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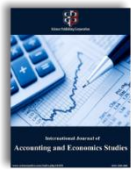

A Benthamite Critique of Manne's Entrepreneurial Defence of Insider Trading: Utility Vs. Reward

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Abstract

Henry G. Manne's book, 'Insider Trading and the Stock Market,' was the first attempt in the literature to explore the subject thoroughly and present a logical conception as a basis for the development of legal rules on insider Trading. Manne's theory postulates insider trading as a legitimate reward for entrepreneurs who are 'organizers of uncertainties'; they combine the thought of productive factors to promote market efficiency. However, this view overlooks the disproportionate harm inflicted on uninformed market participants and the erosion of public trust in financial systems. Bentham's utilitarianism advocates maximum happiness for the maximum number, and provides a compelling foundation for regulatory intervention through positive law. By emphasizing collective welfare over individual gain, Bentham's framework supports legal mechanisms that deter insider trading and promote transparency. This qualitative work analyses the tension between individual entrepreneurial benefit and societal harm, arguing that insider trading regulation is ethically justified when viewed through a utilitarian lens. The analysis reveals that while insider gains may be minimal, the aggregate losses to outsiders through distorted prices and reduced confidence are substantial. Bentham's utility calculus favours regulation as a means to safeguard market integrity and ensure equitable participation. This study contributes to the ongoing discourse on financial ethics and the philosophical underpinnings of securities regulation.

Keywords: *Insider Trading; Manne Entrepreneurial Reward; Insider Trading Defence; Bentham Utility; Securities Regulations.*

1. Introduction

Insider trading can be defined as the purchase or sale of a corporation's securities based on material non-public information (MNPI) (Sec. & Exch. Comm'n v. Texas Gulf Sulphur Co., 1968). Though there is no statutory definition of insider trading, academicians and courts have tried to define it. Practice like trading on MNPI is often criticised. It is said that this is not fair to other market participants to have special information like MNPI. This disturbs the odds of the market, which should be the same for all who are playing the game. The practice of insider trading becomes illegal when the person trading breaches fiduciary duty by using confidential information for personal gain. While corporate insiders such as directors, officers, or employees may legally trade shares if they disclose their transactions and comply with regulatory norms. Trading based on MNPI undermines market fairness and transparency. It is providing a handful of insiders with an edge on the basis of information, and the rest of the investors are damaged. Here, unfairness is that insiders have access to information that is not available to general outsiders. In any game theory, a player is said to be unfair when any advantage is not available to the other player, and he cannot obtain any. Professor Manne neglects this sporting approach and postulates that the advantage of a few is good for the overall market. Here comes the significance of Bentham's utility, maximum pleasure, and minimum pain. The law is for the greater good, and the law shall be made for the general well-being. The legal significance of insider trading lies in its potential to erode investor confidence, distort market integrity, and create an uneven playing field where a select few profit at the expense of general uninformed participants. Regulatory frameworks such as Section 10(b) of the U.S. Securities Exchange Act of 1934 and Rule 10b-5, along with the Securities Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015, prohibit insider trading to uphold market integrity, investor protection, confidence, market standards, and ensure equitable access to market information and equal playing field for all investors. Enforcement mechanisms include civil penalties, imprisonment in a few jurisdictions (like in the US), disgorgement of profits, and reflect the seriousness of the offence and legal treatment of the issue. The author has divided the paper into 4 parts. In the first and second parts of the paper compare Bentham's utilitarian defence of insider-trading prohibition is compared with Henry Manne's entrepreneurial-reward theory. After that, in a legal context, it explains Bentham's and Manne's views and critically evaluates utility versus reward using case evidence of the U.S. and India, and recommends policy grounded in collective welfare.

This paper is organized into four distinct divisions, each addressing a key dimension of the debate between Bentham utilitarianism and Manne's entrepreneurial reward theory in the context of insider trading regulation. The first part introduces the legal and philosophical background, framing insider trading as a challenge to market equity and outlining its contested ethical status. The second section examines

Bentham's utilitarian approach, emphasizing the principle of maximizing collective welfare and how it informs regulatory intervention to safeguard market integrity. The third part presents Manne's entrepreneurial reward theory, which defends insider trading as a legitimate incentive for market innovation and efficiency, then critically analyses its implications for transparency and investor confidence. The fourth division offers a comparative critique and synthesizes empirical perspectives, highlighting how regulation informed by utilitarian reasoning better serves the interests of the general market over private advantage. In conclusion, the paper finds that Bentham's utilitarian rationale provides a stronger foundation for insider trading prohibitions, as it aligns legal measures with the broader objectives of equity, transparency, and public trust in securities markets, while recognizing the limits and social costs of Manne's reward-focused framework.

2. Bentham's Utility Theory and Its Legal Implications

Jeremy Bentham's utilitarian philosophy centres on the principle of utility, which holds that the morally right action is the one that produces the greatest happiness for the greatest number (McGee, 2010). Bentham, in his book "An Introduction to the Principles of Morals and Legislation' defined utility in terms of pleasure and pain (Bentham, 1789/1948). It is a balancing of pleasure over pain. The law should be evaluated by how much it increases collective pleasure or decreases collective pain. In legal theory, this framework translates into crafting rules that maximize social welfare. When applied to financial regulation, utilitarianism demands scrutiny of market practices according to their net impact on all participants, not merely on individual gain. Robert W. McGee, on this framework, assesses insider trading. Whether permitting insiders to trade on material non-public information (MNPI) enhances or diminishes collective welfare. Through Bentham's calculus, any practice that systematically advantages a privileged minority at the expense of a broader investing public likely fails the utility test, because the small gains enjoyed by insiders are outweighed by reduced confidence of market participants and investors (McGee, 2010).

Market fairness and investor confidence are pillars of collective utility (McGee, 2010, pp. 65–67). John Stuart Mill, extending Bentham's utilitarianism, states that utilitarianism is the foundation of morals. A transparent marketplace allows information to flow freely, enabling participants to make informed decisions. When information is asymmetrically distributed, insiders have a private advantage that undermines market integrity. From a utilitarian perspective, market fairness is not an abstract moral ideal but a practical prerequisite for maintaining confidence. If investors believe that the market is rigged in favour of a knowledgeable few, they will withdraw capital or demand higher risk premiums, diminishing overall market efficiency and increasing systemic instability.

3. Manne's Entrepreneurial Reward Theory

Henry Manne pioneered the argument that insider trading can function as a de facto market for entrepreneurial services (Manne, 1966). The odds of the game are never the same for all who play. A striker is always in a better position to score than a midfielder, defender, or goalkeeper. For scoring or for being near the opponent's goal rule doesn't foul him. But it is a reward for that striker. This is overall for the well-being of the game. The same is with insider trading. Some people are always in a better position to have more information (Hetherington, 1967). Manne names it as an entrepreneurial service, and it creates value in the market. Manne asserts stock market is a place of information exchange where insider places monetary value on information (Hetherington, 1967). In entrepreneurial service, Manne suggests that by pooling information, insiders trade and share information having commercial value (Manne, 1966). He further asserts that these entrepreneurial activities are essential to economic growth. To recognise this entrepreneurial talent, Manne finds insider trading an appropriate device. To support his point of view, his principal argument is that entrepreneurial activity produces good news to which market prices respond (Manne, 1966). And for this, he must be rewarded through profit because he is the creator of good news and is situated ideally in a position to make a profit. Therefore, insider trading is an advantage of attaching entrepreneurial reward as per his contribution (Hetherington, 1967).

4. Empirical Evidence on Market Harm and Liquidity Costs

Recent empirical research substantiates the utilitarian critique by quantifying the tangible costs insider trading imposes on uninformed market participants and overall market quality (Cheng et al., 2006). When insiders exploit material non-public information, market makers and liquidity providers face adverse selection, systematically losing to better-informed counterparties. To compensate for these anticipated losses, they widen bid-ask spreads by 40% and reduce market depth, increasing transaction costs for all investors (Cheng et al., 2006). A comprehensive study of directors' dealings in the Hong Kong securities market documented that on insider trading days, spreads increased and depth decreased significantly, with liquidity costs remaining elevated even after controlling for volume, price, and volatility (Cheng et al., 2006). Northwestern University's theoretical modelling demonstrated that increased insider activity or superior information quality leads to larger spreads, with observed returns diverging from realizable returns by the amount uninformed traders anticipate losing to informed counterparts (Glosten & Milgrom, 1983).

Pyo's 2022 study reveals that insider selling in high information asymmetry firms decreases market liquidity, measured by bid-ask spreads. Foreign ownership moderates these effects positively. The research demonstrates heterogeneous welfare effects across governance environments, suggesting that regulatory frameworks should be tailored to firm-specific characteristics rather than applied uniformly (Pyo, n.d.). More fundamentally, experimental evidence challenges Manne's efficiency claims. Laboratory markets with asymmetrically dispersed information reveal that while insider trading marginally enhances price accuracy, it substantially reduces gains from trade, with allocational efficiency falling by approximately fifty percent when insiders possess private signals (Brünner & Levínský, 2023). These findings directly contradict Manne's assertion that insider trading is welfare-neutral or beneficial. The cumulative empirical record demonstrates that insider trading generates negative externalities, widening spreads by fourteen to forty percent, reducing depth, elevating volatility, and concentrating gains among a privileged few at the expense of broader market participation. From a Benthamite perspective, these measurable harms to collective welfare far outweigh any private benefits accruing to insiders, providing quantitative validation for robust regulatory prohibition (Enriques, Lee, & Romano, 2025). Empirical evidence from Enriques, Lee & Romano demonstrates that insiders practicing shadow trading earn more than twice as much per dollar invested compared to traditional insider traders, directly exposing a loophole in regulatory enforcement. A survey revealed that over 80% of 200 retail investors mistakenly believe current regulations fully protect them, despite ongoing mispricing and higher costs of capital for uninformed participants. These findings show that classic insider trading regulation creates a perceived sense of security.

Table 1: Market Harm and Liquidity Costs

Aspect	Numerical Harm/Benefit	Source/Study
Bid-ask spread	Widens by 14% to 40% on insider trading days	Cheng et al. (2006)
Market depth	Drops significantly; fewer shares at the best price	Cheng et al. (2006)
Allocational efficiency	Falls by 50% when insiders have private signals	Brünner & Levínský (2023)
Insider profit (Shadow)	2x higher per dollar invested vs. normal insider trading	Enriques, Lee & Romano (2025)
Investor confidence	80%+ falsely believe regulation protects them	Enriques, Lee & Romano (2025)

5. Critical Analysis of Manne Theory: Utility vs. Reward

Henry Manne's entrepreneurial-reward theory reimagines insider trading as a legitimate market for "entrepreneurial services." Under this paradigm, corporate executives receive implicit compensation by trading on material non-public information (MNPI) rather than through fixed salaries or stock options, thereby aligning managerial incentives with shareholder wealth maximization (Manne, 1966). Manne contends that, rather than harming other market participants, insiders simply profit from their special insights while promoting rapid price discovery and allocative efficiency. Yet this reward model rests on dubious assumptions about fairness, market effects, and the distribution of gains and losses is an assumption that crumbles under Benthamite utilitarian scrutiny.

Manne argues that insiders do not demonstrably injure uninformed traders because any price impact they generate benefits as many outsiders as it injures (Manne, 1966, pp. 34–36). He further suggests that traditional tort and fiduciary doctrines cannot furnish remedies for outsider losses absent proof of direct harm, and that Section 16(b)'s profit-disgorgement regime is a narrow statutory carve-out rather than a general principle of liability (15 U.S.C. § 78p(b), 2018). On this view, the lack of actionable damages under existing legal doctrines implies that insider trading ought not be condemned as harmful. Yet utilitarian ethics demand an assessment of net social welfare, not merely the existence of recoverable tort claims. Jeremy Bentham's principle of utility requires that any market practice be measured by its capacity to maximize overall happiness, but in Manne's theory, the aggregate benefit to investors, firms, and the public at large (Bentham, 1789, pp. 10–12). From this standpoint, insider trading fails the utility test. First, information asymmetry entrenches unfairness, allowing insiders to "beat the market" at the expense of less informed participants. As Chairman Cary observed in the SEC's Cady, Robert's opinion, intimacy with confidential data "demands restraint lest the uninformed become exploited." (Cady, Roberts & Co., 1952). When insiders exploit MNPI, they capture private gains that exact a cost on those who trade without full knowledge or know nothing. These are costs that manifest as higher bid-ask spreads, increased volatility, and elevated risk premiums (Grundfest, 1977). Fishman and Hagerty studied Information crowding-out in financial markets. They suggest Insider trading paradoxically reduces market efficiency despite increasing aggregate information (Fishman & Hagerty, 1992).

Second, the erosion of investor confidence inflicts broader social harm. Capital markets depend on perceptions of integrity and transparency; when investors suspect that insiders enjoy secret advantages, they withdraw or demand compensation for added risk. The New York Stock Exchange's voluntary guidelines thus urge listed companies to disclose material developments promptly and to institutionalize blackout periods (New York Stock Exchange, 1976). SEBI (Prohibition of Insider Trading) Regulation, 2015 restricts insiders from trading when they are in a position of Unpublished Price Sensitive Information (UPSI) and mandates them to disclose UPSI before trading. These measures are designed to preserve collective confidence, not simply to shield naive investors. Empirical studies confirm that insider-trading scandals precipitate sustained share-price declines and chilling effects on new capital inflows, indicating that the private rewards enjoyed by insiders translate into net welfare losses for the investing public (Davidson, 1989).

Third, insider trading undermines cooperative norms essential to efficient markets. Just as E. Merrick Dodd envisioned corporations as social actors bound by ethical obligations beyond legal rules (Dodd, 1932), utilitarian doctrine recognizes that markets flourish only when participants trust that peers will abide by shared standards of fairness. Insider trading is a conduct that the stock exchanges, securities industry, and even government ethics regimes characterize as "improper" (Dodd, 1932; New York Stock Exchange, 1976). Insider trading erodes the moral fabric of market relations. The "moral escalation" of the past decades, which has spawned conflict-of-interest disclosures for public officials and enterprise liability expansions in consumer contexts, reflects a societal demand that all institutions, including markets, honour fairness in both fact and appearance (Livermore & Solomon, 2012). By contrast, Manne's reward theory offers no mechanism to restore this trust or compensate uninformed investors for systemic harms. His model presumes that private trading gains equal private trading losses, yet ignores the broader ripple effects, which reduce liquidity, higher the cost of equity, and the psychological pain of perceived exploitation that aggregate into net social disutility. A utilitarian analysis thus rejects Manne's assumption that insider trading is a "zero-sum" game confined to informed and uninformed traders; instead, it reveals a negative-sum outcome for overall market welfare. Table 2 presents a detailed comparison of Manne's entrepreneurial reward theory and Bentham's utilitarian approach, outlining their respective perspectives on insider trading regulation, market impact, fairness, and regulatory policy.

Table 2: Manne Entrepreneurial Reward V. Bentham Utility

Dimension	Manne (Entrepreneurial Reward)	Benthamite (Utility)
Theoretical Foundation	Free-market economics; efficient capital allocation	Utilitarianism: greatest happiness for the greatest number
Primary Objective	Reward entrepreneurial innovation; maximize price discovery	Maximize collective welfare and minimize aggregate harm
View on Insider Trading	Legitimate compensation mechanism for value creation	Socially harmful practice that concentrates gains, diffuses losses
Market Impact	Enhances market efficiency through rapid info dissemination	Reduces liquidity; widens bid-ask spreads; increases volatility
Fairness Criterion	Fairness not required; market rewards value creators	Fairness is essential for market integrity and equal opportunity
Compensation Model	Insider trading as implicit executive compensation	Insiders should receive transparent, disclosed compensation
Information Asymmetry	Acceptable; insiders are entitled to benefit from a superior position	Unacceptable; creates systemic disadvantage for uninformed
Investor Confidence	Not a central concern; assumes rational market participants	Critical; eroded confidence reduces participation and efficiency
Regulatory Approach	Minimal regulation; permit trading to incentivize innovation	Robust prohibition; deterrence through sanctions and disclosure. Emphasised positive law.
Empirical Support	Mixed; improved price accuracy but reduced gains from trade	Strong; bid-ask spreads widen 14-40%, depth falls, confidence drops

A utilitarian rationale supports robust prohibitions and sanctions against insider trading. Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and section 15G of the Securities Exchange Board of India Act 1992 exemplify Benthamian proportionality. They outlaw deceptive conduct that undermines market integrity, imposing civil penalties, disgorgement, and criminal sanctions to ensure that the expected cost of misconduct exceeds any private benefit. The Second Circuit's "equal access" rule in Texas Gulf Sulphur mandates that insiders either disclose MNPI or refrain from trading, a doctrine expressly designed to maximize collective welfare by eliminating secrecy-based profits (Sec. & Exch. Comm'n v. Texas Gulf Sulphur Co., 1968). Section 16(b), by automatically disgorging short-swing profits to corporations, addresses Manne's "damages gap" only in a narrow subclass of insiders; but its very existence underscores the policy imperative to neutralize unfair trading gains (15 U.S.C. § 78p(b), 2018).

Critics who emphasize the absence of direct tort remedies miss the larger utilitarian point. Legal liability is not an end in itself but a means to deter socially harmful conduct. The evolution of fairness norms in securities law, echoed in the expanded enterprise responsibility of business and consumer protection movements, reflects a dynamic process of aligning private incentives with the public interest (Livermore & Solomon, 2012). Manne's reward theory, by insulating insiders from meaningful restraint, would fracture this emerging consensus and exacerbate welfare losses. In sum, juxtaposing entrepreneurial reward against utilitarian utility yields a clear verdict. While Manne's framework innovatively addresses the challenge of valuing ex ante entrepreneurial services, it cannot surmount the utilitarian proof burden of demonstrating net social benefit. On the contrary, insider trading's distortion of price signals, erosion of confidence, and violation of cooperative norms produce aggregate pain that dwarfs any private pleasure insiders derive. Bentham's principle of the greatest happiness for the greatest number, therefore, commands the prohibition and deterrence of insider trading as both a legal necessity and an ethical imperative.

6. Legal and Policy Implications

Insider-trading regulation grounded in Bentham's utilitarianism requires rules that deter secret, information-based advantage and bolster collective welfare through transparency and fairness. In the United States, Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 prohibit deceptive trading on material non-public information (15 U.S.C. § 78j(b), 2018; 17 C.F.R. § 240.10b-5, 2021). The Second Circuit's "equal access" rule in SEC v. Texas Gulf Sulphur mandates that anyone trading on such information must either disclose it or abstain, which ensures symmetrical information dissemination to protect overall investor confidence (Sec. & Exch. Comm'n v. Texas Gulf Sulphur Co., 1968). Civil fines, disgorgement orders, officer-and-director bars, and criminal sanctions under Section 21(d) and Section 20A calibrate penalties so that the expected cost of misconduct outweighs private benefit (15 U.S.C. §§ 78u(d), 78t-1, 2018). A business icon, Rajat Gupta's conviction and 25-year sentence for passing confidential board information to Rajaratnam served as a stark deterrent, showing that high-profile insiders would be criminally punished and that positive law would be enforced to protect market integrity and investor confidence (Times of India, 2012).

India's regulatory regime also mirrors these utilitarian goals. The SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) superseded the 1992 rules to strengthen prohibitions on trading when in possession of Unpublished Price Sensitive Information (UPSI). Regulation 3 bars communication of UPSI, and Regulation 4 prohibits trading while in possession of UPSI (SEBI, 2015). SEBI Act Section 15G imposes penalties not less than ₹10 lakhs and up to ₹25 crore or 3 times the profits made, whichever is higher (SEBI Act, 1992). These commitments of SEBI to curb insider trading are a legislative response to the utilitarian imperative of deterrence.

SEBI's enforcement intensity has increased markedly in recent years, reflecting a policy commitment to deterring information-based trading and safeguarding investor confidence. Data from SEBI's Annual Report for the financial year 2024-25 reveals that insider trading investigations surged by sixty-four percent, rising from 175 cases in FY 2023-24 to 287 cases in FY 2024-25, and constituting nearly seventy-two percent of all enforcement actions undertaken by the regulator (Anand, 2025). This sharp increase signals SEBI's prioritization of insider trading violations as a systemic threat to market integrity. Completion rates for these investigations remained robust at approximately sixty-seven percent, with 192 of 287 cases concluded during the fiscal year, though this represented a modest decline from the seventy-four percent completion rate observed in the prior year (Anand, 2025). The expanded enforcement activity reflects not only heightened surveillance capabilities, including system-driven disclosure frameworks under Regulation 7(2) of the PIT Regulations, but also legislative amendments broadening the definitions of "connected persons" and "deemed UPSI" to capture tippee liability and trading ahead of material corporate events (SEBI, 2025 Amendment).

SEBI's statutory powers under Sections 11C and 15A(b) of the SEBI Act allow it to investigate, adjudicate, and impose fines, disgorgement, and debarment on insider-trading offenders. Yet nearly 30–41 percent of its orders are appealed to the Securities Appellate Tribunal, and over half of those sanctions are modified or set aside, signalling weaknesses in SEBI's evidence gathering and case preparation (Aggarwal et al., 2025). Though some cases illustrate enforcement in practice and an award in favour of the board. In Rakesh Agrawal v. SEBI, the Securities Appellate Tribunal upheld a ₹34 lakh penalty after finding the insider sold shares on UPSI regarding a strategic investment, emphasizing SEBI's mandate to protect uninformed investors (Rakesh Agrawal v. SEBI, 2007). In Hindustan Lever Ltd. v. SEBI, the SAT affirmed disgorgement against a director who traded ahead of a dividend declaration, noting that corporate insiders owe a duty to disclose or abstain (Hindustan Lever Ltd. v. SEBI, 2004). The Kishore Biyani case extended liability to tippees where relatives traded on leaked UPSI, underscoring SEBI's broad definition of "insider." (Kishore Biyani v. SEBI, 2013). More recently, SEBI's inquiry into alleged Infosys insider trading highlighted the need for robust surveillance and cross-border cooperation to maintain market integrity (SEBI, 2015 Infosys Order).

By integrating prohibitions, sanctions, safeguards, and compensation reforms, both U.S. and Indian frameworks operationalize Bentham's principle of the greatest happiness for the greatest number. Deterring clandestine insider gains and sustaining investors' confidence remains the ethical and legal imperative of modern insider-trading regulation.

7. Addressing Manne's Price Discovery Defence

Manne's core defence of insider trading rests on the assertion that insiders accelerate price discovery, embedding private information into market prices more rapidly than would occur through public disclosure alone, thereby enhancing allocative efficiency (DeMarzo, Fishman, & Hagerty, 1998). Proponents argue that permitting insider trading functions as a decentralized information transmission mechanism, reducing mispricing and enabling capital to flow to its highest-value uses (DeMarzo, Fishman, & Hagerty, 1998, pp. 795–800). Yet recent empirical and experimental research complicates this efficiency narrative. While insider trading may marginally improve informational accuracy, it simultaneously imposes allocational costs that undermine net social welfare. Laboratory experiments with asymmetric information demonstrate that although call auction prices incorporate insider signals more efficiently when insider trading is permitted, realized

gains from trade fall by approximately fifty percent because insiders distort their trading behaviour to exploit private information rather than satisfy liquidity needs (Brunner et al., 2020). This trade-off between informational and allocational efficiency directly contradicts Manne's premise that insider trading is unambiguously welfare-enhancing.

Moreover, the quality of price discovery attributable to insider trading remains contested. A 2020 study found that while insider information increases the informational content of prices, it paradoxically crowds out other sources of market intelligence, reducing the incentive for professional analysts and informed traders to uncover and disseminate information. When insiders monopolize the benefits of superior information, other market participants rationally withdraw from costly information production, diminishing the aggregate informational efficiency of the market. Oxford's 2025 analysis further revealed that regulatory reforms restricting insider access to discretionary government information led to declines in disclosure quality and price informativeness, suggesting that some forms of insider knowledge do contribute to price accuracy, yet these gains come at the expense of heightened information asymmetry and reduced investor confidence (Enriques, Lee, & Romano, 2025).

Critically, the price discovery benefit Manne champions accrues disproportionately to insiders, who capture trading profits, while uninformed investors bear the costs through wider spreads, reduced liquidity, and delayed public disclosure as insiders strategically postpone announcements to maximize trading gains. Bentham's utilitarian calculus weighs these distributional effects, concluding that modest improvements in short-term price accuracy cannot justify systemic harms to fairness, confidence, and participation that undermine long-run market efficiency and collective welfare.

8. Conclusion

This paper has shown that Bentham's utilitarian framework provides a stronger justification for prohibiting insider trading than Henry Manne's entrepreneurial-reward theory. Bentham's principle makes regulators and courts weigh the overall benefits and harms, and due to the harms to investor confidence, market liquidity, and fair play outweighing the private gains of insiders, regulation must be favoured. Manne's proposal might promise a market mechanism to reward entrepreneurial services, but it acknowledges information asymmetries that erode trust, raise the cost of capital, and reduce participation outcomes that lower market integrity and investor confidence. Accordingly, lawmakers and regulators continue to enforce and refine rules that require disclosure or abstention, sanctions so that illicit gains would not exceed expected penalties, and adaptation of preventive measures like pre-cleared trading plans and blackout periods by SEBI in the PIT regulation through amendment shows the commitment of SEBI to providing a fair playing field to small retail investors.

Policy-makers and courts have to prioritize the greatest good for the greatest number. It upholds robust insider-trading prohibitions while encouraging lawful, visible means of rewarding entrepreneurship through transparent stock options, performance bonuses, and disclosed equity grants. Doing so would not only protect ordinary investors but would also sustain healthier, more efficient capital markets that serve society better in the long run. The comparative framework presented here demonstrates that Bentham's utilitarian ethic, grounded in empirical measurement of aggregate welfare, provides both normative and practical superiority over Manne's entrepreneurial reward paradigm, which privileges elite insiders at the expense of market-wide fairness and confidence. As securities markets grow more complex and information asymmetries proliferate through algorithmic trading, high-frequency strategies, and cross-border capital flows, the Benthamite commitment to collective welfare and transparent regulation becomes ever more indispensable. Future research should extend this analysis by examining the welfare effects of emerging information channels, including social media disclosures, alternative data sources, and decentralized finance platforms, to ensure that regulatory frameworks remain responsive to technological change while preserving the foundational principle that markets exist to serve the many, not merely to enrich the few.

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