End Insider Trading by Eliminating Insiders

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Illegal insider trading is defined on the U.S. Securities and Exchange Commission's Investor.gov website as "buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, on the basis of material, nonpublic information about the security (n.d.). Investopedia writer Will Kent defines an insider as "a director or senior officer of a publicly traded company, as well as any person or entity, that beneficially owns more than 10% of a company's voting shares" and states that this definition is expanded for insider trading to include "anyone who trades a company's shares based on material nonpublic knowledge" (2021, July 12). Patrick Boyle's YouTube video, The Five Biggest Insider Trading Scandals, provides a feel for the kinds of insider trading that takes place, from Ivan Boesky to Martha Stewart (2021, May 19).

We were asked in this discussion to address what limits there should be on insider trading, whether managers should be punished for acting on investment decisions they make based on information they have come by honestly resulting from their position within a business but which the general public does not have access to, and whether they should be required to disclose such information to the general public.

For me, thinking about the problem of insider trading leads straight into discussion about a much deeper problem, that of the unequal wealth and power that insiders have in the first place. The solution to that deeper problem involves a fundamental reconfiguration of our economic and social system toward greater justice and democracy.

As reported by the Statista Research Department, the share of net wealth of the top ten percent in the United States increased between 1990 and 2021 from 60.5 percent to 69.8 percent, while that of the top one percent increased over the same period from 23.5 percent to 32.1 percent (2021, Aug. 9). As education writer Larry Cuban puts it in his most recent blog post, it is "[n]o secret now that U.S. inequalities in the distribution of wealth has reached the highest levels since the 1920s." He continues to add that "[n]or is it a secret that racial disparities in health - infant mortality is three times higher for black women than women of other races and American Indians have the highest suicide rates - still plague Americans" (2021, Sept. 24).

So what does this injustice and inequality have to do with insider trading? In his book, *The New Corporation: How "Good" Corporations Are Bad for Democracy*, author Joel Bakan explores how the very structure and logic of the modern corporation leads by its very nature to an erosion of democracy with consequent loss of power by citizens to defend justice and equity. "Just look at what corporations do. They campaign for cuts to taxes, regulation, and spending, and thus undermine policies designed to foster racial equality - human rights protections, antipoverty programs, workers' rights, job and income security, social services, public schools, health care and housing, pay equity, and anti-descrimination measures" (2020, p. 185).

I am personally far less troubled by the harm caused by insider trading, loss of trust on the part of the investor class, then I am by the harm caused by the completely legal activities done by corporate actors performing business as usual. If we truly want to address these far more pressing issues, we will find a solution that creates democratic rule over our economy, and ends insider trading by eliminating insiders.

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