

## [Stuck on stupid](#) [1]

Written by [Tim Worstall](#) [2] | Monday 15 September 2008



What with the current high jinks in the financial markets we are of course hearing the usual calls for re-regulation of said markets. Some regulation is of course necessary but the progression from some being good to more being better isn't in fact correct. A couple of thousand calories a day is necessary to me, 4,000 would not be better.

Such trivial logic aside there's a more important point to be made. That both those proposing further regulation and those who would implement it seem not to understand how the financial markets work in the first place. The Streetwise Professor is [talking here](#) [3] about commodity index funds and points out that they cannot in fact be responsible for commodity prices going higher.

For example, they never actually take delivery of those commodities: meaning that when it comes to delivery time, the moment when the futures price meets the spot price, they are in fact sellers of their contracts. Thus, a long position, one aiming to profit from price rises, will in fact lower the spot price if it has any effect on it at all.

He points to a number of other such detailed points all of which lead to the conclusion that those arguing for the re-regulation of such markets don't in fact understand the markets they are arguing should be so regulated. This is not a situation likely to lead to the better regulation desired.

Can we please get unstuck from stupid, and start having an intelligent debate on these issues, one that reflects at least a modicum of comprehension of basic economics? Alas, I seriously doubt it.

Sadly, so do I doubt it. Which means that, given the absence of such basic economic comprehension, we should be extremely wary of all and any suggestions about regulation of the financial markets.

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