch. Ben Bycel, a lawyer that was the former head of the ethics commission in Los Angeles and then Connecticut, has postulated that without these jobs, some of those that are legislators would not be in their specific field because someone in the industry has appointed them there.

## Regulatory Capture

According to the Consumer Federation of America and Common cause, approximately one in five state law makers who regulate the insurance industries are also the recipients of financial funding for their campaigns from the insurance firms (Firshein, 1995). Firshein postulated that the link between industry ties and legislators is directly proportional to how strong to the states' conflicts of interest laws.

Regulatory capture occurs when the public purpose of a regulatory agency is displaced by private interests. This can be due to information asymmetries, power asymmetries, revolving door memberships, insufficient mandates, and simple corruption.

One case study of this is the Federal Reserve Bank of New York, which has been accused of not regulating Wall Street according to their mandate (WSJ, 2014) (NYTimes, 2015). Firstly, revolving door dynamics can be observed: in 2014 a Goldman Sachs banker, who had spent 7 years at the New York Fed, was convicted of taking confidential Fed

documents from a former colleague (NYTimes, 2015). The president of the Fed at the time, William Dudley, was also a former Goldman Sachs economist. Secondly, recordings of conversations at the Fed showed an unwillingness of the Fed to challenge Goldman Sachs' claims, either through trust, lack of information, or lack of will (WSJ, 2014). In this way, the public purpose of the New York Federal Reserve to effectively regulate Wall Street according to its mandate was subverted. Evidence of the consequences of such regulatory capture is the collapse of many Wall Street banks during the Financial Crisis, who were severely under-regulated.

## A Famous Case of Impropriety: Michael Bloomberg

A famous case of conflict of interest would be Michael Bloomberg, who owns Bloomberg Terminal and a former Mayor New York City. Most cities pay their mayors but Michael Bloomberg was the first to pay for the privilege to be the mayor of New York City. According to New York Times, the entirety of Bloomberg's upkeep was approximately \$650 million, this includes perks and bonuses, political campaigns, social causes, travel and lodging and various other expenses (Bennett, 2013). Bloomberg is amongst the first mayor to reject a \$2.7 million worth in salary, whilst accepting only a \$1. Bloomberg only accepted a \$1 salary because he considered it to be one of the best jobs to have in the world. Since Bloomberg was free from the demands of campaign donors and various interest groups, he was able to expand his power. For the majority of his tenure as mayor of New York, he was predominately scandal free and was generally liked by his constituents. For instance, he wrote a \$30 million check to help create a programme that would improve the lives of disadvantaged African Americans and Latinos (Bennett, 2013). It is only in his controversial third run as mayor of New York, during the time of the financial crisis, that made him unpopular.

When he left the mayor office, his estimated wealth gained from the sale of Bloomberg L.P is estimated to be approximately \$7 to \$9 billion (Smith, 2016). Smith stated, "He [Bloomberg] is not interested in using his position to enrich his friends, or himself" (Smith, 2016). His tenure as Mayor of New York City has brought prosperity to New York City and helped alleviate the financial crisis.

Nevertheless, on October 2, 2008, Bloomberg stated that he would seek to prolong the term limit and run for a third mayoral term in 2009. Bloomberg believed that during and in the aftermath of the financial crisis in 2007, a leader of business acumen would be well-needed (Honan, 2016). He argued that his Wall Street business would be incalculable and extensive during the credit crisis which was threatening the US and the world economy.

Although some of the most influential and powerful New Yorkers agreed with this sentiment, numerous others have objected and New York Public Interest Research Group (NYPIRG), Citizens Union, Common Cause/NY filed an ethics complaint with the City Conflict of Interest Board (The Municipal Art Society of New York, 2008). The complaint stated,

*NYPIRG and Common Cause recently filed an ethics complaint with the City's Conflict of Interest Board over Mayor Bloomberg's deal with billionaire and former champion of term limits, Ronald Lauder, in which the mayor promised Lauder a seat on an upcoming charter revision commission in exchange for his support of a one-time term limit extension"*

(The Municipal Art Society of New York, 2008).

With the vote at 29-22, in favour of allowing for this extension, Bloomberg became mayor for a third term.

Moreover, there were other irregularities during the campaign run. In 2004, Bloomberg

donated to the Independence Party of New York, in the amount of \$250,000, to fund a phone bank. The Independence Party of New York was created as a foil against the Working Families of New York. After the release of the campaign filings in 2010, Bloomberg made two additional contributions from his own account to the Independence Party on October 30 and November 2, 2009 - \$600,000 each (Benjamin, 2010). This money was then used to pay a Republican operative, John Haggerty Jr, who was to hire poll watchers. In the aftermath, it was discovered that Haggerty used the money for impropriety reasons such as buying a house (Rosenberg, 2011). Since the funds were used as a household expense rather than for current campaigns, it was seen as a violation of campaign finance laws (Barrett, April).

One of the most controversial conflicts of interest that plagued Michael Bloomberg was his third run for being mayor. Although 48% of the NY poll rated him as favourable, most stated that they would not vote for him for a 4<sup>th</sup> term. The two constant criticisms that plague Bloomberg has been (1) Economic plans for NY is too pro-development and too-free market hence the outpricing of the lower-income in NY; (2) Moreover, he favours placing several restrictions on tobacco, guns and unhealthy food like the sugar tax.

## Revolving Door

Open Secret, an organization which provides resources for federal campaign contributions and analysis, defines revolving door as “consists of any person with previous or current government experience who also has held, or currently holds, a professional position in the private sector where they can reasonably be expected to influence, or be seeking to influence public policy decisions” (Open Secrets, 2016). Nevertheless, the meaning of a lobbyist, by definition under the Lobbying Disclosure Act, is extraordinarily narrow and therefore, is hard to categorize everyone who is employed in this industry in

Washington D.C. There are two types of lobbyists according to Lobbying Disclosure Act: traditional lobbyists and political consultants. Those had previous governmental experience can use their expertise, professional networks and policy backgrounds who utilizes “outside lobbying” are considered political consultants.

Additionally, power, money and prestige are not predominately centred on former legislators but may also extend to congressional staffers. For instance, David Hoppe, who is currently the Chief of Staff to Representative Paul Ryan, used to be the CEO of his own firm called Hoppe Strategies but is a prime candidate of revolving door within the US government. Hoppe strategies is a “strategic planning, lobbying and political consulting firm” (Hoppe Strategies, 2016). By employing Hoppe Strategies, a business would be able to utilize the 29 years garnered from Hill experience which consists of professional strategies and tactical advice on the federal government especially on the legislative branches. According to Hoppe’s biography on Hoppe Strategy, he helped oversee and coordinated the flow through Congress and was one of the lead staff member on numerous power shifts within the Senate. He was involved in numerous bills such as the Economic Recovery Tax Act of 1981, the Omnibus Budget Reconciliation Act of 1981, Tax Reform Act of 1986, Balanced Budget Act of 1997, Economic Growth and Tax Relief Reconciliation Act of 2001, Individuals with Disabilities Education Act of 1997 and other varying issues on welfare “reform”, tax policies and education “reform” (Hoppe Strategies, 2016).<sup>4</sup> In Figure --, David Hoppe’s employment record is provided.

Another prime example of the revolving door concept is the presidential candidate Howard Dean. Howard Dean was the former governor of Vermont from 1991 to 2003. Dean was a former presidential candidate for the Democratic Party in the US presidential election of 2004. Regarding Dean’s

---

<sup>4</sup> Welfare reform and educational reform, often effectively, means cutting funding for said programmes.

presidential platform, he was considered to be a centre-left candidate. Although he believed in single payer health care reform in 1980s, unfortunately, he became a multi-payer in 1990s (On the Issues, 2003). Additionally, he believed in guarantee health ins and a three-tiered coverage: state, federal and private.

Nevertheless, as of currently, Howard Dean is now employed by a health care lobbying firm and opposes single-payer. Dean, according to The Intercept and Chris Hayes a host on MSNBC, was once a long-time supporter of single-payer. According to The Intercept, “This evolution of Dean, known within many circles for his spirited critique of the Iraq War during the 2004 Democratic primary, comes as he has settled into a corporate lobbying career” (Fang, 2016). However, in 2009, in a speech to Democracy Now, Dean praised the single-payer and called it the greatest economically efficient arrangement because it would cut down on bureaucratic overhead costs and would allow for better control and negotiation of prices for drugs (Fang, 2016).

After working for in the lobbying industry, Dean helped corporations, such as the merger of Dentons and Dacheng, navigated the world in the aftermath of Citizens United and how to donate money to various campaigns. His advice was that,

*I've advised a lot of clients in the industries that I usually end up working with, which are mostly health care industries, not to give any money to either side, or if you do, give it to both sides because politicians really don't know much about the issues...but they remember the ads, and they remember the ads, and they remember who was on whose side and who wasn't and it makes a big difference. (Fang, 2016).*

## Voting Records and Funding

In the aftermath of Buckley vs. Valeo, Citizens United vs. Federal Election Commission (FEC) and McCutcheon v. FEC, this open the flood gate of dark money entering congressional, gubernatorial, and locale

campaigns. In 1976, Buckley vs. Valeo, according to Richard Briffault from Columbia, “For the last 35 years, we have operated on the fiction that independent expenditures are fundamentally different from contributions. The Supreme Court just hardened this distinction with the decision in Citizens United. It is an illusion” (Richard Briffault, 2012). Buckley vs. Valeo struck down several provisions within the Federal Election Campaign Act such as limiting the amounts that can be by campaigns and citizens.

In Citizens United, the majority of the Supreme Court ruled that by limiting spending expenditure from various non-profits, it is in violation of the First Amendment – freedom of speech. Moreover, the reasoning behind the ruling stems from Buckley vs. Valeo, where spending money constitutes as freedom of speech. Additionally, the majority postulated that the First Amendment safeguards the common interest of individuals and does not allow for restrictions to be placed. Moreover, another argument that was postulated by the Supreme Court was the belief that the government shall not infringe on the rights of individuals' expenditures especially on whether or not there is a distortion of an audience's beliefs or outlook and it has to be in the form of a quid pro-quo arrangement stating, “There is no such thing as too much free speech” (Supreme Court of United States, 2016). It is up to the discretion and scrutiny of citizens to ensure that the information that was being placed by the campaigns to be truthful or not. The majority of the Supreme Court did not believe that there was enough evidence to discern whether or not if there was any immediate or substantiated proof of corruption. Although, this opens the flood gates for both unions and for Super-Pac' donations, unfortunately, the power of unions has decreased drastically over the years, thereby, limiting the power of unions especially within the private sector.

McCutcheon vs. FEC further enhanced Buckley vs. Valeo's and Citizens United vs. FEC's rulings. Clarence Thomas, a justice

upon the Supreme Court, believed that all bans on limitations on finance contributions is unconstitutional. The majority overturned the confines on accumulated federal contributions but it will not affect individual contributions, which currently remains at \$2,600 per election. The minority dissented and believed that the loophole will allow for single contributors to circumvent the FEC law by allowing that person to funnel more money into a political party or a candidate's campaign. Activists from Greenpeace believed that this allows for a systemic and legalized corruption through money in politics.

Although the evidence remains tangential of corruption through money in politics, there has been cases in which Congressional members choose to favour those that have contributed to their campaign. We will examine two well-known politicians, President Barack Obama of the United States and Secretary of State Hillary Clinton, and three unknown Senators: Senator Chuck Schumer (D. from NY), Mitch McConnell (R. from Kentucky) and Claire McCaskill (D. from Missouri). We choose to focus predominately on the Democrats because they have taken less campaign donations in comparison to the Republicans. President Obama stated in 2008 in his seminal book, *The Audacity of Hope*:

*And perhaps as the next race approaches, a voice within tells you that you don't want to have to go through all the misery of raising all that money in small increments all over again. You realize that you no longer have the cachet you did as the upstart, the fresh face; you haven't changed Washington, and you've made a lot of people unhappy with difficult votes. The path of least resistance — of fund-raisers organized by the special interests, the corporate PACs, and the top lobbying shops — starts to look awfully tempting, and if the opinions of these insiders don't quite jibe with those you once held, you learn to rationalize the changes as a matter of realism, of compromise, of learning the ropes. The problems of ordinary people, the voices of the Rust Belt town or the dwindling heartland, become a distant echo rather than a palpable reality, abstractions to be*

*managed rather than battles to be fought.* (Obama, 2008).

In a debate in 2016 against Senator Sanders, Secretary of State Hillary Clinton stated that, "Anyone who knows me who thinks they can influence me, name anything they've influenced me on" in regards to her ties to the financial sector (Kaplan, 2016). There have been numerous cases, however tangential but allows for further extrapolation, in which Secretary Hillary Clinton has been influenced but we will focus predominately on the Bankruptcy Bill vote in 2001. In 1998, Mrs. Clinton asked Ms. Warren, then a Harvard law professor, for a private meeting regarding the Bankruptcy Bill that was before Congress. According to Ms. Warren, Mrs. Clinton stated that they had to stop the bill from being pass due to the deleterious effect that it would have on women and children. There was a provision within the Bankruptcy Bill that stated, if the father declared bankruptcy, the mother would lose some of the funds that the father would be required to pay for child support. Mrs. Clinton influenced her husband in vetoing the bill. Nevertheless, in 2001, after running for the NY Senator seat and receiving numerous funds from the financial sector in NY, Senator Clinton, alongside with 83 other Senators, voted in the Bankruptcy bill.

According to Warren's 2003 book, "The Two-Income Trap", she stated that Senator Clinton has changed her views drastically. Senator Clinton offered up a defence, that the original provision that she objected, to was struck and therefore that is why she voted for it. Nevertheless, Warren stated that, in contradiction to what Senator Clinton stated, the bill was essentially the same. Ms. Warren then chose to cite the case that Senator Clinton put forth to the legislators, that the small credit unions within New York would suffer when they have to cover the costs of bankruptcy losses. Although the bill was changed in 2005, Senator Clinton was absent for the vote but disproved of it. Charles J. Tabb, a law professor from University of Illinois, stated that Senator Clinton's vote indicates the power and influence of

consumer credit sector and within the campaign finance world (Kaplan, 2016).

Table 1 – exhibits the campaign donations of the three lesser known Senators and their various voting habits.

From this Table, it is possible to extrapolate that the bulk of donations come from large contributions and super-pacts. As stated before, Mitch McConnell, a Republican, has received the most in percentage-wise from large Super-Pac. The bulk of the donations for Senator McConnell stems from the financial sector, such as securities & investment, and his top 1 issue area deals with taxation.

## Loopholes, Earmarks & Wealth

Earmarks are created by including provisions into bills or adding federal funding to projects that may or may not be requested by the executive branch. These decisions are made in closed meetings and are often not contested on the floor. The more influential the person is, the higher the chance that the lawmaker will be able to receive the earmark. According to Fallis, Higham and Kindy (2012), over thirty-three Congressmen have earmarked \$300 million in federal funding to dozens of public developments that are within two miles of the legislators' own property. For instance, a US senator from Alabama, have focused approximately more than a \$100 million in federal funding to revitalized downtown Tuscaloosa which was near his commercial office. In another instance, a Georgian congressman obtained \$6.3 million in taxpayer funds to restore a beach that was 900 feet away from his island vacation home. A House Representative from Michigan secured approximately \$486,000 in federal funding to build a bike lane, which is within walking distance of her home. Unfortunately, this is within the rules and ethics of Congress.

Washington Post compiled an expose on all 535 members and then compared them to how many the pet projects that were approved and garnered support, most which started in

2008. Fallis stated, "...uncovered appropriations for work in close proximity to commercial and residential real estate owned by lawmakers or their family members. The review....16 lawmakers who sent tax dollars to companies, colleges, or community programs where their spouses, children or parents worked as salaried employees" (David S. Fallis, 2012).

One of the aspects of earmarking is that sometimes legislators sends tax dollars to firms, universities or community programs where there may be nepotism involved. Unfortunately, the financial disclosure laws are remarkably ambiguous, they do not include employment of family members nor the addresses of their personal residences. Additionally, legislators may also put property into trusts or holding corporations without acknowledging the properties' area.

In a multitude of interviews, public officials have stated the earmarks have multiple beneficiaries and are not exclusively beneficiary towards them alone. By earmarking the funds, this will help provide for safer roads, nicer neighbourhoods or improve the locale. Moreover, any probable boons that may garner – either financial or otherwise – does not exist, is minimal or takes second place in regards to the adduce of and duties to the public. However, this is not true. In some cases, there are a wider range of benefits; whilst there are also a narrower range where it predominately affects the legislators.

For instance, the House of Representative, Bennie Thompson a Democrat from Mississippi, obtained a \$900,000 earmarked that was to fix and repave at least two dozen roads in Mississippi in 2010 (David S. Fallis, 2012). However, Thompson neglected to mention that part of the two dozen roads includes a residential loop around Bolton, where Thompson and one of his children own two houses. Although Congress has numerous conflicts of interest rules in-placed for federal agencies and private firms, the rules that are

set for Congressional members, however, are more lenient. Although public officials are required to publically disclose that they do not have any financial stakes in the actions that are taken place, unfortunate Thompson did not disclose of this. This is due to the rules that were put into place that it is not required and the rules do not attempt to address the issue of closeness.

Unfortunately, Congress has taken a tapered view on the rules on conflicts of interest such that if the public officials nor their family members are the immediate recipients nor the sole devisee, there is no conflict of interest. Although the public works may bring numerous and incalculable economic benefits, it has been hard to determine since many of the economic projects are still being undertaken. Moreover, these works do help stabilize the volatile housing market.

For example, Representative Roscoe G. Barlette, a Republican from Maryland, helped obtain approximately \$4.5 million to improve the Frederick County interchange at Interstate 270 and Buckestown Pike (David S. Fallis, 2012). Moreover, the interstate leads to a property that Bartlett owns, a 104-acre farm and numerous rental properties, that may earn the lawmaker approximately \$150,000 a year. Additionally, earmarking has increased to a new level of high, where in 2010 alone, where approximately 11,320 earmarks are worth \$32 billion.

With the growing concerns from the public on public officials enriching themselves from rent, the Senate tried to outlaw earmarking, to force public officials to disclose their property, and to require legislators and the executive branch officials to divulging every security trade that is \$1000 or more every 30 days; this bill is called the Stop Trading on Congressional Knowledge (Stock) Act. Unfortunately, the Senate defeated the amendment prohibiting the permanent earmarking. As of April 4, 2012, President Barack Obama signed the law into bill.

With the subtle enrichment of various congressional members through earmarking,

there has been tangential connection to high growth inequality even within Congress itself. Of the top ten Senators, 6 of the richest members are Democrats and 4 are Republicans (Open Secrets, 2016).

The wealthiest is currently a Republican from California, Darrell Issa, who is worth approximately \$437 million. Representative Jared Polis, a Democrat from Colorado, is approximately \$338 million and Senator Mark Warner, a Democrat from Virginia, is worth close to \$243 million, the highest out of the Senators. Currently, the 53 wealthiest congressional members own approximately 80% of the estimated wealth in 2014, according to the Centre for Responsive Politics.

These congressional members' external wage may come from inheritance, family owned enterprises, bonds, and/or stocks but the majority of their wealth does not stem from the congressional paycheck. From this, it is possible to extrapolate that the further taxation on capital gains and mortgage-interest deduction would have more of an effect upon their constituents, whose median wage is approximately of the average American Family \$51,017 and the household net worth of \$45,335 (Gordon, 2014). According to Insider Trading by Congress in 2007, multiple congressional members own stocks in 45 firms - finance, insurance, oil, pharmaceutical, telecom, and other industries – and comprises of the top 10 richest Senators' top 5 stocks that were either owned, purchased and/or sold (Insider Trading, 2010).

Figure 3 – exhibits the most popular 15 popular company stock holdings and the amount that is held. Moreover, the Senators that own these stocks also sit upon committees which governs public policies.

## Conclusion

This policy paper has sought to answer the question: does conflicts of interest affect the legislative branch within the US. A subset of the question is whether or not campaign contributions have an effect on Senators' and

---

their top issues. It is our belief that contrary to other literature, such as Bronars and Lott (1997), there is a mild to moderate influence of campaign contributions and congressional members' votes. Additionally, there have been numerous cases in which congressional members have used earmarks to enrich themselves even on a tangential level.

The rules for transgression on conflicts of interest, as of House of Representative, are extraordinarily ambiguous (Itkowitz, 2013). In May 2013, a task force has convened to make further recommendations on how to fix this, nevertheless, it has not made any progress. As of October 2014, the House of Representatives relies upon a formal complaint for there to be an investigation upon conflicts of interest. The Ethics Committee does not play an active role in openly investigating its members. Nevertheless, the states' legislative branches do carry various penalties for conflicts of interest.

For instance, the state of New York, if a state legislator is caught engaging in a conflict of interest, in the case of solicitation and accepts any gains that may come from another person that "... upon an agreement or understanding that his vote, opinion, judgment...as a public servant will thereby be influenced in the investigation, arrest, detention,..." it would be a Class B felony – this carries a maximum sentence of 25 years whilst the maximum fine would be \$5,000 or double the amount that was gained (NCSL Organiastion, 2016). In the case of California, if the legislator is caught accepting a bribe or offering a bribe to any executive officer, the penalty would be a maximum sentence of sentencing of prison for 2-4 years and will be disqualified from holding any other office within the state (NCSL Organiastion, 2016).

It is our belief that a strengthening of campaign finance law is warranted and is necessary to protect American values. With an increase of court cases ruling that restrictions on political expenditure as a direct violation of

the First Amendment rights, there has been an increase in money being poured into various campaigns. The Koch brothers have sought to influence, both directly and indirectly, through various means such as financial contributions to libertarian and conservative think tanks and campaigns. Their main stances have been limiting the role of government and governmental regulations within health care and combating global warming. By 2010, the Koch brothers have donated over a 100 million to dozens of free-market organizations. In January 26, 2015, the New York Times has reported that the Koch Brothers aim to spend up to \$889 million for the presidential election (Confessore, 2015).

---

## Bibliography

- Barrett, W., April. *Mike Bloomberg's 1.2 Million Indy Party Donation Gets Murkier and Murkier*. [Online]  
Available at: [http://www.villagevoice.com/runninscared/archives/2010/03/mike\\_bloomberg\\_3.php](http://www.villagevoice.com/runninscared/archives/2010/03/mike_bloomberg_3.php)
- Benjamin, E., 2010. *Bloomberg's Independence Pay Day*. [Online]  
Available at:  
<https://web.archive.org/web/20100130014725/http://www.nydailynews.com:80/blogs/dailypolitics/2010/01/bloombergs-independence-payday.html>
- Bennett, M. B. a. K., 2013. *Cost of Being Mayor? \$650 Million, if He's Rich*. [Online]  
Available at: <http://www.nytimes.com/2013/12/30/nyregion/cost-of-being-mayor-650-million-if-hes-rich.html>  
[Accessed 17 June 2016].
- Berhsin, P., 2014. *Maplight Organisation: Maplight Launches Personal Financial Disclosures Database*. [Online]  
Available at: <http://maplight.org/content/maplight-launches-personal-financial-disclosures-database>  
[Accessed 31 May 2016].
- Committee on Ethics, 2016. *Policies Underlying Disclosure*. [Online]  
Available at: <http://ethics.house.gov/financial-dislosure/policies-underlying-disclosure>  
[Accessed 17 May 2016].
- Confessore, N., 2015. *New York Times: Koch Brothers' Budget of \$889 Million for 2016 is on Par with Both Parties' Spending*. [Online]  
Available at: <http://www.nytimes.com/2015/01/27/us/politics/kochs-plan-to-spend-900-million-on-2016-campaign.html>  
[Accessed 31 May 2016].
- David S. Fallis, S. H. a. K. K., 2012. *Washington Post: Congressional earmarks sometimes used used to fund projects near lawmakers' properties*. [Online]  
Available at: [https://www.washingtonpost.com/blogs/gallery/capitol-assets/?tid=a\\_inl](https://www.washingtonpost.com/blogs/gallery/capitol-assets/?tid=a_inl)  
[Accessed 24 May 2016].
- Fang, L., 2016. *The Intercept: Howard Dean, Now Employed by Health Care Lobby Firm, Opposes Bernie Sanders on Single Payer*. [Online]  
Available at: <https://theintercept.com/2016/01/14/howard-dean-lobbyist/>  
[Accessed 23 May 2016].
- Firshein, J., 1995. *The Lancet: Conflicts of interest among US state legislators*. [Online]  
Available at: [http://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(95\)91514-1/abstract](http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(95)91514-1/abstract)  
[Accessed 23 May 2016].
- Florio, C. V. d., 2012. *Conflicts of Interest and Risk Governance*. [Online]  
Available at: <https://www.sec.gov/News/Speech/Detail/Speech/1365171491600>  
[Accessed 17 May 2016].
- Gordon, N., 2014. *The Atlantic: How did Members of Congress Get So Wealthy*. [Online]  
Available at: <http://www.theatlantic.com/politics/archive/2014/09/how-did-members-of-congress-get-so-wealthy/379848/>  
[Accessed 31 May 2016].
- Hess, H., 2014. *Roll Call*. [Online]  
Available at: <http://www.rollcall.com/news/confusion-surrounds-conflict-of-interest-cases-in-congress>  
[Accessed 23 May 2016].
- Honan, E., 2016. *NYC's Bloomberg says to seek third term as mayor*. [Online]  
Available at: <http://www.reuters.com/article/newyork-bloomberg-idUSN0228265920081002>
- Hoppe Strategies, 2016. *Hoppe Strategies About*. [Online]  
Available at: <http://hoppestrategies.com/about>  
[Accessed 23 May 2016].
- Insider Trading, 2010. *Top 10 Richest US Senators' Top Stock Trades in 2007 and Potential Conflicts of Interest*. [Online]  
Available at: <http://insidertrading.procon.org/view.resource.php?resourceID=001580>  
[Accessed 24 May 2016].

Itkowitz, C., 2013. *Does Congress need clearer conflict of interest rules*. [Online]  
Available at: <https://www.washingtonpost.com/blogs/in-the-loop/wp/2014/10/03/does-congress-need-clearer-conflict-of-interest-rules/>

Kaplan, T., 2016. *New York Times: The Vote for Bankruptcy Reform that Haunts Hillary Clinton*. [Online]  
Available at: <http://www.nytimes.com/2016/02/07/us/politics/the-vote-for-bankruptcy-reform-that-haunts-hillary-clinton.html>  
[Accessed 31 May 2016].

Kimberly Kindy, D. S. F. S. H., 2012. *Washington Post*. [Online]  
Available at: [https://www.washingtonpost.com/politics/congress-members-back-legislation-that-could-benefit-themselves-relatives/2012/10/07/c2fa7d94-f3a9-11e1-a612-3cfc842a6d89\\_story.html](https://www.washingtonpost.com/politics/congress-members-back-legislation-that-could-benefit-themselves-relatives/2012/10/07/c2fa7d94-f3a9-11e1-a612-3cfc842a6d89_story.html)  
[Accessed 17 May 2016].

Kusnetz, N., 2013. *Public Integrity Organisation : Conflicts of interest run rampant in state legislatures*. [Online]  
Available at: <https://www.publicintegrity.org/2013/03/18/12313/conflicts-interest-run-rampant-state-legislatures>  
[Accessed 23 May 2016].

Levitt, A., 1995. *Concerning the " Financial Services Competitiveness of 1995" and related issues*. [Online]  
Available at: <https://www.sec.gov/news/testimony/testarchive/1995/spch029.txt>  
[Accessed 17 May 2016].

National Conference of State Legislators, 2015. *Revolving Door Prohibitions*. [Online]  
Available at: <http://www.ncsl.org/research/ethics/50-state-table-revolving-door-prohibitions.aspx>  
[Accessed May 23 2016].

NCSL Organiastion, 2016. *Penalties for violations of state ethics and public corruption laws*. [Online]  
Available at: <http://www.ncsl.org/research/ethics/50-state-chart-criminal-penalties-for-public-corr.aspx>

NYTimes, 2015. *Ex-Goldman Banker and Fed Employee Will Plead Guilty in Document Leak*. [Online]  
Available at: [http://www.nytimes.com/2015/10/27/business/dealbook/criminal-charges-and-50-million-fine-expected-in-goldman-new-york-fed-case.html?\\_r=0](http://www.nytimes.com/2015/10/27/business/dealbook/criminal-charges-and-50-million-fine-expected-in-goldman-new-york-fed-case.html?_r=0)  
[Accessed 23 05 2016].

Obama, B., 2008. *The Audacity of Hope*. Reprint Edition ed. s.l.:Vintage.

On the Issues, 2003. *On the Issues Howard Dean*. [Online]  
Available at: [http://www.ontheissues.org/Howard\\_Dean.htm](http://www.ontheissues.org/Howard_Dean.htm)  
[Accessed 23 May 2016].

Open Secrets, 2016. *Revolving Door: Methodology*. [Online]  
Available at: <https://www.opensecrets.org/revolving/methodology.php>  
[Accessed 223 May 2016].

Richard Briffault, J., 2012. *Columbia Law: Go Beyond: Supreme Court Campaign Finance Decisions Timeline*. [Online]  
Available at: <http://www.law.columbia.edu/magazine/interactive/55569/go-beyond-supreme-court-campaign-finance-decisions-timeline>  
[Accessed 31 May 2016].

Rosenberg, N., 2011. *Ex-Consultant to Mayor Gets Prison for Theft*. [Online]  
Available at: [http://www.nytimes.com/2011/12/20/nyregion/john-haggerty-gets-prison-for-stealing-bloomberg-election-funds.html?\\_r=0](http://www.nytimes.com/2011/12/20/nyregion/john-haggerty-gets-prison-for-stealing-bloomberg-election-funds.html?_r=0)

Smith, C., 2016. *The Mayor and His Money*. [Online]  
Available at: <http://nymag.com/nymetro/news/people/features/14573/>

Supreme Court of United States, 2016. *Citizens United. V Federal Election Commission: Appeal from the United States District Court for the District of Columbia*. [Online]  
Available at: <http://www.supremecourt.gov/opinions/09pdf/08-205.pdf>

The Municipal Art Society of New York, 2008. *Citizens Union//NYPIRG Forum on Term Limits Tonight*. [Online]  
Available at: <http://www.mas.org/citizens-unionnypirg-forum-on-term-limits-tonight/>

Wikipedia, 2016. *Citizens United*. [Online]  
Available at: [https://en.wikipedia.org/wiki/Citizens\\_United\\_v.\\_FEC](https://en.wikipedia.org/wiki/Citizens_United_v._FEC)  
[Accessed 31 May 2016].

---

WSJ, 2014. *Regulatory Capture 101*. [Online]  
Available at: <http://www.wsj.com/articles/regulatory-capture-101-1412544509>  
[Accessed 23 05 2016].

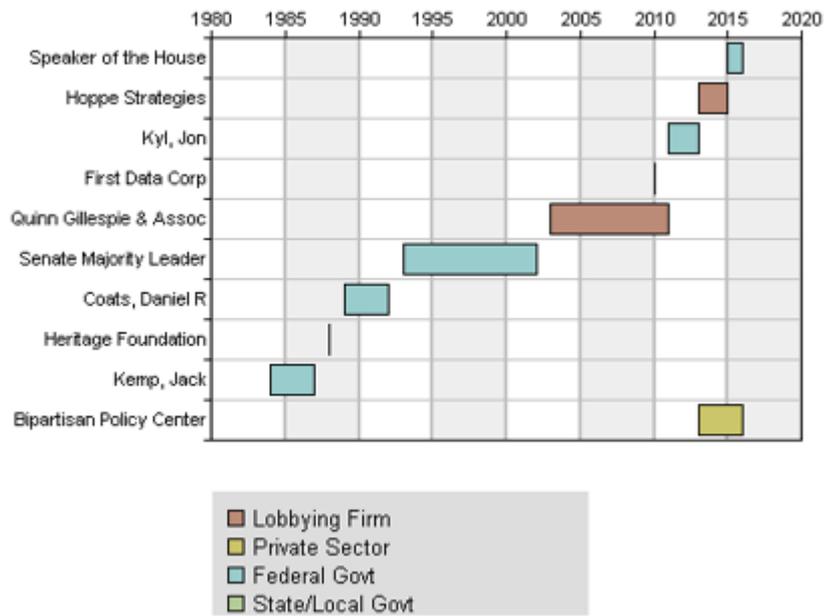
## Appendix

**Table 1:** Senators' Campaign Donations & Top Issues

NAME OF SENATOR	CHARLES E. SCHUMER	MITCH MCCONNELL	CLAIRE MCCASKILL
<b>PARTY</b>	Democrat	Republican	Democrat
<b>TOTAL RAISED 2009-2014</b>	\$25,578,359	\$30,845,825	\$21,055,467
<b>% SMALL CONTRIBUTIONS</b>	2%	4%	21%
<b>% LARGE CONTRIBUTIONS</b>	73%	57%	56%
<b>% PAC CONTRIBUTIONS</b>	16%	21%	13%
<b>TOP 3 INDUSTRIES</b>	Securities & Investment	Securities & Investment	Lawyers/Law Firms
	Lawyers/Law Firms	Retired	Retired
	Real Estate	Oil & Gas	Women's Issues
<b>TOP 3 ISSUE AREAS</b>	Foreign Trade and International Finance (38%)	Taxation (22%)	Armed Forces and National Security (25%)
	Taxation (16%)	International Affairs (16%)	Government Operations and Politics (25%)
	Health (13%)	Environmental Protection (13%)	Taxation (10%)
<b>TOP 5 DONORS</b>	Lazard Ltd	Blackstone Group	EMILY's List
	Fragomen, Del Rey et al	Goldman Sachs	Washington University In St Louis
	Paul, Weiss et al	Humana Inc	Express Scripts
	Paulson & Co	JPMorgan Chase & Co	Bryan Cave LLP
	Blackstone Group	Alliance Resource Partners	Simmons Law Firm

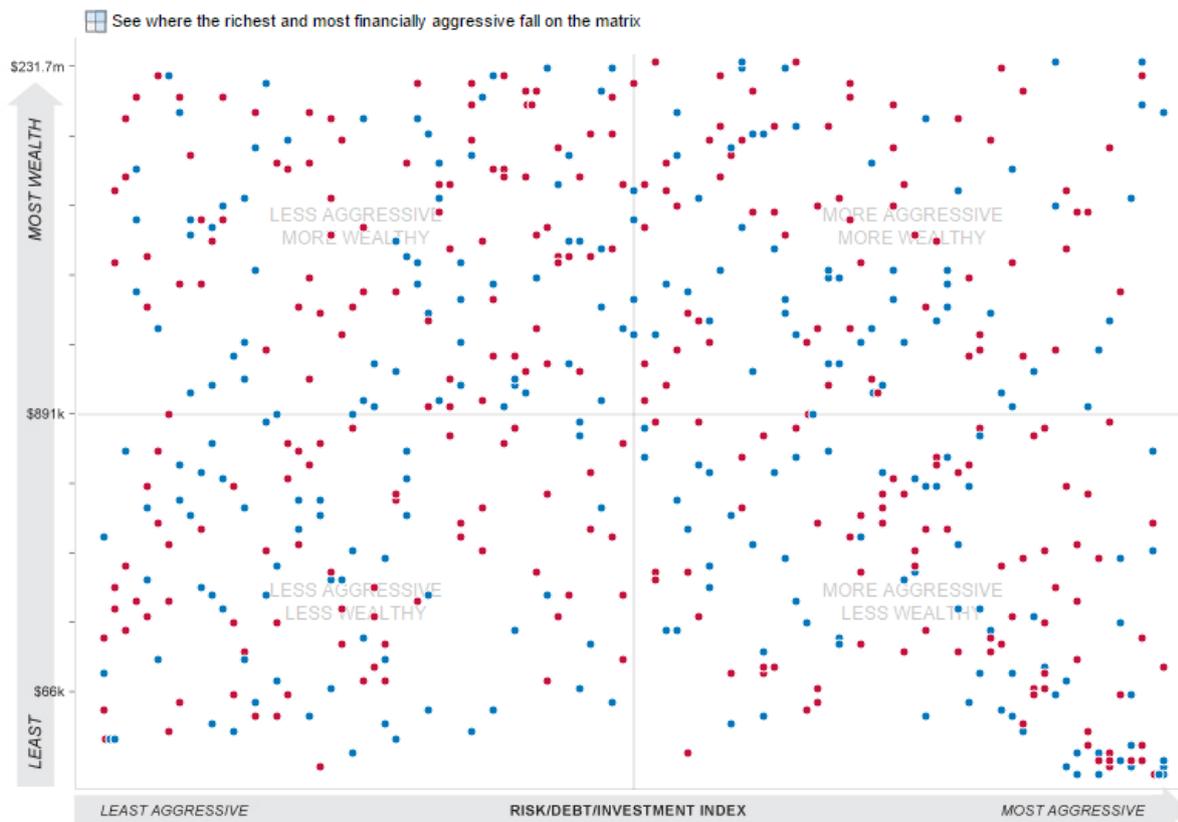
Source: Opensecrets Organisation, 2016

**Figure 1: David Hoope's Employment**



Source: Open Secrets, 2016

**Figure 2: Congressional Wealth**



Source: Washington Post, 2012.

**Figure 3:** Top 15 Most Popular Stocks Owned by Senators

Rank	Company	Number of Members Holding	Minimum Value	Maximum Value
1	General Electric	69	\$2,324,041	\$5,848,956
2	Microsoft	57	\$2,196,863	\$5,529,787
3	Procter & Gamble	55	\$8,172,791	\$35,313,724
4	Wells Fargo	50	\$1,763,433	\$4,389,370
5	Apple	48	\$2,915,408	\$9,835,347
6	IBM	48	\$2,468,136	\$8,680,082
7	AT&T	47	\$1,456,415	\$3,720,363
8	Verizon Communications	47	\$854,937	\$2,477,885
9	JPMorgan Chase	46	\$1,377,048	\$3,661,000
10	ExxonMobil	45	\$4,924,498	\$13,502,441
11	Johnson & Johnson	45	\$2,091,110	\$4,767,057
12	Chevron	44	\$3,709,286	\$8,074,235
13	Cisco Systems	44	\$315,363	\$1,141,320
14	Coca-Cola Company	41	\$2,347,054	\$5,431,000
15	Pfizer	41	\$1,644,586	\$3,929,540

\* Exact amounts are usually unknown; personal financial disclosure forms provide a fixed range of values with which to record the amount of an asset held.

**Source:** Maplight Organisation, 2016.