

[In defence of spivs](#) [1]

Written by [Tim Worstall](#) [2] | Monday 22 September 2008



The current excitements in the financial markets are allowing everyone to have a go at their favourite targets. The regulators ban short selling when there's absolutely no reason or purpose to it other than varied politicians shouting about spivs (pots and kettles come to mind). Others want capital controls, yet other demand that politicians should control interest rates (entirely unaware that at anything except the base rate itself interest rates are set by markets and always will be). One more spotted in the Independent on [Sunday](#) [3]:

It allows spivs to borrow money to buy a profitable company and then saddle that company with the debts incurred in buying it out. It contradicts our sense of natural justice and our instinct that the finance industry should be about financing real activities rather than speculative profiteering.

That the rise in the cost of money has already rather put a stop to the leveraged takeover is one thing, but to claim that such takeovers are not "real activities" is absurd. There are a number of productive assets floating around the economy. From skilled workforces to industrial plant, land and buildings to intellectual property. Some of these are not very well used, not employed to their maximum capability. Some of them are valued by one group of people higher than they are valued by another. Sometimes those who value them more highly are those who don't currently own them so, again sometimes, they purchase them. They pay more for them than the current owners think they are worth.

Quite how they raise this finance to do so is an irrelevance. We have moved those assets from those who value them at one level to another group who value them more highly. And that is the very definition of wealth creation: moving assets from one use to a higher value one.

There is indeed speculation here, for no one is ever quite sure that the new use is indeed a higher value one. You have to actually try it out to find out if it is. Making a profit is the sign that it is indeed a higher value use, so we at least hope for profiteering from such moves. But there's nothing that's not "real" about such activities, nothing at all.

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[1] <http://www.adamsmith.org/blog/miscellaneous/in-defence-of-spivs>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3] <http://www.independent.co.uk/opinion/commentators/paul-vallely-spivs-get-rich-greed-prospers-im-no-expert-but-this-cannot-be-right-936857.html>

[4] http://disqus.com/?ref_noscript

[5] <http://disqus.com>