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CHAPTER SIX

In the company of Über-capitalists: living with the extremely rich

Are the super-rich just like any other group of citizens, some good, some bad, in the same proportion as the rest of society? Or are they a sub-group with particular characteristics, personality types and behaviour patterns, which might justify attaching a general label to them, such as Über-capitalists?

They were said to be ambitious, to have unusual energy, to have focus and to be clever and inventive. These were praiseworthy characteristics, laudable in honest citizens. For a time, before the economic crash, leading British politicians like Peter Mandelson and Prime Minister Gordon Brown saw them like this. But other characteristics must be added to the list. Before the First World War P.G. Wodehouse wrote of one of his characters, the super-rich Mr Peters, that 'he was suffering from that form of paranoia which makes men multimillionaires. Nobody would be foolish enough to become a multimillionaire, if it were not for the desire to prove himself irresistible.'¹ Many of them were also aggressive, had an overwhelming need to own and possess, avidly collect and deprive others, were impermeable to deep criticism, had no feeling for justice and lacked empathy with their fellow citizens. Will Hutton wrote of such people: 'They move from deal to deal over whatever they prize – company, mansion, women – careless of the implications on others' lives.'² They naturally saw the law as an obstacle or as a useable instrument. It was not difficult to describe what must be necessary in the character of an Über-capitalist. The newspapers contained enough about the behaviour of the individuals who had power through wealth for us to draw conclusions.

The character of these people was suggested by their reaction to the proposal that they should pay a fee of £30,000 per annum after 7 years residence in the United Kingdom if they were not domiciled there. They paid little or no UK tax (see Chapter 3 for a fuller discussion of the issue). At a dinner of the worshipful Company of International Bankers in February 2008 the British Chancellor of the Exchequer, Alistair Darling, who had supported the fee, was treated to loud jeering and banging of fists on tables after his speech. Will Hutton commented that this rudeness revealed the

bankers' self-righteousness and 'extraordinary sense of entitlement and self-worth'. '(They) believe they uniquely contribute to the wealth of the nation. It is an article of faith that they have an inalienable moral right to design their affairs so that all but a trivial amount of their earnings is held offshore to escape British taxation, despite the fact that many of them are de facto British residents.' (*The Observer*, 17 February 2008). Hutton had hit the nail on the head. They believed, and governments in the United Kingdom and elsewhere had encouraged them in this, that they were uniquely gifted. In fact their skills were approximately at the level of street jugglers, and most of them contributed rather less to the gaiety of the nation. As Hutton said that if some of them decided to leave then so be it. But the advantages of living in London meant that not many would move to Zurich or Dubai.

The drive to win led capitalists to behave as close to the limits of what the law allowed as was possible. This was not a bad thing. A sign of vigorous capitalism was necessarily that rules were sometimes broken. To the Über-capitalist regulation was always objectionable regardless of its quantity or quality. Hence in the United Kingdom it was as much a norm of the business ethic that there was too much of it, as it was in France, even though there was much less of it in the former than in the latter. Some describe Britain as the least regulated economy in the developed world. Liberal values were useful but not necessary. Hence Rupert Murdoch and the Internet company Google, both professing support for liberalism, saw no difficulty in adjusting the behaviour of their organizations to suit the Chinese government. Murdoch refused to publish Chris Patten's book on Hong Kong because it criticized Chinese policies there. Both Murdoch and Google allowed the Chinese government to impose restrictions on what they could broadcast in China. Murdoch was happy to collude with the exclusion of the BBC from his Star satellite channel when the Chinese objected to BBC content. In the United Kingdom in 2007 the Financial Services Authority (FSA) warned of the lax standards of hedge funds with regard to insider dealing and the use of privileged insider knowledge and promised to exert greater control in future (*Financial Times*, 30 October 2007). Such behaviour illustrated that Über-capitalists were highly pragmatic when it came to the way in which they dealt with legal and social constraints. The rule was: bend or ignore them if you can but, regardless of their content, accept them, even if they imply accepting the infringement of human rights, if they get in the way of profit. Left to itself Über-capitalism could deal with any regime however objectionable.

The ways and artefacts of Über-capitalism were reported with approval in television, radio, glossy magazines and in the lifestyle sections of the newspapers. The public saw automobiles which cost as much as a substantial house, select and expensive holiday destinations, ridiculously over-priced clothing and accessories, clubs that existed precisely because of the huge cost of membership, high maintenance trophy partners and wives, expensive styling of living spaces, multimillion dollar houses, private jets and all the other over-priced paraphernalia of the super-rich. It was amusing, but a rather sad comment on the values of the super-rich, that the number of wives seeking divorce from them rapidly increased when the economic crisis struck. Yet they captured the public's imagination and set standards by which people were invited to measure their own achievements. Their behaviour was the red meat of highly successful magazines like *OK* and *Hello!* Everyone was enjoined to reach for the golden apples. The public were told they should not feel jealous, but rather feel the ambition to struggle to emulate their owners. Greed was good. This was the modern equivalent of religion: the new opium of the poor. If the lifestyle could not be afforded then borrow what was necessary and pay later. The huge increase in credit card debt was one of the causes of the economic crisis.

The super-rich often competed with each other in driving up the prices of the golden apples to extravagant heights, quite unrelated to the worth of what they sought. The best example was that of modern art as analysed by Tom Wolfe with such insight.³ He argued that the modern art market was controlled not by the merit of the creations but by the willingness of the Über-capitalists to compete to buy, and the success of dealers in talking up prices at auction. The inner compulsion was to demonstrate wealth. The exercise was like the parties of the tribal leaders of native North American Indians, such as the Kwakiutl, who celebrated their wealth by burning the items which to them were the most valuable, their exquisitely worked bark blankets. A really good party would confirm the wealth of the host by consuming all his stock of blankets and burning down his house! The market of modern art was just like this: the purpose of its buyers was to demonstrate wealth by consuming as much money as possible in its acquisition. The price paid did not reflect the merit of the art, but the wealth of the purchasers, who competed – and sometimes colluded – to drive up prices, though it impressed their friends.

It was not just that this stuff set the gold standard of possession. It also made it seem reasonable that those who succeeded in getting the golden

apples should be asked to tell others how to improve the way they performed. The business world began to encroach upon areas of the system of national culture and society in which it had previously played a minor role. Groups that believed that their members were obliged to each other for long-term support had to be made to recognize that those who did not pay could not stay. Monasteries and churches were still beyond the reach of such commercialization – just! But universities, some members of which still believed in an academic community, were increasingly dominated by the drive for output in the form of publications and student grades. The research exercises measured output mainly in terms of short-term impact, and teaching performance was subjected to quantitative evaluation, regardless of the benefit it conferred on the students in the long term. But universities competed, following the business ethic, on the level of grades awarded, and even reduced their standards so that the scores were higher.

It was decided to ask businessmen to take on a bigger role in managing the universities. Energized by the bench marks of the wealthy, politicians ruled that one of Britain's biggest success stories, its universities, were to be managed by business people, even though the track record of British businessmen, for most of the years since the Second World War was mediocre. Over and over again business people from outside the country were brought in to replace failing British managers. One commentator, in a fit of enraged insight, ironically commented that British managers as a class were so incompetent that companies only succeeded when they brought in managers from abroad.

Gordon Brown, then Chancellor of the Exchequer, was the driving force of this. He set up the Lambert Review which recommended that every university in the country should have a majority of people from business on its governing council. Oxford and Cambridge rejected the Lambert recommendations and successfully fought to keep a majority of academics on their councils. It was pleasing to note that one of the individuals who fought Oxford University on this was Sir Victor Blank, who later presided over the downfall of the bank LloydsTSB.⁴ Some of the individual businessmen who became involved were honourable men and women, but it was the golden apples of the Über-capitalists, rather than real business success, that made it seem a good idea.

The new orthodoxy was that companies owed no duty of care to their workers beyond what was necessary to maximize profits. In its extreme form any deceit could be justified to avoid trouble when workers needed to be fired.

Typical was the case of flight caterers Gate Gourmet, mentioned earlier. On 10 August 2005 this company called its workers to a general meeting in their coffee break and told them by megaphone that they were now fired and could not re-enter their workplace.⁵ Some cynics wondered where this would stop. Could even marriage be subject to performance criteria, and partners fired for poor performance? As suggested above this was indeed happening: the divorce rate for failing bankers went up significantly when the crisis struck.

Conspicuous success made it appear that commercial values were superior to any others and that the criteria of a good education should be that it qualified the student for commerce. There was of course a good case for having this as one of the points of education, but this was a dangerous game if pushed too far. G. K., Chesterton, the British novelist and essayist, commented that 'education is simply the soul of a society as it passes from one generation to another.' There was now the risk that this soul would be lost. It was a short step from arguing that students should be fit for business to assuming that the other purposes of education, such as acquiring cultural awareness, and a rounded understanding of the origins and potential of the modern world, were less important. The profit motive impinged on the curriculum.

The way this was done was subtle. The new education stressed the idea of transferable skills, which meant that something had to be extracted from the study of, for instance, history which could be transferred to other areas, such as that of business problems. This was fine, except that it should not be at the cost of understanding and knowing history. It was necessary to understand the historical process, how events led to other events and how the explanation of particular events had cultural and contextual dimensions. Instead teaching tended towards being less concerned with enlightenment, the highest form of learning, and more with lessons about how to cope. Like other subjects history was now often seen as a medium for teaching non-historical, though necessary skills, like the use of evidence, the use of statistics and other evidence and the ability to present arguments.

This was the picture with regard to the humanities. On the science side the picture was equally gloomy, and again the influence of business ethics was part of the problem. The government was well aware of the need for more students at the highest level in engineering, physics, chemistry and the other sciences: the government habitually diverted funds to the science and engineering faculties away from more highly rated arts and social science faculties. Yet in 2008–9 even a high status university like Imperial College

London had difficulty in finding enough acceptable candidates especially in engineering. The explanation for this, according to the government's own exams regulatory body – yet another quango – was the dumbing down of science at school level, especially at GCSE, which led schools with high-flying candidates to ditch this examination in favour of the International GCSE, which was at a higher standard.⁶

Why had this happened? The standards were lowered so that targets set by the government would be met. (There would be more science passes.) They had also gone down because the school examination boards, having been privatized, competed for custom. (A reputation for setting easier exams was likely to attract more candidates.) The schools also had targets to meet, so making science exams easier for their pupils suited them. Meeting these targets did not however help the universities, since even pupils who did well were not equipped to move on to the relevant higher school exams, the A levels in Chemistry and Physics and Biology. As a result there were too few qualified applicants. All in all the introduction of business approaches at school level, specifying target pass rates and encouraging the exam boards to compete with each other, led to fewer good scientists at the university level. It was a disaster.

The modern way of education led to a drift away from scholarly subjects. The practical skills, so useful for business, were stressed by the modern inspectors of schools, the government's agents in the form of the officials from OFSTED who were cordially disliked by teachers. There was a trend towards looking at themes in history at the expense of narrative,⁷ presumably because they could be selected more easily to fit today's needs. School children were encouraged to think that history was an option, rather than a core subject which was vitally necessary for understanding themselves and their place in the modern world. The time spent on history in the national curriculum was one hour per week, and fewer children continued with the subject in senior schools. Only 30 per cent now studied history for GCSE. Other subjects fared less well. Studying classics or languages at school was now unusual, and as a result university departments in these subjects were in trouble.

The business ethic in education is also shown by the obsession with testing, measuring and assessing in schools.⁸ As in business, children's progress had to be measured at every stage, as if they were toasters on a production line, at the cost of creativity and individualism. Those who did not measure up to the established criteria had to be put right or discarded. Dinah Birch reported

John Ruskin's view that such approaches to education risked turning man into 'an animated tool'.⁹ She commented that we need to learn to temper our 'unremitting scrutiny and testing' of children with some flexibility and allowance for individual creativeness. In the world of the super-rich, however, individual creativeness was only a good thing to the extent that it served the bottom line. Indeed unless properly channelled it was a bit of a risk.

The new techniques for quality control also illustrated the trend, pushed by the government, to develop more and more intrusive ways of measuring and checking performance. Much energy, and, indeed a whole new pseudo-science of quality assessment, involving such notions as bench marking, good practice, fit for purpose and due diligence, was devoted to developing ways of making the performance of professionals intelligible to non-professionals. This boiled down to making professionalism and specialization subservient to the default authority of the age, the business world. The new doctrine was based on the belief that professionals, including teachers, and also the whole range of the professions, were not to be trusted. They must be asked to explain themselves to the chap with the MBA. This had two unintended consequences: it demoralized professionals and it empowered the custodians of the purse. But it also diverted people away from doing what they were supposed to be doing to sitting in front of a computer checking boxes. This point was made in a whole range of areas in the mid-years of the first decade of the twenty-first century: teaching, the practice of medicine and even the practice of social services in caring for children at risk.¹⁰ Too often individual cases of child neglect went undetected even though the correct procedures, including 'best practice', had been followed.

Examples about the effect of new capitalist values on culture abounded. Letters to the *Independent* on 5 December 2007 were a response to the cutting back of provision to public libraries in Britain. There had been a weeding out of difficult or complex books in favour of more accessible reading. Following this policy Waltham Forest council had culled 239,344 books from their public libraries and sent them to the council incinerator. Professor Bob Usherwood of Sheffield University regretted the dumbing down of public libraries. He wrote: 'Importing a vacuous culture and tabloid values into public libraries is to betray their past and an abuse of public funds' (Letters Page, *The Independent*, 5 December 2007). The process of closing down public libraries continued: by the end of 2007, 40 more had been closed, with more to come (*The Independent*, 31 December 2007). The number of

professional librarians had also been sharply reduced. This vacuous culture was a product of modern capitalism, and the Über-capitalists were its flagship exemplars.

Universities found it necessary to increase their provision for teaching accountancy, economics and law, and competed to set up the factories of mumbo-jumbo called business schools.¹¹ Businessmen were flattered to be asked to finance institutions to pass on what they thought they knew. Universities found it more difficult to get funding for research which had no direct and obvious economic spin off, and indeed the HEFCE funding system for research in higher education actively discriminated against less directly useful research and favoured practical subjects. The results of the four-yearly research assessment exercises (RAE) in the universities, which were expensive and time consuming, were ignored.¹² Research centres which were acknowledged as outstanding were passed over for funding in favour of those whose work was more likely to produce profit. World ranking scientists had to constantly defend pure science in the face of the questions put by the ignorant: “what is it for? What profit can be made of it?”

In the 1960s the University of Warwick became the first university in the United Kingdom to deliberately cultivate close relations with the business world and set up its own business park. No doubt this was necessary. It paid the universities to bring in more high-fee paying students from overseas, and business courses and connections were attractive. But a very careful line had to be steered between keeping up pure, academic science, and creating business opportunity. Overall the values of the Über-capitalists came to impinge upon the educational system of the British from early schooling to advanced post-graduate research.

Some commentators placed the blame for the values of the class of new business people on the business schools. They argued that the Schools stressed the development of skills for creating wealth above all else, and played a part in developing some of the new financial instruments. Two books containing these criticisms were discussed in a piece in the online blog *Huffington Post*: Rakesh Khurana’s *From Higher Aims to Hired Hands*, and Henry Mintzberg’s *Managers not MBAs*. Mintzberg was a Professor of Management Studies at McGill University and Khurana was Professor at the Harvard Business School. Some of the flavour of the criticisms was conveyed in Khurana’s remark that the business school graduates too often do not ‘feel constrained by norms arising from a sense of moral responsibility, often playing fast and loose with

other individuals in relationships of trust and responsibility'. They were 'loose individuals who do not feel constrained by norms arising from social values such as fairness or equity'.¹³ Business schools also shared responsibility for the crisis in that they had trained managers to think of themselves as agents of the shareholders which 'absolved managements of any responsibility for anything other than financial results'.¹⁴

There were signs, such as British Prime Minister Gordon Brown's suggestion that Britishness should now be taught, that the British were being separated from their cultural heritage. (From their soul?) But those who wished to defend traditional educational values found themselves up against a position that was entrenched in government: that the lead should be given to what was needed for commercial success. David Kynaston described this as city cultural supremacy. 'In all sorts of ways (short-term performance, shareholder values, league tables) and in all sorts of areas (education, the NHS, and the BBC, to name but three), bottom-line city imperatives had been translated wholesale into British society.'¹⁵ It should be noted that these were the imperatives of people who were anxious to pay as little as they could get away with to the British state (see the accounts of the non-doms, Chapter 3 and *passim*).

Perhaps the worst example of the effects of introducing business practices into public services was that of Stafford Hospital, in the West Midlands, reported in March 2009. The management of the hospital was determined to cut costs and achieve targets – to focus on financial and performance targets – in order to achieve the privileged status of Foundation Hospital, regardless of health outcomes for patients. As a result of this policy it was estimated that death rates at the hospital were at least 27 per cent higher than they should have been, and there were between 400 and 1200 deaths more than the national average would have indicated in the period 2007–8. There were several aspects of this finding which needed investigation, not least the reason why it had taken so long to find out, and how many other comparable cases remained to be discovered.¹⁶ But the point to be stressed here is that the failures occurred because the conduct of the Stafford Hospital was driven entirely by the ethics of business. What mattered was the bottom line.¹⁷

It was hardly surprising that New Labour found it so easy to abandon central principles of the British legal system, or to fundamentally alter the British constitution, without undue protest. Government Ministers often showed little regard for the key principles of their democracy and its legal system.

Such matters were of lesser importance. More and more school leavers knew hardly anything about the history and geography of their country, or its regional and global context. Of course there were major and intractable problems to be solved, such as how to deal with the threat of terrorism and the economic crisis. But in the proposed solutions less regard was now paid to the cultural, democratic and legal norms, than would have been the case twenty-five years earlier. Indeed the main causes of the economic crisis can be traced at least in part to the values which the *Über-capitalists* represented. The damage was due to the impact, direct and indirect, of the new capitalism. The new security problems happened to coincide with this. The way in which the problem of terrorism was tackled also bore the imprint of the values of business, indirectly in a disregard for traditional freedoms and constitutional principles.

Über-capitalism and politics

Under the instruction of the *Über-capitalists*, companies tended to become more concentrated. Takeovers became a primary form of economic activity, dominating the pages of the financial and business press. Companies also tended to take on the colouration of the whole. Successful companies tended to become more like each other and to duplicate each others business. It was likely that a successful company would sooner or later set itself up as a bank with all the opportunities that provided (see Chapter 5). Richard Branson's empire set up as a bank; Sainsbury's, which had been a high-class grocer, became a bank, as indeed did their main rival Tesco. With few exceptions successful companies, be they banks or supermarkets, were also determined to become global players. This was made possible by the de-regulation of the banking system and sustained by the view that to be really successful all companies had to move in into Casino Capitalism. They all wanted to be everywhere and to be everything.

This was linked with the process of moving business closer to government. Governments of the Right and the Left, or somewhere in between, began to take on businessmen like left wing governments once took on union leaders. When he became Prime Minister in 2007 Gordon Brown adopted this strategy by including non-elected businessmen like Digby Jones, previously head of the Confederation of British Industry, as one of his ministers. Jones did not apparently feel that his capitalist values would be compromised by such a move. This was natural because politicians of all persuasions were fascinated

by the super-rich and once in office tended to seek out their company. David Blunkett, a remarkable blind man who became a New Labour Minister, had been a firebrand Labour left winger in local politics in the northern English city of Sheffield. When Labour formed a government, and he became a minister, it did not take long for him to acquire high profile business friends in the capital's smart set. There were many examples of shady super-rich businessmen making large donations to New Labour and its senior politicians. This became an on-going scandal in 2007–8.

This was typical of new Labour politicians as much as Conservatives. Über-capitalists and top politicians had a lot in common. Indeed Über-capitalists wished to become Über politicians, as successful politicians wished to become Über-capitalists. In consequence it became more difficult for democratic governments to hold to the centre ground. Centre left governments were pushed to the right because of the company they kept. Conservative governments either had to follow them and occupy the same political space or move to the extreme right. In Latin America politics had always been highly polarized and part of the reason for this was the existence of a class of super-rich and its opposite, a class of super-poor. This development weakened democracy because whichever government was returned to power was likely to have to compromise with big business and the preferences of the rich under pressure from the United States. Those who did not faced a continuing risk of covert intervention from their northern neighbour. There were of course some differences in the practices of right and left wing governments in power, but there were also remarkable similarities. There were overwhelming pressures to make friends with the super-rich.

The connection of political and business elites with each other across national frontiers helped to explain the increasing gap between the rhetoric and the practice of politics. In Britain and the United States the rhetoric was still about freedoms, the upholding of the law and the principles of the constitution, democracy, civic virtue and the like. In both countries these principles were still a part of the national ideology and were the common currency of political discourse. But alongside the rhetoric were practices which challenged it. In the United States elections went to the richest and best organized, blocs of voters were disenfranchised, constituencies were gerrymandered to ensure a majority and the election techniques of the likes of Karl Rove were used to win elections. Some wondered whether such a system deserved to be called democratic. In Britain the principles of the constitution were dispensed with

to suit the needs of the moment, public enquiries were carefully managed to get the required result, news was fitted to the chosen agenda and election spinning techniques imported from America were used by both the main parties. On the one side was a rhetoric which reflected the highest level of national political values. On the other was an altogether less praiseworthy practice which politicians picked up from colleagues in other countries.

Über-capitalism was not picky in its decisions about the areas of the economy in which it should invest. On the invitation of new Labour it moved into partnership with the government in the building of schools and hospitals, as discussed in Chapter 3. It was also quite happy to move into the area of social provision if a buck could be made. By 2007 it was taking over various areas of social welfare provision in Britain, such as orphanages and old peoples' homes. The Blackstone and 3i private equity groups bought and sold their elderly care businesses for considerable profit, and there was massive interest in new investment in the area from funds such as the Qatari sovereign fund (*The Observer*, 4 November 2007). This investment was seen as promising because of the increasing number of elderly in Britain and the supply of cheap labour from Eastern Europe. Security companies like G4 moved into the business of airport security, and in Iraq a number of private security companies were hired to look after the security of soldiers.

Private takeover of old people's homes promoted a regime of constant change and disturbance in which homes were sold on, assets stripped, support staff dismissed and if necessary patients moved on to other places as dictated by the imperative of maximizing gain. No gain without pain! The elderly became commodities open for commercial exploitation. In Britain this was the most recent expression of a tendency that went back to Mrs Thatcher's government in the 1980s when the government decided that there should be private jails. There were now companies which benefited from crime and had an interest in seeing it increase. They could now benefit from the increasing frailties of society. National and international capitalism began to cherry pick social provision in Britain when it thought a profit could be made. Capitalists, especially the city traders, had learned how to profit when the capitalist system mal-functioned, and now they were finding ways of profiting from the malfunctions of society.

Time spent in public service could be useful for those planning the entry of private capital into the public provision. Simon Stevens had been a manager of Guy's Hospital in London and an advisor on the National Health

Service (NHS) to Tony Blair. After leaving office he became a senior figure in UnitedHealth(sic) a company that was a growing player in the US health insurance market. His contribution to date – 2009 – to the British NHS was the taking over of two GP practices in Derbyshire, but more was to come. The company had also been given permission by the government to bid for much bigger contracts from primary care trusts. Stevens was naturally a persuasive defender of the ways of privatized medicine, careful to admit that American ways to health had their problems, but also to insinuate that the strengthening of insurance-based medicine in the United Kingdom could bring benefits. One of the problems was that in the United States insurance rates were increasing so fast that half of all personal bankruptcies in the United States in 2006 were due to patients being unable to pay medical bills (Jo Revill, writing in *The Observer*, 11 November 2007). Even those who had a plan often found they were not covered. A deft touch by Stevens was to let it be known that the NHS could not be reformed without such private entryism. This was a sophisticated point. The NHS learning curve could provide fat consultancy fees for specialists such as Stevens.

John Gray pointed out that the effect of introducing the market into everything was to undermine the trust of individuals in the state, and threaten the professionalism of its servants. ‘Wherever possible services should be out-sourced and labour costs reduced to a minimum by the use of information technology. Honed in new right and New Labour think-tanks in the Nineties, this is the orthodoxy that has given us the British state as we have it today, an impenetrable chaos that ministers or watchdog bodies are unable to control.’¹⁸ This was the way in which modern capitalists had affected the way we were. It was blindingly obvious that the need to maximize profits was hardly likely to support or improve standards.

The market in everything?

In the sixteenth and seventeenth centuries mercantilists proposed that the amount of wealth in the world was finite and that economics was about struggling to increase one's share. Such a view fitted with a world in which economic competition often took the form of struggling to plunder the precious metals of Latin America, often by legalized piracy on the high seas. Adam Smith challenged this view when he wrote in the late eighteenth century that there was an invisible logic to the competitiveness inherent in capitalism according to which we all gained. This was what he called

the hidden hand. Free market economics actually increased the size of the pie, and the economic struggle in which each of us thought only of our own interest actually helped everyone. Economic competition increased the size of the pie. There was a kind of miracle in the mutual benefit of what, viewed narrowly, appeared as merely a struggle to gain wealth for oneself.

This was the liberal view of economics which had prevailed since Adam Smith wrote his epic treatise. But by the first decade of the twenty-first century there was evidence to suggest that mercantilism had re-entered the new capitalism, in that the factors that produced poverty were inherent in those that produced wealth. The Adam Smith argument was often misunderstood as giving free rein to the market. But if it was unregulated liberal capitalism naturally turned into mercantilism, since the drive to business success necessarily led eventually to a zero-sum relationship with other players. One side always wanted to win and to take all from the losers. The effects of this drive were all too clear when it came to dealing with the economic crisis in 2008 and 2009: the damage done by the rich, who were determined to cling on to their ill-gotten gains, had to be put right out of the pockets of everybody else. It was only the regulated market that could prevent this and protect the hidden hand.

Some people got richer because others got poorer, exactly as Spain had got poorer when British and Dutch seamen took their gold. The number of absolute poor had increased in the age of globalization and the difference between the income of the top 10 per cent and the bottom 10 per cent had greatly increased. There was an increasing struggle for essential raw materials like oil and water, the new gold. Modern states made deals to secure supplies of these, and to gain access to markets, at the expense of others, no matter how awful the human rights records of the partner states, just as the English and Dutch had fought for Spanish gold. The wealth of the metropolitan areas in developed countries contributed directly to the poverty of others, as when house prices were forced beyond the reach of locals by the competition for second homes. The terms of trade inevitably meant that those who produced commodities got poorer in the system of international trade because the price of commodities never increased as fast as that of manufactured goods. Indeed it was difficult to identify any location producing commodities, be they water, oil, diamonds or sapphires, where local populations had drawn any benefit. Wealth did not trickle down, which was the hopeful fallacy of right wing economists, but was rather siphoned off or drawn into the richer areas. This was the new mercantilism.

The modern system of capitalism was therefore a way of keeping people out. As it became unacceptable to oppose immigration for reasons of race, so it became more fashionable to resist immigration for economic reasons. Immigrants, no matter how productive, and no matter how much they contributed to the public purse through taxation, were seen in the pages of the right wing press to be here to steal our wealth, that is, unless they were visibly of the super-rich. Why this view became a commonplace was hard to explain except in terms of the all embracing mercantilist drive to get all the pies for oneself, another product of the dominance of business values. But it led British political parties to compete on the toughest policies on immigration. In the United States policy on immigration led to an extraordinary conflict among right wing members of the Republican party. On the one hand the right wanted to throw out all the illegal immigrants. On the other the right also wanted them to stay to provide cheap labour for fast food cafes, car washes and fruit picking. The rich right wingers who housed Mexican servants in their sheds wished the issue would just go away.

Conclusion

In the period after the end of the Cold War the capitalist system changed. The developments referred to, often very imprecisely, as globalization included the increased interconnectedness of the parts of the international economy, the increased scale and mobility of finance through the system, a declining ability of public authorities to understand and regulate what was going on and the appearance of increasing numbers of super-rich, who attached or separated themselves from the world's major cities as they saw fit. Of course these changes helped to increase the total amount of wealth, and increasing numbers benefited from this. But the development also had powerful social and cultural consequences.

The level of unfairness in society, as described in the first chapter, increased, and even more insidiously the values of the new capitalism weakened the public's hold on civil and cultural values. What was particularly unpleasant was that the new values led to the more common perception that community should be replaced wherever possible by a more competitive society. Mrs Thatcher famously said that there was no such thing as society: what she might more accurately have said was that there should be no such thing as community. She advocated the universal application of the principles of market competition even in institutions that were more communities than

societies. As already said, if you could not pay you could not stay. Her values would have favoured the view that every institution and individual should pay its way, that all interactions should be subject to cost–benefit analysis and that nowhere should be beyond the reach of those who were seeking profit. Her ideology led directly to a situation in which good companies, which tried to treat their workers well, were being pushed out by bad companies like Wal-Mart which treated their workers without respect.

Free market economics and the civilized state were deeply incompatible. Without regulation the free market was inevitably dominated and exploited by Über-capitalists for whom cultural values and human rights were toys. It was not just the system, but also the people. Money making was essentially an anti-cultural activity. Even though it might be used to support the arts it was important to keep it separate lest it contaminate and debase the product. In an age when it had become the sole virtue, it was likely that culture would be damaged. The Über-rich naturally strove above all else to obtain power and money. They also had the ability to put a surprisingly low price on human suffering.

Über-capitalism had become both powerful and pervasive. This was the Gordon Gecko world.¹⁹