

CHAPTER 1

What Is the Congressional Effect?

Congressional talk is not cheap. In the summer of 2011, the awful spectacle of Congress's inability to timely resolve the budgetary issues regarding our debt cap and the resulting downgrade of United States debt took a heavy toll on the stock market. What is so disturbing is that in their brinksmanship, our lawmakers never seem to consider just how much their actions cost us. What is truly upsetting is the amount of wealth destroyed merely by political talk, even when that talk doesn't lead to action. This wealth destruction is the *Congressional Effect*. It is empirically demonstrated in the aggregate by looking at how the stock market is affected on a daily basis by Congress. In turn, this broad Congressional Effect is generally comprised of a series of legislative impacts on sectors and, sometimes, individual companies.

From 1965 through 2011, measuring each of the 11,832 trading days during that period, the price of the Standard & Poor's (S&P) 500 Index rose at an annualized rate of less than 1 percent on days Congress was in session, but over 16 percent on days they were out of session. This enormous difference between in-session days and out-of-session days is not coincidental, but rather reflects the cumulative effect of unintended adverse consequences on the U.S. stock market from anticipated and actual congressional legislative initiatives. Whenever Congress focuses on an industry with the potential for changing the rules for that industry, investors have to discount what Congress may or may not do to change the business plan of the companies in that industry. Some investors wait for the final version of the new rules so they have more certainty about the business models of the companies before they buy. But sellers often

have to sell for reasons having nothing to do with the latest news about an industry. When there are disproportionately more sellers than buyers, you have periods of underperformance, which happens much more frequently when Congress is in session.

All of this is aggravated by the sheer number of opportunities for Congress to make news. Since there are 535 members of the House of Representatives and the Senate, with 23 House committees and 104 House subcommittees, and 17 Senate committees with 70 subcommittees, there are many industries that Congress can affect on any given day.

This book looks at the Congressional Effect in depth, and offers several strategies for how to optimize your portfolio. Once you understand the nature of the incentives that each politician has that collectively result in Congress's relentlessly working against your portfolio, you can better use their efforts to your advantage. The rest of this chapter describes how the theory of Congressional Effect was discovered and the evidence supporting it.

HOW WAS THE CONGRESSIONAL EFFECT DISCOVERED?

For me, late Friday afternoon is the business equivalent of being in the shower: The pressure of the week is spent and it's OK to let your mind wander. I get lots of my ideas then. At these times, I am almost always tired from working my butt off, and the only people you can reach are your old friends and acquaintances, who don't mind having a little downtime to see the latest stuff you are mixed up in.

I remember the particular Friday afternoon in January 1992 that I discovered the Congressional Effect. The weather was freezing in New York City, in the 20s and windy. The sky was that clear, cold blue you get when the sun is bright and the day is short. I was head of investment banking at a scrappy, growing Wall Street research firm, but in those days we were quite small and could only afford offices in Manhattan's Garment District. (For those of you who know Manhattan, this is a little incongruous. It was almost the investment-banking equivalent of the set of Zero Mostel's version of *The Producers*.) My tiny office was about 50 square feet, the size of a cubicle, but in fact was a built-out room with 12-foot ceilings. Gary Glaser, perhaps the best analyst ever of the auto companies, had an office next to mine. In those days, Gary smoked four packs of cigarettes a day. If you ran your finger along the walls of his office, you could pick up the tar and nicotine. Things were grimy.

We didn't have much of a brand name in those days. We had to fight for every deal we did and for every dollar we raised for our clients. And at

that moment in time, I was almost completely stalled. I had been trying to raise money for an industry that competed with cable TV. Over a year and a half, I had called on 200 banks and venture capital firms to raise money for terrestrial multichannel TV—a precursor of satellite TV using specialized frequencies—only to be told it would never work, the public didn't want competition, the banks would never lend to it, and so on. In many cases, I was calling on funds that had a vested interest in the cable industry, either through direct investments or by virtue of having investors connected to that industry. It was a brick wall. We needed to get to the wide public market and ask a broader array of buyers if they thought there was a need for competition for cable TV.

I had one client, ACS Enterprises, which had filed for a \$10 million initial public offering (IPO). ACS provided cable TV programming to 30,000 paying customer households in Philadelphia and was trying to raise \$10 million in a public offering. The Securities and Exchange Commission (SEC) was dead set against ACS at that time and just bombarded the company with a parade of never-ending comments that felt like they were designed to make the company throw in the towel on raising more money. For example, after the prospectus had been on file with the SEC for three months, they asked the company to specifically state as an emphasized warning that it "might face unforeseen obstacles" in competing with the cable TV companies. We dutifully amended the draft prospectus and resubmitted it to the SEC. After three more months—an eternity to a small company starved for cash—the SEC came back and asked us to "spell out and specify" the unforeseen obstacles we might anticipate. We replied that they had made us put this warning in to begin with, and that if we knew what they were, they would no longer be unforeseen. All these pettifogging, time-killing requests from the SEC occurred against a background of a company running out of money and staring at bankruptcy.

I reacted quite stubbornly to the idea that the industry was not financeable and was racking my brain for ways to make my deals work in spite of the government and in spite of cable competition. I was stewing. It being Friday afternoon, I called a friend to complain about the horrid state of the world.

In the middle of my complaining about my deals, one of my friends, no doubt trying to cheer me up, told me they were probably stalled because the market in general feared the Buffalo Bills might win the 1992 Super Bowl. After all, this was their third consecutive trip to the big show, and it seemed this time they would finally get it done. There was then, and there still is, stock market folklore that when a team from the old American Football Conference wins the Super Bowl, the stock market will go down for the year. I told my friend not to worry, for sure Buffalo would lose, and even if they didn't, the January Effect would bail us out in the stock

market. And if the January Effect didn't kick in, there would be a Summer Rally . . . and if not, the year would be saved by the Santa Claus Rally, and so on.

As it turned out, there was no need to worry, because the Dallas Cowboys crushed the Buffalo Bills 52–17, and the S&P 500 Index did indeed go up 10 percent that year. But the question did get me thinking about correlations. At that time, I was an investment banker raising money for small public companies, most of which competed with larger cable TV companies. I knew there was stock market folklore about seasonality and wondered if I could figure out a new way to play the stock market. There are hundreds of aphorisms about the stock market that pass for market wisdom in the same way campaign slogans are used by some voters to decide their election choices. The most famous is probably “Sell in May and go away.” It's based on the idea that not much news happens in the summer, so there is nothing to drive stocks higher. A different version of this is “Buy bonds in May and go away,” based, I suppose, on the good old days of yesteryear when bonds paid noticeable rates of interest and people led stable, dignified lives based on interest income. The underlying theory was that if there was going to be little market-moving news, it was better to be earning interest and have more fixed income exposure.

There were also other tactical timing phrases that suggested timing the market based on things like tax considerations and flows of funds. For example, there has long been the sense that there is a January Effect—that one can buy stocks in December and sell them higher in January. This is based on the idea that losing stocks are thought to be disproportionately sold at year end to get their losses realized for tax purposes, and repurchased in the new year. This fact, coupled with some increase in fund flows into retirement accounts in the new year as the result of year-end bonuses being paid, has made the logical case for the January Effect. Objectively, the data support that there has been a January Effect but to the extent it had a bigger benefit when capital gains taxes were higher and more of the market was in taxable funds, it has apparently subsided a lot since 1990. Then, too, there were the feel-good moments often associated with a rally—there is stock market folklore about a Santa Claus Rally and a Thanksgiving Rally and an Easter Rally, all supposedly coinciding with these holidays.

But at the time, while there were, and are, very sophisticated seasonality analyses that large firms use to inform their trading of every class of securities, there was to my knowledge no “Unified Theory” of market timing except that it was in general a bad idea. I had heard that Einstein was searching for a “Unified Field Theory” to explain the four physical forces of gravity, electromagnetism, and strong and weak nuclear forces with one common explanation. I asked myself if there might be one “Unified

Field Theory of Tactical Market Timing”—a single overriding explanation for how stocks traded with respect to seasonality.

At this time in the early 1990s, my clients were all competitors of cable companies, but they had been adversely affected by new complicated rules the government had imposed recently on cable companies. The government had put a cap on the prices charged by cable TV companies, and as a result everyone in that business was struggling to stay afloat, even with apparent local monopolies. While this sounded like it was a good deal for consumers, it was actually a terrible deal for everyone: cable TV companies, their would-be competitors, and ultimately, consumers. Having thought the rules wouldn't change, many cable TV companies had borrowed to the hilt. Once the rules changed, cable TV companies and their lenders often found themselves in the twilight zone. Because they had local monopolies, the banks often lent to them at high multiples of cash flow. Once their rates were capped, the cable TV companies often would find themselves current on the interest they had to pay on their loans, but in violation of some of the covenants of their bank loans. In the aftermath of the savings and loan (S&L) crisis, these loans became known as “performing nonperforming” loans. Think about that term for a moment and you will begin to understand what happens when government intervenes.

These “performing nonperforming” loans became problem loans for the banks, which in turn had to reduce lending to the cable TV industry to satisfy the bank regulators. Cable TV expansion was halted. Since the cable TV industry was sick, raising money to compete with cable was even harder. The banks thought that if cable's loans were in trouble, creating new competition would only make things worse, and they mostly refused to finance any cable competitors. Consumers were worse off because although in the short term their prices were fixed, new entrants were prevented from entering competition and then offering more choices. When the government fixed prices, it did so at a time when offering 24 channels or 36 channels sounded like an incredible array of offerings. Just 20 years later, we know how feeble that offering is in hindsight. Imagine having the exact same 36 channels today.

The threat of government action hurt all cable TV stocks during that period. Even Comcast, which we now know was perhaps the best cable TV company of its time, had its stock price stay virtually stalled from November 15, 1989, when the Cable Consumer Protection and Competition Act was first proposed, until it passed over the veto of President George H. W. Bush in October 1992. In that period in the aftermath of the law, its stock declined over 6 percent from \$2.87 per share to \$2.69 per share. In comparison, the S&P 500 Index rose almost 30 percent during the same period, so Comcast investors really suffered underperformance for becoming a government

scapegoat. It is very bad for a stock to be demonstrably “dead money” while other stocks are participating in the greatest bull market in three generations. What made it worse was that during this time period Comcast grew its business from two million subscribers in 1988 to almost three million in 1994, mostly through organic growth, and increased revenues per subscriber, so it was growing its top line at over 15 percent per year and entering into the cellular phone business, but its stock went nowhere in those two and a half years¹ (see Figure 1.1).

So there I was on that cold January afternoon. My clients were all competitors of cable companies, and the government was making it difficult for my first cable competitor client trying to get public money. All of the wireless cable TV companies had been swept up in the complicated rules the government had imposed recently on cable companies, and both cable and wireless cable companies were all struggling to stay afloat mostly because of government interference. The main reason was that the government had stepped in and told the cable TV companies they could not raise their prices. In turn, their stocks suffered and their would-be competitors suffered. Of course, with more competition, cable rates were likely to go down in real terms over time. And then it struck me: What if government action was the single explanation for the stock market folklore of the January Effect *and* the Summer Rally *and* the Christmas Rally *and* so on. . . . If government interference could lower the prices of cable TV companies and their shares prices, maybe it had the same impact on other industries,

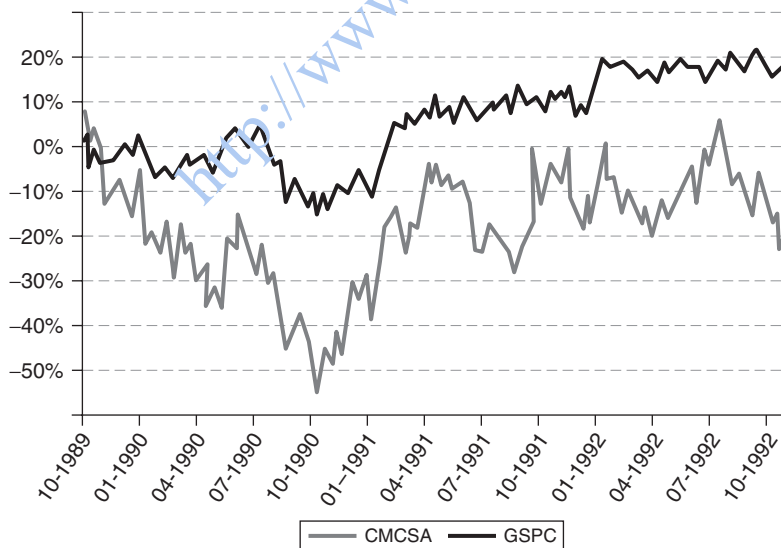


FIGURE 1.1 Comcast vs. S&P. Data source: Yahoo! Finance

and maybe that was a factor, or even *the* factor, in the seasonality of stock prices. My firm was a well-respected institutional research firm (even if, or perhaps because, we were in the Garment District). Every morning, research analysts for specific industries would analyze the news and explain to our equity salesmen how it affected the companies they followed. Half the time, the news was about new threatened government initiatives. When it was, institutional buyers of the stocks in that industry would buy less in that industry while they waited for clarity on what might happen.

Knowing that Comcast had unfairly suffered along with the entire flock of would-be cable TV competitors, that almost every industry suffered when there was news from the government, that the government was stopping a perfectly good competitor from getting to market, and that seasonality folklore seemed to coincide with Congress's schedule, I decided to at least see the data.

EARLY RETURNS SHOWING THE CONGRESSIONAL EFFECT

I called in my assistant and asked her to look up the days when Congress had been in session and when they had not, and to compare S&P 500 prices on the in-session days and the out-of-session days for the past year. Just for kicks, I looked at how the S&P 500 (without taking dividends into account) performed on a daily basis over the past year (1991) whenever the Senate was shut. Allowing for some nuances of taking daily averages, the S&P was up about .00012 percent when the Senate was open and .0025 percent when it was closed, a difference on the order of 20 times! Moreover, the Senate was open twice as much as it was closed, so most of the gain for the year occurred only when the Senate was closed. The data were very compelling. The market did incredibly better when Congress was out of session. This seemed too good to be true. Certainly, 1991 must be an aberration. And maybe using the Senate alone was misleading. So, I needed more research.

I then asked her to go back five years. What I found surprised me. When I looked at the 1,261 trading days from 1987 through 1991, the market did five times better per day when Congress was not in session. From 1987 through 1991, the S&P 500 rose about .0010% on business days when Congress was closed, and just about .0002% when the legislators were in action. Now, this was a more modest difference, but over many more observations. The folklore surrounding the Super Bowl at that time was based on the correlations of 25 Super Bowls with the year-end results for 25 years. The very first thing financial advisers are taught is that "correlation is not causation." While this is true for relatively small

samples and modest correlations, there is a point at which overwhelming correlation demonstrates causation. I believe the Congressional Effect has such overwhelming correlation that it demonstrates causation. Even the first five-year test, which was based on 1,261 observations, had a much greater source of statistical proof than most common stock market folklore.

The other incredibly important point that came to light from this first study was that not only did the Congressional Effect identify a way to make money in the stock market, it was also less risky. When I discussed this phenomenon with financial advisers I knew, they confirmed that the risk-adjusted returns were stunning. Not only did the market do five times better per day, but in this five-year period it had less daily volatility and it outperformed the overall market. This seemed like the holy grail of investing. Less volatility *and* higher returns. The standard deviation of returns was significantly greater when Congress was open than when it was closed.

Let's put this into perspective. If, say, stock A pays twice as much as stock B and has a greater certainty of returns, you'd probably pay a lot more for stock A, right? Which suggests that the stock market would go up a lot more and be a safer place if the members of Congress would simply have the good sense to stay home. Well, the implied returns of using the Congressional Effect approach were less volatile, too. I then went back 15 years. At this request, my assistant pointed out in those pre-desktop computer days that the little model I asked for involved 25,000 entries. I encouraged her to be vigilant for typos. The data were still compelling, with out-of-session days giving about twice the return of in-session over an aggregate observation of 3,784 trading days.

Inspired by the data, I wrote an article on the subject for *Barron's*, which introduced the Congressional Effect. My key conclusion at the time was

*"...our nation earns less on its equity when Congress is open, and much of its returns when Congress is closed. We all know the evil Eighties plunged the country into too much debt, and took away too much equity. Now, if that equity was higher, we'd all be better off. If Congress stayed home, we'd have calmer markets with improved chances for higher returns and higher stock prices."*²

I went on to allude to that famous quote sometimes attributed to Mark Twain and sometimes to Judge Gideon Tucker that "no man's life, liberty, or property is safe while the legislature is in session." And I couldn't resist pointing out that "the Founding Fathers apparently felt much the same thing about lawmakers in general, summed up in the statement by Tom Paine: "That government governs best that governs least."

The *Barron's* article was well received by everyone except my boss. Over lunch we talked about it. Our conversation, which I recall verbatim to this day, was brief:

Boss: I don't want you to spend a single minute more on this Congress stuff. I want you to focus on raising money for the wireless cable industry. Exclusively.

Me: And what's in it for me if I don't spend any time at all on this idea?

Boss: Your continued employment.

My cranky boss had a flair for the dramatic. But he had a point. I was being paid a salary to be an investment banker raising money for firm clients, not an investment manager. Besides, I was still seeing red because of the 200 banking and venture professionals who had told me the industry was simply not financeable. I went back to focusing exclusively on raising money for the wireless cable industry. We eventually raised over \$1.5 billion for small public companies that competed with cable TV companies. The wireless cable industry grew and grew. By 1994, the industry had a convention with over 3,000 people attending, and I was named the industry's "Man of the Year" for showing up with so much money. The frequencies controlled by those companies attracted the attention of the major telephone companies and eventually became a core part of their data offerings. When our clients graduated to larger investment-banking firms or were merged, or in some cases, failed, I moved on to raise money for other small companies. The 1990s were great times in the stock market, and great times to be an agent raising money.

The more I thought about the Congressional Effect, the more it made sense to me. Having taken the data back, by hand, by 15 years in 1992, I decided to take it all the way back to 1965.

The dataset that I used as my proprietary set confirmed that since 1965 there was definitely a full-blown Congressional Effect. Ignoring dividends and transaction costs, and just focusing on the pure daily price action, from 1965 through 2011, measuring each of the 11,832 trading days during that period, the price of the S&P 500 Index rose at an annualized rate of 0.72 percent on days Congress was in session, but 16.60 percent on days they were out of session, a difference of over 20 times per day (see Figure 1.2).

Expressed differently, a dollar invested in 1965 just on the 7,767 in-session days would have compounded into \$1.25, while the same dollar invested on just the 4,065 out-of-session days would have compounded into \$11.91 compounded over 47 years. As government has gotten bigger over the past 10 years, and our federal deficits have gotten larger as a percentage of the national gross domestic product (GDP), this relationship has gotten more extreme. A dollar invested at the beginning of 2002 through the end of 2011 just on in-session days would have turned into \$0.61, while the

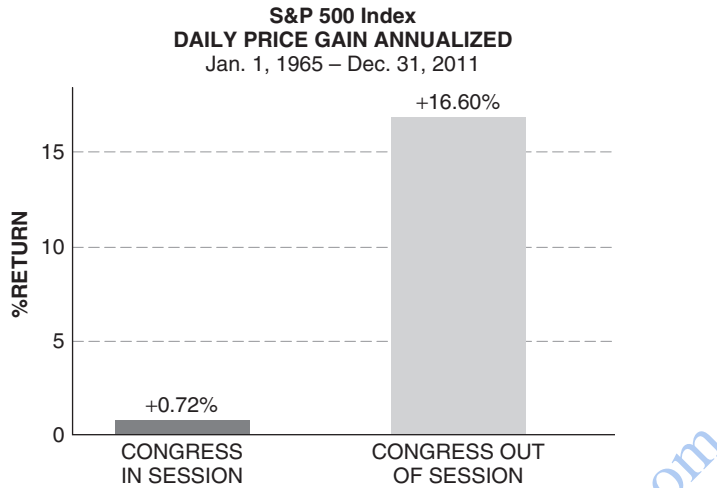


FIGURE 1.2 In-Session Days vs. Out-of-Session, 1965–2011.
Source: Congressional Effect Management, LLC

same dollar invested just on out-of-session days would have compounded into \$1.56. In that same period, on days Congress was out of session, the market went up at an annualized rate of 14.80 percent, but went down at an annualized rate of –6.49 percent when it was in session, an annualized difference of 1.148/0.9351, or 22.76 percent (see Figure 1.3).

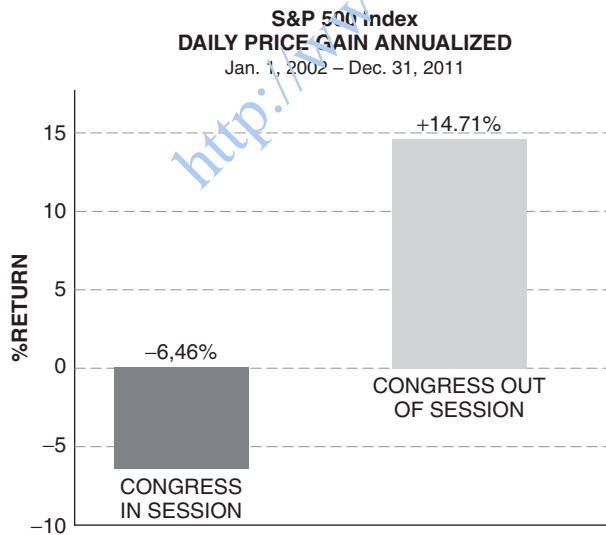


FIGURE 1.3 In-Session Days vs. Out-of-Session, 2002–2011.
Source: Congressional Effect Management, LLC

THE SMOOT-HAWLEY ACT: THE MOTHER OF ALL CONGRESSIONAL EFFECTS

At this point, I decided to look at the biggest historical legislative event—the Smoot-Hawley Tariff Act of 1930—to see if it had a Congressional Effect. This law sharply raised the most important tax of the day—tariffs—and is widely credited as the single most important cause of the Great Depression and the stock market crash associated with it. From its historic high of 384 in October 1929, the Dow Jones Industrial Average fell to a low of 41 in July 1932. President Hoover had campaigned on a platform of raising tariffs for farmers, and the Republicans controlled Congress as well as the presidency. The law was first presented to the House on May 9, 1929, when the Dow Jones Average had closed at 323.51 the day before. The House vote for it occurred on May 28, 1929, and the Dow closed at 298.87, a decline of 9.24 percent while the legislation was considered. However, there is little evidence that the stock market reacted harshly to the bill, and it went on to make new highs in September. The timeline of the Smoot-Hawley Act and the stock market is shown in Figure 1.4.

In “Log-Rolling and Economic Interests in the Passage of the Smoot-Hawley Tariff” (NBER Working Paper No. 5510, 1996), Douglas Irwin and Randall Kroszner show that the severity of the tax raise by the act was largely the result of log-rolling, or the trading of economic favors between legislators so that each one could go back to their specific constituencies and say they had delivered special favors. In fact, from the 1880s through the 1930s, the Republicans had run on platforms of raising tariff protection, and the Democrats had run on platforms of lowering tariff protection. The vote in the House was not the deciding factor for the legislation, and there

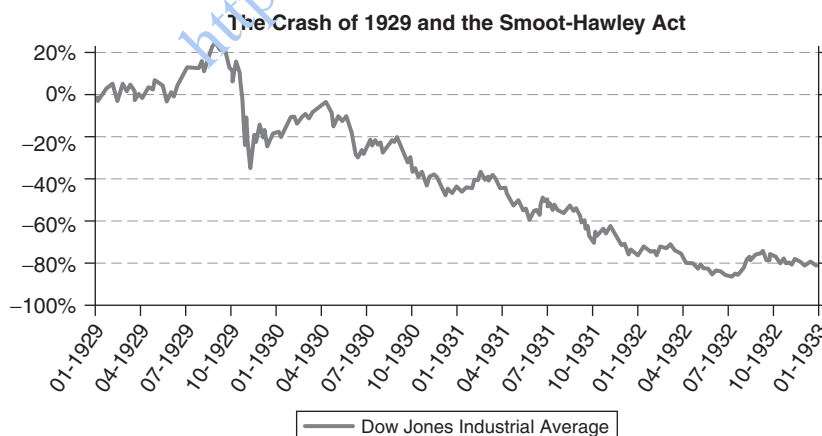


FIGURE 1.4 The Crash of 1929 and the Smoot-Hawley Act. Source: Bloomberg

was no roll call vote as to each tariff. However, the House Republicans, having won an unusually large majority, treated the legislation as a “done deal” that effectively prevented any Democratic amendments.

The legislation’s main debate occurred in the Senate, where there was a lot more visibility to the trading of political favors to get specific tariffs raised. The Senate Finance Committee reduced more rates than it raised in deliberations ending in September, and, coincidentally, the stock market peaked in September 1929 at 384 on the Dow. Once into the Senate considerations there were multiple opportunities to renegotiate rates up by separate amendment votes, putting heat on individual Senators. The final law restored most of the higher tariffs that the House had wanted, and was passed by the Senate on March 24, 1930, by a vote of 53 to 31. The Dow was at 279.11. It went to a conference, where a final version was passed. President Hoover, calling the bill “vicious, extortionate, and obnoxious,” signed it over the objections of 1,028 economists in a petition sent to him because he had campaigned on a platform of limited tariff increases, and Republican party leaders prevailed on him to follow through.³

Trade retaliation happened before the law was even signed. Our largest trading partner, Canada, raised retaliatory tariffs in May 1930. The Smoot-Hawley Tariff Act was signed into law on June 17, 1930, with the Dow at 228, 40 percent below its highs. Neither Smoot nor Hawley was reelected and the majority of historians agree today that raising the taxes of that day—tariffs—which invited retaliation from our trading partners, was the key policy error leading to the Great Depression.

THE CONGRESSIONAL EFFECT DATA AND LAUNCHING A MUTUAL FUND

Armed with these data, I had to do something more than just read about it. In 2006, I asked one of my closest friends to consider opening an institutional-size account that traded only to optimize for the Congressional Effect. It would invest in Spydors (S&P Depository Receipts; SPDRs) when Congress was out of session, and the cash account at E*TRADE when they were in session. I told him that he would have made money the year before to whet his appetite. He looked at me and said, “You know, Eric, I could really care less about the short term. How did this compare with the S&P 500 going back many years?”

I did a back-test for him. It assumed that one knew every day at 4 p.m. Eastern Standard (New York) time whether Congress would have a legislative day the next day and that you could earn at least what Fed Funds paid every day on your idle cash. It also assumed that S&P dividends

are smoothly distributed day by day over the 252.25 trading days in the average year, and it ignored any transaction costs associated with trading. Of course, in real life, Congress can change its schedule at the last second or after hours so that you might not know their schedule at 4:00 every day; specific dividends are paid on specific days by specific companies; and transaction costs and inefficiencies cut into returns when you're actually trading. But the back-test was designed to get a general picture of how the strategy would have done.

I presented my data to my friend. He said, "You know, Eric, matching the market with half the risk is a pretty good bet. I'll give you some money to invest." God bless him. Without his commitment, I would have never started at all.

Now I had a bigger decision to make. In the summer of 2007, my family visited some friends in France. They had a vineyard in the south of France. Their large stone house had a great view. From their pool you could see the vineyard spreading before you and the mountains rolling down to foothills as they sloped towards the plains of Provence. The air was fresh and beautiful, and every day we had a spectacular French meal of local foods and wine from the vineyard. It was a wonderful summer moment.

Thinking it over, I realized I had always been an agent for someone else but that I finally had an idea around which I could form a business of my own. It was a big change to take full responsibility. There were a lot of reasons not to do it. Starting a mutual fund would cost a lot of money, and there would be several years where it was likely that not only would I not have any income, I would have a lot of fund expenses to cover. And it was entirely possible that the fund would not succeed, and that I would have wasted precious savings, and have to start all over again.

But I thought there were two important reasons to launch a fund apart from the American dream of having your own company. First, I thought that if you could match the market over long periods of time in returns with half the risk, it would serve investors very well. Without that, there was no reason to start another mutual fund in a world where 26,000 funds already existed and 99 percent were bigger and stronger and had better distribution. And there is always a need for the reduction of risk for investors.

Second, I thought the fund would help people understand how much wealth Congress destroyed by its constant meddling, and contribute empirical support to the forces for a smaller government. So the Congressional Effect Fund was launched.

The prospectus was filed in October 2007. In our Investment Philosophy section, we quoted Thomas Paine: "That government is best that governs least." The investment corollary of that is that government that governs most governs worst. It was implicit in our announced philosophy that the

more the government intervened in the market, the worse it would be for the stock market overall. In May 2008, the mutual fund went public.

SUMMARY

The Congressional Effect is the usually negative impact on the stock market that occurs when Congress considers legislation that may change the business model for a sector or even an individual company. Investors have to adjust their valuations to account for potential changes in business models. Since on most days Congress is considering some legislation, the Congressional Effect historically has occurred more often than not on a daily basis. From 1965 through 2011, the price of the S&P 500 Index rose at an annualized rate of less than 1 percent on days Congress was in session, but over 16 percent on days they were out of session.

I noticed this Congressional Effect as an investment banker in the 1990s when legislation capping the retail price of cable television service hurt that industry. Looking at the historical record, and considering the stock market impact of major legislation like the Smoot-Hawley Tariff Act, I launched a mutual fund seeking to take advantage of this data.

This book is designed to help you understand how the Congressional Effect works and what Congress's incentives are to continue it, and identifies sources that can be used to anticipate new sources of legislative risk. It also outlines ways that portfolios can be allocated to take advantage of the Congressional Effect and further protect your portfolio from ongoing legislative risk.

NOTES

1. www.pressnews.net/cmcsk/history.htm
2. Eric Singer, "Legislator Go Home," *Barron's*, March 2, 1992.
3. Amity Shlaes, *The Forgotten Man: A New History of the Great Depression* (New York: Harper, 2007), 96.