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Joseph's Economy: The Business Ethics of "Insider Information"

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Outline:

1. **Background: What is Insider Information?**
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Thank you Rabbi Daniel Silber of the Drisha Institute and Dr. Moses Pava in "Business Ethics: a Jewish Perspective" p.159-171 who first taught me this topic.

1. Background: What is Insider Information?

"המשפטים ואלה" ה"ד, א:כא שמות על ן"רמב

כי כאשר היה בעשרת הדברות, כי רצה להקדים להם המשפטים, ואלה המשפטים אשר תשים לפניהם טעם ראיתם כי מן כה תאמר אל בני ישראל אתם חזרו וצוה את משה, ז"השני באיסור ע, 'הדבור הראשון בידיעת ה כי, שתזהירם אתה עוד שיתנו לבם למה שראו ויזהרו במצות האלו שצויתים, (לעיל כ כב) השמים דברתי עמכם לא כנגד ואלה המשפטים, ז"להשלים ענין ע, לא יהיה לך כנגד ולא תעשון אתי, אנכי כנגד דבור, אתם ראיתם ן, יחשוב שהוא שלו ויחמדהו ויקחהו לעצמוכי אם לא ידע האדם משפט הבית או השדה ושאר הממו, תחמוד וכן אמרו. ולא יחמדו מה שאינו שלהם מן הדין, משפטים ישרים ינהיגו אותם ביניהם, תשים לפניהם לפיכך אמרו וכן יפרש. ה. דינין אחר עשרת הדברות"לכן נתן הקב, כל התורה כלה תלויה במשפט (שמות ל טו) במדרש רבה, (שם כא יב יד) והרציחה, (שם כא טו יז) ובכבוד האב, (להלן כב יט) באלה המשפטים המשפט בעבודה זרה הנזכרים בעשרת הדברות, (שם כב יח) והניאוף

Dr. Moses Pava, "Business Ethics: a Jewish Perspective" p.160

Inside information, as an economic concept, grew out of the innovative, but simple idea that information – like physical assets – is a scarce economic resource...Indeed, economists have suggested that in reality information is spotty, biased, and very costly to attain...We define inside information in very general terms as "information asymmetry."

Jennifer Moore, "What Is Really Unethical About Insider Trading?" *Journal of Business Ethics*, 9:3, p.171-182

"Insider trading," as the term is usually used, means the buying or selling of securities on the basis of material, non-public information. It is popularly believed to be unethical, and many, though not all, forms of it are illegal... Insider trading has all the trappings of a very shady business indeed. For many, insider trading has become the primary symbol of a wide-spread ethical rot on Wall Street and in the business community as a whole... [it is often defined as being] in possession of material, non-public information required to [be] disclosed or to refrain from trading... Probably the most common reason given for thinking that insider trading is unethical is that it is "unfair." For the proponents of the fairness argument, the key feature of insider trading is the disparity of information between the two parties to the transaction. Trading should take place on a 'level playing field,' they argue, and disparities in information tilt the field toward one player away from the other.

2. How Insider Information relates to Joseph's economy

נז-מ, נג -בראשית מא:כט

בְּאֶרֶץ הַשְּׂבֵעַ וְנִשְׁפַּח כָּל אַחֲרֵיהֶן, וְקָמוּ שִׁבְעַת שָׁנֵי רָעָב. אֶרֶץ מִצְרַיִם-בְּכָל שָׁבַע גְּדוֹל--בְּאוֹת, הִנֵּה שִׁבְעַת שָׁנֵי סָכָט לֵב. מֵאֵד, כִּבְד הוּא-כִּי: כֵּן-מִפְּנֵי הָרָעָב הַהוּא אַחֲרֵי, יוֹדַע הַשְּׂבֵעַ בְּאֶרֶץ- וְלֹא לֵא. הָאֶרֶץ-אֵת, וְכָלֵה הָרָעָב; מִצְרַיִם, וְעֵתָה יָבֵא פְרֵעָה לֵג. וּמִמָּהָר הָאֱלֹהִים לַעֲשׂוֹתוֹ, נִכּוֹן הַדְּבָר מֵעַם הָאֱלֹהִים--כִּי--פְעָמִים, פְּרֵעָה-וְעַל הַשָּׁנוֹת הַחִלּוּם אֵל בְּשִׁבְעַת, אֶרֶץ מִצְרַיִם-וְחָמַשׁ אֵת; הָאֶרֶץ-וַיִּפְקַד פְּקָדִים עַל, יַעֲשֶׂה פְרֵעָה לֵד. אֶרֶץ מִצְרַיִם-עַל, וַיִּשְׁתִּיתָהּ; אִישׁ נָבוֹן וְחָכָם--אֵכֵל בְּעָרִים, פְּרֵעָה-בַּר תַּחַת יָד-וַיִּצְבְּרוּ; הָאֱלֵה, הַבָּאֵת, אֵכֵל הַשָּׁנִים הַטּוֹבוֹת-כָּל-אֵת, וַיִּקְבְּצוּלָה. שְׁנֵי הַשְּׂבֵעַ לָז. בְּרָעָב, תִּכְרַת הָאֶרֶץ-וְלֹא, אֲשֶׁר תִּהְיֶינָּה בְּאֶרֶץ מִצְרַיִם, לְשִׁבְעַת שָׁנֵי הָרָעָב, לְאֶרֶץ, וְהָיָה הָאֵכֵל לְפָקֶדוֹנוֹ. וַיִּשְׁמְרוּ אֲשֶׁר רוּחַ אֱלֹהִים, אִישׁ--הִנְמַצָּא כְּזֶה: עֲבָדֵי-וְאֵל, וַיֹּאמֶר פְּרֵעָה לַח. עֲבָדֵי-כָל, וּבְעֵינֵי, בְעֵינֵי פְרֵעָה, וַיִּיטֵב הַדְּבָר - אֵתָה תִהְיֶיָה עֵלֵם. כְּמוֹךְ, נָבוֹן וְחָכָם-אֵין, זֹאת-כָּל-אַחֲרֵי הוֹדִיעַ אֱלֹהִים אוֹתָךְ אֵת, יוֹסֵף- וַיֹּאמֶר פְּרֵעָה אֵל לֵט. בּו. נד. בְּאֶרֶץ מִצְרַיִם, אֲשֶׁר הָיָה, שִׁבְעַת שָׁנֵי הַשְּׂבֵעַ, וְתִכְלִינָה נִג. אֲגַדֵּל מִמֶּךָ, רַק הַכֶּסֶף; עַמִּי-פִּיךָ יִשָּׁק כָּל-וְעַל, בֵּיתֵי נה. אֶרֶץ מִצְרַיִם הָיָה לְחֵם-וּבְכָל, הָאֶרְצוֹת-וְהָיָה רָעָב בְּכָל; אָמַר יוֹסֵף, כְּאֲשֶׁר, לְבוֹא, וְתִחְלִינָה שִׁבְעַת שָׁנֵי הָרָעָב יֹאמֶר לָכֵם-אֲשֶׁר, יוֹסֵף-מִצְרַיִם לָכוּ אֵל-וַיֹּאמֶר פְּרֵעָה לָכֵל; פְּרֵעָה לְלַחֵם-הַעַם אֲלוֹיִצְעָה, אֶרֶץ מִצְרַיִם-וְתִרְעַב כָּל

בְּאֶרֶץ, וַיִּחַזַק הָרָעֵב, וַיִּשְׁבֵּר לְמִצְרַיִם, אֲשֶׁר בָּהֶם-כָּל-וַיִּפְתַּח יוֹסֵף אֶת; פָּנָיו הָאֶרֶץ-עַל כָּל, וְהָרָעֵב הָיָהנוּ. תעשו
הָאֶרֶץ-בְּכָל, חֲזַק הָרָעֵב-כִּי: יוֹסֵף-לְשֹׁבֵר אֶל, הָאֶרֶץ בָּאוּ מִצְרַיִמָה- וְכָלכֵּךְ. מִצְרַיִם.

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יג , כגיט-בראשית מז: יג ,
כַּל-אֶת, יֵד וַיִּלְקַט יוֹסֵף. הָרָעֵב, מִפָּנָיו, וְאֶרֶץ כָּנְעַן, וַתִּלְהָ אֶרֶץ מִצְרַיִם; כִּבְד הָרָעֵב מֵאֵד-כִּי, הָאֶרֶץ- וְלָחֵם אֵין בְּכָלִיג
טו בֵּיתָה פִּרְעָה, הַכֹּסֶף-וַיִּבֵּא יוֹסֵף אֶת; הֵם שְׂבָרִים-אֲשֶׁר, בְּשֹׁבֵר, מִצְרַיִם וּבְאֶרֶץ כָּנְעַן-הַכֹּסֶף הַנִּמְצָא בְּאֶרֶץ
כז, כִּי אֶפֶס: וְלָמָּה נָמוֹת נִגְדָךְ, לָנוּ לָחֵם-יֹסֵף לְאֹמֵר הִבֵּה-מִצְרַיִם אֶל-וַיָּבֵאוּ כָל, מֵאֶרֶץ מִצְרַיִם וּמֵאֶרֶץ כָּנְעַן, וַיִּתֵּם הַכֹּסֶף
יז וַיִּתֵּן, יוֹסֵף-אֶל, מִקְנֵיהֶם-יֵז וַיִּבְיֵאוּ אֶת. כֹּסֶף, אֶפֶס-אִם--וְאֶתְנֶה לָכֶם בְּמִקְנֵיכֶם, וַיֹּאמֶר יוֹסֵף הֵבוּ מִקְנֵיכֶםטז. כֹּסֶף
יח בִּשְׁנָה הַהוּא, מִקְנֵיהֶם-וַיִּנְהַלֵּם בְּלָחֵם בְּכָל; וּבְחֻמְרִים, לָחֵם בְּסוֹסִים וּבְמִקְנֵה הַצֹּאן וּבְמִקְנֵה הַבְּקָרָלָהֶם יוֹסֵף
יט- הַכֹּסֶף וּמִקְנֵה הַבְּהֵמָה אֶל-ת-כִּי אִם, נִכְחַד מֵאֲדָנִי-וַיָּבֵאוּ אֵלָיו בְּשְׁנָה הַשְּׁנִיָּה וַיֹּאמְרוּ לוֹ לֵאמֹר, הַשְּׁנָה הַהוּא, וַתִּתֵּם
כ... אֶתְנוּ-קֵנָה--אֲנַחְנוּ גַם אֲדַמְתֵּנוּ-גַם, יֵט לָמָּה נָמוֹת לַעֲיִנְךָ. גְּוַיִּתֵּנוּ וְאֲדַמְתֵּנוּ-בְּלִתֵּי אִם, לֹא נִשְׁאָר לְפָנָי אֲדָנִי: אֲדָנִי
כא... וְהָאֲדָמָה לֹא תִשֵּׁם, זָרַע וּנְחִיָּה וְלֹא נְמוֹת-וַתֵּן, עֲבָדִים לְפִרְעָה, נוֹנְהִיָּה אֲנַחְנוּ וְאֲדַמְתֵּם; בְּלָחֵם, אֲדַמְתֵּנוּ-וְאֵת
כב. הָאֲדָמָה-וַזְרַעְתֶּם אֶת, לָכֶם זֶרַע-הָא; אֲדַמְתֶּכֶם לְפִרְעָה-הֵן קִנִּיתִי אֶתְכֶם הַיּוֹם וְאֵת, הַעַם-כֵּךְ וַיֹּאמֶר יוֹסֵף אֶל

3.Parallel to Megilat Esther

גמ' מגילה יב.

שפיר עבד דקריב -- חד אמר מלך פיקח היה וחד אמר מלך טיפש היה. מאן דאמר מלך פיקח היה --רב ושמואל
דאיבעי ליה לקרובי בני מאתיה --רחיקא ברישא דבני מאתיה כל אימת דבעי מפייס להו. ומאן דאמר טיפש היה
ברישא דאי מרדו ביה הנך הני הוו קיימי בהדיה

1. One says that he was a clever king. First he endeared subjects from far away, for he can always appease those close by;
2. The other says that he was foolish. First he should have endeared subjects of his region, so they would support him if the others rebel.

יג-אסתר ח: יא

חֵיל כַּל-לֵהֲשַׁמִּיד וְלִהְרַג וְלֵאבֹד אֶת--נַפְשָׁם-לִהְקַהֵל וְלַעֲמֹד עַל, וְעִיר-עִיר-יֵא אֲשֶׁר נָתַן הַמֶּלֶךְ לַיהוּדִים אֲשֶׁר בְּכָל
בְּשִׁלוּשָׁה עָשָׂר --מְדִינֹת הַמֶּלֶךְ אַחֲשֵׁרוֹשׁ-בְּכָל, בְּיוֹם אַחְדֵיב. לְבוֹז, וְשִׁלְלָם; טָף וְנָשִׁים, עִם וּמְדִינָה הַצְרִיִם אֶתֶם
וְלַהֲיוֹת; הָעַמִּים-לְכָל, גְּלוּי, מְדִינָה וּמְדִינָה-לִהְנָתֵן דָּת בְּכָל, פִּתְשָׁן הַכְּתָבִיג. חֲדָשׁ אֲדָר-הוּא, עָשָׂר-לְחֻדֵשׁ שְׁנַיִם
לְהִנָּקֵם מֵאִיבֵיהֶם, עֲתִידִים לְיוֹם הַזֶּה הַיהוּדִים

11 that the king had granted the Jews that were in every city to gather themselves together, and to stand for their life, to destroy, and to slay, and to cause to perish, all the forces of the people and province that would assault them, their little ones and women, and to take the spoil of them for a prey, **12** upon one day in all the provinces of king Ahasuerus, namely, upon the thirteenth day of the twelfth month, which is the month Adar. **13** The copy of the writing, to be given out for a decree in every province, was to be published unto all the peoples, and that **the Jews should be ready against that day to avenge themselves on their enemies.**

4.Counterpoint: the Value of Privacy

מיכה ו:ח

אֲלֵהִיר-עַם, וְהִצַּנַּע לָכֵת, עֲשׂוֹת מִשְׁפָּט וְאַהֲבַת חֶסֶד-כִּי אִם, יְהוָה דּוֹרֵשׁ מִמֶּךָ-וּמָה; טִיב-מָה, הִגִּיד לְךָ אֲדָם
He has told you, Man, what is good: What does Gd require of you but to do justice, to love kindness, **and to walk privately with your Gd?**

גמ' פסחים קיב.

ואל, ואל תדור בעיר שראשיה תלמידי חכמים, אל תשב בגובהה של עיר ותשנה, בני:ע את רבי יהושע בנו" רצוה
השכם ואכול בקיץ מפני החמה ובחורף מפני, ואל תמנע מנעלים מרגליך, ש לבית חבריך"תכנס לביתך פתאום כ
. והוי משתדל עם אדם שהשעה משחקת לו, ועשה שבתך חול ואל תצטרך לבריות,הציננה

VERSES IN ENGLISH

Genesis 41:29-57

29 Behold, there come seven years of great plenty throughout all the land of Egypt. **30** And there shall arise after them seven years of famine; and all the plenty shall be forgotten in the land of Egypt; and the famine shall consume the land; **31** and the plenty shall not be known in the land by reason of that famine which followeth; for it shall be very grievous. **32** And for that the dream was doubled unto Pharaoh twice, it is because the thing is established by God, and God will shortly bring it to pass. **33** Now therefore let Pharaoh look out a man discreet and wise, and set him over the land of Egypt. **34** Let Pharaoh do this, and let him appoint overseers over the land, and take up the fifth part of the land of Egypt in the seven years of plenty. **35** And let them gather all the food of these good years that come, and lay up corn under the hand of Pharaoh for food in the cities, and let them keep it. **36** And the food shall be for a store to the land against the seven years of famine, which shall be in the land of Egypt; that the land perish not through the famine.' **37** And the thing was good in the eyes of Pharaoh, and in the eyes of all his servants. **38** And Pharaoh said unto his servants: 'Can we find such a one as this, a man in whom the spirit of God is?' **39** And Pharaoh said unto Joseph: 'Forasmuch as God hath shown thee all this, there is none so discreet and wise as thou. **40** Thou shalt be over my house, and according unto thy word shall all my people be ruled; only in the throne will I be greater than thou.' **41** And Pharaoh said unto Joseph: 'See, I have set thee over all the land of Egypt.' **42** And Pharaoh took off his signet ring from his hand, and put it upon Joseph's hand, and arrayed him in vestures of fine linen, and put a gold chain about his neck. **43** And he made him to ride in the second chariot which he had; and they cried before him: 'Abrech'; and he set him over all the land of Egypt. **44** And Pharaoh said unto Joseph: 'I am Pharaoh, and without thee shall no man lift up his hand or his foot in all the land of Egypt.' **45** And Pharaoh called Joseph's name Zaphenath-paneah; and he gave him to wife Asenath the daughter of Poti-phaera priest of On. And Joseph went out over the land of Egypt.-- **46** And Joseph was thirty years old when he stood before Pharaoh king of Egypt.--And Joseph went out from the presence of Pharaoh, and went throughout all the land of Egypt.... **53** And the seven years of plenty, that was in the land of Egypt, came to an end. **54** And the seven years of famine began to come, according as Joseph had said; and there was famine in all lands; but in all the land of Egypt there was bread. **55** And when all the land of Egypt was famished, the people cried to Pharaoh for bread; and Pharaoh said unto all the Egyptians: 'Go unto Joseph; what he saith to you, do.' **56** And the famine was over all the face of the earth; and Joseph opened all the storehouses, and sold unto the Egyptians; and the famine was sore in the land of Egypt. **57** And all countries came into Egypt to Joseph to buy corn; because the famine was sore in all the earth.

Genesis 47: 13-19, 23

13 And there was no bread in all the land; for the famine was very sore, so that the land of Egypt and the land of Canaan languished by reason of the famine. **14** And Joseph gathered up all the money that was found in the land of Egypt, and in the land of Canaan, for the corn which they bought; and Joseph

brought the money into Pharaoh's house. 15 And when the money was all spent in the land of Egypt, and in the land of Canaan, all the Egyptians came unto Joseph, and said: 'Give us bread; for why should we die in thy presence? for our money faileth.' 16 And Joseph said: 'Give your cattle, and I will give you [bread] for your cattle, if money fail.' **17 And they brought their cattle unto Joseph. And Joseph gave them bread in exchange for the horses, and for the flocks, and for the herds, and for the asses; and he fed them with bread in exchange for all their cattle for that year.** 18 And when that year was ended, they came unto him the second year, and said unto him: 'We will not hide from my lord, how that our money is all spent; and the herds of cattle are my lord's; there is nought left in the sight of my lord, but our bodies, and our lands. **19 Wherefore should we die before thine eyes, both we and our land? buy us and our land for bread, and we and our land will be bondmen unto Pharaoh; and give us seed, that we may live, and not die, and that the land be not desolate.'**.... **23 Then Joseph said unto the people: 'Behold, I have bought you this day and your land for Pharaoh. Lo, here is seed for you, and ye shall sow the land.**

Pesachim 112b

R. Akiva commanded his son R. Yehoshua seven things:

1. Do not sit and learn at the top of the city (many people will pass by and interrupt you);
2. Do not live in a city run by Chachamim (they are too involved with learning to supervise the city);
3. Do not enter you own house suddenly [unannounced, lest people are engaged in something requiring privacy] - all the more so, another's house;
4. Do not go barefoot (this is disgraceful for a Chacham);
5. Eat early in the morning in summer, before it is too hot, and early in winter, due to the cold (Chachamim normally eat at six hours of the day - perhaps this is only in spring and fall, when it does not get too hot or cold. Alternatively, they eat six hours from when they rise - rise very early, so you can eat [six hours later] when it is not so late);
6. Make Shabbos like Chol [if you must], but do not take Tzedakah.
7. Have financial dealings with someone who is prospering.