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60 Minutes Loses Credibility on Congressional Insider Trading Story

By: [David Dayen](#) Monday November 14, 2011
 8:57 am



I found last night's [60 Minutes](#) story on insider trading in Congress to be uneven, partially underwhelming and at times outright misleading. That Congress has access to insider information and does not have to sequester off their stock trades in ways that would allow them to profit from this information is beyond dispute. The simple fix would be to force every member of Congress to put their holdings into blind trusts. But the most difficult thing to pass through Congress is rules that the institution would impose on its own members. Indeed, the [STOCK Act](#), the vehicle that would ban insider trading by members of Congress, has a paltry 5 co-sponsors, and Steve Kroft couldn't find many members who even knew of its existence.

But the actual evidence for insider trading among members of Congress in the story was fairly weak. The most damning story in the piece, which was based on a book by conservative activist Peter Schweizer (waiting for 60 Minutes to pick up a Greg Palast story) had nothing to do with insider trading, but just run-of-the-mill corruption through earmarking from former House Speaker Dennis Hastert, who steered a transportation project to benefit some of his land holdings.

The best evidence actually grounded in the story 60 Minutes was trying to tell concerned [Spencer Bachus](#), who apparently bought options against the stock market – basically betting on the market to fail – after hearing privileged information from Hank Paulson and Ben Bernanke at the apex of the financial crisis in 2008.

“

On the evening of September 18, at 7 p.m., Bachus received [a] private briefing for congressional leaders by Hank Paulson and Federal Reserve Bank Chairman Ben Bernanke about the current state of the economy. They sat around a long table in the office of Nancy Pelosi, then the Speaker of the House. These briefings were secretive. Often, cell phones and Blackberrys had to be surrendered outside the room to avoid leaks.

What Bachus and his colleagues heard behind closed doors was stunning. As Paulson recounts, "Ben [Bernanke] emphasized how the financial crisis could spill into the real economy. As stocks dropped perhaps a further 20 percent, General Motors would go bankrupt, and unemployment would rise . . . if we did nothing." The members of Congress around the table were, in Paulson's words, "ashen-faced." [...]

The meeting broke up. The next day, September 19, Congressman Bachus bought contract options on Proshares Ultra-Short QQQ, an index fund that seeks results that are 200% of the inverse of the Nasdaq 100 index. In other words, he was shorting the market. It was an inexpensive way to bet that the market would fall. He bought options for \$7,846 on a day when the Dow Jones Industrial Average opened at 8,604. A few days later, on September 23, after the market had indeed fallen, he sold the options for over \$13,000 and nearly doubled his money.

”

Definitely a lot of smoke there. But the rest of the story didn't really connect. 60 Minutes clearly wanted to go after the big fish, John Boehner and Nancy Pelosi, so Kroft could confront them at their weekly press conferences. But the evidence they had just didn't scan, as [Ryan Grim](#) points out. Boehner bought health insurance stocks before the public option died. But they were purchased by his financial advisor without his knowledge. And Boehner didn't have much to do with the public option's demise – that was reserved for Blue Dogs and Joe Lieberman.

The Pelosi hit was even worse. The story claims that Pelosi bought 5,000 shares of Visa in an IPO while

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“Former House Speaker Nancy Pelosi and her husband have participated in at least eight IPOs. One of those came in 2008, from Visa, just as a troublesome piece of legislation that would have hurt credit card companies began making its way through the House. Undisturbed by a potential conflict of interest, the Pelosis purchased 5,000 shares of Visa at the initial price of 44 dollars. Two days later it was trading at \$64. The credit card legislation never made it to the floor of the House,” CBS reports.

But CBS leaves out that fact that the bill passed out of committee at the very end of the legislative session, as Congress was dealing with the Wall Street implosion and bailout, and that the chamber then adjourned until the election. More importantly, Democrats didn't have the votes for it in the Senate and the notion that President Bush would have signed it if they did is far-fetched.

CBS goes on to report: “Congresswoman Pelosi pointed out that the tough credit card legislation eventually passed, but it was two years later and was initiated in the Senate.”

The implication is, apparently, that the Senate forced Pelosi's hand. Throughout 2009 and 2010, the House consistently passed stronger and more progressive legislation than the Senate, but in the scenario laid down by CBS, it was the other way around when it came to credit card reform. But in 2008, before the stock transaction, the House had already passed the Credit Cardholders' Bill of Rights over the objections of industry lobbyists.

”

The idea that the Senate were the real crusaders and fatcat Pelosi dragged her feet on the bill makes no sense at all, especially because the credit card reform didn't have a chance to pass into law until George W. Bush left the White House.

The fact that Eric Cantor, who made lots of dodgy trades, including a short on US Treasuries during the debt limit debate, wasn't mentioned at all in the piece, and that 60 Minutes is planning a profile of Cantor, tells you a lot about the story.

None of this means that insider trading isn't a problem in Congress that needs to stop. But I'd rather hear what Jack Abramoff has to say about it over 60 Minutes.

20 Comments

TAGS: HEALTH CARE, CONGRESS, JOHN BOEHNER, NANCY PELOSI, ERIC CANTOR, CREDIT CARDS, INSIDER TRADING, SPENCER BACHUS, 60 MINUTES



20 Responses to “60 Minutes Loses Credibility on Congressional Insider Trading Story”

BooRadley November 14th, 2011 at 9:06 am

1

I wonder how long the guy from the Hoover Institute, Peter Schweizer, keeps his job.

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janeeyresick November 14th, 2011 at 9:33 am

2

How is it that everyone who enters Congress and the Senate as a person of moderate means, becomes a millionaire with very few exceptions to this rule?

If they had such amazing financial acumen, it seems that there would be evidence of it before taking office.

I attribute much of it to Congress being openly for sale. The Abramhoff piece was/is where the focus should be. Lawmakers plan on careers as lobbyists themselves when they leave office or alternately their spouses and children become miraculously employed by lobbying firms.



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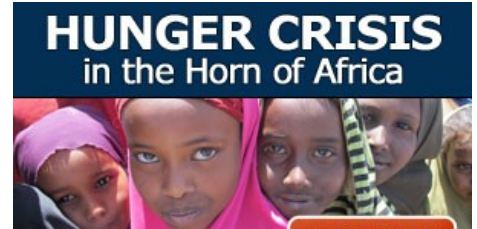
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Arbusto November 14th, 2011 at 9:51 am

3

60 Minutes was never about investigative reporting, resembling more a reality news show using "experts" whose expertise matches the shows desired outcome, and/or extensive editing for the same result. I watched one episode where the object of derision (Susquehanna Nuclear)(I worked at GE Nuclear at the time) filmed the film crew with before and after editing. One question asked by Morley Shaffer was edited to show an answer to a different question, making the Manager of the plant seem an idiot. In another episode, 60 M went after General Aviation twin engine safety record by having their expert put the aircraft, a Piper Aztec, in a situation where physics guaranteed an upset situation, whatever the aircraft use, civil, military or airline. I quit watching after that.

I wonder if 60 M wasn't Murdoch's template for Fox News.

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Phoenix Woman November 14th, 2011 at 11:04 am

4

In response to [BooRadley @ 1](#)

Indefinitely. So long as he can get establishment-media outlets like NewsBeast to fall for his schtick, he's golden.

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spanishinquisition November 14th, 2011 at 11:18 am

5

How is that Pelosi – a mere private investor – got IPO shares that are reserved for institutional investors?

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speakingupnow November 14th, 2011 at 12:17 pm

6

"That Congress has access to insider information and does not have to sequester off their stock trades in ways that would allow them to profit from this information is beyond dispute."

"60 Minutes" brought this issue to the attention of the public. For that they should be commended. As Ryan Grimm stated, "Honest graft, as "60 Minutes" calls it, is a serious problem in Washington, with a massive industry called "**political intelligence**" devoted to digging up inside regulatory and congressional information so traders and companies can take advantage of it."

So, it turns out that Congressional Members, in addition to voting based upon corporate lobbying and campaign contributions, may vote in a particular manner in order to increase their personal fortunes... and it is all legal.

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David Dayen November 14th, 2011 at 1:11 pm

7

In response to [speakingupnow @ 6](#)

If 60 Minutes actually landed the piece instead of coming up with half-truths, it would have given the issue some credibility. Instead they sapped at it.

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fatster November 14th, 2011 at 1:14 pm

8

Oh, pfffft. The powerful don't need laws. [Darrell Issa just said so](#). "We don't need laws for the powerful," Issa said in front of a crowd of "retirees whose pensions have been drastically cut".

(Course, Darrell's had a few run-ins [of his own](#).)

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BobTinKY November 14th, 2011 at 1:24 pm

9

In response to [spanishinquisition @ 5](#)

The other damning part of the story was that Boehner & Pelosi are able to participate in IPOs that mere mortals have no chance of participating in, is this true or not?

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eCAHNomics November 14th, 2011 at 1:28 pm

10

How can you lose something you never had to begin with.

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eCAHNomics November 14th, 2011 at 1:29 pm

11

In response to [BobTinKY @ 9](#)

Be first. It's the 'moral' of the movie Margin Call.

On edit: I have no idea if MoC can/do participate in IPOs. I'd be surprised if they couldn't/didn't. Generally IPOs get sold to large, favored institutions like Harvard, Yale, Stamford Endowments, proly hedge funds these day.

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eCAHNomics November 14th, 2011 at 1:36 pm

12

In response to [BobTinkY @ 9](#)

Once the shares are in the market, any investor can purchase them. Early IPO purchasers are often risk-takers — the price of an IPO can fluctuate wildly during the first weeks after a stock release. It's very common for a stock price to spike very high, then drop significantly as the market determines its value.

[Link.](#)

So doesn't seem to be any proscription against MoC buying IPOs from stock exchange POV and I doubt congress has rules against it, but I don't know for sure.

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eCAHNomics November 14th, 2011 at 1:41 pm

13

In response to [fatster @ 8](#)

Think he meant to say "we don't need laws to **[protect]** the powerful." (My bold.)

Believe me, I'm no Issa fan (nor a troll), but to me that was a clearly inartfully worded sentence, wherein he actually meant the opposite to what he said.

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speakingupnow November 14th, 2011 at 1:45 pm

14

In response to [David Dayen @ 7](#)

I agree that it reduces the credibility of a story to have "half truths". However, how many people were even aware of the fact that Congressional insider trading was legal or that "political intelligence" existed prior to the 60 Minutes story? If the back stories once again become the major issue, then it drowns out the real problem. In this case, Congressional insider trading and all the ramifications that suggests.

Didn't Martha Stewart use the defense that stock trades were made by her financial advisor without her knowledge? If that defense was suspect for her, why not for Speaker of the House John Boehner? As for the "public option", was he aware of the advance "deals" made between the President and the Health Insurance industry? Or did he simply have his ear to the ground in awareness that Congressional members would vote with campaign contributors first and foremost? Either way, it is bad for the vast majority of citizens when congressional "representatives" can push an agenda which not only results in greater corporate cash for their campaigns but also lines their personal pockets.

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eCAHNomics November 14th, 2011 at 2:01 pm

15

In response to [speakingupnow @ 14](#)

I didn't see the show, so consider this talking out of my a**.

If your defense is reasonable, and it strikes me it is, then would 60 Minutes have better focused their report on what it's "legal" for congress to get away with, rather than what MoC did that is illegal?

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americandad November 14th, 2011 at 2:02 pm

16

Christian fundamentalists will be forever grateful to 60 Minutes for linking teen suicide to roleplaying games.

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speakingupnow November 14th, 2011 at 2:10 pm

17

In response to [eCAHNomics @ 15](#)

It WOULD have been better to focus on what it's legal for Congress to get away with. Excellent suggestion and hopefully some journalists will pick up your idea and run with it.

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spanishinquisition November 14th, 2011 at 6:36 pm

18

In response to [eCAHNomics @ 15](#)

"If your defense is reasonable, and it strikes me it is, then would 60 Minutes have better focused their

report on what it's 'legal' for congress to get away with, rather than what MoC did that is illegal?"


Yeah, that's what I got from reading about what had gone on – what's bad is not that something illegal was done, but rather what Congress allows themselves to get away with. Politicians can be legally bribed by giving them secret insider information and as well as preferential treatment with IPOs by giving them access to investments that the public can't get.

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Marion in Savannah November 14th, 2011 at 7:09 pm

19

Lord... Someone still watches "60 Minutes?" I stopped years ago, and not just because of Andy Rooney...

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papau November 14th, 2011 at 11:39 pm

20

Pelosi is able to participate in IPOs because she is rich -
not because she is a Dem or is powerful in DC.

Indeed the vast majority of the rich that scored a large number of shares in the VISA IPO were most likely super donors to the GOP.

But then how often is CBS able to lure a right wing hack and his script away from Fox – quite an accomplishment /s

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