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In Defense of Raj Rajaratnam

By [Zachery Kouwe](#)0
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So your brother-in-law works at a major Wall Street bank that's advising on a big corporate takeover. Now, let's say he slips up at Thanksgiving dinner after downing too many martinis and gives you a hot tip about the pending deal. In Doug Bandow's world, you should be able to trade, and profit, on that info without being afraid of ending up like "Martha f__ing Stewart" in the words of one Danielle Chiesi.

Here's more from Bandow, a senior fellow at the Cato Institute, via his [Op-Ed](#) in Barron's over the weekend.

The distinction between public and non-public information is legally decisive but economically unimportant. Perversely, the insider-trading laws seek to prevent people from trading on the most accurate and up-to-date information. The law seeks to force everyone to make today's decisions based on yesterday's data. It's a genuinely stupid thing to do.

Insider trading shouldn't be a crime. There typically is no victim. To the contrary, most of us benefit when prices move more rapidly to the right level.

Unfortunately, prosecutors, regulators and politicians alike periodically demonize insider trading to justify their offices and budgets. But there is no reason to punish investors who trade on accurate information. In fact, that is precisely what the financial markets should encourage.

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“Now, let’s say he slips up at Thanksgiving dinner after downing too many martinis and gives you a hot tip about the pending deal.....”

Gee, all my brother-in-law used to do at Thanksgiving (after downing too many martinis) was take a cooked turkey neck, lay down on the couch in the living room, stick a turkey neck in his zipper and wait for the reaction of everyone upon seeing the cat licking on it.

~Mays School of Business, 1990
Texas A&M University
College Station, TX

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Posted by Frank | May 17, 2010 at 12:35 PM

Goes to show the CATO institute is a place where people go to seek help with mental problems.

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Posted by Yo Me | May 17, 2010 at 12:43 PM

Please go back to whence you came Zachery Kouwe.

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Posted by [american bandersnatch](#) | May 17, 2010 at 1:07 PM

I like his idea. We could set up some sort of derivative market whereby people with inside information could sell it to the public. This would replace the need for all the public company filings. CFO could sell bootleg copies of financials; R&D heads could sell information on products in the pipeline. You could cut

officers' bonuses and salaries as they can supplement their income through long and short insider transactions. It seems to be a win-win scenario.

5. [5](#)

Posted by cb | May 17, 2010 at 1:32 PM

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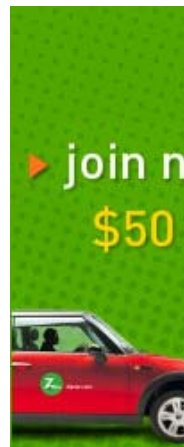
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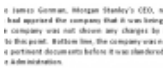
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