**INSIDER TRADING IN THE TIME OF COVID-19**

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Richard Burr a senior US senator (Republican) from North Carolina is a businessman and a politician and Kelly Loffeler (Republican) from Georgia are accused of Insider Trading on 20th March 2020. They both have sold $1.7 m and $3 m of stocks. They are accused that they did this trading based on the non-public information gathered when they were discharging their official obligations. As per the US Law it is prohibited to trade on the basis of non-public information. Trading based on non-public information is amount to insider trading and attracts heavy liabilities. Criminal penalties are imposed with fine upto $50 Lacs (for individuals) and sentence maximum of 20 years.

Richard Burr has been accused by NPR (National Public Radio) for knowing in advance the dire economic impact of coronavirus, at the time when Trump government was publicly acknowledging that there is no need to panic. NPR has made public a recording in which Richard Burr is warning a group of wealthy associates about the probable server risk of coronavirus on Us economy, he also told the group to curtail their travel.

**Chronology of the cases:** On 7 th February, he first case of coronavirus in US was reported. After a week Donald Trump assured the public that the virus would not hit America hard. Subsequently, Mr burr and his wife sold as much as $1.72 million in stocks. Two weeks following this Mr Burr gave the statements obtained by NPR.

On the other hand, Mrs. Loeffler a head of the senate health committee hosted a private, all-senator briefing on coronavirus by administrative officials, consequently she sold off stock worth $3million. Weeks after the sale, in the series of her tweets she appreciated Donald Trumps administration of doing great work and blamed democrats that they misled Americans on coronavirus readiness. This information was brought out by American news and opinion website The Daily Beast.

The US government has been criticised for its inefficiency in testing, tracing and prevention of coronavirus as compared to other countries. More than 14000 people has been infected with coronavirus and 205 people have lost their lives in US. Additionally, the media in US is reporting public concern of how well connected are getting virus tested, whereas, average American had to wait.

**Rationale for considering Insider Trading unethical:** There is always a kind of asymmetry involved when the information is communicated or disseminated in an economic system. Although measure is always taken to ensure that critical information is shared in a symmetrical fashion, yet there is a risk of lop-sidedness. The rich and the influential or the people in power and holding important positions get to know the facts beforehand than the general public (or investors). The rich and powerful can make use of this exclusive information for their own benefits and avoid the worst consequences (financial loss etc.). This imbalance and inequity amongst poor and rich, powerful and impoverished is considered unjust. The justice theory states that any kind of discrimination of the less advantageous is unethical. Insider trading questions this “justice” in all economic dealings and transactions. George will in 1987 said the following on insider trading “Insider trading is the reverse of speculation. It is reward without risk, wealth generated – and injury done to others- by an unfair advantage in information…..The core principle is clear: no one should profit from exploitation of important information not available to public”.

However, Insider trading is not considered unethical in absolute term. Some of the insider trading are considered legal and some supporters of insider trading says its ethical.

**Arguments favouring Insider Trading:**

-The critical information for instance, about mergers, acquisitions. new stock issues. layoffs and so on in the hands of a few should be remained private, as this is their property and its their right to manage its dissemination.

-Even under ideal information fair dissemination of information is impossible as there is always a few who will receive it before the others just because of their participation in some activities like issuing a new stock. Moreover, a few ignorant people always learn the information late because of their laziness (inattentiveness).

-Even those who get access to secret information before it is made public, trade on probabilities and not on certainties as they trade before the activity takes place. So, they are also taking risk or gambling.

-Some argue that insider trading is beneficial because even if information is secretly obtained the market reflects the true pictures of companies. As the information that drives market prices is factual and not a rumor (even if it is obtained secretly by a few). In this scenario there is a less probability that the prices will reflect whims and rumors of investors.

In all above arguments it is maintained that outsiders are not harmed but benefit from Insider trading, hence it is ethical.

**Conclusive remarks**

Competition is fair amongst equally matched parties. If same information or equal information is not available to all player in the market it violates the principle of justice. Adam smith also stated that in a free-market competition can increase efficiency of the market only when restrained self-interest is practiced by its player. The pursual of unrestrained self- interest that cause harm to others is the violation of fair play. Unrestrained pursual of self-interest can never bring a true equilibrium in the market.

Additionally insider trading even if its not harming outsiders (investors who doesn’t know the secret information) deprive them of exercising their right to act, because their actions in a way are influenced by the actions of the insiders and not their own free will. In other words, insiders with their information manipulate the behaviours of outsiders as they would have not behaved in the similar fashion had the insider have not been acted in the way they did.

Further the proportion of risk born by the insider and outsider differ not because of natural reasons but because of an unrestrained self-interested (greed) action, this makes insider trading unethical.

(Insider Trading: IT in the stock market is characterized as the buying and selling of shares of stock on the basis of information known only to the trader or to a few persons).

*PS: Ponder and reflect over the insider trading situation discussed above and send across your observations in google classroom. Please explore the links copied in the reference section of the article, it includes the recorded conversation of Mr Bur as well.*

*Ponder over other rationale given to justify insider trading. We will discuss when we meet.*

**References**

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