

- [Home](#)
- [News](#) ▶
- [Technology](#) ▶
- [Markets](#) ▶
- [Personal Journal](#) ▶
- [Opinion](#) ▶
- [Leisure/Weekend](#) ▶

The Print Edition[Today's Edition](#)[Past Editions](#)**Features**[Portfolio](#)[Columnists](#)[In-Depth Reports](#)[Discussions](#)[Company Research](#)[Markets Data Center](#)[Video Center](#)[Site Map](#)[Corrections](#)**My Online Journal**[Personalize My News](#)[E-Mail Setup](#)[My Account/Billing](#)[RSS Feeds](#)**Customer Service**[The Online Journal](#)[The Print Edition](#)[Contact Us](#)[Help](#)**BARRON'S**Online**Advertiser Links****FEATURED ARCHIVE**

FedEx Delivers:
**"Small Business
 Center"**

A WSJ report on
 entrepreneurship, and
 news and tips from
 FedEx.

[Click Here ...](#)[Philips presents an](#)**MONEY**

U.S. Senators' Stock Picks Outperform the Pros'

By **JANE J. KIM**

Staff Reporter of THE WALL STREET JOURNAL

October 26, 2004; Page D2

Politicians may have done a poor job improving the government's bottom line, but they seem to be doing quite well with their own.

A study suggests that U.S. senators possess stock-picking skills that even the most seasoned money manager would envy. During the boom years of the 1990s, senators' stock picks beat the market by 12 percentage points a year on average, according to the study. Corporate insiders, meanwhile, beat the market by about six percentage points a year, while U.S. households underperformed the market by 1.4 percentage points a year on average, according to separate studies. The final details of the study will be published in the December issue of the Journal of Financial and Quantitative Analysis.

The study's authors, relying on financial-disclosure forms from 1993 to 1998, looked at about 6,000 common-stock transactions of about a third of the senators each year. The researchers then mimicked the senators' transactions, buying the stocks the senators bought and selling the shares they sold. Over a six-year period, that "superportfolio" essentially beat the market by about one percentage point a month, or 12 percentage points a year.

Looking at the timing of cumulative returns, the senators also appeared to know exactly when to buy or sell their holdings. Senators would buy stocks just before the shares suddenly would outperform the market by more than 25%. Conversely, senators would sell stocks that had been beating the market by about 25% for the past year just when the shares would fall back in line with the market's performance.

The researchers say senators' uncanny ability to know when to buy or sell their shares seems to stem from having access to information that other investors wouldn't have. "I don't think you need much of an imagination to realize that they're in the know," says Alan Ziobrowski, a business professor at Georgia State University in Atlanta and one of the four authors of the study.

Senators, for example, are likely to know which tax legislation is apt to pass and which companies might benefit. Or a senator who sits on a certain committee might find out that a particular company soon will be

'); clickSet = 1; } //-->

[EMAIL](#) [PRINT](#) [MOST POPULAR](#)
An Online Journal Giveaway:

WIN A LUXURY CRUISE ON
 QUEEN MARY 2

[ENTER TODAY](#) ✨

Get the latest in personal finance trends and analysis with our Personal Journal columns. Check the boxes below to subscribe.

Fiscally Fit

To view all or change any of your e-mail settings,

advertisement

[archive of articles on Simple Innovations](#)

[BT presents an archive of stories on Managing Connectivity](#)

[Investor Resource Center](#)

[Iron Mountain Presents: "Information Lifecycle Management Center" An archive of WSJ articles.](#)

[Cigna Presents: "The Benefits of Caring" An archive of WSJ health-care articles.](#)

awarded a government contract or that a certain drug might get regulatory approval, says Prof. Ziobrowski.

The Code of Ethics for Government Service states that government employees cannot use any confidential information acquired in the performance of governmental duties as a means for making profit. The U.S. Senate Ethics Manual lays out other rules barring any actions that would create a conflict of interest. But the manual also notes that if a senator happens to personally benefit from legislation that has a broad, general impact on his or her state or the nation, that gain is assumed to be "incidentally related." By law, senators are required to disclose their common-stock transactions and other personal financial interests by May 15 of each year. Those public documents can be found online at www.opensecrets.org, a Web site run by the Center for Responsive Politics, a nonprofit research group in Washington.

Not all of the senators actively are buying and selling stock. Just over a third of the senators bought or sold individual stocks in any one year in the study, and the vast majority of stock transactions were less than \$15,000. But a small group of senators appeared to be quite active in the stock market. In fact, a handful of senators -- Clairborne Pell (D., R.I.), John Warner (R., Va.), John Danforth (R., Mo.) and Barbara Boxer (D., Calif.) -- accounted for nearly half of the stock trades analyzed. (Only Sens. Boxer and Warner are still in the Senate. A spokeswoman for Sen. Boxer says her assets are now in a blind trust, and a spokesman for Sen. Warner declined to comment.) To eliminate the possibility that the heavy trades of a few senators may have skewed the results, the authors also looked at each senator's trades as individual transactions and found that both big traders and small ones shared similar outsized returns.

Since congressional disclosure forms use broad ranges to report investment income and losses, the amount of money earned or lost by a senator from stocks could not be determined, the study noted.

Write to Jane J. Kim at jane.kim@dowjones.com

); clickSet = 1; } //--> [EMAIL THIS](#) [FORMAT FOR PRINTING](#) [MOST POPULAR](#) [ORDER REPRINTS](#)

Sponsored by

XEROX

[Return To Top](#)

[Contact Us](#) [Help](#) [E-Mail Setup](#) [Customer Service: Online](#) | [Print](#)

[Privacy Policy](#) [Subscriber Agreement](#) [Mobile Devices](#) [RSS Feeds](#) [News Licensing](#) [About Dow Jones](#)

Copyright © 2004 Dow Jones & Company, Inc. All Rights Reserved

DOWJONES