


[Home](#) > [Journal of Business Ethics](#) > [Article](#)

The Business Ethics of Short Selling and Naked Short Selling



Published: 30 September 2008

Volume 85, pages 239–249, (2009) [Cite this article](#)[Save article](#)[View saved research](#) >**Journal of Business Ethics**[Aims and scope](#) →[Submit manuscript](#) →[James J. Angel](#) ¹ & [Douglas M. McCabe](#)¹ **1648** Accesses  **31** Citations  **2** Altmetric [Explore all metrics](#) →

Abstract

The controversy over short selling has continued unabated from the introduction of modern equity trading in Amsterdam in 1610 to the present day. Nevertheless, the business ethics literature has not really addressed short selling. Short sellers not only profit from the misery of others, they also create it through their selling activities. However, they also provide a socially useful service by making prices better reflect true values, protecting other investors from purchasing overpriced securities. Short sellers can also help to provide liquidity in the markets. Recently, there has been a hue and cry against so called “naked” short selling, which involves not delivering the shares that have been sold. This gives manipulators a tool for depressing stock prices and deprives purchasers of voting rights and potential stock lending revenue. Naked short selling creates ethical issues for

short sellers, buyers, brokers, market makers, and regulators. Is it ethical to exploit a legal loophole that permits sellers to sell stock and delay delivering shares indefinitely?

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

[Log in via an institution](#) →

Subscribe and save

Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

[View plans](#) →

Buy Now

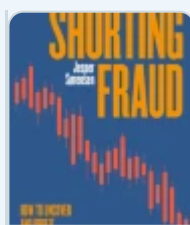
[Buy article PDF 39,95 €](#)

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Similar content being viewed by others





Shorting

Chapter | © 2025

Using Short Selling to Realize Corporate Fraud Exposure Capital Gains

Chapter | © 2025

Short Selling Activity and Effects on Financial Markets and Corporate Decisions

Chapter | © 2022

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Business Ethics](#)

[Meta-Ethics](#)

[Morality](#)

[Science Ethics](#)

[Sports Ethics](#)

[Normative Ethics](#)

[Short Selling Dynamics in Financial Markets](#)

References

Borna, S. and J. Lowry, 1987, Gambling and Speculation, *Journal of Business Ethics* 6 (3), 219-225

Bris, A., W. N. Goetzmann and N. Zhu: 2003a, 'Short-Sales in Global Perspective'. Yale ICF Working Paper No. 04-01. <http://ssrn.com/abstract=486264>. Accessed Dec 2003

Bris, A., W. N. Goetzmann and N. Zhu: 2003b, 'Efficiency and the Bear: Short Sales and Markets Around the World'. Yale ICF Working Paper No. 02-45; EFA 2003 Annual Conference; AFA 2004 San Diego Meetings; 14th Annual Conference on Financial Economics & Accounting. <http://ssrn.com/abstract=357800>. Accessed Jan 2003

Burkart, M. C. and S. Lee: 2007, 'The One Share - One Vote Debate: A Theoretical Perspective'. ECGI - Finance Working Paper No. 176/2007. Available at SSRN: <http://ssrn.com/abstract=987486>. Accessed May 2007

Christoffersen, S. K., C. C. Geczy, D. K. Musto and A. V. Reed: 2006, 'Vote Trading and Information Aggregation'. AFA 2006 Boston Meetings Paper. Available at SSRN: <http://ssrn.com/abstract=686026>. Accessed 26 June 2006

Coyne, Michael P., and Janice M. Traflet, 2008, Ethical Issues Related to the Mass Marketing of Securities, *Journal of Business Ethics* 78(1-2), 193-198, DOI [10.1007/s10551-006-9319-7](https://doi.org/10.1007/s10551-006-9319-7)

Depository Trust and Clearing Corporation (DTCC): 2005, 'Naked Short Selling and the Stock Borrow Program', @DTCC.
http://www.dtcc.com/news/newsletters/dtcc/2005/mar/naked_short_selling.php.
Accessed Mar 2005

Evans, R. B., C. C. Geczy, D. K. Musto and A. V. Reed: 2008, 'Failure is an Option: Impediments to Short-Selling and Options Prices', *Review of Financial Studies*. RFS Advance. doi:[10.1093/rfs/hhm083](https://doi.org/10.1093/rfs/hhm083). Accessed 5 Jan 2008

Financial Industry Regulatory Authority (FINRA): 2007, 'NASD Manual, Rule 2310. Recommendations to Customers (Suitability)',
http://finra.complinet.com/finra/display/display.html?rbid=1189&record_id=1159000499&element_id=1159000500&highlight=suitability#r1159000499

Irvine, William J., 2002, Ill-wind Investing: The Ethics of Wishing. *Journal of Business Ethics* 35. 57-63

Meeker, J. Edward, 1932, *Short Selling*. Harper and Brothers, New York

Moyer, L.: 2006, 'Naked Horror', *Forbes*.
http://www.forbes.com/2006/08/25/naked-shorts-global-links-cx_lm_0825naked.html. Accessed 25 Aug 2006

Naughton, Shahnaz and Tony Naughton, 2000, Religion, ethics and stock trading: The case of an Islamic equities market, *Journal of Business Ethics* 23, 145-159

Scanell, K.: 2007, 'How Borrowed Shares Swing Company Votes: SEC and Others Fear Hedge-Fund Strategy May Subvert Elections,' *Wall Street Journal*, January 26, p. 1

Securities and Exchange Commission, Office of Economic Analysis: 2007, 'Economic Analysis of the Short Sale Price Restrictions under the Regulation SHO Pilot, SEC Office of Economic Analysis', www.sec.gov/news/studies/2007/regshopilot020607.pdf

Silber, W. L.: 2007, *When Washington Shut Down Wall Street* (Princeton University Press, Princeton), ISBN 978-0691127477

Vodia Group: 2006, *Shaking Up Prime Brokerage: Unbundling Securities Lending, Financing and Derivatives Transactions* (Vodia Group, Concord, MA), <http://www.vodiagroup.com/site/press.php>.

White, B.: 2006, 'Hedge Fund Lawsuit Stopped Dirty Tricks, Says Insurer', *Financial Times*, U.S. Edition, 3 November, p. 1

Zweig, J.: 1991, 'Wall Street Words', *Friends of Financial History* 44, Fall 32-33

Author information

Authors and Affiliations

McDonough School of Business, Georgetown University, Washington, DC, 20057, U.S.A.

Corresponding author

Correspondence to [James J. Angel](#).

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Angel, J.J., McCabe, D.M. The Business Ethics of Short Selling and Naked Short Selling. *J Bus Ethics* **85** (Suppl 1), 239–249 (2009). <https://doi.org/10.1007/s10551-008-9943-5>

Published

30 September 2008

Issue date

February 2009

DOI

<https://doi.org/10.1007/s10551-008-9943-5>

Keywords

[executive compensation](#)

[financial ethics](#)

[stock market](#)

[short selling](#)

[naked short selling](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

