

“Whistleblowers or scoundrels: unpacking the debate on short selling bans” by Jonathan D. Uslaner Published in *Reuters*

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In this *Reuters* article, “Whistleblowers or scoundrels: unpacking the debate on short selling bans,” BLB&G Partner Jon Uslaner and Associate Aasiya Glover reflect on the perception of short selling in the capital market, particularly considering recently renewed calls for bans of the practice.

Short selling, in simplest terms, occurs when a trader sells a stock they don’t currently own—often the stock has been borrowed—and then buys it again later to return to the original owner. Through this process, the trader is betting on the market’s decline; it is in the trader’s best interest to be able to buy back the same stock for a lower price than the cost at which it was initially sold.

Jon and Aasiya consider the arguments of advocates and critics alike. Advocates of short selling note that its greatest benefit is its potential to correct market inefficiencies by deflating over-hyped stocks, putting downward pressure on prices until they reset to their correct, intrinsic value. On the other side of the debate, critics warn that,

as in 2008, short sellers game the system, and create panic that drives down stock prices, undermines confidence in companies whose fundamentals are worth the hype, and defrauds the market by sowing unjustified doubt. While the future of short selling remains to be seen, the authors speculate that perhaps regulators will instead find common ground in scrutinizing specific short-seller practices which pose unfair advantages and detract from the overall goal of market efficiency and right-priced stocks.