

Wanna Beat the Market by 6.6%? Join Congress

'60 Minutes' draws attention to legal insider trading by politicians; STOCK Act reform dies in committee

BY GIL WEINREICH, ADVISORONE

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Rep. Nancy Pelosi, handing over the Speaker's gavel to Rep. John Boehner in January, was in a report on "60 Minutes." (Photo: AP)

A report by CBS' "60 Minutes" is amplifying sensational charges that members of Congress are garnering private profits from their privileged access to information about legislation affection corporations and the economy.

The CBS report, based on a forthcoming book by Hoover Institution scholar Peter Schweizer called [Throw Them All Out](#), suggests that congressmen are making far more than

the \$174,000 a year salary they are paid to make the nation's laws.

Among the most riveting claims that [CBS aired Sunday night](#) is the suggestion that former Speaker of the House Nancy Pelosi, D-Calif., and her husband cashed in on a lucrative Visa (NYSE:V) IPO by ensuring the defeat of a bill regulating credit card interchange fees. The Pelosis' investment—which ranged between \$1 million and \$4 million (congressional disclosure forms require only that a certain dollar range be checked off)—[soared 203%](#) during a period when stock market returns were down 15%. A credit card reform bill that eventually made its way out of Congress with Pelosi's support did not address interchange fees included in previous versions of the bill.

[Pelosi responded](#) to the CBS report through a spokesman, who said "Congress has never done more for consumers nor has the Congress passed more critical reforms of the credit card industry than under the Speakership of Nancy Pelosi." The spokesman added that the charges were based on a book by a politically conservative author "who has made a career of out attacking Democrats."

But both the book and the CBS report take aim at members of both parties, including Republican Rep. Spencer Bachus of Alabama. Bachus in 2008 was the ranking Republican on the House Financial Services Committee when he attended a sensitive high-level briefing by then Treasury Secretary Hank Paulson and Fed chairman Ben Bernanke on the economic crisis. The next day [Bachus bought contract options](#) on ProShares Ultra-Short QQQ (NYSE: QID), nearly doubling his \$7,846 trade when he sold a few days later.

[A 2004 study](#) of congressional members' investment returns showed a huge informational advantage for legislators, with members of the House of Representatives earning a 6% premium over market returns between 1985 and 2001 and U.S. Senators besting the market by 12.3% per year between 1993 and 1998.

A new study published this year in the journal [Business and Politics](#) finds a 6.6% annual market-beating advantage for members of the

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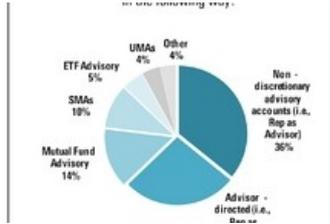
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