Vulture Capitalists and ‘Unhelping’ Aid - How to save our small producers?

My name is Devon Troup, and I will be chairing Economics Committee I. I hope you will all enjoy being part of this conference, as I certainly have for the past few years. For some of you, this may be your first conference and for others, this may be the latest of many, but regardless of your experience, GWC MUN always proves to be great fun. I’m sure we can all look forward to a very high standard of debate, along with lots of fun, and I’m very much looking forward to meeting you all in March.

What it a Vulture Capitalist?

The term ‘vulture capitalist’ is a way of describing a venture capitalist that invests in dying/failing firms in the hope that they will turn around. This is an interesting topic for discussion, because it is very controversial. Do vulture capitalists help or hinder businesses? This is for your delegation to decide.

ADVANTAGES OF VENTURE CAPITALISM.

- Venture capitalists provide firms with extra funds, allowing them to recover and improve their business. Especially during the recent economic downturn, for some countries, it has been more and more difficult for businesses to survive. This is where this type of capitalism can be very helpful and beneficial to a firm.

- Venture capitalists can be very useful for firms in terms of contacts. The saying ‘it’s not what you know, it’s who you know’ can very much apply in business. Vulture capitalists maintain extensive contacts with other venture firms and executives of firms they have done business with, and aim to bring the best management and practice into the businesses they invest in.

- Venture capitalists are often very experienced, having worked with many businesses and executives before. They will have seen many businesses through success and failure. This experience and advice is very useful for struggling firms and can play a big part in getting them back on their feet.

DISADVANTAGES OF VENTURE CAPITALISM

- Venture Capitalists take advantage of struggling businesses. Their reason for investing is not in the company’s interest, but in their own. They are interested in making money only for themselves. This can have a disastrous effect on a business, the people associated with it and the community it serves.

- Venture capitalists do not tend to use fair trade. They try to get as cheap labour as they possibly can. This can often result in the use of overseas labour in LEDCs. Though this may be practical for the business, these labourers will not be paid fair wages, and this can leave the cheap workers even further in poverty. The venture capitalist doesn’t care, as long as they are making as much profit as there is to be made.
- In most cases of vulture capitalism, the 'vulture' will try to take almost full control of the firm. This can lead to a few negative effects. These effects include bad or risky decisions being made, which will have a detrimental effect on the business, particularly where the founders' knowledge or experience has been ignored. Another effect may be the vulture capitalist will try to move the business too quickly, perhaps launching products too soon or entering into the wrong market.

**USEFUL LINKS**

For this topic see:

- [http://news.bbc.co.uk/1/hi/business/680910.stm](http://news.bbc.co.uk/1/hi/business/680910.stm)

For Country Profiles and lots of other useful information:

- [http://www.nationsonline.org/oneworld/](http://www.nationsonline.org/oneworld/)
- [http://news.bbc.co.uk/1/hi/country_profiles/default.stm](http://news.bbc.co.uk/1/hi/country_profiles/default.stm)

For issues of current international debate:

- [http://www.newint.org/](http://www.newint.org/)
- [http://www.idebate.org/](http://www.idebate.org/)
- [http://www.amnesty.org/](http://www.amnesty.org/)

I would encourage you all to do some research on each topic of debate. This will come in useful when it comes to writing position papers (50 words) and resolutions (usually about one page).
The deadline for submitting your position papers is the **Friday the 17th of February**. If you don't know what these are, they're just a brief summary of what your country’s view is on this topic – around 50 words is fine. You can email these to me on devon.troup@btopenworld.com.

For each debate, it is strongly recommended that you write a resolution. If you are unfamiliar with writing a resolution, or need a bit of help, go onto the George Watson's College website, where you will find a guide to writing a resolution. If you have any further queries, do not hesitate to email me!

I hope this has been a helpful introduction to the topic, now it's up to you! Looking forwards to meeting you all in March.

Devon Troup