

A Master of Moral Arbitrage

The Securities and Exchange Commission is investigating whether Senate Majority Leader Bill Frist is guilty of “insider trading” by requesting the sale of his remaining stock in the Hospital Corporation of America.

Legal interest in the matter gravitates around the timing of the sale and the parallel activity of other HCA executives. Frist requested that his blind trust liquidate his holdings in the giant healthcare company founded by his family a month before stock fell nearly 9 percent due to poor earnings.

Developing a solid case of unfair advantage will be difficult. As the *Tennessean* reported Saturday, insider trading is notoriously hard to prove.

Lacking evidence such as incriminating phone records of an employee or a disastrous financial collapse by HCA, it will likely never be known to what extent knowledge behind Frist’s intent and action can be described as inappropriately “insider.”

What little we do know of his intentions comes from a statement issued by his people. It maintains the senator sold his interest in HCA for ethical reasons.

As a student of recent political history—Enron and the cost of energy, Haliburton and the fruits of war—Frist understands the ethical current of American sentiment.

Any perception that his public positions and legislative activities are motivated by financial self-interest would be fatal to any presidential aspirations he might have.

Further, his political platform—which includes a more progressive view of stem cell research that allows federal funding of research on existing frozen embryos—must be free of moral landmines.

In today’s political climate, he can expect a minefield to be laid by both parties. Conservatives will be angered by his moral dissidence from the religious right.

Liberals will condemn his economic philosophy and practice.

In order to keep the public trust and confidence, Frist sold his financial assets in medicine and healthcare for millions. Interestingly, while his stated intentions point toward the public trust, his actions resulted in substantial private gain.

In and of itself, this bears no absolute marks of legal or moral transgression. In fact, Frist's windfall embodies the classic wisdom of Ben Franklin's *Poor Richard's Almanac*: "Learning is to the studious and riches to the careful."

In the currency of American morality, savvy profits cover a multitude of discrepancies.

While Frist's economic savvy is commonplace among conservative and liberal millionaires alike, his ability to maneuver through the unstable moral culture that is American politics places him in the line of effective contemporary conservative politicians.

He displays, in addition, a more subtle skill.

Frist is a master at moral arbitrage. Already successful in the bull and bear market of healthcare—mastering the economic fluctuations of HCA's past years—Dr. Frist has recognized the imbalances that exist in the moral markets of medicine/health care and finance as well.

His solution has been to buy low in one and sell high in the other.

In economics, arbitrage is the buying and selling of the same asset in different markets where there is an imbalance in the price, resulting in a profit.

The asset Frist is buying and selling this lead-up year to mid-term elections is moral trust. The different moral markets are the liberal and conservative camps. His strategic political activity is significant considering the fact that the conservative ticket is one whose self-identity has been constructed around morality.

In the conservative market, Frist risks little with his financial activity. When it comes to economic matters, conservatives rely on the minimal standards of ethical rules to form their moral opinions and trusts. He seems rightly to have wagered that conservatives will overlook his building economic inequalities in his actions as long as the procedural rule is not broken.

As for the HCA matter, Frist has, at this time, bought the moral trust of conservatives at a very low price: obeying Senate Rule 37 concerning ethical conduct and conflicting interests, while simultaneously exhibiting the virtues of free-market enterprise.

In the liberal market, meanwhile, he has sold this same moral trust for enormous profit. By crossing the line of life dividing Democrats and Republicans on the issue of embryonic stem cell research, Frist has acquired invaluable assets among moderate and liberal voters and leadership.

Perhaps a *caveat emptor* applies to both conservatives and liberals in this case.

Which moral convictions will liberals forfeit in the wake of Frist's tactics when it comes to income disparities, economic inequalities and the public welfare?

As for conservatives, what exactly is the relationship between the right to prosperity and the right to curative medicine in the senator's mind?

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