Hedge Funds, the Unacceptable Face of Capitalism: Their Role in Precipitating the Collapse of Financial Markets

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In 1992, acting virtually alone, an individual hedge fund operator used the international monetary system to bet against the Pound Sterling thereby forcing the United Kingdom government to withdraw from the European Exchange Rate Mechanism. That operator reputedly profited personally by more than £1 billion, without the necessity of getting out of bed. That same financier as well as certain other hedge fund operators, stand accused of meddling in the internal affairs of foreign states i.e. countries external to their own domicile. By their very nature they are, in essence, counter democratic in that they clearly operate to the disadvantage of the majority in order that a handful of gamblers can gain a vast monetary advantage.

So, what are hedge funds?

They are essentially highly sophisticated, computerised gambling syndicates that predominantly use borrowed money to bet on the movement of quoted stocks and shares in order to make a fast profit.

They are unregulated in the sense that they are not restricted by many of the rules on financial investment applicable to banks and financial institutions and can buy whatever they want and invest in whichever way they see fit, without restriction. To make their investments, they invariably use borrowed money.

Whereas stock markets were originally intended as vehicles to facilitate investment by the public in both industrial and commercial enterprises in order to increase working capital to buy both inventory and machinery, hedge funds use the stock market to make profits by selling 'short'. A type of sophisticated casino operation.

There is normally no requirement for a hedge fund to return investors' money by any specific date and there is usually no stipulation that requires transparency in their operation or dealings. They normally require no special licence to operate.

Such operations will often charge investors 2% of funds, as a management fee, plus 20% of all profits made.

The typical hedge fund is a financial entity that doesn't actually make anything or offer any service to the community nor does it facilitate or improve commercial activity. It is, in fact, predominately parasitic in its endeavours and is thought by many to work against both national and international interests.

There is also a contention that such operations, particularly those that work internationally, should in future either be banned altogether or be closely regulated, licenced and taxed, in the public interest.

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